



# Uniform CPA Examination: Past, Present & Future

June 2015

Colleen Conrad, CPA – Executive Vice President/COO, NASBA  
Michael Decker – Vice President, Examinations, AICPA  
Rick Niswander, CPA – Chair, AICPA Board of Examiners



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# Our Mission

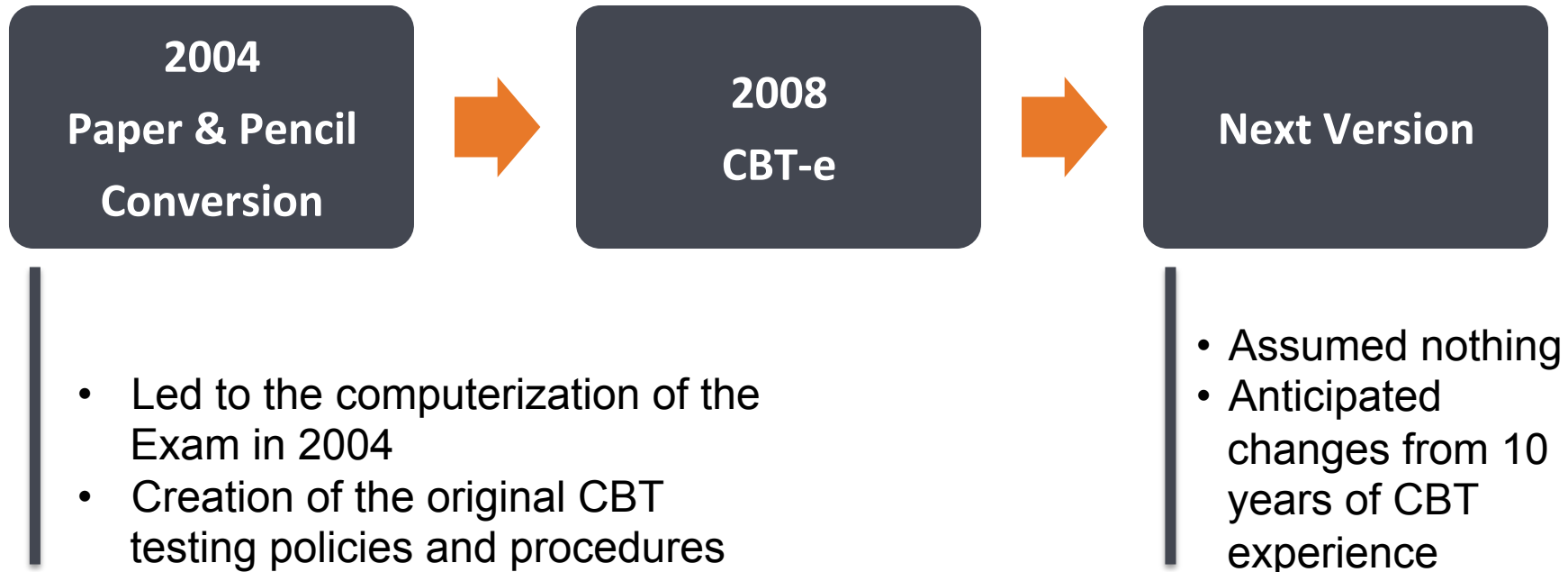
Provide reasonable assurance to boards of accountancy that candidates who pass the CPA Exam possess the level of technical knowledge and the skills necessary for initial licensure to *protect the public interest.*

# Why a Practice Analysis?

*What do we test?*  
**Ensures relevancy with**  
**and**  
**the profession**  
*How do we test it?*

# Exam Evolution

- Release of CBT-e in 2011
- Shorter score release timelines
- Writing in BEC only
- Four pillars assumed
- No changes to test administration



# Research Project Timeline



**Full implementation of the new Test Driver, with Excel, in 2018**

# What We Learned

Critical thinking,  
problem solving,  
analytical ability  
and professional  
skepticism

Content knowledge is  
the key to protecting  
the public interest –  
but alone it is not  
enough

Well-developed  
research skills

Effective  
communication  
skills

A strong  
understanding of  
the business  
environment and  
processes

Ethics and  
professional  
responsibilities



# ITC Results: Key Feedback

## Support

- Current Exam structure
- Assessment of practice-driven concepts via writing
- Assessment of higher-order skills via integration
- Exam enhancements with reasonable price and score reporting impact
- Microsoft Excel as a tool

## Other Comments

- Extend testing in blackout periods
- Allow retesting within window

# Next Version of the CPA Examination



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# Exam Blueprint & Structure



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# Content Assessment

- ▶ **Pillars of AUD, FAR, REG and BEC**
- ▶ **Enhance blueprints with depth and breadth across topic areas – content & skill level**
  - *Note that this is significant enhancement to the Exam!*
- ▶ **Increased assessment of higher-order skills warrants increased use of task-based simulations**
- ▶ **Skill / content allocation will change based upon blueprint and survey results**

# Leveling of Skills

## Remember & Understand

The perception and comprehension of the significance of an area utilizing knowledge gained.

## Application

The use or demonstration of knowledge, concepts or techniques.

## Analysis

The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.

## Evaluation

The examination or assessment of problems, and use of judgment to draw conclusions.

# Sample of Action Verbs for Consideration

## Remember & Understand

Identify

Classify

Recall

Explain

Categorize

Clarify

Compare

Define

## Application

Calculate

Implement

Test

Represent

Prepare

Use

Execute

Carry out

## Analysis

Reconcile

Deconstruct

Validate

Deduce

Imply

Integrate

Distinguish

Organize

## Evaluation

Justify

Critique

Conclude

Judge

Detect

Verify

Recommend

Assess

# FAR Section: DRAFT Blueprint Example

	Remembering	Application	Analysis	Evaluation	Total
Area I: Conceptual Frameworks and Financial Reporting (25%)	14%	43%	44%	0%	100%
Area II: Select Financial Statement Accounts (35%)	7%	49%	45%	0%	100%
Area III: Select Transactions (30%)	18%	60%	22%	0%	100%
Area IV: State and Local Governments (10%)	41%	57%	1%	0%	100%
Skill Allocation Percentage	15%	52%	33%	0%	100%

# FAR Area 1 – Next Steps on a Balance Sheet View

## Financial Accounting and Reporting

### Area I - Financial Reporting (25-35%)

Content Topic	Remember & Understand	Application	Analysis	Evaluation	Representative Tasks
<b>A. General-Purpose Financial Statements: For-Profit Business Entities</b>		X			Prepare a classified balance sheet from a trial balance and supporting documentation.
		X			Adjust the balance sheet to correct identified errors.
	1. Balance sheet / Statement of financial position			X	Detect, investigate, and correct discrepancies while agreeing the balance sheet amounts to supporting documentation.
				X	Calculate fluctuations and ratios and interpret the results while reviewing comparative balance sheets.
			X		Prepare a multiple-step income statement from a trial balance and supporting documentation.
2. Income statement / Statement of profit or loss		X			Prepare a single-step income statement from a trial balance and supporting documentation.
		X			Adjust the income statement to correct identified errors.
			X		Detect, investigate, and correct discrepancies while agreeing the income statement amounts to supporting documentation.
			X		Calculate fluctuations and ratios and interpret the results while reviewing income statements.

# DRAFT - Section Skill Allocation

Area	Remember & Understand	Application	Analysis	Evaluation
AUD	30% - 40%	30% - 40%	15% - 25%	5% -10%
FAR	10% - 20%	50% - 60%	25% - 35%	-
REG	25% - 35%	35% - 45%	25% - 35%	-
BEC	15% - 25%	50% - 60%*	20% - 30%	-

\*10% - 20% will be Written Communication

# Examples of Higher-Order Tasks

- ▶ Evaluate evidence through the use of observation and inspection procedures in an audit or non-audit engagement.
- ▶ Verify the ending inventory balance by observing the performance of inventory counting procedures, inspecting the inventory, and performing test counts.
- ▶ Investigate debt covenant violations and determine their impact on the financial statements and the notes to the financial statements.



# Assessing Written Content

- ▶ **BOE support: Continue to test separately**
  - Writing / grammar
  - Content knowledge
  - Higher-order skills (application, analysis, evaluation/conclusion)
- ▶ **Writing will continue to be tested and scored using current model that considers whether the written communication is (i) on topic (ii) organized and (iii) grammatically correct**
- ▶ **Continue research on automated scoring of essays**

# Exam Design



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# Exam Time – *pending final blueprints*

Section	Current Time	Proposed Time*
AUD	4 hours	[4 hours]
FAR	4 hours	[4 hours]
REG	3 hours	[4 hours]
BEC	3 hours	[4 hours]
4 sections	14 hours	[16 hours]

\*16 hours is subject to change as we finalize section blueprints and the Exposure Draft

# Excel Implementation

- ▶ **Implement Excel as a tool for candidates in 2018**
  - Replaces generic spreadsheet
  - Candidates may use basic or advanced Excel skills to complete a problem
- ▶ **Excel skills will not be directly assessed**
- ▶ **Continue internal research on:**
  - Excel spreadsheets embedded in an item
  - Excel spreadsheets as an item

# Test Administration



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# Test Administration Model\* *(potential changes)*

- ▶ **Extend testing to the 10<sup>th</sup> of the black-out month**
  - Allow up to 5 days of emergency window\*\* if possible
  - Adds 40 – 60 days of testing annually
  - Windows do not end near major holidays (Thanksgiving, etc.)
  - Allows testing in March, June, September and December
  
- ▶ **Allow re-testing of a failed section within a window**
  - Create policy that candidate cannot register for re-test until he/she has received score
  - Candidates may only take the same section 2x per window

\* Changes require review and approval by NASBA, AICPA, Prometric, and Boards of Accountancy

\*\* Emergency window use requires approval by NASBA, AICPA and Prometric

# Price\*

- ▶ **ITC response reflected understanding and acceptance of a reasonable price increase with appropriate added benefits**
- ▶ **Exam fees are likely to increase**
  - Excel implementation
  - Increased item development costs
  - Increased software development costs
  - Potential additional testing / seat time
  - NASBA Gateway system enhancements
  - Flat to down candidate section volumes

\* Changes require review and approval by NASBA, AICPA, Prometric, and Boards of Accountancy

**2015 – 2017**

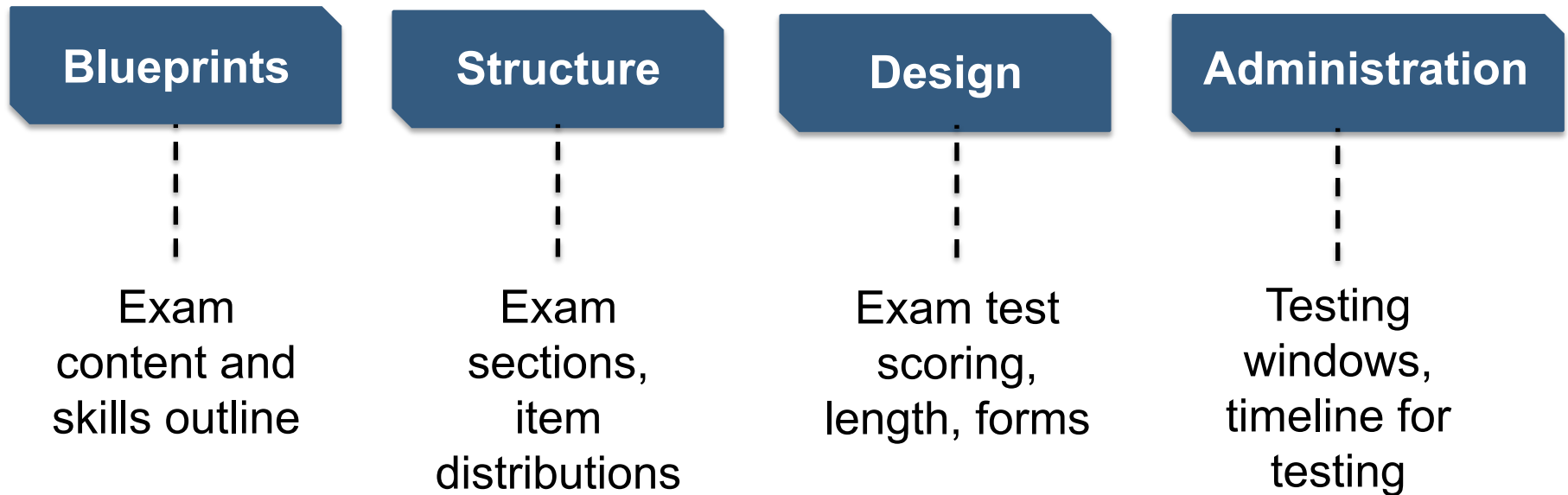
**Path to the Next CPA Exam**



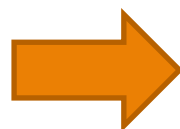
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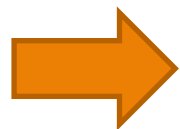
# Finalize in 2015-2016



# Call to action: Last opportunity to comment



**Contains blueprints,  
structure, design  
and administration  
of Next CPA Exam**



**Public Comment  
September –  
November 2015**

# Exposure Draft: What Do You Think?

**Is the next version of the Exam on the right track? Was anything missed?**

**What are your thoughts for continual improvement of the Exam post Q2 2017?**

To be understood, a  
connected, one with another  
communicare, command  
mu/ni·ca'tor n.  
**com·mu·ni·ca·tion**  
communicating; trans  
messages, or informat  
cations (used with a  
using words effectively

# Questions?

