



**SOUTH DAKOTA
BOARD OF ACCOUNTANCY**
 301 E. 14th Street, Suite 200
 Sioux Falls, SD 57104
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Agenda
 South Dakota Board of Accountancy Meeting
 Conference Call
 9:00 a.m. (CT)
 November 5, 2015

A=Action	
D=Discussion	
I=Information	Page
A-Approval of Minutes of Meeting August 14, 2015.....	2-4
A-Approval of Certificates and Firm Permits.....	5-6
A-Financial Statements through August 2015.....	7-15
A-Report to Board on Grades.....	16-17
D-Executive Director's Report.....	18
 AICPA	
D-Next Uniform CPA Exam Exposure Draft (comments due by November 30, 2015).....	19-124
NASBA Response.....	125-131
 EXECUTIVE SESSION	
Equivalent Reviews, South Dakota Reviews and follow-ups for Board Approval.....	Spt. Pkt.
 FUTURE MEETING DATES (all times CT)	
December 10 – 9:00 Conference Call	



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South Dakota Board of Accountancy Meeting
Minutes of Meeting
Holiday Inn Downtown – Cascade Room
August 14, 2015

The Board of Accountancy held a meeting at the Holiday Inn Downtown – Cascade Room in Sioux Falls, SD on Monday, August 14, 2015. Chair John Mitchell called the meeting to order at 8:27 a.m.

The following members were present: Holly Brunick, John Linn, Jr., John Mitchell, Jeff Smith, Marty Guindon, and David Pummel. A quorum was present.

Also present were Nicole Kasin, Executive Director; Julie Iverson, Senior Secretary; Aaron Arnold, Legal Counsel and Department of Labor & Regulation; and Colleen Conrad, NASBA Executive VP and COO.

A motion was made by John Linn, Jr. and seconded by Marty Guindon to approve the election of Board officers as follows: David Pummel -Chair, Holly Brunick -Vice Chair, and Jeff Smith-Secretary/Treasurer. The motion unanimously carried.

Chair David Pummel asked if there were any additions to the agenda. The following were added:
Additions to Certificates
Additions to Financial Statements through July 2015
Additions to Peer Review

A motion was made by Marty Guindon and seconded by Jeff Smith to approve July 7, 2015, meeting minutes. The motion unanimously carried.

A motion was made by John Linn, Jr. and seconded by Holly Brunick to approve the issuance of individual certificates and firm permits through August 12, 2015. The motion unanimously carried.

A motion was made by Jeff Smith and seconded by Marty Guindon to approve the financial statements through July 2015. The motion unanimously carried.

The Board discussed the annual meeting for NASBA which will be held October 25-28, 2015. The location of the meeting will be in Dana Point, CA.

A motion was made by John Linn, Jr. and seconded by Jeff Smith to approve travel for three board members. The motion unanimously carried. The Executive Director will submit the necessary documents for travel.

The Board reviewed and discussed the FY17 proposed budget. Chair Pummel noted that the proposed budget is intentionally a deficit budget.

A motion was made by John Linn, Jr. and seconded by John Mitchell to approve the FY17 budget as amended. The motion unanimously carried.

The Board discussed the request from a firm on a name change.

A motion was made by John Mitchell and seconded by Jeff Smith to approve the firm name change. The motion unanimously carried.

Executive Director Kasin discussed her report on online renewal statistics, database updates, and the board newsletter.

Colleen Conrad, NASBA Executive VP and COO made a presentation to the board on the AICPA Exposure Draft for the next version of the CPA exam coming out on September 1, 2015.

Hearing at 10:12 a.m. for Jerry Noonan

Present were Board Legal Counsel Aaron Arnold, Board Chair David Pummel, Vice Chair Holly Brunick, Secretary-Treasurer Jeff Smith, Board Members John Mitchell, John Linn, Jr., and Marty Guindon. Others present were staff members Nicole Kasin, Executive Director; Julie Iverson, Senior Secretary; and Jerry Noonan.

Board Legal Counsel Aaron Arnold presented the Board's case. Jerry Noonan represented himself at the hearing and presented his case. The Board closed the hearing at 1:00 p.m.

Hearing 1:07 p.m. for Scott Van Den Hemel

Present were Board Legal Counsel Aaron Arnold, Board Chair David Pummel, Vice Chair Holly Brunick, Secretary-Treasurer Jeff Smith, Board Members John Mitchell, John Linn, Jr., and Marty Guindon. Others present were staff members Nicole Kasin, Executive Director; Julie Iverson, Senior Secretary; and Scott Van Den Hemel.

Board Legal Counsel Aaron Arnold presented the Board's case. Scott Van Den Hemel represented himself at the hearing and presented his case. The Board closed the hearing at 1:25 p.m.

A motion was made by Marty Guindon and seconded by Jeff Smith to enter into executive session for the purpose of deliberation on the Scott Van Den Hemel case. John Linn, Jr. recused himself for personal conflict. The motion carried (5 ayes, 1 recused-Linn).

The Board came out of executive session.

A motion was made by John Mitchell and seconded by Holly Brunick to deny the reinstatement of Scott Van Dem Hemel's license based on ARSD 20:75:06:02 and to refund the hearing fee of \$1000. The motion carried (5 aye; 1 abstained-Linn). Aaron Arnold will prepare the findings of fact, conclusions of law and order.

The following people with the South Dakota CPA Society joined the meeting at 2:14 p.m.: Laura Coome, JoLynn Sorum, Mark Hopfinger and Amy Bourne.

The Board and representatives from the SD CPA Society discussed the Executive Summary and Recommended Revisions to the CPE Standards jointly issued by the AICPA and NASBA.

At 2:57 p.m. and the following people left the meeting: Laura Coome, JoLynn Sorum, Mark Hopfinger, and Amy Bourne.

The Board discussed NASBA's Board of Directors meeting minutes from April 24, 2015 and July 17, 2015; and responses to Regional Directors' Focus questions due October 5, 2015.

A motion was made by John Linn, Jr. and seconded by John Mitchell to enter into executive session for the deliberative process for peer reviews and follow-ups. The motion unanimously carried.

The Board came out of executive session.

A motion was made by Holly Brunick and seconded by John Linn, Jr. to accept the peer reviews and follow-ups as discussed in executive session. The motion unanimously carried.

Holly Brunick left the meeting at 3:30.

A motion was made by John Linn, Jr. and seconded by Jeff Smith to enter into executive session for the deliberative process for the Jerry Noonan case. The motion carried (5 ayes, 1 excused-Brunick).

The Board came out of executive session.

A motion was made by John Linn, Jr. and seconded by John Mitchell that Mr. Noonan did not supply qualifying continuing education documentation in compliance with rule 20:75 for the fiscal years ending 6/30/13 and 6/30/14. He is assessed a penalty of \$100 per year for a total of \$200 which must be paid within 30 days of the signed order. In addition, he will have 90 days to obtain the 6 hours required to bring 6/30/13 and 6/30/14 into compliance as well as the additional hours needed to bring 6/30/15 into compliance of the signed order. Noonan will be required to submit proof of completion for all claimed CPE courses taken within the 90 day extension. The motion carried (5 ayes, 1 excused-Brunick). Aaron Arnold will prepare the findings of fact, conclusions of law and order.

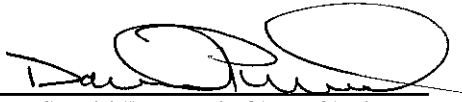
FUTURE MEETING DATES (all times CT)

November 5, 2015 - 9:00 a.m. conference call

December 10, 2015 - 9:00 a.m. conference call

A motion was made by John Linn, Jr. and seconded by John Mitchell to adjourn the meeting. The motion carried (5 ayes, 1 excused – Brunick).

All business having come before the board was concluded and Chair Pummel adjourned the meeting at 4:18 p.m.




David Pummel, CPA, Chair

Attest:



Nicole Kasin, Executive Director



Jeff Smith, CPA, Sec/Treas

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES
BOARD COPY**

Issued Through October 29, 2015

Number	Name	Date Issued	Location
3221	Sheila Lynn Volek	8/19/15	Sioux Falls, SD
3222	Joei Lynn Tieman	9/02/15	Sturgis, SD
3223	Erin Evelyn Barnum	9/15/15	Pierre, SD
3224	Jennifer Katherine Andersen	9/17/15	Indianapolis, IN
3225	Kristal Marie Hamm	9/24/15	Piedmont, SD
3226	Kari Jo Johnson	9/29/15	Buffalo, SD
3227	Ryan Thomas Weigel	9/30/15	Aberdeen, SD
3228	Anita Brook Hansen	10/02/15	Rapid City, SD
3229	Nancy Rose Whitney	10/07/15	Big Stone City, SD
3230	Tyler Garrett Wedel	10/13/15	Mitchell, SD

**FIRM PERMITS TO PRACTICE PUBLIC ACCOUNTANCY
BOARD COPY**

**Issued Through
October 29, 2015**

Number	Name	Date Issued	Basis/Comments
1655	Habif, Arogeti & Wynne LLP Atlanta, GA	09/01/15	New Firm
1656	RSM US LLP Minneapolis, MN	10/26/15	Name Change

BA1409R1

STATE OF SOUTH DAKOTA
CASH CENTER BALANCES
AS OF: 08/31/2015

PAGE 125

AGENCY: 10 LABOR & REGULATION
BUDGET UNIT: 1031 BOARD OF ACCOUNTANCY

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	467,202.14	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			467,202.14	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			467,202.14	DR **	
BUDGET UNIT TOTAL 1031			467,202.14	DR ***	

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 08/31/2015

AGENCY BUDGET UNIT CENTER-5	10 10310	LABOR & REGULATION BOARD OF ACCOUNTANCY BOARD OF ACCOUNTANCY	COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
COMPANY NO 6503 COMPANY NAME PROFESSIONAL & LICENSING BOARDS													
6503	1031000061802	51010100			CGEX150812		08/14/2015					2,452.54	DR
	OBJSUB:	5101010			F-T EMP SAL & WAGES							2,452.54	DR *
6503	1031000061802	51010200			CGEX150812		08/14/2015					979.32	DR
	OBJSUB:	5101020			P-T/TEMP EMP SAL & WAGES							979.32	DR *
	OBJECT:	5101			EMPLOYEE SALARIES							3,431.86	DR **
6503	1031000061802	51020100			CGEX150812		08/14/2015					250.11	DR
	OBJSUB:	5102010			QAST-EMPLOYER'S SHARE							250.11	DR *
6503	1031000061802	51020200			CGEX150812		08/14/2015					205.25	DR
	OBJSUB:	5102020			RETIREMENT-ER SHARE							205.25	DR *
6503	1031000061802	51020600			CGEX150812		08/14/2015					702.42	DR
	OBJSUB:	5102060			HEALTH/LIFE INS. -ER SHARE							702.42	DR *
6503	1031000061802	51020800			CGEX150812		08/14/2015					2.74	DR
	OBJSUB:	5102080			WORKER'S COMPENSATION							2.74	DR *
6503	1031000061802	51020900			CGEX150812		08/14/2015					1.34	DR
	OBJSUB:	5102090			UNEMPLOYMENT COMPENSATION							1.34	DR *
	OBJECT:	5102			EMPLOYEE BENEFITS							1,161.86	DR **
	GROUP:	51			PERSONAL SERVICES							4,593.72	DR ***
6503	1031000061802	52032300			CGEX150804		08/05/2015					48.84	DR
	OBJSUB:	5203230			AUTO-PRIV. (OUT-STATE) H/R							48.84	DR *
6503	1031000061802	52033200			CGEX150804		08/05/2015					31.00	DR
	OBJSUB:	5203320			INCIDENTALS-OUT-OF-STATE							31.00	DR *
6503	1031000061802	52033500			CGEX150804		08/05/2015					68.00	DR
	OBJSUB:	5203350			NON-TAXABLE MEALS/OUT-ST							68.00	DR *
	OBJECT:	5203			TRAVEL							147.84	DR **
6503	1031000061802	52041800			DP607099		08/26/2015					430.45	DR
	OBJSUB:	5204180			COMPUTER SERVICES-STATE							430.45	DR *
6503	1031000061802	52041800			DP607099		08/26/2015					228.00	DR
	OBJSUB:	5204180			COMPUTER SERVICES-STATE							228.00	DR *
6503	1031000061802	52042200			IN203908		08/12/2015					72.32	DR
	OBJSUB:	5204220			CENTRAL SERVICES							72.32	DR *
6503	1031000061802	52042300			16-018 JUL15		08/12/2015					126.55	DR
	OBJSUB:	5204230			EQUIPMENT SERV & MAINT							126.55	DR *

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 08/31/2015

AGENCY	UNIT	LABOR & REGULATION	BOARD OF ACCOUNTANCY	BOARD OF ACCOUNTANCY	COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPL OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
10	10310	LABOR & REGULATION	BOARD OF ACCOUNTANCY	BOARD OF ACCOUNTANCY											
6503	103100061802	5204230	JANITORIAL & MAINT SERV	62756					08/07/2015	00228301	ELBOCOMPVT	12124520		126.55	DR *
6503	103100061802	5204340	COMPUTER SOFTWARE MAINT						08/14/2015	02127691	MCGINNISRO	12074040		614.50	DR *
6503	103100061802	5204490	ACCOUNTRENT2015						08/14/2015	02127691	MCGINNISRO	12074040		1,269.45	DR *
6503	103100061802	5204490	ACCOUNTRENT2015						08/31/2015	02130744	MCGINNISRO	12074040		1,269.45	DR *
6503	103100061802	5204490	ACCOUNTRENT2015						08/05/2015	00226833	MIDCONTINE	12023782		1,269.45	DR *
6503	103100061802	5204530	RENTS-PRIVATE OWNED PROP.						08/05/2015	00227719	ATTMOBILLIT	12279233		95.00	DR *
6503	103100061802	5204530	RENTS-PRIVATE OWNED PROP.						08/05/2015	00227719	ATTMOBILLIT	12279233		28.00	DR *
6503	103100061802	5204530	RENTS-PRIVATE OWNED PROP.						08/05/2015	00227719	ATTMOBILLIT	12279233		27.99	DR *
6503	103100061802	5204530	TELECOMMUNICATIONS SVCS						08/05/2015	02127800	XCELENERGY	12023853		150.99	DR *
6503	103100061802	5204540	ELECTRICITY						08/07/2015	00228073	ECOWATER	12035896		43.20	DR *
6503	103100061802	5204560	WATER						08/14/2015	241510				22.35	DR *
6503	103100061802	5204740	BANK FEES AND CHARGES						08/31/2015	00233387	NATLASSNST	12005047		3,213.94	DR *
6503	103100061802	5204960	OTHER CONTRACTUAL SERVICE						08/31/2015	02130484	BROWNSBENG	12028533		9,743.72	DR *
6503	103100061802	5205028	OFFICE SUPPLIES						08/12/2015					15,915.47	DR **
6503	103100061802	5228000	OPER TRNGS OUT -NON BUDGT											379.99	DR *
6503	103100061802	5228000	NONOP EXP/NONBGTD OP TR											379.99	DR **
6503	103100061802	5228000	OPERATING EXPENSES											536.09	DR *
6503	103100061802	5228000	OPER TRNGS OUT -NON BUDGT											536.09	DR **
6503	103100061802	5228000	NONOP EXP/NONBGTD OP TR											16,979.39	DR **
6503	103100061802	5228000	OPERATING EXPENSES											21,573.11	DR **
6503	103100061802	5228000	OPERATING EXPENSES											21,573.11	DR **
6503	103100061802	5228000	OPERATING EXPENSES											21,573.11	DR **

South Dakota Board of Accountancy
Balance Sheet
As of August 31, 2015

	Aug 31, 15
ASSETS	
Current Assets	
Checking/Savings	
1130000 · Local Checking - Great Western	384.53
1140000 · Pool Cash State of SD	467,202.14
Total Checking/Savings	467,586.67
Other Current Assets	
1131000 · Interest Income Receivable	4,710.31
1213000 · Investment Income Receivable	1,058.55
Total Other Current Assets	5,768.86
Total Current Assets	473,355.53
Fixed Assets	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-140,063.23
Total 1670000 · Computer Software	0.00
Total Fixed Assets	0.00
TOTAL ASSETS	473,355.53
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2110000 · Accounts Payable	5,312.22
Total Accounts Payable	5,312.22
Other Current Liabilities	
2430000 · Accrued Wages Payable	7,478.29
2810000 · Amounts Held for Others	23,133.63
Total Other Current Liabilities	30,611.92
Total Current Liabilities	35,924.14
Long Term Liabilities	
2960000 · Compensated Absences Payable	16,686.44
Total Long Term Liabilities	16,686.44
Total Liabilities	52,610.58
Equity	
3220000 · Unrestricted Net Assets	255,748.81
3900 · Retained Earnings	49,465.22
Net Income	115,530.92
Total Equity	420,744.95
TOTAL LIABILITIES & EQUITY	473,355.53

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
 July through August 2015

	Jul - Aug 15	Budget	\$ Over Budget	% of Budget
5204220 · Equipment Service & Maintenance	3.75	300.00	-296.25	1.3%
5204230 · Janitorial/Maintenance Services	253.10	1,560.00	-1,306.90	16.2%
5204340 · Computer Software Maintenance	614.50	2,000.00	-1,385.50	30.7%
5204360 · Advertising-Newspapers	0.00	1,000.00	-1,000.00	0.0%
5204440 · Newsletter Publishing	0.00	1,100.00	-1,100.00	0.0%
5204460 · Equipment Rental	745.00	4,000.00	-3,255.00	18.6%
5204480 · Microfilm and Photography	0.00	0.00	0.00	0.0%
5204490 · Rents Privately Owned Property	2,538.90	15,234.00	-12,695.10	16.7%
5204510 · Rent-Other	0.00	500.00	-500.00	0.0%
5204530 · Telecommunications Services	507.11	3,500.00	-2,992.89	14.5%
5204540 · Electricity	67.30	865.00	-797.70	7.8%
5204560 · Water	22.35	240.00	-217.65	9.3%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	3,415.73	6,000.00	-2,584.27	56.9%
5204960 · Other Contractual Services	0.00	0.00	0.00	0.0%
5205020 · Office Supplies	411.17	2,000.00	-1,588.83	20.6%
5205028 · OFFICE SUPPLIES-2	0.00	0.00	0.00	0.0%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	48.30	1,000.00	-951.70	4.8%
5205330 · Supplemental Publications	0.00	700.00	-700.00	0.0%
5205340 · Microfilm Supplies/Materials	0.00	0.00	0.00	0.0%
5205350 · Postage	0.00	2,500.00	-2,500.00	0.0%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	85.00	4,800.00	-4,715.00	1.8%
5207950 · System Development	0.00	1,000.00	-1,000.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	834.11	7,400.00	-6,565.89	11.3%
5228030 · Depreciation Expense	0.00	0.00	0.00	0.0%
Total Expense	34,829.08	259,800.00	-224,970.92	13.4%
Net Ordinary Income	115,530.92	-25,280.00	140,810.92	-457.0%
Net Income	115,530.92	-25,280.00	140,810.92	-457.0%

South Dakota Board of Accountancy
PREVIOUS YEAR MONTHLY COMPARISON
August 2015

	Aug 15	Aug 14	\$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	225.00	125.00	100.00	80.0%
4293551 · Certificate Renewals-Active	6,150.00	6,200.00	-50.00	-0.8%
4293552 · Certificate Renewals-Inactive	1,700.00	2,100.00	-400.00	-19.1%
4293553 · Certificate Renewals-Retired	110.00	150.00	-40.00	-26.7%
4293554 · Initial Firm Permits	0.00	200.00	-200.00	-100.0%
4293555 · Firm Permit Renewals	1,000.00	1,610.00	-610.00	-37.9%
4293557 · Initial Audit	30.00	60.00	-30.00	-50.0%
4293558 · Re-Exam Audit	150.00	120.00	30.00	25.0%
4293561 · Late Fees-Certificate Renewals	2,300.00	2,250.00	50.00	2.2%
4293563 · Late Fees-Firm Permit Renewals	350.00	150.00	200.00	133.3%
4293564 · Late Fees-Peer Review	100.00	0.00	100.00	100.0%
4293566 · Firm Permit Owners	4,710.00	7,275.00	-2,565.00	-35.3%
4293567 · Peer Review Admin Fee	75.00	0.00	75.00	100.0%
4293568 · Firm Permit Name Change	0.00	50.00	-50.00	-100.0%
4293569 · Initial FAR	30.00	120.00	-90.00	-75.0%
4293570 · Initial REG	0.00	30.00	-30.00	-100.0%
4293571 · Initial BEC	0.00	30.00	-30.00	-100.0%
4293572 · Re-Exam FAR	60.00	30.00	30.00	100.0%
4293573 · Re-Exam REG	0.00	60.00	-60.00	-100.0%
4293574 · Re-Exam BEC	60.00	180.00	-120.00	-66.7%
Total Income	<u>17,050.00</u>	<u>20,740.00</u>	<u>-3,690.00</u>	<u>-17.8%</u>
Gross Profit	17,050.00	20,740.00	-3,690.00	-17.8%
Expense				
5101010 · F-T Emp Sal & Wages	2,452.54	6,138.00	-3,685.46	-60.0%
5101020 · P-T/Temp Emp Sal & Wages	979.32	3,997.23	-3,017.91	-75.5%
5101030 · Board & Comm Mbrs Fees	0.00	420.00	-420.00	-100.0%
5102010 · OASI-Employer's Share	250.11	763.61	-513.50	-67.3%
5102020 · Retirement-ER Share	205.25	608.12	-402.87	-66.3%
5102060 · Health /Life Ins.-ER Share	702.42	3,233.25	-2,530.83	-78.3%
5102080 · Worker's Compensation	2.74	6.09	-3.35	-55.0%
5102090 · Unemployment Insurance	1.34	4.57	-3.23	-70.7%
5203020 · Auto-Private-Ownes Low Mileage	207.92	180.80	27.12	15.0%
5203030 · In State-Auto- Priv. High Miles	597.92	694.86	-96.94	-14.0%
5203100 · In State-Lodging	314.60	340.50	-25.90	-7.6%
5203120 · In State-Incidentals to Travel	20.00	10.00	10.00	100.0%
5203140 · InState-Tax Meals Not OverNigt	9.00	0.00	9.00	100.0%
5203150 · InState-Non-Tax Meals OverNigt	170.00	198.00	-28.00	-14.1%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204180 · Computer Services-State	87.00	0.00	87.00	100.0%
5204181 · Computer Development Serv-State	343.45	0.00	343.45	100.0%
5204200 · Central Services	228.00	173.38	54.62	31.5%
5204220 · Equipment Service & Maintenance	1.32	7.48	-6.16	-82.4%
5204230 · Janitorial/Maintenance Services	126.55	122.86	3.69	3.0%
5204460 · Equipment Rental	674.00	654.00	20.00	3.1%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204510 · Rent-Other	0.00	230.80	-230.80	-100.0%
5204530 · Telecommunications Services	150.99	275.88	-124.89	-45.3%
5204540 · Electricity	24.10	46.94	-22.84	-48.7%
5204560 · Water	0.00	22.35	-22.35	-100.0%
5204740 · Bank Fees and Charges	3,209.44	2,179.88	1,029.56	47.2%
5205020 · Office Supplies	411.17	0.00	411.17	100.0%
5205320 · Printing/Duplicating/Binding Co	31.05	33.00	-1.95	-5.9%
5228000 · Operating Transfers Out-NonBudg	536.09	377.98	158.11	41.8%
5228030 · Depreciation Expense	0.00	1,005.94	-1,005.94	-100.0%
Total Expense	<u>16,205.77</u>	<u>26,194.97</u>	<u>-9,989.20</u>	<u>-38.1%</u>
Net Ordinary Income	844.23	-5,454.97	6,299.20	115.5%
Net Income	<u>844.23</u>	<u>-5,454.97</u>	<u>6,299.20</u>	<u>115.5%</u>

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
 July through August 2015

	Jul - Aug 15	Jul - Aug 14	\$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	375.00	325.00	50.00	15.4%
4293551 · Certificate Renewals-Active	48,350.00	57,350.00	-9,000.00	-15.7%
4293552 · Certificate Renewals-Inactive	14,350.00	19,800.00	-5,450.00	-27.5%
4293553 · Certificate Renewals-Retired	600.00	970.00	-370.00	-38.1%
4293554 · Initial Firm Permits	0.00	300.00	-300.00	-100.0%
4293555 · Firm Permit Renewals	11,000.00	13,960.00	-2,960.00	-21.2%
4293557 · Initial Audit	120.00	90.00	30.00	33.3%
4293558 · Re-Exam Audit	270.00	330.00	-60.00	-18.2%
4293561 · Late Fees-Certificate Renewals	2,350.00	2,250.00	100.00	4.4%
4293563 · Late Fees-Firm Permit Renewals	350.00	250.00	100.00	40.0%
4293564 · Late Fees-Peer Review	200.00	250.00	-50.00	-20.0%
4293566 · Firm Permit Owners	70,355.00	89,085.00	-18,730.00	-21.0%
4293567 · Peer Review Admin Fee	150.00	375.00	-225.00	-60.0%
4293568 · Firm Permit Name Change	50.00	75.00	-25.00	-33.3%
4293569 · Initial FAR	90.00	270.00	-180.00	-66.7%
4293570 · Initial REG	30.00	60.00	-30.00	-50.0%
4293571 · Initial BEC	30.00	120.00	-90.00	-75.0%
4293572 · Re-Exam FAR	150.00	180.00	-30.00	-16.7%
4293573 · Re-Exam REG	240.00	420.00	-180.00	-42.9%
4293574 · Re-Exam BEC	300.00	330.00	-30.00	-9.1%
4896021 · Legal Recovery Cost	1,000.00	0.00	1,000.00	100.0%
Total Income	150,360.00	186,790.00	-36,430.00	-19.5%
Gross Profit	150,360.00	186,790.00	-36,430.00	-19.5%
Expense				
5101010 · F-T Emp Sal & Wages	8,838.71	10,230.01	-1,391.30	-13.6%
5101020 · P-T/Temp Emp Sal & Wages	3,684.50	6,546.85	-2,862.35	-43.7%
5101030 · Board & Comm Mbrs Fees	960.00	840.00	120.00	14.3%
5102010 · OASI-Employer's Share	983.07	1,274.56	-291.49	-22.9%
5102020 · Retirement-ER Share	750.72	1,006.62	-255.90	-25.4%
5102060 · Health /Life Ins.-ER Share	2,697.42	5,388.75	-2,691.33	-49.9%
5102080 · Worker's Compensation	10.00	10.08	-0.08	-0.8%
5102090 · Unemployment Insurance	4.89	7.57	-2.68	-35.4%
5203020 · Auto-Private-Ownes Low Mileage	207.92	180.80	27.12	15.0%
5203030 · In State-Auto- Priv. High Miles	597.92	694.86	-96.94	-14.0%
5203100 · In State-Lodging	314.60	340.50	-25.90	-7.6%
5203120 · In State-Incidentals to Travel	20.00	10.00	10.00	100.0%
5203140 · InState-Tax Meals Not OverNigt	9.00	0.00	9.00	100.0%
5203150 · InState-Non-Tax Meals OverNight	170.00	198.00	-28.00	-14.1%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204180 · Computer Services-State	183.75	78.00	105.75	135.6%
5204181 · Computer Development Serv-State	1,039.25	412.80	626.45	151.8%
5204200 · Central Services	1,611.01	2,182.29	-571.28	-26.2%
5204220 · Equipment Service & Maintenance	3.75	11.92	-8.17	-68.5%
5204230 · Janitorial/Maintenance Services	253.10	245.72	7.38	3.0%
5204340 · Computer Software Maintenance	614.50	122.50	492.00	401.6%
5204440 · Newsletter Publishing	0.00	444.00	-444.00	-100.0%
5204460 · Equipment Rental	745.00	711.00	34.00	4.8%
5204490 · Rents Privately Owned Property	2,538.90	2,538.90	0.00	0.0%
5204510 · Rent-Other	0.00	230.80	-230.80	-100.0%
5204530 · Telecommunications Services	507.11	560.07	-52.96	-9.5%
5204540 · Electricity	67.30	94.03	-26.73	-28.4%
5204560 · Water	22.35	22.35	0.00	0.0%
5204740 · Bank Fees and Charges	3,415.73	3,118.34	297.39	9.5%
5205020 · Office Supplies	411.17	28.01	383.16	1,367.9%
5205320 · Printing/Duplicating/Binding Co	48.30	33.00	15.30	46.4%
5205350 · Postage	0.00	906.50	-906.50	-100.0%
5207900 · Computer Hardware	85.00	175.00	-90.00	-51.4%

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
 July through August 2015

	<u>Jul - Aug 15</u>	<u>Jul - Aug 14</u>	<u>\$ Change</u>	<u>% Change</u>
5228000 · Operating Transfers Out-NonBudg	834.11	591.36	242.75	41.1%
5228030 · Depreciation Expense	0.00	2,011.80	-2,011.80	-100.0%
Total Expense	<u>34,829.08</u>	<u>44,446.99</u>	<u>-9,617.91</u>	<u>-21.6%</u>
Net Ordinary Income	<u>115,530.92</u>	<u>142,343.01</u>	<u>-26,812.09</u>	<u>-18.8%</u>
Net Income	<u><u>115,530.92</u></u>	<u><u>142,343.01</u></u>	<u><u>-26,812.09</u></u>	<u><u>-18.8%</u></u>

REPORT TO BOARD ON GRADES

Nicole Kasin

The grades were posted for review for the 46th window. These grades are through September 2015. I have included the average scores per school since CBT started along with the number of students that have sat for their school respectively. The last chart shows the averages for the past 8 windows.

Overall Average Window 1-46

Window	(All)
--------	-------

Average of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	75	72	73	74	73
BHSU	71	71	70	72	71
COTech	66	69	69	75	69
DSU	70	70	63	68	68
DWU	68	67	63	74	68
Mt. Marty	65	69	71	68	68
NAU	68	63	67	68	67
NSU	73	70	74	71	72
OS	74	72	70	73	72
SDSU	74	74	76	77	75
USD	77	75	75	75	75
USF	73	74	73	77	74
Grand Total	74	72	72	73	73

Students per section per school since CBT Began (3 or more parts)

Window	(All)
--------	-------

Count of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	78	87	68	86	319
BHSU	105	108	91	94	398
COTech	22	20	14	13	69
DSU	15	15	15	12	57
DWU	17	13	15	12	57
Mt. Marty	23	25	15	19	82
NAU	11	15	23	18	67
NSU	90	103	68	86	347
OS	216	222	212	206	856
SDSU	33	33	26	28	120
USD	228	236	237	223	924
USF	71	72	71	50	264
Grand Total	909	949	855	847	3560

Average for past 8 windows (3 or more parts)

Window	(Multiple Items)
--------	------------------

Average of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	76	74	76	76	76
BHSU	75	73	70	73	73
COTech		69	70		70
DSU	61				61
DWU	68	73	61	71	67
Mt. Marty	55	75	69		66
NAU	74	73	74	74	74
NSU	78	78	80	77	78
OS	79	78	72	76	76
SDSU	75	78	80	79	78
USD	78	77	75	73	76
USF	73	76	73	75	74
Grand Total	75	75	73	74	75

The Board needs to Approve the 2015-3 (46th Window) grades.

EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

Database update

The board was emailed the contract for review on 9-22-15. With approval from the chair on 10-5-15 the contract was sent to the vendor for review. I am waiting to hear back from the vendor with any questions or concerns.

CPE Audits

The list of licensees has been selected for CPE audits and letters were sent out to those selected on September 4, 2015. The documentation is due in our office no later than October 30, 2015. The following chart shows the status of the audits as of October 28, 2015.

	Selected	Complied	Not Complied	Granted Extension	Approved CPE Audit	Failed CPE Audit
CPA (Active)	54	43	0	0	19	0
CPA (Active in Firm)	50	42	0	0	18	0

NASBA Annual Conference

David Pummel and John Mitchell attended the conference to represent the Board. I will let them comment on any topics or discussions they had while attending the conference.

Board Discussion

- Any New Business/topics?



Exposure Draft:

Maintaining the Relevance of
the Uniform CPA Examination

September 1, 2015

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This Exposure Draft presents an informed and thoughtful proposal for the next version of the Uniform CPA Examination based on intensive research and input from the profession and other interested stakeholders. Accordingly, this Exposure Draft outlines proposed Examination changes using language that presumes those changes will be effected after review of feedback to the Exposure Draft and, ultimately, upon the AICPA Board of Examiners' approval.

The section blueprints located in Appendix A are an integral part of this Exposure Draft.

EXECUTIVE SUMMARY

Ongoing change in the business world and advancements in technology have impacted the accounting profession and affected the required knowledge, skills and professional responsibilities of newly licensed Certified Public Accountants (CPAs). Those professionals are required to perform more advanced tasks and contribute to increasingly complex projects earlier in their accounting careers. Professional content knowledge remains fundamental to protecting the public interest, but newly licensed CPAs must also possess:

- higher-order cognitive skills, including critical thinking, problem solving and analytical ability, as well as professional skepticism
- a thorough understanding of professional and ethical responsibilities
- a strong understanding of the business environment and processes
- effective communication skills

The Uniform CPA Examination (the Exam) provides reasonable assurance to boards of accountancy that individuals who pass 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 of accounting on newly licensed CPAs, the Exam must continue to evolve.

In early 2014, the American Institute of Certified Public Accountants (AICPA) launched a practice analysis, a comprehensive research project, to identify the knowledge and skills required of newly licensed CPAs for the next version of the Exam.

The periodic execution of a practice analysis is necessary to ensure that the Exam supports the profession's commitment to protect the public interest, remains current, relevant, reliable and legally defensible and fulfills the needs of the boards of accountancy in carrying out their licensing responsibility.

A rigorous, broad and inclusive endeavor, the practice analysis collected input from a wide variety of stakeholders who share an interest in preserving the strength and mission of the profession – boards of accountancy, accounting firms, academia, standards setters and regulators and business and industry. Valuable information was collected through focus groups, interviews, meetings with CPAs from across the profession, an invitation to comment and a survey of CPAs, as well as from the AICPA Board of Examiners (BOE) and its sponsor group, sponsor advisory group, content committee and its subcommittees and others.

Next Version of the Exam

Overall, the research demonstrated that the profession supports the initiative to make meaningful changes to the Exam, to operationalize the testing of higher order skills and to align more closely with the types of tasks regularly performed by newly licensed CPAs. An experienced group of CPAs and psychometricians has developed blueprints, which are outlines of the content topics and skill levels that will be tested in the next version of the Exam.

Important and relevant conclusions based on the practice analysis and proposed changes to the Exam include:

- The Exam will be designed to enhance the **testing of higher-order cognitive skills** that include, but are not limited to, critical thinking, problem solving, analytical ability and professional skepticism (see page 8).
- The Exam will remain structured by the **four existing sections** – Auditing and Attestation (AUD), Business Environment and Concepts (BEC), Financial Accounting and Reporting (FAR) and Regulation (REG).
- Each section will have a **blueprint** illustrating the knowledge and skills that will be tested on the Exam which are linked directly to tasks that are representative of the work of a newly licensed CPA. The blueprints will replace the current Content Specification Outline (CSO) and Skill Specification Outline

(SSO) and will be more informative overall for candidates, academia, regulators and other stakeholders (see Appendix A).

- To test a combination of content knowledge and higher order skills, more **task-based simulations** (TBSs) are planned for the Exam.
- TBSs will be added to the **BEC section** for the first time.
- Total Exam testing time will increase from 14 to 16 hours – four sections of **four hours each**

As a result of the proposed changes, the Exam will have an even greater focus on the appropriate skill levels, given today's practice demands for newly licensed CPAs. This shift in what the Exam will test and the method of testing will keep the next version of the Exam aligned with the knowledge and skills required for initial licensure.

Exposure Draft

This Exposure Draft represents the culmination of in-depth research, critical analysis of data, best practices in test development and the collective thinking of leaders in the profession. Stakeholder review of this document is a vital step in the development of the next Exam.

The AICPA invites you to comment on the proposed approach for the next Exam and/or to identify any critical issues that may not have been addressed in this Exposure Draft. Detailed and specific feedback is appreciated and will enable the AICPA to better evaluate responses.

Feedback to this Exposure Draft will help finalize the development of the next Exam's content, structure and design. Changes for the next version of the Exam will be announced in 2016 and included on the Exam in 2017.

The content of the next version of the Exam will continue to be closely aligned with the realities of professional practice for newly licensed CPAs.

REQUEST FOR COMMENT

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

A – Comments/responses that will be considered for implementation in the next version of the Exam.

B – Comments/responses that will require further time to evaluate and 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 or business or represents your individual views. The AICPA will make all responses publicly available by posting to its website.

The AICPA will consider all responses received on or before November 30, 2015. Email your submission to ExposureDraft@aicpa.org.

A. Comments requested on the next version of the Exam as defined in this Exposure Draft – please answer the following questions:

- I. Increased focus on testing of higher order skills is the most significant change proposed for the next Exam. Should the proposed next Exam reflect an increased focus on testing of higher order skills? If not, please explain.
- II. Are the analyses and related conclusions in the Next Version of the Exam section (on pages 8 to 14) appropriate and supportive of the assessment of competent, newly licensed performance? If not, please explain.
- III. Are there significant areas of content missing from the detailed blueprints that should be included? If yes, please explain.
- IV. Are there significant areas of content in the detailed blueprints that should be excluded? If yes, please explain.
- V. Do the content ranges in each section of the Exam in the summary blueprint align with the content knowledge required of newly licensed CPAs? If not, please explain.
- VI. Are the skill level ranges identified for each section of the Exam in the summary blueprint representative of the skill levels required by newly licensed CPAs? If not, please explain.
- VII. Does the detailed blueprint, including content and representative task statements, provide sufficient information for CPA candidates to understand the knowledge and skills expected of a newly licensed CPA on which they will be tested? If not, please explain.

B. Comments requested on The Future of Practice Analysis section and for future Exam releases

The AICPA welcomes and encourages comments for consideration related to the views expressed in The Future of Practice Analysis section (page 23) and for future versions of the Exam, beyond what can be operationalized by 2017. Examples of potential areas that might be considered for comments include (but are not limited to) The Future of Practice Analysis section, as well as potential future changes to Exam sections, the written communication assessment model, further integration of content among Exam sections and a capstone exam section.

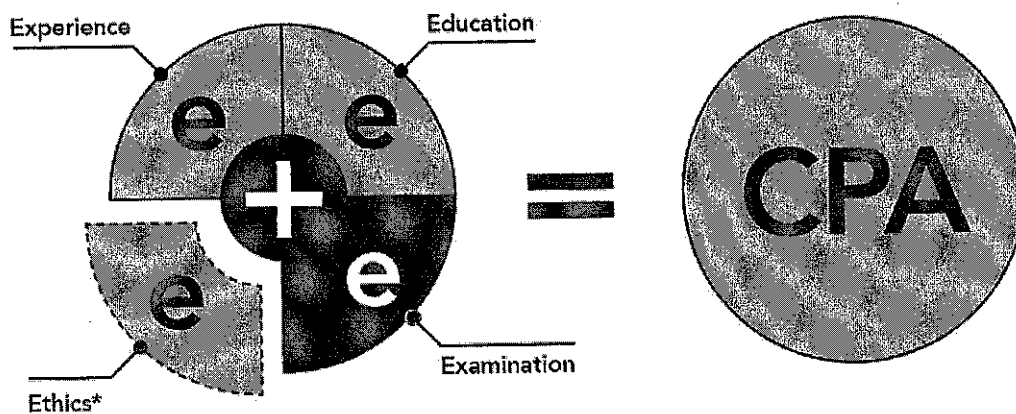
BACKGROUND AND INTRODUCTION

The Exam has a long and trusted history in the licensing of CPAs. The Uniform CPA Exam and the Advisory Grading Service were first made available by the AICPA in June 1917. Eventually, these services and the requirement to pass this Exam in order to become a licensed CPA were adopted by all states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands.

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 purpose of the Exam is to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA 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 newly licensed CPA is defined as one who has fulfilled the applicable jurisdiction's educational and experience requirements and has the knowledge and skills typically possessed by a person with two years of experience.

Eligibility: 3 + 1 E's to Becoming a CPA



**Certain states require a separate ethics assessment in addition to what is tested on the CPA Exam.*

The uniform administration of the Exam has enhanced the national prestige of the CPA credential and fostered the interstate practice of accounting and auditing. 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 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 Exam continues to fulfill its

mission, which is to provide reasonable assurance to boards of accountancy that candidates passing the Exam possess the technical knowledge and skills necessary for initial licensure to protect the public interest.

Pursuant to the BOE policy, the AICPA began a practice analysis to identify the demands of current practice and provide data to ensure that the Exam continues to assess the knowledge and skills necessary for initial licensure. The periodic execution of a practice analysis is required to ensure that the Exam supports the profession's commitment to protect the public interest, remains current, relevant, reliable and legally defensible, and fulfills the needs of the boards of accountancy in carrying out their licensing responsibility. See Appendix B for a more complete description of the practice analysis process.

The Exposure Draft and its appendices document the practice analysis process and methods used to define the domain of tasks, knowledge and skills necessary for a newly licensed CPA; explain the types of analyses conducted; report the results of those analyses; and describe how the results of the practice analysis were used to develop blueprints for the Exam.

The AICPA remains committed to evaluation and evolution of the Exam to ensure a rigorous standard for those entering the profession.

NEXT VERSION OF THE EXAM

The following discusses the proposed plan for the next version of the Exam based upon research and input received from the profession and aforementioned stakeholders, responses received from the invitation to comment and survey results.

Increase Focus on Higher Order Skills


The most significant change proposed for the next version of the Exam will be an increased emphasis and focus on testing higher order skills. The need to test higher order skills was identified in the initial research for the next version of the Exam as well as in the invitation to comment. It is critically important that newly licensed CPAs are competent in recognizing issues, identifying errors, challenging assumptions and applying both professional judgment and skepticism.

Advances in technology and its ever-increasing use, as well as outsourcing of routine, non-complex tasks have impacted the daily responsibilities of newly licensed CPAs. CPAs new to the profession are now expected to perform at a more advanced level earlier in their careers. These changes in the profession demand that newly licensed CPAs engage in tasks that require both higher-order cognitive skills and increased professional skepticism and be prepared, for example, to plan and review the work of others much sooner in their careers.

To focus on and enhance the testing of higher order skills, the AICPA has adopted a skill framework based on the modified Bloom's Taxonomy of Educational Objectives. Bloom's Taxonomy classifies a continuum of skills that students can be expected to learn and demonstrate. Since its inception, the categories have been used to structure learning objectives and develop examinations. Bloom's Taxonomy was initially developed by educational psychologists in 1956 and refined in 2001 (Anderson, L, and Krathwohl, D, eds. 2001). The taxonomy is widely used in educational and licensure testing to define the level of skills to be assessed and to guide the development of test questions.

In applying this framework, approximately 700 representative tasks that a newly licensed CPA may be expected to complete were initially identified by Exam staff and reviewed with the Exam content committee and its subcommittees. The content committee and subcommittees associated each of the tasks to specific areas of content within each section of the Exam.

The representative tasks combine both the applicable content knowledge and skills required in the context of the work of a newly licensed CPA. Based on the nature of a task, one of four skill levels, derived from the modified Bloom's Taxonomy of Educational Objectives, was assigned to each of the tasks, as follows:

Skill Levels	
 Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

These tasks were included in a broad survey of newly licensed CPAs and supervisors of newly licensed CPAs, who were asked to rate the frequency and criticality of the tasks (i.e., how critical is competent performance of this task by newly licensed CPAs to their role in protecting the public interest?). The survey played a significant role in validating the content and skills that will be tested on the Exam. Based upon the survey ratings of the frequency and criticality of the tasks, subcommittees and Exam staff selected the tasks that are most critical to the newly licensed CPA's role in protecting the public interest. These tasks are an important component of the blueprint described below.

Generally, the current Exam equally assesses (i) remembering and understanding and (ii) application level skills in AUD, BEC, FAR and REG. In the next version of the Exam, there is a clear shift to test higher order skills – analysis and evaluation – as demonstrated in the table below.

AUD is the only section in the next version of the Exam in which the evaluation skill is assessed; this is consistent with the nature of the tasks identified by the content subcommittees in the surveys of newly licensed CPAs and their supervisors.

Section	Remembering and Understanding	Application	Analysis	Evaluation
AUD	30%–40%	30%–40%	15%–25%	5%–15%
BEC	15%–25%	50%–60%*	20%–30%	–
FAR	10%–20%	50%–60%	25%–35%	–
REG	25%–35%	35%–45%	25%–35%	–

*Includes written communication.

The blueprint for each of the Exam sections includes the content, skills and related representative tasks that will be tested on the Exam. The blueprint will replace the current CSO and SSO. The purpose of the blueprint is to:

- Provide assurance that the Exam is properly designed to test such knowledge, skills and tasks.
- Assist candidates in preparing for the Exam by delineating the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as newly licensed CPAs.
- Guide the development of Exam questions.

The tasks in the blueprints are **representative** and are not intended to be, nor should they be viewed as, an all-inclusive list of tasks that may be tested on the Exam. It also should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or skill will be assessed on the Exam.

Please see the proposed Exam blueprints in Appendix A of this Exposure Draft. An excerpt of a blueprint is shown below.

AUDITING AND ATTESTATION (AUD)

Area II — Assessing Risk and Developing a Planned Response (20%–30%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis/Evaluation	
A. PLANNING AN ENGAGEMENT				
1. Developing an overall engagement strategy	✓			Explain the purpose and significance of the overall engagement strategy for an audit or non-audit engagement.
2. Developing a detailed engagement plan		✓		Prepare a detailed engagement plan for an audit or non-audit engagement starting with the prior-year engagement plan or with a template.
		✓		Prepare supporting planning related materials (e.g., client assistance request listings, time budgets) for a detailed engagement plan starting with the prior-year engagement plan or with a template.
			✓	Develop or modify a detailed engagement plan for an audit or non-audit engagement based on planning inputs and constraints.

Maintain Exam Structure by Section

Based on feedback from the invitation to comment and various stakeholders, the current Exam structure, by section, is considered appropriate. Exam sections will continue to be AUD, BEC, FAR and REG.

Increase Task-Based Simulations

A TBS is designed to test higher order skills because it actively engages the CPA candidate in completing tasks related to practice. The preliminary practice analysis research and invitation to comment responses support the profession's view that increased testing of higher order skills (application, analysis and evaluation) is warranted. Accordingly, testing of these higher order skills requires an increase in the number of TBSs as well as development and use of new TBS types on the next version of the Exam.

TBSs will be added to BEC for the first time. As outlined in the table below, it is currently anticipated that BEC will include four to five TBSs. AUD, FAR and REG will each include eight to nine TBSs.

Section	Multiple Choice Questions		Task-Based Simulations		Written Communication	
	Current Exam	Next Exam	Current Exam	Next Exam	Current Exam	Next Exam
AUD	90	70–75	7	8–9	–	–
BEC	72	60–65	–	4–5	3	3
FAR	90	60–65	7	8–9	–	–
REG	72	70–75	6	8–9	–	–

In the current Exam, candidates typically spend 10 to 20 minutes on each TBS, generally designed to assess the application skill level. In the next Exam, in addition to the application level TBSs, and driven by the need to test higher order skills, it is expected that candidates will spend 15 to 30 minutes to complete TBSs designed to assess analysis and evaluation skills. For detail on the score weighting of item types, see the Increase Time Allocation and Adjust Scoring Weights section below.

A new type of TBS that will be introduced on the Exam is the Document Review Simulation (DRS), which tests application, analysis and/or evaluation skills. The DRS presents a realistic document as well as related source documents (exhibits) requiring review. Highlighted words, phrases, sentences or paragraphs in the DRS document may or may not be correct, requiring the candidate to select appropriate edits based on the relevant source documents.

Additionally, TBSs on the next version of the Exam will feature increased background material and data that will require candidates to determine what information is or is not relevant to the question, which reflects actual practice.

Maintain Written Communication Assessment

Written communication currently is and will continue to be tested in BEC. During the practice analysis process, the BOE and the Exam staff explored various ways to test written communication skills at a higher-order skill level and then to evaluate those abilities in a computerized scoring environment. However, today, the process of objectively evaluating a candidate's application of higher order skills (i.e., thought process) within the context of a constructed written response is cost- and time-prohibitive.

Given the above constraints, the BOE believes that writing skills and higher order skills should continue to be assessed independently. Written communications will be evaluated solely for writing ability (relevance to subject, organization, development, grammar, usage and mechanics). Writing will continue to be tested in a single section of the Exam because written communications will be assessed only for writing skills. As part of its analysis, the BOE concluded that content knowledge and testing of higher order skills (application, analysis and evaluation) should be objectively tested through multiple-choice questions and task-based simulations in all sections of the Exam.

As test scoring and the Exam continue to evolve, the BOE and the AICPA will further evaluate how best to test a candidate's thought process in a computer-graded, constructed written response.

Increase Content Integration

The daily tasks and responsibilities of newly licensed CPAs require knowledge that spans the four sections of the Exam – AUD, BEC, FAR and REG. While the BOE and the profession support the current structure of the Exam around these four sections, they also have identified the need to test higher order skills like critical thinking, problem solving, analytical ability and professional skepticism, beyond basic content knowledge, which will lead to increased content integration among the four sections of the Exam.

Each of the Exam sections will be designed to test higher order skills by incorporating the applicable content knowledge and skills that are required in the context of the work of a newly licensed CPA. Tasks that involve application, analysis and/or evaluation skills may include some content from other Exam sections, which would occur naturally in the task from a contextual perspective. These tasks will always be rooted in the primary content knowledge and skills of a particular Exam section but could draw upon a candidate's basic knowledge of general accounting, auditing, tax and business concepts – at a base level typically covered in college course work. For example, in the AUD section of the Exam, a TBS designed to evaluate inventory observation audit procedures might include some inventory valuation/obsolescence or sales cutoff considerations, even though these concepts would be evaluated more extensively in FAR.

As part of the practice analysis, and as outlined in the invitation to comment, stakeholders considered the possibility of a separate integrative section of the Exam that could have replaced the BEC section and served as a capstone section; it was hypothesized that this section would have allowed for greater testing of higher order skills and included questions that blended elements of taxation, auditing and financial accounting and reporting. While there was support for the concept of testing integrated content, there also was strong support for

maintaining the BEC section because the related knowledge is considered important to the practice of public accounting. At this time, the BOE and AICPA concluded the Exam will not include a separate integrative section and will maintain the content of the BEC section.

The BOE and Exam staff will continue to explore additional opportunities to test more robust integrated content in future versions of the Exam.

Increase Exam Authenticity

One goal in high-stakes testing is to create authentic tasks that align with professional practice and fairly test candidates. The Exam has successfully used still images of bank statements, memos and other documents that are representative of common business documents.

The DRS item mentioned above increases authenticity because it represents tasks that most, if not all, newly licensed CPAs are expected to perform. Further, TBSs designed to assess analysis and evaluation skills likely will include realistic additional documents as exhibits that candidates will need to evaluate as described above. The Exam will continue to evolve and authenticity will continue to be increased through the launch of newer item types, background item information and tasks candidates will be expected to perform.

Respondents to the invitation to comment did not perceive the need to add audio and video stimuli to the Exam because they did not currently see a benefit beyond existing text-based TBSs. The BOE and Exam staff will continue to explore the possibility of adding audio and video stimuli in future versions of the Exam.

Increase Time Allocation and Adjust Scoring Weights

The changes in the next version of the Exam are expected to require an additional hour of testing time in each of the BEC and REG sections. These additions increase the total Exam time from 14 to 16 hours – four sections of four hours each.

- AUD will not require additional time based on an analysis of current candidate performance, the amount of time spent on the section and its current and future content.
- BEC will require an additional hour to accommodate TBSs.
- FAR will not require additional time, based on an analysis of current candidate performance, the amount of time spent on the section and its current and future content.
- REG will require an additional hour given the increase in TBSs at the analysis skill level and to assure test reliability and validity.

As a result of the Exam's increased focus on testing higher order skills, a break will be added to each Exam section. The breaks will not count against candidates' testing time, as compared to the current exam, in which breaks do count against testing time. The breaks will provide the candidate with nominal time – potentially 10 to 15 minutes – to have a break, provide sufficient time to complete the Exam and ensure the psychometric reliability measurements of the Exam are maintained. The addition of breaks will not impact Exam cost to the candidate.

Multiple choice questions (MCQs) currently comprise 60 percent of the scoring weight in AUD, FAR and REG, with the balance of scoring weight attributed to TBSs. MCQs currently comprise 85 percent of the scoring weight in BEC, with the remaining 15 percent of the scoring weight attributed to written communication (constructed response). In light of the increased testing of higher order skills, there will be an increase in TBSs for the AUD, FAR and REG sections as well as the addition of TBSs to BEC. It is anticipated that the scoring weight of multiple choice questions and TBSs will be approximately 50 percent each in AUD, FAR and REG. BEC likely will have an approximate score weighting of 50 percent MCQs, 15 percent written communication and 35 percent TBSs.

Note that the foregoing time and score weighting are based on the design of the Exam as specified in this Exposure Draft. Ultimately, the Exam time and the score weighting will be finalized in connection with the announcement of the next Exam in 2016, after consideration of responses to this Exposure Draft.

Maintain Score Release Timelines

None of the currently proposed changes in the next version of the Exam will impact the existing average 20-day score release timeline on an ongoing basis. However, consistent with launches in the past, for the initial testing window of the next Exam and potentially the following two testing windows, there will be a delay in the release of scores in order to statistically validate candidate performance on the Exam. Additional information about score release timelines will be made concurrently with the announcement of the next version of the Exam.

Add Microsoft Excel® as a Tool for Candidates

Beginning in 2018, when the appropriate supporting software is available at test centers, the current generic spreadsheet (which candidates can use as a resource to complete calculations) will be replaced by Excel on the Exam. Excel will be added as a tool for candidates to use during the Exam, but candidates will not be tested for their ability to use Excel.

Microsoft Excel is the most widely-used spreadsheet application in the accounting profession today. The input gathered from stakeholders through the practice analysis indicates a collective recommendation to utilize Excel on the Exam. Although the BOE noted that this change will necessitate a cost increase, they acknowledge the value of the profession's input and the benefit to Exam takers because of the prevalence of Excel use among newly licensed CPAs. The BOE and AICPA will continue to explore the benefits and feasibility of further integration of Excel, or perhaps other spreadsheet technologies, into the Exam beyond 2018.

Exam Cost

Implementation of the next version of the Exam in 2017 as contemplated in this Exposure Draft will result in a direct cost increase of approximately \$20 for each of the BEC and REG sections; the higher cost is a result of the expected increase from three hours to four hours in candidate seat time for these sections.

The National Association of State Boards of Accountancy (NASBA), the AICPA and Prometric collaboratively deliver the Exam under a tri-party agreement. Pursuant to this agreement, the AICPA is expected to break even over its term and seeks to announce to boards of accountancy any price increases two years prior to their effective date. The AICPA is currently evaluating its cost projections, in general and in light of the development of the next version of the Exam including the addition of Excel, which will necessitate a cost increase that it expects to announce in the first quarter of 2016. Such a cost increase is expected to be modest and in line with the scope and value of the proposed changes to the Exam.

Test Administration Model

Respondents to the invitation to comment shared views about potential changes to the test administration model, those policies and practices surrounding the administration of the Exam. These potential changes included reduced blackout periods, retesting of a failed section in the same testing window and possible increases to the overall timeframe to pass all sections of the Exam. Test administration model changes are complex because they involve software system changes, concurrence of Exam jurisdictions and changes in regulations and/or legislation in certain jurisdictions.

Based on information gathered through the practice analysis, the complexity of implementation and the required approval processes, NASBA, the boards of accountancy and the AICPA are exploring changes to the test

administration model from a broader perspective. Ultimately, the boards of accountancy must approve all test administration model changes.

A TBS is designed to test higher order skills by actively engaging the CPA candidate in completing tasks required of a newly licensed CPA.

SECTION COMMENTARY

This portion of the Exposure Draft provides detailed information about the planned changes and considerations for each of the Exam's four sections. Changes discussed below reflect the changing knowledge and skills required of newly licensed CPAs as identified in part by the broad-based surveys of both supervisors of newly licensed CPAs and newly licensed CPAs.

As noted above, the blueprints will replace the existing Exam CSO and SSO. The blueprints will retain the structure by area, group and topic from the CSO. For clarity, area and group names referenced in the section commentaries are capitalized, as in the following example: Enterprise Risk Management. Topic names are italicized, as in the following example: *Impact of marketing practices on performance*.

These section commentaries should be reviewed in conjunction with the blueprint for each section of the Exam, which is located in Appendix A.

Auditing and Attestation (AUD) section

The Auditing and Attestation (AUD) section tests knowledge and skills that a newly licensed CPA must demonstrate when performing audits of issuers, nonissuers, governmental entities, not-for-profit entities and employee benefit plans. Newly licensed CPAs are required to demonstrate knowledge of professional standards when performing other types of engagements, such as standards for performing accounting and review services engagements and standards for attestation and assurance engagements. Newly licensed CPAs are also required to demonstrate knowledge and application of other professional responsibilities, including ethics and independence.

Content

The following table summarizes the content areas and allocation of content to be tested in the AUD section, both in the current Exam and in the next version of the Exam.

Current Exam		Next Version	
I. Engagement Acceptance and Understanding the Assignment	12% - 16%	I. Ethics, Professional Responsibilities and General Principles	15% - 25%
II. Understanding the Entity and Its Environment (including Internal Control)	16% - 20%	II. Assessing Risk and Developing a Planned Response	20% - 30%
III. Performing Audit Procedures and Evaluating Evidence	16% - 20%	III. Performing Further Procedures and Obtaining Evidence	30% - 40%
IV. Evaluating Audit Findings, Communications and Reporting	16% - 20%	IV. Forming Conclusions and Reporting	15% - 25%
V. Accounting and Review Service Engagements	12% - 16%		
VI. Professional Responsibilities	16% - 20%		

Evaluating the AUD content involved the consideration of the organization of the clarified U.S. Auditing Standards and their convergence with International Standards on Auditing; both use the same organization and

numbering scheme. Based on significant input from the AUD subcommittee, and because auditing is arguably the most important skill and knowledge domain in the AUD section of the Exam, it was determined that the organization of the clarified U.S. Auditing Standards was an appropriate foundation for organizing the proposed AUD blueprint.

To ensure that this organization was appropriate for other types of engagements, the Attestation Standards, Accounting and Review Services Standards, PCAOB Auditing Standards and Interim Standards, as well as Government Auditing Standards were reviewed and will be incorporated into the blueprint as follows:

- Changes will be made to the organization of the blueprint to accommodate these standards into a single organizational outline (e.g., Area IV, which encompasses reporting, includes separate topics for reports based on Attestation and Accounting and Review Services engagements).
- Accounting and Review Services will no longer be in its own area but will be integrated with other types of engagements because the required skills are similar (or are a subset).

Similarly, the role of ethics and professional responsibilities was also considered and determined to be critical to the audit process. Ethics, especially independence, is most often considered before an engagement is even accepted; therefore, ethics should be integrated at the beginning of the engagement process (Area I), rather than standing alone at the end of the AUD content.

Topics that were deemed not significant for newly licensed CPAs and therefore eliminated in the blueprint are:

- *Audits performed in accordance with International Standards on Auditing (ISAs) or auditing standards of another country; determine if differences exist and whether additional audit procedures are required.*
- *Consideration of omitted procedures after the report date.*

Skill Levels

As more fully set forth in the AUD blueprint, skill levels will be assessed at approximately the following weights:

Skill	Weight
Evaluation	5% - 15%
Analysis	15% - 25%
Application	30% - 40%
Remembering and Understanding	30% - 40%

Remembering and understanding and application skills are mainly concentrated in Area I and Area IV. These two areas contain much of the general audit knowledge that is required for newly licensed CPAs and, in the case of Area IV, many of the tasks that newly licensed CPAs are performing are driven by templates (i.e., reporting) and therefore do not require the use of higher order skills.

Analysis and evaluation skills are primarily tested in Area II and Area III. These two areas contain the primary day-to-day audit tasks that newly licensed CPAs perform and therefore require a higher level of skill to analyze and form conclusions about work assignments.

Business Environment and Concepts (BEC) section

The Business Environment and Concepts section (BEC) tests general business concepts and associated skills required of newly licensed CPAs in performing audits, attest engagements, financial reporting and tax services. The results from the invitation to comment indicated strong support for maintaining the BEC content because the related knowledge and skills are considered important to the practice of public accounting. The skill level of BEC has been elevated, and, consequently, this section will have TBSs for the first time, which is an important change.

Content

The following table summarizes the content areas and allocation of content to be tested, both in the current Exam and in the next version of the Exam.

Current Exam		Next Version	
I. Corporate Governance	16% - 20%	I. Corporate Governance	17% - 27%
II. Economic Concepts and Analysis	16% - 20%	II. Economic Concepts and Analysis	17% - 27%
III. Financial Management	19% - 23%	III. Financial Management	11% - 21%
IV. Information Systems and Communications	15% - 19%	IV. Information Technology	15% - 25%
V. Strategic Planning	10% - 14%	V. Operations Management	15% - 25%
VI. Operations Management	12% - 16%		

BEC content will remain largely the same in the next version of the Exam except as noted below:

- There was significant consolidation/restructuring of the current CSO, in particular, in Area I, Corporate Governance, Area III, Financial Management, and Area IV, Information Technology. These changes did not result in elimination of content, but a reorganization of existing content within the BEC blueprint. The structure, together with the addition of task statements, will sharpen the focus of what BEC will test.
- The proposed BEC blueprint will now have five areas instead of six. Current CSO Area V, Strategic Planning, is no longer a separate area in the proposed BEC blueprint. Strategic Planning content will move to other areas/groups of BEC blueprint to better align with the tasks required of a newly licensed CPA. Strategic Planning content that will move is that which is relevant to the understanding of Enterprise Risk Management (in Area I), Economics (Area II), Financial Management (Area III) or Operations Management (proposed Area V).
- The following content was eliminated from the BEC section:
 - The group Financial Transaction Processes and Controls in current Area III, Financial Management, because such content was focused on control testing, which is covered in the Audit section of the exam.
 - The topic *Impact of marketing practices on performance* in current Area VI, Operations Management, Group A, because the topic was not considered significant for newly licensed CPAs.
 - The group Project Management in current Area VI, Operations Management, because the topic was not considered significant for newly licensed CPAs.

Skill Levels

As more fully set forth in the BEC blueprint, skill levels will be assessed at approximately the following weights:

<i>Skill</i>	<i>Weight</i>
Evaluation	-
Analysis	20% - 30%
Application (includes writing assessment)	50% - 60%
Remembering and Understanding	15% - 25%

Because the daily activities and core job requirements of newly licensed CPAs today involve higher order skills, some content in the proposed BEC blueprint, Area II (Economic Concepts and Analysis), Area III (Financial Management) and Area V (Operations Management) will be tested at the analysis skill level.

Some of the content in the proposed BEC blueprint, Area I (Corporate Governance) and Area IV (Information Technology), which has been deemed as more of a general knowledge requirement for newly licensed CPAs, will now be tested at the application skill level.

Written communication skills will continue to be tested in the BEC section of the Exam as described. Written communication skills represent 10 percent to 20 percent of BEC within the application skill level above.

Financial Accounting and Reporting (FAR) section

The Financial Accounting and Reporting (FAR) section tests the knowledge and skills that a newly licensed CPA must demonstrate in the financial accounting and reporting frameworks (including special purpose frameworks) used by business entities, not-for-profit entities and state and local government entities. The financial accounting and reporting frameworks that are eligible for assessment within the FAR section of the Exam include the standards and/or regulations issued by the Financial Accounting Standards Board, the U.S. Securities and Exchange Commission, the Governmental Accounting Standards Board and the International Accounting Standards Board.

Content

The following table summarizes the content areas and allocation of content to be tested, both in the current Exam and in the next version of the Exam.

Current Exam		Next Version	
I. Conceptual Framework, Standards, Standard Setting and Presentation of Financial Statements	17% - 23%	I. Conceptual Framework and Financial Reporting	25% - 35%
II. Financial Statement Accounts: Recognition, Measurement, Valuation, Calculation, Presentation and Disclosures	27% - 33%	II. Select Financial Statement Accounts	30% - 40%
III. Specific Transactions, Events and Disclosures: Recognition, Measurement, Valuation, Calculation, Presentation and Disclosures	27% - 33%	III. Select Transactions	20% - 30%
IV. Governmental Accounting and Reporting	8% - 12%	IV. State and Local Governments	5% - 15%
V. Not-for-Profit (Nongovernmental) Accounting and Reporting	8% - 12%		

There are two major changes proposed that affect the organization and nature of content included in the FAR section:

- Reduce the number of areas from five to four and assess the financial accounting and reporting framework for not-for-profit entities throughout Areas I, II and III. The proposed change is based on the fact that the not-for-profit financial accounting and reporting framework is an accrual-based framework with many similarities to the business entity financial accounting and reporting framework. To the extent that significant differences exist between the frameworks, the FAR blueprint includes separate not-for-profit groups, topics and task statements throughout Areas I, II and III.
- Limit the assessment of International Financial Reporting Standards (IFRS) by testing only the differences between IFRS and U.S. GAAP rather than testing IFRS in its entirety as a standalone financial accounting and reporting framework. This proposed change addresses a finding in the practice analysis suggesting there has been a decrease in the level of engagement with IFRS for newly licensed CPAs. The proposed blueprint limits the assessment of differences between IFRS and U.S. GAAP to one Group within Area III.

The FAR blueprint includes other proposed changes to the current CSO, as follows:

- FAR will now exclude the following groups and topics:
 - Area I: Process by Which Accounting Standards are Set and Roles of Accounting Standard-Setting Bodies, *Personal financial statements*, *Liquidation basis financial statements*.
 - Area II: *Joint ventures*, *Investment property*, *Debt with conversion features and other options*, *Deferred compensation arrangements*, *Nonretirement postemployment benefits*.
 - Area III: Asset Retirement and Environmental Obligations, and Transfers and Servicing of Financial Assets and Derecognition. Content about related party transactions, which is addressed in the AUD section of the Exam, will also be removed from the FAR section.
- The following groups and topics in the current CSO will be combined or included in groups and topics in the proposed blueprint as indicated:
 - The group Distinguishing Liabilities from Equity in Area III of the current CSO and the topics *Troubled debt restructurings by debtors* and *Debt modifications and extinguishments* from Area II of the current CSO will be included in individual task statements in the topic *Notes and bonds payable* in Area II of the proposed blueprint.
 - The groups Segment Reporting and Earnings Per Share in Area III of the current CSO and the group SEC Reporting Requirements in Area I of the current CSO will be included in a single group titled Public Company Reporting Topics in Area I of the proposed blueprint.
 - The group Impairment in Area III of the current CSO will be included in individual task statements throughout the groups and topics in Areas I, II, and III of the proposed blueprint.
 - The group Nonmonetary Transactions in Area III of the current CSO will be included in a task statement in the group Property, Plant and Equipment in Area II of the proposed blueprint.
 - The group Deferred Revenue in Area II of the current CSO will be included in the task statements in the group Revenue Recognition in Area II of the proposed blueprint.
 - The group Costs and Expenses in Area II of the current CSO will be included in the task statements in the group Payables and Accrued Liabilities in Area II of the proposed blueprint.
 - The group Interim Financial Reporting in Area III of the current CSO will be included in the financial reporting task statements throughout Area I of the proposed blueprint.
 - The group Risks and Uncertainties in Area III of the current CSO will be included in the task statements in the topic *Notes to financial statements* in Area I of the proposed blueprint.

Skill Levels

As more fully set forth in the FAR blueprint, skill levels will be assessed at approximately the following weights:

<i>Skill</i>	<i>Weight</i>
Evaluation	-
Analysis	25% - 35%
Application	50% - 60%
Remembering and Understanding	10% - 20%

The FAR section of the Exam is being adapted to address the need to assess higher order skills, which is reflected in an increased emphasis on application and analysis tasks. For example, the Trade Receivables content will move away from recalling the definition of receivables-related terminology and towards completing tasks such as reconciling the trade receivables sub-ledger to the general ledger.

Areas I and II of the proposed blueprint will have the highest concentration of analysis content, followed by Area III. Area IV will have the highest concentration of remembering and understanding content.

Regulation (REG) section

The Regulation (REG) section tests knowledge and skills that a newly-licensed CPA must demonstrate with respect to federal taxation, ethics and professional responsibilities related to tax practice, and business law.

Content

The following table summarizes the content areas and allocation of content to be tested, both in the current Exam and in the next version of the Exam.

Current Exam		Next Version	
I. Ethics, Professional and Legal Responsibilities	15% - 19%	I. Ethics, Professional Responsibilities and Federal Tax Procedures	10% - 20%
II. Business Law	17% - 21%	II. Business Law	5% - 15%
III. Federal Tax Process, Procedures, Accounting and Planning	11% - 15%	III. Federal Taxation of Property Transactions	15% - 25%
IV. Federal Taxation of Property Transactions	12% - 16%	IV. Federal Taxation of Individuals	15% - 25%
V. Federal Taxation of Individuals	13% - 19%	V. Federal Taxation of Entities	30% - 40%
VI. Federal Taxation of Entities	18% - 24%		

As part of the practice analysis, both the content of the REG section and the skill levels at which this content is tested were reviewed. As a result, no new content areas were identified. However, there will be some revisions to existing content:

- Area I, Ethics, Professional Responsibilities and Federal Tax Procedures, will remain relatively unchanged in terms of the content percentage allocation. However, some content will be eliminated.
 - The topic *AICPA Statements on Standards for Tax Services* will be removed because the underlying concepts generally will be covered under other topics within Area I.
 - The group *Licensing and Disciplinary Systems* and the topic *Federal Statutory Liability* will be eliminated because the content was deemed not significant for newly licensed CPAs.
- Area II, Business Law will be reorganized, with some topics eliminated to increase the focus of this area on key legal concepts considered significant for newly licensed CPAs. Additionally, the content percentage allocated to Area II will be reduced.
 - The topic *Formation and Termination* under group *Agency* will be eliminated.
 - The topic *Third Party Assignments* under group *Contracts* will be eliminated.
 - The group *Uniform Commercial Code* will be eliminated; however, the topic *Secured Transactions*, formerly in that group, will move to the group *Debtor-Creditor Relationships*.
 - The topic and its related content, *Other federal laws and regulations (antitrust, copyright, patents, money laundering, labor, employment and ERISA)* will be eliminated. It will be replaced with the topic *Other federal laws and regulations (e.g., employment tax, Affordable Care Act and worker classification)*. It should be noted that the AUD and FAR sections of the Exam include coverage of Department of Labor ethics and independence, ERISA and pension plan financial statements.
 - The topics under the group *Business Structure (Selection of a Business Entity) – Advantages, disadvantages, implications and constraints* and *Financial structure, capitalization, profit and loss allocation, and distributions* – will be included in proposed Area V, Federal Taxation of Entities.

- Area III, Federal Tax Process, Procedures, Accounting and Planning will be eliminated to diminish redundancy. The number of areas will be reduced from six to five. Content will be distributed among the remaining areas.
 - The group Federal Tax Legislative Process will be eliminated because the content was deemed not significant for newly licensed CPAs.
 - All of the topics under the group Federal Tax Procedures will be relocated to Area I, other than *Due Dates and Related Extensions of Time* and *Statute of Limitations*, which will be eliminated, given the focus on testing higher order skills and because the information can easily be researched.
 - The groups Accounting Periods, Tax Return Elections, and Tax Planning will be included in either proposed Area IV, Federal Taxation of Individuals, or proposed Area V, Federal Taxation of Entities, as applicable.
 - All of the topics under group Accounting Methods will be included in proposed Areas IV or V, as applicable, except for the topic *Installment Sales* which will be relocated to proposed Area III, Federal Taxation of Property Transactions.
 - The group Impact of Multijurisdictional Tax Issues on Federal Taxation will be relocated to proposed Area V.
 - The topics *Authoritative Hierarchy* and *Communications with or on behalf of Clients* will be moved to Area I.
- Proposed Area III, Federal Taxation of Property Transactions, will contain the same content as the current Area IV but will be reorganized into three groups: Acquisition and Disposition of Assets, Cost Recovery (Depreciation, Depletion and Amortization) and Estate and Gift Taxation. The percentage allocated to proposed Area III will increase slightly.
- Proposed Area IV, Federal Taxation of Individuals (including tax preparation and planning strategies) will contain the same content as current Area V. The percentage allocated to proposed Area IV will increase slightly.
- Proposed Area V, Federal Taxation of Entities (including tax preparation and planning strategies) will contain the same content as current Area VI, except for the elimination of the topic *Earnings and Profits* under the group C Corporations, which was considered not significant for newly licensed CPAs. The remaining content will be reorganized. The content percentage allocated to proposed Area V will increase to absorb the addition of content from the other areas.

Skill Levels

As more fully set forth in the REG blueprint, skill levels will be assessed at approximately the following weights:

<i>Skill</i>	<i>Weight</i>
Evaluation	-
Analysis	25% - 35%
Application	35% - 45%
Remembering and Understanding	25% - 35%

Because Areas I and II were deemed to encompass general knowledge requirements for newly licensed CPAs, these areas will be tested at the remembering and understanding and application levels. In contrast, Areas III, IV and V include more of the daily activities of a newly licensed CPA and were deemed "critical" per the survey results. Therefore, these areas will be tested primarily at the application and analysis skill levels.

THE FUTURE OF PRACTICE ANALYSIS

The periodic execution of a practice analysis is necessary to ensure that the Exam supports the profession's commitment to protect the public interest, remains current, relevant, reliable and legally defensible and fulfills the needs of the boards of accountancy in carrying out their licensing responsibility.

BOE policies require that a practice analysis be conducted any time changes in the profession are significant enough to warrant an update either to a single Exam section or the Exam as a whole. However, at a minimum, BOE policy requires a practice analysis be completed no less than every seven years.

Previous practice analyses were undertaken in 2001 and 2008, which led to updated versions of the Exam launched in 2004 and 2011, respectively. The current practice analysis, which led to this Exposure Draft, began in 2014 with the launch of the next version of the Exam expected in 2017. Thus over a 16 year period, three practice analyses have occurred, each of which has taken three years to complete.

In addition to the practice analysis process, the Exam staff regularly reviews content for technical accuracy, to add content for accounting, auditing and tax law changes in accordance with Exam Policy and to eliminate obsolete content. Changes recommended in those updates go through a regular process of review and approval by Exam staff, the appropriate Exam section subcommittee and the content committee.

The Exam staff annually reviews Section CSOs (to be known as blueprints going forward) with the relevant subcommittee, to establish whether there have been significant changes in standards and/or practice that would require change to the Sections' CSOs, which are then approved by the content committee and BOE. Ultimately, the goal is to ensure that the Exam continues to reflect current practice in assessing the knowledge and skills required for competent newly licensed performance.

The accounting profession is dynamic, and the required skills and abilities of CPAs need to evolve to keep pace with the increasing rate of change in the marketplace. Likewise, the Exam must continue to evolve in step with, not in reaction to, that change. The AICPA anticipates the need to amend the process for evaluating and implementing future changes to the Exam to remain responsive amid rapid change in the profession.

As it explores ways to do this, the AICPA understands and acknowledges that ongoing dialogue with the profession and regulators is critical to identifying and understanding changes in the profession and the related impact on content and skills that should be tested on the Exam. Channels of communication that have been expanded with boards of accountancy, state societies, employers and regulators will continue to be strengthened going forward.

The Exam staff expects to be able to update the Exam more frequently with variations and enhancements to the types of questions asked and the skills assessed, within the current blueprint. Candidates and other stakeholders will be informed of these changes with sufficient notice so that candidates can be adequately prepared, the Exam remains fair and candidate confusion is minimized. The Exam staff will continue to manage these updates under the oversight of the BOE and its committees and subcommittees.

Exam staff will continue to monitor and remain engaged with the profession to identify opportunities to evolve the Exam as change occurs. If additional skill levels must be assessed, or other substantive changes are required that will significantly change blueprints, scoring weights, etc., a practice analysis will be initiated. Such a practice analysis would need to be faster-to-market, more streamlined and consistent with BOE due process, involving rigorous constituent input and review and public comment. The Exam staff will continue to manage these updates under the oversight of the BOE and its committees and subcommittees. The AICPA seeks stakeholder input regarding this broad view of the future of Exam changes and practice analysis.

APPENDIXES

EXPOSURE DRAFT: MAINTAINING THE RELEVANCE OF THE UNIFORM CPA EXAMINATION

Section Blueprints

The blueprint for each of the Exam sections includes the content, skills and related representative tasks that will be tested on the Exam. The blueprint will replace the current CSO and SSO. The purpose of the blueprint is to:

- Provide assurance that the Exam is properly designed to test such knowledge, skills and tasks.
- Assist candidates in preparing for the Exam by delineating the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as newly licensed CPAs.
- Guide the development of Exam questions.

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The tasks in the blueprints are representative and are not intended to be, nor should they be viewed as, an all-inclusive list of tasks that may be tested on the Exam. It also should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or skill will be assessed on the Exam.

AUDITING AND ATTESTATION (AUD)

Summary Blueprint

Content Area Allocation

Weight

I. Ethics, Professional Responsibilities, and General Principles	15%–25%
II. Assessing Risk and Developing a Planned Response	20%–30%
III. Performing Further Procedures and Obtaining Evidence	30%–40%
IV. Forming Conclusions and Reporting	15%–25%

Skill Allocation

Weight

Evaluation	5%–15%
Analysis	15%–25%
Application	30%–40%
Remembering and Understanding	30%–40%

AUDITING AND ATTESTATION (AUD)

Area I — Ethics, Professional Responsibilities, and General Principles (15%–25%)

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
A. OVERALL OBJECTIVES					
1. Nature and scope: audit engagements	✓				Identify the nature, scope, and objectives of the different types of audit engagements, including issuer, nonissuer and governmental audits.
2. Nature and scope: non-audit engagements	✓				Identify the nature, scope, and objectives of the different types of non-audit engagements, including attest engagements and accounting and review services engagements (i.e., preparations, compilations and reviews).
B. ETHICS AND INDEPENDENCE					
1. AICPA Code of Professional Conduct	✓				Understand the principles, rules, and interpretations included in the AICPA Code of Professional Conduct.
	✓				Recognize situations that present threats to compliance with the AICPA Code of Professional Conduct, including threats to independence.
		✓			Apply the principles, rules, and interpretations included in the AICPA Code of Professional Conduct to given situations.
		✓			Apply the Conceptual Framework for Members in Public Practice included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.
		✓			Apply the Conceptual Framework for Members in Business included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.
		✓			Apply the Conceptual Framework for Independence included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.

AUDITING AND ATTESTATION (AUD)

Area I — Ethics, Professional Responsibilities, and General Principles (15%–25%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
B. ETHICS AND INDEPENDENCE, continued					
2. Requirements of the Securities and Exchange Commission and Public Company Accounting Oversight Board	✓				Understand the ethical requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board.
	✓				Recognize situations that present threats to compliance with the ethical requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board.
		✓			Apply the ethical requirements and independence rules of the Securities and Exchange Commission and the Public Company Accounting Oversight Board to situations that could present threats to compliance during an audit of an issuer.
3. Requirements of the Government Accountability Office and the Department of Labor	✓				Recognize situations that present threats to compliance with the ethical requirements of the Government Accountability Office.
	✓				Recognize situations that present threats to compliance with the ethical requirements of the Department of Labor.
		✓			Apply the ethical requirements and independence rules of the Government Accountability Office to situations that could present threats to compliance during an audit of a government entity.
					Apply the independence rules of the Department of Labor to situations that could present threats to compliance during an audit of employee benefit plans.

AUDITING AND ATTESTATION (AUD)

Area I — Ethics, Professional Responsibilities, and General Principles (15%–25%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
C. TERMS OF ENGAGEMENT					
1. Preconditions for an engagement	✓				Identify the preconditions needed for accepting or continuing an audit or non-audit engagement.
		✓			Perform procedures to determine whether the preconditions needed for accepting or continuing an audit or non-audit engagement are present.
		✓			Perform procedures to determine whether the financial reporting framework to be applied to an entity's financial statements is acceptable.
		✓			Perform procedures to obtain the agreement of management that it acknowledges and understands its responsibilities for an audit or non-audit engagement.
2. Terms of engagement and engagement letter	✓				Identify the factors affecting the acceptance or continuance of an audit or non-audit engagement.
	✓				Identify the factors to consider when management requests a change in the type of engagement (e.g., from an audit to a review).
		✓			Perform procedures to confirm that a common understanding of the terms of an engagement exist with management and those charged with governance.
		✓			Document the terms of an audit or non-audit engagement in a written engagement letter or other suitable form of written agreement.
D. REQUIREMENTS FOR ENGAGEMENT DOCUMENTATION					
	✓				Identify the elements that comprise sufficient appropriate documentation for an audit or non-audit engagement.
	✓				Identify the requirements for the assembly and retention of documentation for an audit or non-audit engagement.

AUDITING AND ATTESTATION (AUD)

Area I — Ethics, Professional Responsibilities, and General Principles (15%–25%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
D. REQUIREMENTS FOR ENGAGEMENT DOCUMENTATION, continued					
		✓			Prepare documentation that is sufficient to enable an experienced auditor having no previous connection with an audit engagement to understand the nature, timing, extent, and results of procedures performed, and the significant findings and conclusions reached.
		✓			Prepare documentation that is sufficient to enable an accountant having no previous connection with a non-audit engagement to understand the nature, timing, extent, and results of procedures performed, and the significant findings and conclusions reached.
E. COMMUNICATION WITH MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE					
1. Planned scope and timing of an engagement	✓				Identify the matters related to the planned scope and timing of an audit or non-audit engagement that should be communicated to management and those charged with governance.
		✓			Prepare presentation materials and supporting schedules for use in communicating the planned scope and timing of an audit or non-audit engagement to management and those charged with governance.
					Identify the matters related to deficiencies and material weaknesses in internal control that should be communicated to those charged with governance and management for an audit or non-audit engagement, and the timing of such communications.
2. Internal control related matters	✓				Prepare written communication materials for use in communicating identified internal control deficiencies and material weaknesses for an audit or non-audit engagement to those charged with governance and management.
3. All other matters	✓				Identify matters, other than those related to the planned scope and timing of deficiencies, and material weaknesses in internal control that should be communicated to management and those charged with governance for an audit or non-audit engagement.

AUDITING AND ATTESTATION (AUD)

Area I — Ethics, Professional Responsibilities, and General Principles (15%–25%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
F. COMMUNICATIONS WITH COMPONENT AUDITORS AND PARTIES OTHER THAN MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE					
	✓				Identify matters that should be communicated to component auditors in a group audit engagement.
	✓				Identify matters that should be communicated to parties other than management and those charged with governance (e.g., communications required by law or regulation) for an audit or non-audit engagement.
G. A FIRM'S SYSTEM OF QUALITY CONTROL, INCLUDING QUALITY CONTROL AT THE ENGAGEMENT LEVEL					
	✓				Recognize a CPA firm's responsibilities for its system of quality control for its accounting and auditing practice.
	✓				Recognize a CPA's responsibility for quality control procedures on an audit or non-audit engagement.

AUDITING AND ATTESTATION (AUD)

Area II — Assessing Risk and Developing a Planned Response (20%–30%)

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
A. PLANNING AN ENGAGEMENT					
1. Developing an overall engagement strategy	✓				Explain the purpose and significance of the overall engagement strategy for an audit or non-audit engagement.
2. Developing a detailed engagement plan	✓	✓			Prepare a detailed engagement plan for an audit or non-audit engagement starting with the prior-year engagement plan or with a template. Prepare supporting planning related materials (e.g., client assistance request listings, time budgets) for a detailed engagement plan starting with the prior-year engagement plan or with a template. Develop or modify a detailed engagement plan for an audit or non-audit engagement based on planning inputs and constraints.
B. UNDERSTANDING AN ENTITY AND ITS ENVIRONMENT					
1. External factors, including the applicable financial reporting framework		✓			Identify and document the relevant industry, regulatory, and other external factors that impact an entity or the inherent risk of material misstatement, including the applicable financial reporting framework. Document the procedures that were performed to obtain an understanding of the relevant industry, regulatory, and other external factors that impact an entity and/or the inherent risk of material misstatement, including the applicable financial reporting framework.
2. Internal factors, including nature of the entity, ownership and governance structures and risk strategy		✓			Identify and document the relevant factors that define the nature of an entity, including the impact on the risk of material misstatement (e.g., its operations, ownership and governance structure, investment and financing plans, selection of accounting policies, and objectives and strategies). Document the procedures that were performed to obtain an understanding of the relevant factors that define the nature of an entity, including the impact on the risk of material misstatement (e.g., its operations, ownership and governance structure, investment and financing plans, selection of accounting policies, and objectives and strategies).

AUDITING AND ATTESTATION (AUD)

Area II — Assessing Risk and Developing a Planned Response (20%–30%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
C. UNDERSTANDING AN ENTITY'S INTERNAL CONTROL					
1. Control environment and entity-level controls	✓				Identify and document the significant components of an entity's control environment, including its entity-level controls.
	✓				Perform and document the procedures to obtain an understanding of the significant components of an entity's control environment, including its entity-level controls.
2. Flow of transactions and design of internal control	✓				Perform a walkthrough and document the flow of transactions relevant to an audit of an entity's financial statements or to an examination of an entity's internal controls.
	✓				Perform tests of the design and implementation of internal controls relevant to an audit of an entity's financial statements or to an examination of an entity's internal controls.
			✓		Identify and document the key controls within the flow of an entity's transactions relevant to an audit of an entity's financial statements or to an examination of an entity's internal controls.
				✓	Evaluate whether internal controls relevant to an audit of an entity's financial statements or to an examination of an entity's internal controls are effectively designed and placed in operation.
3. Implications of an entity using a service organization	✓				Identify and document the purpose and significance of an entity's use of a service organization, including its impact on an audit of an entity's financial statements or an examination of an entity's internal controls.
	✓				Use a service organization report to determine the nature and extent of testing procedures to be performed in an audit of an entity's financial statements or in an examination of an entity's internal controls.

AUDITING AND ATTESTATION (AUD)

Area II — Assessing Risk and Developing a Planned Response (20%–30%) Continued

		Skill			
Content Group/Topic	Remembering and Understanding	Application	Analysis	Evaluation	Representative Task
C. UNDERSTANDING AN ENTITY'S INTERNAL CONTROL, continued					
4. Information technology general and application controls		✓			Identify and document an entity's key IT general and application controls, including their impact on the audit of an entity's financial statements or on the examination of an entity's internal controls.
		✓			Perform and document the tests of an entity's IT general and application controls, including controls relevant to the audit of an entity's financial statements or an examination of an entity's internal controls.
5. Limitations of controls and risk of management override	✓				Understand the limitations of internal controls and the potential impact on the risk of material misstatement of an entity's financial statements.
		✓			Identify and document the risks associated with management override of internal controls and the potential impact on the risk of material misstatement of an entity's financial statements.
D. ASSESSING RISKS DUE TO FRAUD, INCLUDING DISCUSSIONS AMONG THE ENGAGEMENT TEAM ABOUT THE RISK OF MATERIAL MISSTATEMENT DUE TO FRAUD OR ERRORS					
			✓		Brainstorm possible areas that present risks of material misstatement of an entity's financial statements due to fraud or error, leveraging the combined knowledge and understanding of the engagement team.
E. IDENTIFYING AND ASSESSING THE RISK OF MATERIAL MISSTATEMENT, WHETHER DUE TO ERROR OR FRAUD, AND PLANNING FURTHER PROCEDURES RESPONSIVE TO IDENTIFIED RISKS					
1. Impact of risks at the financial statement level		✓			Identify and document the assessed impact of risks of material misstatement at the financial statement level, taking into account the effect of relevant controls.
			✓		Analyze identified risks to detect those that relate to an entity's financial statements as a whole (as contrasted to the relevant assertion level).

AUDITING AND ATTESTATION (AUD)

Area II — Assessing Risk and Developing a Planned Response (20%–30%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
E. IDENTIFYING AND ASSESSING THE RISK OF MATERIAL MISSTATEMENT, WHETHER DUE TO ERROR OR FRAUD, AND PLANNING FURTHER PROCEDURES				
2. Impact of risks for each relevant assertion at the class of transaction, account balance, and disclosure levels		✓		Identify and document risks and related controls at the relevant assertion level for significant classes of transactions, account balances and disclosures in an entity's financial statements.
			✓	Analyze the potential impact of identified risks at the relevant assertion level for significant classes of transactions, account balances and disclosures in an entity's financial statements, taking account of the controls the auditor intends to test.
3. Further procedures responsive to identified risks		✓		Develop planned audit procedures that are responsive to identified risks of material misstatement due to fraud or error at the relevant assertion level for significant classes of transactions and account balances.
			✓	Analyze the risk of material misstatement, including the potential impact of individual and cumulative misstatements, to provide a basis for developing planned audit procedures.
F. MATERIALITY				
1. For the financial statements as a whole	✓			Understand materiality as it relates to the financial statements as a whole.
		✓		Calculate materiality for an entity's financial statements as a whole.
2. Performance materiality and tolerable misstatement		✓		Calculate the materiality level (or levels) to be applied to classes of transactions, account balances and disclosures in an audit of an issuer or nonissuer.
	✓			Understand the use of performance materiality and tolerable misstatement in an audit of an issuer or nonissuer.
		✓		Calculate performance materiality or tolerable misstatement for the purposes of assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures in an audit of an issuer or nonissuer.

AUDITING AND ATTESTATION (AUD)

Area II — Assessing Risk and Developing a Planned Response (20%–30%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
G. PLANNING FOR AND USING THE WORK OF OTHERS, INCLUDING GROUP AUDITS, THE INTERNAL AUDIT FUNCTION, AND THE WORK OF A SPECIALIST					
	✓				Identify the factors to consider in determining the extent to which an engagement team can use the work of the internal audit function in an audit or non-audit engagement.
	✓				Identify the factors to consider in determining the extent to which an engagement team should use the work of a specialist in an audit or non-audit engagement.
		✓			Determine the nature and scope of the work of the internal audit function that can be used in an audit or non-audit engagement.
		✓			Perform procedures to utilize the work of a specialist to obtain evidence in an audit or non-audit engagement.

H. SPECIFIC AREAS OF ENGAGEMENT RISK

1. An entity's compliance with laws and regulations, including possible illegal acts	✓					Understand the auditor's responsibilities with respect to laws and regulations that have a direct effect on the determination of material amounts or disclosures in an entity's financial statements, for an audit or non-audit engagement.
	✓					Understand the auditor's responsibilities with respect to laws and regulations that are fundamental to an entity's business but do not have a direct effect on the entity's financial statements in an audit or non-audit engagement.
		✓				Perform tests of compliance with laws and regulations that have a direct effect on material amounts or disclosures in an entity's financial statements in an audit or non-audit engagement.
		✓				Perform tests of compliance with laws and regulations that are fundamental to an entity's business, but do not have a direct effect on the entity's financial statements, for an audit or non-audit engagement.

AUDITING AND ATTESTATION (AUD)

Area II — Assessing Risk and Developing a Planned Response (20%–30%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
H. SPECIFIC AREAS OF ENGAGEMENT RISK, continued					
2. Accounting estimates (including fair value estimates)	✓				Recognize the potential impact of significant accounting estimates on the risk of material misstatement, including the indicators of management bias.
3. Related parties and related party transactions		✓			Perform procedures to identify related party relationships and transactions for an audit or non-audit engagement, including consideration of significant unusual transactions and transactions with executive officers.
			✓		Analyze the potential impact of related party relationships and transactions on the risk of material misstatement for an audit or non-audit engagement, including consideration of significant unusual transactions and transactions with executive officers.

AUDITING AND ATTESTATION (AUD)

Area III — Performing Further Procedures and Obtaining Evidence (30%–40%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
C. PERFORMING SPECIFIC PROCEDURES TO OBTAIN EVIDENCE, continued				
2. External confirmations		✓		Prepare external confirmation requests to obtain relevant and reliable evidence in an audit engagement of an issuer or nonissuer, including considerations when using electronic confirmations.
		✓		Use external confirmations to obtain relevant and reliable evidence in an audit engagement of an issuer or nonissuer, including considerations when using electronic confirmations.
3. Inquiry of management and others			✓	Analyze external confirmation responses in the audit of an issuer or nonissuer to determine the need for follow up or further investigation.
		✓		Inquire of management and others to gather evidence and document the results in an audit or non-audit engagement.
4. Observation and inspection			✓	Analyze responses obtained during structured or informal interviews with management and others and ask relevant and effective follow-up questions during the interview in an audit or non-audit engagement.
			✓	Perform tests of operating effectiveness of internal controls, including the analysis of exceptions to identify deficiencies in an audit of financial statements or an examination of internal control.
5. Recalculation and reperformance		✓		Evaluate evidence through the use of observation and inspection procedures in an audit or non-audit engagement.
6. All other procedures				Use recalculation and reperformance to obtain evidence in an audit or non-audit engagement.
	✓			Identify other procedures in addition to those set out in professional standards, as necessary, to achieve the audit objectives in an audit of an issuer or a nonissuer.
		✓		Perform other procedures in addition to those set out in professional standards, as necessary, to achieve the audit objectives in an audit of an issuer or nonissuer.

AUDITING AND ATTESTATION (AUD)

Area III — Performing Further Procedures and Obtaining Evidence (30%–40%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis/Evaluation	
D. SPECIFIC MATTERS THAT REQUIRE SPECIAL CONSIDERATION				
1. Opening balances		✓		Test whether prior-period closing balances have been correctly brought forward to the current period or restated in the audit of an issuer or nonissuer, including investigation of differences.
2. Investments in securities and derivative instruments	✓	✓		Identify the considerations relating to the measurement and disclosure of the fair value of investments in securities and derivative instruments in an audit of an issuer or nonissuer. Test management's assumptions, conclusions, and adjustments related to the valuation of investments in securities and derivative instruments in an audit of an issuer or nonissuer.
3. Physical observation of inventory and inventory held by others			✓	Analyze management's instructions and procedures for recording and controlling the results of an entity's physical inventory counting in an audit of an issuer or nonissuer. Observe the performance of inventory-counting procedures; inspect the inventory, and perform test counts to verify the ending inventory quantities in an audit of an issuer or nonissuer.
4. Litigation, claims, and assessments		✓		Perform appropriate audit procedures such as inquiring of management and others, reviewing minutes, and sending external confirmations to detect the existence of litigation, claims and assessments in an audit of an issuer or nonissuer. Analyze management's estimate of the liability associated with litigation, claims and assessments in an audit of an issuer or nonissuer.
5. An entity's ability to continue as a going concern	✓			Identify the factors that could cause substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time in an audit of an issuer or nonissuer.

AUDITING AND ATTESTATION (AUD)

Area III — Performing Further Procedures and Obtaining Evidence (30%–40%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
D. SPECIFIC MATTERS THAT REQUIRE SPECIAL CONSIDERATION, continued					
6. Accounting estimates, including fair value estimates		✓			Perform procedures to analyze an entity's calculations and detailed support for significant accounting estimates that have a low level of estimation uncertainty in an audit of an issuer or nonissuer, including consideration of information that contradicts assumptions made by management.
		✓			Perform procedures to analyze an entity's calculations and detailed support for significant accounting estimates that have a high level of estimation uncertainty in an audit of an issuer or nonissuer, including consideration of information that contradicts assumptions made by management.
				✓	Evaluate the reasonableness of significant accounting estimates that have a low level of estimation uncertainty in an audit of an issuer or nonissuer.
				✓	Evaluate the reasonableness of significant accounting estimates that have a high level of estimation uncertainty in an audit of an issuer or nonissuer.

E. MISSTATEMENTS AND INTERNAL CONTROL DEFICIENCIES

	✓				Prepare a summary of corrected and uncorrected misstatements.
		✓			Determine the effect of uncorrected misstatements on an entity's financial statements in an audit or non-audit engagement.
		✓			Determine the effect of identified misstatements on the assessment of internal control over financial reporting in an audit of an issuer or nonissuer.
				✓	Evaluate the significance of internal control deficiencies on the risk of material misstatement of financial statements in an audit of an issuer or nonissuer.

AUDITING AND ATTESTATION (AUD)

Area III — Performing Further Procedures and Obtaining Evidence (30%–40%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
F. WRITTEN REPRESENTATIONS					
	✓				Identify the written representations that should be obtained from management or those charged with governance in an audit or non-audit engagement.
		✓			Assist in the preparation of required written representations that should be obtained from management or those charged with governance in an audit or non-audit engagement.
G. SUBSEQUENT EVENTS AND SUBSEQUENTLY DISCOVERED FACTS					
		✓			Perform procedures to identify subsequent events that could affect an entity's financial statements or the auditor's report, including: 1) events that occur between the date of the financial statements and the date of the auditor's report, and 2) facts that become known to the auditor after the date of the auditor's report in an audit of an issuer or nonissuer.
		✓			Perform procedures to identify subsequent events that could affect an entity's financial statements or the accountant's report, including: 1) events that occur between the date of the financial statements and the date of the report, and 2) facts that become known to the accountant after the date of the report in a non-audit engagement.
			✓		Determine whether identified subsequent events are appropriately reflected in an entity's financial statements and disclosures in an audit or non-audit engagement.

AUDITING AND ATTESTATION (AUD)

Area IV — Forming Conclusions and Reporting (15%–25%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. REPORTS ON AUDITING ENGAGEMENTS				
1. Forming an audit opinion, including modification of an auditor's opinion	✓			Identify the factors that an auditor should consider when forming an opinion on an entity's financial statements.
	✓			Identify the type of opinion that an auditor should render on the audit of an issuer or nonissuer's financial statements, including unmodified (or unqualified), qualified, adverse or disclaimer of opinion.
	✓			Identify the factors that an auditor should consider when it is necessary to modify the audit opinion on an issuer or nonissuer's financial statements, including when the financial statements are materially misstated and when the auditor is unable to obtain sufficient appropriate audit evidence.
2. Form and content of an audit report, including the use of emphasis-of-matter and other matter (explanatory) paragraphs	✓			Identify the appropriate form and content of an auditor's report for an audit of an issuer or nonissuer's financial statements, including the appropriate use of emphasis-of-matter and other matter (i.e., explanatory) paragraphs.
		✓		Prepare a draft auditor's report starting with a report example (e.g., an illustrative audit report from professional standards) in the audit or an issuer or nonissuer.
B. REPORTS ON ATTESTATION ENGAGEMENTS				
1. General standards for attestation reports	✓			Identify the factors that a practitioner should consider when issuing an examination or review report for an attestation engagement.
		✓		Prepare a draft examination or review report for an attestation engagement starting with a report example (e.g., an illustrative report from professional standards).
2. Agreed-upon procedures reports	✓			Identify the factors that a practitioner should consider when issuing an agreed-upon procedures report for an attestation engagement.
		✓		Prepare a draft agreed-upon procedures report for an attestation engagement starting with a report example (e.g., an illustrative report from professional standards).

AUDITING AND ATTESTATION (AUD)

Area IV — Forming Conclusions and Reporting (15%–25%) Continued

Content Group/Topic	Skill		Representative Task
	Remembering and Understanding	Application Analysis	
B. REPORTS ON ATTESTATION ENGAGEMENTS, continued			
3. Examinations of internal control integrated with an audit of financial statements	✓		Identify the factors that an auditor should consider when forming an opinion on the effectiveness of internal control in an examination of internal control.
	✓		Identify the appropriate form and content of a report on the examination of internal control, including report modifications and the use of separate or combined reports for the audit of an entity's financial statements and the examination of internal control.
4. Reporting on controls at a service organization		✓	Prepare a draft report for an examination of internal control engagement or for an examination of internal control integrated with the audit of an entity's financial statements, starting with a report example (e.g., an illustrative report from professional standards).
	✓		Identify the factors that a service auditor should consider when reporting on the examination of controls at a service organization.
		✓	Prepare a draft report for an engagement to report on the examination of controls at a service organization, starting with a report example (e.g., an illustrative report from professional standards).
C. ACCOUNTING AND REVIEW SERVICE ENGAGEMENTS			
1. Preparation engagements	✓		Identify the factors an auditor should consider when performing a preparation engagement.
	✓		Identify the factors that an accountant should consider when reporting on an engagement to compile an entity's financial statements, including the proper form and content of the compilation report.
2. Compilation reports		✓	Prepare a draft report for an engagement to compile an entity's financial statements, starting with a report example (e.g., an illustrative report from professional literature).

AUDITING AND ATTESTATION (AUD)

Area IV — Forming Conclusions and Reporting (15%–25%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
C. ACCOUNTING AND REVIEW SERVICE ENGAGEMENTS, continued					
3. Review reports	✓				Identify the factors that an accountant should consider when reporting on an engagement to review an entity's financial statements, including the proper form and content of the review report. Prepare a draft report for an engagement to review an entity's financial statements, starting with a report example (e.g., an illustrative report from professional standards).
D. REPORTING ON COMPLIANCE					
	✓				Identify the factors that a practitioner should consider when reporting on an attestation engagement related to an entity's compliance with the requirements of specified laws, regulations, rules, contracts or grants, including reports on the effectiveness of internal controls over compliance with the requirements.
	✓				Identify the factors that an auditor should consider when reporting on compliance with aspects of contractual agreements or regulatory requirements in connection with an audit of an entity's financial statements.
		✓			Prepare a draft compliance report for an attestation engagement to report on an entity's compliance with the requirements of specified laws, regulations, rules, contracts or grants starting with a report example (e.g., an illustrative report from professional standards).
		✓			Prepare a draft compliance report when reporting on compliance with aspects of contractual agreements or regulatory requirements in connection with an audit of an entity's financial statements starting with a report example (e.g., an illustrative report from professional standards).
E. OTHER REPORTING CONSIDERATIONS					
1. Comparative statements and consistency between periods	✓				Identify the factors that would affect the comparability or consistency of financial statements, including a change in accounting principle, the correction of a material misstatement, and a material change in classification.

AUDITING AND ATTESTATION (AUD)

Area IV — Forming Conclusions and Reporting (15%–25%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
E. OTHER REPORTING CONSIDERATIONS, continued					
2. Other information in documents with audited statements	✓				Understand the auditor's responsibilities related to other information included in documents with audited financial statements.
3. Review of interim financial information	✓				Identify the factors an auditor should consider when reporting on an engagement to review interim financial information.
4. Supplementary information	✓				Identify the factors an auditor should consider when reporting on supplementary information included in or accompanying an entity's financial statements.
5. Single statements	✓				Identify the factors an auditor should consider when reporting on the audit of a single financial statement.
6. Special-purpose and other country framework	✓				Identify the factors an auditor should consider when reporting on the audit of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, when the financial statements are intended for use outside of the United States.
7. Letters for underwriters and filings with the SEC	✓				Identify the factors an auditor should consider when reporting on the audit of financial statements prepared in accordance with a special-purpose framework, including cash basis, tax basis, regulatory basis, contractual basis or other basis.
	✓				Identify the factors an auditor should consider when engaged to issue a comfort letter in connection with an entity's financial statements included in a securities offering.
8. Alerts that restrict the use of written communication	✓				Identify the factors an auditor should consider in connection with audited financial statements of a nonissuer that are included in a registration statement.
	✓				Identify the factors an auditor should consider when restricting the use of written communication by including an alert, when the potential exists for the written communication to be misunderstood or taken out of context.

BUSINESS ENVIRONMENT AND CONCEPTS (BEC)

Summary Blueprint

Content Area Allocation	Weight
I. Corporate Governance	17%-27%
II. Economic Concepts and Analysis	17%-27%
III. Financial Management	11%-21%
IV. Information Technology	15%-25%
V. Operations Management	15%-25%

Skill Allocation	Weight
Evaluation	20%-30%
Analysis	50%-60%
Application	15%-25%
Remembering and Understanding	

BUSINESS ENVIRONMENT AND CONCEPTS

Area I — Corporate Governance (17–27%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. INTERNAL CONTROL FRAMEWORKS				
1. Purpose and objectives	✓			Define internal control within the context of the COSO Internal Control framework including the purpose, objectives and limitations of the framework.
2. Components and principles	✓			Identify and define the components, principles and underlying structure of the COSO Internal Control framework.
		✓		Apply the COSO Internal Control framework to identify controls for risk scenarios in an entity.
		✓		Describe the corporate governance structure within an organization (tone at the top, policies, steering committees, oversight, etc.).
B. ENTERPRISE RISK MANAGEMENT FRAMEWORKS				
1. Purpose and objectives	✓			Define enterprise risk management within the context of the COSO Enterprise Risk Management framework including the purpose, objectives and limitations of the framework.
2. Components and principles	✓			Identify and define the components, principles, and underlying structure of the COSO Enterprise Risk Management framework.
		✓		Apply the COSO Enterprise Risk Management framework to identify risk/opportunity scenarios in an entity.
C. OTHER REGULATORY FRAMEWORKS AND PROVISIONS				
	✓			Identify and define key corporate governance provisions of the Sarbanes-Oxley Act of 2002 and other regulatory pronouncements.
		✓		Identify regulatory deficiencies within an entity by using the requirements associated with the Sarbanes-Oxley Act of 2002.

BUSINESS ENVIRONMENT AND CONCEPTS

Area II — Economic Concepts and Analysis (17–27%)

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
A. ECONOMIC AND BUSINESS CYCLES - MEASURES AND INDICATORS					
	✓				Identify and define business cycles and conditions and government policies that impact an entity's industry or operations.
		✓			Calculate and use economic measures and indicators to explain the impact on an entity's industry or operations due to changes in government policies, business cycles and economic conditions.
B. MARKET INFLUENCES ON BUSINESS					
		✓			Identify and define the key factors related to the economic marketplace and how they impact the business entity.
			✓		Determine the impact of market influences on the overall economy as well as on an entity's business strategy and operations.
			✓		Determine the business reasons for, and explain the underlying economic substance of, significant transactions (business combinations, divestitures, etc.).
C. FINANCIAL RISK MANAGEMENT					
1. Market, interest rate, currency, liquidity, credit, price and other risks		✓			Calculate and use ratios and measures to quantify risks associated with interest rates, currency exchange, liquidity, prices, etc. in a business entity.
2. Means for mitigating/controlling financial risks		✓			Identify strategies to mitigate financial risks (market, interest rate, currency, liquidity, etc.) and quantify their impact on a business entity.

BUSINESS ENVIRONMENT AND CONCEPTS

Area III — Financial Management (11–21%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. CAPITAL STRUCTURE				
		✓		Describe an organization's capital structure and related concepts, such as cost of capital, asset structure, loan covenants, growth rate, profitability, leverage and risk.
		✓		Calculate the cost of capital for a given financial scenario.
			✓	Compare and contrast the strategies for financing new business initiatives and operations within the context of an optimal capital structure.
B. WORKING CAPITAL				
1. Fundamentals and key metrics of working capital management	✓			Calculate the metrics associated with the working capital components, such as current ratio, quick ratio, cash conversion cycle, inventory turnover and receivables turnover.
			✓	Detect significant fluctuations or variances in the working capital cycle using working capital ratio analyses.
2. Strategies for managing working capital			✓	Compare inventory management processes, including pricing and valuation methods, to minimize the working capital requirements of a given entity.
			✓	Compare accounts payable management techniques, including usage of discounts, factors affecting discount policy, uses of electronic funds transfer as payment methods, and determination of an optimal vendor payment schedule in order to optimize the working capital of a given entity.
			✓	Distinguish between corporate banking arrangements, including establishment of lines of credit, borrowing capacity and monitoring of compliance with debt covenants in order to optimize the working capital of a given entity.
			✓	Interpret the differences between the business risks and the opportunities in an entity's credit management policies to minimize working capital requirements.
			✓	Analyze the effects on working capital caused by financing using long-term debt and/or short-term debt.

BUSINESS ENVIRONMENT AND CONCEPTS

Area III — Financial Management (11–21%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
C. FINANCIAL VALUATION METHODS AND DECISION MODELS	✓			Identify and define the different financial valuation methods and their assumptions.
	✓			Identify and define the different financial decision models and their assumptions.
		✓		Calculate the value of an asset using commonly accepted financial valuation methods.
			✓	Compare investment alternatives using calculations of financial metrics (payback period, net-present value, economic value added, cash flow analysis, internal rate of return, etc.).

BUSINESS ENVIRONMENT AND CONCEPTS

Area IV — Information Technology (15–25%)

Content Group/Topic	Skill			
	Remembering and Understanding	Application	Analysis	Evaluation
A. INFORMATION TECHNOLOGY GOVERNANCE				
1. Vision and Strategy	✓			Identify the role that the Information Technology function plays in determining/supporting an organization's vision and strategy.
2. Organization		✓		Describe the Information Technology (IT) governance structure within an organization (tone at the top, policies, steering committees, IT strategies, oversight, etc.).
3. Risk Assessments		✓		Conduct an Information Technology risk assessment, identify risks and suggest mitigation strategies.
B. ROLE OF INFORMATION TECHNOLOGY IN BUSINESS				
		✓		Identify the role of information systems in key business processes within an entity.
C. INFORMATION SECURITY/AVAILABILITY				
1. Protection of Information		✓		Recognize the risks and controls associated with protecting sensitive and critical information within an organization's information technology environment (the use of mobile technology, data storage devices, data transmission, etc.).
2. Logical and Physical Access Controls		✓		Identify weaknesses and mitigation strategies within an entity's information technology environment in relation to logical and physical access controls.
		✓		Identify weaknesses and mitigation strategies within an entity's information technology (IT) environment in relation to IT general and application controls.
3. System Disruption/Resolution		✓		Describe an entity's disaster recovery/business continuity plans, including threat identification and mitigation strategies, data backup and recovery procedures, alternate processing facilities, etc.

BUSINESS ENVIRONMENT AND CONCEPTS

Area IV — Information Technology (15–25%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
D. PROCESSING INTEGRITY (INPUT/PROCESSING/OUTPUT CONTROLS)					
		✓			Describe the role of input, processing, and output controls within an entity to support completeness, accuracy and continued processing integrity.
		✓			Determine the appropriateness of the design and operating effectiveness of application controls (authorizations, approvals, tolerance levels, input edits, etc.).
		✓			Identify issues related to the design and effectiveness of Information Technology control activities, including manual vs. automated controls, as well as preventive, detective and corrective controls.
E. SYSTEMS DEVELOPMENT AND MAINTENANCE					
	✓				Identify different information system testing strategies.
		✓			Recognize the fundamental issues and risks associated with implementing new information systems or maintaining existing information systems within an entity.

BUSINESS ENVIRONMENT AND CONCEPTS

Area V — Operations Management (15–25%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. FINANCIAL AND NON-FINANCIAL MEASURES OF PERFORMANCE MANAGEMENT				
		✓		Calculate financial and non-financial measures appropriate to analyze specific aspects of an entity's performance (e.g., Economic Value Added, Costs of Quality-Prevention vs. Appraisal vs. Failure, etc.)
			✓	Determine which financial and non-financial measures are appropriate to analyze specific aspects of an entity's performance (e.g., Return on Equity, Return on Assets, Contribution Margin, etc.).
B. COST ACCOUNTING				
1. Cost Measurement Concepts, Methods and Techniques		✓		Apply cost accounting concepts, terminology, methods and measurement techniques within an entity.
2. Variance analysis			✓	Determine the appropriate variance analysis method to measure the key cost drivers by analyzing business scenarios.
C. PROCESS MANAGEMENT				
1. Approaches, techniques, measures, benefits to process-management driven businesses	✓			Identify commonly used operational management approaches, techniques and measures within the context of business process management.
2. Management Philosophies and Techniques for Performance Improvement	✓			Identify commonly used management philosophies and techniques for performance and quality improvement within the context of business process management.

BUSINESS ENVIRONMENT AND CONCEPTS

Area V — Operations Management (15–25%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application/Analysis	Evaluation	
D. PLANNING TECHNIQUES				
1. Budgeting and analysis		✓		Prepare a budget to guide business decisions.
			✓	Reconcile results against a budget or prior periods and perform analysis of variances as needed.
2. Forecasting and projection		✓		Use forecasting and projection techniques to model revenue growth, cost and expense characteristics, profitability, etc.
		✓		Prepare and calculate metrics to be utilized in the planning process such as cost benefit analysis, sensitivity analysis, breakeven analysis, economic order quantity, etc.
			✓	Analyze results of forecasts and projections using ratio analysis and explanations of correlations to, or variations from, key financial indices.
			✓	Compare and contrast alternative approaches (such as system replacement, make vs. buy, and cost/benefit) proposed to address business challenges or opportunities for a given entity.

FINANCIAL ACCOUNTING AND REPORTING (FAR)

Summary Blueprint

Content Area Allocation	Weight
I. Conceptual Framework and Financial Reporting	25%-35%
II. Select Financial Statement Accounts	30%-40%
III. Select Transactions	20%-30%
IV. State and Local Governments	5%-15%

Skill Allocation	Weight
Evaluation	-
Analysis	25%-35%
Application	50%-60%
Remembering and Understanding	10%-20%

FINANCIAL ACCOUNTING AND REPORTING

Area I — Conceptual Framework and Financial Reporting (25%–35%)

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
A. CONCEPTUAL FRAMEWORK FOR BUSINESS AND NONBUSINESS ENTITIES					
	✓				Recall the purpose and characteristics in the conceptual framework for business and nonbusiness entities.
B. GENERAL-PURPOSE FINANCIAL STATEMENTS: FOR-PROFIT BUSINESS ENTITIES					
1. Balance sheet/ Statement of financial position		✓			Prepare a classified balance sheet from a trial balance and supporting documentation.
		✓			Adjust the balance sheet to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the balance sheet amounts to supporting documentation.
			✓		Calculate fluctuations and ratios and interpret the results while reviewing comparative balance sheets.
2. Income statement/ Statement of profit or loss		✓			Prepare a multiple-step income statement from a trial balance and supporting documentation.
		✓			Prepare a single-step income statement from a trial balance and supporting documentation.
		✓			Adjust the income statement to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the income statement amounts to supporting documentation.
			✓		Calculate fluctuations and ratios and interpret the results while reviewing income statements.

FINANCIAL ACCOUNTING AND REPORTING

Area I — Conceptual Framework and Financial Reporting (25%–35%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
3. Statement of comprehensive income	✓				Prepare a statement of comprehensive income from a trial balance and supporting documentation.
	✓				Calculate reclassification adjustments for items of other comprehensive income.
	✓				Adjust the statement of comprehensive income to correct identified errors.
4. Statement of changes in equity			✓		Detect, investigate and correct discrepancies while agreeing the statement of comprehensive income amounts to supporting documentation.
	✓				Prepare a statement of changes in equity from a trial balance and supporting documentation.
	✓				Adjust the statement of changes in equity to correct identified errors.
5. Statement of cash flows			✓		Detect, investigate and correct discrepancies while agreeing the statement of changes in equity amounts to supporting documentation.
	✓				Prepare a statement of cash flows using the direct method and required disclosures from supporting documentation.
	✓				Prepare a statement of cash flows using the indirect method and required disclosures from supporting documentation.
	✓				Adjust a statement of cash flows to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the statement of cash flows amounts to supporting documentation.
			✓		Derive the impact of transactions on the statement of cash flows.

FINANCIAL ACCOUNTING AND REPORTING

Area I — Conceptual Framework and Financial Reporting (25%–35%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
B. GENERAL-PURPOSE FINANCIAL STATEMENTS: FOR-PROFIT BUSINESS ENTITIES, continued					
6. Notes to financial statements		✓			Adjust the notes to the financial statements to correct identified errors and omissions.
			✓		Compare the notes to the financial statements to the financial statements and supporting documentation to identify inconsistencies and investigate those inconsistencies.
7. Consolidated financial statements (including wholly owned subsidiaries and noncontrolling interests)	✓				Recall basic consolidation concepts and terms (e.g. controlling interest, noncontrolling interest, primary beneficiary, variable interest entity).
		✓			Prepare consolidated financial statements (includes adjustments, eliminations and/or noncontrolling interests) from supporting documentation.
		✓			Adjust consolidated financial statements to correct identified errors.
8. Discontinued operations			✓		Detect, investigate and correct discrepancies identified while agreeing the consolidated financial statement amounts to supporting documentation.
		✓			Prepare the discontinued operations portion of the financial statements from a trial balance and supporting documentation.
9. Going concern	✓				Recall the requirements for disclosing uncertainties about an entity's ability to continue as a going concern.
C. GENERAL-PURPOSE FINANCIAL STATEMENTS: NONGOVERNMENTAL, NOT-FOR-PROFIT ENTITIES					
1. Statement of financial position	✓				Recall the purpose and objectives of the statement of financial position for a nongovernmental, not-for-profit entity.
		✓			Prepare a statement of financial position for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
		✓			Adjust the statement of financial position for a nongovernmental, not-for-profit entity to correct identified errors.

FINANCIAL ACCOUNTING AND REPORTING

Area I — Conceptual Framework and Financial Reporting (25%–35%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
C. GENERAL-PURPOSE FINANCIAL STATEMENTS: NONGOVERNMENTAL, NOT-FOR-PROFIT ENTITIES, continued					
2. Statement of activities	✓				Recall the purpose and objectives of the statement of activities for a nongovernmental, not-for-profit entity.
		✓			Prepare a statement of activities for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
		✓			Adjust the statement of activities for a nongovernmental, not-for-profit entity to correct identified errors.
3. Statement of cash flows	✓				Recall the purpose and objectives of the statement of cash flows for a nongovernmental, not-for-profit entity.
		✓			Prepare a statement of cash flows and required disclosures using the direct method for a nongovernmental, not-for-profit entity.
		✓			Prepare a statement of cash flows and required disclosures using the indirect method for a nongovernmental, not-for-profit entity.
		✓			Adjust the statement of cash flows for a nongovernmental, not-for-profit entity to correct identified errors.
4. Statement of functional expenses	✓				Recall the purpose and objectives of the statement of functional expenses for a nongovernmental, not-for-profit entity.
		✓			Prepare a statement of functional expenses for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
		✓			Adjust the statement of functional expenses for a nongovernmental, not-for-profit entity to correct identified errors.

FINANCIAL ACCOUNTING AND REPORTING

Area I — Conceptual Framework and Financial Reporting (25%–35%) Continued

Content Group/Topic	Skill			
	Remembering and Understanding	Application	Analysis	Evaluation
D. PUBLIC COMPANY REPORTING TOPICS (U.S. SEC REPORTING REQUIREMENTS, EARNINGS PER SHARE AND SEGMENT REPORTING)				
	✓			Recall the purpose of forms 10-Q, 10-K and 8-K that a U.S. registrant is required to file with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934.
	✓			Identify the significant components of Form 10-Q and Form 10-K filed with the U.S. Securities and Exchange Commission.
		✓		Prepare financial statement note disclosures for reportable segments.
		✓		Calculate basic earnings per share.
		✓		Calculate diluted earnings per share.
E. FINANCIAL STATEMENTS OF EMPLOYEE BENEFIT PLANS				
	✓			Identify the required financial statements for a defined benefit pension plan and a defined contribution pension plan.
		✓		Prepare a statement of changes in net assets available for benefits for a defined benefit pension plan and a defined contribution pension plan.
		✓		Prepare a statement of net assets available for benefits for a defined benefit pension plan and a defined contribution pension plan.

FINANCIAL ACCOUNTING AND REPORTING

Area 1 — Conceptual Framework and Financial Reporting (25%–35%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis Evaluation	
F. SPECIAL PURPOSE FRAMEWORKS				
	✓			Recall appropriate financial statement titles to be used for the financial statements prepared under a special purpose framework.
		✓		Perform calculations to convert cash basis or modified cash basis financial statements to accrual basis financial statements.
		✓		Prepare financial statements using the cash basis of accounting.
		✓		Prepare financial statements using a modified cash basis of accounting.
		✓		Prepare financial statements using the income tax basis of accounting.

FINANCIAL ACCOUNTING AND REPORTING

Area II — Select Financial Statement Accounts (30%–40%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. CASH AND CASH EQUIVALENTS				
	✓			Calculate cash and cash equivalents balances to be reported in the financial statements.
		✓		Reconcile cash balance per the bank statement to the general ledger.
		✓		Investigate unreconciled cash balances to determine whether an adjustment to the general ledger is necessary.
B. TRADE RECEIVABLES				
	✓			Calculate trade accounts receivable and allowance for doubtful accounts balances and prepare journal entries.
	✓			Prepare any required journal entries to record the transfer of trade receivables (secured borrowings, factoring, assignment, pledging).
		✓		Prepare a rollforward of the trade receivables account balance using various sources of information.
		✓		Reconcile and investigate differences between the subledger and general ledger for trade receivables to determine whether an adjustment is necessary.
C. INVENTORY				
	✓			Calculate the inventory balances and prepare journal entries using various costing methods.
	✓			Measure impairment losses on inventory.
		✓		Reconcile and investigate differences between the subledger and general ledger for inventory to determine whether an adjustment is necessary.
		✓		Prepare a rollforward of the inventory account balance using various sources of information.

FINANCIAL ACCOUNTING AND REPORTING

Area II — Select Financial Statement Accounts (30%–40%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
D. PROPERTY, PLANT AND EQUIPMENT		✓		Calculate the gross and net property, plant and equipment balances and prepare journal entries.
		✓		Calculate gains or losses on the disposal of long-lived assets to be recognized in the financial statements.
		✓		Measure impairment losses on long-lived assets to be recognized in the financial statements.
		✓		Calculate the amounts necessary to prepare journal entries to record a nonmonetary exchange.
		✓		Determine whether an asset qualifies to be reported as held for sale in the financial statements.
		✓		Adjust the carrying amount of assets held for sale and calculate the loss to be recognized in the financial statements.
			✓	Prepare a rollforward of the property, plant and equipment account balance using various sources of information.
			✓	Reconcile and investigate differences between the subledger and general ledger for property, plant and equipment to determine whether an adjustment is necessary.
E. INVESTMENTS	1. Financial assets at fair value	✓		Identify investments that are eligible or required to be reported at fair value in the financial statements.
			✓	Calculate the carrying amount of investments measured at fair value and prepare journal entries (excluding impairment).

FINANCIAL ACCOUNTING AND REPORTING

Area II — Select Financial Statement Accounts (30%–40%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
E. INVESTMENTS, continued	1. Financial assets at fair value		✓		Calculate gains and losses to be recognized in net income or other comprehensive income for investments measured at fair value and prepare journal entries.
			✓		Calculate investment income to be recognized in net income for investments measured at fair value and prepare journal entries.
			✓		Measure impairment losses to be recognized on applicable investments reported at fair value in the financial statements.
2. Financial assets at amortized cost	✓				Identify investments that are eligible to be reported at amortized cost in the financial statements.
		✓			Calculate the carrying amount of investments measured at amortized cost and prepare journal entries (excluding impairment).
		✓			Measure impairment losses to be recognized on investments reported at amortized cost in the financial statements.
3. Equity method investments	✓				Identify when the equity method of accounting can be applied to an investment.
		✓			Calculate the carrying amount of equity method investments and prepare journal entries (excluding impairment).
		✓			Measure impairment losses to be recognized in the financial statements on equity method investments.

FINANCIAL ACCOUNTING AND REPORTING

Area II — Select Financial Statement Accounts (30%–40%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
F. INTANGIBLE ASSETS – GOODWILL AND OTHER				
	✓			Identify the criteria for recognizing intangible assets in the statement of financial position and classify intangible assets as either finite-lived or indefinite-lived.
	✓			Identify impairment indicators for goodwill and other indefinite-lived intangible assets.
		✓		Calculate the carrying amount of finite-lived intangible assets reported in the financial statements (initial measurement, amortization and impairment) and prepare journal entries.
		✓		Calculate the carrying amount of goodwill and other indefinite-lived intangible assets reported in the financial statements (includes initial measurement and impairment) and prepare journal entries.
G. PAYABLES AND ACCRUED LIABILITIES				
		✓		Calculate the carrying amount of payables and accrued liabilities and prepare journal entries.
		✓		Identify and calculate liabilities arising from exit or disposal activities and determine the timing of recognition in the financial statements.
			✓	Reconcile and investigate differences between the subledger and general ledger for accounts payable and accrued liabilities to determine whether an adjustment is necessary.
H. LONG-TERM DEBT (FINANCIAL LIABILITIES)				
1. Notes and bonds payable	✓			Classify a change to a debt instrument as either a modification of terms or an extinguishment of debt.
	✓			Understand when a change to the terms of a debt instrument qualifies as a troubled debt restructuring.
	✓			Classify a financial instrument as either debt or equity, based on its characteristics.

FINANCIAL ACCOUNTING AND REPORTING

Area II — Select Financial Statement Accounts (30%–40%) Continued

Content Group/Topic	Skill		Evaluation	Representative Task
	Remembering and Understanding	Application Analysis		
H. LONG-TERM DEBT (FINANCIAL LIABILITIES), continued				
1. Notes and bonds payable	✓			Calculate the interest expense attributable to notes and bonds payable reported in the financial statements (including discounts, premiums or debt issuance costs).
	✓			Calculate the carrying amount of notes and bonds payable and prepare journal entries.
2. Debt covenant compliance	✓			Calculate debt covenants as stipulated in a debt agreement to ascertain compliance.
I. EQUITY				
	✓			Prepare journal entries to recognize equity transactions in the financial statements.
	✓			Calculate unrestricted, temporarily restricted and permanently restricted net asset balances for a nongovernmental, not-for-profit entity and prepare journal entries.
J. REVENUE RECOGNITION				
	✓			Recall concepts of accounting for revenue.
		✓		Determine the amount and timing of revenue to be recognized under an arrangement with multiple goods and/or services and prepare journal entries.
		✓		Determine the amount and timing of revenue to be recognized under an arrangement for a single good or service and prepare journal entries.
		✓		Determine the amount and timing of revenue to be recognized under an arrangement where delivery is continuous and prepare journal entries.
		✓		Determine revenue to be recognized by a nongovernmental, not-for-profit entity for contributed services received and prepare journal entries.

FINANCIAL ACCOUNTING AND REPORTING

Area II — Select Financial Statement Accounts (30%–40%) Continued

Content Group/Topic	Skill		Evaluation	Representative Task
	Remembering and Understanding	Application/Analysis		
J. REVENUE RECOGNITION, continued				
		✓		Interpret agreements, contracts and/or other supporting documentation to determine the amount and timing of revenue to be recognized in the financial statements.
		✓		Reconcile and investigate differences between the sales subledger and the general ledger to determine whether an adjustment is necessary.
K. COMPENSATION AND BENEFITS				
1. Compensated absences		✓		Calculate the carrying amount of the liability for compensated absences and prepare journal entries.
2. Retirement benefits		✓		Calculate the costs and the funded status for a defined benefit pension plan or a defined benefit postretirement plan and prepare journal entries.
3. Stock compensation (share-based payments)	✓			Recall concepts associated with share-based payment arrangements (grant date, vesting conditions, inputs to valuation techniques, valuation models).
		✓		Calculate compensation costs to be recognized for a share-based payment arrangement classified as an equity award and prepare journal entries.
		✓		Calculate compensation costs to be recognized for a share-based payment arrangement classified as a liability award and prepare journal entries.
L. INCOME TAXES				
	✓			Recall the criteria for recognizing uncertain tax positions in the financial statements.
	✓			Recall the criteria for recognizing or adjusting a valuation allowance for a deferred tax asset in the financial statements.
		✓		Calculate the income tax expense, current taxes payable/receivable and deferred tax liabilities/assets to be reported in the financial statements.
		✓		Prepare journal entries to record the tax provision in the financial statements.

FINANCIAL ACCOUNTING AND REPORTING

Area III — Select Transactions (20%–30%)

Content Group/Topic	Skill			
	Remembering and Understanding	Application	Analysis	Evaluation
Representative Task				
A. ACCOUNTING CHANGES AND ERROR CORRECTIONS				
	✓			
Calculate a required adjustment to the financial statements due to an accounting change or error correction and determine whether it requires prospective or retrospective application.				
		✓		
Derive the impact to the financial statements and related note disclosures of an accounting change or an error correction.				
B. BUSINESS COMBINATIONS				
	✓			
Prepare journal entries to record the identifiable net assets acquired in a business combination that results in the recognition of goodwill.				
	✓			
Prepare journal entries to record the identifiable net assets acquired in a business combination that includes a noncontrolling interest.				
	✓			
Prepare journal entries to record the identifiable net assets acquired in a business combination that results in the recognition of a bargain purchase gain.				
	✓			
Adjust the financial statements to properly reflect changes in contingent consideration related to a business combination.				
	✓			
Calculate the consideration transferred in a business combination.				
	✓			
Adjust the financial statements to properly reflect measurement period adjustments related to a business combination.				

FINANCIAL ACCOUNTING AND REPORTING

Area III — Select Transactions (20%–30%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
C. CONTINGENCIES AND COMMITMENTS					
	✓				Recall the recognition and disclosure criteria used to identify commitments and contingencies.
		✓			Calculate amounts of contingencies and prepare journal entries.
			✓		Review supporting documentation to determine whether a commitment or contingency requires recognition or disclosure in the financial statements.
D. DERIVATIVES AND HEDGE ACCOUNTING (E.G. SWAPS, OPTIONS, FORWARDS)					
	✓				Identify the characteristics of a freestanding and/or embedded derivative financial instrument to be recognized in the financial statements.
	✓				Identify the criteria necessary to qualify for hedge accounting.
		✓			Prepare journal entries for hedging transactions.
			✓		Prepare journal entries for derivative financial instruments (swaps, options and forwards).
E. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION					
	✓				Recall the basic functional currency concepts including the indicators to be considered when determining an entity's functional currency.
		✓			Calculate transaction gains or losses recognized from monetary transactions denominated in a foreign currency.
			✓		Adjust an entity's financial statements (local currency to functional currency or functional currency to reporting currency) and recognize the effect on equity through net income or other comprehensive income.

FINANCIAL ACCOUNTING AND REPORTING

Area III — Select Transactions (20%–30%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
F. LEASES	✓			Recall the appropriate accounting treatment for residual value guarantees, bargain purchase options and variable lease payments included in leasing arrangements.
	✓			Identify the criteria for classifying a lease arrangement.
		✓		Calculate the carrying amount of lease-related assets and liabilities and prepare journal entries that a lessee should record.
		✓		Calculate the carrying amount of lease-related assets and prepare journal entries that a lessor should record.
		✓		Calculate the lease costs that a lessee should recognize in the income statement.
		✓		Prepare journal entries that the seller/lessee should record for a sale-leaseback transaction.
		✓		Calculate the amount of lease income that a lessor should recognize in the income statement.

G. NONRECIPROCAL TRANSFERS

✓				Recall the recognition requirements associated with conditional and unconditional promises to give (pledges) for a nongovernmental, not-for-profit entity.
✓				Identify transfers to a nongovernmental, not-for-profit entity acting as an agent or intermediary that are not recognized as contributions in the statement of activities.
	✓			Calculate the carrying amount of donated assets (financial assets or long-lived assets) to be reported in the statement of financial position.
	✓			Calculate increases in unrestricted, temporarily restricted or permanently restricted net assets attributable to contributions for a nongovernmental, not-for-profit entity.

FINANCIAL ACCOUNTING AND REPORTING

Area III — Select Transactions (20%–30%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
H. RESEARCH AND DEVELOPMENT COSTS					
	✓				Identify research and development costs and classify the costs as an expense in the financial statements.
		✓			Calculate the research and development costs to be reported as an expense in the financial statements.
I. SOFTWARE COSTS					
	✓				Identify the criteria necessary to capitalize software costs (software for internal use or sale) in the financial statements.
		✓			Calculate capitalized software costs (software for internal use or sale) to be reported in the financial statements and the related amortization expense.
J. SUBSEQUENT EVENTS					
	✓				Identify a subsequent event and recall its appropriate accounting treatment.
		✓			Calculate required adjustments to financial statements and/or note disclosures based on identified subsequent events.
			✓		Derive the impact to the financial statements and required note disclosures due to identified subsequent events.

FINANCIAL ACCOUNTING AND REPORTING

Area III — Select Transactions (20%–30%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
K. FAIR VALUE MEASUREMENTS					
	✓				Identify the valuation techniques used to measure fair value.
		✓			Use the fair value hierarchy to determine the classification of a fair value measurement.
		✓			Use the fair value guidance (e.g. highest and best use, market participant assumptions, unit of account) to measure the fair value of assets and liabilities.
L. DIFFERENCES BETWEEN IFRS AND U.S. GAAP					
	✓				Identify accounting and reporting differences between IFRS and U.S. GAAP.
		✓			Determine the impact of the differences between IFRS and U.S. GAAP on the financial statements.

FINANCIAL ACCOUNTING AND REPORTING

Area IV — State and Local Governments (5%–15%)

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
A. STATE AND LOCAL GOVERNMENT CONCEPTS					
1. Conceptual framework	✓				Recall the purpose and characteristics of the conceptual framework for state and local governments.
2. Measurement focus and basis of accounting	✓				Recall the measurement focus and basis of accounting used by state and local governments for fund and government-wide financial reporting.
3. Purpose of funds		✓			Determine the appropriate fund(s) that a state or local government should use to record its activities.
B. FORMAT AND CONTENT OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)					
1. Government-wide financial statements	✓				Identify and recall basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements and financial statement components).
		✓			Prepare the government-wide statement of net position for a state or local government from trial balances and supporting documentation.
		✓			Prepare the government-wide statement of activities for a state or local government from trial balances and supporting documentation.
2. Governmental funds financial statements	✓				Identify and recall basic concepts and principles associated with governmental fund financial statements (e.g., required funds, financial statements and financial statement components).
		✓			Prepare the statement of revenues, expenditures, and changes in fund balances for the governmental funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the balance sheet for the governmental funds of a state or local government from trial balances and supporting documentation.

FINANCIAL ACCOUNTING AND REPORTING

Area IV — State and Local Governments (5%–15%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
B. FORMAT AND CONTENT OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR), continued				
3. Proprietary funds financial statements	✓			Identify and recall basic concepts and principles associated with proprietary fund financial statements (e.g., required funds, financial statements and financial statement components).
		✓		Prepare the statement of revenues, expenses and changes in fund net position for the proprietary funds of a state or local government from trial balances and supporting documentation.
		✓		Prepare the statement of net position for the proprietary funds of a state or local government from trial balances and supporting documentation.
4. Fiduciary funds financial statements		✓		Prepare the statement of cash flows for the proprietary funds of a state or local government.
	✓			Identify and recall basic concepts and principles associated with fiduciary fund financial statements (e.g., required funds, financial statements and financial statement components).
		✓		Prepare the statement of changes in fiduciary net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.
5. Notes to financial statements		✓		Prepare the statement of net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.
	✓			Recall the disclosure requirements for the notes to the basic financial statements of state and local governments.
6. Management's discussion and analysis	✓			Recall the objectives and components of management's discussion and analysis in the comprehensive annual financial report for state and local governments.
7. Budgetary comparison reporting	✓			Recall the objectives and components of budgetary comparison reporting in the comprehensive annual financial report for state and local governments.

FINANCIAL ACCOUNTING AND REPORTING

Area IV — State and Local Governments (5%–15%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
B. FORMAT AND CONTENT OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR), continued					
8. Required supplementary information (RSI) other than Management's Discussion and Analysis	✓				Recall the objectives and components of required supplementary information other than management's discussion and analysis in the comprehensive annual financial report for state and local governments.
9. Financial reporting entity, including blended and discrete component units	✓				Recall the criteria for classifying an entity as a component unit of a state or local government and the financial statement presentation requirements (discrete or blended).
C. DERIVING GOVERNMENT-WIDE FINANCIAL STATEMENTS AND RECONCILIATION REQUIREMENTS					
		✓			Prepare worksheets to convert the governmental fund financial statements to the governmental activities reported in the government-wide financial statements.
		✓			Prepare the schedule to reconcile the total fund balances and the net change in fund balances reported in the governmental fund financial statements to the net position and change in net position reported in the government-wide financial statements.
D. TYPICAL ITEMS AND SPECIFIC TYPES OF TRANSACTIONS AND EVENTS: MEASUREMENT, VALUATION, CALCULATION AND PRESENTATION IN GOVERNMENTAL ENTITY FINANCIAL STATEMENTS					
1. Net position and components thereof		✓			Calculate the net position balances (unrestricted, restricted and net investment in capital assets) for state and local governments and prepare journal entries.
2. Fund balances and components thereof		✓			Calculate the fund balances (assigned, unassigned, nonspendable, committed and restricted) for state and local governments and prepare journal entries.
3. Capital assets and infrastructure assets	✓				Identify capital assets reported in the government-wide financial statements of state and local governments.
		✓			Calculate the net general capital assets balance for state and local governments and prepare journal entries (initial measurement and subsequent depreciation and amortization).

FINANCIAL ACCOUNTING AND REPORTING

Area IV — State and Local Governments (5%–15%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
D. TYPICAL ITEMS AND SPECIFIC TYPES OF TRANSACTIONS AND EVENTS: MEASUREMENT, VALUATION, CALCULATION AND PRESENTATION IN GOVERNMENTAL ENTITY FINANCIAL STATEMENTS, continued					
4. General and proprietary long-term liabilities	✓				Identify general and proprietary long-term liabilities reported in the government-wide financial statements of state and local governments.
		✓			Calculate the total indebtedness to be reported in the government-wide financial statements of a state or local government.
		✓			Calculate the net general long-term debt balance for state and local governments and prepare journal entries (debt issuance, interest payments, issue premiums or issue discounts).
5. Interfund activity, including transfers		✓			Prepare eliminations of interfund activity in the government-wide financial statements of state and local governments.
		✓			Prepare journal entries to recognize interfund activity within state and local governments.
6. Nonexchange revenue transactions		✓			Calculate the amount of nonexchange revenue to be recognized by state and local governments using the modified accrual basis of accounting and prepare journal entries.
		✓			Calculate the amount of nonexchange revenue to be recognized by state and local governments using the accrual basis of accounting and prepare journal entries.
7. Expenditures and expenses		✓			Calculate expenditures to be recognized under the modified accrual basis of accounting (paid from available fund financial resources) for state and local governments and prepare journal entries.
		✓			Calculate expenses to be recognized under the accrual basis of accounting for state and local governments and prepare journal entries.
8. Special items	✓				Identify transactions that require presentation as special items in government-wide financial statements for state and local governments.

FINANCIAL ACCOUNTING AND REPORTING

Area IV — State and Local Governments (5%–15%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
D. TYPICAL ITEMS AND SPECIFIC TYPES OF TRANSACTIONS AND EVENTS: MEASUREMENT, VALUATION, CALCULATION AND PRESENTATION IN GOVERNMENTAL ENTITY FINANCIAL STATEMENTS, continued					
9. Budgetary accounting and encumbrances	✓				Recall and explain the types of budgets used by state and local governments.
		✓			Prepare journal entries to record budgets (original and final) of state and local governments.
		✓			Prepare journal entries to record encumbrances of state and local governments.

REGULATION (REG)

Summary Blueprint

Content Area Allocation

Weight

I. Ethics, Professional Responsibilities and Federal Tax Procedures	10%–20%
II. Business Law	5%–15%
III. Federal Taxation of Property Transactions	15%–25%
IV. Federal Taxation of Individuals	15%–25%
V. Federal Taxation of Entities	30%–40%

Skill Allocation

Weight

Evaluation	–
Analysis	25%–35%
Application	35%–45%
Remembering and Understanding	25%–35%

REGULATION

Area I — Ethics, Professional Responsibilities and Federal Tax Procedures (10%–20%)

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
A. ETHICS AND RESPONSIBILITIES IN TAX PRACTICE					
1. Regulations governing practice before the Internal Revenue Service	✓				Recall the regulations governing practice before the Internal Revenue Service.
		✓			Apply the regulations governing practice before the Internal Revenue Service given a specific scenario.
2. Internal Revenue Code and Regulations related to tax return preparers	✓				Recall who is a tax return preparer.
	✓				Recall situations that would result in federal tax return preparer penalties.
		✓			Apply potential federal tax return preparer penalties given a specific scenario.
B. FEDERAL TAX PROCEDURES					
1. Audits, appeals and judicial process	✓				Explain the audit and appeals process as it relates to federal tax matters.
	✓				Explain the different levels of the judicial process as they relate to federal tax matters.
		✓			Identify options available to a taxpayer within the audit and appeals process given a specific scenario.
2. Substantiation and disclosure of tax positions				✓	Identify options available to a taxpayer within the judicial process given a specific scenario.
	✓				Summarize the requirements for the appropriate disclosure of a federal tax return position.
				✓	Identify situations in which disclosure of federal tax return positions is required.
				✓	Identify whether substantiation is sufficient given a specific scenario.

REGULATION

Area I — Ethics, Professional Responsibilities and Federal Tax Procedures (10%–20%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
B. FEDERAL TAX PROCEDURES, continued					
3. Taxpayer penalties	✓				Recall situations that would result in taxpayer penalties relating to federal tax returns.
		✓			Calculate taxpayer penalties relating to federal tax returns.
4. Authoritative hierarchy	✓				Recall the appropriate hierarchy of authority for federal tax purposes.
C. LEGAL DUTIES AND RESPONSIBILITIES					
1. Common law duties and liabilities to clients and third parties	✓				Summarize the tax return preparer's common law duties and liabilities to clients and third parties.
		✓			Identify situations which result in violations of the tax return preparer's common law duties and liabilities to clients and third parties.
2. Privileged communications, confidentiality and privacy acts	✓				Summarize the rules regarding privileged communications as they relate to tax practice.
		✓			Identify situations in which communications regarding tax practice are considered privileged.

REGULATION

Area II — Business Law (5%–15%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. AGENCY	✓	✓	✓	Recall the types of agent authority.
				Identify whether an agency relationship exists given a specific scenario.
2. Duties and liabilities of agents and principals	✓	✓	✓	Explain the various duties and liabilities of agents and principals.
				Identify the duty or liability of an agent or principal given a specific scenario.
B. CONTRACTS	✓	✓	✓	Summarize the elements of contract formation between parties.
				Identify whether a valid contract was formed given a specific scenario.
				Identify different types of contracts (e.g., written, verbal, unilateral, express, implied, etc.) given a specific scenario.
				Explain the rules related to the fulfillment of performance obligations necessary for an executed contract.
2. Performance	✓	✓	✓	Identify whether both parties to a contract have fulfilled their performance obligation given a specific scenario.

REGULATION

Area II — Business Law (5%–15%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
B. CONTRACTS, continued				
3. Discharge, breach and remedies	✓			Explain the different ways in which a contract can be discharged (e.g., performance, agreement, operation of the law, etc.)
	✓			Summarize the different remedies available to a party for breach of contract
		✓		Identify situations involving breach of contract
		✓		Identify whether a contract has been discharged given a specific scenario.
		✓		Identify the remedy available to a party for breach of contract given a specific scenario.
C. DEBTOR-CREDITOR RELATIONSHIPS				
1. Rights, duties and liabilities of debtors, creditors and guarantors	✓			Explain the rights, duties and liabilities of debtors, creditors and guarantors.
		✓		Identify the rights, duties or liabilities of a debtors, creditors or guarantors given a specific scenario.
	✓			Explain the rights of the debtors and the creditors in bankruptcy and insolvency.
2. Bankruptcy and insolvency	✓			Summarize the rules related to the different types of bankruptcy.
	✓			Explain discharge of indebtedness in bankruptcy.
	✓			Identify the rights of the debtors and the creditors in bankruptcy and insolvency given a specific scenario
		✓		Identify the type of bankruptcy described in a specific scenario.

REGULATION

Area II — Business Law (5%–15%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
C. DEBTOR-CREDITOR RELATIONSHIPS, continued					
3. Secured transactions	✓				Explain how property can serve as collateral in secured transactions.
	✓				Summarize the priority rules of secured transactions.
	✓				Explain the requirements needed to create and perfect a security interest.
		✓			Identify the prioritized ordering of perfected security interests given a specific scenario.
		✓			Identify whether a creditor has created and perfected a security interest given a specific scenario.

D. GOVERNMENT REGULATION OF BUSINESS

1. Federal securities regulation	✓				Summarize the various securities laws and regulations that affect corporate governance with respect to the Federal Securities Act of 1933 and the Federal Securities and Exchange Act of 1934.
			✓		Identify violations of the various securities laws and regulations that affect corporate governance with respect to the Federal Securities Act of 1933 and the Federal Securities and Exchange Act of 1934.
2. Other federal laws and regulations (e.g., employment tax, Affordable Care Act and worker classification)	✓				Summarize employment tax, Affordable Care Act and worker classification federal laws and regulations.
			✓		Identify violations of employment tax, Affordable Care Act and worker classification federal laws and regulations.

REGULATION

Area II — Business Law (5%–15%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
E. BUSINESS STRUCTURE	✓				Summarize the processes for formation and termination of various business entities.
	✓				Summarize the nontax operational features for various business entities.
		✓			Identify the type of business entity to be formed that is best described by a given set of nontax-related characteristics.
		✓			Identify the type of business entity that is best described by a given set of nontax-related characteristics.
2. Rights, duties, legal obligations and authority of owners and management	✓				Summarize the rights, duties, legal obligations and authority of owners and management.
			✓		Identify the rights, duties, legal obligations or authorities of owners or management given a specific scenario.

REGULATION

Area III — Federal Taxation of Property Transactions (15%–25%)

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
A. ACQUISITION AND DISPOSITION OF ASSETS					
1. Basis and holding period of assets		✓			Calculate the tax basis of an asset.
		✓			Determine the holding period of a disposed asset for classification of tax gain or loss.
2. Taxable and nontaxable dispositions		✓			Calculate the realized and recognized gain or loss on the disposition of assets for federal income tax purposes.
		✓			Calculate the realized gain, recognized gain and deferred gain on like-kind property exchange transactions for federal income tax purposes.
3. Amount and character of gains and losses, and netting process (including installment sales)			✓		Analyze asset sale and exchange transactions to determine whether they are taxable or nontaxable.
		✓			Calculate the amount of capital gains and losses for federal income tax purposes.
		✓			Calculate the amount of ordinary income and loss for federal income tax purposes.
		✓			Calculate the amount of gain on an installment sale for federal income tax purposes.
			✓		Review asset transactions to determine the character (capital vs. ordinary) of the gain or loss for federal income tax purposes.
			✓		Analyze an agreement of sale of an asset to determine whether it qualifies for installment sale treatment for federal income tax purposes.

REGULATION

Area III — Federal Taxation of Property Transactions (15%–25%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
A. ACQUISITION AND DISPOSITION OF ASSETS, continued					
4. Related party transactions (including imputed interest)	✓				Recall related parties for federal income tax purposes.
	✓				Recall the impact of related party ownership percentages on acquisition and disposition transactions of property for federal income tax purposes.
		✓			Calculate the direct and indirect ownership percentages of corporation stock to determine whether there are related parties for federal income tax purposes.
		✓			Calculate a taxpayer's basis in an asset that was disposed of at a loss to the taxpayer by a related party.
		✓			Calculate a taxpayer's gain or loss on a subsequent disposition of an asset to an unrelated third party that was previously disposed of at a loss to the taxpayer by a related party.
		✓			Calculate the impact of imputed interest on related party transactions for federal tax purposes.
B. COST RECOVERY (DEPRECIATION, DEPLETION AND AMORTIZATION)					
		✓			Calculate tax depreciation for tangible business property and tax amortization of intangible assets.
		✓			Calculate depletion for federal income tax purposes.
			✓		Compare the tax benefits of the Section 179 expense deduction vs. the regular tax depreciation deduction.
			✓		Reconcile the activity in the beginning and ending accumulated tax depreciation account.

REGULATION

Area III — Federal Taxation of Property Transactions (15%–25%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
C. ESTATE AND GIFT TAXATION					
1. Transfers subject to gift tax	✓				Recall transfers of property subject to federal gift tax.
	✓				Recall whether federal Form 709 — <i>United States Gift (and Generation-Skipping Transfer) Tax Return</i> is required to be filed.
		✓			Calculate the amount and classification of a gift for federal gift tax purposes.
2. Gift tax annual exclusion and gift tax deductions		✓			Calculate the amount of a gift subject to federal gift tax.
	✓				Recall allowable gift tax deductions and exclusions for federal gift tax purposes.
	✓				Recall situations involving the gift tax annual exclusion, gift-splitting and the impact on the use of the lifetime exclusion amount for federal gift tax purposes.
			✓		Compute the amount of taxable gifts for federal gift tax purposes.
3. Determination of taxable estate	✓				Recall assets includible in a decedent's estate for federal estate tax purposes.
	✓				Recall allowable estate tax deductions in a decedent's estate.
		✓			Calculate the taxable estate for federal estate tax purposes.
		✓			Calculate the gross estate for federal estate tax purposes.
		✓			Calculate the allowable estate tax deductions for federal estate tax purposes.

REGULATION

Area IV — Federal Taxation of Individuals (including tax preparation and planning strategies) (15%–25%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. GROSS INCOME (INCLUSIONS AND EXCLUSIONS) (INCLUDES TAXATION OF RETIREMENT PLAN BENEFITS)				
	✓			Calculate the amounts that should be included in or excluded from an individual's gross income (including retirement plan distributions) as reported on federal Form 1040 — U.S. Individual Income Tax Return.
		✓		Analyze projected income for use in tax planning in future years.
		✓		Analyze client-provided documentation to determine the appropriate amount of gross income to be reported on federal Form 1040 — U.S. Individual Income Tax Return.
B. REPORTING OF ITEMS FROM PASS-THROUGH ENTITIES				
	✓			Prepare federal Form 1040 — U.S. Individual Income Tax Return based on the information provided on Schedule K-1.
C. ADJUSTMENTS AND DEDUCTIONS TO ARRIVE AT ADJUSTED GROSS INCOME AND TAXABLE INCOME				
	✓			Calculate the amount of adjustments and deductions to arrive at adjusted gross income and taxable income on federal Form 1040 — U.S. Individual Income Tax Return.
		✓		Analyze client-provided documentation to determine the validity of the deductions taken to arrive at adjusted gross income or taxable income on federal Form 1040 — U.S. Individual Income Tax Return.
D. PASSIVE ACTIVITY LOSSES (EXCLUDING FOREIGN TAX CREDIT IMPLICATIONS)				
	✓			Recall passive activities for federal income tax purposes.
		✓		Calculate net passive activity gains and losses for federal income tax purposes.
		✓		Prepare a loss carryforward schedule for passive activities for federal income tax purposes.
		✓		Calculate utilization of suspended losses on the disposition of a passive activity for federal income tax purposes.

REGULATION

Area IV — Federal Taxation of Individuals (including tax preparation and planning strategies) (15%–25%) Continued

Content Group/Topic	Skill			Evaluation	Representative Task
	Remembering and Understanding	Application	Analysis		
E. LOSS LIMITATIONS					
		✓			Calculate loss limitations for federal income tax purposes for an individual taxpayer.
			✓		Analyze projections to effectively minimize loss limitations for federal income tax purposes for an individual taxpayer.
			✓		Determine the basis and the potential application of at-risk rules that can apply to activities for federal income tax purposes.
F. FILING STATUS AND EXEMPTIONS					
	✓				Recall taxpayer filing status for federal income tax purposes.
	✓				Recall relationships qualifying for personal exemptions reported on federal Form 1040 — U.S. Individual Income Tax Return.
		✓			Identify taxpayer filing status for federal income tax purposes given a specific scenario.
		✓			Identify the number of personal exemptions reported on federal Form 1040 — U.S. Individual Income Tax Return given a specific scenario.
G. COMPUTATION OF TAX AND CREDITS					
	✓				Recall and define the minimum requirements for individual federal estimated tax payments to avoid penalties.
		✓			Calculate the tax liability based on an individual's taxable income for federal income tax purposes.
		✓			Calculate the impact of tax deductions and tax credits and their effect on federal Form 1040 — U.S. Individual Income Tax Return.

REGULATION

Area IV — Federal Taxation of Individuals (including tax preparation and planning strategies) (15%–25%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
H. ALTERNATIVE MINIMUM TAX	✓			Recall income and expense items includible in the computation of an individual taxpayer's alternative minimum taxable income (AMTI).
		✓		Calculate alternative minimum tax (AMT) for an individual taxpayer.

REGULATION

Area V — Federal Taxation of Entities (including tax preparation and planning strategies) (30%–40%)

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
A. TAX TREATMENT OF FORMATION AND LIQUIDATION OF BUSINESS ENTITIES				
	✓			Calculate the realized and recognized gain for the owner and entity upon the formation and liquidation of business entities for federal income tax purposes.
		✓		Compare the tax implications of liquidating distributions from different business entities.
		✓		Analyze the tax advantages and disadvantages in the formation of a new business entity.
B. DIFFERENCES BETWEEN BOOK AND TAX INCOME (LOSS)				
	✓			Identify permanent vs. temporary differences to be reported on Schedule M-1 and/or M-3.
	✓			Calculate the book/tax differences to be reported on a Schedule M-1 or M-3.
	✓			Prepare a Schedule M-1 or M-3 for a business entity.
		✓		Reconcile the differences between book and taxable income (loss) of a business entity.
C. C CORPORATIONS				
1. Computations of taxable income (including alternative minimum taxable income), tax liability and allowable credits	✓			Calculate alternative minimum taxable income and alternative minimum tax for a C corporation.
	✓			Calculate taxable income and tax liability for a C corporation.
	✓			Calculate credits allowable as a reduction to regular and alternative minimum tax for a C corporation.

REGULATION

Area V — Federal Taxation of Entities (including tax preparation and planning strategies) (30%–40%) Continued

Content Group/Topic	Skill			Representative Task
	Remembering and Understanding	Application	Analysis	
C. C CORPORATIONS, continued				
2. Net operating losses and capital loss limitations		✓		Calculate the current-year net operating or capital loss of a C corporation.
		✓		Prepare a net operating and/or capital loss carryforward schedule for a C corporation.
3. Entity/owner transactions, including contributions, loans and distributions			✓	Analyze the impact of the charitable contribution and/or dividends received deductions on the net operating loss calculation of a C corporation.
			✓	Analyze the impact of potentially expiring net operating and/or capital losses during tax planning for a C corporation.
		✓		Calculate an entity owner's basis in C corporation stock for federal income tax purposes.
		✓		Calculate the tax gain (loss) realized and recognized by both the shareholders and the corporation on a contribution or on a distribution in complete liquidation of a C corporation for federal income tax purposes.
		✓		Calculate the tax gain (loss) realized and recognized on a nonliquidating distribution by both a C corporation and its shareholders for federal income tax purposes.
		✓		Calculate the amount of the cash distributions to shareholders of a C corporation that represents a dividend, return of capital or capital gain for federal income tax purposes.
4. Consolidated tax returns			✓	Reconcile an owner's beginning and ending basis in C corporation stock for federal income tax purposes.
	✓			Recall the requirements for filing a consolidated federal Form 1120 — U.S. Corporation Income Tax Return.
		✓		Prepare a consolidated federal Form 1120 — U.S. Corporation Income Tax Return.
		✓		Calculate federal taxable income for a consolidated federal Form 1120 — U.S. Corporation Income Tax Return.

REGULATION

Area V — Federal Taxation of Entities (including tax preparation and planning strategies) (30%–40%) Continued

Content Group / Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
C. C CORPORATIONS, continued					
5. Multijurisdictional tax issues (including consideration of local, state and international tax issues)	✓				Define the general concept and rationale of nexus with respect to multijurisdictional transactions.
	✓				Define the general concept and rationale of apportionment and allocation with respect to state and local taxation.
	✓				Explain the difference between a foreign branch and foreign subsidiary with respect to federal income taxation to a U.S. company.
	✓				Explain how different types of foreign income are sourced in calculating the foreign tax credit for federal income tax purposes.
	✓				Recall payment sources to determine federal tax withholding requirements.
		✓			Identify situations that would create nexus for multijurisdictional transactions.
		✓			Identify the federal filing requirements of cross-border business investments.
		✓			Calculate the apportionment percentage used in determining state taxable income.
D. S CORPORATIONS					
1. Eligibility and election	✓				Recall eligible shareholders for an S corporation for federal income tax purposes.
	✓				Recall S corporation eligibility requirements for federal income tax purposes.
	✓				Explain the procedures to make a valid S corporation election for federal income tax purposes.
		✓			Identify situations in which S corporation status would be revoked or terminated for federal income tax purposes.

REGULATION

Area V — Federal Taxation of Entities (including tax preparation and planning strategies) (30%–40%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
D. S CORPORATIONS, continued					
2. Determination of ordinary business income/(loss) and separately stated items		✓			Calculate ordinary business income (loss) for an S corporation for federal income tax purposes.
		✓			Calculate separately stated items for an S corporation for federal income tax purposes.
			✓		Analyze both the accumulated adjustment account and the other adjustments account of an S corporation for federal income tax purposes.
			✓		Analyze the accumulated earnings and profits account of an S corporation that has been converted from a C corporation.
			✓		Analyze components of S corporation income/deductions to determine classification as ordinary business income (loss) or separately stated items on federal Form 1120S — U.S. Income Tax Return for an S Corporation.
3. Basis of shareholder's interest		✓			Calculate the shareholder's basis in S corporation stock for federal income tax purposes.
			✓		Analyze shareholder transactions with an S corporation to determine the impact on the shareholder's basis for federal income tax purposes.
4. Entity/owner transactions (including contributions, loans and distributions)		✓			Calculate the realized and recognized gain or loss to the shareholder of property contribution to an S corporation.
		✓			Calculate the allocation of S corporation income (loss) after the sale of a shareholder's share in the S corporation for federal income tax purposes.
			✓		Analyze the shareholder's impact of an S corporation's loss in excess of the shareholder's basis for federal income tax purposes.
			✓		Analyze the federal income tax implication to the shareholders and the S corporation resulting from shareholder contributions and loans as well as S corporation distributions and loans to shareholders.
5. Built-in gains tax	✓				Recall factors that cause a built-in gains tax to apply for federal income tax purposes.

REGULATION

Area V — Federal Taxation of Entities (including tax preparation and planning strategies) (30%–40%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
E. PARTNERSHIPS		✓			Calculate ordinary business income (loss) for a partnership for federal income tax purposes.
	1. Determination of ordinary business income/(loss) and separately stated items	✓			Calculate separately stated items for a partnership for federal income tax purposes.
			✓		Analyze components of partnership income/deductions to determine classification as ordinary business income (loss) or separately stated items on federal Form 1065 — <i>U.S. Return of Partnership Income</i> .
2. Basis of partner's interest and basis of assets contributed to the partnership		✓			Calculate the partner's basis in the partnership for federal income tax purposes.
		✓			Calculate the partnership's basis in assets contributed by the partner for federal income tax purposes.
			✓		Analyze partner contributions to the partnership to determine the impact on the partner's basis for federal income tax purposes.
3. Partnership and partner elections	✓				Recall partner elections applicable to a partnership for federal income tax purposes.
4. Transactions between a partner and the partnership (including services performed by a partner and loans)		✓			Calculate the tax implications of certain transactions between a partner and partnership (such as services performed by a partner or loans) for federal income tax purposes.
			✓		Analyze the tax implications of a partner transaction with the partnership (such as services performed by a partner or loans) to determine the impact on the partner's tax basis for federal income tax purposes.
5. Impact of partnership liabilities on a partner's interest in a partnership		✓			Calculate the impact of increases and decreases of partnership liabilities on a partner's basis for federal income tax purposes.
			✓		Analyze the impact of partnership liabilities as they relate to the general partners and limited partners for federal income tax purposes.

REGULATION

Area V — Federal Taxation of Entities (including tax preparation and planning strategies) (30%–40%) Continued

Content Group/Topic	Skill			Representative Task	
	Remembering and Understanding	Application	Analysis		Evaluation
E. PARTNERSHIPS, continued					
6. Distribution of partnership assets		✓			Calculate the realized and recognized gains (losses) by the partnership and partners of liquidating distributions from the partnership for federal income tax purposes.
		✓			Calculate the realized and recognized gains (losses) by the partnership and partners of nonliquidating distributions from the partnership for federal income tax purposes.
		✓			Calculate the partner's basis of partnership assets received in a liquidating distribution for federal income tax purposes.
		✓			Calculate the partner's basis of partnership assets received in a nonliquidating distribution for federal income tax purposes.
7. Ownership changes	✓				Recall the situations in which a partnership would be terminated for federal income tax purposes.
		✓			Calculate the allocation of partnership income (loss) after the sale of a partner's share in the partnership for federal income tax purposes.
		✓			Calculate the revised basis of partnership assets when making a Section 754 election due to a transfer of a partnership interest for federal income tax purposes.
F. LIMITED LIABILITY COMPANIES					
	✓				Recall the tax classification options for a limited liability company for federal income tax purposes.
G. TRUSTS AND ESTATES					
1. Types of trusts	✓				Recall and explain the differences between simple and complex trusts for federal income tax purposes.

REGULATION

Area V — Federal Taxation of Entities (including tax preparation and planning strategies) (30%–40%) Continued

Content Group/Topic	Skill				Representative Task
	Remembering and Understanding	Application	Analysis	Evaluation	
G. TRUSTS AND ESTATES, continued					
2. Income and deductions		✓			Calculate the total amount of income items reportable on a federal Form 1041 — U.S. <i>Income Tax Return for Estates and Trusts</i> .
3. Determination of beneficiary's share of taxable income		✓			Calculate the total amount of deductible expenses reportable on a federal Form 1041 — U.S. <i>Income Tax Return for Estates and Trusts</i> . Calculate the beneficiary's share of taxable income from a trust for federal income tax purposes.
H. TAX EXEMPT ORGANIZATIONS					
1. Types of organizations	✓				Recall the different types of tax-exempt organizations for federal tax purposes.
2. Obtaining and maintaining tax exempt status	✓				Recall the requirements to qualify as an IRC Section 501(c)(3) tax-exempt organization.
	✓				Summarize the federal filing and disclosure requirements to obtain tax-exempt status for an organization.
	✓				Summarize the annual federal filing and disclosure requirements for a tax-exempt organization.
	✓				Explain the requirements necessary for retaining tax-exempt status.
	✓				Explain the procedures and recall the time period required to obtain tax-exempt status once the status has been revoked.
3. Unrelated business income		✓			Calculate the unrelated business income for a tax-exempt organization for federal income tax purposes.

Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination

Appendix B

PRACTICE ANALYSIS

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 the 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 (American Educational Research Association [AERA], American Psychological Association [APA], and the National Council for Measurement in Education [NCME], 2014). Some form of practice analysis is typically used as the basis for identifying and supporting the knowledge and skills necessary for competent performance (AERA, APA, & NCME, 2014 National Commission for Certifying Agencies [NCCA], 2002; Raymond & Neustel, 2006).

Practice Analysis 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 (Arvey & Faley, 1988; Gael, 1983; Raymond & Neustel, 2006). 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 subject matter experts (SMEs) (Mehrens, 1987; NCCA, 2002; Raymond & Neustel, 2006) and that the information collected be representative of the diversity within the occupation (Kuehn, Stallings, & Holland, 1990). 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 newly licensed CPAs 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.

Project Organization

The periodic execution of a practice analysis is necessary to ensure that the Exam supports the performance domain of the associated occupation and the profession's commitment to protect the public interest, remains current, relevant, reliable and legally defensible and fulfills the needs of the boards of accountancy in carrying out their licensing responsibility. The BOE provides the oversight and governance for this project.

The current practice analysis was divided into three phases: Exploration, Confirmation and Exposure (this Exposure Draft document). The Exploration and Confirmation phases are described in further detail below.

The design and development of the practice analysis was a major project that required the expertise of CPAs, psychometricians and survey design and data collection professionals. To manage this complex project, the BOE established the practice analysis sponsor group, a special committee of the BOE, to provide leadership and oversight for the practice analysis. The sponsor group members were selected to provide broad stakeholder representation and the expertise needed to ensure the success of the practice analysis. Sponsor group members included individuals from boards of accountancy staff, NASBA, the BOE, the content committee and the Psychometric Oversight Committee (POC).

The mission of the sponsor group was to ensure that the practice analysis was developed and deployed utilizing professionally sound processes, including best practices, which would result in a valid and legally defensible Exam. Throughout the project, the sponsor group reviewed the deliverables of staff and committees and requested additional information, explanation or justification such that the sponsor group was satisfied that the work was appropriate, thorough and in keeping with best practices. In this manner, the sponsor group provided oversight of this project for the BOE.

In addition to the sponsor group, the BOE and Exam staff created a larger, more widely represented practice analysis sponsor advisory group that included current and past boards of accountancy members, employers, firms and regulators (PCAOB, SEC, etc.). The advisory group also reviewed the deliverables of staff and committees and provided their input to the sponsor group and Exam staff throughout the process.

The sponsor group also relied on the content committee and POC (both represented on the sponsor group) to provide the specialized and technical knowledge the project required. The content committee has overall responsibility for the adequacy of the technical content of the Exam. It is responsible for overseeing the development of the individual sections of the Exam and the ongoing analyses to ensure that the content is reflective of newly licensed practice including approval of the section blueprints.

In their role as experts in the CPA profession, the content committee collects and evaluates data from the profession on an ongoing basis to ensure the continued relevance and quality of the Exam and credential. The practice analysis is one important process used by the content committee to fulfill this responsibility in today's rapidly changing business and financial environment. The content committee was ultimately responsible for survey content and updating the section blueprints to reflect the results of survey findings.

The POC is responsible for critical review of, and adherence to, psychometric procedures, identification of areas requiring improvement and/or research and evaluation of research and other analytical studies related to the Exam. In their role as experts in measurement theory and practice, the POC provides psychometric policy recommendations to the BOE. In fulfilling this role, the POC defines the theory and methods for the practice analysis project and evaluates the results of these analyses. The POC is responsible for research design and methodology and oversaw the research in support of the project as it progressed through all of its phases.

Ultimately, the practice analysis process culminates in approval of the next version of the Exam by the BOE.

The Exam staff managed the practice analysis on behalf of the BOE, providing professional and logistical support to the project. The names of the members of the BOE, sponsor group and sponsor advisory group, are provided in Appendix C.

Overview of the Practice Analysis Methodology

The practice analysis described in this study involved a multi-method approach including an Exploration phase and a two-pronged Confirmation phase: an invitation to comment and survey. For more information on the Exploration and Confirmation phases see the Methods section below.

METHODS

EXPLORATION PHASE - PROCESS

The Exploration phase of the practice analysis took place between January 2014 and July 2014. The goal of the Exploration phase was to obtain an understanding of the activities performed by newly licensed CPAs, to identify the knowledge and skills required to perform those activities and to ascertain which knowledge and skills are of increasing or decreasing criticality in the work of newly licensed CPAs.

Literature Review

In order to prepare for the practice analysis and to begin to develop an understanding of the direction of the profession, the Exam staff identified and reviewed certain publications evaluating recent trends in the accounting profession and highlighting competencies necessary for effective practice as a CPA in today's global business environment. The relevant publications include the AICPA's Horizon's 2025 Report and white papers from the New York and California state societies of CPAs.

Focus Groups and Interviews

CPAs were consulted to define the tasks, knowledge and skills most critical to the newly licensed CPA's role in protecting the public interest. Multiple stakeholder perspectives were obtained through the conduct of interviews and focus groups. A total of 27 structured interviews were conducted with training directors, regulators, standards setters and indirect supervisors of newly licensed CPAs. In addition, nearly 150 CPAs participated in 17 different focus groups. Stakeholders participating in the focus groups included direct supervisors of newly licensed CPAs in public accounting, newly licensed CPAs in public accounting, academics, representatives from boards of accountancy and representatives from business and industry.

A third party research firm used an interview script and a discussion guide to structure discussion during the interviews and focus groups, respectively. Discussions centered on four areas of relevance to updating the Uniform CPA Exam:

- The tasks performed by newly licensed CPAs that are critical to the protection of the public interest.
- The knowledge and skill sets that contribute to the performance of those tasks.
- Areas of strengths and weaknesses among newly licensed CPAs.
- Predicted changes in practice as the profession moves into the future and expanded areas of responsibility for newly licensed CPAs.

EXPLORATION PHASE – RESULTS

The literature review clearly showed that the accounting profession is changing and becoming increasingly complex. Multiple forums have identified very similar, if not exact, challenges facing the profession today and into the future including the need for critical thinking, problem solving skills, professional skepticism, communication skills, technology skills and a strong understanding of professional responsibilities. The insight gathered through the review of the literature helped guide the Exam staff's thinking when structuring the subsequent research identified below.

Input from the interviews and focus groups identified a consistent set of knowledge and skills that is currently considered necessary for newly licensed CPAs to protect the public interest. The areas identified include:

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

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

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

A Strong Understanding of the Business Environment and Processes

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

Effective Communication Skills

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

Well-Developed Research Skills

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

Ability to Analyze Data

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

Ethics and Professional Responsibilities

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

The findings from the Exploration phase were incorporated into the Confirmation phase reported below.

CONFIRMATION PHASE

The Confirmation phase was divided into two specific components, an Invitation to Comment and a Survey, which are discussed in detail below.

Invitation to Comment

In September 2014, the AICPA issued an invitation to comment, "*Maintaining the Relevance of the Uniform CPA Exam*," to explore changes in the CPA profession and request feedback on possible changes to the next version of the Exam. The invitation to comment asked stakeholders to comment on possible changes to how content is tested on the CPA Exam.

Items highlighted for consideration in the invitation to comment included Exam length, types of questions, number and structure of test sections, writing skill assessment, more realism in TBSs, an integrated exam section, testing fees and score reporting timelines. Responses to the invitation to comment were used to inform the test structure and test design contained in this document.

The BOE reviewed the results of the invitation to comment with the Exam staff and provided direction and thought leadership on these key areas: overall Exam structure, assessment of written communication skills, the use of simulations to test higher order skills, the possibility of an integrative section as explored in the invitation to comment, simulation realism (adding audio and video to the Exam), time allocation and scoring weights, the use of Microsoft Excel on the Exam and the test administration model. The feedback received to the invitation to comment was made available to the entire profession through posting on the AICPA website ([Invitation to Comment Results: *Maintaining the Relevance of the Uniform CPA Examination*](#)).

Survey and Blueprints

In addition to the invitation to comment, Exam staff used the Exploration phase research to prepare blueprints, or detailed outlines, for each of the existing Exam sections that assess both the content and the skill levels associated with that content. Approximately 700 representative tasks were identified that aligned content and related skills required by newly licensed CPAs; staff worked closely with each of the four Exam section subcommittees on the development of the task statements. A task statement represents the action a practitioner would do given the combination of content, knowledge and skills in the context of the work of a newly licensed CPA. These task statements became the focus of a broad survey of newly licensed CPAs and direct supervisors of newly licensed CPAs, which was completed in January 2015.

In creating the task statements, Exploration phase findings were integrated with CPA's professional judgment. The main focus of each survey statement was to ensure that a CPA, independent of the AICPA and the practice analysis process, was able to read and understand the statement as intended and therefore provide a rating addressing the frequency and criticality of the task, i.e., how critical is competent performance of this task by newly licensed CPAs to their role in protecting the public interest. Two populations were asked to rate the frequency and criticality of a sample of approximately 700 representative task statements: 1,477 direct supervisors of newly licensed CPAs and 656 newly licensed CPAs rated the representative task statements.

Survey participation invitations were extended to the majority of members of AICPA and other licensees supplied by boards of accountancy through NASBA. The databases used to sample survey participants represented a significant portion of all licensed CPAs. After screening for eligibility, surveys were completed by nearly 2,200 CPAs, as noted above.

The demographic results for the survey for each of the target populations represented a range of firm sizes, practice areas and regions of the country. Additionally, the demographic results represented a reasonable

distribution of ethnicity and gender. To achieve this wide representation of the CPA profession, NASBA and AICPA worked closely together leveraging both NASBA's Accountancy Licensure Database (ALD) and AICPA's member database.

Based on the results of the survey, Exam staff recommended changes to the section blueprints. Task statements that rated low in both frequency and criticality were flagged for review by Exam staff and the four Exam section subcommittees. Additionally, statements that rated high in criticality and low in frequency, and vice versa, were flagged for review. Ultimately, Exam staff and the four Exam section subcommittees used the results of the survey and their professional judgment when making the final determination for inclusion in a section blueprint.

The recommended changes were discussed with each of the four Exam section subcommittees who either accepted or modified staff's proposed changes to the blueprint and associated content weightings. The subcommittees approved each blueprint, which were subsequently approved by the Content Committee and the BOE.

The section blueprints will replace the current Content Specification Outline and Skills Specification Outline by combining the content, skill and context into one document. The blueprint outlines the content to be tested, the associated skill level to be tested and the representative tasks a newly licensed CPA would need to perform to be considered competent. The blueprints are informative to candidates, educators, item writers and others about the content and skills that will be tested on the Exam and provide assurance that the Exam is properly designed to test such knowledge, skills and tasks.

The tasks in the blueprints are representative and are not intended to be, nor should they be viewed as, an all-inclusive list of tasks that may be tested on the Exam. It also should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or skill will be assessed on the Exam.

Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination

Appendix C

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Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination

Appendix D

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October 23, 2015

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Re: Exposure Draft: Maintaining Relevance of the Uniform CPA Examination

We are pleased to respond to the request for comments from the American Institute of CPAs' (the "AICPA") Board of Examiners (the "BOE") on its *Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination Invitation to Comment* (the "Exposure Draft"). The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy in the United States and its territories (the "Boards"). Our comments are made in consideration of the Boards' mandate to protect the public interest.

We support the AICPA and BOE in this important endeavor of conducting a comprehensive practice analysis to ensure that the Uniform CPA Examination (the "Examination") continues to test the minimum competencies needed to become a licensed certified public accountant. The Boards of Accountancy rely on this Examination, along with education and experience requirements, as stated in their Accountancy Acts, as they make the important determination of qualification for licensure as a CPA. Given the significance of the Examination to all Boards of Accountancy, they have relied upon NASBA to monitor this practice analysis process closely on their behalf.

RESPONSE TO EXPOSURE DRAFT QUESTIONS

Section A – Comments requested on the next version of the Examination as defined in the Exposure Draft

- I. Increased focus on testing of higher order skills is the most significant change proposed for the next Examination. Should the proposed next Examination reflect an increased focus on testing of higher order skills? If not, please explain.
 - a. We agree with the recommendation to introduce the testing of higher order skills into the Examination. CPAs, even those who are newly licensed, are expected to perform at more advanced levels due to the increased use of technology and outsourcing to perform simpler tasks.
 - b. While we believe that the rate of change should be kept modest to allow candidates to adjust to new test item types and the new blueprint structure, we encourage the AICPA to

continue to evolve the Examination by gradually introducing additional analysis and evaluation simulations in all sections, particularly into FAR and REG. Newly licensed CPAs must make decisions about the appropriateness of accounting methods used and correct tax treatment of items, which involve a moderate degree of complexity and uncertainty.

- II.** Are the analysis and related conclusions in the Next Version of the Examination section (on pages 8 to 14) appropriate and supportive of the assessment of competent, newly licensed performance? If not, please explain.
- a. Generally, yes. We agree that the analysis and conclusions in the Next Version of the Examination section are appropriate and supportive of the assessment of competent, newly licensed performance, with a few caveats and clarifications.
 - b. We are supportive of maintaining the same four part Examination structure, as well as increasing the number and weighting of task based simulations.
 - c. We believe the introduction of the new Document Review Simulation item type is positive and encourage the BOE and the AICPA Examination Team to continue innovating new item types and adding them to the Examination.
 - d. We also applaud the increase in background material and data related to task based simulations which will require candidates to discern which information is or is not relevant to the question. This more accurately reflects actual practice.
 - e. As noted below and explained in more detail in our response to the Invitation to Comment in 2014, we remain concerned that written communication will be evaluated solely for writing ability and not include a content component. We strongly encourage the AICPA to continue to research ways in which content can be tested in conjunction with writing skills as written communication remains a vital skill for all licensed CPAs.
 - f. We are very supportive of content integration in the Examination as this is the reality of practice. The BOE and the AICPA Examination Team should continue their efforts to ramp up integration in all four sections of the Exam.
 - g. As also mentioned in our response to the Invitation to Comment last year, we believe that the concept of an integrative capstone section is intriguing and should stay on the table for future consideration. We do have significant questions and concerns relating to complexity, cost to develop and score, time to score, candidate cost and other topics, and look forward to dialogue on this concept in the future.
 - h. Given the increase in testing of higher order skills, including their weighting, number and time allotment, we understand the need to increase the BEC and REG sections by one hour each. We ask the BOE to remain mindful of the additional cost to candidates and ask that this always be considered as a very important factor when anticipating extending the Examination's length.
 - i. On behalf of the candidates, we appreciate that changes to the Examination will not negatively impact the existing score release timeline on a go forward basis. We also understand that the AICPA needs to be prudent in protecting the legal defensibility of the Examination. We are concerned, however, about extending the length of time for score reporting by any significant amount during the launch period. We encourage the BOE and the AICPA Examination Team to keep any delays as short as possible out of concern for the candidates having adequate time after receipt of their scores to be able to schedule and

test in the next window.

- j. As Microsoft Excel is so widely used, we appreciate that it is being included for use in the Examination in 2018. We encourage the AICPA to go beyond using it as a scratch sheet tool, which is planned at its initial launch, and consider ways that it can be used more robustly in the Examination.
- k. We do believe an increase to the Examination's cost is warranted if it ensures the Examination remains robust and relevant. Given this caveat and the recognition that Examination prices have remained consistent and actually dropped during the past ten years of computerized testing, we do feel that a moderate overall increase in price is tolerable. Though we want the Examination to be of the highest quality, we don't want to overly burden candidates with significantly higher examination costs and believe every effort should be made to keep the price as low as possible.
- l. NASBA is working with the Boards of Accountancy, as well as the AICPA and Prometric, on certain possible test administration model changes and appreciates the input provided through AICPA's Invitation to Comment. We look forward to working with the Boards of Accountancy, the AICPA and Prometric to continually improve the Examination administration process for candidates.

III. Are there significant areas of content missing from the detailed blueprints that should be included? If yes, please explain.

- a. We believe that the important topic of the Board of Accountancy's licensing and regulation of CPAs should be included in the Examination. Though including specific jurisdictions' regulations would not be feasible, it is crucial that candidates understand the licensing structure in the United States and that they are subject to State laws and Board of Accountancy regulations. It is important to note that most state boards reference the AICPA Code of Professional Conduct as law, but others do not, or have more restrictive regulations on some matters. All state boards have additional rules and regulations to which CPAs must adhere. Even newly licensed CPAs need to understand this and be able to show their comprehension of this regulatory structure.
- b. We do not agree with the removal of Area 1: Process by Which Accounting Standards are Set and Roles of Accounting Standard-Setting Bodies from the FAR section of the Examination. We believe that even newly licensed CPAs should understand the backbone of accounting standards – how they are derived and which bodies have responsibilities for standard-setting. This is fundamental to the accounting profession.
- c. We were surprised not to see the concepts of data analytics and data mining being added to the next version of the Examination. It is our understanding that both are used extensively in the accounting and audit environment, even at the newly licensed CPA level. We understand that there is a major emphasis by the accounting firms for educational institutions to incorporate data analytics into their curriculum as they believe their professionals need these skills. We would encourage the Board of Examiners to consider this area for inclusion in the Examination, if not now, then in the near future.
- d. In REG, Area II – Business Law, Topic E. Business Structures, 1. Selection and Formulation of Business Entity and Related Operation and Termination: We would encourage the BOE to consider adding “summarizing the tax operational features for various business entities” to the nontax operational features noted.

- e. In REG, Area II - Business Law, Topic D. Government Regulation of Business: The International Qualifications Appraisal Board (IQAB) is concerned about deleting a significant portion of the content that has been tested regarding the Uniform Commercial Code, as well as other federal laws and regulations (including antitrust, copyright, patents, money laundering, labor, employment and ERISA). This is important because the REG section of the Examination is used as the International Qualifications Examination (IQEX). It is imperative that this section not be reduced. Licensees who come to the United States from other countries, often with more than one or two years of experience, need to be well grounded in this material.
- f. In REG, Area III – Federal Taxation of Property Transactions, Topic C. Estate and Gift Taxation, 3. Determination of a taxable estate: Given recent changes in estate taxation, we believe there is a greater focus on the potential relationship between portability and basis. Consideration should be given to including this topic.
- g. In REG, Area V – Federal Taxation of Entities, Topic E. Partnerships, 2. Basis of Partner’s Interest and Basis of Assets Contributed to the Partnership: The set of representative tasks all seem to focus on partners’ basis for federal income tax purposes without reference to capital accounts and their calculation. Consideration could be given to asking candidates to at least “remember and understand” that there are different types of capital account methods presented for partnerships.

IV. Are there significant areas of content in the detailed blueprint that should be excluded? If yes, please explain.

- a. None are noted. We do encourage the AICPA to conduct a regularly scheduled and comprehensive obsolescence review of all questions on the Examination to ensure they remain up-to-date, accurate and relevant.

V. Do the content ranges in each section of the Examination in the summary blueprint align with the content knowledge required of newly licensed CPAs? If not, please explain.

- a. The reduction in emphasis on REG, Area II, Business Law, is concerning. A reduction from a minimum of a 17% focus to only a 5% focus seems extreme, as the basic understanding of business law is critical to all CPAs. We would suggest a minimum range would be between 10% and 15%. Further, if REG is going to continue to serve as the IQEX Exam, Business Law topics should be increased to range between 15% and 20% of the Examination.
- b. We note that throughout all four sections of the Examination, the number of content areas has been reduced and the percentage bands within each reconstituted area have been expanded. Why were bands with ranges from 4-6% previously, now all given ranges of 10%? This has the effect of providing less granularity and insight to stakeholders, including candidates, regarding the importance of various topics on the Examination and, more specifically, the extent to which they will be tested.
- c. This expansion of percentage bands also seems to give much latitude in creating panels. As an example, as outlined in the Exposure Draft, 85% of one REG Examination could be devoted solely to taxation topics, leaving only 15% for business law, ethics, professional responsibilities and federal tax procedure. Another REG Examination could be only 60% devoted to tax topics and 35% to business law, ethics, professional responsibilities and

federal tax procedure. This seems to be a wide range when it is expected that all versions of the CPA Examination are substantially equivalent.

- d. Though not missing from the blueprint we are very concerned about the diminished emphasis on Accounting and Review Services, as well as Attestation Engagements as these services will no longer have their own area, but will be integrated with other types of engagements, there is no minimum percentage of emphasis delineated in the blueprint. This is deeply concerning as we know that newly licensed CPAs in many small and medium sized firms spend extensive time working in the Accounting and Review Services area, and the use of attestation engagements, particularly agreed-upon procedure engagements, is increasing in practice nationally. How will it be determined how much content from these two areas will be included in the Examination? At a minimum, we believe more transparency into the depth of content being tested in these areas should be disclosed in the blueprint. In this new organizational structure of the Examination, it is possible for zero Accounting and Review Services topics or Attestation Engagement topics to be included in a candidate's examination. This does not seem acceptable, given the importance of both areas to practice.
- e. On the same lines, we are also concerned about the deletion of a separate not-for-profit accounting and reporting area in the Exposure Draft. By blending this topic area into Areas I, II and III, there is no transparency into how extensively it will be tested on the next version of the Examination. Again, it is possible that zero content or skills in the not-for-profit area could be included in a candidate's examination. In addition, the candidate has no idea how much emphasis should be given in his / her study to this practice area. Boards of Accountancy know the vital importance of not-for-profit knowledge by CPAs who choose to practice in this area. Enforcement actions are commonly related to deficient knowledge in the not-for-profit sector and the public is highly relying on the CPA to be minimally competent in this area.
- f. In FAR, we note that only two representative tasks were included for Topic B.6. Notes to Financial Statements. We believe that financial statement disclosures are a crucial element of the financial statement package and are relied heavily upon by the public to provide context and greater detail to the basic financial statements. As such, we are concerned that only including two representative tasks minimizes the importance of financial statement disclosures.

VI. Are the skill level ranges identified for each section of the Examination in the summary blueprint representative of the skill levels required by newly licensed CPAs? If not, please explain.

- a. We are in general agreement with the skill levels outlined in the exposure draft with several exceptions noted below.
- b. Until the communication constructed response questions can be adequately tested for content along with writing skills, we do not believe the weighting of written communication skills in the BEC section should be any greater than the 15% weighting it receives on the current Examination. We believe 20% is too high.
- c. In AUD, Area II – Assessing Risk and Developing a Planned Response, Topic C. Understanding an Entity's Internal Controls, 2. Flow of Transactions and Design of Internal Controls: In the third task, we would suggest "in response to auditor's risk assessment/analysis" be added at the end of the existing sentence.

- d. In AUD, Area II – Assessing Risk and Developing a Planned Response, Topic D. Assessing Risks Due to Fraud, Including Discussions Among the Engagement Team About the Risk of Material Misstatement Due to Fraud or Errors: We are unsure how a task based simulation can include a brainstorming exercise. Generally it is considered that there are no bad answers in brainstorming, so we are somewhat confused by this task. Possibly the way in which the tasks are structured will eliminate this concern.
- e. In AUD, Area IV – Forming Conclusions and Reporting, Topic C. Accounting and Review Service Engagements, 3. Review Reports: It would seem that analysis would be an important skill level to test as it is important for the CPA to analyze the results of the review procedures before preparing the review report.
- f. In BEC, Area II – Economic Concepts and Analysis, Topic B. Market Influences on Business: In the first task, the candidate is asked to identify and define key factors related to the economic marketplace and how they impact the business entity. We are unsure how this can be done without analyzing the economic marketplace and the business entity's situation.

VII. Does the detailed blueprint, including content and representative task statements, provide sufficient information for CPA candidates to understand the knowledge and skills expected of a newly licensed CPA on which they will be tested? If not, please explain.

- a. We commend the AICPA BOE and Examination Team for developing a thorough exposure draft and new form of blueprint. Overall, we feel that it is much more understandable and candidate friendly than the current content and skill specification outlines. We believe that the level of skill and representative tasks specified in the blueprint will provide a much clearer roadmap for candidates, academia and review course providers as candidates prepare to take the Examination. It is much more specific as to the important knowledge and skills needed to become a newly licensed CPA.
- b. We believe CPA candidates would better understand the "Evaluation" skill if it were titled "Evaluation and Conclusions." A critical part of this skill is drawing a clear conclusion after evaluating the relevant material to support the conclusion.
- c. As mentioned above, however, we are concerned about the reduction in number of topic areas and the widening of the ranges within the remaining topic areas. This introduces increased uncertainty for candidates as they prepare to take the Examination as certain significant topics are now buried in larger topic areas and the precision of the ranges has diminished.

Section B – Comments requested on The Future of Practice Analysis section and for future Examination releases

In this time of rapid changes to the business and economic environment, the CPA profession is also changing rapidly. We concur that waiting seven years between practice analyses is too long. As the Boards of Accountancy rely on the Examination as one measure by which they determine if a candidate meets the bar to become licensed as a CPA, it is imperative that it is current, relevant, reliable and legally defensible.

We feel strongly that the system by which changes are made to the Examination is transparent and follows a robust process which includes public review and comment. In reviewing The Future of the Practice Analysis section of the Exposure Draft, we note the use of the terms “substantive changes” and “significantly change” when deciding when another practice analysis should occur, and are concerned both could be widely interpreted. We would appreciate better understanding how the AICPA would define these terms as they relate to changes to the Examination, as we are concerned that what could be defined as minor or insignificant changes by the AICPA might not be fully vetted, but could be considered by other stakeholders to be substantive and significant. We believe it is crucial that the BOE play a significant role in staff oversight of any suggested changes to the Examination and that the entire process remains transparent with appropriate exposure to all stakeholders.

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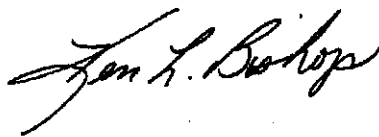
NASBA appreciates the opportunity to provide our perspectives on these important topics. Our comments are intended to assist the AICPA in analyzing the relevant issues and potential impacts from a public protection point of view. Our Boards would be interested in seeing all responses received to this Exposure Draft to better understand the perspectives of other stakeholders, importantly including candidates.

We look forward to the opportunity to follow the deliberations of the BOE on responses to this Exposure Draft as they finalize the next version of the CPA Examination. We will be sharing this response with all Boards of Accountancy, as well as speaking to it at our Annual Meeting on October 26, 2015 during a panel discussion at which time we will also be discussing possible test administration changes.

Very truly yours,



Walter C. Davenport, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO