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## CPA Exam Alert, July/August 2001

American Institute of Certified Public Accountants (AICPA)

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# The CPA EXAM ALERT

July/August 2001

## UPCOMING EVENTS

### July 24, 2001

Computerization Implementation Committee Meeting  
(New York, NY)

Contact: Gregory Johnson (201) 938-3376

### August 9-11, 2001

Beta Alpha Psi Annual Meeting  
(Atlanta, GA)

Contact: Roslynd Weir (212) 596-6000

### August 13-16, 2001

American Accounting Association Annual Meeting  
(Atlanta, GA)

Contact: Morton Pincus (319) 335-0915

### August 15-16, 2001

Computerization Implementation Committee Meeting  
(Atlanta, GA)

Contact: Gregory Johnson (201) 938-3376

### September 13-14, 2001

AICPA Board of Examiners Meeting  
(New York, NY)

Contact: Gregory Johnson (201) 938-3376

### October 14-17, 2001

NASBA Annual Meeting  
(Dana Point, CA)

Contact: Lorraine Sachs (212) 644-6469

## Former NASBA Chair and Technology Expert Named to CIC

At its May 2001 meeting, the CIC welcomed two new members: Nathan T. Garrett and Dana "Rick" Richardson. Mr. Garrett, a past NASBA chair and former member of the North Carolina State Board of Accountancy, teaches law and accounting at North Carolina University's School of Business. Mr. Richardson is president of his own media and strategic technology consulting firm. Prior to forming his current company, he served as National Director of Technology for Ernst & Young LLP.

Also serving on the CIC are:

**William Holder**, Chair, University of Southern California

**Asa L. Hord**, Member, Kentucky State Board of Accountancy and Examination Review Board

**David Landsittel**, Arthur Anderson LLP (retired)

**Dennis Spackman**, Church of Jesus Christ Latter-Day Saints, Immediate Past Chair of NASBA

**William Treacy**, Executive Director, Texas State Board of Accountancy

**Mike Harnish** recently resigned from the committee as a result of new job responsibilities. ➡

# The CPA EXAM ALERT

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## Briefing Paper #2 Covers Five Key Areas for Computerizing the CPA Examination

The Computerization Implementation Committee (CIC) in its *Briefing Paper #2: Computerizing the Uniform CPA Examination—Issues, Strategies and Policies: An Update*, issued in March, provided a detailed proposal for the transition to a computer-based test with a targeted launch date of November, 2003. The document included five key areas, and requested input through a formal invitation to respond that accompanied the *Briefing Paper*. The key areas include:

### 1. Content and Structure

The AICPA Board of Examiners is proposing a four-section examination—to be no more than 14 hours in total length—testing Auditing and Attestation, Financial Accounting and Reporting, Regulation, and Business Environment and Concepts.

Based on a practice analysis, which surveyed thousands of CPAs on what constitutes current entry-level practice, the CIC envisions a computer-based test that provides a comprehensive assessment of *both* entry-level foundational knowledge (knowledge of standards and regulations) *and* entry-level skill sets (communication, research, analysis and organization, understanding and judgment). *(Continued on page 2)*

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## From the Desk of Gregory Johnson



### Director of the CPA Examination

This issue of the *Exam Alert* focuses on summary information from *Briefing Paper #2: Computerizing the Uniform CPA Examination—Issues, Strategies and Policies: An Update*.

The *Briefing Paper* describes the critical need to change the content of the CPA Examination, outlines the strategies and policies currently under consideration for converting the Uniform CPA Examination to a computer-based test, and seeks the comments and advice of the entire examination community through an accompanying Invitation to Respond.

Many of our readers have asked us to provide a synopsis of *Briefing Paper #2*, as offered in this newsletter, to serve as a quick reference and handy reminder of what is covered in the more detailed document. The comment period for *Briefing Paper #2* ended on July 1, 2001, and the joint AICPA/NASBA Computerization Implementation Committee (CIC) is currently reviewing and summarizing the data received from respondents.

Responses to the *Briefing Paper* will help the CIC design and implement a computer-based test that meets the needs of the entire examination community. For example, the comments and suggestions will assist the CIC in finalizing strategies for the transition to a computer-based test, in pinpointing areas where various constituencies require more information and in finding individuals and institutions willing to actively participate in research efforts and pilot testing. In October 2001, the CIC will publish the key findings and revised strategies resulting from responses to the *Briefing Paper*.

Additional copies of this newsletter, as well as the *Briefing Paper*, can be downloaded from [www.aicpa.org/members/div/examiner/index.htm](http://www.aicpa.org/members/div/examiner/index.htm). If you have any questions, feel free to e-mail me at [gjohnson@aicpa.org](mailto:gjohnson@aicpa.org) or call me at (201) 938-3376. 📧

(Continued from page 2)

- Keeping the statute language as general as possible to allow for needed flexibility. Relegating to the rules specific matters such as passing standards and conditioning requirements.

The *Briefing Paper* urges any jurisdictions requiring assistance with revising their Statutes or Rules relevant to the CPA Examination to contact the AICPA Examinations Team at any time. If requested, the AICPA Examinations Team staff can meet with individual jurisdictions locally to assist in legislative efforts.

## 5. Policies and Procedures

The *Briefing Paper* invites readers to respond to the following proposed policies and procedures that are categorized by:

- Frequency: Initially the computerized Examination will be offered in four, three-month windows. The ultimate goal is continuous testing.
- Flexibility: Candidates may take sections in any order they choose, but first-time test takers must take all four sections within 30 days.
- Transitioning: The CIC recommends that the current four sections of the CPA Examination be considered equivalent to the new four sections of the Examination for the purposes of transitioning candidates who have conditioned by the 2003 launch date for CBT.
- Timeframe: Each year, under CBT, candidates will have four opportunities to take the CPA Exam. The *Briefing Paper* recommends candidates be required to pass all four sections within a two-year window (after they have attained conditional status)—

rather than the current three-year time period. This change would still provide two more opportunities for candidates to test.

Specific policies and procedures for the revised CPA Examination will be finalized in late 2001 and will be based on a variety of information-gathering vehicles, including responses from the *Briefing Paper*, town hall meetings and focus groups.

*Briefing Paper #2* also includes an appendix that addresses frequently asked questions about the conversion to a computer-based test. The questions were garnered from a variety of forums, including question-and-answer periods following presentations, conference calls with state board executive directors and members, one-on-one discussions and online inquiries. ➔

## CIC Hosts CBT Systems Requirements Meetings

In December 2000 and January 2001, the CIC invited state boards of accountancy to participate in a two-day meeting to discuss relevant issues surrounding the transition to a computer-based CPA Examination. Meetings were held at three locations to facilitate participation.

A total of 36 jurisdictions attended the meetings and brought to the table a variety of questions and concerns

for the CIC to consider as it moves forward with computerization of the CPA Examination. Also participating in each of the meetings were representatives from Prometric, the delivery vendor for the computer-based test. Participants provided input on a variety of issues, including security, cost, access to candidate data, examination length, monitoring of candidates and data transfer.

All of the issues raised during the systems requirements meetings are being addressed by the CIC. A number of them resulted in changes to the recommendations proposed in *Briefing Paper #2*. Others will continue to be explored in tandem with state board executives and board members. The findings will be communicated, either in writing or through other forums, to all state boards and interested parties. ➔

## CIC Reaffirms 2003 Launch Date

At its May 21, 2001 meeting, the joint AICPA/NASBA Computerization Implementation Committee (CIC) concluded that it is still on target to meet its November 2003 launch for the computerized CPA Examination. At the meeting, the CIC performed an in-depth status review of each of the major component areas of the computerization project. According to William Holder, chair of the committee, “The CIC plans to evaluate its launch date every six months and make an announcement to its constituents.” ➔

## Key Prometric Personnel Observe May Exam in Six States

Prometric, the selected delivery vendor for the computer-based Examination, continued its study of the needs and requirements of individual state boards, with key personnel observing the May CPA Exam administration at sites in California, Kentucky, Missouri, Oklahoma, Texas and Washington.

William Treacy, Executive Director of the Texas State Board of Accountancy, initiated the process by extending an invitation to the AICPA Examinations Team and to Prometric. Mr. Treacy summarized the benefits in his invitation, “We believe that one picture is worth a thousand words and that you and Prometric will take with you a positive image of the process.”

As a result of Mr. Treacy’s invitation, Mr. Johnson arranged for Prometric team members to observe in the five other states. According to Mr. Johnson, “We plan to have Prometric visit more sites in November. This is just one of a number of approaches to ensure Prometric fully understands the needs and complexities of each jurisdiction.”



(From left to right) *Donna Hiller, Qualifications Officer, Texas State Board of Accountancy; Jeff Cohen, Vice President, Prometric; Ed Summers, Member, Texas State Board of Accountancy and Chief Proctor at the Palmer Auditorium site in Austin, Texas; Gregory Johnson, Director, CPA Examination, AICPA*

## An Invitation to Visit a Testing Site

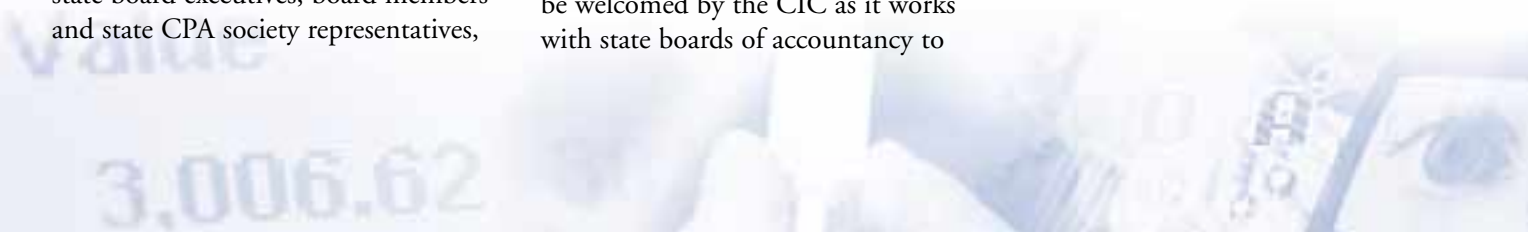
While descriptions of state-of-the-art computer testing facilities abound, there is no substitute for seeing a test center firsthand.

The CIC has invited members of the examination community, including state board executives, board members and state CPA society representatives,

to visit a Prometric test center in their area. The test center visit takes about an hour and, as those who have already toured sites can attest, the visits often clear up many of the questions and concerns about computer-based testing. In addition, input from site visitors will be welcomed by the CIC as it works with state boards of accountancy to

pinpoint how administrative procedures for the CPA Examination should work in a CBT environment.

For further information on how to arrange a visit to a test center, contact Gregory Johnson.





## Briefing Paper #2 *(Continued from page 1)*

To that end, the computer-based test would use a variety of test items, including multiple-choice objective questions, simple open-ended questions and case-based simulations in which the examinee is presented with a series of problems to solve in a business scenario.

The ability to use multiple formats that more closely replicate “real-world” practice and the capability to provide online access to research materials—costly and logistically difficult in a pencil-and-paper environment—are key public protection advantages of a computer-based examination. They provide assurance that candidates who pass the examination are prepared for the work- place they are entering.

### How the Proposed Exam’s Content and Structure Differ From Those of the Current Test

- ✓ The Financial Accounting and Reporting subject areas have been grouped together to include financial accounting and reporting for business enterprises, not-for-profit organizations and governmental entities.
- ✓ Taxation, law and professional responsibilities have been combined under Regulation.
- ✓ A new section, Business Environment and Concepts has been added. Approximately 40% of the content in this section was not previously tested on the Uniform CPA Examination.
- ✓ Testing of skills will be an integral component of the new Examination.
- ✓ Knowledge of content primarily covered in one section of the Uniform CPA Examination may also be applied in another section when it is pertinent to testing a candidate’s integration skills across major content areas.

## 2. Fees and Cost Considerations

The fees associated with the computer-based test consist of three components: the fee per section charged by the AICPA for creating and grading the CPA Examination, fees or charges of individual state boards, and an hourly seat charge to cover the cost for a candidate’s use of a computer in a testing center.

The key cost differential between a pencil-and-paper test and a computer-based one is the addition of the hourly seat charge. In order to provide state boards of accountancy with flexibility in administering the computer-based test and in managing costs, the CIC is proposing three administrative models:

- Model 1—Prometric provides complete delivery (Prometric is the delivery vendor for the computer-based CPA Examination).
- Model 2—State board provides testing site(s); Prometric supplies equipment and maintenance.
- Model 3—State board provides site(s), equipment and maintenance.

The final cost of the computer-based test is yet to be determined since a number of variables affecting that final decision are still unresolved (for example, the actual length of the CPA Examination and the estimated number of test takers.) To assist readers in understanding the impact of examination length on costs, *Briefing Paper #2* includes comparative cost information based on different examination lengths.

## 3. Security

Security under the Uniform CPA Examination is one of the most critical issues being considered by the CIC. The nature of computer-based testing affords many potential security advantages over paper-based testing.

For example:

- A computer-based test (CBT) reduces the number of individuals handling examination booklets and score sheets, thus reducing the risk of lost or stolen materials.
- CBT reduces the risks associated with time zone cheating.

While potentially a more secure examination, the CBT does bring with it some potential security risks, such as unauthorized access to computer systems and data. Prometric is a leader in the delivery of high-stakes computer-based examinations, including those for the National Board of Medical Examiners and the National Association of Security Dealers. Over the next year, Prometric’s systems and procedures will be thoroughly reviewed and evaluated to ensure they meet the high standards associated with the CPA Examination. The AICPA Board of Examiner’s Operations Committee, comprising State Board Executive Directors, has responsibility for oversight of security matters and will make recommendations on security policies and procedures.

## 4. Legislative Issues

The Uniform Accountancy Act (UAA) is a model statute that is designed as a guideline for state boards to use in the development of their own statutes and regulations. The section of the UAA that deals with the CPA Examination has been redrafted by the CIC to better accommodate CBT. The new language has been approved by the boards of directors of both NASBA and the AICPA. Regardless of whether state boards adopt the language literally, the CIC strongly recommends that they adhere to the underlying premises that govern the revised wording by:

- Continuing to recognize the need for uniformity.

*(Continued on page 3)*

## AICPA Continues to Expand Regulator Involvement

Since early October, involvement of the regulatory community in the CPA Examination process has been widely expanded. Two regulators now serve on the Board of Examiners, which has oversight responsibility for all aspects of exam development. The CIC has also added an additional regulator to its committee.

In addition, the Operations Committee, charged with handling all operational issues related to the CPA Examination and with serving as the liaison between state boards and Prometric, consists exclusively of State Board Executives.

The two regulators on the Board of Examiners offered the following perspectives on their involvement in development of the Examination:

“With all the developments in the profession, the issue of what is the appropriate content and focus is more relevant than it has been in many generations. To be at the table with psychometricians, to discuss the survey of practice, the effort to computerize, and the content outline generates a partnership that speaks directly to our joint charge of public protection.”

— Frank Probst

“More than anything, I’m excited to bring the voice of the regulators to the BOE. Without that voice and without that experience of people who have been there on the regulatory side, it is difficult to fully understand the implications of changes in systems and methods. In this very charged time, and at this very crucial point for the examination, I’m pleased to provide my input.”

— Colleen Conrad



Frank Probst  
Chair  
*Accounting Examining  
Board of Wisconsin*



Colleen Conrad  
President of the Board  
*Missouri State  
Board of Accountancy*

Editor’s Note: From time to time *The CPA Exam Alert* will focus on particular exam constituencies and their involvement in the examination development process.

## Exam Research Findings Showcased at Education Researchers Annual Meeting

The Annual Meeting of the American Educational Research Association held in early April served as the venue for a symposium entitled *Issues in Converting a High-Stakes Testing Program to a Computer-Based Test*.

The April 9 symposium, organized and chaired by Dr. Bruce Bislin, senior psychometrician on the AICPA Examinations Team, focused on technical reports covering:

- The recently completed practice analysis presented by Dr. Bislin

- The impact of strategic studying on distinct scores for four sections of the current CPA Examination presented by Stephen Stark of the University of Illinois, Urbana-Champaign
- Scoring performance tasks presented by Lisa Keller from the University of Massachusetts
- Modern scoring methods appropriate for a computer-based CPA Examination delivered by Terry Brumfield of the University of North Carolina, Greensboro.

These presentations were appraised by two discussants: Dr. Brian Clauser of the National Board of Medical Examiners and Dr. Anthony Zara of NCS Pearson. Drs. Clauser and Zara emphasized the importance of these studies and also provided a review of key validity issues in examination design. Over 150 meeting registrants, including national and international members of the testing community, attended the symposium.