AICPA®

Exposure Draft

Maintaining the Relevance of the Uniform CPA Examination® –

Aligning the Exam with the CPA Evolution Licensure Model

June 27, 2022

Contents

CPA Evolution — Transforming the CPA Licensure Model and Exam

The CPA Evolution initiative is transforming the Certified Public Accountant (CPA) licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. It is a joint effort of the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA).

Exponential growth in new rules, concepts, and standards, along with changes in the roles and responsibilities of newly licensed CPAs (nlCPAs), have caused the body of knowledge required of nlCPAs to grow. The CPA Evolution model establishes a foundation for the most important and relevant topics that all nlCPAs need to know to protect the public interest while providing an opportunity for candidates to choose one of three Disciplines as described below.

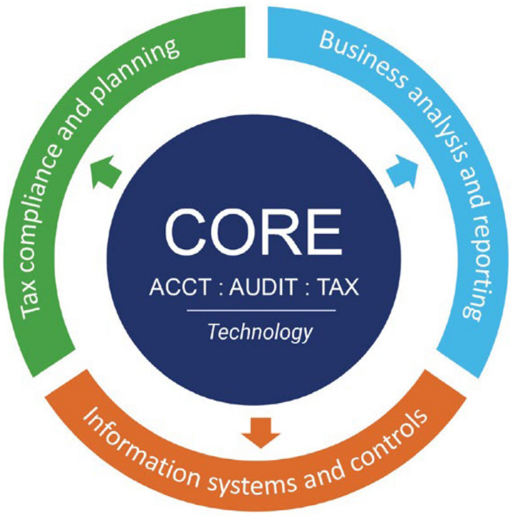
In 2020, the AICPA governing Council and the NASBA Board of Directors both voted to advance the CPA Evolution initiative. NASBA and the AICPA are moving forward with implementing a new Core and Discipline CPA licensure model, and plan to launch the CPA Evolution-aligned Uniform CPA Examination® (the 2024 CPA Exam) in January 2024.

Under the CPA Evolution licensure model, all candidates will be required to pass three Core Exam sections covering: Auditing and Attestation (AUD); Financial Accounting and Reporting (FAR); and Taxation and Regulation (REG).

Each candidate will also choose one Discipline[1] (i.e., Business Analysis and Reporting (BAR), Information Systems and Controls (ISC), or Tax Compliance and Planning (TCP)) to demonstrate knowledge and skills in that particular domain. The Disciplines will focus on topics that apply to nlCPAs engaged in those areas of practice and are less likely to be encountered by nlCPAs who are not focused in those areas of practice. Regardless of a candidate's chosen Discipline, the CPA Evolution model leads to CPA licensure, with rights, privileges, and responsibilities consistent with the present CPA license. CPA professional practice is not limited by the Discipline passed; professional standards provide guidance related to required competence and due care when performing professional services.

[1] Passing one Discipline Exam section is required for licensure. Once a candidate passes a Discipline Exam section, they cannot take another Discipline Exam section. If a candidate takes a Discipline Exam section and does not pass, or loses credit for a passed Discipline Exam section, they can choose to take any of the Discipline Exam sections.

New Licensure Model: Core and Disciplines



Strong **Core** with accounting, auditing and taxation/regulation along with a recognition of the impact of technology

Knowledge & skills in (one of) three **Disciplines**

Reflects reality of practice

Adaptive and flexible

One CPA license

Enhances public projection

Data and technology concepts will be assessed in all Core and Discipline Exam sections. This includes:

- A focus on understanding how data is structured and information flows through underlying information technology (IT) systems and business processes.
- Determining methods to transform data to make it useful for decision-making.
- Verifying the completeness and accuracy of source data.
- Using the outputs of automated tools, visualizations, and data analytic techniques.

A candidate will not be required to generate reports or visualizations, nor will a candidate be required to use a data analytic software application. Task statements will provide the necessary context of how technology is incorporated into the assessment.

Higher-order skills will be assessed in all Core and Discipline Exam sections. The testing of higher-order skills includes, but is not limited to, critical thinking, problem-solving, analytical ability, professional skepticism, and research.

Executive Summary

The Uniform CPA Examination® (the CPA Exam or the Exam) provides reasonable assurance to Boards of Accountancy that individuals who pass the CPA Exam possess the minimum level of knowledge and skills necessary for initial licensure as a CPA. To remain relevant to a dynamic profession and current with the real-world demands on nlCPAs, the CPA Exam must continually evolve.

The periodic execution of a Practice Analysis (PA) is necessary to ensure that the CPA Exam:

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

In mid-2020, the AICPA's Board of Examiners (BOE) launched this PA, a research project designed to update its understanding of the knowledge and skills required of nlCPAs, particularly focused on aligning the CPA Exam to the CPA Evolution licensure model. The PA collected input about the work today's nlCPAs are required to perform from a variety of stakeholders who share an interest in preserving the strength and mission of the profession. Valuable information was collected from CPA volunteers, with unique participants in each research phase, who directly supervise nlCPAs. Please see the Practice Analysis Process in Appendix B for more information.

The creation of three Core Exam sections and three Discipline Exam sections required realignment of some existing CPA Exam content and the identification of new content to be assessed on the 2024 CPA Exam. Substantially all of the content previously assessed in the Business Environment and Concepts (BEC) section has been reallocated to the AUD, FAR, BAR, and ISC Exam sections.

The results of the PA research highlighted the following points:

Focus on Data and Technology Concepts

- Data and technology concepts and higher order skills will be tested in all Core and Discipline Exam sections. See the Data and Technology section and Uniform CPA Examination Blueprints in Appendix A for further information.

New content areas are primarily in the ISC and TCP Discipline Exam sections as follows:

- IT infrastructure, platforms, and services; security, confidentiality, and privacy, and considerations for System and Organization Controls (SOC) engagements will be assessed in the ISC Discipline Exam section. See SOC Engagements section and Uniform CPA Examination Blueprints in Appendix A for further information.
- Personal financial planning and tax planning will be assessed in the TCP Discipline Exam section. See Personal Financial Planning and Tax Planning section and Uniform CPA Examination Blueprints in Appendix A for further information.

Environmental, Social, and Governance (ESG)

- While the disclosure of ESG information is an area of increasing focus for companies, investors, and regulators, the PA research indicated that nlCPAs have minimal roles in ESG matters at this time. As noted under Emerging Content — Environmental, Social, and Governance, the BAR Discipline Exam section includes content on understanding how the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) framework could be applied to identify, respond to, and report ESG related risks.

Description of Exposure Draft

This Exposure Draft (ED) presents an informed and thoughtful proposal for the 2024 CPA Exam based on research and input from the profession and other interested stakeholders. Accordingly, this ED outlines proposed 2024 CPA Exam changes using language that presumes those changes will be implemented after review of feedback to the ED and, ultimately, upon the BOE's approval.

This ED, including the draft Uniform CPA Examination Blueprints (the CPA Exam Blueprints) in Appendix A, which are an integral part of this ED, presents the findings and conclusions of a PA conducted by the AICPA over the past two years under the oversight of the BOE and its Practice Analysis Sponsor Group. This PA focused on aligning the CPA Exam to the CPA Evolution licensure model. See further discussion below under Practice Analysis Process in Appendix B.

Following consideration of comments received, the final CPA Exam Blueprints are expected to be approved in December 2022 and published in January 2023 with a planned Exam launch in January 2024. This will provide Exam candidates, colleges and universities, firms, review course providers, and other stakeholders about a year to plan for the 2024 CPA Exam as more fully described in the draft CPA Exam Blueprints in Appendix A.

2024 CPA Exam Transition Policy

It is important to be aware that there will be a hard cutover from the current CPA Exam sections to the 2024 CPA Exam sections on the January 2024 launch. None of the sections of the current CPA Exam will be available for testing after December 2023. Accordingly, it is necessary to have a transition policy for mapping credit for CPA Exam sections passed under the current CPA Exam to credit under the 2024 CPA Exam. Transition policies like this have been necessary at other times when significant changes were made to the CPA Exam, such as when it was computerized in April 2004.

The CPA Exam transition policy was recommended to the Boards of Accountancy by the NASBA CBT Administration Committee after development and much deliberation by a task force with state board representatives from the BOE, sitting state board members, and executive directors from multiple states. The Boards of Accountancy have agreed this transition policy best serves the candidates, the state boards, and the public interest.

The transition policy is quite simple. Candidates who have credit for AUD, FAR, or REG on the current CPA Exam will not need to take the corresponding new Core section of AUD, FAR, or REG on the 2024 CPA Exam. Candidates who have credit for BEC on the current CPA Exam will not need to take any of the three Discipline sections.

If, however, a candidate loses credit for AUD, FAR, or REG after Dec. 31, 2023, they then must take the corresponding new Core section of AUD, FAR, or REG. A candidate who loses credit for BEC after Dec. 31, 2023 must select one of the three Discipline sections to be tested. See Transition Policy Announced for the 2024 CPA Exam Under the CPA Evolution Initiative on NASBA's website.

Uniform CPA Examination Blueprints

The CPA Exam Blueprints are the official document approved by the BOE presenting the content knowledge and skills required of nlCPAs for protection of the public interest and eligible for assessment on the CPA Exam.

The purpose of the CPA Exam Blueprints is to:

- Document the minimum level of knowledge and skills for initial licensure.
- Assist candidates in preparing for the CPA Exam by outlining the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as nlCPAs.
- Guide the development of CPA Exam questions.

The CPA Exam Blueprints contain an introduction to each CPA Exam section which provides (i) a summary of what is eligible for assessment in the section, (ii) content allocations by area, (iii) skill[2] allocations for the section, and (iv) reference materials for the section.

The detailed blueprints are organized by content area, content group, and content topic. Each group or topic includes one or more representative tasks that an nlCPA may be expected to complete in practice. The representative task statements combine both the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform. Thus, the assigned skill level is a direct result of the task that an nlCPA would reasonably be expected to perform in a given area.

[2] The AICPA adopted a skill framework for the CPA Exam based on the revised Bloom's Taxonomy of Educational Objectives. Bloom's Taxonomy classifies a continuum of skills that students can be expected to learn and demonstrate. For more information, see the Introduction portion of the CPA Exam Blueprints in Appendix A.

Request for Comment

The AICPA values the views of all CPA Exam stakeholders and is seeking comments on the questions listed below. In your response, please indicate whether the response represents the official response of a State Board of Accountancy, state CPA society, or regulator. Otherwise, please advise whether the response is on behalf of a firm, business, college or university, government, other organization; or represents your individual views. The AICPA will make all comments publicly available by posting the responses to its website for one year.

The AICPA will consider all responses received on or before Sept. 30, 2022. Email your submission to practiceanalysis@aicpa.org.

The CPA Exam is designed to assess the knowledge and skills of nlCPAs in their role to protect the public interest. For the purpose of identifying the domain of tasks, knowledge and skills necessary to protect the public interest, an nlCPA is defined as someone who has fulfilled the applicable jurisdiction's educational and experience requirements, has the knowledge and skills typically required by a person with one to two years of experience, and has passed the Exam. Core Exam sections assess the knowledge and skills universal (common) to all nlCPAs. Discipline Exam sections assess the knowledge and skills in the respective Discipline domain applicable to nlCPAs.

1. Do the Core Exam Blueprints include the knowledge and skills required of all nlCPAs to protect the public interest? If not:
   a. Is there content missing from the Core Exam Blueprints? If so, please explain what content you believe should be added, including examples of how this is affecting nlCPA practice.
   b. Is there content included in the Core Exam Blueprints that is not relevant to nlCPA practice that should be removed? If so, please provide the details of what content you believe should be removed and why it should not be considered nlCPA practice.
2. Do each of the Discipline Exam Blueprints include the knowledge and skills required of an nlCPA to protect the public interest? If not:
   a. Is there content missing from the Discipline Exam Blueprints? If so, please explain what content you believe should be added, including examples of how this is affecting nlCPA practice.
   b. Is there content included in the Discipline Exam Blueprints that is not relevant to nlCPA practice that should be removed? If so, please provide the details of what content you believe should be removed and why it should not be considered nlCPA practice.

Guide for Respondents

Comments are requested on the 2024 CPA Exam as defined by the draft CPA Exam Blueprints included in Appendix A. Comments are most helpful when they refer to specific content in the CPA Exam Blueprints to be added or deleted, including the rationale for the response. When a respondent agrees with proposals in the ED, it will be helpful for the AICPA to be made aware of this view. Written comments on this ED will become part of the public record of the AICPA and will be posted on its website for one year. Responses should be sent to practiceanalysis@aicpa.org and received no later than Sept. 30, 2022.

Background and Introduction

Since 1917, the CPA Exam has a trusted history as one component of the CPA licensing process. The mission of the CPA Exam is to provide reasonable assurance to Boards of Accountancy that individuals seeking licensure have demonstrated the minimum knowledge and skills necessary for an nlCPA to protect the public interest in today's business and financial environment. The CPA Exam is the same exam for every CPA candidate in all 55 United States licensing jurisdictions.

The AICPA develops, maintains, and scores the CPA Exam. The BOE, a senior volunteer committee of the AICPA, is responsible for the establishment of policies governing the development, maintenance, and scoring of the CPA Exam in accordance with legal and psychometric standards as they apply to licensure examinations. The BOE also has the responsibility for strategic planning and risk assessment to ensure that the CPA Exam continues to fulfill its mission.

To remain relevant to a dynamic profession and current with the real-world demands on nlCPAs, the CPA Exam must continually evolve. The periodic execution of a PA is necessary to ensure that the CPA Exam:

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

The BOE policies require a PA to be conducted at any time the changes in the profession are significant enough to indicate the CPA Exam needs to be updated (for a single CPA Exam section or the CPA Exam as a whole). However, at a minimum, a PA will be completed no less than every seven years. As discussed below, PAs have been completed more frequently. Between PAs, the BOE oversees continuous maintenance of the CPA Exam. The CPA Exam Blueprints are modified as necessary to remain current with new standards and laws and revisions are also made to improve the clarity, organization, and the content assessed.

Recently Completed Practice Analyses

The two previous PAs laid the foundation for the CPA Exam Blueprints including the testing of higher order skills, increased focus on understanding the business, testing of data analytics and technology, and increased focus on the reliance on SOC 1® Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting (ICFR) – Guide (SOC 1®).

Practice Analysis Completed in 2016

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

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

Practice Analysis Completed in 2020

The PA launched in 2019 and completed in 2020 focused on technology's impact on nlCPA practice. Several findings were identified in the technology research including that nlCPAs need to have increased knowledge and skills related to:

- **Understanding the business** – nlCPAs need to understand the business, including its operations, information systems, underlying business processes, information and data flows, and risks and related internal controls. Newly licensed CPAs roles in understanding the business include:
  - Understanding the source of entity financial and tax information,
  - Understanding procedures in manual and automated systems by which transactions are initiated, authorized, processed, and recorded in general ledgers, and

- Mapping internal controls in both manual and IT systems. In particular, nlCPAs need to be able to understand the flow of transactions from start to finish, inclusive of both manual and automated systems, along with the related control activities.

- **Digital and data-driven mindset including data analytics** – A digital and data-driven mindset includes understanding the potential sources of data as well as the completeness, accuracy, and relevance of the data.
  - This mindset is related to the initial finding identified above, understanding the business. Newly licensed CPAs should understand the flow of transactions within business processes and information systems; this will lead to understanding the availability and reliability, i.e., completeness and accuracy of the data.
- **Reliance on SOC 1® reports** – significantly increased reliance on SOC 1® reports given how businesses are increasingly outsourcing information systems and business processes to third parties and storing data in the cloud.
  - This finding is also an extension of understanding the business. An auditor's need to understand a client's business processes and information systems extends to outsourced processes or systems that could impact the financial statements.

The PA completed in 2020 supported the need for strong foundational knowledge and skills. There was universal support that technology advances require nlCPAs to have a clear understanding of basic accounting, auditing, and taxation skills as well as professional skepticism. The findings were implemented in the CPA Exam in 2021.

CPA Evolution Practice Analysis

In mid-2020, the BOE launched this current PA to align the CPA Exam with the CPA Evolution licensure model. Under the CPA Evolution licensure model, all candidates will be required to pass three Core Exam sections covering: AUD, FAR, and REG. Each candidate will also choose a Discipline (i.e., BAR, ISC, and TCP) to demonstrate knowledge and skills in that particular domain. The Disciplines will focus on topics that apply to nlCPAs engaged in those areas of practice and are less likely to be encountered by CPAs who are not focused in those areas of practice. Regardless of a candidate's chosen Discipline, the CPA Evolution model leads to CPA licensure, with rights, privileges, and responsibilities consistent with the present CPA license.

The PA research sought to understand the scope of the initial NASBA and AICPA vision around the Core and Discipline model, which then provided guiding principles for the research. The three Core Exam sections will assess the knowledge and skills required by all nlCPAs and the Disciplines Exam sections will assess knowledge and skills required of nlCPAs in that particular domain.

The PA research was conducted in two phases: (i) the Exploration Phase and (ii) the Confirmation Phase. The AICPA was assisted by a third-party research firm in conducting focus groups and surveys in both the Exploration and Confirmation phases.

The Exploration Phase research captured valuable information about the Core and Discipline Exam sections utilizing surveys and focus groups, respectively. Additional follow-up interviews with focus group participants provided further information about some of the new areas of content that would be assessed in the Discipline Exam sections. The Exploration Phase also included multiple meetings with AICPA and NASBA leadership and frequent discussions with the BOE and its Content Committee and Content Subcommittees.

The Confirmation Phase research collected important quantitative and qualitative feedback on the CPA Exam Blueprints from licensed CPAs working in all areas of the profession. These CPAs participated in surveys where they provided ratings and comments on groupings of task statements. These task statements were developed using the results of the Exploration Phase research, and were reviewed, modified, and approved by the BOE and its Content Committee and Content Subcommittees. The Confirmation Phase research provided the AICPA, the Content Committee, and the Content Subcommittees additional information about content and skills in the Core and Discipline Exam sections, which was considered and incorporated into the draft CPA Exam Blueprints in Appendix A that were approved by the BOE.

For further discussion of the breadth and depth of the Exploration and Confirmation Phase research, see the Practice Analysis Process in Appendix B below.

Realignment of Existing Exam Content

The creation of three Core Exam sections and three Discipline Exam sections, as outlined in the CPA Evolution licensure model, required realignment of some existing Exam content and identification of new content to be assessed on the 2024 CPA Exam. Substantially all of the content previously assessed in the BEC section, with the exception of the written communication item that will be removed concurrent with the launch of the 2024 CPA Exam,[3] has been included in the AUD, FAR, BAR, and ISC Exam sections. A de minimis amount of content was removed from the Exam as more fully described in the Practice Analysis Process in Appendix B.

Additionally, certain content previously assessed in the FAR and REG sections will now be assessed in the BAR and TCP Discipline Exam sections, respectively. Further, the PA identified new content requiring assessment. For more information on the content contained in each of the Core and Discipline Exam sections, see Exam Section Commentary below.

[3] For further information on the removal of the written communication item, see the Infrastructure-changes-to-the-cpa-exam-in-2024 document.

New Exam Content Identified by the Practice Analysis

New exam content was identified during the PA and is primarily in the ISC and TCP Discipline sections.

SOC Engagements

The PA Research identified a significant increase in SOC 2® Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality or Privacy — Guide (SOC 2®) engagements. The PA research identified that nlCPAs are performing procedures in recurring SOC 1® and SOC 2® engagements. As more fully described below under Exam Section Commentary, the ISC Discipline Exam section will cover aspects of:

- IT infrastructure, platforms, and services;
- Security, confidentiality and privacy; and
- Considerations for SOC engagements.

The ISC Discipline Exam section will assess the unique aspects of planning and reporting on both SOC 1® and SOC 2® engagements, the system description criteria used in SOC 1® and SOC 2® engagements, and how the Trust Service Criteria are used in a SOC 2® engagement when evaluating the suitability of the design and operating effectiveness of controls relevant to the security, availability, or processing integrity of information and systems, or the confidentiality or privacy of the information processed by the systems at an entity.

All nlCPAs must understand internal controls over financial reporting and the implications of relying on SOC 1® reports. This was identified in the PA completed in 2020. Reliance on SOC 1® reports will continue to be covered in the AUD Core Exam section.

Personal Financial Planning and Tax Planning

The PA research indicated that nlCPAs play an important role in advising clients on the basics of personal financial planning and tax planning. The PA research indicated that nlCPAs are often involved in tax compliance and they naturally progress into more holistic work involving tax planning and personal financial planning for clients.

Newly licensed CPAs have been identified as being involved with individual tax planning considerations for gross income, adjusted gross income, taxable income, and estimated taxes; gift taxation; and specific personal financial planning concepts including:

- Understanding qualified retirement plans, such as traditional IRAs, Roth IRAs, 401(k)s, annuities, and employer sponsored plans and preparing schedules used in the decision-making process to select a retirement plan from among multiple options and identifying the related advantages and disadvantages.
- Understanding the risks associated with varying investment options, including equity securities, corporate bonds, and municipal bonds and calculating the ROI for different investment options, net of the tax impact.
- Planning for funding post-secondary education using qualified tuition programs, student loans and grants, and scholarships.
- Understanding the use of insurance to mitigate risk, including life insurance, long-term care insurance, and umbrella policies.

Data and Technology Concepts

Data and technology concepts will be assessed in all Core and Discipline Exam sections. This includes:

- A focus on understanding how data is structured and information flows through underlying IT systems and business processes.
- Determining methods to transform data to make it useful for decision-making.
- Verifying the completeness and accuracy of source data.
- Using the outputs of automated tools, visualizations, and data analytic techniques to:
  - Assist in risk assessment or to complete planned procedures.
  - Prepare financial statements, account analysis, tax returns, supporting schedules.
  - Identify patterns, trends, and correlations to explain an entity's results.

Task statements will provide the necessary context of how technology is incorporated into the assessment. For example, the BAR Discipline Exam section includes the following task statement that outlines how a candidate could be expected to use data to complete a task:

- Use outputs (e.g., reports, visualizations) from data analytic techniques to identify patterns, trends and correlations to explain an entity's results.

A candidate will not be required to generate reports or visualizations, nor will a candidate be required to use a data analytic software application.

Research

Applied research is eligible to be tested in all Core and Discipline Exam sections with a focus on reviewing and using excerpts of source materials to complete a range of tasks including identifying issues, analyzing facts, and determining appropriate responses.

Previous Research Affirmed

In addition to the matters above, the PA research affirmed important findings from previous PAs. That is, nlCPAs continue to need a strong foundation in the following areas for their role in protecting the public interest:

- Auditing and attestation; financial accounting and reporting; taxation and regulation; ethics and professional standards; business law; economics; and research.
- Technology; digital and data-driven mindset including data analytics, also known as digital acumen.
- Higher-order skills – including, but are not limited to, critical thinking, problem-solving, analytical ability, and professional skepticism.
- Understanding the business – nlCPAs need to understand the business including its operations, information systems, underlying business processes, information and data flows, and risks and related internal controls.

Emerging Content — Environmental, Social, and Governance

ESG information is an area of increasing focus for companies, investors, and regulators. ESG covers a wide range of potential considerations, including among others, sustainability matters and an entity's impact on the environment, social matters and an entity's values, and governance.

ESG is evolving rapidly. There has been initial rule-making and standard-setting activity around ESG in the past year. The United States Securities and Exchange Commission released proposed rules on disclosure of climate related matters. The International Sustainability Standards Board was formed to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

PA research included direct inquiries of CPAs to understand an nlCPA's role in ESG matters. Practitioners and supervisors of nlCPAs indicated the role was minimal at this time. Based on these inquiries and consultation and deliberations with the Content Committee and Content Subcommittee, the BAR Discipline Exam section includes content on understanding how the COSO ERM framework could be applied to identify, respond to, and report ESG related risks.

The AICPA and the BOE will continue to monitor ongoing developments in the ESG area.

Exam Section Commentary

This portion of the ED provides summary information and PA considerations for each of the 2024 CPA Exam's six sections. The content to be assessed in the Core and Discipline Exam sections reflect the knowledge and skills identified and validated in the PA research. The representative task statements combine the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform and provide clarity over what will be assessed in the respective Core and Discipline Exam sections.

Core Exam Sections

The Core sections: AUD, FAR, and REG will test the knowledge and skills that all nlCPAs need in their role to protect the public interest. All candidates will be required to pass the three Core Exam sections.

Auditing and Attestation (AUD)

The AUD Core Exam section remains largely unchanged, aside from the addition of BEC content described below. No existing AUD content was moved to other 2024 CPA Exam sections.

The AUD Core Exam section tests the knowledge and skills that all nlCPAs must demonstrate when performing audit, attestation, and accounting and review service engagements. The assessment will focus on an nlCPA's role in planning, risk assessment, performing procedures, obtaining evidence, and reporting for these engagement types. The assessment will incorporate professional skepticism and professional judgment with a focus on the critical assessment of evidence and the need to apply knowledge and experience to make informed decisions.

In 2021, as a result of the 2020 PA, the AUD section was expanded to emphasize: (i) technology as an external factor in the understanding of the business, (ii) understanding significant business processes and related IT systems, and (iii) identifying and documenting the significant components of an entity's control environment, including entity level and IT general controls.

Certain economics content from BEC has been added to the AUD Core Exam section. This content covers internal and external factors related to understanding an entity and its environment including basic economic concepts such as supply and demand and business cycles. Additionally, some business process and internal control content from BEC has been added to the AUD Core Exam section.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the AUD Core Exam section Blueprint in Appendix A.

Financial Accounting and Reporting (FAR)

The FAR Core Exam section tests the knowledge and skills that all nlCPAs must demonstrate with respect to financial accounting and reporting frameworks used by for-profit (public and nonpublic) and not-for-profit entities. The frameworks eligible for assessment include the standards and/or regulations issued by the:

- Financial Accounting Standards Board (FASB)
- U.S. Securities and Exchange Commission (U.S. SEC)
- American Institute of Certified Public Accountants (AICPA)

Additionally, the Core FAR Exam section will test the foundational concepts related to state and local governments as issued by the Governmental Accounting Standards Board (GASB), including measurement focus, basis of accounting, and determining the appropriate funds in which to record activities.

Under the Core and Discipline Model, some existing FAR content will be allocated between the FAR Core Exam section and the BAR Discipline Exam section, for example, revenue recognition and lease accounting. Revenue recognition in the FAR Core Exam section will assess recalling basic concepts of accounting for revenue and applying the five-step model to determine the amount and timing of revenue recognition. Lease accounting in the FAR Core Exam section will assess lessee accounting including determining the carrying amounts of lease-related assets and liabilities. Other than identified above, state and local government accounting is in the BAR Discipline Exam section. The Core FAR Exam section includes content from BEC related to understanding and applying financial statement ratios and performance metrics.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the FAR Core Exam section Blueprint in Appendix A.

Taxation and Regulation (REG)

The REG Core Exam section tests the knowledge and skills that all nlCPAs must demonstrate with respect to U.S. ethics and professional responsibilities related to tax practice, U.S. business law, and U.S. federal tax compliance for individuals and entities with a focus on recurring and routine transactions.

Under the CPA Evolution Core and Discipline model, existing REG content will be allocated between the REG Core Exam section and the TCP Discipline Exam section. The REG Core Exam section will focus on routine and recurring tasks and the TCP Discipline Exam section will focus on nonroutine and higher complexity tasks. For example, the REG Core Exam section will test individual gross income concepts like wages, interest and dividends, guaranteed payments received from a partnership, and income from a qualified retirement plan, while the TCP Discipline Exam section will test gross income concepts like the exercise of incentive stock options (ISO), imputed interest on a below-market-rate loan, and compensation earned while employed outside the U.S.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the REG Core Exam section Blueprint in Appendix A.

Discipline Exam sections

The Discipline Exam sections: BAR, ISC, and TCP will test the knowledge and skills in the respective Discipline domain applicable to nlCPAs. Each candidate must pass one Discipline Exam section.

Business Analysis and Reporting (BAR)

The BAR Discipline Exam section tests the knowledge and skills an nlCPA must demonstrate with respect to:

- Analyzing financial statements and financial information with a focus on an nlCPA's role in comparing historical results to budgets and forecasts; deriving the impact of transactions, events (actual and proposed), and market conditions on performance measures; and comparing investment alternatives.
- Select technical accounting and reporting requirements under the FASB and SEC that are applicable to for-profit business entities (e.g., stock compensation, business combinations, derivatives) and higher order skills related to revenue recognition and lease accounting.
- Financial accounting and reporting requirements under GASB that are applicable to state and local government entities.

The BAR Discipline Exam section will test more complex technical accounting topics such as stock compensation, business combinations, and derivatives and hedge accounting. Certain topics will be tested in both the FAR Core Exam section and the BAR Discipline Exam section, such as revenue recognition and lease accounting. For example, the BAR Discipline Exam section will test:

- The analysis and interpretation of agreements, contracts, and other supporting documentation to determine whether revenue was appropriately recognized.
- Recalling and applying lessor accounting requirements and analyzing the provisions of a lease agreement to determine whether a lessee appropriately accounted for the lease.

The BAR Discipline Exam section includes content from BEC on non-financial measures of performance; managerial and cost accounting concepts and the use of variance analysis techniques; budgeting, forecasting, and projection techniques; factors that influence an entity's capital structure, such as leverage, cost of capital, liquidity, and loan covenants; financial valuation decision models used to compare investment alternatives; risk management topics including the COSO Enterprise Risk Management framework; and the effect of changes in economic conditions and market influences on an entity's business.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the BAR Discipline Exam section Blueprint in Appendix A.

Information Systems and Controls (ISC)

The ISC Discipline Exam section tests the knowledge and skills an nlCPA must demonstrate with respect to information technology (IT) audit and advisory services, including SOC engagements. The ISC Discipline Exam section also tests the knowledge and skills that nlCPAs must demonstrate with respect to data management, including data collection, storage, and usage throughout the data life cycle.

With respect to SOC engagements, the ISC Discipline Exam section primarily focuses on:

- The use of the Description Criteria for a Description of a Service Organization's System and Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy in planning, performing, and reporting in a SOC 2® engagement.
- Planning, certain procedures (excluding the testing of internal controls over financial reporting) and reporting on a SOC 1® engagement.

The ISC Discipline Exam section includes content from BEC on certain aspects of business processes and internal control, risks associated with IT and controls that respond to those risks, and data management and relationships.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the ISC Discipline Exam section Blueprint in Appendix A.

Tax Compliance and Planning (TCP)

The TCP Discipline Exam section tests the knowledge and skills an nlCPA must demonstrate with respect to U.S. federal tax compliance for individuals and entities with a focus on nonroutine and higher complexity transactions, U.S. federal tax planning for individuals and entities, and personal financial planning.

The assessment of federal tax compliance will focus on an nlCPA's role in both the preparation and review of tax returns. The assessment of federal tax planning will focus on an nlCPA's role in determining the tax implications of proposed transactions, available tax alternatives, or business structures. The assessment of personal financial planning will focus on planning strategies and opportunities that an nlCPA typically identifies in connection with the preparation and review of individual tax returns.

As explained above in the REG Core Exam section, existing REG content will be allocated between the REG Core Exam section and the TCP Discipline Exam section. The TCP Discipline Exam section will focus on nonroutine and higher complexity tasks, including, for example, consolidated C-Corporation tax returns and international tax issues.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the TCP Discipline Exam section Blueprint in Appendix A.

Proposed Exam Design

The table below presents the design of the 2024 CPA Exam by Core and Discipline section, section time and question type.

Section	Section Time	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs)[4]
AUD – Core	4 hours	78	7
FAR – Core	4 hours	50	7
REG – Core	4 hours	72	8
BAR – Discipline	4 hours	50	7
ISC – Discipline	4 hours	82	6
TCP – Discipline	4 hours	68	7

The table below presents the scoring weight of MCQs and TBSs for each Core and Discipline Exam section.

	Score Weighting[5]	
Section	**Multiple-Choice Questions (MCQs)**	**Tasked-Based Simulations (TBSs)**
AUD – Core	50%	50%
FAR – Core	50%	50%
REG – Core	50%	50%
BAR – Discipline	50%	50%
ISC – Discipline	60%	40%
TCP – Discipline	50%	50%

All feedback to this ED will be thoughtfully considered and help finalize the development of the 2024 CPA Exam content, structure and design. Changes for the 2024 CPA Exam will be announced early in 2023 and implemented in 2024.

[4] Number of MCQs and TBSs are preliminary and approximate. The actual number of MCQs and TBSs will be included in the Final Report expected to be issued in January 2023.
[5] Score weighting is preliminary and approximate. Actual score weighting will be included in the Final Report expected to be issued in January 2023.

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Appendix A

Uniform CPA Examination®
Blueprints

Exposure Draft

American Institute of CPAs

AICPA®

Table of Contents

Uniform CPA Examination Blueprints

The CPA licensure model requires all candidates to pass three Core exam sections and one Discipline exam section of a candidate's choosing. The Uniform CPA Examination (the Exam) has been designed accordingly as reflected in the Exam Blueprints. The Core exam sections assess the knowledge and skills that all newly licensed CPAs (nlCPAs) need in their role to protect the public interest. The Discipline exam sections assess the knowledge and skills in the respective Discipline domain applicable to nlCPAs in their role to protect the public interest.

The three Core exam sections, each four hours long, are: Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR) and Taxation and Regulation (REG). The three Discipline exam sections, each four hours long, are: Business Analysis and Reporting (BAR), Information Systems and Controls (ISC) and Tax Compliance and Planning (TCP).

The table below presents the design of the Exam by Core and Discipline section, section time and question type.

Section	Section Time	Multiple-Choice Questions (MCQs)[1]	Tasked-Based Simulations (TBSs)[1]
AUD – Core	4 hours	78	7
FAR – Core	4 hours	50	7
REG – Core	4 hours	72	8
BAR – Discipline	4 hours	50	7
ISC – Discipline	4 hours	82	6
TCP – Discipline	4 hours	68	7

The table below presents the scoring weight of MCQs and TBSs for each Core and Discipline Exam section.

	Score Weighting[2]	
Section	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs)[1]
AUD – Core	50%	50%
FAR – Core	50%	50%
REG – Core	50%	50%
BAR – Discipline	50%	50%
ISC – Discipline	60%	40%
TCP – Discipline	50%	50%

The AICPA adopted a skill framework for the Exam based on the revised Bloom's Taxonomy of Educational Objectives[3]. Bloom's Taxonomy classifies a continuum of skills that students can be expected to learn and demonstrate.

[1] Number of MCQs and TBSs are preliminary and approximate. The actual number of MCQs and TBSs will be included in the Final Report expected to be issued in January 2023.

[2] Score weighting is preliminary and approximate. Actual score weighting will be included in the Final Report expected to be issued in January 2023.

[3] Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Uniform CPA Examination Blueprints (continued)

Representative tasks that are critical to an nlCPA's role in protecting the public interest have been identified. The representative tasks combine both the applicable content knowledge and skills required in the context of the work of an nlCPA. Based on the nature of a task, one of four skill levels, derived from the revised Bloom's Taxonomy, is 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.

The skill levels to be assessed on each Core and Discipline section of the Exam are included in the table below.

Section	Remembering and Understanding[4]	Application[4]	Analysis[4]	Evaluation[4]
AUD – Core	30–40%	30–40%	15–25%	5–15%
FAR – Core	5–15%	45–55%	35–45%	–
REG – Core	25–35%	35–45%	25–35%	–
BAR – Discipline	10–20%	45–55%	30–40%	–
ISC – Discipline	55–65%	20–30%	10–20%	–
TCP – Discipline	5–15%	50–60%	30–40%	–

Each section of the Exam has a section introduction and a corresponding section blueprint.

- The **section introduction** outlines the scope of the section, the content organization and tasks, the content allocation, the overview of content areas, section assumptions, the skill allocation and a listing of the section's applicable reference literature.
- The **section blueprint** outlines the content to be tested, the associated skill level to be tested and representative tasks an nlCPA would likely encounter. The blueprints are organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nlCPA may be expected to complete.

The purpose of the blueprint is to:

- Document the minimum level of knowledge and skills necessary for initial licensure.
- Assist candidates in preparing for the Exam by outlining the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as nlCPAs.
- Guide the development of 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. The number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

[4] Skill weightings are preliminary and approximate. Actual skill ratings will be included in the Final Report expected to be issued in January 2023.

Uniform CPA Examination Auditing and Attestation (AUD)

Blueprint

Auditing and Attestation

The Auditing and Attestation (AUD) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nlCPAs must demonstrate when performing the following engagements:

- **Audit engagements** include financial statement audits, compliance audits, audits of internal control integrated with an audit of financial statements and audits of entities receiving federal awards or grants. Audits include issuer entities subject to the requirements set forth by the Public Company Accounting Oversight Board (PCAOB), nonissuer entities subject to the requirements set forth by the American Institute of CPA's (AICPA) Auditing Standards Board or governmental entities subject to the requirements of the U.S. Government Accountability Office (GAO) or the Office of Management and Budget (OMB).
- **Attestation engagements** include assertion-based examinations, direct examinations and review or agreed-upon procedures engagements that are subject to the requirements set forth by the AICPA's Auditing Standards Board.
- **Accounting and review service engagements** include preparation, compilation and review engagements that are subject to the requirements set forth by the AICPA's Accounting and Review Services Committee.

The assessment will focus on an nlCPA's role in planning, risk assessment, performing procedures, obtaining evidence and reporting for these engagement types. The assessment will incorporate:

- Data and technology concepts with a focus on understanding how data is structured and flows through underlying systems, verifying the completeness and accuracy of source data and using the outputs of data analytic techniques to assist in risk assessment or to complete planned procedures.
- Professional skepticism and professional judgment with a focus on the critical assessment of evidence and the need to apply knowledge and experience to make informed decisions.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., auditing standards, attestation standards, accounting and review services standards) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the AUD section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The AUD section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nlCPA may be expected to complete when performing various types of engagements.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the AUD section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.", this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the AUD section of the Exam:

Content area		Allocation
Area I	Ethics, Professional Responsibilities and General Principles	15–25%
Area II	Assessing Risk and Developing a Planned Response	25–35%
Area III	Performing Further Procedures and Obtaining Evidence	30–40%
Area IV	Forming Conclusions and Reporting	10–20%

Auditing and Attestation (continued)

Overview of content areas

Area I of the AUD section blueprint covers ethics, professional responsibilities and general principles, including the following:

- Ethics and independence including understanding and applying the AICPA Code of Conduct and the ethical and independence requirements of the U.S. Securities and Exchange Commission (SEC), PCAOB, GAO and Department of Labor (DOL).
- Professional skepticism including the critical assessment of evidence and the need to apply knowledge and experience to make informed decisions.
- Nature, scope and terms of engagements including engagement preconditions.
- Requirements for engagement documentation and communication with management or those charged with governance.
- Understanding of quality control on an engagement and responsibilities within a firm.

Area II of the AUD section blueprint covers planning and risk assessment and design of procedures responsive to identified risks. The Area includes the following:

- Engagement strategy and engagement planning.
- Internal and external factors related to understanding an entity and its environment including basic economic concepts such as supply and demand and business cycles.
- Understanding an entity's control environment and business processes including an understanding of the COSO Internal Control – Integrated Framework, entity-level controls and the design of internal controls, IT systems and related IT general controls. SOC 1® reports as they affect the audit of user-entity financial statements are also included.
- Materiality including performance materiality or tolerable misstatement.
- Assessing and responding to risks of material misstatement, whether due to fraud or error.
- Planning for and using the work of others including management's specialists and auditor's specialists.
- Specific areas of engagement risk including compliance with laws and regulations, accounting estimates, related parties and requirements for single audits in accordance with the Uniform Guidance for Single Audits.

Area III of the AUD section blueprint covers performing procedures and obtaining evidence. The Area includes the following:

- Use of data and information including requesting, preparing and transforming data, reliability of data and information and data analytics.
- Sufficient appropriate evidence including sources of evidence and concluding on whether evidence obtained achieves the engagement's planned objectives.
- Sampling techniques including appropriate populations, sample size, stratification and extrapolation of results.
- Performing procedures to obtain evidence including tests of controls, tests of details, analytical procedures and external confirmations.
- Specific matters that require special audit consideration such as accounting estimates, investments in securities, inventory, litigation, claims and assessments, going-concern and testing transactions related to federal awards during a single audit.
- Misstatements and internal control deficiencies including preparing a summary of misstatements and determining their effect on the financial statements and the nature, timing and extent of procedures.
- Written representations requested from management.
- Subsequent events including identification of subsequent events and the impact to an entity's financial statements and disclosures.

Auditing and Attestation (continued)

Area IV of the AUD section blueprint covers engagement reporting. The Area includes the following:

- Reporting on auditing and attestation engagements including factors to consider when forming an opinion, types of opinions and the appropriate form and content of a report.
- Considerations for performing preparation engagements.
- Considerations for reporting on compilation and review engagements, including the appropriate form and content of a report.
- Considerations for reporting on compliance aspects as part of an audit engagement or an attestation engagement related to compliance with a specific requirement or rule.
- Other reporting considerations when performing engagements, including consistency, other information, review of interim financial information, supplementary information, special-purpose frameworks and additional reporting requirements under GAO Government Auditing Standards.

Section assumptions

The AUD section of the Exam includes multiple-choice questions and task-based simulations. When completing multiple-choice questions and task-based simulations in the AUD section of the Exam, candidates should be aware of the entity type and engagement type presented in the question. To the extent that there are different requirements for an entity under audit or review, the question will include an explicit reference to the entity type (issuer or nonissuer).

Questions may refer to an audit engagement by including phrases such as "an audit of a nonissuer" or "an audit of an issuer". Questions will refer to other types of engagements by including phrases such as "examination of pro forma financial information", "review engagement", "interim review", "compilation engagement", etc. The use of the terms "auditor", "accountant" or "practitioner" will also be used to further identify engagement types and applicable professional standards. Candidates should be mindful of the engagement type when answering a question.

Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives[5]. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

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.

The AUD section of the Exam assesses content at all of the skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding is mainly concentrated in Area I and Area IV. Area I contains much of the general audit knowledge that is required for nlCPAs. In Area IV, many of the tasks relate to reporting and are driven by templates and illustrative examples.

[5] Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Auditing and Attestation (continued)

- Application is tested in all four areas of the AUD section. Application tasks focus on general topics such as professional responsibilities and documentation, and the day-to-day tasks that nlCPAs perform, using standardized application tools such as audit programs and sampling techniques.
- Analysis and Evaluation skills, tested in Area II and Area III, involve tasks that require a higher level of analysis and interpretation. These tasks, such as concluding on sufficiency and appropriateness of evidence, require nlCPAs to apply professional skepticism and judgment.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform.

References – Auditing and Attestation

- AICPA Statements on Auditing Standards and Related Auditing Interpretations
- PCAOB Auditing Standards (SEC approved), Auditing Interpretations and Ethics and Independence Rules
- U.S. GAO Government Auditing Standards
- Single Audit Act, as amended
- OMB Audit Requirements for Federal Awards (2 CFR 200)
- AICPA Statements on Quality Control Standards
- AICPA Statements on Standards for Accounting and Review Services and Related Accounting and Review Services Interpretations
- AICPA Statements on Standards for Attestation Engagements and Interpretations
- AICPA Audit and Accounting Guides
- AICPA Code of Professional Conduct
- Sarbanes-Oxley Act of 2002
- U.S. DOL Interpretive bulletins relating to guidelines on independence of accountant retained by Employee Benefit Plan (29 CFR 2509.75-9)
- U.S. SEC Independence Rules
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO): Internal Control — Integrated Framework
- Current textbooks on auditing, attestation services, economics and ethics and independence

Summary Blueprint

Content area allocation	Weight
I. Ethics, Professional Responsibilities and General Principles	15–25%
II. Assessing Risk and Developing a Planned Response	25–35%
III. Performing Further Procedures and Obtaining Evidence	30–40%
IV. Forming Conclusions and Reporting	10–20%

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

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Ethics, independence and professional responsibilities					
1. AICPA Code of Professional Conduct	✓				Understand the principles, rules and interpretations included in the AICPA Code of Professional Conduct.
		✓			Apply the principles, rules and interpretations included in the AICPA Code of Professional Conduct to situations.
		✓			Apply the Conceptual Framework for Members in Public Practice and 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.
2. Requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board	✓				Understand the ethical and independence 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 compromise compliance or impair independence during an audit of an issuer.
3. Requirements of the Government Accountability Office and the Department of Labor	✓				Understand the ethical and independence requirements of the Government Accountability Office Government Auditing Standards.
	✓				Understand the independence requirements of the Department of Labor.

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

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
A. Ethics, independence and professional responsibilities (continued)					
3. Requirements of the Government Accountability Office and the Department of Labor (continued)		✓			Apply the ethical requirements and independence rules of the Government Accountability Office Government Auditing Standards to situations that could present threats to compliance during an audit of, or attestation engagement for, a government entity or an entity receiving federal awards.
		✓			Apply the independence rules of the Department of Labor to situations when an accountant would not be considered independent during an audit of employee benefit plans.
B. Professional skepticism and professional judgment					
	✓				Understand the concepts of professional skepticism and professional judgment.
	✓				Understand unconscious auditor biases and other impediments to acting with professional skepticism, including threats, incentives and judgment-making shortcuts.
C. Nature and scope					
1. Audit engagements	✓				Identify the nature, scope and objectives of the different types of audit engagements for issuers and nonissuers (e.g., financial statement, ERISA plan financial statement).
2. Engagements conducted under Government Accountability Office Government Auditing Standards	✓				Identify the nature, scope and objectives of engagements performed in accordance with Government Accountability Office Government Auditing Standards, including single audits.
3. Other engagements	✓				Identify the nature, scope and objectives of attestation engagements and accounting and review service engagements.

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
D. Terms of engagement					
1. Preconditions for an engagement	✓				Identify the preconditions needed for accepting or continuing an engagement.
2. Terms of engagement and the engagement letter	✓				Identify the factors affecting the acceptance or continuance of an engagement.
	✓				Recall when it is acceptable to agree to management's request for 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 engagement in a written engagement letter or other suitable form of written agreement.
E. Requirements for engagement documentation					
	✓				Identify the elements that comprise sufficient appropriate documentation in physical or electronic form for an engagement.
	✓				Identify the requirements for the assembly and retention of documentation in physical or electronic form for an engagement.
		✓			Prepare documentation that is sufficient to enable an experienced auditor or practitioner having no previous connection with an engagement to understand the nature, timing, extent and results of procedures performed, the significant findings and conclusions reached and the significant professional judgments made.

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
F. 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 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 engagement to management and those charged with governance.
2. Internal control related matters	✓				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 engagement and the timing of such communications.
		✓			Prepare written communication materials for use in communicating identified internal control deficiencies and material weaknesses for an engagement to those charged with governance and management.
G. Quality control					
	✓				Identify a CPA firm's responsibilities for its accounting and auditing practice's system of quality control.
	✓				Explain procedures and responsibilities for quality control on an engagement.

Area II – Assessing Risk and Developing a Planned Response (25–35%)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
A. Planning an engagement					
1. Overall engagement strategy	✓				Explain the purpose and significance of the overall engagement strategy for an engagement.
2. Engagement plan		✓			Prepare a draft engagement plan for specific processes, accounts or classes of transactions considering the prior period and changes in the current period.
		✓			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.
B. Understanding an entity and its environment					
1. External factors	✓				Understand supply and demand, elasticity measures and profit maximization (e.g. marginal cost, marginal revenue).
	✓				Understand the business cycles (trough, expansion, peak, recession) and leading, coincident and lagging indicators of economic activity (e.g., consumer price index, producer price index, federal funds rate, bond yields, unemployment).
		✓			Identify relevant factors (e.g., industry, regulatory, economic, government policy, financial reporting framework, technology, supply chain) that could impact an entity, its operations, and/or the inherent risk of material misstatement.
2. Internal factors	✓				Understand the entity's responsibilities with respect to the corporate governance provisions of the Sarbanes-Oxley Act of 2002.
		✓			Identify 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).

Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
C. Understanding an entity's control environment and business processes, including information technology (IT) systems					
1. COSO Internal Control – Integrated Framework	✓				Define internal control within the context of the COSO internal control framework, including the purpose, objectives and limitations of the framework.
	✓				Identify and define the components, principles and underlying structure of the COSO internal control framework.
2. Control environment, IT general controls, and entity-level controls	✓				Understand the elements of an entity's control environment, including the design and implementation of IT general controls and entity-level controls.
		✓			Perform procedures to obtain an understanding of how an entity has responded to risks arising from IT, including identifying and testing the design and implementation of relevant IT general controls.
3. Business processes and the design of internal controls, including IT systems		✓			Identify and document the significant business processes and data flows that directly or indirectly impact an entity's financial statements.
		✓			Perform a walkthrough of a significant business process and document (e.g., flow charts, process diagrams, narratives) the flow of relevant transactions and data from initiation through financial statement reporting and disclosure.
		✓			Obtain an understanding of an entity's IT systems infrastructure (e.g., ERP, cloud computing or hosting arrangements, custom or packaged applications) and document the procedures performed to obtain that understanding.
		✓			Obtain an understanding of IT systems that are, directly or indirectly, the source of financial transactions or the data used to record financial transactions (e.g., how the entity uses IT systems to capture, store, and process information).
		✓			Perform tests of the design and implementation of relevant automated and manual transaction-level internal controls (e.g. authorizations and approvals, reconciliations, verifications, physical or logical controls, segregation of duties).

Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. Understanding an entity's control environment and business processes, including information technology (IT) systems (continued)					
3. Business processes and the design of internal controls, including IT systems (continued)			✓		Identify and document the relevant automated and manual controls within the flow of an entity's transactions for a significant business process and consider the effect of these controls on the completeness, accuracy and reliability of an entity's data.
				✓	Conclude whether relevant automated and manual transaction-level internal controls are effectively designed and placed in operation.
4. Implications of an entity using a service organization	✓				Understand the differences between SOC 1® and SOC 2® engagements.
		✓			Identify and document the purpose and significance of an entity's use of a service organization, including the impact of using a SOC 1® Type 2 report in an audit of an entity's financial statements.
		✓			Use a SOC 1® Type 2 report to determine the nature and extent of testing procedures to be performed in an audit of an entity's financial statements.
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. 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.
		✓			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.

Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
D. Materiality (continued)					
2. Tolerable misstatement and performance materiality	✓				Understand the use of tolerable misstatement or performance materiality in an audit.
		✓			Determine tolerable misstatement or performance materiality 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.
E. Assessing and responding to risks of material misstatement, whether due to fraud or error					
		✓			Determine the pressures, incentives and opportunities for fraud (e.g., fraudulent financial reporting, misappropriation of assets) that could lead to the risk of material misstatement.
		✓			Determine risk of material misstatement, whether due to fraud or error, at the financial statement level and relevant assertion level for each material class of transactions, account balance and disclosure.
		✓			Determine a response to risks of material misstatement at the financial statement level (e.g. maintaining professional skepticism, engagement team supervision, incorporating elements of unpredictability), considering the auditor's understanding of the control environment.
		✓			Determine appropriate procedures to assess the operating effectiveness of relevant controls.
		✓			Determine appropriate substantive procedures to test relevant assertions for each material class of transactions, account balance and disclosure.
		✓			Determine procedures to satisfy the requirements and objectives of an attestation engagement.
		✓			Determine procedures to satisfy the requirements and objectives of an accounting and review services engagement.

Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
E. Assessing and responding to risks of material misstatement, whether due to fraud or error (continued)					
			✓		Assess risks of material misstatement, whether due to fraud or error, at the financial statement level and develop a response by leveraging the combined knowledge and understanding of the engagement team.
			✓		Assess the potential impact of identified risks at the relevant assertion level for each material class of transactions, account balance and disclosure, considering the controls the auditor intends to test.
			✓		Analyze the risk of material misstatement, including the potential impact of individual and cumulative misstatements, to provide a basis for developing planned audit procedures.
			✓		Use outputs from audit data analytic procedures (e.g. reports and visualizations) to identify transactions that may have a higher risk of material misstatement and interpret the results to develop planned audit procedures.
F. Planning for and using the work of others					
	✓				Identify the factors to consider in determining the extent to which an engagement team can use the work of the internal audit function, IT auditor, auditor's specialist, management's specialist or a component auditor.
		✓			Determine the nature and scope of the work of the internal audit function, IT auditor, auditor's specialist, management's specialist or component auditor.
		✓			Perform and document procedures to determine the extent to which an engagement team can use the work of the internal audit function, IT auditor, auditor's specialist, management's specialist or a component auditor.

Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
G. Specific areas of engagement risk					
1. An entity's compliance with laws and regulations	✓				Understand the accountant'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 engagement.
	✓				Understand the accountant'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 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 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 engagement.
2. Accounting estimates	✓				Recognize the potential impact of lower complexity and higher complexity 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, including consideration of significant unusual transactions and transactions with executive officers.
4. Uniform Guidance for single audits	✓				Understand when an entity is required to have a single audit in accordance with the audit requirements of the Uniform Guidance, including the identification of federal awards and major programs.

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Use of data and information					
1. Requesting, preparing and transforming data	✓				Explain the components of a relational database (e.g., tables, records, fields/attributes, primary and foreign keys, normalization).
	✓				Explain the characteristics and uses of different measurement scales (e.g., nominal, ordinal, interval, ratio, continuous, discrete).
		✓			Determine attribute structures, format, and sources of data needed when making a data extraction request to complete planned procedures.
		✓			Determine methods to transform (e.g., preparing, cleaning, scrubbing) data to complete planned procedures.
2. Reliability of data and information		✓			Perform procedures (e.g., agreeing information to original sources such as general ledger, subledger or external information sources, validating search or query criteria used to obtain data) to validate the reliability (completeness, accuracy, authenticity and susceptibility to management bias) of data and information obtained.
3. Data analytics		✓			Describe how to apply automated tools and techniques to process, organize, structure or present data in a given context to generate useful information that can be used as evidence.
			✓		Perform procedures using outputs (e.g., reports, visualizations) from audit data analytic techniques and types (e.g., descriptive, diagnostic) to determine relationships and trends among variables and interpret results.
B. Sufficient appropriate evidence					
		✓			Determine the sources of sufficient appropriate evidence (e.g., obtained from management specialists, obtained from external sources, developed by the audit team from internal or external sources).

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

Content group/topic	Skill: Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
B. Sufficient appropriate evidence (continued)					
			✓		Exercise professional skepticism and professional judgment while analyzing information to be used as audit evidence taking into account its relevance and reliability, authenticity and whether such information corroborates or contradicts the assertions in the financial statements.
				✓	Conclude whether sufficient appropriate evidence has been obtained to achieve the objectives of the planned procedures.
C. Sampling techniques					
	✓				Understand the purpose and application of sampling techniques including the use of automated tools and audit data analytic techniques to identify significant events or transactions that may impact the financial statements.
	✓				Determine the appropriate population of items to sample to meet the objectives of the planned procedures.
		✓			Use sampling techniques to extrapolate the characteristics of a population from a sample of items.
D. Procedures to obtain sufficient appropriate evidence					
1. Test of controls and test of details		✓			Use observation and inspection to obtain evidence.
		✓			Use recalculation (manually or using automated tools and techniques) to test the mathematical accuracy of information to obtain evidence.
		✓			Use reperformance to independently execute procedures or controls to obtain evidence.
		✓			Inquire of management and others to gather evidence and document the results.

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
D. Procedures to obtain sufficient appropriate evidence (continued)					
1. Test of controls and test of details (continued)			✓		Analyze responses obtained during structured interviews or informal conversations with management and others, including those in non-financial roles, and ask relevant and effective follow-up questions to understand their perspectives and motivations.
			✓		Perform tests of operating effectiveness of internal controls, including the analysis of exceptions to identify deficiencies in an audit of financial statements or an audit of internal control.
2. Analytical procedures		✓			Determine the suitability of substantive analytical procedures to provide evidence to support an identified assertion.
			✓		Perform substantive analytical procedures, including developing an expectation, on an account balance to provide evidence to support an identified assertion.
			✓		Perform analytical procedures near the end of an audit engagement that assist the auditor when forming an overall conclusion about whether the financial statements are consistent with the auditor's understanding of the entity.
				✓	Evaluate and investigate differences resulting from analytical procedures (e.g., fluctuations or relationships that are inconsistent with other information or expected values).
3. External confirmations		✓			Confirm significant account balances and transactions using appropriate tools and techniques (e.g., confirmation services, electronic confirmations, manual confirmations) to obtain relevant and reliable evidence.
			✓		Analyze external confirmation responses to determine the need for follow-up or further investigation.

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
E. Specific matters that require special consideration					
1. Accounting estimates		✓			Recalculate and reperform procedures to validate the inputs and assumptions of an entity's significant accounting estimates with a higher risk of material misstatement or complexity, such as fair value estimates.
			✓		Perform procedures (e.g. reviewing the work of a specialist and procedures performed by the engagement team) to validate an entity's calculations and detailed support for significant accounting estimates, including consideration of information that contradicts assumptions made by management.
				✓	Conclude on the reasonableness of significant accounting estimates with a lower risk of material misstatement or complexity in an audit.
2. Investments in securities	✓				Identify the considerations relating to the measurement and disclosure of the fair value of investments in securities in an audit.
		✓			Test management's assumptions, conclusions and adjustments related to the valuation of investments in securities in an audit.
3. Inventory and inventory held by others				✓	Test the ending inventory quantities in an audit by obtaining evidence regarding the existence and condition of inventory and inventory held by others (e.g., inventory counting procedures, confirmation) and conclude whether inventory records accurately reflect count results.
4. Litigation, claims and assessments		✓			Perform appropriate audit procedures, including inquiring of management and others, reviewing minutes and sending external confirmations, to detect the existence of litigation, claims and assessments.
5. An entity's ability to continue as a going concern	✓				Identify factors that should be considered while performing planned procedures that may indicate substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time.

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
E. Specific matters that require special consideration (continued)					
6. Uniform Guidance for single audits		✓			Test transactions related to federal awards for compliance with statutes, regulations, and the terms and conditions of the federal awards.
F. 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 engagement.
			✓		Determine the effect of identified misstatements on the assessment of internal control over financial reporting, individually and in the aggregate.
				✓	Evaluate internal control deficiencies to determine potential impact on the nature, timing, and extent of audit procedures.
G. Written representations					
	✓				Identify the written representations that should be obtained from management or those charged with governance in an engagement.
H. Subsequent events and subsequently discovered facts					
	✓				Recall the impact of subsequently discovered facts on the auditor's report.
		✓			Perform procedures to identify subsequent events that should be reflected in an entity's current period financial statements and disclosures.
			✓		Determine whether identified subsequent events are appropriately reflected in an entity's financial statements and disclosures.

Area IV – Forming Conclusions and Reporting (10–20%)

Content group/topic	Skill: Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
A. Reporting on audit engagements					
	✓				Identify the factors that an auditor should consider when forming an opinion on an entity's financial statements.
	✓				Identify the factors that an auditor should consider when forming an opinion on the effectiveness of internal control in an audit of internal control over financial reporting that is integrated with an audit of financial statements.
	✓				Identify the type of opinion (unqualified or unmodified, qualified, adverse, or disclaimer of opinion) that an auditor should render on the audit of an issuer or nonissuer's financial statements.
	✓				Identify the appropriate use of emphasis-of-matter and other-matter (explanatory) paragraphs.
		✓			Determine the appropriate form and content of an auditor's report for an engagement, including the appropriate use of emphasis-of-matter and other-matter (explanatory) paragraphs.
		✓			Determine the appropriate form and content of a report on the audit of internal control over financial reporting, including report modifications and the use of separate or combined reports for the audit of an entity's financial statements and the audit of internal control.
B. Reporting on attestation engagements					
1. Examination or review engagements	✓				Identify the factors that a practitioner should consider when issuing an assertion-based examination, direct examination or review report.
		✓			Determine the appropriate form and content of an accountant's report for an assertion-based examination, direct examination, or review for an attestation engagement.

Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
B. Reporting on attestation engagements (continued)					
2. Agreed-upon procedures engagements	✓				Identify the factors that a practitioner should consider when issuing an agreed-upon procedures report for an attestation engagement.
		✓			Determine the appropriate form and content of an agreed-upon procedures report for an attestation engagement.
C. Accounting and review service engagements					
1. Preparation engagements	✓				Identify the factors that an accountant should consider when performing a preparation engagement.
2. Compilation engagements	✓				Identify the factors that an accountant should consider when reporting on an engagement to compile an entity's financial statements.
		✓			Determine the appropriate form and content of an accountant's report for a compilation engagement.
3. Review engagements	✓				Identify the factors that an accountant should consider when reporting on an engagement to review an entity's financial statements.
		✓			Determine the appropriate form and content of an accountant's report for a review engagement.
D. Reporting on compliance					
	✓				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.
	✓				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, and reports on the effectiveness of internal controls over compliance with the requirements.

Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
E. Other reporting considerations					
1. Comparative statements and consistency between periods	✓				Identify the factors (change in accounting principle, the correction of a material misstatement, or a material change in classification) that would affect the comparability or consistency of financial statements.
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. Additional reporting requirements under Government Accountability Office Government Auditing Standards	✓				Identify requirements under Government Accountability Office Government Auditing Standards related to reporting on internal control over financial reporting and compliance with provisions of the law, regulations, contracts, grant agreements and federal awards that have a material effect on the financial statements.
	✓				Understand the requirements when preparing the auditor's report on compliance and internal control over compliance – major programs and the auditor's schedule of findings and questioned costs for a single audit.
6. Special-purpose frameworks	✓				Identify the factors an auditor should consider when reporting on the audit of financial statements prepared in accordance with the cash basis, tax basis, regulatory basis, contractual basis or other basis of accounting.

Uniform CPA Examination Financial Accounting and Reporting (FAR)

Blueprint

AICPA®

Financial Accounting and Reporting

The Financial Accounting and Reporting (FAR) section of the Uniform CPA Examination (the Exam) assesses the knowledge and skills that nlCPAs must demonstrate in the financial accounting and reporting frameworks used by for-profit (public and nonpublic) and not-for-profit entities.

The frameworks eligible for assessment include the standards and/or regulations issued by the:

- Financial Accounting Standards Board (FASB)
- U.S. Securities and Exchange Commission (U.S. SEC)
- American Institute of Certified Public Accountants (AICPA)

The assessment of financial accounting and reporting concepts will focus on an nlCPA's role in the preparation and review of financial statements, account balances and transactions to ensure compliance with the applicable frameworks described above. The assessment will incorporate:

- Data and technology concepts, including the verification of the completeness and accuracy of source data used in the preparation of financial statements and the use of various sources of data and information to prepare supporting schedules for account balances.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., FASB Accounting Standards Codification) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

The FAR section of the Exam will also assess foundational concepts related to the accounting requirements for state and local governments as issued by the Governmental Accounting Standards Board (GASB).

A list of reference materials relevant to the FAR section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The FAR section blueprint is organized by content AREA, content GROUP and content TOPIC. Each group or topic includes one or more representative TASKS that an nlCPA may be expected to complete in practice.

Tasks in the FAR section blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the FAR section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.," this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the FAR section of the Exam:

Content area		Allocation
Area I	Financial Reporting	30–40%
Area II	Select Balance Sheet Accounts	30–40%
Area III	Select Transactions	25–35%

Financial Accounting and Reporting (continued)

Overview of content areas

Area I of the FAR section blueprint covers the preparation, review and analysis of financial statements (for profit and not-for-profit entities) and foundational concepts related to the accounting requirements for state and local governments. The Area includes the following:

- General-purpose financial reporting and ratios and performance metrics applicable to for-profit entities and not-for-profit entities prepared under the FASB Accounting Standards Codification.
- Disclosures specific to public companies including earnings per share prepared under the FASB Accounting Standards Codification and the interim, annual and periodic filing requirements for U.S. registrants in accordance with the rules of the U.S. SEC.
- Financial statements prepared under special purpose frameworks as described in AU-C Section 800 of the Codification of Statements on Auditing Standards.
- State and local government concepts including measurement focus, basis of accounting and determining the appropriate funds to record activities in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Area II of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select balance sheet accounts for both for-profit and not-for-profit entities. The Area includes the following:

- Cash and cash equivalents.
- Trade receivables.
- Inventory.
- Property, plant and equipment.
- Investments, including financial assets at fair value, financial assets at amortized cost and equity method investments.
- Intangible assets, with a focus on finite-lived intangible assets.
- Payables and accrued liabilities.
- Long-term debt, including notes and bonds payable and debt covenant calculations.
- Equity transactions, specifically focusing on equity issuance, stock dividends, stock splits and treasury stock.

If significant accounting or reporting differences exist between for-profit and not-for-profit entities for a given group or topic, such differences are in representative not-for-profit tasks in the FAR section blueprint.

Area III of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select transactions for both for-profit and not-for-profit entities. The Area includes the following:

- Accounting changes and error corrections.
- Contingencies and commitments.
- Revenue recognition, specifically focusing on recalling and applying the five-step model and accounting for contributions received by not-for-profit entities.
- Accounting for income taxes.
- Fair value measurement concepts and classification within the fair value hierarchy.
- Leases, specifically focusing on recalling and applying lessee accounting requirements.
- Subsequent events.

If significant accounting or reporting differences exist between for-profit and not-for-profit entities, such differences are in representative not-for-profit tasks in the FAR section blueprint.

Section assumptions

The FAR section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that all of the information provided in each question is material and should apply all stated assumptions. In addition, candidates should assume that each question applies to a for-profit business

Financial Accounting and Reporting (continued)

entity reporting under U.S. GAAP unless otherwise stated in the fact pattern for a question. For example, questions that apply to not-for-profit entities specify the nature of these entities as "not-for-profit" or "non-governmental, not-for-profit." Questions that apply to state and local governments include phrases such as "local government," "state," "municipality" or "city."

Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives[6]. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

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.

The FAR section of the Exam assesses content at the first three skill levels of Bloom's taxonomy as described below:

- Remembering and Understanding is tested in all three areas of the FAR blueprint. Tasks, such as identifying transactions and financial reporting requirements, require nlCPAs to demonstrate their comprehension of accounting concepts and standards.
- Application skills are tested in all three areas of the FAR blueprint. Tasks, such as preparing journal entries and financial statements, require nlCPAs to use accounting concepts and standards to measure and recognize financial statement amounts.
- Analysis skills are tested in all three areas of the FAR blueprint. Tasks, such as reconciling account balances and detecting financial reporting discrepancies, require nlCPAs to demonstrate a higher level of interpretation. Area II has the highest concentration of analysis tasks.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform.

References — Financial Accounting and Reporting

- FASB Accounting Standards Codification
- FASB Concepts Statements
- U.S. SEC References:
  - Securities Exchange Act of 1934
  - Regulation S-X of the Code of Federal Regulations (17 CFR Part 210)
  - Regulation S-K of the Code of Federal Regulations (17 CFR Part 229)
- Codification of Statements on Auditing Standards: AU-C Section 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- AICPA Practice Aid — Accounting and Financial Reporting Guidelines for Cash — and Tax — Basis Financial Statements
- State and Local Government References:
  - GASB Codification of Governmental Accounting and Financial Reporting Standards
  - GASB Statements
- Current textbooks on accounting for business entities, not-for-profit entities, and state and local government entities

[6] Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Summary Blueprint

Content area allocation	Weight
I. Financial Reporting	30–40%
II. Select Balance Sheet Accounts	30–40%
III. Select Transactions	25–35%

Skill allocation	Weight
Evaluation	–
Analysis	35–45%
Application	45–55%
Remembering and Understanding	5–15%

Area I – Financial Reporting (30–40%)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
A. General-Purpose Financial Reporting: 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, including the source data.
2. Income statement/Statement of profit or loss		✓			Prepare a single-step or multi-step income statement (e.g., operating, nonoperating, discontinued operations) from a trial balance and supporting documentation.
		✓			Adjust the income statement to correct identified errors.
		✓			Calculate transaction gains or losses recognized from monetary transactions denominated in a foreign currency.
			✓		Detect, investigate and correct discrepancies while agreeing the income statement amounts to supporting documentation, including the source data.
3. Statement of comprehensive income	✓				Recall the purpose, objectives and structure of the statement of comprehensive income.
	✓				Identify items classified as other comprehensive income.
4. Statement of changes in equity		✓			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.
			✓		Detect, investigate and correct discrepancies while agreeing the statement of changes in equity amounts to supporting documentation, including the source data.

Area I – Financial Reporting (30–40%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
A. General-Purpose Financial Reporting: For-Profit Business Entities (continued)					
5. Statement of cash flows		✓			Prepare a statement of cash flows using the direct method or 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, including the source data.
			✓		Derive the impact of transactions on the statement of cash flows.
6. Consolidated financial statements (including wholly-owned subsidiaries and noncontrolling interests)		✓			Prepare consolidated financial statements (adjustments, and/or eliminations) from supporting documentation.
		✓			Adjust consolidated financial statements to correct identified errors.
			✓		Detect, investigate and correct discrepancies identified while agreeing the consolidated financial statement amounts to supporting documentation, including the source data.
7. 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, including the source data, to identify inconsistencies and investigate those inconsistencies.
B. General-Purpose Financial Reporting: 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.

Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
B. General-Purpose Financial Reporting: Nongovernmental Not-for-Profit Entities (continued)					
1. Statement of financial position (continued)		✓			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.
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 or 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. Notes to the financial statements		✓			Adjust the notes to the financial statements to correct identified errors and omissions.
C. State and Local Government Concepts					
1. 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.
2. Purpose of funds		✓			Determine the appropriate fund(s) that a state or local government should use to record its activities.

Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
D. Public Company Reporting Topics					
	✓				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 items of Form 10-Q (Part I Items 1 through 3) and Form 10-K (Part II Items 7, 7A and 8) filed with the U.S. Securities and Exchange Commission.
		✓			Calculate basic earnings per share and diluted earnings per share considering the impact of stock options, preferred stock, convertible preferred stock and/or convertible debt.
E. 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 or modified cash basis of accounting.
		✓			Prepare financial statements using the income tax basis of accounting.
F. Financial Statement Ratios and Performance Metrics					
	✓				Identify the appropriate financial statement ratio or performance metric to perform a specified type of analysis.
		✓			Calculate profitability ratios (e.g., gross profit margin, return on sales, return on assets, return on equity).
		✓			Calculate liquidity ratios (e.g., current, quick, accounts receivable turnover, inventory turnover, accounts payable turnover).

Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
F. Financial Statement Ratios and Performance Metrics (continued)					
		✓			Calculate solvency ratios (e.g., debt-to-equity, total debt, times interest earned).
		✓			Calculate performance metrics (e.g., EBITDA, price-to-earnings, dividend payout, asset turnover).
		✓			Calculate variances between budget and actual results.

Area II – Select Balance Sheet Accounts (30–40%)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
A. Cash and cash equivalents					
		✓			Calculate cash and cash equivalents balances to be reported in the financial statements.
			✓		Reconcile the 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 receivables and allowances 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 data and 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 carrying amount of inventory and prepare journal entries using various costing methods.
		✓			Use the lower of cost and net realizable value or the lower of cost or market approach to calculate the carrying amount of inventory.
			✓		Prepare a rollforward of the inventory account balance using various sources of data and information.
			✓		Reconcile and investigate differences between the subledger and general ledger for inventory to determine whether an adjustment is necessary.

Area II – Select Balance Sheet Accounts (30–40%) (continued)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
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.
		✓			Calculate impairment losses on long-lived assets to be recognized in the financial statements.
		✓			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 data and 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 (excluding impairment).
		✓			Calculate investment income to be recognized in net income for investments measured at fair value and prepare journal entries.
		✓			Calculate impairment losses to be recognized on applicable investments reported at fair value in the financial statements.

Area II – Select Balance Sheet Accounts (30–40%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
E. Investments (continued)					
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).
		✓			Calculate 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).
F. Intangible assets					
	✓				Identify the criteria for recognizing intangible assets in the statement of financial position and classify intangible assets as either finite-lived or indefinite-lived.
		✓			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 purchased software and cloud computing arrangements reported in the financial statements (initial measurement, amortization and impairment) and prepare journal entries.
G. Payables and accrued liabilities					
		✓			Calculate the carrying amount of payables (e.g., accounts payable, dividends payable) and accrued liabilities (e.g., accrued wages, accrued vacation, accrued bonuses) and prepare journal entries.

Area II – Select Balance Sheet Accounts (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
G. Payables and accrued liabilities (continued)					
		✓			Identify and calculate liabilities arising from exit or disposal activities (e.g., one-time termination benefits, severance arrangements) and determine the timing of recognition in the financial statements.
		✓			Calculate the liabilities and assets resulting from asset retirement obligations and prepare journal entries.
			✓		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	✓				Recall the criteria to 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.
		✓			Calculate the interest expense attributable to notes and bonds payable reported in the financial statements (e.g., discounts, premiums, debt issuance costs).
		✓			Calculate the carrying amount of notes and bonds payable and prepare journal entries.
2. Debt covenant compliance		✓			Perform debt covenant calculations as stipulated in a debt agreement to ascertain compliance.
I. Equity					
		✓			Prepare journal entries to recognize equity transactions in the financial statements (e.g., equity issuance, stock dividends, stock splits, treasury stock).

Area III – Select Transactions (25–35%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Accounting changes and error corrections					
		✓			Calculate a required adjustment to the financial statements due to an accounting change (change in accounting principle or change in accounting estimate) 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 identified accounting change or an error correction.
B. 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 and/or disclosure in the financial statements.
C. Revenue recognition					
	✓				Recall concepts of accounting for revenue using the five-step model.
	✓				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.
		✓			Determine the amount and timing of revenue to be recognized using the five-step model and prepare journal entries.
		✓			Determine the recognition and subsequent measurement requirements for contract costs and prepare journal entries.

Area III – Select Transactions (25–35%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. Revenue recognition (continued)					
		✓			Determine the amount and timing of revenue to be recognized by a nongovernmental, not-for-profit entity for contributed services received and prepare journal entries.
		✓			Calculate the amount to be recognized for contributions (financial assets and nonfinancial assets) to a nongovernmental, not-for-profit entity.
D. Accounting for income taxes					
	✓				Recall the accounting treatment for uncertainty in income taxes.
	✓				Recall the criteria for recognizing or adjusting a valuation allowance for a deferred tax asset.
		✓			Calculate the income tax expense, current taxes payable/receivable and deferred tax liabilities/assets.
		✓			Prepare journal entries to record the tax provision.
E. Fair value measurements					
	✓				Identify the valuation techniques used to measure fair value.
	✓				Recall assumptions (e.g., highest and best use, market participant assumptions, unit of account) and approaches (cost, income, market) used to measure fair value.
		✓			Use the fair value hierarchy to determine the classification of a fair value measurement.

Area III – Select Transactions (25–35%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
F. Lessee accounting					
	✓				Recall the appropriate accounting treatment for residual value guarantees, purchase options and variable lease payments included in leasing arrangements for a lessee.
	✓				Identify the criteria for classifying a lease arrangement for a lessee.
		✓			Calculate the carrying amount of lease-related assets and liabilities and prepare journal entries that a lessee should record.
		✓			Calculate the lease costs that a lessee should recognize in the income statement.
G. 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.

Uniform CPA Examination
Taxation and Regulation (REG)
Blueprint

AICPA®

Taxation and Regulation

The Taxation and Regulation (REG) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nlCPAs must demonstrate with respect to:

- U.S. ethics and professional responsibilities related to tax practice
- U.S. business law
- U.S. federal tax compliance for individuals and entities with a focus on recurring and routine transactions

The assessment of federal tax compliance will focus on an nlCPA's role in both the preparation and review of tax returns. The assessment will incorporate:

- Data and technology concepts including the verification of the completeness and accuracy of source data used to prepare returns and supporting schedules and the consideration of the outputs of automated validation checks and diagnostic tools that highlight potential errors or anomalies.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., Internal Revenue Code, Treasury Regulations) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the REG section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The REG section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nlCPA may be expected to complete when performing tax preparation services or other responsibilities of a CPA.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the REG section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.", this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the REG section of the Exam:

Content area		Allocation
Area I	Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
Area II	Business Law	15–25%
Area III	Federal Taxation of Property Transactions	5–15%
Area IV	Federal Taxation of Individuals	22–32%
Area V	Federal Taxation of Entities (including tax preparation)	23–33%

Overview of content areas

Area I of the REG section blueprint covers the following:

- Ethics and Responsibilities in Tax Practice — Requirements based on Treasury Department Circular 230 and the rules and regulations for tax return preparers.
- Licensing and Disciplinary Systems — Requirements of state boards of accountancy to obtain and maintain the CPA license.
- Federal Tax Procedures – Understanding federal tax processes and procedures, including audits and appeals, appropriate disclosures, substantiation, penalties and authoritative hierarchy.
- Legal Duties and Responsibilities – Understanding legal issues that affect the CPA and their practice.

Taxation and Regulation (continued)

Area II of the REG section blueprint covers several business law concepts focused on the legal implications of business transactions and issues as they relate to accounting, auditing and financial reporting. The Area includes the following:

- Government regulation of business, specifically employment taxes, worker classification laws, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, the Foreign Corrupt Practices Act of 1977 and the Patient Protection and Affordable Care Act.
- Areas of agency, contracts, debtor-creditor relationships and business structure.
  - The Uniform Commercial Code under the topics of contracts and debtor-creditor relationships.
  - Legal aspects of business entity selection, formation, operation and termination.

Area III of the REG section blueprint covers federal tax compliance related to routine and recurring property transactions for individuals and entities. The Area includes the following:

- Basis of an asset purchased for use in a trade or business, and the related depreciation of the asset.
- Basis of an asset converted from personal to business use, and the related depreciation of the asset.
- Basis of assets held by individuals.
- Basis of intangible assets.
- Cost recovery (depreciation and amortization) of assets held for use in a trade or business.

Area IV of the REG section blueprint covers federal tax compliance related to routine and recurring transactions and issues for individuals. The Area includes the following:

- Inclusion and exclusion of amounts for purposes of calculating gross income, adjusted gross income and taxable income.
- Reporting of income from pass-through entities, including the proper handling of items on an individual's tax return.
- Loss limitations, filing statuses available to a taxpayer, the role of tax credits and safe harbor requirements for estimated taxes.

Area V of the REG section blueprint covers federal tax compliance related to routine and recurring transactions and issues for entities. The Area includes the following:

- Required adjustments to book income to determine taxable income.
- Computation of taxable income for C corporations, including state and local tax issues, and allowable tax credits.
- Determination of ordinary business income (loss) and separately stated items for S corporations and partnerships, and the impact of current year transactions on the owner's basis in the entity.
- Classification options for limited liability companies, eligibility and election of S corporation status and types of tax-exempt organizations.

Section assumptions

The REG section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that the information provided in each question is material and should apply all stated assumptions. Candidates will not be tested on their knowledge of specific tax rate percentages, amounts or limitations that are indexed to inflation. Absent any stated assumptions, candidates should assume that transactions or events referenced in the question occurred in the current year and should apply the most recent provisions of the tax law in accordance with the timing specified in the CPA Exam Policy on New Pronouncements.

Taxation and Regulation (continued)

Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives[7]. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

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.

The REG section of the Exam assesses content at the first three skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding is mainly concentrated in Area I and Area II. These two areas contain the general ethics, professional responsibilities and business law knowledge that is required for nlCPAs and they are tested at the lower end of the skill level continuum.
- Application and Analysis skills are primarily tested in Areas III, IV and V. These three areas contain more of the day-to-day tasks that nlCPAs are expected to perform related to the preparation and review of tax returns and therefore are tested at the higher end of the skill level continuum.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform.

References — Regulation

- Revised Model Business Corporation Act
- Revised Uniform Limited Partnership Act
- Revised Uniform Partnership Act
- Uniform Accountancy Act
- Uniform Commercial Code
- Internal Revenue Code of 1986, as amended
- Treasury Department Circular No. 230, Regulations Governing Practice before the Internal Revenue Service
- Treasury Regulations
- Other administrative pronouncements regarding federal taxation
- Case law on federal taxation
- Public Law 86-272
- Bankruptcy Abuse Prevention and Consumer Protection Act of 2005
- Patient Protection and Affordable Care Act
- The Foreign Corrupt Practices Act of 1977
- Uniform Division of Income for Tax Purposes Act (UDITPA)
- Current textbooks on business law, federal taxation, accounting and ethics

[7] Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Summary Blueprint

Content area allocation	Weight
I. Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
II. Business Law	15–25%
III. Federal Taxation of Property Transactions	5–15%
IV. Federal Taxation of Individuals	22–32%
V. Federal Taxation of Entities (including tax preparation)	23–33%

Skill allocation	Weight
Evaluation	–
Analysis	25–35%
Application	35–45%
Remembering and Understanding	25–35%

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
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 tax return preparer penalties.
		✓			Apply potential tax return preparer penalties given a specific scenario.
B. Licensing and disciplinary systems					
	✓				Understand and explain the role and authority of state boards of accountancy.
C. Federal tax procedures					
1. Audits, appeals and the judicial process	✓				Explain the audit and appeals process as it relates to tax matters.
	✓				Explain the different levels of the judicial process as they relate to tax matters.
2. Substantiation and disclosure of tax positions	✓				Summarize the requirements for the appropriate disclosure of a tax return position.
		✓			Identify situations in which disclosure of tax return positions is required.
		✓			Identify whether substantiation is sufficient given a specific scenario.

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

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. Federal tax procedures (continued)					
3. Taxpayer penalties	✓				Recall situations that would result in taxpayer penalties relating to tax returns.
		✓			Identify taxpayer penalties given a specific scenario.
4. Authoritative hierarchy	✓				Recall the appropriate hierarchy of authority for tax purposes.
D. 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.

Area II – Business Law (15–25%)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
A. Agency					
1. Authority of agents and principals	✓				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					
1. Formation	✓				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) given a specific scenario.
2. Performance and discharge	✓				Explain the rules related to the fulfillment of performance obligations necessary for an executed contract.
	✓				Explain the different ways in which a contract can be discharged (e.g. performance, agreement, and operation of the law).
		✓			Identify whether a contract has been discharged given a specific scenario.
		✓			Identify whether both parties to a contract have fulfilled their performance obligation given a specific scenario.
3. Breach and remedies	✓				Summarize the different remedies available to a party for breach of contract.
		✓			Identify situations involving breach of contract given a specific scenario.
		✓			Identify the remedy available to a party for breach of contract given a specific scenario.

Area II – Business Law (15–25%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. Debtor-creditor relationships					
	✓				Explain the rights, duties and liabilities of debtors, creditors and guarantors.
	✓				Explain the rights of debtors and creditors and how property is distributed in bankruptcy proceedings.
	✓				Explain the difference between a secured and unsecured creditor and the requirements needed to perfect a security interest.
		✓			Identify rights, duties or liabilities of debtors, creditors or guarantors given a specific scenario.
D. Federal laws and regulations (employment tax, qualified health plans, bankruptcy, worker classifications and anti-bribery)					
	✓				Summarize the federal laws and regulations for qualified health care plans, including required business mandates and premium tax credits.
	✓				Explain the federal laws and regulations related to employment taxes from both an employer and employee perspective.
	✓				Recall the factors used to determine classification of an employee versus an independent contractor.
	✓				Recall the types of bankruptcy and the requirements for discharge of indebtedness.
	✓				Summarize the federal laws and regulations prohibiting bribery of foreign government officials, including payments made to generate preferential treatment from a foreign government.
		✓			Identify compliance issues with various federal laws and regulations (employment tax, qualified health plans, bankruptcy, worker classifications and anti-bribery) given a specific scenario.

Area II – Business Law (15–25%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
E. Business structure					
1. Selection and formation of business entity and related operation and termination	✓				Summarize the processes for formation and termination of various business entities.
	✓				Summarize the legal characteristics of various business entities.
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 and authority of owners and management given a specific scenario.

Area III – Federal Taxation of Property Transactions (5–15%)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
A. Basis of assets					
		✓			Calculate the tax basis of an asset purchased for use in a trade or business.
		✓			Calculate the tax basis of an asset converted from personal to business use.
		✓			Calculate the tax basis of property received as a gift or as an inheritance from a decedent.
		✓			Calculate the tax basis of stock acquired through a wash sale.
		✓			Calculate the basis of intangible assets, including organization costs, start-up costs and loan costs.
B. Cost recovery (depreciation and amortization)					
		✓			Calculate tax depreciation for tangible business property using MACRS, including identification of the applicable recovery period and convention.
		✓			Determine property eligible for a Section 179 deduction.
		✓			Calculate tax amortization for intangible assets.
			✓		Review a tax depreciation and amortization schedule for the current year and supporting documentation, including any source data used to create the schedule, to determine the completeness and accuracy of the expense amounts deducted for tax purposes.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the depreciation and amortization expense reported on a tax return based on the source data used to prepare the return.

Area IV – Federal Taxation of Individuals (22–32%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Gross income (inclusions and exclusions)					
		✓			Calculate the amounts that should be included in an individual's gross income as reported on Form 1040 – *U.S. Individual Income Tax Return*, including wages, interest and dividends, guaranteed payments received from a partnership, income from a qualified retirement plan and punitive damages.
		✓			Calculate the capital gain that should be included in an individual's gross income as reported on Form 1040 – *U.S. Individual Income Tax Return* from transactions, including gains from the sale of investments or virtual currencies, assets received as gifts and assets received from a decedent and classify them as long-term or short-term.
		✓			Calculate the amounts that should be excluded from an individual's gross income as reported on Form 1040 – *U.S. Individual Income Tax Return*, including tax-exempt interest, gifts received and life insurance proceeds.
		✓			Calculate the income reported in the year of death for a decedent on Form 1040 – *U.S. Individual Income Tax Return*.
			✓		Review Form 1040 – *U.S. Individual Income Tax Return* and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the gross income reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the gross income reported on Form 1040 – *U.S. Individual Income Tax Return* based on the source data used to prepare the form.
B. Reporting of items from pass-through entities					
		✓			Use information provided from disregarded and pass-through entities in which an individual has an ownership interest to report ordinary business income (loss) and separately stated items on an individual's tax return.

Area IV – Federal Taxation of Individuals (22–32%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. Adjustments and deductions to arrive at adjusted gross income and taxable income					
		✓			Identify adjustments allowed in the calculation of adjusted gross income given a specific scenario, including a contribution to a qualified retirement plan, contribution to a health savings plan and self-employment expenses.
		✓			Identify itemized deductions allowed in the calculation of taxable income given a specific scenario, including medical expenses, qualified residence interest expense, taxes and charitable contributions.
		✓			Calculate the qualifying business income (QBI) deduction for federal income tax purposes.
			✓		Review Form 1040 – *U.S. Individual Income Tax Return* and supporting documentation, including any source data used to create the return, to determine the accuracy of the adjusted gross income and taxable income reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the adjusted gross income and taxable income reported on Form 1040 – *U.S. Individual Income Tax Return* based on the source data used to prepare the form.
D. Loss limitations					
		✓			Calculate the net tax loss allowed on the sale of capital property, including netting of capital gains and losses and capital loss carryforwards.
		✓			Calculate the amount of ordinary business loss allowed for an individual materially participating in the operations of a pass-through entity with sufficient basis in the entity.
		✓			Calculate losses disallowed for tax purposes, such as from a hobby, wash sale or sale of a personal-use asset.

Area IV – Federal Taxation of Individuals (22–32%) (continued)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
D. Loss limitations (continued)					
			✓		Review Form 1040 – *U.S. Individual Income Tax Return* and supporting documentation, including any source data used to create the return, to determine the accuracy of the losses reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the loss limitations reported on Form 1040 – *U.S. Individual Income Tax Return* based on the source data used to prepare the form.
E. Filing status					
	✓				Recall taxpayer filing status for tax purposes.
	✓				Recall relationships meeting the definition of dependent for purposes of determining taxpayer filing status.
		✓			Identify taxpayer filing status for tax purposes given a specific scenario.
F. Computation of tax and credits					
	✓				Recall and define the difference between a refundable and nonrefundable tax credit.
	✓				Recall and define the safe harbor requirements for individual estimated tax payments to avoid penalties.
		✓			Calculate the tax liability based on an individual's taxable income given a specific scenario, including consideration of the net investment income tax.

Area V – Federal Taxation of Entities (including tax preparation) (23–33%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Differences between book and tax income (loss)					
		✓			Identify permanent vs. temporary differences to be reported on Schedule M-3 in a given scenario.
		✓			Calculate the book/tax differences to be reported on a Schedule M-1 or M-3.
			✓		Review an entity's adjusted book trial balance and supporting documentation to identify and calculate possible book/tax differences.
			✓		Review a C corporation's adjusted book trial balance and supporting documentation, including relevant source data used to create the trial balance, to determine the completeness and accuracy of the book/tax differences reported on Form 1120 – *U.S. Corporation Income Tax Return*.
B. C corporations					
1. Computations of taxable income, tax liability and allowable credits		✓			Calculate taxable income for a C corporation.
		✓			Calculate the current-year net operating or capital loss of a C corporation, and the limitations on use in the current year.
		✓			Calculate the credits allowable as a reduction to tax for a C corporation.
2. State and local tax issues	✓				Define the general concept and rationale of nexus with respect to state and local taxation.
	✓				Define the general concept and rationale of apportionment and allocation with respect to state and local taxation.
		✓			Calculate state taxable income using the applicable apportionment factors given a specific scenario.

Area V – Federal Taxation of Entities (including tax preparation) (23–33%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. S corporations					
1. Eligibility and election	✓				Recall eligible shareholders for an S corporation for tax purposes.
	✓				Recall S corporation eligibility requirements for tax purposes.
		✓			Identify situations in which S corporation status would be revoked or terminated for tax purposes.
2. Determination of ordinary business income (loss) and separately stated items		✓			Calculate ordinary business income (loss) and separately stated items for an S corporation for tax purposes.
		✓			Calculate the impact of current year operations on an S corporation's accumulated adjustments account.
			✓		Review federal Form 1120S – *U.S. Income Tax Return for an S Corporation* and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the classification of items as ordinary business income (loss), separately stated or nondeductible.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the ordinary business income (loss) and separately stated items reported on Form 1120S – *U.S. Income Tax Return for an S Corporation* based on the source data used to prepare the form.
3. Basis of shareholder's interest		✓			Calculate a shareholder's stock basis in an S corporation for tax purposes resulting from business operations, cash contributions by the shareholder and cash distributions to the shareholder.
		✓			Calculate changes in a shareholder's debt basis in an S corporation resulting from current year repayment of debt.

Area V – Federal Taxation of Entities (including tax preparation) (23–33%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
D. Partnerships					
1. Determination of ordinary business income (loss) and separately stated items		✓			Calculate ordinary business income (loss) and separately stated items for a partnership for tax purposes, including consideration of guaranteed payments disbursed.
			✓		Review federal Form 1065 – *U.S. Return of Partnership Income* and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the classification of items as ordinary business income (loss), separately stated or nondeductible.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of ordinary business income (loss) and separately stated items reported on Form 1065 – *U.S. Return of Partnership Income* based on the source data used to prepare the form.
2. Basis of partner's interest		✓			Calculate the partner's basis in a partnership for tax purposes resulting from business operations, cash contributions by a partner, cash distributions to a partner and changes in existing partnership liabilities.
E. Limited liability companies					
	✓				Recall the tax classification options for a limited liability company for tax purposes.
F. Tax-exempt organizations					
	✓				Recall the different types of tax-exempt organizations for tax purposes.

Uniform CPA Examination Business Analysis and Reporting (BAR)

Blueprint

AICPA

Business Analysis and Reporting

The Business Analysis and Reporting (BAR) section of the Uniform CPA Examination (the Exam) assesses the knowledge and skills nlCPAs must demonstrate with respect to:

- Financial statement and financial information analysis with a focus on an nlCPA's role in comparing historical results to budgets and forecasts, deriving the impact of transactions, events (actual and proposed) and market conditions on financial and nonfinancial performance measures and comparing investment alternatives.
- Select technical accounting and reporting requirements under the Financial Accounting Standards Board (FASB) Accounting Standards Codification and the U.S. Securities and Exchange Commission (SEC) that are applicable to for-profit business entities and employee benefit plans.
- Financial accounting and reporting requirements under the Governmental Accounting Standards Board (GASB) that are applicable to state and local government entities.

The assessment will also incorporate:

- Data and technology concepts including the:
  - Determination of methods to transform data to make it useful for decision-making.
  - Determination of attribute structures, formats and sources of data needed to prepare financial statement analysis.
  - Use of outputs from data analytic techniques to identify patterns, trends and correlations to explain an entity's results.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g. FASB Accounting Standards Codification, GASB Statements of Governmental Accounting Standards) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the BAR section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The BAR section blueprint is organized by content AREA, content GROUP and content TOPIC. Each group or topic includes one or more representative TASKS that an nlCPA may be expected to complete in practice.

Tasks in the BAR section blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the BAR section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.", this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the BAR section of the Exam:

Content area		Allocation
Area I	Business Analysis	40–50%
Area II	Technical Accounting and Reporting	35–45%
Area III	State and Local Governments	10–20%

Overview of content areas

Area I of the BAR section blueprint covers historical, current and prospective analysis of the financial statements. The Area includes the following:

- Financial statement analysis, including comparison of current period financial statements to prior period or budget and interpretation of financial statement fluctuations and ratios.

Business Analysis and Reporting (continued)

- Non-financial and non-GAAP measures of performance, including use of the balanced scorecard approach and interpretation of non-financial and non-GAAP measures to assess an entity's performance and risk profile.
- Managerial and cost accounting concepts and the use of variance analysis techniques.
- Budgeting, forecasting and projection techniques.
- Factors that influence an entity's capital structure, such as leverage, cost of capital, liquidity and loan covenants.
- Financial valuation decision models used to compare investment alternatives.
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management framework, including how it applies to environmental, social and governance (ESG) related risks.
- The effect of changes in economic conditions and market influences on an entity's business.

Area II of the BAR section blueprint covers financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to technical accounting and reporting topics. The Area includes the following:

- Indefinite-lived intangible assets, including goodwill.
- Internally developed software.
- Revenue recognition, specifically focusing on the analysis and interpretation of agreements, contracts and other supporting documentation to determine whether revenue was appropriately recognized.
- Stock compensation.
- Research and development costs.
- Business combinations.
- Consolidated financial statements, specifically focusing on topics including variable interest entities, noncontrolling interests, functional currency and foreign currency translation adjustments.
- Derivatives and hedge accounting.
- Leases, specifically focusing on recalling and applying lessor accounting requirements and analyzing the provisions of a lease agreement to determine whether a lessee appropriately accounted for the lease.
- Public company reporting topics, specifically focusing on Regulation S-X, Regulation S-K and segment reporting.
- Financial statements of employee benefit plans.

To the extent there are accounting or reporting differences between public business entities and nonpublic business entities, such differences may be tested for the financial accounting and reporting topics in the BAR section blueprint.

Area III of the BAR section blueprint covers GASB's financial accounting and reporting requirements for state and local governments under the GASB standards and interpretations. The Area includes the following:

- Basic concepts and principles of the government-wide, governmental funds, proprietary funds and fiduciary funds financial statements.
- Preparing government-wide, governmental funds, proprietary funds and fiduciary funds financial statements and other components of the financial section of the annual comprehensive financial report.
- Deriving the government-wide financial statements and reconciliation requirements.
- Accounting for specific types of transactions such as net position, fund balances, capital assets, long-term liabilities, interfund activity, nonexchange revenue, expenditures and expenses and budgetary accounting within the governmental entity financial statements.

Section assumptions

The BAR section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that all of the information provided in each question is material and should apply all stated assumptions. In addition, candidates should assume that each question applies to a for-profit business entity reporting under U.S. GAAP unless otherwise stated in the fact pattern for a question. For example, questions that apply to the state and local governments include phrases such as "local government," "state," "municipality" or "city."

Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives[8]. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

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.

The BAR section of the Exam assesses content at the first three skill levels of Bloom's taxonomy as described below:

- Remembering and Understanding is tested in all three areas of the BAR blueprint. Tasks, such as identifying criteria and recalling concepts, require nlCPAs to demonstrate their comprehension of accounting concepts, frameworks and standards. Areas II and III have the highest concentration of remembering and understanding tasks.
- Application skills are tested in all three areas of the BAR blueprint. Tasks, such as calculating and determining the impact of a transaction on the business, preparing journal entries and preparing financial statements, require nlCPAs to use accounting and business concepts to measure an entity's performance and to measure and recognize financial statement amounts.
- Analysis skills are tested in Areas I and II of the BAR blueprint. Tasks, such as interpreting results, comparing alternatives, reconciling account balances and interpreting agreements, require nlCPAs to demonstrate a higher level of interpretation. Area I has the highest concentration of analysis tasks.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform.

References — Business Analysis and Reporting

- FASB Accounting Standards Codification
- U.S. SEC References:
  - Securities Exchange Act of 1934
  - Regulation S-X of the Code of Federal Regulations (17 CFR Part 210)
  - Regulation S-K of the Code of Federal Regulations (17 CFR Part 229)
- State and Local Government References:
  - GASB Codification of Governmental Accounting and Financial Reporting Standards
  - GASB Statements, Interpretations, Technical Bulletins and Concepts Statements
  - National Council on Governmental Accounting (NCGA) Statements and Interpretations
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO):
  - Enterprise Risk Management – Integrating with Strategy and Performance
  - Enterprise Risk Management – Applying Enterprise Risk Management to Environmental, Social and Governance-related risks
- Current textbooks on accounting for business entities, state and local government entities, data analytics, economics, finance, managerial and cost accounting

Summary Blueprint

Content area allocation	Weight
I. Business Analysis	40–50%
II. Technical Accounting and Reporting	35–45%
III. State and Local Governments	10–20%

Skill allocation	Weight
Evaluation	–
Analysis	30–40%
Application	45–55%
Remembering and Understanding	10–20%

Area I – Business Analysis (40–50%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Current period/historical analysis, including the use of data					
1. Financial statement analysis		✓			Determine attribute structures, format and sources of data needed to prepare financial statement analysis.
			✓		Compare current period financial statement accounts to prior periods or budget and explain variances.
			✓		Interpret financial statement fluctuations and ratios.
			✓		Use outputs (e.g., reports, visualizations) from data analytic techniques to identify patterns, trends and correlations to explain an entity's results.
			✓		Derive the impact of transactions on the financial statements and notes to the financial statements.
2. Non-financial and non-GAAP measures of performance	✓				Identify relevant non-financial and non-GAAP measures used to analyze an entity's performance.
		✓			Identify and apply internal and external benchmarking (e.g., competitor analysis) techniques to measure an entity's performance.
		✓			Use a balanced scorecard approach to measure an entity's performance.
			✓		Interpret non-financial (e.g., customer retention rate, employee turnover, labor productivity rate, ticket response time) and non-GAAP (e.g., EBITDA, free cash flow, core earnings, adjusted net income for non-recurring expenses) measures and analyze specific aspects of an entity's performance and risk profile.
3. Managerial and cost accounting		✓			Calculate fixed, variable and mixed costs.
		✓			Describe and use the different costing methods including absorption, variable, activity-based, process and job order costing.

Area I – Business Analysis (40–50%) (continued)

Content group/topic	Skill: Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
A. Current period/historical analysis, including the use of data (continued)					
3. Managerial and cost accounting (continued)			✓		Derive the appropriate variance analysis method to measure the key cost drivers by analyzing business scenarios.
			✓		Interpret sales results by performing price, volume and mix analysis.
B. Prospective analysis, including the use of data					
1. Budgeting, forecasting and projection		✓			Determine methods to transform (e.g., preparing, cleaning, scrubbing) structured and unstructured data to make it useful for decision-making.
		✓			Prepare a budget using supportable assumptions.
		✓			Use forecasting and projection techniques to model financial results including revenue growth, cost and expense characteristics and profitability.
			✓		Prepare and interpret the results of planning techniques including cost benefit analysis, sensitivity analysis, what-if scenarios, breakeven analysis and predictive analytics.
			✓		Analyze results of forecasts and projections using ratio analysis and explanations of correlations to, or variations from, key financial indices.
2. Capital structure		✓			Calculate the cost of capital for a given financial scenario.
		✓			Determine the impact of changes in an entity's capital structure on cost of capital, loan covenants, liquidity and leverage.
			✓		Compare the strategies for financing new business initiatives and operations within the context of an optimal capital structure.
			✓		Interpret the impact of various capital structures on financial statements and key performance measures.

Area I – Business Analysis (40–50%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
B. Prospective analysis, including the use of data (continued)					
3. Investment alternatives using financial valuation decision models		✓			Use assumptions (e.g., highest and best use, market participant assumptions, unit of account) and approaches (cost, income, market) to measure fair value.
		✓			Determine the impact of changes to assumptions used to value an asset.
			✓		Compare investment alternatives (e.g., system replacement, make, lease or buy decisions) using financial metrics and modeling (e.g., payback period, net-present value, economic value added, cash flow analysis, internal rate of return).
4. Risk management	✓				Recall the purpose and objectives of the COSO ERM framework.
	✓				Recall how the COSO ERM framework can be applied to identify, respond to, and report environmental, social and governance (ESG) related risks.
		✓			Apply the COSO ERM framework to identify risk/opportunity scenarios in an entity.
		✓			Use strategies to mitigate financial risks (e.g., market, interest rate, currency, liquidity).
			✓		Compare various strategies for managing the working capital of an entity.
			✓		Derive the impact of a proposed transaction on key performance measures of an entity.
			✓		Interpret an entity's strengths, weaknesses, opportunities and threats (SWOT) analysis to assess the entity's options to achieve its overall business strategy.
5. Economic and market influences on business		✓			Determine the effect of supply and demand and elasticity measures on a product.
		✓			Calculate the effect of inflation on a product's real price or an entity's investments, debt and future expenses.

Area I – Business Analysis (40–50%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
B. Prospective analysis, including the use of data (continued)					
5. Economic and market influences on business (continued)		✓			Calculate and use ratios and measures to quantify risks associated with risks of an entity (e.g., interest rates, currency exchange, prices).
		✓			Calculate the opportunity cost of a business decision.
			✓		Interpret the impact of market influences on an entity's business strategy, operations and risk (e.g., sourcing production inputs, innovating to develop or diversify product offerings, seeking new markets, undertaking productivity or cost-cutting initiatives).
			✓		Compare acquisition and divestiture opportunities based on given market analysis and investment criteria.

Area II – Technical Accounting and Reporting (35–45%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Indefinite-lived intangible assets, including goodwill					
	✓				Recall impairment indicators for goodwill and other indefinite-lived intangible assets.
		✓			Calculate the carrying amount of goodwill and other indefinite-lived intangible assets reported in the financial statements (initial measurement and impairment) and prepare journal entries.
B. Internally developed software					
	✓				Recall the criteria necessary to capitalize software developed for internal use or software developed for sale in the financial statements.
		✓			Calculate capitalized software developed for internal use or software developed for sale to be reported in the financial statements and the related amortization expense.
C. Revenue recognition					
			✓		Interpret agreements, contracts and/or other supporting documentation to determine the amount and timing of revenue to be recognized in the financial statements using the five-step model.
			✓		Reconcile and investigate differences between the sales subledger and the general ledger to determine whether an adjustment is necessary.
D. Stock compensation (share-based payments)					
	✓				Recall concepts associated with share-based payment arrangements (e.g., grant date, vesting conditions, inputs to valuation techniques, valuation models).
		✓			Use a given fair value measurement of a share-based payment arrangement classified as equity to prepare journal entries to recognize compensation cost.

Area II – Technical Accounting and Reporting (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
D. Stock compensation (share-based payments) (continued)					
		✓			Use given fair value measurements of a share-based payment arrangement classified as a liability to prepare journal entries to recognize compensation cost.
E. 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.
F. Business combinations					
	✓				Recall concepts associated with the accounting for business combinations (e.g., business vs. asset acquisition, contingent consideration, measurement period adjustments).
		✓			Prepare journal entries to record the identifiable net assets acquired in a business combination that results in the recognition of goodwill or a bargain purchase gain.
		✓			Prepare journal entries to record the identifiable net assets acquired in a business combination that includes a noncontrolling interest.
		✓			Calculate the consideration transferred in a business combination.
G. Consolidated financial statements					
	✓				Recall basic consolidation concepts and terms (e.g., controlling interest, noncontrolling interest, primary beneficiary, variable interest entity).

Area II – Technical Accounting and Reporting (35–45%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
G. Consolidated financial statements (continued)					
	✓				Recall the basic functional currency concepts including the indicators to be considered when determining a subsidiary's functional currency.
		✓			Calculate foreign currency translation adjustments (local currency to functional currency and/or functional currency to reporting currency) to prepare consolidated financial statements.
		✓			Determine the appropriate presentation of foreign currency translation adjustments in the consolidated statement of comprehensive income.
H. Derivatives and hedge accounting					
	✓				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.
	✓				Recall the appropriate presentation of gains and losses on derivative financial instruments (swaps, options and forwards) in the financial statements.
		✓			Use given inputs (interest rates, notional amounts, fair value measurements) to prepare the journal entries to record the net settlements and changes in fair value for an interest rate swap that qualifies for hedge accounting (fair value hedge, cash flow hedge).
I. Leases					
	✓				Identify the criteria for classifying a lease arrangement for a lessor.
		✓			Calculate the carrying amount of lease-related assets and liabilities and prepare journal entries that a lessor should record.
		✓			Calculate the amount of lease income that a lessor should recognize in the income statement.

Area II – Technical Accounting and Reporting (35–45%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
I. Leases (continued)					
		✓			Prepare journal entries that the seller/lessee should record for a sale and leaseback transaction.
			✓		Interpret agreements, contracts and/or other supporting documentation to determine the appropriate accounting treatment of a leasing arrangement and prepare the journal entries that the lessee should record.
J. Public company reporting topics					
	✓				Recall public company reporting requirements of Regulation S-X and Regulation S-K.
	✓				Recall the purpose, objective and key characteristics of XBRL business reporting.
	✓				Recall the financial statement note disclosure requirements for reportable segments.
K. Financial statements of employee benefit plans					
	✓				Identify the required financial statements for a defined benefit pension plan and a defined contribution pension plan.
	✓				Recall the disclosure requirements for the notes to the financial statements of 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.

Area III – State and Local Governments (10–20%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Format and content of the financial section of the annual comprehensive financial report					
1. Government-wide financial statements	✓				Identify and recall basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements, 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, 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.
3. Proprietary funds financial statements	✓				Identify and recall basic concepts and principles associated with proprietary fund financial statements (e.g., required funds, financial statements, 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.
		✓			Prepare the statement of cash flows for the proprietary funds of a state or local government.

Area III – State and Local Governments (10–20%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Format and content of the financial section of the annual comprehensive financial report (continued)					
4. Fiduciary funds financial statements	✓				Identify and recall basic concepts and principles associated with fiduciary fund financial statements (e.g., required funds, financial statements, 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.
		✓			Prepare the statement of net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.
5. Notes to financial statements	✓				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 annual comprehensive financial report for state and local governments.
7. Budgetary comparison reporting	✓				Recall the objectives and components of budgetary comparison reporting in the annual comprehensive financial report for state and local governments.
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 annual comprehensive 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).

Area III – State and Local Governments (10–20%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
B. 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.
C. 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).
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 (e.g., debt issuance, interest payments, issue premiums, issue discounts).

Area III – State and Local Governments (10–20%) (continued)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
C. Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements (continued)					
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. 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.

Uniform CPA Examination Information Systems and Controls (ISC)

Blueprint

AICPA®

Information Systems and Controls

The Information System and Controls (ISC) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nlCPAs must demonstrate with respect to information systems, including processing integrity, availability, security, confidentiality and privacy. Inherent in the analysis of controls in each of these subjects is awareness of the risks that the entity is intending to mitigate through the use of those controls.

The ISC section also tests the knowledge and skills that nlCPAs must demonstrate with respect to data management, including data collection, storage and usage throughout the data life cycle.

The ISC section of the exam focuses on information technology (IT) audit and advisory, including System and Organization Controls (SOC) engagements. With respect to SOC engagements, the ISC section primarily focuses on:

- The use of the Description Criteria for a Description of a Service Organization's System and Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy in planning, performing and reporting in a SOC 2® engagement.
- Planning, certain procedures (excluding the testing of internal controls over financial reporting) and reporting on a SOC 1® engagement.

The assessment will also incorporate applied research with a focus on reviewing and using excerpts of source materials (e.g., standards, regulations, frameworks) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the ISC section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The ISC section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nlCPA may be expected to complete when performing assurance or advisory services relative to an entity's business processes, information systems, data management and security.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the ISC section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.", this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the ISC section of the Exam:

Content area		Allocation
Area I	Information Systems and Data Management	35–45%
Area II	Security, Confidentiality and Privacy	35–45%
Area III	Considerations for System and Organization Controls (SOC) Engagements	15–25%

Information Systems and Controls (continued)

Overview of content areas

Area I of the ISC section blueprint is focused on information systems and data management in a modern context, recognizing that much of it is cloud-based and undergoing rapid innovation. The Area includes the following:

- IT architecture components and the use of cloud-based models for IT infrastructure, platforms and services.
- Enterprise and accounting information systems, the business processes they enable and controls over processing integrity.
- System availability and IT change management.
- Data collection, storage, structured query language (SQL) queries and integration of data from different data sources.
- Business process models.

While certain representative tasks in Area I relate to testing controls in a SOC 2® engagement context, they are representative of similar procedures that may be performed in other IT audit and advisory contexts.

Area II of the ISC section blueprint covers security, confidentiality and privacy. The Area includes the following:

- Select portions of specified regulations, standards and frameworks related to information security and privacy that are considered by management in designing and implementing information systems and related controls.
- Types of threats and attacks (including cyber) to which an entity may be subject.
- Controls the entity uses to prevent, detect and respond to those threats and attacks.
- Controls the entity uses to maintain the confidentiality and privacy of information.
- Testing an entity's controls over security, confidentiality and privacy.
- An entity's incident response plan.

While certain representative tasks in Area II relate to testing controls in a SOC 2® engagement context, they are representative of similar procedures that may be performed in other IT audit and advisory contexts.

Area III of the ISC section blueprint covers considerations for SOC engagements. The Area includes the following:

- Form, content and management assertions in SOC 1®, SOC 2® and SOC 3® reports and the intended users of those reports.
- Aspects of engagement planning and reporting for SOC 1® and SOC 2® engagements.
- Procedures related to complementary user entity controls and complementary subservice organization controls.
- Procedures related to the system description criteria for SOC 1® and SOC 2® engagements.
- Trust services criteria for SOC 2® engagements.

Section assumptions

The ISC section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that the information provided in each question is material and should apply all stated assumptions.

Information Systems and Controls (continued)

Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives[9]. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

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.

The ISC section of the Exam assesses content at the first three skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding skills are tested across all areas. These areas contain foundational knowledge that nlCPAs are expected to possess related to standards, regulations, frameworks and procedures.
- Application skills are tested across all areas. These areas contain tasks that nlCPAs are expected to perform related to examining information systems, data management and SOC engagements.
- Analysis skills are tested in Area I and Area II. These areas contain tasks that nlCPAs are expected to perform related to detecting deficiencies in the suitability or design and deviations in the operation of controls related to information systems.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform.

References — Information Systems and Controls

The subject matter covered in the ISC section is rapidly changing. Newly licensed CPAs need to stay current through resources such as those detailed below. To the extent the References refer to specific sections of a publication, the scope of the assessment of the content in that publication will be limited to those specific sections.

- AICPA
  - 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (Includes March 2020 updates) (Trust Services Criteria)
  - 2018 Description Criteria for a Description of a Service Organization's System in a SOC 2® Report
  - Description Criteria for Management's Description of the Entity's Cybersecurity Risk Management Program
  - Frequently asked questions – SOC 2® and SOC 3® examinations
  - Materiality considerations for attestation engagements involving aspects of subject matters that cannot be quantitatively measured
  - Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1®) – Guide
  - SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy
  - Statements on Standards for Attestation Engagements and Interpretations

[9] Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Information Systems and Controls (continued)

- Center for Internet Security (CIS), CIS Controls; Version 8
  - "Overview" and "Why is this Control critical?" sections of each control (Control 01 to Control 18)
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO)
  - Blockchain and Internal Control: The COSO Perspective
  - Enterprise Risk Management for Cloud Computing
  - Managing Cyber Risk in a Digital Age
- Cybersecurity & Infrastructure Security Agency (CISA)
  - Security Tips published by the National Cyber Awareness System (NCAS), released or revised subsequent to November 1, 2019 that are relevant to the Groups and Topics in Area I and Area II, limited to the information in the tip itself, and not extending to the underlying referenced material
- Health Insurance Portability and Accountability Act of 1996 (HIPAA) 45 CFR Part 164 Security and Privacy
  - Section 164.103 through Section 164.530 excluding Implementation Specifications and Compliance Dates
- ISACA
  - COBIT 2019 Framework: Introduction and Methodology, Chapters 1 through 5
  - White papers available to the public free of charge that address subject matters covered in the groups and topics of ISC Area I and Area II
- National Institute of Standards and Technology (NIST)
  - Framework for Improving Critical Infrastructure Cybersecurity (CSF) Version 1.1, Sections 1 and 2, including the glossary definitions of terms used in those sections
  - NIST Privacy Framework: A Tool For Improving Privacy through Enterprise Risk Management; Version 1.0, Sections 1 and 2, including the glossary definitions of terms used in those sections
  - Security and Privacy Controls for Information Systems and Organizations, Special Publication 800-53 (SP 800-53) Revision 5, Chapters 1 and 2, including the glossary definitions of terms used in those sections
- PCI Security Standards Council Payment Card Industry Data Security Standard (PCI DSS)
  - PCI DSS Quick Reference Guide; Version 3.2.1 Introduction: Protecting Cardholder Data with PCI Security Standards, Overview of PCI Requirements and Security Controls and Processes for PCI DSS Requirements
- Regulation (EU) 2016/679 General Data Protection Regulation (GDPR)
  - Articles 4 through 34
- Textbooks
  - Accounting Information Systems
  - Data Confidentiality and Privacy
  - Data Literacy
  - Data Management
  - Incident Response and Disaster Recovery
  - Information Security / Cyber Security
  - Information Systems
  - Information Technology (IT)
  - IT Audit and Assurance

Summary Blueprint

Content area allocation	Weight
I. Information Systems and Data Management	35–45%
II. Security, Confidentiality and Privacy	35–45%
III. Considerations for System and Organization Controls (SOC) Engagements	15–25%

Skill allocation	Weight
Evaluation	–
Analysis	10–20%
Application	20–30%
Remembering and Understanding	55–65%

Area I – Information Systems and Data Management (35–45%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Information systems					
1. IT infrastructure	✓				Explain the purpose and recognize examples of key components of IT architecture (e.g., operating systems, servers, network infrastructure, and end-user devices).
	✓				Explain cloud computing, including cloud computing models (infrastructure as a service (IaaS), platform as a service (PaaS), and software as a service (SaaS)) and deployment models (e.g., public, private, hybrid).
	✓				Summarize the role and responsibilities of cloud service providers.
	✓				Explain how the COSO framework addresses cloud computing governance.
2. Enterprise and accounting information systems	✓				Summarize enterprise resource planning (ERP) and accounting information systems, what they encompass and how they interact.
	✓				Explain how the COSO internal control framework can be used to evaluate risks related to the use of blockchain in the context of financial reporting and to design and implement controls to address such risks.
		✓			Determine potential changes to business processes to improve the performance of an accounting information system (e.g., automation, outsourcing).
			✓		Reconcile the actual sequence of steps and the information, documents, tools and technology used in a key business process of an accounting information system (e.g., sales, cash collections, purchasing, disbursements, human resources, payroll, production, treasury, fixed assets, general ledger, reporting) to the documented process (e.g., flowchart, business process diagram, narrative).
			✓		Detect deficiencies in the suitability or design and deviations in the operation of controls related to an information system's processing integrity in a SOC 2® engagement using the Trust Services Criteria.

Area I – Information Systems and Data Management (35–45%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Information systems (continued)					
3. Availability	✓				Recall the scope, purpose and key considerations for business resiliency, disaster recovery and business continuity plans.
	✓				Explain the objectives of mirroring, replication and back-up.
	✓				Summarize steps in a business impact analysis.
	✓				Recall measures of system availability (e.g., agreed service time, downtime).
		✓			Determine the appropriateness of the organization's data backup types (e.g., full, incremental, differential) including recovery considerations.
			✓		Detect deficiencies in the suitability or design and deviations in the operation of controls related to a service organization's availability service commitments and system requirements in a SOC 2® engagement using the Trust Services Criteria.
4. Change management	✓				Summarize aspects of change management including authorization, the use of different environments, segregation of duties, testing, conversion, and documentation.
	✓				Explain key concepts of release management and patch management procedures.
		✓			Test the design and implementation of change control policies for IT resources (hardware and software).
B. Data management					
	✓				Identify data collection methods and techniques.
	✓				Define the various types of data storage (e.g., data warehouse, data lake, data mart) and database schemas (e.g., star, snowflake).

Area I – Information Systems and Data Management (35–45%) (continued)

Content group/topic	Skill: Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
B. Data management (continued)					
	✓				Summarize the data life cycle (i.e., the span of the use of information, from creation, through active use, storage and final disposition).
		✓			Examine a relational database's structure to determine whether it applies data integrity rules, uses a data dictionary, and normalizes the data.
		✓			Examine a SQL query (common commands, clauses, operators, aggregate functions and string functions) to determine whether the retrieved data set is relevant and complete.
			✓		Integrate the data available from different data sources to provide information necessary for financial and operational analysis and decisions.
			✓		Investigate a business process model (e.g., flowchart, data flow diagram, business process model and notation (BPMN) diagram) to identify potential improvements.

Area II – Security, Confidentiality and Privacy (35–45%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Regulations, standards and frameworks					
	✓				Recall the covered entities and permitted uses and disclosures of the HIPAA Security and Privacy Rules.
	✓				Recall the scope of the GDPR and the six principles and key concepts for personal data.
	✓				Recall the requirements of the PCI DSS.
	✓				Recall the three parts of the NIST CSF (Framework Core, Framework Implementation Tiers, Framework Profiles).
	✓				Recall the three parts of the NIST Privacy Framework (Framework Core, Framework Profiles, Framework Implementation Tiers).
	✓				Recall the purpose, applicability, target audience and organizational responsibilities of NIST SP 800-53.
	✓				Recall the overview of each CIS Control.
	✓				Recall the governance system principles, governance framework principles and the components of a governance system according to COBIT 2019.
B. Security					
1. Threats and attacks	✓				Classify the different types of threat agents (e.g., internal or external, nation or non-nation state-sponsored, adversary, threat actors, attacker or hacker).
	✓				Identify types of attacks (e.g., physical, distributed denial of service, malware, social engineering, web application attacks, mobile device attacks).
	✓				Identify techniques used in a cyber-attack (e.g., buffer overflow, mobile code, cross-site scripting, SQL injections, race conditions, covert channel, replay and return-oriented attack).

Area II – Security, Confidentiality and Privacy (35–45%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
B. Security (continued)					
1. Threats and attacks (continued)	✓				Explain the stages in a cyber-attack (e.g., reconnaissance, scanning, enumeration, gaining access, escalation of privileges, maintaining access, network exploitation, covering tracks).
	✓				Identify the cybersecurity risks related to using cloud environments, platforms and services.
	✓				Identify the cybersecurity risks related to the Internet of Things (IoT).
	✓				Identify the cybersecurity risks related to mobile technologies.
	✓				Explain threat modeling and threat landscape.
		✓			Determine the specific cybersecurity threats in an organization's connections with customers, vendors and partner organizations.
2. Mitigation	✓				Identify ways to protect networks and devices used to access the network remotely (e.g., isolation and segmentation, virtual private network (VPN), wireless network security, endpoint security, system hardening, intrusion prevention and detection systems).
	✓				Recall the definition and purpose of vulnerability management.
	✓				Explain the concepts of layered security and defense-in-depth.
	✓				Define the concepts of least-privilege, zero-trust, whitelisting and the need-to-know principle.
	✓				Explain the differences between policy-based, role-based, rule-based, risk-adaptive and discretionary access controls.
	✓				Recall the purpose and content of a technology acceptable use policy including considerations specific to mobile technologies and bring-your-own-device (BYOD).

Area II – Security, Confidentiality and Privacy (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
B. Security (continued)					
2. Mitigation (continued)	✓				Explain how the COSO frameworks can be used to assess cyber risks and controls.
		✓			Determine the common preventive, detective or corrective controls (e.g., authorization, intrusion prevention systems, device and software hardening, log analysis, intrusion detection systems, virus quarantining, patches) to mitigate risk of cyber-attacks for an organization.
		✓			Determine the appropriate identification and authentication techniques and technologies (e.g., password management, single sign-on, multi-factor authentication, personal identification number (PIN) management, digital signatures, smart cards, biometrics) in a specific scenario.
3. Testing		✓			Perform procedures to obtain an understanding how the entity communicates information to improve security knowledge and awareness and to model appropriate security behaviors to personnel through a security awareness training program.
		✓			Provide input into a security assessment report by documenting the issues, findings and recommendations identified while performing tests of controls.
			✓		Perform a walkthrough of an organization's procedures relevant to IT security (e.g., IT risk management, human resources, training and education) and compare the observed procedure with the documented policy requirement.
			✓		Detect deficiencies in the suitability or design and deviations in the operation of controls related to a service organization's security service commitments and system requirements in a SOC 2® engagement using the Trust Services Criteria.
C. Confidentiality and privacy					
	✓				Explain encryption fundamentals, techniques and applications.
	✓				Recall the differences between confidentiality and privacy.

Area II – Security, Confidentiality and Privacy (35–45%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. Confidentiality and privacy (continued)					
	✓				Identify methods for the protection of confidential data during the design, development, testing and implementation of applications that use confidential data (e.g., data obfuscation, tokenization).
	✓				Explain Data Loss Prevention (DLP).
	✓				Identify financial and operational implications of a data breach.
		✓			Determine controls and data management practices to securely collect, process, store, transmit and delete confidential data or data subject to privacy regulations.
			✓		Detect deficiencies in the suitability or design and deviations in the operation of controls related to a service organization's confidentiality and privacy service commitments and system requirements in a SOC 2® engagement using the Trust Services Criteria.
			✓		Perform a walkthrough of an organization's procedures relevant to confidentiality and privacy (e.g., IT risk management, human resources, training and education) and compare the observed procedure with the documented policy requirement.
D. Incident response					
	✓				Recall the differences between security/cybersecurity events and incidents.
	✓				Explain the use of insurance as a mitigation strategy for a security incident or data breach.
	✓				Summarize contents commonly included in incident response plans (e.g., roles, responsibilities, methods, steps, timelines).
		✓			Perform procedures to test whether the entity responded to cybersecurity incidents in accordance with the incident response plan.

Area III – Considerations for System and Organization Controls (SOC) Engagements (15–25%)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
A. Considerations specific to planning and performing a SOC engagement					
	✓				Explain the purpose of the Trust Services Criteria and its organization (e.g., alignment with the COSO Internal Control – Integrated Framework, supplemental criteria, common criteria and additional specific criteria).
	✓				Recall the types of subject matters a practitioner may be engaged to report on using the Trust Services Criteria.
	✓				Identify management assertions specific to the different categories and types (Type 1 and Type 2) of SOC engagements (SOC 1®, SOC 2®, SOC 3®).
	✓				Recall the intended users of SOC 1®, SOC 2® and SOC 3® reports.
	✓				Summarize the independence considerations between the service auditor, service organization and subservice organizations.
	✓				Explain how materiality is determined and used in performing a SOC engagement (SOC 1®, SOC 2®).
	✓				Identify the risk assessment requirements for a service organization and the service auditor.
	✓				Summarize the criteria for a vendor to be considered a subservice organization.
	✓				Explain the considerations for deciding between, and use of, the inclusive and carve-out method for subservice organizations and complementary subservice organization controls (CSOCs).
	✓				Define service commitments and system requirements in a SOC 2® engagement and how they correspond to an entity's objectives referred to in the Trust Services Criteria.

Area III – Considerations for System and Organization Controls (SOC) Engagements (15–25%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. Considerations specific to planning and performing a SOC engagement (continued)					
	✓				Recall the impact of subsequently discovered facts on the SOC engagement (SOC 1®, SOC 2®).
	✓				Explain the purpose and common sections of a system description subject to SOC 1® or SOC 2® engagements.
	✓				Recall the Description Criteria for Management's Description of an Entity's Cybersecurity Risk Management Program.
	✓				Explain the purpose of complementary user entity controls (CUECs) identified by service organization management in their system description.
	✓				Recall requirements about obtaining management's written representations in a SOC engagement (SOC 1®, SOC 2®).
		✓			Obtain an understanding of the system addressed by a SOC 2® engagement, including the clear identification of the boundaries of the system as defined by the service organization.
		✓			Perform procedures to obtain an understanding of how a service organization provides its personnel and external users information on how to report failures, incidents, concerns and other complaints related to a system subject to a SOC 2® engagement.
		✓			Prepare a comparison of management's system description to suitable criteria in a SOC 1® engagement or to the description criteria in a SOC 2® engagement.
		✓			Perform procedures to identify subsequent events that could require disclosure (SOC 1®, SOC 2®).

Area III – Considerations for System and Organization Controls (SOC) Engagements (15–25%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
B. Considerations specific to reporting on a SOC engagement					
	✓				Explain the effect of CUECs on the SOC report (SOC 1®, SOC 2®).
	✓				Summarize the carve-out vs. the inclusive method of reporting on CSOCs.
	✓				Explain the types of opinions and report modifications when deficiencies have been identified.
		✓			Prepare results of testing of controls to be included in the SOC 2® report of the test of a control, including when there was an exception identified by the test.
		✓			Determine the appropriate form and content of a report on the examination of controls at a service organization (SOC 1®, SOC 2®).

Uniform CPA Examination Tax Compliance and Planning (TCP)

Blueprint

AICPA®

Tax Compliance and Planning

The Tax Compliance and Planning (TCP) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nlCPAs must demonstrate with respect to:

- U.S. federal tax compliance for individuals and entities with a focus on nonroutine and higher complexity transactions
- U.S. federal tax planning for individuals and entities
- Personal financial planning

The assessment of federal tax compliance will focus on an nlCPA's role in both the preparation and review of tax returns. The assessment of federal tax planning will focus on an nlCPA's role in determining the tax implications of proposed transactions, available tax alternatives or business structures. The assessment of personal financial planning will focus on planning strategies and opportunities that an nlCPA typically identifies in connection with the preparation and review of individual tax returns.

The assessments described above will also incorporate:

- Data and technology concepts including the verification of the completeness and accuracy of source data used to prepare returns and supporting schedules.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., Internal Revenue Code, Treasury Regulations) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the TCP section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The TCP section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nlCPA may be expected to complete when performing tax preparation services, tax planning services or personal financial planning services.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the TCP section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.", this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the TCP section of the Exam:

Content area		Allocation
Area I	Tax Compliance and Planning for Individuals and Personal Financial Planning	30–40%
Area II	Entity Tax Compliance	30–40%
Area III	Entity Tax Planning	10–20%
Area IV	Property Transactions (disposition of assets)	10–20%

Tax Compliance and Planning (continued)

Overview of content areas

Area I of the TCP section blueprint is focused on individuals and covers federal tax compliance for nonroutine transactions and issues, tax planning and personal financial planning. The Area includes the following:

- Tax compliance issues related to incentive compensation, at-risk and passive loss limitations and gifting assets.
- Tax planning issues related to accelerating or deferring income and deductions to minimize tax liability, estimated tax payments, gifting assets, changing tax rates and legislation.
- Personal financial planning for individuals, including the assessment of qualified retirement plans, investing, education funding and risk mitigation through the use of insurance.

Area II of the TCP section blueprint covers federal tax compliance related to nonroutine entity tax transactions and issues. The Area includes the following:

- Utilization of net operating losses, consolidated tax returns and international tax issues for C corporations.
- Transactions between an entity and owner, specifically recognized income and losses from the contribution of noncash property, liquidating and nonliquidating distributions of noncash property and services performed by an owner.
- Impact on an owner's basis resulting from contributions and distributions of noncash property to an entity.
- Partnership elections and the impact of ownership changes to a partnership.
- Identifying characteristics of different types of trusts, calculating income and allocating items between income and corpus.
- Obtaining and maintaining tax-exempt status as well as recalling the types of unrelated business income for a tax-exempt organization.

Area III of the TCP section blueprint covers federal tax planning for entities. The Area includes the following:

- Formation and liquidation of various entities, including comparisons of different entity types.
- Tax planning for C corporations, S corporations and partnerships, including the tax implications of a proposed transaction to both the entity and owner.

Area IV of the TCP section blueprint covers federal tax compliance issues related to asset dispositions. The Area includes the following:

- Nontaxable dispositions of property, and the realized, recognized and deferred tax gains resulting from the transaction.
- Character of recognized gains and losses on the disposition of property used in a trade or business, including installment sale transactions.
- Sale of property to a related party, including nonrecognition of gain or loss.

Section assumptions

The TCP section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that the information provided in each question is material and should apply all stated assumptions. Candidates will not be tested on their knowledge of specific tax rate percentages, amounts or limitations that are indexed to inflation. To the extent a question addresses a topic that could have different tax treatments based on timing (e.g., net operating losses), it will include a clear indication of the timing (e.g., use of real dates) so that the candidates can determine the appropriate portions of the Internal Revenue Code or Treasury Regulations to apply to the question. Absent such an indication of timing or other stated assumptions, candidates should assume that transactions or events referenced in the question occurred in the current year and should apply the most recent provisions of the tax law in accordance with the timing specified in the CPA Exam Policy on New Pronouncements.

Tax Compliance and Planning (continued)

Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives.[10] Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

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.

The TCP section of the Exam assesses content at the first three skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding is mainly concentrated in Area I and Area II. These two areas contain nonroutine compliance issues encountered by nlCPAs and they are tested at the lower end of the skill level continuum.
- Application and Analysis skills are tested across all areas. These areas contain day-to-day planning tasks that nlCPAs are expected to perform related to tax and personal financial planning and the preparation and review of tax returns and therefore are tested at the higher end of the skill level continuum.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nlCPA would reasonably be expected to perform.

References — Tax Compliance and Planning

- Revised Model Business Corporation Act
- Revised Uniform Limited Partnership Act
- Revised Uniform Partnership Act
- Internal Revenue Code of 1986, as amended
- Treasury Regulations
- Other administrative pronouncements regarding federal taxation
- Case law on federal taxation
- Current textbooks on federal taxation, personal financial planning and tax planning

[10] Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Summary Blueprint

Content area allocation	Weight
I. Tax Compliance and Planning for Individuals and Personal Financial Planning	30–40%
II. Entity Tax Compliance	30–40%
III. Entity Tax Planning	10–20%
IV. Property Transactions (disposition of assets)	10–20%

Skill allocation	Weight
Evaluation	–
Analysis	30–40%
Application	50–60%
Remembering and Understanding	5–15%

Area I – Tax Compliance and Planning for Individuals and Personal Financial Planning (30–40%)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
A. Individual compliance and tax planning considerations for gross income, adjusted gross income, taxable income and estimated taxes					
		✓			Consider the impact to an individual's taxable income for certain items of gross income, including the exercise of incentive stock options (ISO), imputed interest on a below-market-rate loan, and compensation earned while employed outside the U.S.
		✓			Consider the effect of changing tax rates and legislation on the timing of income and expense items for planning purposes given a specific scenario.
		✓			Identify projected tax savings through utilization of flexible spending accounts (FSAs) and qualified health savings accounts (HSAs) for planning purposes given a specific scenario.
		✓			Consider the impact of using either itemized deductions or the standard deduction for planning purposes given a specific scenario.
		✓			Calculate estimated tax payments required for an individual to avoid underpayment penalties given a specific planning scenario.
			✓		Review an individual's projected income and expenses prior to year-end to determine the tax implications, and provide options to minimize tax liability given a specific planning scenario.
B. Compliance for passive activity and at-risk loss limitations (excluding tax credit implications)					
		✓			Calculate the at-risk loss limitation for an activity in which an individual materially participates, including losses from pass-through entities and losses from real estate rental activities with active participation.
		✓			Calculate the passive activity loss limitations given a specific scenario, including the netting of passive activity gains and losses.

Area I – Tax Compliance and Planning for Individuals and Personal Financial Planning (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
B. Compliance for passive activity and at-risk loss limitations (excluding tax credit implications) (continued)					
		✓			Calculate utilization of suspended losses on the disposition of a passive activity for tax purposes.
			✓		Review an individual's basis schedules and supporting documentation for a pass-through entity, including any source data used to create the schedules, to confirm the correct allocation of a loss between the amounts suspended for at-risk limitations, suspended for passive activity rules, and allowed for tax purposes.
C. Gift taxation compliance and planning					
	✓				Recall allowable gift tax deductions and exclusions for federal gift tax purposes.
	✓				Explain the unified transfer tax system and how the annual exclusion, marital deduction and the unified credit impact the planning for gifts and gift taxation.
		✓			Calculate the amount of taxable gifts for federal gift tax purposes.
		✓			Calculate the potential tax savings when donating noncash property to a charitable organization given a specific planning scenario, including identification of the property to be donated to minimize the individual's current-year tax liability.
		✓			Identify the potential tax savings from gifting ownership of noncash property to an individual given a specific planning scenario, including identification of the property to be gifted to minimize the donor's future estate.

Area I – Tax Compliance and Planning for Individuals and Personal Financial Planning (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
D. Personal financial planning for individuals					
	✓				Demonstrate an understanding of the advantages and disadvantages of different qualified retirement plans, including traditional IRAs, Roth IRAs, 401(k)s, annuities, and employer-sponsored plans.
	✓				Demonstrate an understanding of the risks associated with different investment options, including equity securities, corporate bonds and municipal bonds.
	✓				Demonstrate an understanding of planning for funding post-secondary education, including qualified tuition programs, student loans, grants and scholarships.
	✓				Explain how insurance is used in planning to mitigate risk, including life insurance, long-term care insurance and umbrella policies.
		✓			Prepare a schedule to be used in the decision-making process to select a retirement plan from different options given a specific planning scenario, identifying the related advantages and disadvantages.
		✓			Calculate the return on investment (ROI) for different investment options, net of the tax impact, given a specific planning scenario.

Area II – Entity Tax Compliance (30–40%)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. C corporations					
1. Net operating and capital loss utilization	✓				Recall the limitations on the use of net operating losses when there is an ownership change.
		✓			Calculate the amount of a C corporation's net operating loss for a given year and the related carryforward or carryback.
		✓			Calculate the amount of a C corporation's capital loss utilized in the current year and the related carryforward or carryback.
2. Transactions between a shareholder and a C corporation (contributions to and distributions from a corporation and loans)		✓			Calculate a shareholder's tax realized and recognized gain (loss) on the contribution of noncash property to a C corporation, and the C corporation's basis in the property contributed.
		✓			Calculate the tax realized and recognized gain (loss) for both a C corporation and shareholders on a nonliquidating distribution of noncash property, and the shareholders' basis in the property received.
		✓			Calculate the tax realized and recognized gain (loss) for both a C corporation and shareholders on a liquidating distribution, and the shareholders' basis in the property received.
		✓			Calculate the amount and treatment of the cash distributions to shareholders in excess of a C corporation's current and accumulated earnings and profits (E & P).
			✓		Review loan documents and supporting documentation to determine the tax implications of a loan between a shareholder and C corporation, including imputed interest.
3. Consolidated tax returns	✓				Recall the requirements for filing a consolidated federal Form 1120 – *U.S. Corporation Income Tax Return*.
		✓			Calculate taxable income for a consolidated federal Form 1120 – *U.S. Corporation Income Tax Return*, including elimination of intercompany transactions.

Area II – Entity Tax Compliance (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
A. C corporations (continued)					
4. International tax issues	✓				Explain the sourcing of income for a U.S. corporation with foreign operations.
	✓				Explain the sourcing of income for a foreign corporation with U.S. operations, including consideration of federal tax withholding requirements.
	✓				Explain the concept of a controlled foreign corporation (CFC) and the impact on a U.S. corporation's taxable income.
	✓				Explain the concept of permanent establishment for a corporation and the activities that would create it.
	✓				Explain the difference between a foreign branch and foreign subsidiary with respect to federal income taxation to a U.S. corporation.
	✓				Explain the requirements related to Interest Charge Domestic International Sales Corporation (IC-DISC), foreign derived intangible income (FDII), base erosion and anti-abuse (BEAT) and global intangible low-taxed income (GILTI).
		✓			Calculate U.S. and foreign source income given a specific scenario.
B. S corporations					
1. Basis of shareholder's interest		✓			Calculate the impact on a shareholder's stock basis in an S corporation for tax purposes resulting from contributions of noncash property, including an S corporation's assumption of debt on the contributed property.
		✓			Calculate the impact on a shareholder's stock basis in an S corporation for tax purposes resulting from nonliquidating distributions of noncash property.
		✓			Calculate the impact on a shareholder's debt basis in an S corporation for tax purposes resulting from loans made by a shareholder to an S corporation.
			✓		Review a shareholder's stock and debt basis schedules in an S corporation for tax purposes and supporting documentation, including any source data used to create the schedule, to determine the accuracy of transactions reflected.

Area II – Entity Tax Compliance (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
B. S corporations (continued)					
2. Transactions between a shareholder and an S corporation (contributions to and distributions from a corporation)		✓			Calculate a shareholder's tax realized and recognized gain (loss) on the contribution of noncash property to an S corporation, and the S corporation's basis in the property contributed.
		✓			Calculate the tax realized and recognized gain (loss) for both an S corporation and shareholders on a nonliquidating distribution of noncash property, and the shareholders' basis in the property received.
		✓			Calculate the tax realized and recognized gain (loss) for both an S corporation and shareholders on a liquidating distribution, and the shareholders' basis in the property received.
		✓			Calculate the allocation of S corporation income (loss) after the sale of a shareholder's ownership interest in the S corporation for tax purposes.
C. Partnerships					
1. Basis of partner's interest		✓			Calculate the impact on a partner's basis in a partnership for tax purposes resulting from contributions of noncash property, including a partnership's assumption of debt on the contributed property.
		✓			Calculate the impact on a partner's basis in a partnership for tax purposes resulting from nonliquidating distributions of noncash property.
		✓			Calculate the impact on a partner's basis in a partnership for tax purposes resulting from recourse and nonrecourse partnership debt incurred during the current year, including loans made by a partner to a partnership.
			✓		Review a partner's basis schedule in a partnership for tax purposes and supporting documentation, including any source data used to create the schedule, to determine the accuracy of transactions reflected.
2. Partnership and partner elections	✓				Recall partner elections applicable to a partnership for tax purposes.

Area II – Entity Tax Compliance (30–40%) (continued)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
C. Partnerships (continued)					
3. Transactions between a partner and a partnership (services performed by a partner and contributions to and distributions from a partnership)		✓			Calculate the tax implications of certain transactions between a partner and partnership (e.g., services performed by a partner) for tax purposes.
		✓			Calculate a partner's tax realized and recognized gain (loss) on the contribution of noncash property to a partnership, and the partnership's basis in the property contributed.
		✓			Calculate the tax realized and recognized gain (loss) for both a partnership and partners on a nonliquidating distribution of noncash property, and the partner's basis in the property received.
		✓			Calculate the tax realized and recognized gain (loss) for both a partnership and partners on a liquidating distribution, and the partner's basis in the property received.
4. Ownership changes		✓			Calculate the allocation of partnership income (loss) after the sale of a partner's share in a partnership for tax purposes.
		✓			Calculate the revised basis of partnership assets due to a transfer of a partnership interest for tax purposes.

Area II – Entity Tax Compliance (30–40%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
D. Trusts					
1. Types of trusts	✓				Recall and explain the characteristics of various types of trusts, including simple trusts, complex trusts and grantor trusts.
	✓				Recall and explain a trust as a pass-through entity and the roles of grantor, trustee, and beneficiaries and the concept of corpus.
2. Income and deductions		✓			Identify the allocation of items between income and corpus in a given scenario.
		✓			Calculate a trust's accounting income, distributable net income and taxable income, including the income distribution deduction.
E. Tax-exempt organizations					
1. Obtaining and maintaining tax-exempt status	✓				Recall the requirements to qualify as an IRC Section 501(c)(3) tax-exempt organization.
	✓				Recall the events that would cause an entity to lose its tax-exempt status.
2. Unrelated business income	✓				Recall the different types of unrelated business income for tax-exempt organizations for tax purposes.

Area III – Entity Tax Planning (10–20%)

	Skill				
Content group/topic	**Remembering & Understanding**	**Application**	**Analysis**	**Evaluation**	**Representative Task**
A. Formation and liquidation of business entities					
		✓			Prepare a schedule that is used as an input to an entity selection decision that calculates the tax implications of noncash property transactions for multiple entity types.
		✓			Identify the type of business entity that is best described by a given set of legal characteristics.
			✓		Derive the tax implications of entity selection and formation decisions across multiple entity types and compare the results.
			✓		Derive the tax implications of entity liquidation decisions across multiple entity types and compare the results.
B. Tax planning for C corporations					
		✓			Calculate the potential tax savings from utilization of net operating and capital loss carryovers.
		✓			Identify opportunities to optimize state and local income tax rules in tax planning for business expansion given a specific scenario, including apportionment of income and location of business.
		✓			Calculate the effect of changing tax rates and legislation on the timing of income and expense items for tax planning purposes given a specific scenario.
		✓			Calculate estimated tax payments for a C corporation in order to avoid underpayment penalties given a specific planning scenario.
			✓		Derive the tax implications to a shareholder and C corporation for a proposed transaction after formation of the corporation, including noncash property contributions and noncash property distributions.

Area III – Entity Tax Planning (10–20%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
C. Tax planning for S corporations					
		✓			Calculate the projected amount subject to built-in gains for a proposed disposition of an asset in order to minimize the built-in gains tax due.
		✓			Identify the implications of terminating an S corporation election given a specific planning scenario.
			✓		Derive the tax implications to a shareholder and S corporation for a proposed transaction after formation of the corporation, including noncash property contributions and loans from a shareholder and noncash property distributions to a shareholder.
			✓		Derive the tax implications of a contemplated election to treat distributions to shareholders as being made from an S corporation's accumulated earning and profits (AEP) and not from the accumulated adjustments account (AAA).
D. Tax planning for partnerships					
		✓			Calculate the tax implications to a partner for the contribution to a partnership of noncash property that has appreciated or depreciated in value.
		✓			Calculate the tax implications of various types of payments to a partner, including guaranteed payments and a nonliquidating distribution.
			✓		Derive the tax implications to a partner and partnership for a proposed transaction, including a contribution of noncash property, a nonliquidating distribution of noncash property or the sale of a partnership interest.

Area IV – Property Transactions (disposition of assets) (10–20%)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
A. Nontaxable disposition of assets					
		✓			Calculate the realized gain, recognized gain and deferred gain on like-kind property exchange transactions for tax purposes and the basis of the asset received as a result of the exchange transaction.
			✓		Review asset sale and exchange transactions, and relevant supporting documentation, to determine whether they are taxable or nontaxable.
B. Amount and character of gains and losses on asset disposition, and netting process, including installment sales					
		✓			Identify the character of the gain and loss recognized by a taxpayer on the disposal of an asset given a specific scenario.
		✓			Calculate the Section 1231 capital gain and Section 1231 ordinary loss recognized for tax purposes on the disposition of an asset used in a trade or business.
		✓			Calculate the Section 1245 and Section 1250 depreciation recapture recognized for tax purposes on the disposition of an asset used in a trade or business.
		✓			Calculate the unrecaptured Section 1250 gain recognized for tax purposes on disposition of an asset used in a trade or business.
		✓			Calculate the loss allowed on the disposition of Section 1244 small business stock for tax purposes.
			✓		Review a schedule of asset dispositions for the current year and supporting documentation, including any source data used, to determine the completeness and accuracy of the amount and the character of the gain or loss recognized for tax purposes.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the amount and character of a gain or loss reported on a tax return based on the source data used to prepare the return.

Area IV – Property Transactions (disposition of assets) (10–20%) (continued)

Content group/topic	Skill: Remembering & Understanding	Skill: Application	Skill: Analysis	Skill: Evaluation	Representative Task
C. Related party transactions, including imputed interest					
	✓				Recall related parties for tax purposes.
		✓			Calculate the direct and indirect ownership percentages of corporation stock or partnership interests to determine whether there are related parties for tax purposes.
		✓			Calculate a taxpayer's gain or loss on a subsequent disposition of an asset to an unrelated third party that was previously purchased from a related party.
		✓			Calculate the amount and treatment of imputed interest on related party transactions for tax purposes.

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Appendix B

Practice Analysis Process

Goal of Licensure

The goal of licensure is protection of the public interest, or more specifically, providing the public with assurance that those individuals who are licensed possess a minimum level of knowledge and skills necessary for safe and effective practice. The qualifications for licensure generally include educational requirements, and the passing of an exam assessing the knowledge and/or skills required for competent performance.[6] Some form of PA is typically used as the basis for identifying and supporting the knowledge and skills necessary for competent performance.[7]

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.[8] 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 (SME)[9] and that the information collected be representative of the diversity within the occupation.[10] 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 nlCPA 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, 2014) and current professional practice.

Project Organization

Proposal of New Model for CPA Licensure and Initial NASBA and AICPA Research 2018 – 2021

The CPA Evolution initiative aims to transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. It is a joint effort of NASBA and AICPA.

Beginning in 2018, and over three years, NASBA and the AICPA talked to more than 4,000 stakeholders from across the profession to gather input on how to transform CPA licensure. The feedback received included:

- The profession agrees with the need to change the CPA licensure model.
- Newly licensed CPAs should all demonstrate strong common Core competencies.
- The new CPA licensure model should position CPAs for the future.
- The new CPA licensure model should continue to protect the public interest.

6 American Educational Research Association [AERA], American Psychological Association [APA], and the National Council for Measurement in Education [NCME], 2014
7 AERA, APA, & NCME, 2014 National Commission for Certifying Agencies [NCCA], 2002; Raymond & Neustel, 2006.
8 (Arvey & Faley, 1988; Gael, 1983; Raymond & Neustel, 2006).
9 (Mehrens, 1987; NCCA, 2002; Raymond & Neustel, 2006).
10 (Kuehn, Stallings, & Holland, 1990).

In Fall 2019, NASBA and the AICPA carefully reviewed all of the feedback received, studied other professions' licensure models, and considered multiple options for updates to the CPA licensure model before developing the Core and Discipline licensure model.

This approach is responsive to stakeholder input, while still propelling the profession into the future. The model starts with a strong Core in accounting, auditing, and tax, with a recognition of the impact technology has on each. All candidates will be required to complete the Core sections. Then, each candidate will choose a Discipline in which to demonstrate knowledge and skills in that particular domain. Regardless of chosen Discipline, this model leads to full CPA licensure, with rights and privileges consistent with any other CPA. The Discipline selected for testing does not mean the CPA is limited to that practice area. Benefits of the Core and Discipline model include:

- Enhances public protection by producing candidates who have the knowledge necessary to perform high-quality work, meeting the needs of organizations, firms, and the public.
- Is responsive to feedback, as it builds accounting, auditing, tax, and technology knowledge requirements into a robust common Core.
- Reflects the realities of practice, requiring knowledge in one of three Disciplines that are pillars of the profession.
- Is adaptive and flexible.
- Results in one CPA license.

After the AICPA governing Council and the NASBA Board of Directors both voted to support advancing the CPA Evolution initiative, the AICPA began a new practice analysis to develop a CPA Evolution-aligned CPA Exam.

Overview of the Practice Analysis Methodology

Phase 1 — Exploration

Initial Draft of CPA Evolution-Aligned CPA Exam Blueprints

The first step of aligning the CPA Exam to the Core and Discipline model for CPA Evolution was to examine the content assessed by the CPA Exam and allocate content to the Core and Discipline Exam sections. Guiding principles were established for the allocation of current content to the Core and Discipline model for CPA Evolution. First, the content allocated to the Core Exam sections should represent the knowledge and skills that all nlCPAs need to protect the public interest. Second, the Discipline Exam sections should assess knowledge and skills in the candidate's area of focus necessary to protect the public interest.

The AICPA worked with the joint AICPA and NASBA CPA Evolution Task Force, which led the initial vision, scoping, and research for the CPA Evolution initiative starting in 2018, to create an initial draft of the CPA Evolution-aligned content at a topic level. Content was allocated to the Core and Discipline sections using the guiding principles described above. The resulting initial draft of the content was then reviewed and tested using surveys and focus groups.

The AICPA contracted with American Institutes for Research (AIR) to develop the protocols for the Core Exams Survey and Discipline Exams Focus Groups. AIR collected, analyzed, and reported the results of the Core Exams Survey; and led the questions, discussions, and reporting for three virtual Discipline Exams Focus Groups.

Core Exams Survey

A group of 34 CPAs from across the profession who were familiar with the CPA Evolution project were asked to provide agreement ratings on the proposed groups and topics for all proposed Core Exam sections covering accounting, auditing and attestation, and taxation and regulation. The participants had the opportunity to participate in a virtual introductory training session. Prior to the virtual training session, participants were sent documents explaining the survey and research process.

During the training, AICPA reviewed the CPA Evolution model, the guiding principles, mapping examples, and draft Discipline Exam section content. After an overview of the effort, AICPA walked participants through the Core Exams Survey to ensure their comfort level with completing the survey. Participants had approximately four weeks to complete the Core Exams Survey and provided ratings on 161 groups and topics.

The Core Exams Survey asked the participants to what extent they agree that certain groups or topics should be part of the Core Exam sections. To provide their agreement ratings, participants were asked to select a response from a Likert-scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). If participants did not agree that certain groups or topics should be included in the Core Exam sections, then they were asked if the content should be included in a Discipline Exam section or removed from the 2024 CPA Exam.

The results of the Core Exam Survey showed strong support for the groups and topics proposed to be included in the Core Exam sections. Of the 161 groups and topics, only 11 groups and topics received less than an average agreement rating (less than 3.0). Overall, participants who disagreed with the aforementioned content did not think the content should be removed from the 2024 CPA Exam, rather it should be considered for the Discipline Exam sections.

Additionally, the participants were asked to provide agreement ratings on eight content topics that were proposed for removal from the 2024 CPA Exam. Participants agreed (provided an average agreement rating greater than 3.0) that five of the content topics could be considered for removal including:

- BEC – Operations Management – *Approaches, techniques, measures, benefits to process-management driven businesses*
- BEC – Operations Management – *Management philosophies and techniques for performance improvement*
- FAR – State and Local Governments – State and local government concepts – *Conceptual framework*
- FAR – State and Local Governments – Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements – *Special items*
- FAR – State and Local Governments – Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements – *Other financing sources and uses*

Participants did not agree (provided an average agreement rating below 3.0) that three of the content topics should be removed including:

- FAR – Conceptual Framework, Standard-Setting and Financial Reporting – Conceptual framework and standard-setting for business and nonbusiness entities – *Conceptual framework*
- FAR – Conceptual Framework, Standard-Setting and Financial Reporting – Conceptual framework and standard-setting for business and nonbusiness entities – *Standard-setting process*
- REG – Federal Taxation of Entities (including tax preparation and planning strategies): S corporations: *Built-in gains tax*

Using the results of the survey, the Content Committee and Content Subcommittees proposed to remove the five content topics discussed above from the 2024 CPA Exam, but also decided it was proper to remove conceptual framework and standard-setting process from FAR. The Content Committee and Content Subcommittees agreed that the content topics were not knowledge and skills required for nICPA practice. Additionally, the Content Committee and Content Subcommittees, moved the assessment of built-in gains tax to the TCP Discipline Exam section.

Discipline Exam Focus Groups

Using the same CPAs from the Core Exams Survey, who were already familiar with CPA Evolution and the PA research, AICPA and AIR conducted three three-hour virtual panels, one for each Discipline Exam section. Based on the participants' background and area of practice, they were asked to participate in one focus group (either BAR, ISC, or TCP).

For each focus group, the participants were reviewing, reacting, and brainstorming using the high-level description for that particular Discipline Exam section. During each focus group, the participants brainstormed and generated content for each area under the specific Discipline Exam section. When generating new content for one area, the AIR facilitator gave the participants time to review the high-level proposed content for that area and then brainstorm additional ideas for topics. The virtual focus groups used Google Jamboard™ to conduct the virtual brainstorming using virtual sticky notes that could be created and edited by the participants.

Numerous content topics were generated from each focus group including:

- For the BAR Discipline Exam section, important context and background were given for the potential assessments of financial statement analysis, technical accounting and reporting; financial and operations management; and accounting for state and local governments.
- For the ISC Discipline Exam section, important context and background were given for the potential assessments of IT governance and risk assessment; performing procedures; tests of internal control; SOC engagements; use and management of data; and information security and protection of information assets.
- For the TCP Discipline Exam section, important context and background were given for individual tax and financial planning; entity tax compliance; entity tax planning; and property transactions.

The results of the focus group's brainstorming were largely confirmatory in nature to the potential content that could be assessed in the Discipline Exam sections, and provided important context and background for the knowledge and skills required of nlCPAs in those areas of practice.

Exploration Phase Follow-up Interviews

Based on the results of the Discipline Exam Focus Groups, it was clear that more information was needed on nlCPA's role particularly related to SOC engagements and personal financial planning and tax planning. To gather more information about the knowledge and skills needed by nlCPAs, the AICPA planned and conducted a series of direct interviews with over 20 CPAs from across the profession working directly on SOC engagements and tax planning and personal financial planning who supervised nlCPAs.

AIR advised on the process, protocol, and interview questions. The following questions were asked with regard to nlCPAs working on SOC engagements and tax planning and personal financial planning.

SOC Engagements Interviews

The SOC interview protocol included the following questions regarding an nlCPA's role in SOC engagements:

- To what extent are nlCPAs involved in SOC engagements at your firm?
  - SOC 1® (Type 1 or Type 2 engagements)?
  - SOC 2® (Type 1 or Type 2 engagements)?
  - SOC 3® Trust Services Criteria for General Use Report (SOC 3®) (Type 1 or Type 2 engagements)?
  - SOC® – Supply Chain?
  - SOC® – Cybersecurity?
- Does your firm need to provide additional training in order for nlCPAs to be able to perform the required tasks? If training is required, what is the nature of the required training and delivery mode?
  - Do the nlCPAs involved in SOC engagements have a specialized degree or background in addition to auditing / accounting? If so, which degree or credential?
  - What is the approximate breakout of nlCPAs that work on SOC engagements versus staff with other credentials?

- What responsibilities or tasks, if any, does the nlCPA have in planning the SOC 1®/SOC 2® engagements?
  - What does the nlCPA primarily focus on in the planning of SOC 1®/SOC 2® engagements?
  - What knowledge or skills are nlCPA required to have regarding Trust Services Criteria?
  - Obtaining an understanding of the service organization's system and risk assessment; and what is the extent of the nlCPA's role?
- What responsibilities or tasks does the nlCPA have in performing the SOC engagement?
  - What responsibilities or tasks do the nlCPAs have in obtaining evidence regarding the design of controls?
  - What responsibilities or tasks do nlCPAs have in obtaining evidence regarding the operating effectiveness of controls?
  - What responsibilities or tasks do nlCPAs have in evaluating the reliability of information produced by the service organization?
- What responsibilities or tasks, if any, does the nlCPA have in the preparation of the Service Auditor's Report?
  - What responsibilities or tasks, if any, does the nlCPA have in describing tests of controls and results?
- What tools, techniques, or technology do nlCPAs use (or are emerging) to gather data or information in any of the aforementioned areas of a SOC engagement?

The themes emerging from the virtual interviews regarding an nlCPA's role in SOC engagements highlighted that nlCPAs are increasingly involved on SOC engagements and need to understand the basics of planning, performing, and reporting on SOC engagements (SOC 1® and SOC 2®) and the Trust Services Criteria. This includes understanding the basics of security, confidentiality, and privacy; incident response; IT infrastructure; change management; and data management.

The research showed that nlCPAs are rarely involved in SOC 3®, SOC® for Supply Chain, and SOC® for Cybersecurity engagements. The AICPA analyzed the focus group themes and identified the findings that are summarized in the New Content Identified by Practice Analysis section. These findings are fundamental to the proposed content and reorganization throughout the AUD Core Exam section and the ISC Discipline Exam section of the 2024 CPA Exam.

Personal Financial Planning (PFP) and Tax Planning Interviews

The PFP and tax planning interview protocol included the following questions regarding an nlCPA's role in PFP and tax planning:

- To what extent are nlCPAs involved in personal financial planning at your firm?
  - Do nlCPAs provide both PFP and tax preparation services to clients; are they required to specialize?
  - Do you require members of PFP practice to have their CPA license?
    - Is the amount of members of the PFP practice with their CPA license comparable to the amount of CPAs in your tax practice?
- Does your firm need to provide additional training in order for nlCPAs to be able to perform the required tasks? If training is required, what is the nature of the required training and delivery mode?
  - Do nlCPAs involved in personal financial planning have a specialized degree or background in addition to taxation/accounting? If so, which degree or credential?
- To what extent are nlCPAs required to understand the regulatory landscape, including financial services regulations and fiduciary practices?
  - Are other licenses and/or certifications required? If so, at what point in these individuals' careers?
  - Are nlCPAs required to know the PFP standards?

- What responsibilities or tasks, if any, does the nlCPA have in fundamental financial planning for clients?
- What responsibilities or tasks, if any, does the nlCPA have in estate, gift, and wealth transfer planning?
- What responsibilities or tasks, if any, does the nlCPA have in charitable planning?
- What responsibilities or tasks, if any, does the nlCPA have in risk management and insurance planning?
- What responsibilities or tasks, if any, does the nlCPA have in employee and business-owner planning?
- What responsibilities or tasks, if any, does the nlCPA have in investment planning?
    - What types of investments are discussed?
- What responsibilities or tasks, if any, does the nlCPA have in retirement planning?
- What responsibilities or tasks, if any, does the nlCPA have in elder, special needs, and chronic illness planning?
- What responsibilities or tasks, if any, does the nlCPA have in education planning?
- What tools, techniques, or technology do nlCPAs use (or are emerging) to gather data or information for personal financial planning work?
- Are there other areas of financial planning or tax planning not discussed that involve nlCPA? If so, which areas?

The themes emerging from the virtual interviews regarding an nlCPA's role in personal financial planning and tax planning highlighted that nlCPAs are involved in advising clients on the basics of personal financial planning (including retirement and education planning; implications of how insurance mitigates risk; and risks of different types of investments).

Focus Groups on Data and Technology Concepts in Taxation

Based on the results of the Discipline Exam Focus Groups, it was clear that more information was needed regarding the use of data and technology by nlCPAs in taxation.

A group of diverse tax practitioners from different locations and firm sizes were brought together for focus group sessions to consider how technology, including automation of aspects of tax return preparation and outsourcing, continues to impact the work of nlCPAs.

Through four focus group sessions, there was discussion on how the tax preparation process has evolved. This included the use of software and other technology used to communicate with clients and gather, analyze, and prepare data and documentation. The group discussed detailed examples of the most important tasks where the nlCPA are involved.

The focus groups identified that nlCPAs review tax returns and client information earlier in their careers, sometimes without the experience of having prepared the returns from original documentation. At multiple points in their work, nlCPAs need to possess an analytical mindset to understand what information they have, what information they do not have, and why it may or may not make sense given the context.

The results of the focus groups provided valuable information and context that were used to draft the task statements in the REG Core Exam and the TCP Discipline Exam sections. This will change how certain tasks will be assessed, including the need to understand the sources and flow of data and potential issues with the data and consider automated diagnostic and validation checks.

Analysis of the Core Exams Surveys, Focus Groups and Interviews

The results of the Core Exams Survey showed strong initial support for the content allocated to the Core Exam sections. The Discipline Exams Focus Groups generated numerous ideas to consider and provided confirmatory data that major areas of nlCPA practice were included in the proposed Discipline Exam sections. The Discipline Exams Focus Groups highlighted that more research was needed in a few key areas: an nlCPA's role in SOC engagements and an nlCPA's role in personal financial planning and tax planning.

The follow-up interviews focused on an nlCPA's role in SOC engagements and personal financial planning and tax planning. The research showed that nlCPAs need increased knowledge and skills related to SOC engagements, IT, and related controls. This included the basics of planning, performing, and reporting on SOC engagements and additional focus on security, confidentiality, and privacy; incident response; IT infrastructure; change management; and data management. The research also showed that nlCPAs need increased knowledge and skills related to personal financial planning and tax planning including the basics of personal financial planning and the basics of tax planning for C Corporations, S Corporations, and partnerships, including the use of data and technology.

The BOE's Content Committee and its Subcommittees reviewed the results of the survey, focus groups, and interviews and incorporated the results into the next draft of the Core and Discipline Exam section Blueprints, which focused on adding task statements to the areas, groups, and topics. The resultant Blueprints were used as the basis for the next step of research – the Socialization Survey.

Socialization Survey

The Socialization Survey was the profession's first chance to review and provide feedback on the potential content for the 2024 CPA Exam. The survey outlined the Core and Discipline Exam sections, which included the areas and groups/topics for each of the proposed sections. The online survey was posted on the AICPA's website for two months and included a Background Document, which provided information on CPA Evolution, CPA Evolution research conducted to date, and an outline of the proposed 2024 CPA Exam content to review prior to taking the survey.

AIR advised on the process, Background Document, and survey. The survey asked participants to indicate their level of agreement with the proposed content for each area of a Core and Discipline Exam section. The rating provided should have considered all of the proposed content for that area as it related to the practice of nlCPAs. If a participant did not agree with the content proposed for a certain area, they were asked to explain which specific groups/topics in the area they disagreed with and their reasoning. A participant was able to provide ratings and feedback on all Core and Discipline Exam sections or provide ratings and feedback on select Core and Discipline Exam sections. Additionally, each area of the Core and Discipline Exam sections could be skipped if the participant did not feel comfortable rating a particular area.

At the conclusion of the Socialization Survey, a participant was asked two additional questions: (i) was there any additional content that you believed was not yet identified and should be considered for inclusion in a Core or Discipline Exam section; and (ii) did you have any other comments related to the content allocations in the Core or Discipline Exam sections.

Over 400 participants from across the profession participated in the Socialization Survey. The results indicated strong support for the area and groups/topics for each Core and Discipline Exam section with an average rating of over three and a half on a four-point scale. To provide their agreement ratings, participants were asked to select a response from a Likert-scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). No area of any Core or Discipline Exam section received less than an average agreement rating (3.0). Participants that provided ratings were from across the profession with most participants from public accounting (37%); academia (17%); working in business and industry (14%); working for not-for-profits or government organizations (8%); and other (24%).

The qualitative results provided at the end of the survey indicated that there were questions or concerns related to the visibility of technology, analytics, and data in the Core and Discipline Exam sections; the placement of cost accounting in the BAR Discipline Exam section; the split of testing lessee accounting in the FAR Core Exam section and lessor accounting in the BAR Discipline Exam section; and the prominence of Environment, Social, and Governance (ESG) topics in the Core and Discipline Exam sections.

The BOE's Content Committee and its Subcommittees reviewed the results of the Socialization Survey and incorporated the results into the next draft of the Core and Discipline Exam section Blueprints, which focused on refining task statements to the areas, groups, and topics. The resultant Blueprints were used as the basis for the next step of research — the Confirmation Phase.

Phase 2 – Confirmation

The AICPA contracted with AIR to develop a survey methodology to collect quantitative and qualitative feedback on the CPA Exam Blueprints from licensed CPAs from all areas of the profession. These CPAs participated in a survey where they would provide ratings and comments on groupings of task statements reviewed by the BOE's Content Committee and its Subcommittees using the research from Phase 1 of the PA.

Based on the length of the content, which included all the areas, groups/topics, and task statements in each Core and Discipline Exam section, AIR recommended breaking the content into three surveys, each including a Core and Discipline pairing. This would result in surveys of a reasonable length. The Core Discipline pairings were the following:

- Core *Financial Accounting and Reporting/* Discipline *Business Analysis and Reporting*
- Core *Taxation and Regulation/*Discipline *Tax Compliance and Planning*
- Core *Auditing and Attestation/*Discipline *Information Systems and Controls*

AIR recommended that data be collected from approximately 100 participants for each pairing who met particular criteria that were designed to ensure participants were very familiar with the work of nlCPAs and their role in protecting the public interest. The criteria for survey participants included the following: (i) active CPA licensure status and (ii) experience directly supervising nlCPAs in the last two years. The intent was to have participants with varied backgrounds including diversity in area of practice, ethnicity, gender, location, and age.

The AICPA recruited survey participants and vetted them based on their background and experience. In addition, AICPA gathered information about their primary area of employment to try to ensure that participants were assigned to the appropriate Core and Discipline pairing and balanced across these categories. Across all three Core and Discipline pairings, the AICPA recruited over 400 participants.

The AICPA conducted four Confirmation Phase Training Sessions[11] for all selected participants. Additionally, selected participants were emailed background information on CPA Evolution and the survey process, which they were requested to read prior to the training session. These sessions were approximately 30 minutes in length and provided the participants with an overview of the CPA Evolution initiative, the new licensure model, and the 2024 CPA Exam PA research, along with an overview of what would be expected of them for the upcoming survey. The last portion of the session was devoted to answering participants' questions. A representative from AIR attended each session and answered any questions related to the confirmation survey.

Each survey included a Core and Discipline pairing and was administered using Verint *EFM* (previously known as *Vovici 7*). Participants were presented with the Core Exam section first, followed by the Discipline Exam section. The survey also included a demographic questionnaire asking participants to identify their experience, job title, licensure status, education, race/ethnicity, gender, and age. Note that the participants could choose not to disclose their race/ethnicity, gender, age, and education.

Participants were asked to indicate (i) their level of agreement that each grouping of task statements includes the knowledge and skills required of an nlCPA, and (ii) provide a rating representing how confident they were in their ratings given to all groupings within an Area. When assigning ratings to the groupings, participants were instructed to consider the presented content with respect to nlCPAs to make a holistic rating across the information presented for each grouping.

[11] These sessions were recorded and made available to those who could not attend, and to the additional participants who were recruited later.

To provide their agreement ratings, participants were asked to select a response from a Likert-scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). At the end of each Area, they were asked to rate their confidence in their ratings on the same 4-point rating scale.

Numeric ratings do not capture why participants rated a grouping below threshold. Therefore, a comment box for Strongly Disagree or Disagree ratings was included. Participants who disagreed with the grouping content were given the option of providing feedback to explain their rationale for low ratings. Moreover, at the end of the entire survey, participants were asked to provide additional feedback on the proposed content and suggest additional content that they believed had not been identified and should have been considered for inclusion in either the Core or Discipline Exam Sections. The section below discusses key points from the quantitative and qualitative results of the Confirmation Phase Survey.

Key Points

- The results of this Confirmation Survey are based on a total of 300 participants out of 414 (72.5%) recruited CPAs. The range of final sample sizes across the three Core and Discipline pairings was 79 to 118.
- All survey participants were active CPAs who supervised nlCPAs in the last two years, mostly working in public practice.
- While all participants across the three surveys held at least a bachelor's degree, a substantial portion of them also had a master's degree.
- Across the three surveys, participants represented all ages (above 25) and traditional genders (male/female). In terms of race, most of the participants (i.e., over 80%) reported being in a White racial group.
- Distribution of primary area of employment among participants.
  - FAR/BAR had 74% of participants from public accounting; 15% from government or not-for-profit; and 11% from business and industry. Conversely, AUD/ISC and REG/TCP had 97% and 98% of participants from public accounting, respectively, with the balance in business and industry.
  - Across the three surveys, participants from all size firms in public accounting were invited to participate with 37% from small firms, 37% from large firms, and 26% from Big 4 firms.
- All Area-level average confidence ratings were above 3.00, indicating participants' high level of confidence in their ratings.
- None of the Group averages within the FAR and REG Core Exam sections and the TCP Discipline Exam section fell below the threshold of 3.00 (Agree).
- AUD, BAR, and ISC included a total of four Groups with a Mean rating below the threshold of 3.0.
  - AUD – Economic Concepts
  - BAR – Prospective Analysis, including the use of data
  - BAR – Derivatives and Hedge Accounting
  - ISC – Regulations, Standards and Frameworks

AIR analyzed comments from participants who disagreed with the content on below-threshold groupings, as well as comments from all participants provided at the end of the surveys. A summary of the below-threshold comments revealed opinions from those who disagreed with the content, such as the following:

- AUD – Economic Concepts, most content could be removed.
- BAR – Prospective Analysis and Derivatives and Hedge Accounting could be too advanced for nlCPAs, and therefore, could be removed.
- BAR – Prospective Analysis and AUD – Economic Concepts may be better placed elsewhere in the Exam and, in some cases, replaced with suggested alternatives accordingly.
- ISC – Regulations, Standards and Frameworks could be too specific, too advanced for nlCPAs, or both; therefore, they may need to be removed.
- BAR – Prospective Analysis, AUD – Economic Concepts, and ISC – Regulations, Standards and Frameworks, there is a possible gap between the academic training and applied practice that could have implications for exam content.

From the end of survey comments:

- Overall, participants who provided additional feedback at the end of the survey mostly showed a neutral, or positive, attitude towards the proposed content of the CPA Evolution-aligned Exam.
- Specifically, the REG/TCP pairing garnered the highest positive feedback among all three Core and Discipline pairings.

AIR's synthesis of survey responses revealed that the overall proposed content for the CPA Exam Blueprints appropriately captures capabilities necessary for initial licensure even though some content revisions to the below-threshold Groups were suggested.

Overall, participants provided over 1,000 comments during the survey process. AICPA reviewed all comments, including comments made for groupings of task statements receiving above agreement ratings in order to identify any emerging themes.

The BOE's Content Committee and its Subcommittees reviewed, considered, and deliberated the quantitative and qualitative results of the Confirmation Phase survey and incorporated the results into the next draft of the Core and Discipline Exam section Blueprints. The Subcommittee deliberations resulted in the reorganization of certain content, revision of multiple task statements, and adjustment to specific content and skill weightings. The resultant CPA Exam Blueprints, which were reviewed and approved by the Content Committee and the BOE, are included for comment in Appendix A of this ED.

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