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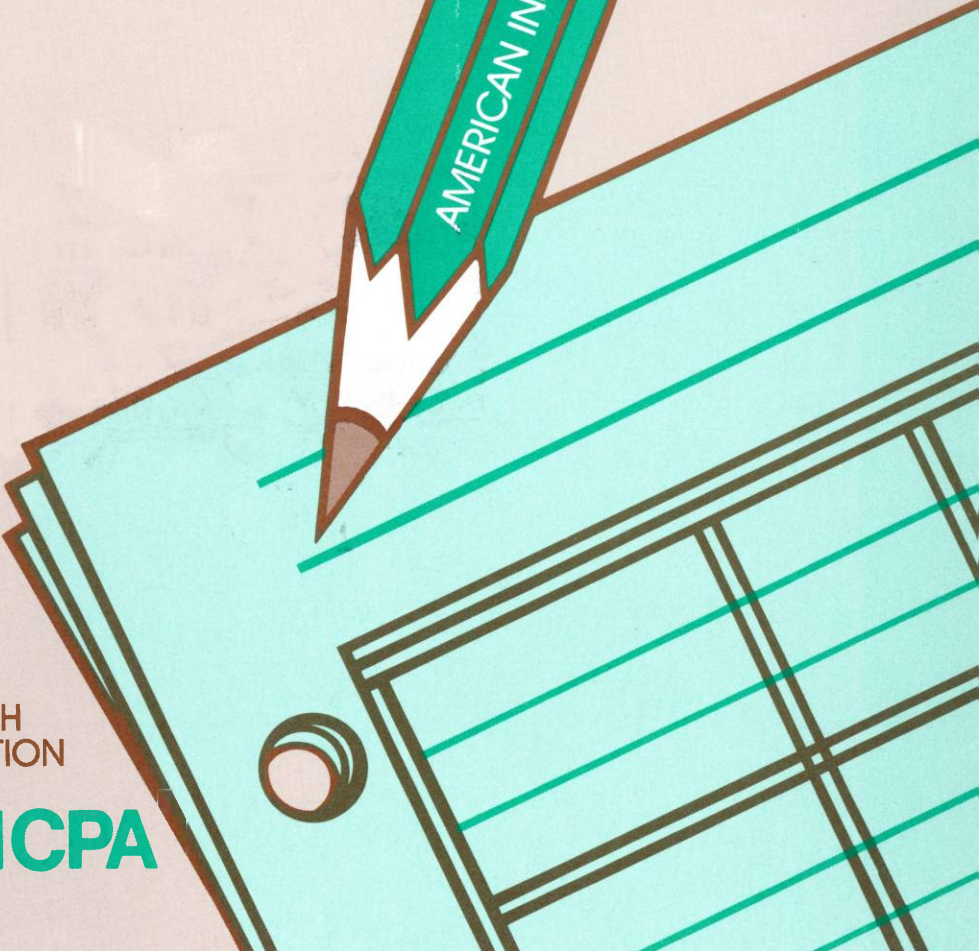
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INFORMATION FOR

CPA

CANDIDATES

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



SIXTH
EDITION

AICPA

INFORMATION FOR
CPA
CANDIDATES

SIXTH EDITION

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

This booklet was prepared by the AICPA Board of Examiners. Under the bylaws of the Institute, the Board of Examiners is responsible for supervision of the preparation of the Uniform CPA Examination and of the conduct of the Advisory Grading Service. This booklet is an expression of the Board's policy for the preparation of the examination and the conduct of the grading activities. The Board thanks the National Association of State Boards of Accountancy and the state boards of accountancy for reviewing this booklet.

Since this booklet has not been formally approved by the AICPA Council or membership, it does not represent an official position of the American Institute of Certified Public Accountants.

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American Institute of Certified Public Accountants, Inc.
1211 Avenue of the Americas, New York, N.Y. 10036-8775
First Edition 1954. Sixth Edition 1983
1234567890 Ex 89876543*

Preface

The information provided in this booklet is intended to help candidates prepare for and write the Uniform Certified Public Accountant Examination.

There is a continuing need for CPAs, and the accounting profession welcomes all qualified persons to its ranks. The Uniform CPA Examination is a measure of professional competence and establishes the CPA certificate as evidence of professional qualification.

The Uniform CPA Examination and the Advisory Grading Service were first made available by the American Institute of Certified Public Accountants in June 1917. Eventually these examination services were adopted by all the states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. As a result, the CPA certificates of all jurisdictions are on substantially the same footing, a condition that has enhanced the national prestige of the CPA designation and has aided the interstate practice of public accounting.

I urge those interested in becoming CPAs to read this booklet carefully.

Philip B. Chenok, *President*
American Institute of CPAs

New York
May 1983

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The Uniform CPA Examination

By the Board of Examiners

The Board of Examiners of the American Institute of Certified Public Accountants (AICPA) is responsible for preparing the Uniform CPA Examination and operating the Advisory Grading Service, both used by all boards of accountancy. Candidates preparing to take the examination can be aided by knowing its purpose and general objectives. Information about the areas of knowledge, skills, and abilities tested is also needed in order to prepare properly. Therefore, information on these aspects of the examination is provided for the benefit of CPA candidates and their educators.

Purpose

The Uniform CPA Examination is the primary means used by the boards of accountancy to measure the technical competence of CPA candidates. To understand the importance of the examination as a prerequisite for the CPA certificate, one must recognize the significance of the certificate. It is awarded in the public interest to qualified candidates in accordance with the accountancy statutes of a given jurisdiction. The jurisdiction may be any one of the fifty states, the District of Columbia, Guam, Puerto Rico, or the Virgin Islands. The certificate is granted to ensure the professional competence of individuals offering their services to the public as professional accountants; it is not granted for the benefit of any special group. The need for safeguarding the public interest, therefore, requires the boards of accountancy to investigate with meticulous care the qualifications of candidates for the CPA designation.

The primary objective of the Uniform CPA Examination is to test the candidates' professional competence in the discipline of accounting. Such professional competence includes adequate technical knowledge, the ability to apply such knowledge skillfully and with good judgment, and an understanding of professional responsibility. Boards of accountancy also rely upon additional means to ensure that candidates possess the necessary technical and character attributes. These means include interviews, letters of reference, investigation of educational background, and affidavits of employment. In addition, many boards of accountancy administer an ethics examination in order to test knowledge of their rules of professional conduct.

Format of the Examination

The Uniform CPA Examination is given twice a year (May and November). Examination dates are listed in Appendix C. Requirements and application forms should be obtained from the boards of accountancy.

The examination consists of four sections. The Accounting Practice section is divided into Parts I and II. The complete examination is administered over a two-and-one-half-day period with the following time allocations:

<u>Section</u>	<u>Hours</u>	<u>Day</u>	<u>Time</u>
Accounting Practice, Part I	4.5	Wednesday	1:30 - 6:00 P.M.
Auditing	3.5	Thursday	8:30 - 12:00 Noon
Accounting Practice, Part II	4.5	Thursday	1:30 - 6:00 P.M.
Business Law	3.5	Friday	8:30 - 12:00 Noon
Accounting Theory	3.5	Friday	1:30 - 5:00 P.M.
Total	<u>19.5</u>		

Each section tests candidates' knowledge by the use of multiple-choice and essay or problem-type questions. Currently, each section consists of 60 percent multiple-choice items and 40 percent essay or problem-type questions.

The use of multiple-choice items in all sections broadens the coverage of the examination. Each multiple-choice item consists of a stem, which includes factual data or describes a situation, and four answer-options—

the best answer and three distractors. The following example illustrates a possible multiple-choice item.

1. One of the generally accepted auditing standards specifies that the auditor should
 - a. Inspect all fixed assets acquired during the year.
 - b. Charge fair fees based on cost.
 - c. Make a proper study and evaluation of the existing internal control.
 - d. Count client petty cash funds.

Answer Sheet

1. a b c d

Essay or problem-type questions test candidates' ability to perceive a problem and, in addition, may require candidates to explain, discuss, compare and contrast, translate, analyze, synthesize, calculate, organize, present accounting information, evaluate, relate, or undertake some other intellectual exercise. Essay questions are generally presented in the framework of a specific situation rather than as an abstract question. Candidates are expected to apply their knowledge to a situation rather than merely restate what they have read in textbooks or authoritative pronouncements.

Examples of multiple-choice and essay or problem-type questions can be found in *Uniform CPA Examination Questions and Unofficial Answers*, which is published by and can be obtained from the AICPA for each past examination.

Content of Each Section

To provide candidates with an understanding of the content of each of the four sections (Accounting Practice, Accounting Theory, Auditing, and Business Law) of the complete Uniform CPA Examination, content specification outlines listing areas, groups, and topics are presented in Appendix A. These outlines were developed by the Board of Examiners of the AICPA over a multi-year period. The development process included wide public exposure. The Board believes these outlines will help assure the continuing validity and reliability of the examination. An important use of the outlines is to assist candidates in preparing for the examination by indicating subjects that may be covered by the examination.

Accounting Practice

The Accounting Practice section tests the application of conceptual knowledge of accounting. The problem-type questions may require candidates to prepare journal entries, financial statements, supporting financial schedules, worksheets, or narrative responses. The Accounting Practice section tests candidates' knowledge of current authoritative pronouncements on profit and not-for-profit entities. Candidates are not responsible for knowledge of accounting pronouncements issued within the twelve months prior to the examination date. This section also tests candidates' knowledge of cost/managerial accounting concepts of cost accumulation, planning, and control. Federal taxation is a regular part of the Accounting Practice section, and candidates are expected to possess knowledge of this subject up to the date of the examination.

Accounting Theory

The objective of the Accounting Theory section is to test conceptual knowledge of accounting. Such knowledge consists of a wide assortment of ideas variously described as assumptions, axioms, standards, postulates, conventions, principles, rules, and objectives. Such ideas that have received substantial authoritative support are referred to as generally accepted accounting principles.

In general, Accounting Theory questions require candidates to indicate which of several principles or standards are to be considered controlling in specific situations, to discuss alternative courses of action, or to support or criticize suggested answers to specific questions. Alternatively, the questions may ask for explanation and justification of well-established accounting practices. Theory questions are not limited to financial accounting for profit-oriented entities, but also deal with cost/managerial accounting and accounting for not-for-profit entities. As with Accounting Practice, candidates are not responsible for knowledge of accounting pronouncements issued within the twelve months prior to the examination date.

Auditing

The emphasis in the Auditing section is on testing candidates' knowledge of generally accepted auditing standards and procedures. Special attention is given to matters that are the subjects of Statements on Auditing Standards and, to a lesser extent, subjects covered in Statements on Standards for Accounting and Review Services, Statements on Responsibilities in Tax Practice, Statements on Management Advisory

Services, and AICPA Audit Guides. Many questions in the Auditing section may involve, directly or indirectly, knowledge of generally accepted accounting principles. Again, candidates are not responsible for knowledge of accounting or auditing pronouncements issued within the twelve months prior to the examination date.

Business Law

The objective of the Business Law section is to test candidates' knowledge of legal problems inherent in business transactions and the accounting and auditing implications of such problems, including the accountant's legal liability. Most of the subjects in this section are normally covered in standard textbooks on business law, auditing, taxation, and accounting. However, some subjects either are not included in such texts or are not covered in adequate depth. Further, recent developments with which candidates are expected to be familiar may not yet be reflected in some texts. Candidates are expected to recognize the existence of legal problems and the applicable basic legal principles, and they are usually asked to indicate the probable result of the application of such basic principles. The answer to an essay question in the Business Law section invariably requires the candidates to state the reasoning used to arrive at a conclusion.

The Business Law section is chiefly conceptual in nature and broad in scope. It is not intended to test candidates' competence to practice law or their expertise in legal matters, but to determine that their knowledge is sufficient to enable them to recognize relevant legal problems, realize what facts are important, apply the underlying principles of law to accounting and auditing situations, and know when to seek legal counsel or recommend that it be sought.

This section deals with federal and widely adopted uniform laws. Where there is no federal or appropriate uniform law on a subject, the questions are intended principally to test candidates' knowledge of the majority rules. Federal tax elements may be covered where appropriate in the overall context of a question.

Preparing the Examination

Considerations in Preparing the Examination

Since the CPA certificate is granted under accountancy statutes enacted in the public interest, it must be issued only to properly qualified

persons. The public's need for assurance of professional competence on the part of those receiving the CPA designation must be fully satisfied. The examination plays a major role in the licensing procedure by evaluating candidates' technical competence (including technical knowledge and the application of such knowledge) in the discipline of accounting, the exercise of good judgment, and the understanding of professional responsibility.

Questions selected for the examination must be at a level suitable for testing the technical competence of the prospective CPA. Further, each question must elicit answers that can be graded on a uniform basis.

Another factor considered when an examination is prepared is the comprehensiveness of the examination's overall content. Each examination should provide broad coverage of the body of technical knowledge required of CPAs. Another consideration is to ensure balance of the subjects covered so that no single subject receives undue weight on the examination. The content specification outlines (Appendix A) embody these considerations.

Role of the Board of Examiners and Examinations Division

The Board of Examiners of the AICPA is responsible for the preparation of the Uniform CPA Examination and the operation of the Advisory Grading Service. The Board formulates the policies for preparing and grading the examination and for all related matters. It consists of nine CPAs drawn from large and small accounting firms and academia and from different sections of the country. Many members have served on boards of accountancy and thus have first-hand knowledge of their activities and policies.

Reporting to the Board of Examiners are five permanent subcommittees plus other subcommittees and task forces convened as needed. The permanent subcommittees are Accounting Practice, Accounting Theory, Auditing, Business Law, and Grading. The grading subcommittee is discussed on page 9. Each of the other permanent subcommittees is responsible for its respective section of the examination. This responsibility includes reviewing questions and answers for every examination for overall comprehensiveness, balance, fairness, clarity, and technical accuracy.

The Director of Examinations (Director) of the AICPA has the executive responsibility for these functions. The Director operates within the confines of the policies established by the Board and the administrative structure of the AICPA. The Director heads a permanent staff of CPAs

who draft the Uniform CPA Examination and sufficient support personnel to perform the typesetting, production, and grading of the examination. Additional personnel responsible for psychometrics, systems, and security functions are also an integral part of this group, which is collectively referred to as the Examinations Division of the AICPA.

Preparation Process

Approximately eighteen months before a scheduled examination date, examination specifications are prepared by the Examinations Division staff. These examination specifications are prepared in accordance with the content specification outlines presented in Appendix A.

After the examination specifications are approved by the respective subcommittees and the entire Board of Examiners, a first draft of questions, answers, and grading guides is prepared by the staff and sent to the respective subcommittees. The subcommittees review the drafts extensively and make revisions as necessary.

The Examinations Division staff incorporates these changes and sends a second draft to the respective subcommittees. The second draft is discussed, and this review may reveal ambiguities or technical errors that were not originally identified. Furthermore, major new developments or authoritative pronouncements may necessitate revisions.

The Examinations Division staff then prepares a third draft and sends it to the respective subcommittees. The third draft is reviewed and revisions are suggested. The staff then prepares a fourth draft, which is paginated into booklet form and sent to the Board of Examiners and respective subcommittees for final written approval. At this point the examination should be in final form, and further changes are usually minor.

Two major aspects of the preparation of the examination are evident. First, each question, answer, and grading guide is reviewed numerous times. This helps to ensure that the examination is one of high quality; that is, it is well balanced, technically accurate, relevant, and fair. Second, the Board of Examiners and its subcommittees are actively involved in and responsible for the complete examination preparation.

Sources of Questions

A substantial portion of the examination is prepared by the Examinations Division staff. Consultants also develop questions on specified subjects. These efforts are supplemented by questions and answers contributed voluntarily by practitioners, professors, and students. Con-

tributions not immediately appropriate for the content of an examination under preparation are kept in a stockpile maintained at the AICPA offices. This stockpile is a ready source of ideas and situations from which questions can be drawn. When a contribution is used, the author receives an honorarium and written acknowledgment in *Uniform CPA Examination Questions and Unofficial Answers*, published by the AICPA.

Security

The examination is prepared, printed, and administered under tight security measures. During all phases of preparing, typesetting, editing, reviewing, and proofreading, examination drafts are under the surveillance of staff members of the Examinations Division. All waste material is shredded. Drafts, notes, and other writings pertaining to the examination are kept in a safe until the examination is administered.

Exposure drafts are sent to the Board of Examiners and subcommittees through channels that ensure they will not fall into unauthorized hands. The exposure drafts are kept under tight security until the examination is given. After printing, examination booklets are inspected and sealed for shipment to the boards of accountancy. Once these booklets are received, the boards of accountancy assume responsibility for maintaining security.

Grading the Examination

The objective of the Advisory Grading Service is to grade candidates' examination papers fairly and uniformly. This objective is attained through the application of the grading guides to candidates' papers with as many as three subsequent reviews of the papers and through statistical controls over the grading. Consistent application of grading guides assures candidates that their examination papers will be graded fairly and uniformly regardless of the jurisdiction in which they take the examination.

Grading Guides

Grading guides list the concepts tested by the essay or problem-type questions and under what conditions credit will be awarded. Grading guides are prepared by the Examinations Division staff at the same time the questions and answers are developed. The guides are also approved

by the appropriate subcommittee and the Board of Examiners. The grading guides provide uniform standards to which all graders must adhere throughout the grading process.

Passing Score for Each Section

Each section of the Uniform CPA Examination is graded separately. The Board of Examiners has established 75 as the minimum passing score for each section. In grading the examination, it is sometimes necessary to make grading adjustments when a question or questions prove to be more difficult than originally expected. For example, points may be added to the score of an examination section when only a small proportion of candidates earns a score above the passing point on that question or when the grading of the candidates' papers yields an unacceptably low section passing percentage. The underlying assumptions are that the average ability of the candidates is fairly consistent from year to year and fluctuations in passing percentages result from imprecise judgments in the formulation of the examination questions and the related grading guides.

Grading Bases

An important step is taken in the development of grading bases when the grading guides are approved by the various preparation subcommittees and the Board of Examiners. The next step is to apply the grading guides to a representative sample of candidates' papers. This test grading is performed by grading supervisors and experienced graders.

During the test grading, additional concepts for which credit may be given may be gleaned from the candidates' responses. Evaluations are made of differing approaches to the questions and of alternative interpretations of data and statements given in the situations posed in the essay or problem-type questions. If the interpretations are deemed reasonable, the final grading bases may provide for these approaches and interpretations. Also, during the test grading, multiple-choice questions are subjected to intensive analysis. Should a substantial portion of the candidates select an answer other than the anticipated selection, the validity of their selection is studied, and, if the alternative selection is found to be valid, it also is accepted for full credit.

The grading subcommittee meets at the end of the test grading period, at which time the grading supervisors present reports of the results of test grading. The subcommittee then interviews Examinations Division

staff and grading supervisors, discusses all proposed modifications to the grading guides, including proposed grading adjustments, and reviews all statistical data and analyses reflecting the effects of the proposed modifications. These statistical analyses include item analyses and studies to grade correlations and grade distributions. The grading subcommittee approves the final grading bases to be actually used, which may include all or some of the proposed modifications. All grading guides are then modified to conform to the final grading bases. The candidates' papers used for test grading are returned to the general population of papers and are later withdrawn in proper sequence for final grading without being identified as the sample papers used to validate the grading bases. When the grading bases are in final form, the four-stage grading process begins.

Grading Process

Throughout the grading process, the candidates' anonymity is preserved. The only information about candidates available to the graders is their candidate numbers, which appear on the examination papers to identify the candidates and their jurisdiction. No information is available to the graders about candidates' education, experience, age, number of sittings, or other personal characteristics. As a result, the candidates' performance on the Uniform CPA Examination is measured solely by the papers submitted.

The maximum point values for each question are approximately proportional to the minutes allotted to the question in the suggested time budget printed on the examination question booklets.

Multiple-choice questions are graded by an optical scanning machine. A continuous and sizeable sampling of answer sheets is verified manually to ensure that the machine has not malfunctioned. Candidates are expected to answer each question correctly in order to obtain credit. Candidates should answer multiple-choice questions as directed and not attempt to explain the answer. Since answers to multiple-choice questions are mechanically graded, candidates' comments pertaining to their answers are not considered. Computer comparisons are made to determine if there are unusual similarities in answers among candidates. Unusual similarities are reported to the appropriate boards of accountancy.

Essay and problem-type questions are graded by a professional staff specifically engaged for this purpose. Since candidates are not generally expected to compose model solutions under examination conditions, the grading bases may allow full credit for a less-than-perfect solution. For

example, in a particular essay question for which the maximum allowable credit is ten points, there may be fourteen or more gradable concepts for which the candidate can receive credit at the rate of one point per correct concept until the maximum of ten is reached. The graders of essay and problem-type questions are instructed to report all cases of unusually similar responses among candidates, and again unusual similarities are reported to the boards of accountancy.

First grading. The first grading is performed by graders assigned to individual questions. For example, each essay question in the Theory section will be graded by a different grader. Since the Theory section is currently composed of four essay questions, that number of graders would do the first grading of a candidate's paper. A grader assigned to a single question becomes an expert in the subject matter of the question and in the evaluation of candidates' answers. Thus, grading is objective and uniform. The purpose of the first grading is to separate candidates' papers into three groups: obvious pass, marginal, and obvious failure.

Second grading. Upon completion of the first grading, a second grading is performed by reviewers. Obvious passes and obvious failures are subjected to cursory reviews as part of the grading controls. Marginal papers, however, receive an intensive review. The reviewers who do the intensive reviews have had years of grading experience. An important indicator of the competence of the candidate is whether grade points were earned chiefly from discriminating concepts. During this review of the overall paper, significance is attached to the ability to organize and present knowledge in acceptable written language and to follow instructions.

Another important aspect of this review is that it is an effective quality control mechanism over the consistency of the grading process, as each reviewer has the opportunity to check the work of different combinations of graders. In this manner, there is continuous verification that all graders are properly applying the grading guides.

Third grading. After the papers have been through the second grading for all sections of the examination, the resultant grades are listed by candidate number and compared for consistency among subjects. For example, a candidate passing two sections and receiving a 69 in a third, is identified as possessing considerable competence. The 69 paper will receive a third grading to determine if the paper merits a score of 75. This third grading is performed by a grading supervisor or a reviewer who did not do the second grading of the paper.

Fourth grading. The Director of Examinations applies a fourth grading to candidates' papers that received the third grading but have grades that are inconsistent from section to section. The Director knows that the papers have already been subjected to three gradings and that it is extremely unlikely that additional points will be found for which the candidates should be given credit. Therefore, the paper is reviewed with this question in mind: "Considering the overall presentation in this paper, does this candidate have the technical competence to function effectively as a CPA?" If the answer is "Yes," the candidate is passed. Very few candidates are passed in this manner, but this fourth grading ensures that marginal candidates receive every possible consideration.

Elijah Watt Sells Awards

Elijah Watt Sells Awards are presented to candidates who pass all four sections of the Uniform CPA Examination at one time and receive the highest grades. For the highest grades a Gold Medal is awarded; for the second highest grades a Silver Medal is awarded; and for the third highest grades a Bronze Medal is awarded. Certificates for performance With High Distinction are also awarded.

These awards were originally established by the Council of the AICPA in 1923. Permanence was ensured by contributions to the special scholarship fund by friends of the late Elijah Watt Sells with the understanding that the income from that fund should be used for scholarship prizes. Until 1933 a cash prize was given to the candidate receiving the highest average grade. From that time until 1978, Gold and Silver Medals were awarded for the two best grades combining all sections, and certificates were given for honorable mention papers. Beginning with the May 1978 examination, the Board of Examiners has been awarding medals for the three best grades and certificates for performance With High Distinction to the balance of the winners.

Selection of the winners is made without knowledge of the identity of the candidates. The sections of the examination are assigned the following weights: Accounting Practice, 2; Accounting Theory, 1; Auditing, 1; and Business Law, 1. An additional requirement is that a candidate must attain a score of 80 or better on each section of the examination.

The honor attached to the award is especially significant when consideration is given to the number of candidates taking the examination. For example, the November 1982 examination was written by 73,140 candidates who completed 268,270 papers. For this examination 118 certificates for performance With High Distinction were awarded.

Preparing for and Writing the Examination

Positive Attitude Toward the Examination

A candidate's first task is to develop a positive attitude toward the examination—an attitude that passing the examination is a reasonable, attainable goal, but one requiring substantial effort. This attitude is most important since it will determine how well the general review suggestions that follow will be carried out. Candidates should view the examination as challenging and involving intensive preparation. Preparing adequately will enhance one's opportunity to pass. Candidates must discipline themselves to review broadly. Such review may be done through self-study, a college or university review course, or a private review course.

Although motivation to prepare is difficult to define or describe, it can be a major contributing factor to success on the examination. Candidates possessing high motivation strive energetically for the CPA certificate and regard the Uniform CPA Examination as a stepping-stone to professional recognition. These determined candidates prepare for and attempt the examination with greater enthusiasm than do candidates with low motivation. Candidates who have the requisite preparation and who are eager to be CPAs usually pass the examination early in their professional careers.

Attributes for Success

Attributes that contribute to examination success are (1) adequate general intelligence, (2) education provided by a college degree with a concentration in accounting, and (3) carefully planned, intensive review for an extended period of time. There is a greater chance for success if appropriately educated candidates take the examination at the earliest date after becoming eligible. Much of the examination tests knowledge obtained from academic study for entry into the profession of accountancy. Delays after graduating from college, therefore, are likely to result in the necessity for greater preparation.

There are no simple formulas that can be applied to every candidate to ensure success. Candidates vary in general intelligence, educational background, and personal characteristics, so each must develop procedures for learning accordingly. Candidates should study the areas, groups, and topics covered in the content specification outlines in Appendix A and evaluate their capabilities and limitations in order to develop study plans appropriate to their circumstances.

General Review Suggestions

Organized review program. Once the candidate has developed the proper attitude and has analyzed his or her own weaknesses and strengths, the candidate will be ready to formulate a plan of attack—the review program. Obviously, the total hours of study needed, the subjects on which to concentrate, and the procedures to follow will depend upon the educational background, experience, and personal characteristics of each candidate, but preparation should be carried out over a period of months and not left to the last week or so before the examination.

Each candidate should formulate a rigorous plan of study and review, setting forth the areas, groups, and topics to be covered and the time to be spent on each. An intensity of study not undergone before may be required. Time for study should be budgeted because studying consistently is important. Daily short study periods of two or three hours may be more productive than a weekend marathon. This approach requires selecting hours that are best suited to study and then conscientiously adhering to a self-imposed schedule.

Preparation to include all sections. Candidates should not think that it is more efficient to prepare for only one or two sections. On the contrary, the best performance is likely to be achieved by the candidate who prepares for all sections of the examination. This is because all sections—Accounting Practice, Accounting Theory, Auditing, and Business Law—are so interrelated and interdependent that review of one enhances preparation for the others. After all, good practice is based on knowing the underlying theory. It also follows that a knowledge of practice and theory is essential, though insufficient by itself, to pass the Auditing section. Furthermore, concepts of business law prevail in any accounting or auditing environment.

Review by subject and answering past CPA examination questions. Candidates should study the areas, groups, and topics listed on the outlines presented in Appendix A. A good starting point is a thorough review of the appropriate textbooks, supplemented by the additional sources listed on page 16. References provided in *Uniform CPA Examination Questions and Unofficial Answers* should assist in providing examples of textbooks and the applicable pronouncements. Candidates should not spend excessive review time studying subjects that they consider to be their strengths, but should concentrate on those in which they feel their knowledge is the weakest. Since the outlines specify the

approximate percentage allocated to each area, candidates should not ignore an area in the hope that it will be omitted from a particular examination.

After candidates have thoroughly reviewed a subject, answering past examination questions before referring to the unofficial answers should assist in analyzing their understanding of the subject. Studying past examinations should aid candidates in developing confidence in their abilities, improving their examination-taking techniques and identifying subjects in which additional review is necessary. Furthermore, candidates can simulate examination conditions by attempting a complete section of an examination. This approach should afford candidates the experience of working within the time allotment and further enhance their examination-taking techniques.

The questions, unofficial answers, and references to past CPA examinations may be purchased from the AICPA. However, candidates should realize that because of new pronouncements, some prior questions may currently have answers and references that are different from those published.

Awareness of alternative terminology. When preparing, candidates must recognize that terminology is not always uniform. Variations in terminology drawn from many sources will inevitably appear in a national examination. Thus, candidates should be familiar with the variety and interchangeability of many accounting terms. For example, “factory overhead” is usually interchangeable with the following terms: “indirect manufacturing cost,” “factory burden,” and “manufacturing overhead.”

Recognizing alternative answers. Candidates should also recognize that usually there is more than one way to approach an essay or problem-type question. Alternative answers can arise because (1) there are slight variations in practical accounting procedures or techniques and (2) there are different schools of thought on certain accounting matters. In grading, full credit is given to alternative approaches to correct answers. Therefore, CPA candidates should not be discouraged if, in the course of review, published answers are found that do not precisely agree with the approach learned in specific accounting courses. The AICPA finds it impractical to publish all alternative answers, so it confines its unofficial answers to one widely accepted approach. These published answers are neither official positions of the AICPA nor necessarily the only acceptable answers.

Many candidates will have had practical experience in auditing, taxation, or some other phase of accounting practice before taking the examination. A warning is in order for these candidates. They should not hold fast to the particular techniques and procedures that they have followed in practice. Many times these have been tailored to fit a particular set of circumstances, a particular audit engagement, or a particular firm. For these cases, such practices may be acceptable. The answers to the CPA examination questions, however, must reflect generally accepted practices and techniques and the procedures generally followed in the circumstances presented.

Publications to Review

The review should include current intermediate and advanced financial accounting, auditing, cost accounting, federal income taxation, and business law textbooks. To the extent that the subjects are not thoroughly and currently treated in textbook materials reviewed, the following additional sources are recommended:

- Pronouncements of the Financial Accounting Standards Board
- Statements on Auditing Standards
- AICPA publications such as Code of Professional Ethics, Statements on Standards for Accounting and Review Services, Statements on Quality Control Standards, Statements on Management Advisory Services, Statements on Responsibilities in Tax Practice, and audit guides
- A standard tax service, the Internal Revenue Code, and income tax regulations
- Statements of the National Council on Governmental Accounting and the Municipal Finance Officers Association of the United States and Canada
- Such federal statutes and uniform acts as the Securities Act of 1933, Securities Exchange Act of 1934, Federal Bankruptcy Act, Sherman Act, Clayton Act, Robinson-Patman Act, Federal Trade Commission Act, Uniform Commercial Code, Uniform Partnership Act, Uniform Limited Partnership Act, and Model Business Corporation Act

As stated earlier, references cited for prior examinations in the questions and unofficial answers help indicate which sources to use. In addition, the latest catalog of *AICPA Publications & Individual & Group Study Courses* may be obtained by writing to the AICPA.

Candidates are expected to keep abreast of accounting literature as a part of professional responsibilities, and therefore should also review professional accounting periodicals.

General Suggestions for Writing the Examination

Knowledge of the subject matter is essential for success on the examination; nevertheless, there are some examination-taking techniques that should improve performance and might mean the difference between success and failure. Candidates should keep these techniques firmly in mind and practice them during the time spent reviewing so that such techniques can be utilized most efficiently during the examination. Those listed below are generally applicable to all sections of the examination.

Be punctual. Plan to arrive at the examination room well in advance of the starting time. Allow ample time for traffic delays, coat checking, and other inconveniences that might cause delays. Be seated and accustomed to the surroundings at the time the examination begins.

Take supplies. Bring an adequate supply of pencils and erasers. Because of the problem of keeping pencils sharp, consider using mechanical pencils. Bring an ample supply of lead refills and a reserve pencil or two. A good eraser that will not smudge the paper will ease the task of erasing. A pencil with no. 2 lead should be used to mark the answer sheets for the multiple-choice questions because these answer sheets are scored by optical scanning equipment. In the interest of maintaining uniform examination conditions, mechanical or electronic aids—including calculators—are *not* permitted in the examination room.

Do *not* bring any paper or printed material to the examination room. Possession of such material might result in being barred from participation in the examination. Examination paper to answer the questions will be provided.

Budget time. A schedule of estimated minimum and maximum times for each question is printed on the cover of each examination question booklet. An example of such a schedule can be found in Appendix B. These estimates should be used as a guide in budgeting the time on each question. Limit the time spent on a question to the estimated maximum and, if necessary, return to the question if time permits after writing

answers to all questions. Some candidates prefer to limit the time spent on a question to the estimated minimum so that they will have time left after writing answers to all questions.

Even when encountering an essay question covering a subject about which the candidate has extensive knowledge, time should be limited to that in the time budget, rather than writing a lengthy answer and thus cutting short the time available for writing answers to other questions. It is also advisable to allot the full budgeted time to the multiple-choice questions and not to save time by making hurried selections of answers.

Read the question. Read the entire question carefully to get a general idea of the subject matter being tested and then reread the question for pertinent facts and data. Underscore important data or facts in the examination question booklet for ready identification. Some candidates approach a question by reading the requirements first and then reading the situation for the information it contains. This procedure might enable candidates to identify the data more rapidly and to classify the information for pertinence.

Respond to the requirements. CPA examination questions are intended to be straightforward. Special assumptions are rarely necessary. Sometimes a candidate still feels that an assumption must be made. If so, the assumption for an essay or problem-type question should be stated, together with the reasons for it.

Answers should respond directly to the requirements and not be broad expositions on the subject of the question. Do not identify the general subject matter of a question and proceed to set forth everything known about the subject without regard to specific requirements.

Answers should not contain contradictions within themselves. When in some cases a discussion of both sides of a question is required, make it clear that two lines of reasoning or opposing arguments are presented.

Use examples freely to illustrate the statements made, but be certain that the examples provide logical support or present reasonable applications. Well-chosen examples often are a short and easy way of expressing an idea or supporting a conclusion. On the other hand, inapplicable examples can cast doubt on the candidates' comprehension of the subject matter.

Begin the answer to each essay or problem-type question on a new page. Be sure to arrange answers in numerical sequence when the examination papers are turned in.

Select the efficient approach. Selection of an inefficient, though not necessarily incorrect, approach to a question can waste precious time. Before writing the answer, devote some time to determining what approach will be used and then think through the answer to its conclusion. If an answer appears to require extensive arithmetical computations, set up the formulas or show the sequence of computations, properly labeled, before starting any of the arithmetic. This is logical time-utilization that will ensure maximum credit both for knowledge of the subject matter and professional skill in recognizing and completing the significant part of the answer first.

If it appears that there is a lack of time to complete the requirements, work until the last few minutes of the time budgeted for the question and then state briefly how the answer should be completed. Remember, however, that resorting to explanations rather than completing the requirements for a number of questions would probably lead to the conclusion that the candidate was not fully prepared.

Organize answers. After understanding clearly the requirements of questions and analyzing the data, organize answers to respond directly to the requirements. The requirements of the questions are intended to be the framework on which answers should be constructed. These requirements are carefully phrased to elicit specific knowledge. Organizing answers carefully before beginning to write them in final form will save time, avoid false starts, and aid in writing coherently. Preparing rough outlines might assist in organizing answers.

Each principal idea should be the subject of a separate paragraph. Follow the rules of good grammatical construction and place the principal idea of the paragraph in the first sentence. Subsequent sentences should present subordinate or supporting concepts, or illustrative examples. Generally, knowledge is best expressed by employing short paragraphs composed of short sentences. Moreover, short paragraphs, each limited to one principal idea, can better emphasize the main points in the answer.

Prepare adequate answers. Answer each question completely. Concise and comprehensive answers need not be lengthy. However, guard against the extremely brief answer that is likely to omit important points. Answer all multiple-choice items; scores are determined by the total number of correct answers.

Answer essay questions in proper, concise language. This practice will improve answers. Quality and quantity of ideas are desired, not quantity of words. Do not repeat the question; this wastes valuable time.

Be specific. Be so specific that there can be no mistaking the meaning or reasoning set forth in the answer. The grader cannot make any assumptions about the candidates' knowledge.

Support all problem-type answers. Support all problem-type answers with properly labeled and legible calculations that can be identified as sources of amounts in formal schedules, entries, worksheets, or other answers to determine how the final answer was derived. If graders can trace an error to its source in calculations, frequently much of the credit is awarded that might otherwise be lost. If computations are unavailable, unintelligible, or are not labeled, it is impossible for the grader to evaluate the reasonableness of computations. Since answers to multiple-choice items are machine graded, support for answers to these questions are not considered.

Give reasons. The reasons offered for conclusions may be as important as the conclusions themselves. Hence, it is often as important to explain the reasons for applying certain auditing procedures, as it is to know the procedures themselves. Similarly, it is as important to know the reasoning for an accounting procedure as it is to know the application of the procedure. Citing authorities instead of giving the underlying reasons or supporting logic is a common error. Citations from textbooks or authoritative pronouncements are not required.

Apply general knowledge of business. Display of a general knowledge of business activities will be helpful in answering the questions. The examination is chiefly a collection of businesslike situations that could be encountered by a professional accountant. Apply general knowledge of business activity in formulating answers. Try to visualize the circumstances of the situation.

Write legibly. Handwriting should be reasonably legible and answer sheets neat in appearance. Answers need not be printed or be in artistically attractive handwriting. Extensive underscoring for emphasis of points believed to be of major consequence is unnecessary.

Identify and turn in all papers. All papers should be identified by question number and page sequence in the space at the top of the sheet.

The unlined sheets provided for scratch purposes should also be so identified and turned in; these scratch sheets may contain computations essential in developing an understanding of answers. Often grade points are earned for the work done on the scratch sheets. Papers should be arranged in proper sequence before turning them in.

Study the Instructions for the Uniform Certified Public Accountant Examination. This information is presented in Appendix B.

Conclusion

The Board of Examiners and the staff of the Examinations Division of the AICPA feel keenly their responsibility to the fifty-four boards of accountancy for preparation and advisory grading of the Uniform CPA Examination. They are aware that these services must appropriately safeguard the public interest and identify all candidates with appropriate competence as prospective CPAs. The measures taken to discharge that responsibility are described in this booklet. The Board of Examiners and the Examinations Division Staff wish all candidates success in their career endeavors.

State Boards of Accountancy—Regulators of the Profession

Background

The legislatures in each state have determined it to be in the public interest to identify and to establish measures of control over those individuals who have met prescribed requirements and who offer or intend to offer their services to the public as CPAs. Thus, licensing laws have been enacted in all jurisdictions that set forth education, experience, examination, and other requirements for the CPA certificate and provide for the revocation or suspension of those certificates for acts deemed to be unlawful or unprofessional. These jurisdictions are the fifty states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

Although there is a uniform (national) CPA examination, there is no national CPA certificate or license to practice. A person who wishes to qualify for the title or practice as a CPA must do so under the law of one of the jurisdictions. While the principal features of the various jurisdic-

tional laws and regulations have much in common, there are differences in many provisions. This section does not explain all of the various features of these laws and board regulations, but it presents some of the background and the history of regulations and covers in a general way the principal features of laws and regulations that are likely to be of particular interest to candidates.

Boards of Accountancy

Accountancy laws also establish a public authority—usually called a board of accountancy—to prescribe and assess the qualifications of CPAs. This public authority is given broad powers to adopt regulations and to promulgate rules of conduct for the proper administration of the law and to ensure that the public is served by qualified professional accountants.

Members of boards of accountancy generally are appointed by governors and usually are composed of practicing CPAs. In some jurisdictions the board also includes nonpracticing CPAs, licensed (but noncertified) public accountants, public members, attorneys, economists, or state officials. These individuals assume a heavy responsibility to safeguard the public interest by assuring the competence and integrity of those who hold themselves out to the public as CPAs. They evaluate the qualifications of candidates, administer examinations, issue certificates and licenses to practice, consider applications for certificates or licenses from out-of-state accountants, grant temporary permits to practice, promulgate rules of professional conduct, investigate complaints, hold hearings, and take disciplinary action.

It has been said that the CPA certificate is “the gateway to a profession” and that the boards of accountancy are the sentinels at that gateway. But these boards are entrusted by the public to do much more than prevent unqualified persons from obtaining the CPA certificate. They must ensure that all those who are qualified receive the certificate, and that all who become certified continue to remain qualified and adhere to professional standards.

Boards of accountancy should not be confused with state societies of CPAs. Boards are administrative branches of the respective governments, whereas state societies are voluntary, private, professional organizations that perform on a state level many of the activities performed on the national level by the AICPA.

National Association of State Boards of Accountancy (NASBA)

In an effort to help each other perform more effectively and to cope with the problems of interstate practice, the state boards of accountancy formed a national association in 1908. Its principal purpose was simple: to share the burden of preparing a separate CPA examination in each state by exchanging examination questions and by developing a stockpile of questions that could be drawn upon by each state board.

During the ensuing years the National Association of State Boards of Accountancy (NASBA) encouraged the adoption of the Uniform CPA Examination, which is prepared by the AICPA and is now used by all boards of accountancy.

Sources of Specific Information

The primary source of accurate, up-to-date information regarding examination and licensing requirements is the board of accountancy in the candidate's state. A list of state boards of accountancy may be obtained from NASBA, 545 Fifth Avenue, New York, N.Y. 10017. There are two publications that summarize the state accountancy laws.

1. *Digest of State Accountancy Laws and State Board Regulations* is jointly published periodically by the AICPA and NASBA and can be obtained from the AICPA.
2. *Accountancy Law Reports*, published by Commerce Clearing House, is a loose-leaf service updated periodically.

Applying to Take the CPA Examination

Application forms and requirements to sit for the Uniform CPA Examination should be requested from the board of accountancy from which a candidate is seeking a CPA certificate. Most boards require applications to be received at least ninety days before the examination date. Requirements, which may include experience, internship, and/or a separate ethics examination, vary among jurisdictions, but the following educational requirements are likely to be included:

- A baccalaureate degree conferred by a college or university recognized by the board
- An educational program that includes a specified number of credit hours of accounting and related subjects

A candidate who has met the specified requirements and has properly applied to sit for the Uniform CPA Examination will be notified by the board.

Each candidate should carefully review the laws and regulations of the jurisdiction in which the candidate desires to be employed in order to determine what special requirements must be met.

Taking the CPA Examination

The Uniform CPA Examination is administered under the auspices of the various boards of accountancy. The AICPA does not deal directly with candidates. Appendix B lists the general rules governing the taking of the examination. Any questions about requirements for sitting, examination site, or grades should be directed to the appropriate board of accountancy.

Communicating Grades to Candidates

It should be emphasized that even though the AICPA prepares the examination and provides an advisory grading service, the responsibility for examining CPA candidates and issuing grades remains with the individual boards of accountancy. For this reason, the boards of accountancy, both individually and through their national organization (NASBA), participate actively in reviewing the content and grading of the examination and the procedures by which the examination is administered.

A uniform announcement date is set by the AICPA Examinations Division and on this date each board notifies candidates of their grades. The uniform announcement date is approximately ninety days after the examination date.

Conditional Status

As stated earlier, the passing score for each section is 75. Conditional status may be granted to those candidates who receive a passing grade in some but not all sections. A few boards of accountancy grant conditional status to the candidates who pass only one section; most boards require that at least two sections (or Accounting Practice alone) be passed before conditional status is awarded. Many boards require a minimum grade in the sections failed in order for a candidate to receive conditional credit for the sections passed.

Candidates receiving conditional status are generally given a number of additional opportunities to pass the remaining sections. After expiration of the conditional credit, candidates must be reexamined in all sections. Candidates are encouraged to familiarize themselves with the precise rules and regulations governing the granting of conditional status in their jurisdictions.

Reciprocity

The uniformly high standards achieved by using a common examination and a central advisory grading service give the CPA examination national acceptance. Generally, CPAs of one jurisdiction may obtain reciprocal CPA certificates or licenses to practice in other jurisdictions without retaking the examination if they meet all of the other requirements imposed by the jurisdiction from which reciprocity is being sought.

Appendix A

Content Specification Outlines

Background Information

The Board of Examiners of the American Institute of Certified Public Accountants believes that content specification outlines will help assure the continuing validity and reliability of the Uniform CPA Examination. The development of the current content specification outlines was accomplished over several years. The Board of Examiners first requested Subcommittees of the Board of Examiners (Accounting Practice, Accounting Theory, Auditing, and Business Law) to draft content specification outlines for their respective sections.

The content specification outlines were drafted by each subcommittee with the assistance of the AICPA Examinations Division staff. The Chairman of the Board of Examiners then appointed an AICPA task force to coordinate the outlines and to recommend how the content specifications should be exposed to the profession. The task force recommended that the Board of Examiners approve the content specification outlines for exposure to the profession through an AICPA Exposure Draft for public comment.

On March 10, 1980, the Exposure Draft—*Proposed Content Specification Outlines for the Uniform Certified Public Accountant Examination* was issued. The Board considered written comments received from the public, oral comments delivered at Board of Examiners' open meetings, and information submitted by NASBA, which gathered data through various state boards sponsoring special seminar sessions to review the *Proposed Content Specification Outlines for the Uniform Certified Public Accountant Examination*. Based on this input, the Board made certain modifications to the Exposure Draft and Content Specification Outlines were approved by the Board of Examiners on August 31, 1981.

Meaning and Use of Content Specification Outlines

The content specification outlines are divided into three levels—areas, groups, and topics, with the following outline notations:

- Areas by Roman numerals (I. Area),
- Groups by capital letters (A. Group),
- Topics by Arabic numbers (1. Topic).

The content specification outlines list the areas, groups, and topics to be tested, and also indicate the approximate percentage of the total test score devoted to each area. Some of the uses of the outlines will be to:

- Assure consistent subject matter coverage from one examination to the next.
- Assist candidates in preparing for the examination by indicating subjects which may be covered by the examination.
- Provide guidance to those who are responsible for preparing the examination in order to assure a balanced examination.
- Alert accounting educators as to the subject matter considered necessary to prepare for the examination.

The relative weight given to each area is indicated by its approximate percentage allocation. The examination will sample from the groups and topics listed within each area in order to meet the approximate percentage allocation. Generally, the group title should be sufficient to indicate the subject matter to be covered. However, in certain instances, topics have been explicitly listed in order to clarify or limit the subject matter covered within a group.

No weight allocation is given for groups or topics. For example, if there are several groups within an area or several topics within a group, no inference should be drawn about the relative importance or weight to be given to these groups or topics on an examination.

Candidates should realize that clear-cut distinctions as to subject matter do not always exist. Thus, there may be overlapping of subjects in the four sections of the examination. For example, Auditing questions often require a knowledge of accounting theory and practice, as well as of auditing procedures. Also, Business Law questions may be set in an accounting or auditing environment, and answers may involve integration with accounting and auditing knowledge.

The content specification outlines are considered to be complete as to the subjects to be tested on an examination, including recent professional developments as they affect these subjects. Candidates should answer examination questions, developed from these outlines, in terms of the most recent developments, pronouncements, and standards in the accounting profession. When new subject matter is identified the outlines will be amended to include it and this will be communicated to the profession.

Accounting Practice Section

The Accounting Practice section tests the candidates' ability to apply current conceptual accounting knowledge. The scope of the Accounting Practice section includes financial accounting concepts relating to financial reports, assets, liabilities, equity, income and expense, and other financial topics; cost/managerial accounting concepts of cost accumulation, planning, and control; not-for-profit and governmental accounting; and federal taxation.

In preparing for this section, candidates should study the pronouncements of the Financial Accounting Standards Board, Internal Revenue Code and Income Tax Regulations, accounting textbooks, leading accounting journals, and other literature pertaining to accounting.

Accounting Practice — Content Specification Outline

- I. Presentation of Financial Statements or Worksheets (15%).
 - A. Balance Sheet
 - B. Income Statement
 - C. Statement of Changes in Financial Position
 - D. Statement of Owners' Equity
 - E. Consolidated Financial Statements or Worksheets
 1. Pooled Companies
 2. Purchased Companies
 3. Corrections
 4. Eliminations
 5. Intangibles – Goodwill
 - F. Disclosures in Notes to the Financial Statements
 - G. Supplementary Statements
- II. Measurement, Valuation, Realization, and Presentation of Assets in Conformity With Generally Accepted Accounting Principles (10%).
 - A. Cash
 - B. Marketable Securities and Investments
 1. Marketable Equity Securities
 2. Other Securities
 3. Investment in Bonds
 4. Investment in Stocks
 5. Sinking and Other Funds
 - C. Receivables and Accruals
 1. Accounts and Notes Receivable
 2. Affiliated Company Receivables
 3. Discounting of Notes
 4. Installment Accounts
 5. Interest and Other Accrued Income
 6. Allowance for Doubtful Accounts
 - D. Inventories
 1. Acquisition Costs
 2. Costing Methods
 3. Valuation Methods
 - E. Property, Plant, and Equipment
 1. Acquisition Costs
 2. Additions and Betterments
 3. Depreciation, Amortization, and Depletion
 4. Insurance
 5. Involuntary Conversion
 6. Leasehold Improvements
 7. Maintenance and Repairs
 8. Obsolescence and Write-downs

- 9. Rearrangement and Moving Costs
- 10. Disposition
- F. Capitalized Leased Assets
 - 1. Acquisition Costs
 - 2. Amortization
- G. Intangibles
 - 1. Acquisition Costs
 - 2. Amortization
 - 3. Intangibles Carried as Investments (equity method)
- H. Prepaid Expenses and Deferred Charges
 - 1. Prepaid Expenses
 - 2. Deferred Income Taxes
 - 3. Deferred Pension Costs
- III. Valuation, Recognition, and Presentation of Liabilities in Conformity With Generally Accepted Accounting Principles (5%).
 - A. Payables and Accruals
 - 1. Accounts and Notes Payable
 - 2. Accrued Employees' Costs
 - 3. Interest and Other Accrued Expenses
 - 4. Accrued Pension Expense
 - 5. Taxes Payable
 - 6. Guaranties and Warranties
 - 7. Deposits and Escrows
 - B. Deferred Revenues
 - 1. Unperformed Service Contracts
 - 2. Subscriptions or Tickets Outstanding
 - 3. Installment Sales
 - 4. Sale and Leaseback
 - C. Deferred Income Tax Liabilities
 - 1. Equity Method of Accounting for Investments
 - 2. Depreciation of Plant Assets
 - 3. Long-Term Construction Contracts
 - 4. Other Timing Differences
 - D. Capitalized Lease Liability
 - 1. Measurement at Present Value
 - 2. Amortization
 - E. Bonds Payable
 - 1. Issue of Bonds
 - 2. Issue Costs
 - 3. Amortization of Discount or Premium
 - 4. Types of Bonds
 - 5. Conversion of Bonds

- 6. Detachable Stock Warrants
 - 7. Retirement of Bonds
 - F. Long-Term Notes Payable
 - G. Contingent Liabilities and Commitments
- IV. Ownership Structure, Presentation, and Valuation of Equity Accounts in Conformity With Generally Accepted Accounting Principles (5%).
- A. Preferred and Common Stock
 - 1. Issued
 - 2. Outstanding
 - 3. Legal Capital
 - 4. Retirement of Stock
 - 5. Book Value Per Share
 - 6. Classification
 - B. Additional Paid-in Capital
 - C. Retained Earnings and Dividends
 - 1. Prior Period Adjustments
 - 2. Net Income
 - 3. Cash Dividends
 - 4. Property Dividends
 - 5. Liquidating Dividends
 - 6. Stock Dividends and Splits
 - 7. Appropriations of Retained Earnings
 - D. Treasury Stock and Other Contra Accounts
 - 1. Cost Method
 - 2. Par Value Method
 - 3. Restrictions on Acquisition of Treasury Stock
 - E. Stock Options, Warrants, and Rights
 - F. Reorganization and Change in Entity
 - 1. Incorporation of an Unincorporated Enterprise
 - 2. Business Combinations
 - 3. Quasi-Reorganization
 - 4. Bankruptcy
 - G. Partnerships
 - 1. Formation
 - 2. Admission, Retirement, and Dissolution
 - 3. Profit or Loss Distribution and Other Special Allocations
- V. Measurement and Presentation of Income and Expense Items, Their Relationship to Matching and Periodicity, and Their Relationship to Generally Accepted Accounting Principles (15%).
- A. Sales or Revenues
 - 1. Cash
 - 2. At Time of Sale

3. At Completion of Production
 4. During Production (percentage of completion)
 5. Installment Method or Cost Recovery
 6. Equity in Earnings of Investee
 7. Interest
 8. Dividends
 9. Royalties
 10. Rent
 11. Disposal of Assets and Liquidation of Liabilities
 12. Foreign Exchange
- B. Cost of Goods Sold
- C. Expenses
1. General and Administrative
 2. Selling
 3. Financial (interest)
 4. Depreciation, Amortization, and Depletion
 5. Research and Development
 6. Foreign Exchange
 7. Bad Debts
 8. Royalties
 9. Rent
 10. Compensation
 11. Unusual Gains or Losses
- D. Provision for Income Tax
1. Current
 2. Deferred
- E. Recurring Versus Nonrecurring Transactions and Events
1. Discontinued Operations
 2. Extraordinary Items
- F. Accounting Changes
- G. Earnings Per Share

VI. Other Financial Topics (5%).

- A. Accounting Policies
- B. Nonmonetary Transactions
- C. Interim Financial Statements
- D. Historical Cost, Constant Dollar Accounting, and Current Cost
- E. Loss or Gain Contingencies
- F. Segments and Lines of Business
- G. Long-Term Contracts
- H. Employee Benefits
- I. Analysis of Financial Statements

- J. Development Stage Enterprises
 - K. Personal Financial Statements
- VII. Cost Accumulation, Planning, and Control (15%).
- A. Nature of Cost Elements
 - 1. Direct Materials
 - 2. Direct Labor
 - 3. Overhead (actual, applied, and allocation methods)
 - B. Job Order Costing
 - C. Process Costing
 - D. Standard Costing and Variance Analysis
 - E. Joint Costing
 - F. By-Product Costing
 - G. Spoilage, Waste, and Scrap
 - H. Absorption and Direct Costing
 - I. Transfer Pricing
 - J. Product Pricing
 - K. Budgeting and Flexible Budgeting
 - L. Breakeven and Cost-Volume-Profit Analysis
 - M. Gross Profit Analysis
 - N. Differential Cost Analysis
 - 1. Activity Levels
 - 2. Sunk Costs
 - 3. Contribution to Profit
 - 4. Uncertainty
 - 5. Time Periods
 - O. Capital Budgeting Techniques
 - 1. Net Present Value
 - 2. Internal Rate of Return
 - 3. Payback Period
 - 4. Accounting Rate of Return
 - P. Performance Analysis
 - 1. Return on Investment
 - 2. Residual Income
 - 3. Controllable Revenue and Costs
 - Q. Quantitative Techniques for Planning and Control
 - 1. Regression and Correlation Analysis
 - 2. Learning Curves
 - 3. Economic Order Quantity
 - 4. PERT/Cost
 - 5. Sensitivity Analysis
 - 6. Probability Analysis
 - 7. Linear Programming

VIII. Not-for-Profit and Governmental Accounting (10%).

A. Fund Accounting

1. Fund Balance
2. Estimated Revenues
3. Appropriations
4. Encumbrances
5. Reserve for Encumbrances
6. Revenues
7. Expenditures

B. Types of Funds and Fund Accounts

1. General Fund
2. Special Revenue Funds
3. Debt Service Funds
4. Capital Projects Funds
5. Enterprise Funds
6. Internal Service Funds
7. Trust and Agency Funds
8. Special Assessment Funds
9. General Fixed Asset Account Group
10. General Long-Term Debt Account Group
11. Endowment and Quasi-Endowment Funds
12. Restricted Funds
13. Nonrestricted Funds
14. Property Funds

C. Presentation of Financial Statements for Various Not-for-Profit and Governmental Organizations

D. Various Types of Not-for-Profit and Governmental Organizations

1. Local and State Governments
2. Educational Institutions
3. Hospitals
4. Charitable, Religious, and Other Organizations

IX. Federal Taxation—Individuals (10%).

A. Inclusions for Gross Income and Adjusted Gross Income

1. Reporting Basis of Taxpayer—Cash, Accrual, or Modified
2. Compensation for Services
3. Business Income
4. Interest
5. Rent and Royalties
6. Dividends
7. Alimony
8. Capital Gains and Losses
9. Miscellaneous Income

- B. Exclusions and Other Deductions (including adjustments to arrive at Adjusted Gross Income)
 - C. Gain or Loss on Property Transactions
 - 1. Character
 - 2. Recognition
 - 3. Basis and Holding Period
 - D. Deductions from Adjusted Gross Income
 - 1. Zero Bracket Amount
 - 2. Interest
 - 3. Taxes
 - 4. Contributions
 - 5. Medical Expenses
 - 6. Casualty Losses
 - 7. Miscellaneous Deductions
 - E. Filing Status and Exemptions
 - F. Tax Determination
 - 1. Tax Computations
 - 2. Tax Credits and Other Allowances
 - G. Statute of Limitations
 - 1. Claims for Refund
 - 2. Assessments
 - H. Effect of Gift and Estate Taxation on Individuals
- X. Federal Taxation—Corporations and Partnerships (10%).
- Corporations
- A. Determination of Taxable Income or Loss
 - 1. Determination of Gross Income Including Capital Gains and Losses
 - 2. Deductions from Gross Income
 - 3. Reconciliation of Taxable Income and Book Income
 - 4. Reconciliation of Opening and Closing Retained Earnings
 - 5. Consolidations
 - B. Tax Determination
 - 1. Tax Computations
 - 2. Tax Credits
 - C. Subchapter S Corporations
 - D. Personal Holding Companies
 - E. Accumulated Earnings Tax
 - F. Distributions
 - G. Tax-Free Incorporation
 - H. Reorganizations
 - I. Liquidations and Dissolutions

Partnerships

- J. Formation of Partnership
 - 1. Contribution of Capital
 - 2. Contribution of Services
- K. Basis of Partner's Interest
 - 1. Acquired Through Contribution
 - 2. Interest Acquired From Another Partner
 - 3. Holding Period of Partner's Interest
 - 4. Adjustments to Basis of Partner's Interest
- L. Basis of Property Contributed to Partnership
- M. Determination of Partners' Taxable Income
 - 1. Partner's Distributive Share of Income
 - 2. Elections Available to Partners (different reporting methods)
- N. Accounting Periods of Partnership and Partners
- O. Partner Dealing with Own Partnership
 - 1. Sales and Exchanges
 - 2. Guaranteed Payments
- P. Treatment of Liabilities
- Q. Distributions of Partnership Assets
 - 1. Current Distributions
 - 2. Distributions in Complete Liquidation
 - 3. Basis of Distributed Property
- R. Termination of Partnership
 - 1. Change in Membership
 - 2. Merger or Split-up of Partnership
 - 3. Sale or Exchange of Partnership Interest
 - 4. Payments to a Retiring Partner
 - 5. Payments to a Deceased Partner's Successor

Accounting Theory Section

The Accounting Theory section tests the candidates' conceptual knowledge of accounting. This knowledge includes a rather wide assortment of ideas variously described as assumptions, axioms, standards, postulates, conventions, principles, rules, and objectives. Such ideas that have received substantial authoritative support are referred to as Generally Accepted Accounting Principles. The scope of the Accounting Theory section includes financial accounting concepts relating to general principles, assets, liabilities, equity, income and expense, and other financial topics; cost/managerial accounting concepts of

cost accumulation, planning, and control; and not-for-profit and governmental accounting.

In preparing for this section, candidates should study the pronouncements of the Financial Accounting Standards Board, accounting textbooks, leading accounting journals, and other literature pertaining to accounting. Answers should be in accord with current accounting theory and not necessarily with accounting methods and practices promulgated by governmental agencies, such as the Internal Revenue Service and the Securities and Exchange Commission, unless specifically required or vital to a complete discussion of the issues involved.

Accounting Theory—Content Specification Outline

- I. General Concepts, Principles, Terminology, Environment, and Other Professional Standards (15%).
 - A. Authority of Pronouncements (substantial authoritative support - GAAP)
 - B. Departures From Generally Accepted Accounting Principles
 - C. Conceptual Framework
 - D. Basic Concepts and Accounting Principles
 - E. Nonmonetary Transactions Concepts
 - F. Working Capital - Current Assets and Current Liabilities (terminology)
 - G. Comparative Financial Statements
 - H. Consolidated Financial Statements
 - I. Historical Cost, Constant Dollar, Current Cost, and Other Accounting Concepts

- II. Measurement, Valuation, Realization, and Presentation of Assets in Conformity With Generally Accepted Accounting Principles (15%).
 - A. Cash
 - B. Marketable Securities and Investments
 1. Marketable Equity Securities
 2. Other Securities
 3. Investment in Bonds
 4. Investment in Stocks
 5. Sinking and Other Funds
 - C. Receivables and Accruals
 1. Accounts and Notes Receivable
 2. Affiliated Company Receivables
 3. Discounting of Notes
 4. Installment Accounts
 5. Interest and Other Accrued Income
 6. Allowance for Doubtful Accounts

- D. Inventories
 - 1. Acquisition Costs
 - 2. Costing Methods
 - 3. Valuation Methods
- E. Property, Plant, and Equipment
 - 1. Acquisition Costs
 - 2. Additions and Betterments
 - 3. Depreciation, Amortization, and Depletion
 - 4. Insurance
 - 5. Involuntary Conversion
 - 6. Leasehold Improvements
 - 7. Maintenance and Repairs
 - 8. Obsolescence and Write-downs
 - 9. Rearrangement and Moving Costs
 - 10. Disposition
- F. Capitalized Leased Assets
 - 1. Acquisition Costs
 - 2. Amortization
- G. Intangibles
 - 1. Acquisition Costs
 - 2. Amortization
 - 3. Intangibles Carried as Investments (equity method)
- H. Prepaid Expenses and Deferred Charges
 - 1. Prepaid Expenses
 - 2. Deferred Income Taxes
 - 3. Deferred Pension Costs
- III. Valuation, Recognition, and Presentation of Liabilities in Conformity With Generally Accepted Accounting Principles (10%).
 - A. Payables and Accruals
 - 1. Accounts and Notes Payable
 - 2. Accrued Employees' Costs
 - 3. Interest and Other Accrued Expenses
 - 4. Accrued Pension Expense
 - 5. Taxes Payable
 - 6. Guaranties and Warranties
 - 7. Deposits and Escrows
 - B. Deferred Revenues
 - 1. Unperformed Service Contracts
 - 2. Subscriptions or Tickets Outstanding
 - 3. Installment Sales
 - 4. Sale and Leaseback

- C. Deferred Income Tax Liabilities
 - 1. Equity Method of Accounting for Investments
 - 2. Depreciation of Plant Assets
 - 3. Long-Term Construction Contracts
 - 4. Other Timing Differences
 - D. Capitalized Lease Liability
 - 1. Measurement at Present Value
 - 2. Amortization
 - E. Bonds Payable
 - 1. Issue of Bonds
 - 2. Issue Costs
 - 3. Amortization of Discount or Premium
 - 4. Types of Bonds
 - 5. Conversion of Bonds
 - 6. Detachable Stock Warrants
 - 7. Retirement of Bonds
 - F. Long-Term Notes Payable
 - G. Contingent Liabilities and Commitments
- IV. Ownership Structure, Presentation, and Valuation of Equity Accounts in Conformity With Generally Accepted Accounting Principles (5%).
- A. Preferred and Common Stock
 - 1. Issued
 - 2. Outstanding
 - 3. Legal Capital
 - 4. Retirement of Stock
 - 5. Book Value Per Share
 - 6. Classification
 - B. Additional Paid-in Capital
 - C. Retained Earnings and Dividends
 - 1. Prior Period Adjustments
 - 2. Net Income
 - 3. Cash Dividends
 - 4. Property Dividends
 - 5. Liquidating Dividends
 - 6. Stock Dividends and Splits
 - 7. Appropriations of Retained Earnings
 - D. Treasury Stock and Other Contra Accounts
 - 1. Cost Method
 - 2. Par Value Method
 - 3. Restrictions on Acquisition of Treasury Stock
 - E. Stock Options, Warrants, and Rights

- F. Reorganization and Change in Entity
 - 1. Incorporation of an Unincorporated Enterprise
 - 2. Business Combinations
 - 3. Quasi-Reorganization
 - 4. Bankruptcy
- G. Partnerships
 - 1. Formation
 - 2. Admission, Retirement, and Dissolution
 - 3. Profit or Loss Distribution and Other Special Allocations
- V. Measurement and Presentation of Income and Expense Items, Their Relationship to Matching and Periodicity, and Their Relationship to Generally Accepted Accounting Principles (20%).
 - A. Sales or Revenues
 - 1. Cash
 - 2. At Time of Sale
 - 3. At Completion of Production
 - 4. During Production (percentage of completion)
 - 5. Installment Method or Cost Recovery
 - 6. Equity in Earnings of Investee
 - 7. Interest
 - 8. Dividends
 - 9. Royalties
 - 10. Rent
 - 11. Disposal of Assets and Liquidation of Liabilities
 - 12. Foreign Exchange
 - B. Cost of Goods Sold
 - C. Expenses
 - 1. General and Administrative
 - 2. Selling
 - 3. Financial (interest)
 - 4. Depreciation, Amortization, and Depletion
 - 5. Research and Development
 - 6. Foreign Exchange
 - 7. Bad Debts
 - 8. Royalties
 - 9. Rent
 - 10. Compensation
 - 11. Unusual Gains or Losses
 - D. Provision for Income Tax
 - 1. Current
 - 2. Deferred
 - E. Recurring Versus Nonrecurring Transactions and Events
 - 1. Discontinued Operations
 - 2. Extraordinary Items

- F. Accounting Changes
- G. Earnings Per Share
- VI. Other Financial Topics (10%).
 - A. Statement of Changes in Financial Position
 - B. Accounting Policies
 - C. Accounting Changes
 - 1. Principal
 - 2. Estimate
 - 3. Entity
 - D. Business Combinations
 - E. Interim Financial Statements
 - F. Loss or Gain Contingencies
 - G. Segments and Lines of Business
 - H. Long-Term Contracts
 - I. Employee Benefits
 - J. Analysis of Financial Statements
 - K. Development Stage Enterprises
 - L. Personal Financial Statements
- VII. Cost Accumulation, Planning, and Control (15%).
 - A. Nature of Cost Elements
 - 1. Direct Materials
 - 2. Direct Labor
 - 3. Overhead (actual, applied, and allocation methods)
 - B. Job Order Costing
 - C. Process Costing
 - D. Standard Costing and Variance Analysis
 - E. Joint Costing
 - F. By-Product Costing
 - G. Spoilage, Waste, and Scrap
 - H. Absorption and Direct Costing
 - I. Transfer Pricing
 - J. Product Pricing
 - K. Budgeting and Flexible Budgeting
 - L. Breakeven and Cost-Volume-Profit Analysis
 - M. Gross Profit Analysis
 - N. Differential Cost Analysis
 - 1. Activity Levels
 - 2. Sunk Costs
 - 3. Contribution to Profit
 - 4. Uncertainty
 - 5. Time Periods
 - O. Capital Budgeting Techniques
 - 1. Net Present Value
 - 2. Internal Rate of Return

3. Payback Period
 4. Accounting Rate of Return
- P. Performance Analysis
1. Return on Investment
 2. Residual Income
 3. Controllable Revenue and Costs
- Q. Quantitative Techniques for Planning and Control
1. Regression and Correlation Analysis
 2. Learning Curves
 3. Economic Order Quantity
 4. PERT/Cost
 5. Sensitivity Analysis
 6. Probability Analysis
 7. Linear Programming

VIII. Not-for-Profit and Governmental Accounting (10%).

- A. Conceptual Framework
- B. Fund Accounting
1. Fund Balance
 2. Estimated Revenues
 3. Appropriations
 4. Encumbrances
 5. Reserve for Encumbrances
 6. Revenues
 7. Expenditures
- C. Types of Funds and Fund Accounts
1. General Fund
 2. Special Revenue Funds
 3. Debt Service Funds
 4. Capital Projects Funds
 5. Enterprise Funds
 6. Internal Service Funds
 7. Trust and Agency Funds
 8. Special Assessment Funds
 9. General Fixed Asset Account Group
 10. General Long-Term Debt Account Group
 11. Endowment and Quasi-Endowment Funds
 12. Restricted Funds
 13. Nonrestricted Funds
 14. Property Funds
- D. Presentation of Financial Statements for Various Not-for-Profit and Governmental Organizations

- E. Various Types of Not-for-Profit and Governmental Organizations
1. Local and State Governments
 2. Educational Institutions
 3. Hospitals
 4. Charitable, Religious, and Other Organizations

Auditing Section

The Auditing section tests the candidates' knowledge of generally accepted auditing standards and auditing procedures. The scope of the Auditing section includes professional responsibilities, internal control, audit evidence and procedures, and reporting.

In preparing for this section, candidates should study publications such as:

- AICPA Code of Professional Ethics.
- Statements on Auditing Standards.
- Statements on Standards for Accounting and Review Services.
- Statements on Quality Control Standards.
- Statements on Management Advisory Services.
- Statements on Responsibilities in Tax Practice.
- AICPA Audit Guides.
- Auditing textbooks.
- Leading accounting journals.

Auditing—Content Specification Outline

- I. Professional Responsibilities (15%).
 - A. General Standards and Rules of Conduct
 1. Proficiency
 2. Independence
 3. Due Care
 4. Rules of Conduct
 - B. Control of the Audit
 1. Planning and Supervision
 2. Quality Control
 - C. Other Responsibilities
 1. Detection of Errors or Irregularities
 2. Illegal Acts by Clients
 3. Responsibilities in Management Advisory Services
 4. Responsibilities in Tax Practice
 5. Continuing Professional Education and Familiarity With Topics of Current Concern to the Profession

II. Internal Control (30%).

A. Definitions and Basic Concepts

- 1. Purpose of Auditor's Study and Evaluation**
- 2. Definitions and Basic Concepts**

B. Study and Evaluation of the System

- 1. Review of the System**
- 2. Tests of Compliance**
- 3. Evaluation of Weaknesses**

C. Cycles

- 1. Sales, Receivables, and Cash Receipts**
- 2. Purchases, Payables, and Cash Disbursements**
- 3. Inventories and Production**
- 4. Personnel and Payroll**
- 5. Property, Plant, and Equipment**

D. Other Considerations

- 1. Required Communication of Material Weaknesses**
- 2. Reports on Internal Control**
- 3. Sampling**
- 4. Effects of EDP**
- 5. Flowcharting**
- 6. Effects of an Internal Audit Function**

III. Audit Evidence and Procedures (30%).

A. Audit Evidence

- 1. Nature, Competence, and Sufficiency of Evidential Matter**
- 2. Analytical Review Procedures**
- 3. Evidential Matter for Receivables and Inventory**
- 4. Evidential Matter for Long-Term Investments**
- 5. Client Representations**
- 6. Using the Work of a Specialist**
- 7. Inquiry of a Client's Lawyer**
- 8. Related Party Transactions**

B. Specific Audit Objectives and Procedures

- 1. Tests of Details of Transactions and Balances**
- 2. Documentation**

C. Other Specific Topics

- 1. Use of the Computer in Performing the Audit**
- 2. Use of Statistical Sampling in Performing the Audit**
- 3. Subsequent Events**
- 4. Operational Auditing**

IV. Reporting (25%).

A. Reporting Standards and Types of Reports

1. Scope of Examination
2. Generally Accepted Accounting Principles
3. Consistency
4. Disclosure
5. Reporting Responsibilities
6. Unqualified
7. Qualified
8. Adverse
9. Comparative
10. Disclaimer
11. Compilation and Review
12. Review of Interim Financial Information
13. Special Reports
14. Negative Assurance

B. Other Reporting Considerations

1. Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
2. Dating of the Auditor's Report
3. Part of Examination Made by Other Independent Auditors
4. Letters for Underwriters
5. Filing Under Federal Securities Statutes
6. Segment Information
7. Other Information in Documents Containing Audited Financial Statements
8. Supplementary Information Required by the FASB
9. Information Accompanying the Basic Financial Statements

Business Law Section

The Business Law section tests the candidates' knowledge of the legal implications inherent in business transactions particularly as they may relate to accounting and auditing. The scope of the Business Law section includes the CPA and the law, business organizations, contracts, debtor-creditor relationships and consumer protection, government regulation of business, Uniform Commercial Code, and property, estates, and trusts. Many of the subjects on the examination are normally covered in standard textbooks on business law, auditing, taxation, and accounting. However, some subjects either are not included in such texts or are not covered in adequate depth. Important recent developments with which candidates are expected to be familiar may not yet be reflected in some texts. Candidates are expected to recognize the existence of legal implications and the applicable basic legal principles, and they are usually asked to indicate the probable result of the application of such basic principles.

The Business Law section is chiefly conceptual in nature and broad in scope. It is not intended to test competence to practice law nor expertise in legal

matters, but to determine that the candidates' knowledge is sufficient to recognize relevant legal issues, recognize the legal implications of business situations, apply the underlying principles of law to accounting and auditing situations, and seek legal counsel, or recommend that it be sought, when appropriate.

This section deals with federal and widely adopted uniform laws. Where there is no federal or appropriate uniform law on a subject, the questions are intended principally to test knowledge of the majority rules. Federal tax elements (income, estate or gift) may be covered where appropriate in the overall context of a question.

Business Law—Content Specification Outline

- I. The CPA and the Law (10%).
 - A. Common Law Liability to Clients and Third Persons
 - B. Federal Statutory Liability
 - 1. Securities Acts
 - 2. Internal Revenue Code
 - C. Workpapers, Privileged Communication, and Confidentiality
- II. Business Organizations (15%).
 - A. Agency
 - 1. Formation and Termination
 - 2. Liabilities of Principal for Tort and Contract
 - 3. Disclosed and Undisclosed Principals
 - 4. Agency Authority and Liability
 - B. Partnerships
 - 1. Formation and Existence of Partnerships
 - 2. Liabilities and Authority of Partners
 - 3. Transfer of Partnership Interest
 - 4. Dissolution and Winding Up
 - C. Corporations
 - 1. Formation
 - 2. Purposes and Powers
 - 3. Stockholders, Directors, and Officers
 - 4. Financial Structure, Capital, and Dividends
 - 5. Merger, Consolidation, and Dissolution
 - D. Other Forms
 - 1. Individual Proprietorships
 - 2. Trusts and Estates
 - 3. Joint Ventures
 - 4. Associations
- III. Contracts (15%).
 - A. Nature and Classification of Contracts

- B. Offer and Acceptance
 - C. Consideration
 - D. Capacity, Legality, and Public Policy
 - E. Other Defenses
 - 1. Statute of Frauds
 - 2. Statute of Limitations
 - 3. Fraud
 - 4. Duress
 - 5. Misrepresentation
 - 6. Mistake
 - 7. Undue Influence
 - F. Parol Evidence Rule
 - G. Third Party Rights
 - H. Assignments
 - I. Discharge, Breach, and Remedies
- IV. Debtor-Creditor Relationships and Consumer Protection (10%).
- A. Bankruptcy
 - 1. Voluntary and Involuntary Bankruptcy
 - 2. Effects of Bankruptcy on Debtor and Creditors
 - 3. Reorganizations
 - B. Suretyship
 - 1. Liabilities of Sureties and Cosureties
 - 2. Release of Sureties
 - 3. Subrogation and Contribution
 - C. Bulk Transfers
 - 1. Publication, Notification, and Other Requirements
 - 2. Rights of Pre-Sale Creditors
 - 3. Rights of Post-Sale Creditors
 - 4. Effects of Security Interests
 - D. Federal Consumer Protection Legislation
 - 1. Consumer Credit Protection Act
 - 2. Magnuson-Moss Federal Warranty Act
 - 3. Regulation of Deceptive Practices Pursuant to Section 5, Federal Trade Commission Act
- V. Government Regulation of Business (15%).
- A. Administrative Law
 - 1. Activities Subject to Regulation
 - 2. Functions of Regulatory Agencies
 - 3. Judicial Review of Agency Decisions
 - B. Antitrust Law
 - 1. Price-Fixing and Other Concerted Activities
 - 2. Mergers and Acquisitions

3. Unfair Methods of Competition
 4. Price Discrimination
 5. Sanctions
- C. Regulation of Employment
1. Equal Employment Opportunity Laws
 2. Federal Unemployment Tax Act
 3. Workmen's Compensation
 4. Federal Insurance Contributions Act
 5. Fair Labor Standards Act
- D. Federal Securities Acts
1. Securities Registration and Reporting Requirements
 2. Exempt Securities and Transactions
 3. Insider Information and Antifraud Provisions
 4. Short-Swing Profits
 5. Civil and Criminal Liabilities
 6. Corrupt Practices
 7. Proxy Solicitations and Tender Offers
- VI. Uniform Commercial Code (25%).
- A. Commercial Paper
1. Types of Negotiable Instruments
 2. Requisites for Negotiability
 3. Transfer and Negotiation
 4. Holders and Holders in Due Course
 5. Liabilities, Defenses, and Rights
 6. Discharge
- B. Documents of Title and Investment Securities
1. Warehouse Receipts
 2. Bills of Lading
 3. Issuance, Transfer, and Registration of Securities
- C. Sales
1. Contracts Covering Goods
 2. Warranties
 3. Product Liability
 4. Risk of Loss
 5. Performance and Obligations
 6. Remedies and Defenses
- D. Secured Transactions
1. Attachment of Security Agreements
 2. Perfection of Security Interests
 3. Priorities
 4. Rights of Debtors, Creditors, and Third Parties
- VII. Property, Estates, and Trusts (10%).
- A. Real and Personal Property

1. Distinctions Between Realty and Personalty
 2. Easements and Other Nonpossessory Interests
 3. Types of Ownership
 4. Landlord-Tenant
 5. Deeds, Recording, Title Defects, and Title Insurance
- B. Mortgages
1. Characteristics
 2. Recording Requirements
 3. Priorities
 4. Foreclosure
- C. Administration of Estates and Trusts
- D. Fire and Casualty Insurance
1. Coinsurance
 2. Multiple Insurance Coverage
 3. Insurable Interest

Appendix B

Instructions for the Uniform Certified Public Accountant Examination

1. The only aids you are allowed to take to the examination tables are pens, pencils, and erasers. Rulers, slide rules and calculators are prohibited.
2. You will be furnished an identification card containing your candidate identification number. **Make a note of the identification number for future reference.** Use this identification number on all of your papers. The importance of remembering this number and recording it on your examination papers correctly cannot be overemphasized. If a question calls for an answer involving a signature, do not sign your own name or initials. Your identification card must be available for inspection by the proctors throughout the examination.
3. Any reference during the examination to books or other matters or the exchange of information with other persons shall be considered misconduct sufficient to bar you from further participation in the examination.
4. Answers must be written on paper furnished by the Board. Heading up answer papers is allowed prior to the start of the examination. **Extra time is not allowed for this at the end of the session.** All unused paper must be returned to the Board at the end of each examination session.
5. You must observe the fixed time for each session which will start and end promptly. It is your responsibility to be ready at the start of the period and to stop writing when told to do so.
6. Question booklets will be distributed shortly before each session begins. You are not permitted to look at the booklet until the starting signal is given.
7. All answers (including the blackening of spaces on the multiple-choice answer sheets) should be written in pencil, preferably with No. 2 lead.

8. Identify your answers by using the proper question number. Begin your answer to each question on a separate page and number pages **in accordance with the instructions on the printed examination booklets**. Use only one side of each sheet. Arrange your answers in the order of the questions.
9. The estimated minimum and maximum time that you may need for giving adequate answers to each question is printed in the examination booklet. These estimates should be used as a guide to allot your time. It is recommended that you not spend more than the estimated maximum time on any one question until the others have been completed except to the extent that the maximum time has not been used on prior questions. No point values are shown for the individual questions. Points will be approximately proportionate to the time required. The following is an example of time estimates as they might appear in a printed examination booklet:

All questions are required:	Estimated Minutes	
	Minimum	Maximum
No. 1	90	110
No. 2	15	25
No. 3	15	25
No. 4	15	25
No. 5	15	25
Total	150	210

10. All amounts given in a question are to be considered material unless otherwise stated.
11. Answer sheets for the multiple-choice items may vary for each part of the examination. It is important to pay strict attention to the manner in which your answer sheet is structured. As you proceed with the examination, be absolutely certain that the space in which you have indicated your answer corresponds directly in number with the item in your question booklet.
12. You should attempt to answer all multiple-choice items. There is no penalty for incorrect responses.
13. The CPA is continually confronted with the necessity of expressing opinions and conclusions in written reports in clear, unequivocal language. Although the primary purpose of the examination is to test your knowledge and application of the subject matter, the ability to organize and present such knowledge in acceptable written language will be considered by the graders. **Neatness and orderly presentation of work are also very important.** Credit cannot be given for answers that are illegible.
14. Attach all computations to the papers containing your answers. Identify them as to the questions to which they relate. The rough calculations and notes may assist the graders in understanding your answers.

15. Formal journal entries should not be prepared unless specifically required. Time may be saved by entering adjustments, reclassifications, etc., directly on working papers. Elaborate working papers should not be prepared unless they are of assistance in meeting the stated requirements. If both working papers and formal statements are required and time is not adequate to complete both, the working papers should be completed.
16. You should avoid explaining how to answer a question instead of actually attempting a solution. If time grows short, a brief statement to the point is permissible, but full credit cannot be obtained by doing this. A partial answer is better than none and will be awarded appropriate credit.
17. Due consideration and credit, if appropriate, will be given to alternative answers which can arise because there are slight variations in practical accounting procedures or techniques and there are different schools of thought on certain accounting matters.
18. You may retain your examination booklet providing you do not leave the examination room **before one-half hour prior to scheduled completion time**. You are not permitted to take the question booklet or examination papers to the restroom during the examination.
19. Penalties will be imposed on any candidate who is caught cheating before or during an examination. These penalties may include expulsion from this and future examination sessions.

Appendix C

Uniform Certified Public Accountant Examination Dates

1983 — November 2, 3, 4	1990 — May 2, 3, 4 November 7, 8, 9
1984 — May 2, 3, 4 November 7, 8, 9	1991 — May 8, 9, 10 November 6, 7, 8
1985 — May 8, 9, 10 November 6, 7, 8	1992 — May 6, 7, 8 November 4, 5, 6
1986 — May 7, 8, 9 November 5, 6, 7	1993 — May 5, 6, 7 November 3, 4, 5
1987 — May 6, 7, 8 November 4, 5, 6	1994 — May 4, 5, 6 November 2, 3, 4
1988 — May 4, 5, 6 November 2, 3, 4	1995 — May 3, 4, 5 November 1, 2, 3
1989 — May 3, 4, 5 November 1, 2, 3	

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