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AICPA accounting testing program

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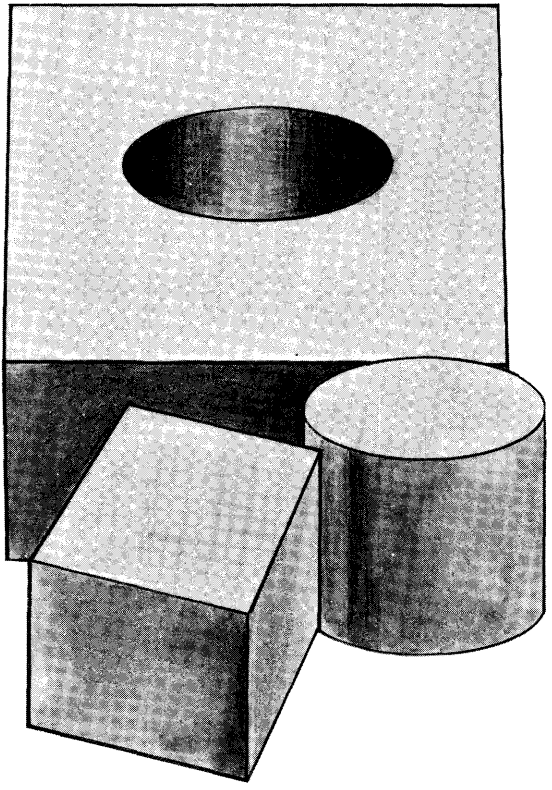
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AICPA ACCOUNTING TESTING PROGRAM



**AICPA Testing Project Office
The Psychological Corporation**

CONTENTS

What the program is	1
Test content	2
Accounting Orientation Test	2
Accounting Aptitude Test	3
Achievement Test, Level I	5
Achievement Test, Level II	7
F-A-C-I-T Profile Analysis	9
Test validity	10
Scoring and reporting	10
Norms	11
Test security	11
Certification and examiner's form	11
Fees	12

THE AICPA ACCOUNTING TESTING PROGRAM

A service provided by the American Institute of Certified Public Accountants for. . .

Accounting educators, schools,
colleges and universities that
provide education in accounting

Accounting firms and business
organizations

WHAT THE PROGRAM IS

The AICPA Accounting Testing Program has been developed by the American Institute of Certified Public Accountants to provide effective evaluation instruments for accounting educators and the accounting profession. Employers of accounting personnel in public accounting firms and in business organizations have found that the program provides valuable information that, when used in conjunction with other relevant information, can assist materially in personnel decisions regarding employment of new staff, and training, placement, and promotion of permanent staff. Accounting educators and counselors have found test results valuable in advising students considering a career in accounting, providing students and teachers with a progress check early in the accounting curriculum, and comparing the aptitude and achievement of their students with the national student norms. Colleges and universities have found the tests useful in evaluating the effectiveness of their accounting faculty and programs.

The Accounting Testing Program includes an Aptitude Test, an Orientation Test, and two levels of Achievement Tests.

TEST CONTENT

The AICPA Accounting Tests are developed according to carefully derived content outlines that include the knowledges, skills, and abilities that are relevant to the accounting profession at the different levels of the tests. The content is developed by CPAs in academe, public practice, and industry. Once the content outlines are specified, test questions are then generated to sample all aspects of the outlines, thus assuring the relevance of the tests to actual knowledge and practice of accounting.

ACCOUNTING ORIENTATION TEST

This 50-minute test, comprising verbal and mathematical skills, is a measure of learning ability as applied to business situations. Two forms are available. The student form is used in schools and colleges as an indication of scholastic aptitude oriented toward business situations.* The professional form is used by accounting firms and business organizations for evaluation and placement of personnel. It is often used in combination with one of the Accounting Achievement Tests. The Orientation Test measures:

I. Verbal Skills

- A. Vocabulary
- B. Reading comprehension

II. Quantitative Skills

* The student form of the Orientation Test will be replaced in the Summer of 1983 by the Accounting Aptitude Test, which is currently being developed.

Shown below are some sample questions from the Orientation Test. (*NOTE: Sample questions are taken from older forms of the AICPA tests, and are intended only to demonstrate the format of the test questions.*)

1. *Which one of the suggested answers has most nearly the same meaning as the word in bold print?*

To STABILIZE

1. *Insure*
 2. *Dispose of*
 3. *Fluctuate*
 - *4. *Hold steady*
2. *To purchase a home site a family borrows \$1,800 from the bank. The note states that the total amount due in 2½ years is \$2,160. What annual rate of simple interest is charged by the bank?*

1. *4.0%*
2. *6.2%*
- *3. *8.0%*
4. *10.0%*

ACCOUNTING APTITUDE TEST

This 50-minute test, which will be available in the summer of 1983, is essentially a measure of those skills and abilities considered important for the study of accounting, and is for use primarily to encourage or discourage students interested in majoring in accounting. It comprises three parts -- Communication, Quantitative, and Problem-Solving Skills. The Aptitude Test measures:

* Asterisk denotes correct answer.

- I. *Communication Skills*
 - A. Vocabulary
 - B. Grammar
 - C. Reading Comprehension

- II. *Quantitative Skills*
 - A. Addition and subtraction
 - B. Multiplication and division
 - C. Algebraic manipulations

- III. *Problem-Solving Skills*
 - A. Analogies
 - B. Recognition of relevant data
 - C. Logic

Shown below are some sample questions from the Aptitude Test.

1. Which one of the suggested answers has most nearly the same meaning as the word in bold print?

PERPLEX

1. Anger
 2. Divide
 - *3. Puzzle
 4. Complicate
-
2. If $a^2b = -2$ and $\frac{b}{a} = \frac{1}{4}$, then $a =$
 1. $\pm \frac{1}{2}$
 - *2. -2
 3. $+2$
 4. ± 2

 3. If all metals are shiny and all shiny objects reflect light, what conclusion may be drawn?
 1. All objects are shiny
 - *2. All metals reflect light
 3. All shiny objects are metals
 4. All light reflects shiny objects

ACHIEVEMENT TEST, LEVEL I

The 45-minute Level I Achievement Test is available in three forms:

- Form A: Financial Accounting
- Form B: Managerial Accounting
- Form C: Financial and Managerial Accounting

Each form of the test is composed of 38 multiple-choice questions. The Level I tests were developed primarily for evaluation of students' accounting knowledge at the end of the first year of accounting study. They are currently used for comparison of students' achievement, for counseling of students majoring in accounting (i.e., strengths and weaknesses in areas of accounting knowledge), and for guidance in admission to accounting programs. In addition, some accounting firms and business organizations use the tests to measure academic achievement of applicants and to evaluate applicants for placement. The Level I Achievement Test measures:

- I. Financial Accounting*
 - A. Basic financial accounting
 - B. Revenue and expense recognition
 - C. Valuation approaches
 - D. Intercompany investments
 - E. Analysis of financial statements
 - F. Prices and values

- II. Managerial Accounting*
 - A. Cost terminology and concepts
 - B. Relevant costs
 - C. Centralization vs. decentralization
 - D. Transfer pricing
 - E. Allocation
 - F. Joint products
 - G. Planning goals and strategies
 - H. Capital budgeting
 - I. Evaluation methods
 - J. Operational budgeting
 - K. Tools
 - L. Standard costs and analysis of variance
 - M. Job order costs
 - N. Process costs
 - O. Responsibility accounting

Shown below are some sample questions from the Level I Achievement Test:

1. *Which of the following accounts normally would be classified as a current asset?*
 1. *Utility deposit*
 - *2. *Prepaid insurance*
 3. *Organization cost*
 4. *Cash surrender value of life insurance*

2. *Net income is affected by the accounting treatment of*
 - *1. *leased assets.*
 2. *cash dividends declared.*
 3. *premiums on common stock transactions.*
 4. *gains or losses on treasury stock transactions*

3. *What is the payback period for an investment of \$272,000 in equipment which will be used for 4 years and is expected to produce annual cash flow returns of \$80,000?*
 1. *.29 years*
 - *2. *3.40 years*
 3. *4.00 years*
 4. *22.70 years*

4. *Theoretically, a variance for fixed overhead should be*
 1. *charged to income each month.*
 2. *deferred each month and charged to income at year end.*
 - *3. *allocated annually between cost of sales and inventory.*
 4. *amortized over a reasonable period, not to exceed 40 years.*

ACHIEVEMENT TEST, LEVEL II

Available in either 50-minute or 2-hour versions, the Level II Achievement Test features multiple-choice problems in financial accounting, cost and managerial topics, auditing, taxation and information systems. This test is used primarily for comparison of advanced students' achievement and for job placement. Since it covers a higher level of accounting achievement than the Level I test, the Level II is used more heavily by accounting firms and businesses for evaluating applicants for placement, and it can also be used for identifying employee counseling needs. The Level II Achievement Test measures:

- I. *Financial accounting*
 - A. Basic financial accounting
 - B. Revenue and expense recognition
 - C. Valuation approaches
 - D. Combined corporate entities
 - E. Analysis of financial statements
 - F. Prices and values
 - G. Institutional and social accounting

- II. *Cost and Managerial accounting*
 - A. Cost terminology and concepts
 - B. Relevant costs
 - C. Centralization vs. decentralization
 - D. Transfer pricing
 - E. Allocation
 - F. Joint products
 - G. Planning goals and strategies
 - H. Capital budgeting
 - I. Evaluation methods
 - J. Operational budgeting
 - K. Tools
 - L. Standard costs and analysis of variances
 - M. Job order costs
 - N. Process costs
 - O. Responsibility accounting

- III. *Auditing*
 - A. The audit function
 - B. Auditor's reports
 - C. Auditor's ethical, professional, and legal environment
 - D. Audit evidence
 - E. Internal controls
 - F. Audit techniques and procedures

- IV. *Taxation*
 - A. Theory of taxation
 - B. Individual taxation
 - C. Business taxation
 - D. Internal Revenue Service

- V. *Information systems*
 - A. Information processing concepts
 - B. Data organization concepts
 - C. System design
 - D. Automated data processing

Shown below are some sample questions from the Level II Achievement Test.

1. *A company has depreciated its fleet of trucks over a five-year life with no salvage value. This year the company decided that the trucks have a three-year life and a 20% salvage value. The change in depreciation rates constitutes a change in*
 1. *accounting method.*
 - *2. *accounting estimate.*
 3. *accounting principle.*
 4. *accounting evaluation.*

2. *Production is 1,000 units in March and 800 units in April. Total variable costs in April may be expected to*
 1. *increase by 25%.*
 - *2. *decrease by 20%.*
 3. *decrease by less than 20%.*
 4. *remain unchanged.*

3. *If an auditor concludes that internal controls are strong, the auditor conducts tests of*
 1. *compliance only.*
 2. *account balance only.*
 - *3. *both compliance and account balances.*
 4. *either compliance or account balances.*

4. *A federal income taxpayer provides 100% support for an 80-year-old person who has no income and lives in the taxpayer's home for the entire taxable year. The number of exemptions that may be claimed for this person is*
 - *1. *one.*
 2. *one, only if the person is a relative.*
 3. *two, only if the person is a relative.*
 4. *two, because the person is over 65.*

5. *Which of the following controls would be most appropriate for detecting an order for 50 typewriters that was accidentally keyed in as 50,000 typewriters?*
 1. *Check digit*
 - *2. *Limit check*
 3. *Parity check*
 4. *Validity check*

F-A-C-I-T PROFILE ANALYSIS

An added feature of the 2-hour version of the Level II Achievement Test is that groups of selected questions provide an individual's F-A-C-I-T Profile -- subscores in five areas of accounting. The names of the five accounting areas form the acronym by which the profile is identified: Financial accounting . . . Auditing . . . Cost and managerial . . . Information systems . . . Tax. Identification of strengths and weaknesses in these areas can be of value in self-assessment, in counseling, and in determining needs

for training and remediation. In addition, since some accounting positions require greater expertise in some areas than in others, the F-A-C-I-T analysis can be helpful to accounting firms and businesses in selecting the most suitable individual for a particular position.

TEST VALIDITY

The AICPA tests are developed in consultation with psychometric experts who are trained in issues of test validity. Studies are conducted on an ongoing basis to demonstrate the predictive power of the Aptitude, Orientation, and Level I Achievement Tests, and the relationship of the Level II Achievement Test to actual accounting practice.

SCORING AND REPORTING

Tests are scored twice, once on an Op-Scan reader and once on a computer. This double scoring provides a check against scoring error. Score reports to users include individual raw scores and percentiles, an alphabetical roster, and for groups of 15 or more, a rank-order roster.

Score reports are generally received by clients within 10 days of the time they send answer sheets in for scoring. For those who wish test results sooner, the Priority Reporting Service offers hand-scoring and reporting by telephone on the same day that the answer sheets are received at the Testing Project Office. Priority Reporting Service is priced at \$2.00 per score report.

Annual reports of program usage and score distributions are sent to all school users. Thus colleges and universities can compare their students' results with the national distribution of scores.

NORMS

Norms are available for the Aptitude, Orientation, and Achievement Tests, and are updated regularly. Whenever new forms of the tests are developed, norms for the new tests are established as soon as possible. Norms are based on number of years of accounting study or on level of accounting work. AICPA norms are percentile ranks: they may be interpreted in terms of percentages of respondents who scored above and below a given score. For example, a score in the 62nd percentile is higher than the scores of 61 percent of the population.

TEST SECURITY

The AICPA tests are secure materials. Persons who use them are expected to make every effort to maintain that security by keeping them under lock and key when not in use, and by allowing only authorized and responsible persons to have access to them. Breaches in test security seriously compromise the usefulness of the tests.

CERTIFICATION AND EXAMINER'S FORM

Since the AICPA tests are secure materials, it is required that they be administered by either college or university faculty, or by professional personnel who have received certification as an Examiner. Certification applications are available from the AICPA Testing Project Office. Only organizations with a certified Examiner may purchase tests. Examiners and faculty members are provided with a Manual of Instructions for the administration of tests ordered.

FEES

Test fees are based on the number of answer sheets ordered. The tests themselves are never sold outright, but rather are loaned. If the booklets become worn or defaced, they may be returned for replacement without charge. The Aptitude, Orientation, and Achievement Tests are priced differently, according to the length of the test. Sliding scale discounts are offered according to numbers ordered at a single time, as well as numbers returned for scoring at a single time. For actual prices of the tests, refer to the enclosed order blank.

* * * * *

Additional order forms, certified examiner forms (for accounting firms and business organizations only) and other information about the Accounting Testing Program may be obtained from:

**AICPA TESTING PROJECT OFFICE
The Psychological Corporation
304 East 45th Street
New York, NY 10017
(212) 888-3203**