Uniform CPA Examination: Past, Present & Future

June 2015

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Michael Decker – Vice President, Examinations, AICPA
Rick Niswander, CPA – Chair, AICPA Board of Examiners
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 the profession and How do we test it?
Exam Evolution

2004
Paper & Pencil Conversion

- Led to the computerization of the Exam in 2004
- Creation of the original CBT testing policies and procedures

2008
CBT-e

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

Next Version

- Assumed nothing
- Anticipated changes from 10 years of CBT experience
Research Project Timeline

13: Exploration
   Interviews, Focus Groups
   Confirmation
   Invitation to Comment
   Survey

14: Design Draft of Exam
    Blueprint and Structure
    Exposure
    Exposure Draft
    Approve & Finalize Exam
    Blueprint and Structure

16: Announce Next Version of the CPA Exam

17: Launch Next Version of the CPA Exam

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
Exam
Blueprint & Structure
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

<table>
<thead>
<tr>
<th>Skill</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remember &amp; Understand</td>
<td>The perception and comprehension of the significance of an area utilizing knowledge gained.</td>
</tr>
<tr>
<td>Application</td>
<td>The use or demonstration of knowledge, concepts or techniques.</td>
</tr>
<tr>
<td>Analysis</td>
<td>The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.</td>
</tr>
<tr>
<td>Evaluation</td>
<td>The examination or assessment of problems, and use of judgment to draw conclusions.</td>
</tr>
</tbody>
</table>
### Sample of Action Verbs for Consideration

<table>
<thead>
<tr>
<th>Remember &amp; Understand</th>
<th>Identify</th>
<th>Classify</th>
<th>Recall</th>
<th>Explain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Categorize</td>
<td>Clarify</td>
<td>Compare</td>
<td>Define</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application</th>
<th>Calculate</th>
<th>Implement</th>
<th>Test</th>
<th>Represent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prepare</td>
<td>Use</td>
<td>Execute</td>
<td>Carry out</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analysis</th>
<th>Reconcile</th>
<th>Deconstruct</th>
<th>Validate</th>
<th>Deduce</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Imply</td>
<td>Integrate</td>
<td>Distinguish</td>
<td>Organize</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Justify</th>
<th>Critique</th>
<th>Conclude</th>
<th>Judge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Detect</td>
<td>Verify</td>
<td>Recommend</td>
<td>Assess</td>
</tr>
</tbody>
</table>
# FAR Section: DRAFT Blueprint Example

<table>
<thead>
<tr>
<th>Area I: Conceptual Frameworks and Financial Reporting (25%)</th>
<th>Remembering</th>
<th>Application</th>
<th>Analysis</th>
<th>Evaluation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14%</td>
<td>43%</td>
<td>44%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Area II: Select Financial Statement Accounts (35%)</td>
<td>7%</td>
<td>49%</td>
<td>45%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Area III: Select Transactions (30%)</td>
<td>18%</td>
<td>60%</td>
<td>22%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Area IV: State and Local Governments (10%)</td>
<td>41%</td>
<td>57%</td>
<td>1%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Skill Allocation Percentage</td>
<td>15%</td>
<td>52%</td>
<td>33%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>
### FAR Area 1 — Next Exam Blueprint

#### Financial Accounting and Reporting

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

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

<table>
<thead>
<tr>
<th>Area</th>
<th>Remember &amp; Understand</th>
<th>Application</th>
<th>Analysis</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td>30% - 40%</td>
<td>30% - 40%</td>
<td>15% - 25%</td>
<td>5% -10%</td>
</tr>
<tr>
<td>FAR</td>
<td>10% - 20%</td>
<td>50% - 60%</td>
<td>25% - 35%</td>
<td>-</td>
</tr>
<tr>
<td>REG</td>
<td>25% - 35%</td>
<td>35% - 45%</td>
<td>25% - 35%</td>
<td>-</td>
</tr>
<tr>
<td>BEC</td>
<td>15% - 25%</td>
<td>50% - 60%*</td>
<td>20% - 30%</td>
<td>-</td>
</tr>
</tbody>
</table>

*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
Exam Time – *pending final blueprints*

<table>
<thead>
<tr>
<th>Section</th>
<th>Current Time</th>
<th>Proposed Time*</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td>4 hours</td>
<td>[4 hours]</td>
</tr>
<tr>
<td>FAR</td>
<td>4 hours</td>
<td>[4 hours]</td>
</tr>
<tr>
<td>REG</td>
<td>3 hours</td>
<td>[4 hours]</td>
</tr>
<tr>
<td>BEC</td>
<td>3 hours</td>
<td>[4 hours]</td>
</tr>
<tr>
<td>4 sections</td>
<td>14 hours</td>
<td>[16 hours]</td>
</tr>
</tbody>
</table>

*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
Test Administration Model*  (potential changes)

► Extend testing to the 10th 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
Finalize in 2015-2016

- **Blueprints**
  - Exam content and skills outline

- **Structure**
  - Exam sections, item distributions

- **Design**
  - Exam test scoring, length, forms

- **Administration**
  - Testing windows, timeline for testing
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?
communication
Questions?