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## Annual report, 1996 II, Board of Examiners, Uniform CPA Examination

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**AICPA**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

# 1996 ANNUAL REPORT

## II



## Board of Examiners Uniform CPA Examination

The Board of Examiners Annual Report is a regular update on the progress and development of the Uniform CPA Examination.

The Uniform CPA Examination was first administered in 1917 and is used by the fifty-four American boards of accountancy as a requirement for the CPA certificate. Over the years, the Uniform CPA Examination has become recognized throughout the business world because it enhances the quality of the CPA designation and the professional image of the CPA.

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In keeping with our goal of providing you with the most current information relating to the Uniform CPA Examination, the Board of Examiners (BOE) has changed the schedule of its Annual Report to report on calendar-year events. This new schedule will coincide with the NASBA Examination Review Board's reporting period. In this edition, we report on the 1996 Uniform CPA Examination administrations as well as other significant events that took place during 1996.

Many of the Board of Examiners' 1996 accomplishments lay the groundwork for our 1997 activities. The most important project completed in 1996, the Passing Standard Studies, played a direct role in the new passing standard that will be implemented for the May 1997 Examination. This new passing standard is based on the professional judgment of over 90 CPAs from over 30 jurisdictions and replaces the passing standard adopted in 1977.

Another 1996 project that will carry over into 1997 is the work of the Content Oversight Task Force (COTF). The COTF will be assessing the content of the Examination on an ongoing basis to assure Boards of Accountancy that the subject matter assessed on the Examination is that needed by newly-licensed CPAs in a constantly evolving professional environment. The COTF has already issued an *Invitation to Comment* and will be pursuing other activities.

In 1996, the Computerization Task Force compiled and evaluated the responses to *Invitation to Comment—Conversion of the Uniform CPA Examination to a Computer Based Examination*. The Task Force has prepared a *Status Report* on those responses, and in 1997 the BOE and NASBA will be working together to carry out the Task Force's recommendations, including appointing a joint committee to implement computerization.

The AICPA, NASBA, and the Institute of Chartered Accountants of Australia signed a Principles Agreement for Reciprocal Licensing

in 1996, which will lead to the first International Uniform CPA Qualification Examination (IQEX), to be given sometime in 1997. We anticipate that IQEX will further enhance the prestige of the CPA designation on the worldwide stage.

During 1996, the BOE worked with the NASBA Examinations Committee and its subcommittees on the passing standard study, updating the Examination's content, and computerization. The BOE will continue to involve the Boards of Accountancy in the Examination's processes through this relationship.

After two highly successful administrations of the nondisclosed Examination, the Nondisclosed CPA Examination Implementation Task Force issued its final report in late 1996. Its recommendations will continue to provide guidance to the BOE, AICPA, and State Boards for administering the Examination. The Examinations Team will be working with NASBA and several State Board Administrators to develop a manual for administering the Examination.

In the last Report, we bid farewell to several people who contributed greatly to the Examination. I now have the opportunity to welcome Michael A. Bolas, Robert R. Hill, and Richard D. Isserman to the Board of Examiners. Having known all of them through their work on the BOE Preparation Subcommittees, I look forward to working with them in the future.

With the foundation we have prepared in 1996, 1997 will be an exciting year for the Uniform CPA Examination. The Board and I look forward to the challenges this year will bring and to working with the Examinations Committee and Boards of Accountancy to plan the future of the Examination.



Stephen M. (Mike) Walker, CPA, J.D.  
*Chair of the Board of Examiners*  
May 1997



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## Boards of Accountancy

Fifty-four jurisdictions use the Uniform CPA Examination as a prerequisite to granting a CPA certificate or license. The legislatures of each of the fifty-four jurisdictions have enacted licensing laws that set forth the requirements for entry into the profession as a certified public accountant. These laws establish public authorities—usually called boards of accountancy—to prescribe and assess qualifications of potential CPAs. CPA

candidates apply to and must meet the requirements of a board of accountancy to take the Examination, and become licensed as a CPA.

The fifty-four jurisdictions that use the Uniform CPA Examination and the total number of candidates who took the Examination during 1996 are listed below.

<i>Jurisdiction</i>	<i>Total</i>	<i>November 1996</i>	<i>May 1996</i>
Alabama	1,211	675	536
Alaska	680	513	167
Arizona	1,280	721	559
Arkansas	966	501	465
California	14,039	7,372	6,667
Colorado	1,567	802	765
Connecticut	1,298	731	567
Delaware	520	303	217
District of Columbia	300	141	159
Florida	1,656	922	734
Georgia	5,264	2,819	2,445
Guam	74	40	34
Hawaii	498	286	212
Idaho	367	180	187
Illinois	6,892	3,382	3,510
Indiana	2,252	1,182	1,070
Iowa	1,241	548	693
Kansas	942	534	408
Kentucky	1,437	775	662
Louisiana	2,077	1,270	807
Maine	331	172	159
Maryland	4,474	2,326	2,148
Massachusetts	3,231	1,793	1,438
Michigan	2,881	1,515	1,366
Minnesota	1,501	851	650
Mississippi	674	382	292
Missouri	2,308	1,190	1,118
Montana	1,138	458	680



<i>Jurisdiction</i>	<i>Total</i>	<i>November 1996</i>	<i>May 1996</i>
Nebraska	799	412	387
Nevada	407	228	179
New Hampshire	285	160	125
New Jersey	3,937	2,123	1,814
New Mexico	638	326	312
New York	13,668	7,111	6,557
North Carolina	2,842	1,402	1,440
North Dakota	340	155	185
Ohio	4,784	2,496	2,288
Oklahoma	1,419	764	655
Oregon	773	415	358
Pennsylvania	6,507	3,397	3,110
Puerto Rico	1,896	1,041	855
Rhode Island	369	199	170
South Carolina	1,237	697	540
South Dakota	318	159	159
Tennessee	1,384	722	662
Texas	10,495	5,566	4,929
Utah	351	188	163
Vermont	221	112	109
Virgin Islands	22	10	12
Virginia	3,520	1,904	1,616
Washington	2,380	1,246	1,134
West Virginia	729	389	340
Wisconsin	1,537	900	637
Wyoming	118	47	71
<i>Total</i>	122,075	64,553	57,522



During 1996, the Board of Examiners (BOE), NASBA, the 54 boards of accountancy, and the AICPA Examinations Team have worked together to complete several important projects, most notably a new passing standard and the successful administration of the first nondisclosed Uniform CPA Examination. In addition, they have begun to prepare for the future of the Examination.

Representatives of the BOE and the NASBA Examinations Committee met several times in 1996 to improve the Examination. The new passing standard, which will be implemented for the May 1997 administration, is one result of this partnership.

The nondisclosed Uniform CPA Examination, first administered in May 1996, was a success. All Examination question booklets shipped to boards of accountancy were returned to the AICPA. In addition, boards experienced a higher level of control at examination sites.

This year, the BOE has been working to provide the boards of accountancy with information on current and future BOE and Examinations Team activities and has actively been seeking board input on these issues. The

BOE has published, and will continue to publish, documents such as:

- ◆ *Uniform CPA Examination Annual Report*—providing the boards with documentation on how the Uniform CPA Examination meets and/or exceeds all testing standards.
- ◆ *Uniform CPA Examination Newsletter*—updating boards on recent examination issues and announcing new initiatives.
- ◆ *Information for Uniform CPA Examination Candidates*—providing candidates with all the information necessary to prepare for the Examination.
- ◆ *Uniform CPA Examination Preparation Guide*—informing the boards how examination questions are developed in conformity with testing and measurement standards.
- ◆ *Information for Boards of Accountancy—Implementing the Nondisclosed CPA Examination*—updating the boards on the processes and procedures necessary for implementing the Nondisclosed Uniform CPA Examination and seeking input from the boards to make the transition smoother.
- ◆ *Invitation to Comment—Updating the Uniform CPA Examination Content Specifications*—informing the boards about the Content Oversight Task Force and its future activities and requesting input on the knowledge and skills that should be assessed on the Examination.
- ◆ *Invitation to Comment—Conversion of the Uniform CPA Examination to a Computer Based Examination*—advising the boards of the issues related to whether the Uniform CPA Examination should be con-

**"We have changed our fundamental business approach. Ten years ago, the Board of Examiners and Examinations Team were focused on preparing and grading the Uniform CPA Examination. Today, our emphasis is satisfying our 54 customers, the boards of accountancy."**

*Jim Blum  
Director, Examinations Team*

verted to a computer based examination and seeking the boards' opinions and suggestions on these issues and on the progress of this project.

◆ *Status Report—Conversion of the Uniform CPA Examination to a Computer Based Examination*—summarizing the results of *Invitation to Comment—Converting the Uniform CPA Examination to a Computer Based Examination*, discussing how computerization will proceed, and describing the upcoming projects the Board of Examiners will be pursuing over the next several years.

The BOE has invited local boards of accountancy to join the Board at its meetings to address the boards' concerns. In the last year, representatives from the California State Board of Accountancy, Florida Board of Accountancy, North Carolina State Board of CPA Examiners, Oregon State Board of Accountancy, and Washington State Board of Accountancy met with the BOE and discussed issues such as the Nondisclosed Examination, computerization, and reciprocity for foreign accountants.

The Board of Examiners has appointed an Examination Content Oversight Task Force (COTF) to assure boards of accountancy that the subject matter assessed on the Uniform CPA Examination is that needed by newly-licensed CPAs in the practice of public accountancy. To meet this objective in part, the task force developed a questionnaire that the Board of Examiners included in its *Invitation to Comment—Updating the Uniform CPA Examination Content Specifications*. The BOE sent the Invitation to Comment to all boards of accountancy and other interested parties and requested respondents to complete the questionnaire by April 30, 1997. The responses to the questionnaire will be evaluated and the results reported to the BOE, which will then expose

any substantive changes in the content specifications to the boards of accountancy before implementing them.

The Examinations Team has been participating in enhancing the relationship between the AICPA and boards of accountancy. Mike Walker, Chair of the Board of Examiners, and six members of the Examinations Team attended the Fourteenth Annual National Conference of State Boards of Accountancy, held January 31 through February 2, 1996, in New Orleans, LA to address administrators' questions and concerns about the Nondisclosed Examination. The Examinations Team has also invited state board administrators to tour its facilities in Jersey City, NJ. This year, Timothy D. Haas, Executive Director of the Accountancy Board of Ohio, William Treacy, Executive Director of the Texas State Board of Public Accountancy, and C. Deane Campbell, Administrator of the Washington State Board of Accountancy, have visited the facilities to see how the Examination is prepared, produced, and graded in a secure environment.

The AICPA unveiled its World Wide Web site (*AICPA Online*: <http://www.aicpa.org>) in June. The Examinations Team has posted up-to-date information about the Examination, sample questions, and the addresses of the boards of accountancy (<http://www.aicpa.org/exams>).

The BOE invites all boards to comment or make suggestions on all ongoing initiatives.

## Examination Structure and Format

### Examination Structure

Both 1996 Uniform CPA Examinations comprised four separately graded sections as follows:

<u>Section</u>	<u>Hours</u>
Business Law & Professional Responsibilities (LPR)	3.0
Auditing (AUDIT)	4.5
Accounting & Reporting— Taxation, Managerial, and Governmental and Not- for-Profit Organizations (ARE)	3.5
Financial Accounting & Reporting (FARE)	4.5
Total	<u>15.5</u>

For the ARE and FARE sections, candidates were provided with a calculator.

### Examination Question Format

The questions included on the 1996 Examinations had the following formats:

- ◆ Four-option multiple-choice
- ◆ Other objective answer
- ◆ Essay or problem

**Four-Option Multiple-Choice Questions.** Sixty percent of the total grade for three sections of the 1996 Examinations consisted of four-option multiple-choice questions; for the fourth section, Auditing, four-option multiple-choice made up 50 percent of the total section grade.

For both 1996 administrations, approximately 10 percent of the multiple-choice questions were pretested.

**Other Objective Answer Format Questions.** Other objective answer format

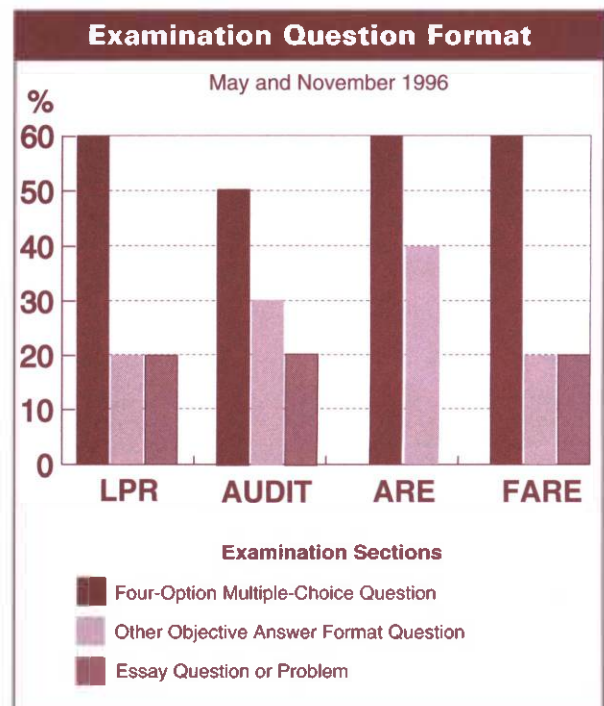
questions in other than the four-option multiple-choice format, such as numerical, matching, and classification formats.

The percentage of OOAF questions on each section of the 1996 Examinations ranged from 20 to 40 percent.

**Essay Questions or Problems.** The percentage of essay questions or problems for the 1996 Examinations ranged from 0 to 20 percent.

For the LPR, AUDIT, and FARE sections, the essay questions or problems were worth 20 percent of the total section grade. Five percent was allocated to writing skills; the remaining 15 percent was allocated to knowledge and skills of technical accounting, auditing, and law and professional responsibilities.

The breakdown of each examination section by question format is contained in the chart below.



The Uniform CPA Examination has experienced many changes since it was first given in 1917, including reorganization of the Examination and introduction of different question formats. The most important change to date took place in May 1996 as the boards of accountancy, the AICPA, and NASBA successfully administered the first nondisclosed Examination. *Nondisclosure* means that the AICPA no longer publishes the questions and unofficial answers and candidates may not obtain their question booklets after the examination administration.

### History of Nondisclosure

Since 1917, when the AICPA prepared the first licensure examination for the accountancy profession, the questions and answers have been published after each examination administration. The Board of Examiners (BOE) first considered nondisclosure in 1987, but concluded that the advantages of disclosure outweighed the benefits of nondisclosure at that time.

Changes in the Examination and in its customers' attitudes led the BOE to reconsider nondisclosure.

- ◆ 1989: Several boards of accountancy recommend nondisclosure.
- ◆ 1990: The CPA Examination Review Board issues a position paper endorsing nondisclosure.
- ◆ Early 1991: The BOE revisits nondisclosure and concludes that nondisclosure will improve the quality of the Examination.
- ◆ June 1991: The BOE approves the change to a nondisclosed examination.
- ◆ September 1991: The BOE announces nondisclosure in *A Nondisclosed Uniform CPA Examination (Effective May 1996)*, which

discusses the key issues of nondisclosure.

- ◆ April 1994: The Nondisclosed CPA Examination Implementation Task Force (NITF) issues the first installment of *Information for Boards of Accountancy—Implementing the Nondisclosed Uniform CPA Examination*.
- ◆ May 1996: The boards of accountancy, NASBA, and the AICPA successfully administer the first nondisclosed Uniform CPA Examination.
- ◆ January 1997: The NITF issues its final report and includes in its recommendations that the *NASBA Handbook for CPA Examination Administration* and *Information for Boards of Accountancy* be combined into one manual. This new manual will be a priority for the Examinations Team in 1997.

### Advantages of Nondisclosure

- ◆ *Improving the quality* of the multiple-choice questions by reusing those questions that remain relevant to the practice of accountancy and have statistically proven to be a good measure of candidates' knowledge and skills.
- ◆ *Increasing grading fairness* by making it easier to equate one examination statistically with the next.
- ◆ *Facilitating conversion to a computer based test* by compiling a large bank of pretested questions with favorable psychometric qualities.

### The Impact of Nondisclosure

**Candidates.** For candidates, nondisclosure means that they will not be able to obtain their question booklets and the AICPA will not publish the questions or unofficial answers after the Examination has been

administered. However, the AICPA will continue to publish *Selected Questions & Unofficial Answers Indexed to Content Specification Outlines*, which will contain questions that have appeared on previous Examinations (including nondisclosed examinations) and a summary of coverage of the content specification outlines for nondisclosed examinations.

Sample questions also appear on the Exams Homepage on the AICPA's Website (<http://www/aicpa.org/members/div/examiner/examsamp/index.htm>).

On examination day, candidates are required to sign the following confidentiality statement:

I hereby attest that I will not divulge the nature or content of any question or answer to any individual or entity, and I will report to the board of accountancy any solicitations and disclosures of which I become aware. I will not remove, or attempt to remove, any Uniform CPA Examination materials, notes, or other unauthorized materials from the examination room. I understand that failure to comply with this attestation may result in invalidation of my grades, disqualification from future examinations, and possible civil and criminal penalties.

The AICPA has revised its grade report to include a diagnostic report that will assist the candidate in determining his or her strengths and weaknesses on the various content domains. In addition, there are new procedures for candidate appeals.

**State Boards.** Boards of accountancy have faced radical changes preceding and during the administration of the nondisclosed Examinations. Prior to May 1996, each board needed to review its statutes and regulations to ensure that a nondisclosed Examination could be given in its jurisdiction. The boards had to establish new procedures to keep used and unused materials secure before, during,

and after the administration.

**Security.** The nondisclosed Examination requires stringent security measures. In addition to keeping the materials secure during administration of the Examination, the questions themselves must now be kept secure. The BOE will maintain the integrity of the question bank by prosecuting for copyright infringement anyone who transmits or receives copyrighted questions and by prohibiting those working with the question bank from divulging information on the bank.

The success of the security procedures for a nondisclosed Examination can best be measured by the number of booklets sent to boards of accountancy and the number returned to the AICPA. For the May and November 1996 administrations, the more than 490,000 booklets shipped to boards of accountancy were returned to the AICPA.

## Unchanged Elements

With all of the change surrounding the nondisclosed Examination, many elements have remained the same.

**Purpose.** The purpose of the Uniform CPA Examination, to provide reasonable assurance to the boards of accountancy that those passing the Examination possess a level of technical knowledge and skills necessary for initial licensing, is unchanged. The Examination assures each board of accountancy that CPAs entering the profession have passed an Examination that has uniform content coverage, level of difficulty, and grading methodology and practices.

**Structure.** The structure of the Examination is the same.

**Format.** The format of the Examination, by type of question, should continue to be consistent with the format used in past examinations.

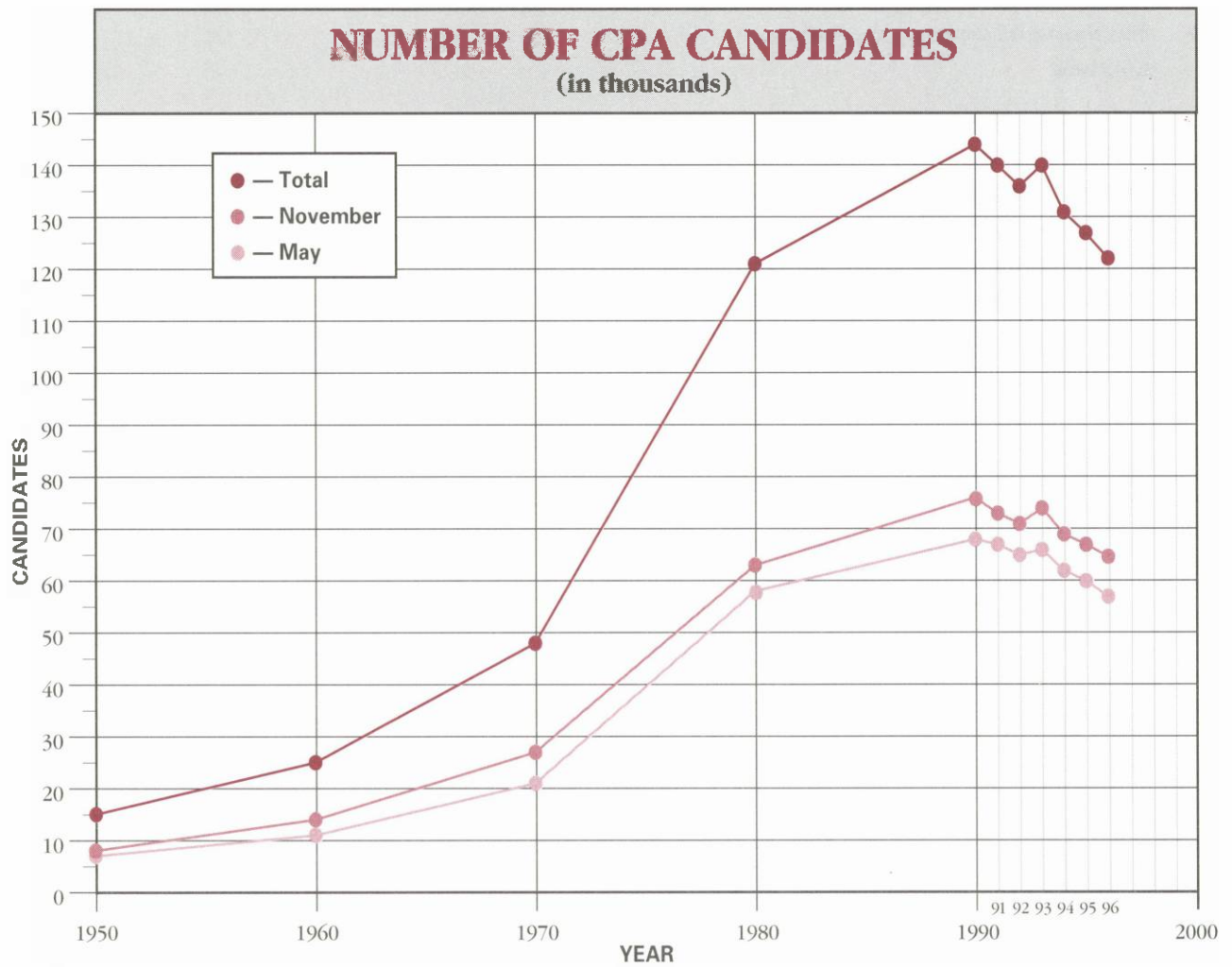
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***Prestige.*** The CPA designation is recognized by the business community as a sign of professional competence. Nondisclosure of the Uniform CPA Examination will enhance the prestige of those who earn the CPA designation because the quality and testing methodology of the Examination will continue to improve.

## Statistical Information—Candidates

### Number of Candidates

The number of candidates taking the Examination has declined from 144,000 in 1990 to 122,000 in 1996. This is a 15 percent decline in six years after more than forty years of steady growth.





## Grading Magnitude

In reporting advisory grades for the 122,232 candidates who took the 1996 Examinations to boards of accountancy, the Board of Examiners' Advisory Grading Service scored in excess of:

- ◆ 25 million four-option multiple-choice questions
- ◆ 15 million OOF questions
- ◆ 560 thousand essays and problem solutions

For each Examination, more than 19 million objective answers are machine-graded and 280 thousand essays and problem solutions are graded by CPAs and attorneys in less than 75 days, which is the time between the day the Examination is administered and the day advisory grades are reported to boards of accountancy.

## Candidate Performance

For the 1996 Examinations, the percentage of passing advisory grades issued for each section of the Examination was:

### *Advisory Grades Passing Percentage*

<b>Section</b>	<b>May 1996</b>	<b>Nov. 1996</b>
Business Law & Professional Responsibilities (LPR)	31.2%	35.1%
Auditing (AUDIT)	30.2%	32.3%
Accounting & Reporting (ARE)	30.0%	31.7%
Financial Accounting & Reporting (FARE)	30.3%	33.4%

## AICPA Elijah Watt Sells Awards

Elijah Watt Sells Awards are presented to the three candidates who pass all four sections of the Uniform CPA Examination at one time and receive the highest combined grades on all four sections. For the highest grade, a Gold Plaque is awarded; for the second-highest grade, a Silver Plaque is awarded; and for the third-highest grade, a Bronze Plaque is awarded.

These awards were originally established by the Council of the American Institute of Certified Public Accountants (AICPA) in 1923 to honor Elijah Watt Sells, a founding partner of Haskins & Sells, which later became the international firm Deloitte & Touche. Mr. Sells was also active in the creation of the AICPA.

The 1996 winners of the Elijah Watt Sells Awards are:

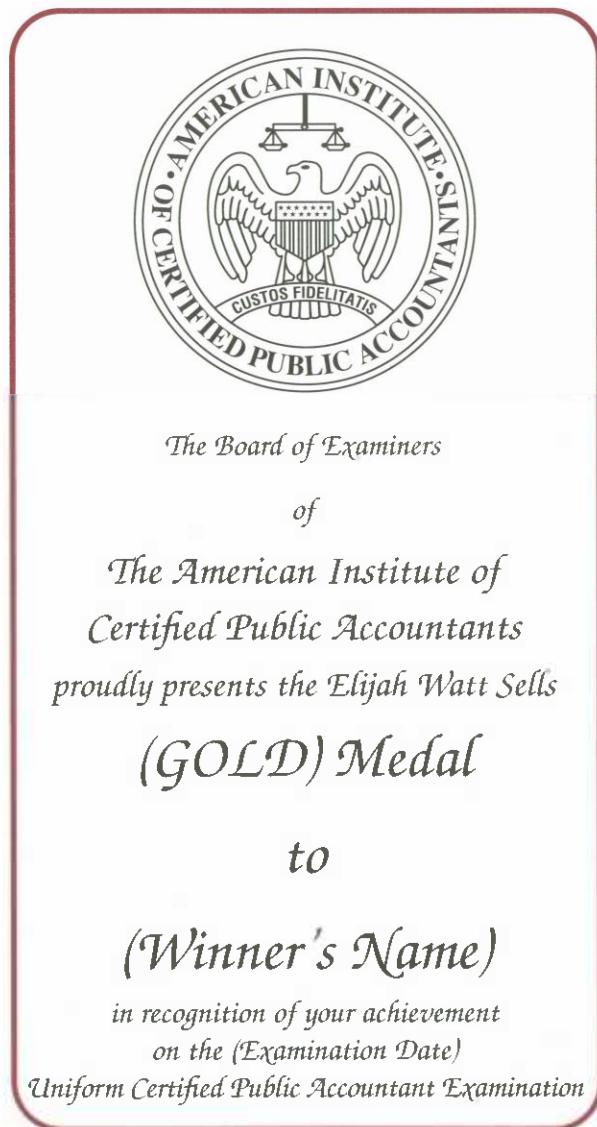


Illustration of Elijah Watt Sells Plaque.

### **May 1996**

<b>Gold</b>	TX	Paul Ito Kanehoe, HI
<b>Silver</b>	MA	Jonathan R. Monson Concord, NH
<b>Bronze</b>	LA	Warren Menning Schultz, Jr. Metairie, LA

### **November 1996**

<b>Gold</b>	MD	Stephanie Horner Seiberg Silver Spring, MD
<b>Silver</b>	MN	Daniel C. Campion Robbinsdale, MN
<b>Bronze</b>	KS	Cathy Marie Roper Colwich, KS

## Financial Information

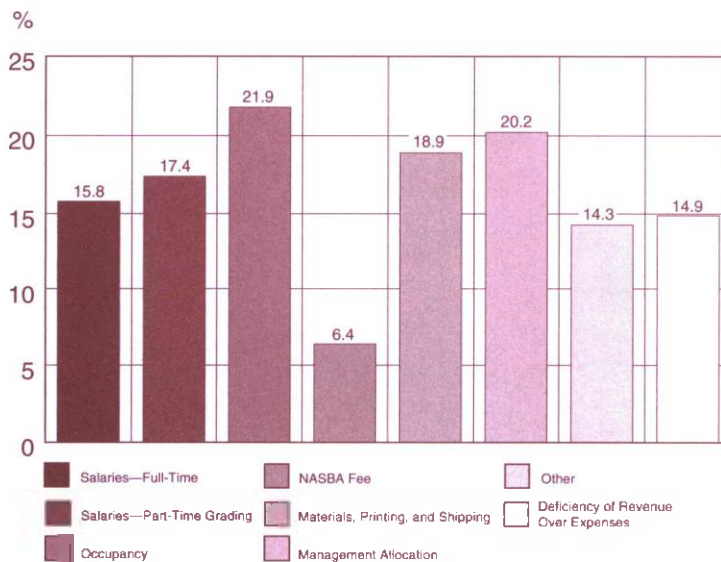
For the fiscal years ended July 31, 1996, and 1995, the unaudited revenues and expenses (in thousands) related to the Uniform CPA Examination are:

	1996	1995
Revenue	\$7,910	\$7,437
Expenses		
Salaries		
Full-time	1,251	1,371
Part-time grading	1,378	1,440
Occupancy	1,731	1,642
NASBA fee	509	479
Materials, printing, and shipping	1,496	1,125
Management allocation/departmental overhead	1,595	1,208
Other	1,133	1,083
Total expenses	\$9,093	\$8,348
Excess(deficiency) of revenue over expenses	(\$1,183)	(\$ 911)

More than 98 percent of the revenue is derived from Examination grading fees received from boards of accountancy. Expenses do not include the services of members of the Board of Examiners, its subcommittees, and its task forces, who donate their time and expertise. The NASBA fee is the amount paid to NASBA to perform a review of

the Examination by the NASBA CPA Examination Review Board, to prepare grade reports, and to compile candidate performance statistics. The management allocation amount is for AICPA services, such as human resources and payroll, used by the Examinations Team. The 1996 expenses as a percentage of revenue are:

**1996 Expenses as a Percentage of Revenue**



### Board of Examiners and Uniform CPA Examination—Statement of Mission and Purpose

The Board of Examiners of the American Institute of Certified Public Accountants is the entity within the CPA profession that is responsible for preparing and grading the Uniform Certified Public Accountant Examination. In carrying out its mission, the Board of Examiners provides to the fifty-four American boards of accountancy that license Certified Public Accountants a high-quality, reliable, standardized examination. The Uniform CPA Examination assures each board of accountancy that CPAs entering the profession have passed an Examination that has uniform (1) content coverage, (2) level of difficulty, and (3) grading methodology and practices. The Uniform CPA Examination provides the entry-level uniformity that is essential to ensuring interjurisdictional mobility for the CPA license holder.

The scope of the Uniform CPA Examination encompasses entry-level knowledge and skills that bear a reasonable relationship to the audit and attestation, taxation, and other functions normally performed by Certified Public Accountants that affect the public interest and for which CPAs possess particular professional expertise.

The objective of the Uniform CPA Examination is to provide reasonable assurance to boards of accountancy that candidates passing the Uniform CPA Examination possess the level of technical knowledge and skills necessary for initial licensure to protect the public interest.

### Purpose of Annual Report

A primary purpose of the annual report is to document for boards of accountancy how the preparation and grading of the Uniform CPA Examination comply with professional testing standards for licensing examinations. The standards against which the Uniform CPA Examination is measured are set forth in:

- ◆ *Standards for Educational and Psychological Testing* (American Educational Research Association/American Psychological Association/National Council on Measurement in Education, 1985)
- ◆ *Principles of Fairness: An Examining Guide for Credentialing Boards* (Council on Licensure, Enforcement and Regulation/National Organization for Competency Assurance, 1993)

In addition, the Board of Examiners submits the Uniform CPA Examination to an independent review by the NASBA CPA Examination Review Board, which documents its findings to boards of accountancy in its reports.

The ability of boards of accountancy to rely on the Uniform CPA Examination for licensing decisions depends, in large part, on maintaining the quality of the Examination's preparation and grading. The next section of this report looks at each major component of preparation and grading and explains how each component complies with professional standards. These components are summarized in the accompanying checklist.

### Checklist for Evaluating Uniform CPA Examination<sup>1</sup>

<i>Domain</i>	<i>Criterion</i>	<i>Status</i>
<b>Foundations</b>	Examination Scope	Determined by practice analysis.
	Content Specifications	Developed from results of practice analysis using quantitative analysis and expert judgment.
<b>Preparation Process</b>	Examination Specifications	A sample of content specification outlines.
	Question Development	Follows <i>Uniform CPA Examination Preparation Guide</i> .
	Question Writer Workshops	Questions are prepared by CPAs who have attended the Question Writer Workshops.
	Question Review	Questions are reviewed by content experts, testing specialists, and a professional editor.
	Pretesting Multiple-Choice Questions	Pretested questions with known psychometric qualities will be reused on future Examinations.
<b>Grading Process</b>	Grading Key Accuracy and Consistency	Statistical analysis of objective questions; grading a large sample of essay questions and problems; various quality control procedures before production grading.
	Passing Standard—1996	Criterion reference: 75% of available points. Norm reference: at least 30% of candidates.
	Passing Standard—Effective May 1997	Angoff-based passing standard
	Production Grading Quality Assurance	All grades near passing are checked for grading accuracy at least three times.
<b>Psychometric Evaluation</b>	Question Analysis	Standard indexes of question difficulty and discrimination, and distractor analysis.
	Reliability	Reported for entire sections and by question format within each section; conditional standard errors of measurement also reported.
<b>Candidate Due Process</b>	Review Service	Candidates can obtain a review of their papers for grading accuracy.
	Appeals Process	Candidates may, under secure conditions, review a copy of the questions they answered incorrectly.
<b>Documentation Sources</b>		<i>Board of Examiners Annual Report</i> <i>Uniform CPA Examination Newsletter</i> <i>Information for Uniform CPA Examination Candidates</i> <i>Uniform CPA Examination Preparation Guide</i> <i>NASBA CPA Examination Review Board Reports</i>
<b>Research—Improving the Examination</b>		Updating Examination Content Computerization Question Characteristics Passing Standard Study Administrators' Manual

<sup>1</sup>This checklist has been adapted from Downing, S.M., & Haladyna, T.M. (1995, April). Test Item Development: Validity Evidence from Quality Assurance Procedures. In T.M. Haladyna (Chair), *Validating Licensing and Certification Test Score Interpretations and Decisions*. Symposium conducted at the annual meeting of the American Educational Research Association, San Francisco.

## Foundations

**Examination Scope.** Because it is used to license CPAs, the Uniform CPA Examination should assess the knowledge and skills CPAs need when they enter public accountancy practice. To identify the relevant knowledge and skills, the Board of Examiners commissioned two extensive studies of public accountancy practice, one completed in 1983, the other in 1991. The practice analysis studies involved collecting several kinds of information about public accountancy using focus groups, interviews, work logs, expert judgment, and large-scale national surveys. The knowledge and skills identified in the two studies that pertain to new CPAs are embodied in the content specifications published in *Information for Uniform CPA Examination Candidates*, 13th Edition.

See page 26 for a discussion of the work of the Content Oversight Task Force with

regards to keeping the Examination content current with changes in the profession.

**Content Specifications.** Content specifications represent the range of an examination's subject matter coverage: They delineate the knowledge and skills the Uniform CPA Examination may assess. The Uniform CPA Examination's content specifications are based on the quantitative analysis of the practice analysis survey results refined by expert judgment. The content specifications serve as the foundation for the Uniform CPA Examination, helping to ensure that it assesses knowledge and skills important to the practice of new CPAs in public accountancy.

## Preparation Process

For each Examination section, the preparation process involves a six-stage cycle. These stages and their timetables for the 1996 Examinations were:

### Six-Stage Preparation Cycle

<b>Preparation Process</b>	<b>Date Performed</b>	
	<b>May 1996</b>	<b>Nov. 1996</b>
Examination specifications approval: Preparation subcommittee Board of Examiners	June 1994 September 1994	August 1994 January 1995
Preparation subcommittee review: 1st draft 2nd draft 3rd draft	February 1995 August 1995 October 1995	August 1995 October 1995 February 1996
Board of Examiners and preparation subcommittee approval: 4th draft	December 1995	July 1996

**Examination Specifications.** Examination specifications represent the “blueprint” that guides the construction of an examination. Every set of examination specifications represents a sample of the subject matter contained in the content specifications. Each set of specifications must be approved first by the appropriate preparation subcommittee and then by the Board of Examiners before work on the examination begins.

**Question Development.** Questions for the Uniform CPA Examination are selected to meet the examination specifications. Examination questions are prepared primarily by full-time technical managers, who are CPAs and attorneys and have been specially trained in question development. Additional multiple-choice questions are prepared by outside consultants and those who have attended the question writer workshops. All non-multiple-choice questions for each Examination are prepared by the technical managers.

The technical managers select multiple-choice examination questions from a computerized question bank using the guidelines in the *Uniform CPA Examination Preparation Guide* (AICPA, 1995). This guide distills information gathered from many sources on examination development and the experience of the AICPA in preparing the Examination. It includes guidelines for writing questions using a variety of formats.

**Question Writer Workshops.** For the nondisclosed Examination and possible computer based Examination to be successful, a large bank of high-quality examination questions covering a wide range of subject matter, difficulty, and skills is needed. In an effort to expand the question bank for the Uniform CPA Examination, the Board of Examiners began conducting question writer workshops

in 1995. The objective is to train practitioners and academicians to develop examination questions. The table below indicates the workshops that were held during 1996.

<b>Workshop</b>	<b>Dates Held</b>	<b>Number of Participants</b>
ARE— Governmental and Not-for-Profit Organizations	April 16–17, 1996	12
FARE	April 22–23, 1996	13
ARE—Taxation	June 6–7, 1996	16
LPR	August 8–9, 1996	12

**Question Review.** After the technical managers develop the questions and answers for all formats and prepare grading guides for essay questions and problems, the drafts are reviewed by Examinations Team staff as follows:

- ◆ Psychometricians (testing specialists) ensure consistency with the *Preparation Guide* and professional testing standards;
- ◆ Technical subject matter expert (other than the original question writer) evaluates technical accuracy and conformity with Board of Examiners’ policies; and
- ◆ Copy editor reviews for grammatical accuracy and clarity of composition.

Each draft then goes through at least three reviews by the preparation subcommittees to ensure:

- ◆ The questions conform to the examination specifications and policies for examination questions.
- ◆ The questions and answers are technically accurate and supported by authoritative literature.

- ◆ The questions are relevant to the practice of public accountancy.
- ◆ The questions are at a level of difficulty appropriate for entry-level CPAs.

A final review is performed, during which each preparation subcommittee approves the section for which it is responsible and the Board of Examiners approves all Examination sections.

These preparation procedures contributed to the validity of the 1996 Examinations by ensuring that they reflected the subject matter identified in the two practice analysis studies as embodied in the content specifications. In this way, appropriateness of examination content for all licensing jurisdictions is guaranteed.

#### ***Pretesting Multiple-Choice Questions.***

With the advent of the Nondisclosed Examination, the Board of Examiners began pretesting multiple-choice questions. *Pretested questions* are questions embedded in an examination but not used in computing a candidate's grade. Pretested questions with known psychometric qualities will make it possible to assemble examinations that attain a more consistent level of difficulty than has previously been possible and will be reused on future examinations to improve the overall quality of the Uniform CPA Examination.

The next step in ensuring examination validity is the implementation of quality control procedures used by the Board of Examiners' Advisory Grading Service. These procedures ensure uniformity in grading for all licensing jurisdictions.

## **Grading Process**

***Grading Key Accuracy and Consistency.*** Ensuring accurate grading begins with verifying that the keyed answers are correct and that the grading guides can be

applied consistently to the essays and problem solutions. Before answer papers are formally graded, the answer keys for the objective questions and the grading guides for the essay questions and problems are verified by applying them to hundreds of papers.

For the objective questions, a variety of statistical analyses are done on a representative group of about 10,000 papers to identify possible miskeyed, ambiguous, or inappropriate questions. Each flagged question and its answer options are then researched for accuracy. Each question that is still suspect after this research is then sent, without the answer key, to several independent subject matter experts for further evaluation. If the experts cannot reach a consensus on the correct answer, credit may be given for more than one response. If the experts agree there is no correct answer, all candidates answering the question receive credit for it.

Grading guides for essay questions and problems are evaluated by having senior graders grade a sample of several hundred papers. Through this process, alternative correct answers and acceptable phrasings are identified and incorporated into the grading guides.

Evaluation of writing skills accounts for 5 percent of the advisory grades for LPR, AUDIT, and FARE. The accuracy and consistency of grading writing skills are assured through a combination of intensive grader training for each essay question; the identification of anchor papers, which are used during production grading to help maintain grading consistency; and oversight by an expert in business writing.

All changes to the answer keys and grading guides must be approved by the Board of Examiners' standard setting subcommittee



before actual production grading begins. The papers used for key and grading guide verification are returned, with no identifying marks, to the pool of papers to be graded. Any substantial variations between the sample grading and production grading of these papers, after accounting for key and grading guide changes, are flagged and evaluated as a check on grading consistency. A sample of objective answer sheets is continuously hand-scored to ensure that the scanning equipment is working correctly.

After the sample grading of over 10,000 candidate papers in each section is complete, the grading basis for each section is established by the standard setting subcommittee.

**Passing Standard—1996.** The passing advisory grade for each section of the Uniform CPA Examination had been set at 75 by the Board of Examiners. Ideally, a grade of 75 represents mastery of 75 percent of the knowledge and skills needed to enter public accountancy practice. However, because the Examination had been disclosed after each administration, it was difficult to ensure that each examination was equally difficult. Therefore, the Board of Examiners set a policy that all candidates who earned a raw score equal to 75 percent or higher of the available points on a section would pass that section. However, if fewer than 30 percent of the candidates earned 75 percent or higher of the available points, raw scores were adjusted upward so that about 30 percent of the candidates received advisory grades of 75 or higher. Thirty percent had been the historical average passing rate when the passing standard was adopted. This process assumed that the average ability of candidates was consistent from one examination to the next, and fluctuations in raw scores resulted from

imprecise formulations of examination questions and grading guides.

**Passing Standard—Effective May 1997.** In January 1997, the Board of Examiners and NASBA Examinations Committee approved a new passing standard for the Uniform CPA Examination based on the Angoff standard study panels held during 1996. This revised passing standard, coupled with statistical equating, will allow the Advisory Grading Service to make advisory grade adjustments for changes in the Examination's difficulty level and changes in candidate abilities between Examination administrations. The previous passing standard assumed that candidate abilities remained constant between examinations, and advisory grades were adjusted only for the examination's level of difficulty.

**Application of the Angoff Passing Standard.** In July and August 1996, seventy-five CPAs met to apply the Angoff passing standard methodology to the May 1996 Uniform CPA Examination. This methodology uses panels of carefully chosen CPAs, who, with the assistance of a facilitator, evaluate each examination question (only those questions with good psychometric characteristics) with respect to its judged difficulty for minimally competent entry-level CPAs. The panelists, selected from a cross-section of jurisdictions and representing accounting firms of all sizes, received their CPA certificates in the past three to six years. In addition, they currently spend at least 50% of their time in either attestation or tax services and directly supervise new CPAs in public practice. A minimum passing level was established from the panelists' ratings and will be the basis for equating on future examinations, effective with the May 1997 Examination.

The passing rates that would have been obtained if the results from the Angoff method were applied to the May 1996 Uniform CPA Examination follow. Also presented are the actual passing rates from the May 1996 Examination. The results of the Angoff method did not differ greatly from those obtained using then-current BOE policy.

<b>May 1996 Passing Percentages</b>		
<i>Section</i>	<i>Current BOE Policy</i>	<i>Angoff Method</i>
AUDIT	30.2	31.6
LPR	31.2	32.3
FARE	30.3	28.1
ARE	30.0	27.9

Through a process known as statistical equating, the score on the May 1997 Examination that represents the same ability as the passing score on the May 1996 Examination will be determined. This equated score will then become the passing score for May 1997.

***Reliability of the Angoff method.***

Studies were conducted to determine if the Angoff method produced a passing standard that was replicable, and could therefore be relied on, or a standard that would vary greatly if different groups of panelists applied the method. These studies, conducted in September and October 1996, replicated the AUDIT and TAX panels originally conducted in July and August 1996. The replication panels used different panelists and a different facilitator. The results of the replication panels produced standards similar to those of the July and August panels. Thus, the method produced a reliable passing standard.

***Production Grading Quality Assurance***

***Objective Question Grading.*** The more than 40 million multiple-choice and OOAF questions graded for the 1996 Examinations were initially graded by using a high-speed optical scanner and a mainframe computer. For all Examination sections, about 2 percent of the scanned answer papers were selected at random for manual confirmation.

In addition, for the ARE section, which is entirely machine-graded, all candidate papers having adjusted scores in the 68–69 range were manually verified.

***Essay/Problem Solution Grading.*** For both 1996 grading sessions, more than 560 thousand essay questions and problems were graded by CPAs and attorneys. Essay/problem grading consists of a three-step process:

- ◆ Production grading
- ◆ First review
- ◆ Second review

*Production grading* is performed by a staff of approximately 130 CPAs and attorneys. These professionals are trained in the technical concepts of the individual essay question or problem assigned to them, and their work is reviewed for accuracy and consistency. In addition, the graders are trained in the holistic method of grading writing skills. This method is designed to result in a grade based on the overall impression created by the writer in complying with all of the following standards:

- ◆ Coherent organization
- ◆ Conciseness
- ◆ Clarity
- ◆ Use of standard English

- ◆ Responsiveness to the requirements of the question
- ◆ Appropriateness for the reader

*First review* is performed by highly experienced graders who review essays or problem solutions for candidates with adjusted scores in the 58-74 range. This review is a quality control for the most critical range of scores. Based on this review, candidate scores are adjusted to reflect any scoring inconsistencies.

*Second review* is performed by grading section heads and assistant section heads who review essays or problem solutions for papers with adjusted scores in the 68-74 range. Based on this review, candidate grades are either raised to the passing level of 75 or assigned a failing advisory grade of 68 or 69. A second review is also performed on papers near the minimum grade from those jurisdictions that require a minimum grade on failed sections to obtain credit for sections candidates have passed.

The next step in ensuring examination validity is psychometric evaluation of the results.

## Psychometric Evaluation

The psychometric quality of the Uniform CPA Examination is evaluated primarily by looking at the statistical relationships between candidate performance on examination questions and examination scores, and the relationships among candidate scores on the examination questions themselves. The goal of the psychometric evaluation is to assess how well each section of the Uniform CPA Examination differentiates among CPA candidates having different degrees of the

pertinent knowledge and skills being assessed. The standards used to evaluate the Examination are typical of those used in other licensing examination programs. Psychometric evaluation is done primarily to:

- ◆ Improve the quality of future examinations by showing question writers and reviewers how to improve their work.
- ◆ Assist in the legal defensibility of the Uniform CPA Examination.
- ◆ Aid in deciding whether to retain questions for future reuse.

## Question Analysis

### *Four-Option Multiple-Choice*

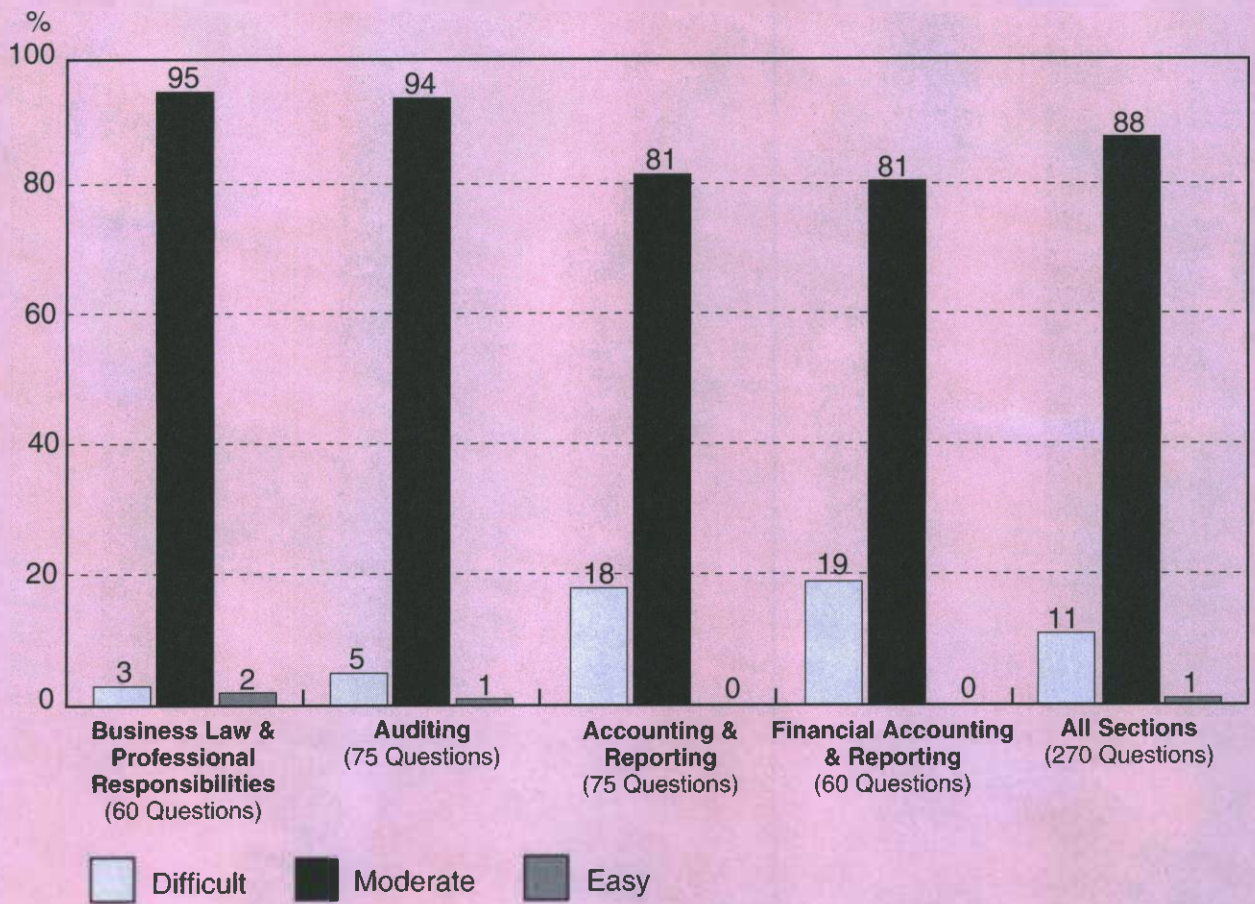
**Questions.** Different types of psychometric analyses are performed for the various question formats. For the four-option multiple-choice questions, the three major psychometric characteristics evaluated are:

- ◆ Level of difficulty
- ◆ Discrimination power
- ◆ Distractor functioning

A multiple-choice question's *level of difficulty* is the percentage of candidates answering the question correctly. To retain a multiple-choice question for later reuse, it must have moderate difficulty, that is, the range of candidates getting the correct answer must be 30 through 90 percent. Questions outside this range of difficulty are considered too easy or too difficult, and are not reused. The percentage of four-option multiple-choice questions on the May and November 1996 Examinations within these measurement ranges are shown in the accompanying charts:

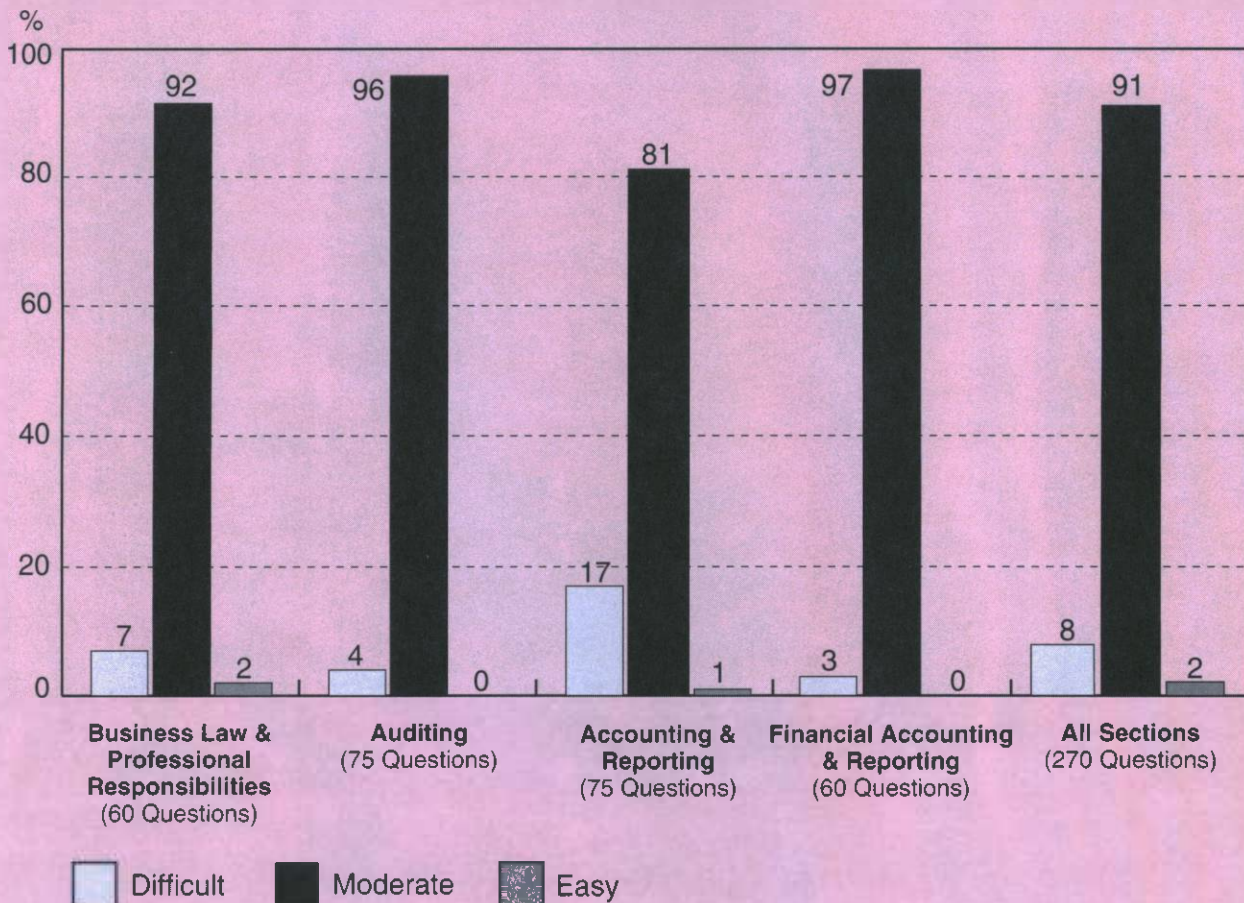
**Level of Difficulty Charts**

**May 1996**



Level of Difficulty Charts (continued)

November 1996



The *discrimination power* of a multiple-choice question is measured by using the *biserial correlation coefficient*. The biserial correlation coefficient is obtained by correlating candidates' aggregate scores with their answers to each question using the *biserial correlation*. A question is *discriminating* when candidates receiving higher total grades on the examination are more likely to answer a question correctly than candidates with lower total grades. A biserial correlation of 0.20 or above is required for a multiple-choice question to be considered for reten-

tion in the question bank. A question is *nondiscriminating* when candidates receiving higher total grades on the examination are no more or less likely to get the correct answer than candidates with lower total grades. Questions that correlate with candidate grades in the range of 0.0 through 0.19 are considered nondiscriminating. For the 1996 Examinations, 84.6 percent of the multiple-choice questions were discriminating and 13.9 were nondiscriminating. A question is *reverse (negatively) discriminating* when candidates with lower total grades are more

likely to get the correct answer than candidates with higher total grades. A question that is reverse discriminating actually impairs an examination's ability to distinguish among candidates who have different degrees of the knowledge and skills the examination is intended to assess. For the 1996 Examinations, only 8 multiple-choice questions out of a total of 540 questions were reverse discriminating.

A *distractor* is an incorrect answer option, and a *functioning distractor* is one selected by 1 percent or more of the candidates. A *nonfunctioning distractor*, then, is an incorrect answer option that fewer than 1 percent of all candidates select. For the May and November 1996 Uniform CPA Examinations, only 1.0 percent of all the distractors were nonfunctioning.

**Other Objective Answer Format (OOAF) and Essay Questions.** Responses to individual items within an OOAF question and concepts within an essay question or problem generally are not independent of each other. Psychometrically, it is more appropriate to evaluate these questions as a unit and not through separate analysis of each item. The three major psychometric characteristics evaluated are:

- ◆ Level of difficulty
- ◆ Discrimination power
- ◆ Intergrader consistency (essay questions only)

Because each OOAF and essay question has a much greater effect on a candidate's section grade than do individual four-option multiple-choice questions, the acceptable range for difficulty and discrimination is smaller for OOAFs and essay questions than for multiple-choice questions.

An OOAF or essay question's level of difficulty is measured by the candidates' average score for the question divided by the maximum possible score for the question. For example, if an OOAF or essay question is worth a maximum of 10 points and the candidates' average score is 6.3, the difficulty level of the question is 0.63. The acceptable range of difficulty for OOAF and essay questions is 0.40 to 0.80.

Levels of difficulty for 17 of the 21 OOAFs on the 1996 Examinations were acceptable. The average level of difficulty of the OOAFs was 0.57. The levels of difficulty for 7 of the 12 essay questions and problems on the 1996 Examinations were within the acceptable range. The average level of difficulty of the essay questions and problems was 0.42.

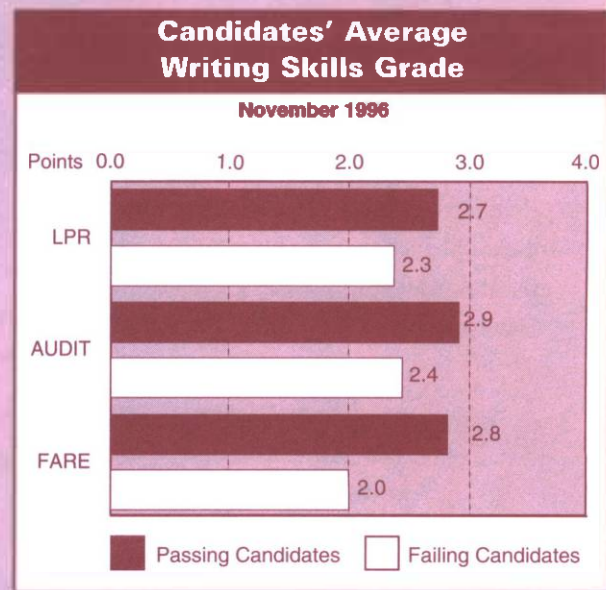
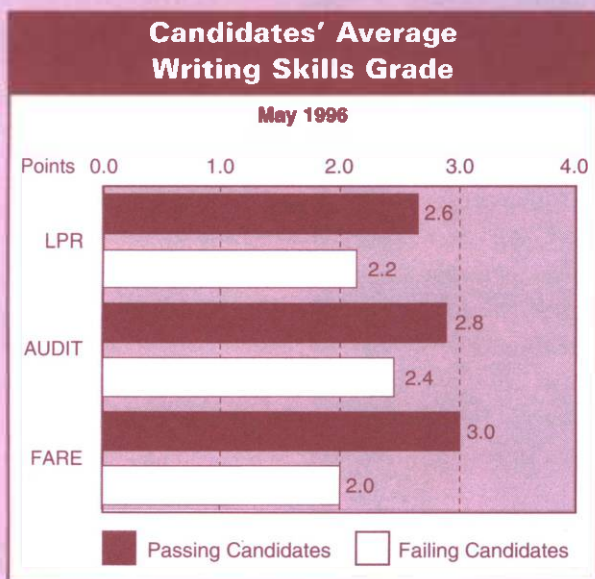
An OOAF or essay question's discrimination power is computed using a standard statistical correlation (the Pearson product-moment correlation) between candidates' scores on the OOAF or essay question and their Examination section grades. For OOAFs and essay questions, correlations of 0.30 or above are acceptably discriminating. The discrimination power for all 21 OOAFs and all 12 essay questions and problems was acceptable.

*Intergrader consistency* is a measure of the agreement between scores given by two or more graders evaluating the same candidate's paper. Because essays and problem solutions are graded by people, an element of subjectivity is injected into the grading process that may result in the same essay or problem solution receiving different grades from two graders. One way to assess the consistency in grading is to compute *intergrader consistency coefficients* (sometimes called *interrater reliability coefficients*). These

coefficients summarize the degree of similarity among the grades given by two or more graders to the same essay or problem solution. If different graders assign similar grades to the same answer, then grading is consistent. However, if different graders assign different grades to the same answer, then grading is inconsistent. Intergrader consistency coefficients generally range between zero and one, with larger values reflecting a higher degree of consistency.

Beginning with the November 1996 Uniform CPA Examination, intergrader consistency coefficients were computed for each essay and problem solution. For the November 1996 Examination, the coefficients ranged from 0.76 to 0.92, with an average value of 0.85. This reflects a high degree of consistency between graders in their assessment of the essays and problem solutions.

**Writing Skills.** In addition, average writing skills grades are reported for each administration. Based on a maximum grade of five points for writing skills, an analysis of the 1996 writing skills grades indicates the following:



The passing candidates' average writing skills grades ranged from 2.6 in the May 1996 LPR section to 3.0 in the May 1996 FARE section. The passing candidates' average writing skills grades were significantly higher than the failing candidates' average writing skills grades, which ranged from 2.0 in the May and November 1996 FARE section to 2.4 in the May and November 1996 AUDIT section.

### Reliability

*Reliability* of grades refers to the degree to which candidates are likely to earn similar grades on examinations consisting of different but comparable questions covering the same content domain. An examination's validity begins with assessing the proper content domain as described in the foundations and preparation process sections of this report. Validity also depends on reliability: If candidates' grades were to change materially because of changes in the scope or quality of the Examination questions, then candidates' performance would be unduly affected by

which examination they took and be a poor measure of their abilities. *High reliability* means that changes in candidates' grades from one examination to the next primarily reflect changes in candidates' abilities.

The statistical measure used for reliability is the stratified coefficient alpha. Reliability should be no lower than .80, and ideally should be around .90.

The reliability for each section of the May and November 1996 Uniform CPA Examinations is shown below.

**Reliability**

<b>Section</b>	<b>May 1996</b>	<b>Nov. 1996</b>
LPR	.82	.86
AUDIT	.90	.89
ARE	.83	.83
FARE	.91	.90

**Candidate Due Process**

Nondisclosure of the Uniform CPA Examination has affected the way candidates appeal their grades. Beginning on the Uniform Mailing Date, candidates can request a review from the AICPA Board of Examiners Review Service, appeal a grade under the Appeals Process, or do both.

**Review Service**

Candidates may request a review to ensure that their answer papers were graded accurately. A review service request, forwarded to the Examinations Team by a board of accountancy either directly or through

NASBA, results in the following process:

- ◆ Manual verification of the accuracy of objective answer scores;
- ◆ Independent verification of the grading of the essays or problem solutions by a qualified reviewer who did not participate in the original grading of the paper; and
- ◆ Recalculation of the total grade.

For the May and November 1996 administrations, the Examinations Team processed 806 review service requests. Grades for all review service requests were issued as "no change": No failing grades were increased to passing grades, and no failing grades were increased to minimum grades needed on failed sections to retain credit for sections passed on current or previous examinations.

**Appeals Process**

For boards of accountancy that allow candidates to appeal their grades, the AICPA provides only the Examination questions the candidate answered incorrectly and the candidate's answers to those questions.

At all stages of the appeal process, examination materials are subject to the security procedures used during Examination administration.

For both administrations, nine candidates requested an appeal. Four candidates appealed their May 1996 grades; none were changed to passing grades. For the November 1996 administration, five candidates appealed their grades, and the appeals were still in progress at press time.



## Documentation Sources

Appropriate documentation of the procedures used to ensure the quality of the Uniform CPA Examination is available to those who have an interest in the results of the Uniform CPA Examination. The Board of Examiners has worked hard over the last several years to help boards of accountancy, candidates, and others understand and evaluate the quality of the Uniform CPA Examination. The *Board of Examiners Annual Report* and the *Uniform CPA Examination Newsletter* are examples of periodic publications aimed at keeping the boards of accountancy informed about Uniform CPA Examination developments. *Information for Uniform CPA Examination Candidates* is updated as needed to give candidates current information about the Uniform CPA Examination. The *Uniform CPA Examination Preparation Guide*, first published in 1995, provides information on how quality CPA Examination questions are developed.

The NASBA CPA Examination Review Board (ERB), in its reports, gives boards of accountancy independent assurance of the quality of the Uniform CPA Examination. For each administration, the ERB reviews and evaluates the Examination to assure boards of accountancy that they may rely on the Examination in carrying out their licensing responsibilities. A copy of these reports may be obtained by writing to NASBA, 150 Fourth Avenue, North, Nashville, TN 37219-2417.

## Research—Improving the Examination

**Updating Examination Content.** In 1996, the Board of Examiners approved the formation of a Content Oversight Task Force.

The purpose of the task force is to ensure that the content specifications of the Uniform CPA Examination reflect knowledge and skills needed by entry-level CPAs to practice public accountancy competently. Through an ongoing process, the task force will oversee a variety of activities that may include convening expert panels, interviewing recent CPAs, on-the-job observation, and large-scale surveys of practice. The task force will then recommend to the BOE the content that should be assessed on the Uniform CPA Examination.

To begin its efforts, the task force issued *Invitation to Comment—Updating the Uniform CPA Examination Content Specifications* in January 1997. The *Invitation to Comment*, which the task force sent to all boards of accountancy and other interested parties, asks boards of accountancy for suggestions on additional ways to keep the examination content up to date. The *Invitation to Comment* also asks boards of accountancy for their opinions about the subject matter that the examination should cover. The task force expects to report its findings to the Board of Examiners in June 1997.

**Computerization.** In 1996, the BOE's Computerization Task Force evaluated the responses to *Invitation to Comment—Conversion of the Uniform CPA Examination to a Computer Based Examination* and prepared a report based on those responses. Twenty-five of the fifty-four boards of accountancy responded in writing to the *Invitation to Comment*; these boards represent more than 70% of the candidates who took the Examination in 1995. Twenty-three of the twenty-five boards favored conversion of the Examination to a computer based test.

In addition, William Treacy, Executive Director of the Texas State Board of Public

Accountancy and a member of the Computerization Task Force, surveyed by telephone the administrators of the 29 boards that did not provide a written response. Twenty-six administrators responded to the telephone survey; fourteen of these administrators favored computerization. The BOE also received responses from seven state societies and thirty-six practitioners, academicians, and others.

The Computerization Task Force has prepared a status report summarizing the responses and comments it received to the *Invitation to Comment*. The *Status Report* reviews all responses and discusses the issues many boards of accountancy raised concerning the future of the Examination. The *Report* also discusses the BOE's response to those issues, including the revised passing standard and upcoming psychometric studies.

The BOE has approved a plan for continuing the computerization process, which includes an AICPA/NASBA Computerization Implementation Committee that will study how to develop and implement a computer based Uniform CPA Examination. This committee, which will be advisory in nature, will report to the BOE, and its members will be appointed by the BOE and the NASBA Examinations Committee.

The Computerization Implementation Committee's charge is to oversee the implementation of a computerized Uniform CPA Examination. Its activities will include overseeing the issues to be addressed, determining the resources needed, drafting communications to the boards of accountancy and NASBA on the progress of computerization, developing a prototype for the computerized exam, and establishing a timetable for computerization.

**Question Characteristics.** The Board of Examiners currently is evaluating several qualities of examination questions, particularly a question's difficulty level and cognitive skill level. A question's *difficulty level* is the percentage of candidates who correctly answer it, and its *cognitive skill level* reflects the intellectual processes used to reach the correct answer. The Board is studying the level of difficulty and cognitive skill level requirements for the Uniform CPA Examination. The Board is also studying the relationship between difficulty and cognitive skills, and is attempting to set target ranges to ensure balance across examination administrations. Further discussion of question difficulty and cognitive skill level can be found in the *Uniform CPA Examination Preparation Guide*.

**Passing Standard Study.** To keep the Examination's passing standard current, passing standard studies will be performed over the next four years. It is anticipated that passing standard panels for each section of the Examination will be convened, one each year, to evaluate the passing standard.

**Administrators' Manual.** A group of state board administrators will be working with the Examinations Team to create a new *Uniform CPA Examination Manual for State Board Administrators*. The team will combine NASBA's *Handbook for CPA Examination Administration with Information for Boards of Accountancy—Implementing the Nondisclosed Uniform CPA Examination*, issued by the Nondisclosed CPA Examination Implementation Task Force (NITF). The team will fulfill one of the NITF's recommendations: that all procedures for administering the Examination be consolidated into one manual.



## International Developments

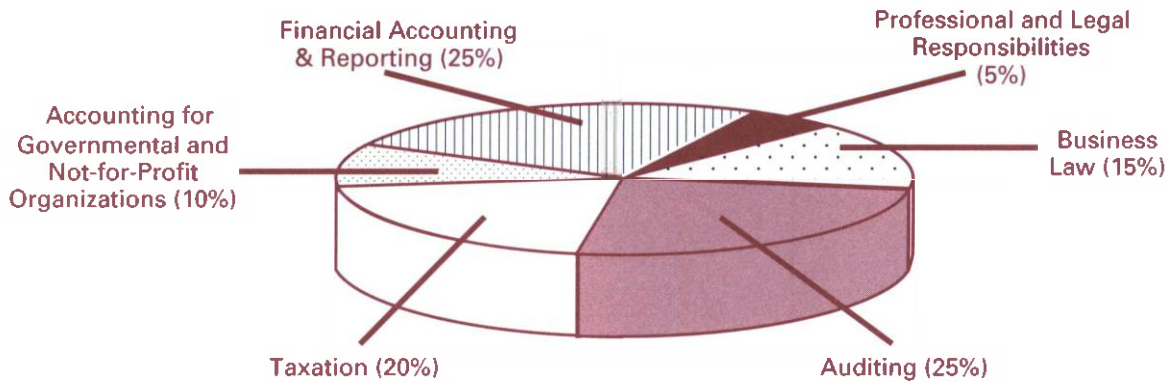
### CAQEX

**Background.** The Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination (CAQEX) is one of the criteria used by boards of accountancy to assess the professional competence of Canadian Chartered Accountants who wish to obtain the CPA designation. CAQEX came about after the AICPA, the Canadian Institute of Chartered Accountants, and NASBA signed "Principles of Reciprocity" in 1991. Although prompted by the Canada-United States Free Trade Agreement of 1989 and a common commitment to eliminate impediments to reciprocity, CAQEX also was an indication of the three organizations' foresight with respect to the globalization of the profession and international agreements to come, such as the North American Free Trade Agreement (NAFTA) and

General Agreement on Trade and Services (GATS).

**Structure and Content.** CAQEX is a 4½-hour, all-objective, nondisclosed examination offered only in English. The four-option multiple-choice questions are similar in nature to the questions on the Uniform CPA Examination.

CAQEX is intended to assure boards of accountancy that Chartered Accountants who have successfully completed the Canadian Uniform Final Examination possess satisfactory knowledge of U.S. generally accepted accounting principles, generally accepted auditing standards, taxes, and business law, emphasizing those topics for which U.S. and Canadian practices differ. The six parts of CAQEX and the approximate examination weight given to each part are as follows:



The CAQEX Task Force, made up of CPAs who are knowledgeable about both countries' accounting and auditing standards, is responsible for the content of the Examination. The Task Force reviewed and approved the content of the November 1996 Examination.

**Results.** Since its inception in November 1993, 670 Canadian Chartered Accountants have taken CAQEX, and 468 have passed (70%). For the November 1996 CAQEX, 251 candidates took the Examination and 166 passed (66%).

CAQEX Administration	Total No. of Candidates	Passing	
		Candidates	Percentage
Nov. 1996	251	166	66%
Nov. 1995	208	158	76%
Nov. 1994	128	91	71%
Nov. 1993	61	37	61%
May 1993	22	16	73%
<i>Total</i>	670	468	70%

## IQEX

The Institute of Chartered Accountants in Australia (ICAA), NASBA, and the AICPA have signed a "Principles Agreement for Reciprocal Licensing." This means that certain Australian Chartered Accountants may be recognized by boards of accountancy for international reciprocity similar to those Canadian Chartered Accountants who were recognized under the 1991 Principles of Reciprocity.

During 1997, the Board of Examiners will be preparing the International Uniform CPA Qualification Examination (IQEX) for Canadian CAs who want reciprocity under the 1991 agreement and for Australian CAs who want reciprocity under the 1996 agreement. The first IQEX will be given in November 1997.

The AICPA Board of Directors has approved the formation of a subcommittee to oversee IQEX. Jesse W. Hughes, a member of the BOE and a NASBA representative to the International Qualifications Appraisal Board, has been appointed as chair of the IQEX Subcommittee.

## Board of Examiners Structure

### Board of Examiners

The Board of Examiners (BOE) establishes policy for the Examinations Team and supervises, coordinates, plans, and initiates all of the projects, programs, and activities of the BOE's subcommittees and task forces. The Board consists of nine members: a chair and two members from each of the Examination's preparation subcommittees. Listed on the following pages are the members of the Board, its subcommittees, and its task forces.

### Board Members

**Stephen M. (Mike) Walker, CPA, J.D., Chair** —Partner at Rogoff, Diamond & Walker, LLP; Chair of the AICPA Domestic Relations Task Force; member of the New Mexico and Albuquerque Bar Associations; former member of the Board of Directors of the New Mexico Society of CPAs; former Chair of the Taxation and Ethics committees of the New Mexico Society of CPAs; former member of the AICPA Council and Joint Trial Board; former member of the Executive Committee of the Federal Tax Division of the AICPA; former Chair of the Fringe Benefits Task Force of the Federal Tax Division of the AICPA; former member of the New Mexico State Board of Public Accountancy. Member of the BOE since 1995.

**Charles Wayne Alderman, CPA, DBA** —Dean, School of Business, Auburn University; received Outstanding Educator Award from Alabama Society of CPAs; co-author of auditing textbooks; former member and chair of the CPE Committee of the Alabama Society of CPAs. Member of the BOE since 1996.

**Michael A. Bolas, CPA, J.D.** —Chief Financial Officer and Vice President of

Administration for Miken Companies, Inc.; former partner at Campbell, Bolas & Associates, P.C.; former assistant professor at St. Bonaventure University School of Business; experienced in business taxation and corporate legal matters. Member of the BOE since 1996.

**Quinton Booker, CPA, DBA** —Professor and Chair, Department of Accounting, Jackson State University; member of the Mississippi State Board of Public Accountancy, the Mississippi Association of Black CPAs, and Board and Association committees; served on AICPA Doctoral Fellowship Committee and Minority Educational Initiatives Committee. Member of the BOE since 1996.

**Vincent C. Brenner, CPA, Ph.D.** —KPMG Peat Marwick Professor, Louisiana State University; Consultant, Amoco Oil Company; former Chair of Education Committee of Society of Louisiana CPAs and member of various other committees; member of Academic Relations Committee of Institute of Internal Auditors; member of the American Accounting Association and the Institute of Management Accountants; received "Educator of the Year" from the Institute of Internal Auditors and the Society of Louisiana CPAs. Member of the BOE since 1996.

**Robert R. Hill, CPA, MBA** —Director of Taxation, Eskew & Gresham PSC; former member of the AICPA Tax Division Executive Committee; former Chair of the AICPA Taxation of Special Industries and Entities Subcommittee; former member of the AICPA Tax Division Tax Practice Guides Committee, the Tax Practice Guidelines Task Force and the Taxation of Awards and Rebates Task Force. Member of the BOE since 1996.

**Jesse W. Hughes, CPA, Ph.D.**—Former Chair of the Accounting Department and Associate Dean of the College of Business and Public Administration at Old Dominion University; past President of the American Accounting Association Government and Nonprofit Section; past President of the Peninsula Chapter of the Institute of Management Accountants; past Chair of the NASBA Education Committee; past Academic member of the Virginia Board of Accountancy. Member of the BOE since 1996.

**Richard D. Isserman, CPA**—Retired from KPMG Peat Marwick, New York office, in 1995; member of AICPA Council and the BOE Content Oversight Task Force; former chair of the AICPA Real Estate Committee; served on many committees of the New York Society of CPAs and as chair for three committees; director and past president of Accountants for the Public Interest. Member of the BOE since 1996.

**David B. Pearson, CPA, DBA**—Partner, Ernst & Young, LLP, National Director of Quality Control; Chair of the Content Oversight Task Force; Sells Gold Medal Winner (November 1960); received 1996 John J. McCloy Award for Audit Excellence from the AICPA's SEC Practice Section's Public Oversight Board; member and former chair of SECPS Peer Review Committee; past member of the Auditing Standards Board; former member of BOE Content Validity Task Force; former chair of BOE Practice Analysis Task Force. Member of BOE since 1995.

### Subcommittees

The BOE has five preparation subcommittees and a standard setting subcommittee. Four of the preparation subcommittees are responsible for the development of one of the

four sections of the Uniform CPA Examination. The fifth subcommittee, the International Uniform Certified Public Accountant Qualification Examination (IQEX) Subcommittee, will develop an examination for foreign credentialed accountants who reside in countries that the U.S. International Qualification Appraisal Board has approved for reciprocal licensing. The standard setting subcommittee is responsible for setting the grading bases for each Examination's administration.

### Task Forces

In addition to subcommittees, the BOE appoints task forces to address emerging issues. In 1996, the following task forces assisted the Board:

- ◆ The *CAQEX Task Force*, which was responsible for developing the Canadian Chartered Accountant Uniform CPA Qualification Examination. The CAQEX Task Force has been discharged.
- ◆ The *Nondisclosed CPA Examination Implementation Task Force*, which developed and recommended procedures to implement the 1996 Nondisclosed Examination. This Task Force has issued its final report and has been discharged.
- ◆ The *Advance Planning Task Force*, which is charged with recommending to the Board of Examiners recurring and long-term initiatives the Board should address at its meetings.
- ◆ The *Computerization Task Force*, which prepared *Invitation to Comment—Conversion of the Uniform CPA Examination to a Computer Based Examination* and compiled and analyzed the responses.

- ◆ The *Content Oversight Task Force*, which is assessing the content specifications of the Uniform CPA Examination to ensure they reflect the knowledge and skills needed by entry-level CPAs to practice public accountancy competently.

### **Consultants**

The work of the Board of Examiners and the AICPA Examinations Team is supported by four consultants.

***Cosmo F. Ferrara, Ed.D.***—Independent consultant; involved in developing materials and training graders for the assessment of writing skills on the Uniform CPA Examination.

***Ronald K. Hambleton, Ph.D.***—Professor, University of Massachusetts; nationally recognized test and measurement specialist; involved in planning and reviewing most of the Examinations Team’s major psychometric projects.

***Wayne J. Morse, CPA, Ph.D.***—Chair, Department of Accounting & Information Systems, University of Alabama; develops questions for the Uniform CPA Examination.

***Charles Seymour, CPA, MBA***—Sole practitioner; develops questions for the Uniform CPA Examination.



## Standard Setting Subcommittee

### Chair

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## International Uniform CPA Qualification Examination (IQEX)

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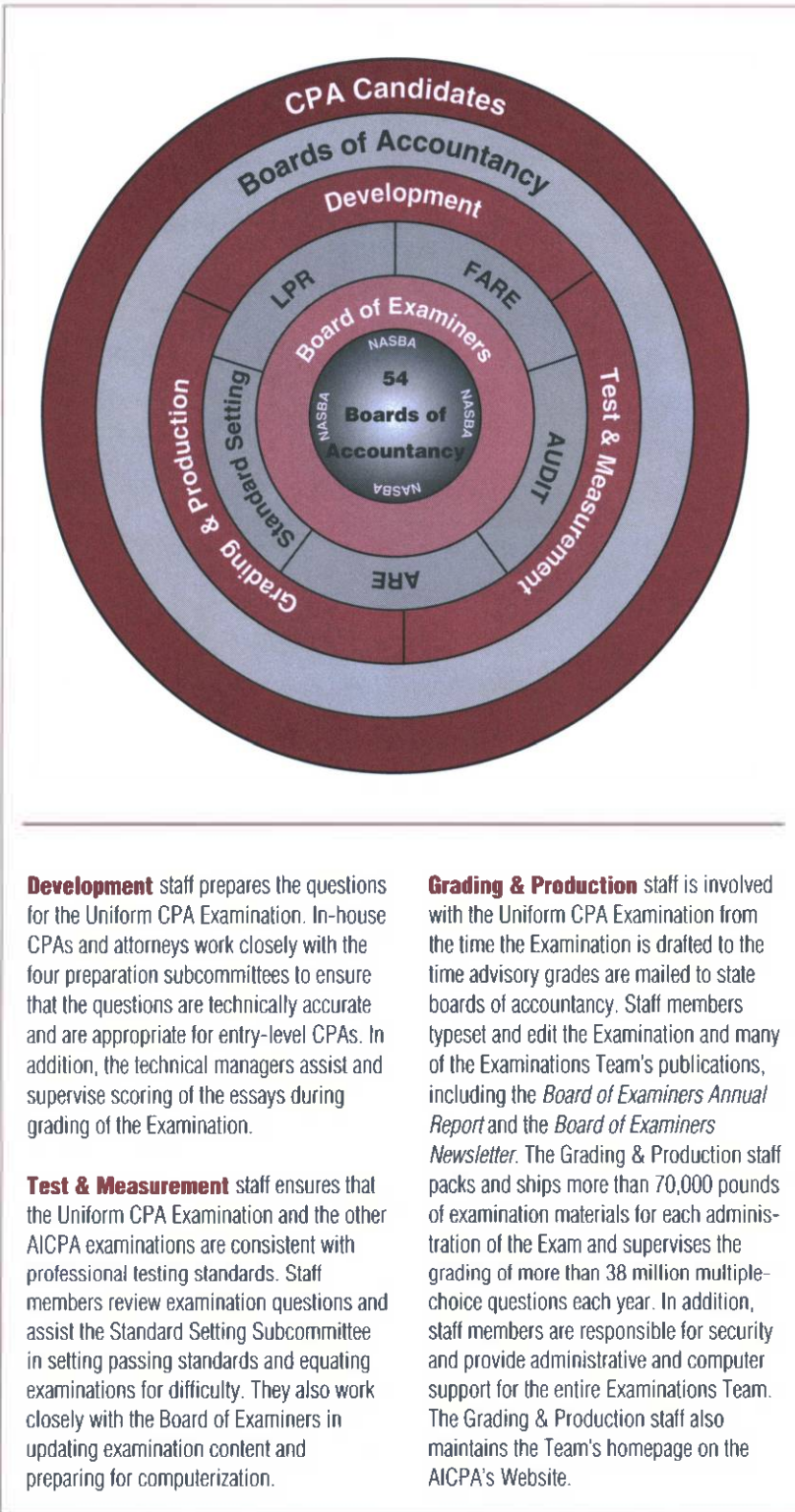
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## AICPA Examinations Team



**Development** staff prepares the questions for the Uniform CPA Examination. In-house CPAs and attorneys work closely with the four preparation subcommittees to ensure that the questions are technically accurate and are appropriate for entry-level CPAs. In addition, the technical managers assist and supervise scoring of the essays during grading of the Examination.

**Test & Measurement** staff ensures that the Uniform CPA Examination and the other AICPA examinations are consistent with professional testing standards. Staff members review examination questions and assist the Standard Setting Subcommittee in setting passing standards and equating examinations for difficulty. They also work closely with the Board of Examiners in updating examination content and preparing for computerization.

**Grading & Production** staff is involved with the Uniform CPA Examination from the time the Examination is drafted to the time advisory grades are mailed to state boards of accountancy. Staff members typeset and edit the Examination and many of the Examinations Team's publications, including the *Board of Examiners Annual Report* and the *Board of Examiners Newsletter*. The Grading & Production staff packs and ships more than 70,000 pounds of examination materials for each administration of the Exam and supervises the grading of more than 38 million multiple-choice questions each year. In addition, staff members are responsible for security and provide administrative and computer support for the entire Examinations Team. The Grading & Production staff also maintains the Team's homepage on the AICPA's Website.

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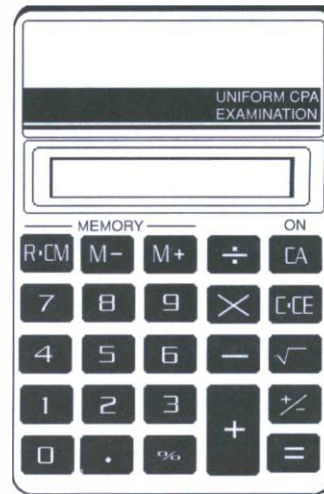
**Philip Woods**  
Secretary

**Information for Uniform CPA Examination Candidates, 13th Edition** (No. 874074VV) — This booklet provides the content specification outlines for each section of the Examination, a directory of the State Boards of Accountancy, instructions for Examination day, and other pertinent information concerning the nondisclosed Examination.

**Selected Questions and Unofficial Answers Indexed to Content Specification Outlines** (No. 079250VV)—This study aid indexes past Uniform CPA Examination questions and unofficial answers according to each Examination section's content specification outline. The content of this publication is discussed below.

- ◆ The questions were selected by the staff of the AICPA Examinations Team and arranged by question format: multiple-choice, other objective answer format, and essay questions and problems.
- ◆ The unofficial answers were prepared by the staff and reviewed by the AICPA Board of Examiners.
- ◆ Questions from nondisclosed Examinations have been included.
- ◆ A Summary of Coverage for the May 1996 Examination has been added. The summary lists the total number of May 1996 questions by section, content specification outline, and format.

### **Uniform CPA Examination Calculator**



(No. 875001VV) — The calculator is identical to the calculator used on the Uniform CPA Examination. Only the color and label vary between this model and the actual Examination calculator.

**Practice Analysis of Certified Public Accountants in Public Accounting** (No. 079300EK) — This report summarizes the responses of over 1,900 CPAs in public practice. This study supplements and extends the previous Practice Analysis, which was published in 1983. In four major practice areas—auditing & accounting, taxation, management consulting services, and personal financial planning—the study looks at the kinds of engagements CPAs in public practice take on; the amount of time they allocate to various engagements, tasks, and activities; and the frequency with which each task and activity is performed. The Board of Examiners uses this Practice Analysis to develop the Uniform CPA Examination.

***Information for International Uniform Certified Public Accountant Qualification Examination Candidates*** (No. 874203)—This booklet provides the information Canadian and Australian Chartered Accountants need to prepare to take the International Uniform Certified Public Accountant Qualification Examination (IQEX), including the content specification outlines and instructions for Examination day.

***Candidate Kit*** (No. 875027VV)—The Candidate Kit includes the following three study aids: *Uniform CPA Examination Selected Questions & Unofficial Answers Indexed to Content Specification Outlines*; Uniform CPA Examination Calculator; and *Information for Uniform CPA Examination Candidates*, 13th Edition.

***Uniform CPA Examination Preparation Guide*** (No. 875010VV)—This guide discusses question writing in the larger context of examination development and licensing, and contains guidelines and illustrations for writing good Uniform CPA Examination questions.

***Invitation to Comment: Updating the Uniform CPA Examination Specifications*** (No. 875024)—The *Invitation to Comment* discusses the work of the Content Oversight Task Force, including the ways the task force plans to continue to monitor changes in public accountancy practice. The task force has included a questionnaire to identify the knowledge and skills that the Examination should be assessing.

***Board of Examiners Uniform CPA Examination Annual Report*** (No. 875029)—The 1996 Annual Report provides information about the results of the May and November 1996 Uniform CPA Examinations, including the number of candidates; passing percentages; writing skills performance; and costs to develop the Examination. The Annual Report also documents how the preparation and grading of the Uniform CPA Examination comply with professional testing standards for licensing examinations.

***Status Report: Conversion of the Uniform CPA Examination to a Computer Based Examination*** (No. 875023)—This publication summarizes the results of *Invitation to Comment—Converting the Uniform CPA Examination to a Computer Based Examination*. The status report discusses how computerization will proceed and includes a brief outline of the upcoming projects the Board of Examiners will be pursuing over the next several years.

To order any of the above-mentioned publications or materials, contact:

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Attn: Leo H. Bonarrigo, CPA  
Executive Secretary  
Tel: (617) 727-1806  
Fax: (617) 727-0139  
Web Site: <http://www.state.ma.us/reg/pa.htm>

**MICHIGAN BOARD OF ACCOUNTANCY**

Dept. of Commerce – BOPR  
PO Box 30018  
Lansing, MI 48909-7518  
Attn: Suzanne U. Jolicoeur  
Licensing Administrator  
Tel: (517) 373-0682  
Fax: (517) 373-2795

**MINNESOTA STATE BOARD OF ACCOUNTANCY**

85 East 7th Place, Suite 125  
St. Paul, MN 55101  
Attn: Dennis J. Poppenhagen  
Executive Secretary  
Tel: (612) 296-7937  
Fax: (612) 282-2644

**MISSISSIPPI STATE BOARD OF PUBLIC ACCOUNTANCY**

653 North State Street  
Jackson, MS 39202  
Attn: Susan M. Harris, CPA  
Executive Director  
Tel: (601) 354-7320  
Fax: (601) 354-7290

**MISSOURI STATE BOARD OF ACCOUNTANCY**

PO Box 613  
Jefferson City, MO 65102-0613  
Attn: William E. Boston III  
Executive Director  
Tel: (573) 751-0012  
Fax: (573) 751-0890  
Web Site: <http://www.ecodev.state.mo.us/pr/account>

**MONTANA STATE BOARD OF PUBLIC ACCOUNTANTS**

Arcade Bldg., Lower Level  
111 North Jackson  
PO Box 200513  
Helena, MT 59620-0513  
Attn: Susanne M. Criswell  
Administrator  
Tel: (406) 444-3739  
Fax: (406) 444-1667

**NEBRASKA STATE BOARD OF PUBLIC ACCOUNTANCY**

PO Box 94725  
Lincoln, NE 68509-4725  
Attn: Annette L. Harmon  
Executive Director  
Tel: (402) 471-3595  
Fax: (402) 471-4484



**NEVADA STATE BOARD OF ACCOUNTANCY**

200 South Virginia Street  
Suite 670  
Reno, NV 89501-2408  
Attn: N. Johanna Bravo  
Executive Director  
Tel: (702) 786-0231  
Fax: (702) 786-0234

**NEW HAMPSHIRE BOARD OF ACCOUNTANCY**

57 Regional Drive  
Concord, NH 03301  
Attn: Louise O. MacMillan  
Assistant to the Board  
Tel: (603) 271-3286  
Fax: (603) 271-2856

**NEW JERSEY STATE BOARD OF ACCOUNTANCY**

PO Box 45000  
Newark, NJ 07101  
Attn: Jay J. Church  
Executive Director  
Tel: (201) 504-6380  
Fax: (201) 648-3355

**NEW MEXICO STATE BOARD OF PUBLIC ACCOUNTANCY**

1650 University N.E.  
Suite 400-A  
Albuquerque, NM 87102  
Attn: g. Trudy Beverley  
Executive Director  
Tel: (505) 841-9108  
Fax: (505) 841-9113

**NEW YORK STATE BOARD FOR PUBLIC ACCOUNTANCY**

State Education Department  
Cultural Education Center, Room 3013  
Albany, NY 12230  
Attn: C. Daniel Stubbs, Jr., CPA  
Executive Secretary  
Tel: (518) 486-2962  
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**NORTH CAROLINA STATE BOARD OF CPA EXAMINERS**

1101 Oberlin Road  
Suite 104  
PO Box 12827  
Raleigh, NC 27605-2827  
Attn: Robert N. Brooks  
Executive Director  
Tel: (919) 733-4222  
Fax: (919) 733-4209

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

2701 South Columbia Road  
Grand Forks, ND 58201  
Attn: Jim Abbott  
Executive Director  
Tel: (701) 775-7100  
Fax: (701) 775-7430

**ACCOUNTANCY BOARD OF OHIO**

77 South High Street  
18th Floor  
Columbus, OH 43266-0301  
Attn: Timothy D. Haas  
Executive Director  
Tel: (614) 466-4135  
Fax: (614) 466-2628  
Web Site: <http://www.state.oh.us/acc/>

**OKLAHOMA ACCOUNTANCY BOARD**

4545 Lincoln Blvd, Suite 165  
Oklahoma City, OK 73105-3413  
Attn: Diana Collinsworth  
Executive Director  
Tel: (405) 521-2397  
Fax: (405) 521-3118

**OREGON STATE BOARD OF ACCOUNTANCY**

3218 Pringle Road S.E., #110  
Salem, OR 97302-6307  
Attn: Karen DeLorenzo  
Administrator  
Tel: (503) 378-4181  
Fax: (503) 378-3575  
Web Site: <http://www.boa.state.or.us/boa.htm>

#### **PENNSYLVANIA STATE BOARD OF ACCOUNTANCY**

613 Transportation and Safety Bldg.  
PO Box 2649  
Harrisburg, PA 17015-2649  
Attn: Dorna J. Thorpe  
Board Administrator  
Tel: (717) 783-1404  
Fax: (717) 787-7769

#### **PUERTO RICO BOARD OF ACCOUNTANCY**

Box 3271  
Old San Juan Station  
San Juan, PR 00902-3271  
Attn: Antonio Cruz Murphy, Esq.  
Director  
Tel: (787) 722-4816  
Fax: (787) 721-4818

#### **RHODE ISLAND BOARD OF ACCOUNTANCY**

Dept. of Business Regulation  
233 Richmond Street  
Suite 236  
Providence, RI 02903-4236  
Attn: Norma A. MacLeod  
Executive Secretary  
Tel: (401) 277-3185  
Fax: (401) 277-6654

#### **SOUTH CAROLINA BOARD OF ACCOUNTANCY**

P.O. Box 11329  
Columbia, SC 29211-1329  
Attn: Robert W. Wilkes, Jr., CPA  
Administrator  
Tel: (803) 734-4228  
Fax: (803) 734-9571  
Web Site: <http://www.llr.sc.edu/bac.htm>

#### **SOUTH DAKOTA BOARD OF ACCOUNTANCY**

301 East 14th Street, Suite 200  
Sioux Falls, SD 57104  
Attn: Lynn J. Bethke  
Executive Director  
Tel: (605) 367-5770  
Fax: (605) 367-5773

#### **TENNESSEE STATE BOARD OF ACCOUNTANCY**

500 James Robertson Parkway  
2nd Floor  
Nashville, TN 37243-1141  
Attn: Don Hummel  
Director of Administration  
Tel: (615) 741-2550  
Fax: (615) 532-8800

#### **TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**

333 Guadalupe, Tower III  
Suite 900  
Austin, TX 78701-3900  
Attn: William Treacy  
Executive Director  
Tel: (512) 505-5500  
Fax: (512) 505-5575

#### **UTAH BOARD OF ACCOUNTANCY**

160 East 300 South  
PO Box 45805  
Salt Lake City, UT 84145-0805  
Attn: Dan S. Jones, Esq.  
Administrator  
Tel: (801) 530-6720  
Fax: (801) 530-6511  
Web Site: <http://www.commerce.state.ut.us/web/commerce/DOPL/dopl1.htm>

#### **VERMONT BOARD OF PUBLIC ACCOUNTANCY**

Office of Professional Regulation  
109 State Street  
Montpelier, VT 05609-1106  
Attn: Nancy Morin  
Administrator  
Tel: (802) 828-2191  
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#### **VIRGINIA BOARD FOR ACCOUNTANCY**

3600 West Broad Street  
Richmond, VA 23230-4917  
Attn: Nancy T. Feldman  
Assistant Director  
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Web Site: <http://www.state.va.us/dpor/boards.htm>

**VIRGIN ISLANDS BOARD OF PUBLIC ACCOUNTANCY**

PO Box 3016  
No. 1A Gallows Bay Mkt. Pla.  
Christiansted  
St. Croix, VI 00822  
Attn: Pablo O'Neill, CPA  
Secretary  
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**WASHINGTON STATE BOARD OF ACCOUNTANCY**

210 East Union, Suite A (98501)  
PO Box 9131  
Olympia, WA 98507-9131  
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Executive Director  
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**WEST VIRGINIA BOARD OF ACCOUNTANCY**

200 L & S Building  
812 Quarrier Street  
Charleston, WV 25301-2695  
Attn: JoAnn Walker  
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**WISCONSIN ACCOUNTING EXAMINING BOARD**

1400 East Washington Avenue  
PO Box 8935  
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**WYOMING BOARD OF CERTIFIED PUBLIC ACCOUNTANTS**

First Bank Building  
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