

University of Mississippi

eGrove

Newsletters

American Institute of Certified Public
Accountants (AICPA) Historical Collection

5-2002

CPA Exam Alert, May/June 2002

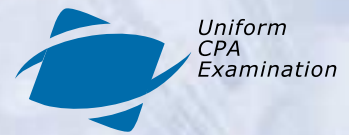
American Institute of Certified Public Accountants (AICPA)

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news



Part of the [Accounting Commons](#)

The CPA EXAM ALERT



May/June 2002

REVISED EXAM CONTENT FOCUSES ON PROTECTING THE PUBLIC INTEREST

The CPA profession has a successful, 100-year history serving the public interest through the core service of financial statement audit. However, the profession has changed significantly in recent years, both in the tools used and scope of services offered. The Uniform CPA Examination, therefore, must also change to ensure continued protection of the public interest in a rapidly changing world.

The CPA examination's most visible change is its transition from a paper and pencil exam to a computer-based test (CBT). Along with this new delivery method, the examination's content is also being revised. Based on recent practice analysis findings, the revised examination incorporates increased emphasis on information technology and general business knowledge with a broadened scope in the audit area. Significantly, changes include increased skills testing and a stronger emphasis on integration of knowledge.

"CPA Examination content must reflect the current environment to do its job of protecting the public interest," said Olivia Kirtley, CPA, and Chair of the AICPA Board of Examiners (BOE). "Today's business world has changed, CPAs' roles are changing, and the CPA exam must change accordingly to continue to fulfill its mission. The changes proposed today—better testing of candidates' analytical, communication and research skills, and focus on integration of knowledge instead of memorization—will help the profession

(Continued on page 7)

Also In This Issue

CPA Exam Policy Recommendations Finalized	p. 2
Length of Revised Examination Sections	p. 2
Model Policies	p. 3
Case Study Simulations	p. 4
Revised CPA Exam Still Cost-Effective	p. 5
Simplified Committee Appointment Process	p. 6
Excellent Volunteer Response.....	p. 6
New Book Out on Computer-Based Testing	p. 6
Upcoming Events	p. 8

The Director's Desk



Update from
GREGORY JOHNSON
Director of the CPA Examination

Since the last issue of *The CPA Exam Alert*, many important policy decisions regarding the upcoming computer-based Uniform CPA Examination were made. The AICPA Board of Examiners (BOE) approved its final recommendations on granting of credit (formerly known as conditioning) and transitioning policies. The BOE also approved the lengths of each section of the revised exam. We've included detail on these decisions in this issue.

Also noteworthy is a white paper, released by the Computerization Implementation Committee (CIC) that compares examination-related costs of licensure for eight professions in the United States. You'll be pleased to know that the cost of the revised CPA Examination is still quite reasonable in comparison to the other professional examinations, especially given its important role in protecting the public interest.

After all, protecting the public interest is what the CPA Examination is all about. As Michael Bolas, CPA and Chair of the BOE's Content Committee has said "...the CPA Examination is just one part of the CPA licensing process, but we are doing all we can to ensure that it continues to do its job...". The exam's content specification outlines are now being finalized, but we have included an article about the exam sections and the importance of content revisions.

This issue also offers information about the simulations that will be included on the revised exam, in an article by Richard DeVore, AICPA Simulations Team Leader. We also thank all those members who volunteered to work on simulation development. While we now have enough help with simulation development, the AICPA always needs volunteers for a wide range of committees. An improved Web site now makes applying for participation easier. Just go to <http://volunteers.aicpa.org/apply/>.

As always, your input and opinions are valued, so feel free to e-mail me at gjohnson@aicpa.org with any suggestions or comments about The CPA Exam Alert. 📧

CPA Exam Policy Recommendations Finalized

The Board of Examiners (BOE) has approved final recommendations to state boards of accountancy regarding granting of credit (formerly known as “conditioning”) and transitioning policies for the revised Uniform CPA Examination. The policies are primarily those proposed in the exposure draft Proposed Model Policies for Conditioning and Transitioning for the Uniform CPA Examination and detailed on the opposite page. After reviewing responses to the exposure draft, the Computerization Implementation Committee’s Transitions Task Force unanimously re-affirmed its original policy recommendations, which were subsequently approved by the BOE.

The Transitions Task Force reviewed the responses to the exposure draft to reconsider its recommendations in light of the issues raised by some of the state boards. The Task Force did not find any overriding concerns sufficient to change its original recommendations. The group did, however, feel that some clarification of the issues was needed and provided an explanation of its decisions.

The BOE has informed the state boards of its final policy recommendations. As part of that communication, the BOE outlined the issues that were considered and the reasoning behind the decisions. The BOE also encouraged the boards to adopt the model policies to promote uniformity among jurisdictions.

LENGTH OF REVISED EXAMINATION SECTIONS


The AICPA Board of Examiners (BOE) has approved the lengths of the four sections of the computer-based Uniform CPA Examination. The time allotted for each section will range from 2.5 to 4.5 hours, as detailed below, for a total examination length of 14 hours.

Time Breakdowns by Section for revised Uniform CPA Examinations				
Examination Length (hours)	Auditing & Attestation	Financial Accounting & Reporting	Regulation	Business Environment & Concepts
14	4.5	4	3	2.5

The Content Committee recommended these section lengths to the BOE after taking into consideration the advice and input of AICPA staff psychometricians, external research, and responses to the exposure draft *Proposed Content and Structure Specifications for the Uniform CPA Examination* and Briefing Paper #2.

The total examination length of 14 hours was considered optimal

- To provide adequate content coverage
- To support the independent assertions of proficiency represented by the test scores
- For candidates to demonstrate an appropriate depth and breadth of knowledge and skills required to protect the public interest
- To provide adequate psychometric reliability and validity of scores

The BOE will monitor both pretest and operational results of the 14-hour examination length on an ongoing basis, to ensure it continues to meet the Uniform CPA Examination’s required public protection objectives. 

Model Policies for Granting of Credit & Transitioning for the Computer-Based Uniform CPA Examination

The following model policies are recommendations of the Board of Examiners (BOE) only, and have no binding authority on state boards of accountancy. Each state board has the statutory authority to regulate the admission of persons to be qualified as Certified Public Accountants within its jurisdiction. However, the BOE encourages state board adoption of the recommendations.

Granting of Credit

- Candidates will be allowed to sit for each section of the Uniform CPA Examination individually, and in any order.
- Candidates will retain credit for any section(s) passed for eighteen months, without having to attain a minimum score on failed sections and without regard to whether they have taken other sections. Candidates will not be allowed to retake a failed section(s) within the same examination window¹.
- Candidates must pass all four sections of the Uniform CPA Examination within a “rolling” eighteen-month period, which begins on the date that the first section(s) passed is taken.
- In the event all four sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any section(s) passed outside the eighteen-month period will expire and that section(s) must be retaken.

Transitioning

- Candidates who have earned conditional credits on the paper-and-pencil Uniform CPA Examination, as of the launch date of the computer-based Uniform CPA Examination, will be granted credits for the corresponding sections of the computer-based examination as follows:

Paper-and-Pencil Examination	Computer-Based Examination
Auditing	Auditing & Attestation
Financial Accounting & Reporting (FARE)	Financial Accounting & Reporting
Accounting & Reporting (ARE)	Regulation
Business Law & Professional Responsibilities (LPR)	Business Environment & Concepts

- Candidates who have attained conditional status as of the launch date of the computer-based Uniform CPA Examination will be allowed a transition period to complete any remaining sections of the CPA examination. The transition period is the period of time or maximum number of opportunities (whichever is first exhausted) that candidates who have attained some credit under the paper-and-pencil examination have remaining, at the launch of the computer-based CPA examination, to complete all remaining sections². This recommendation is intended to assure that those candidates who have attained conditional status prior to the implementation of computer-based testing (CBT) are not disadvantaged by the change.
- If candidate who has attained some credit previously does not pass all remaining sections during the transition period, those credits earned under the paper-and-pencil examination will expire and the candidate will lose credit for the sections earned under the paper-and-pencil examination. However, any section passed during the transition period is subject to the granting of credit provisions of the computer-based examination as indicated in the aforementioned granting of credit recommendation, except that a previously conditioned candidate will not lose credit for a section of the computer-based examination that is passed during the transition period, even though more than eighteen months may have elapsed from the date the section is passed, until the end of the transition period.

¹ It is assumed that candidates will be able to take the computer-based Uniform CPA Examination up to four times per year. An examination window refers to a three-month period in which candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, candidates will be able to test two out of the three months within an examination window.

² If, at the time conditional status was attained, a state board specified only a period of time (e.g., three years) to complete the examination, each year would be considered two opportunities to test and the candidate would continue to be able to take the examination six times within a three-year period. If a state board specified only a maximum number of successive examination attempts (e.g., 6 successive examinations) to complete, the candidate would continue to be granted six examination opportunities, limited by a three-year period.

CASE STUDY SIMULATIONS

— Richard DeVore

AICPA Simulations Development Leader

As previously announced, the revised computer-based CPA Examination will be a 14-hour test with four sections: Auditing and Attestation; Financial Accounting and Reporting; Regulation; and Business Environment and Concepts. Another key change to the examination is the inclusion of interactive case studies-called simulations-on the computer-based test (CBT).

On the CBT, multiple-choice questions will comprise approximately 80% of the test.

The other 20% will consist of simulations, possibly one or two in each exam section.

A simulation can be defined as an “*assessment of knowledge and skills in context approximating that found on the job through the use of realistic scenarios and tasks, and access to normally available and familiar resources*”. Simply put, simulations are relational case studies that will test candidates’ accounting knowledge and skills using real life work-related situations.

This change in the Uniform CPA Examination will help ensure that it continues to meet its public protection mandate by reflecting the changes in work performed by entry-level CPAs. The revised examination also acknowledges the need for higher-order skills, and recognizes the increasingly integral role of technology in the work of entry-level CPAs.

Each simulation is approximately 20-40 minutes in length and will complement the multiple-choice portion of the examination. Most of the simulations will contain some research activity, usually involving an electronic search or access to authoritative literature or IRS documents. For audit, research may also include identifying and accessing

work papers or other published materials such as annual reports and stock reports.

Candidates are expected to know how to use common spreadsheet and word processing functions, including writing formulae for spreadsheets. They must also have the ability to use a financial calculator or a spreadsheet to perform standard financial calculations. In addition, candidates will be asked to use authoritative literature in the creation of formal audit communications.



Educators and practicing CPAs, in conjunction with AICPA Examination Team members, and with the counsel of the Psychometric Oversight Committee, are developing these new case studies. Final requirements are expected by April 2002. Simulations-like all exam questions-will undergo extensive review and pre-testing before appearing on the revised CPA examination to ensure their psychometric validity.

Simulation technology will allow each question to be scored independently, irrespective of its relationship to other questions in the simulation, i.e., poor performance on one question will not necessarily result in poor performance on any subsequent question. The technology will also permit weighted scoring, based on the importance of the topic under consideration.

To familiarize educators, students and CPA candidates with simulations and CBT, tutorials and practice materials are being developed. Future issues of *The CPA Exam Alert* will contain more information, and the materials should be distributed by November 2002. 🐦

A simulation can be defined as an “assessment of knowledge and skills in context approximating that found on the job through the use of realistic scenarios and tasks, and access to normally available and familiar resources”. Simply put, simulations are relational case studies that will test candidates’ accounting knowledge and skills using real life work-related situations.

REVISED CPA EXAM STILL COST-EFFECTIVE

The Uniform CPA Examination is one of the least costly professional examinations, even with cost increases related to its conversion to a computer-based test (CBT). According to a white paper released by the Computerization Implementation Committee that compared licensure-related examination costs for the top eight professions—Accounting, Architecture, Dentistry, Engineering, Law, Medicine, Nursing and Pharmacy in five states, the average costs of licensure range from \$219 to \$1,730. The anticipated \$533.00 average cost for Accounting once CBT is implemented, remains one of the most economical.

Said William Holder, CPA, and Chair of the Computerization Implementation Committee (CIC), “The comparative cost of accounting licensure is still quite reasonable even with transition to a computer-based test. Actually, as noted in the paper, the main driver of candidate licensure costs is not the type of examination given (paper and pencil or computerized), but rather the length, complexity and number of qualifying exams or other requirements candidates must complete during the licensure process.

Of course, the largest single expenditure to candidates in most professions is the educational requirement. As we found during the *Student and Young Professional* focus groups conducted last year, candidates view exam and licensure fees as simply a cost of becoming a professional. And in terms of the CPA Examination’s purpose of protecting the public interest, the cost is most reasonable, especially given the expanded range of skills that the revised exam will test.”

Developed by an outside consultant, the paper’s objective is to compare the examination-related costs of licensure among various professions in the United States. However, the widely divergent paths to licensure make this difficult to achieve.


Said author Jeffrey F. Kenney of Professional Development Partners, Inc., “Each profession has its own unique pathway to licensure. Licensure requirements also vary among states regulating the same profession. Therefore, to get as

close to an ‘apples to apples’ comparison as possible, the paper focused on the overall cost of the licensure process—the cost of examinations, specific fees and other quantifiable items or requirements—in five representative states. It did not include ancillary costs like travel, preparatory courses, internships or reciprocal licenses.”

California, Illinois, Missouri, Texas and Virginia were chosen for their geographic diversity and because they have large or fairly large numbers of applicants for professional licensure.

The table on page 7 illustrates the average cost of licensure for a typical candidate in each of eight major professions, based on information gathered from those states.



The complete cost comparison white paper can be downloaded from <http://www.aicpa.org/members/div/examiner/cost.htm>. A copy of the report can also be obtained from the AICPA Examination Team by contacting Gelya Kotlyar at 201-938-3427 or via e-mail at gkotlyar@aicpa.org. 

SIMPLIFIED COMMITTEE APPOINTMENT PROCESS

The AICPA's mission is carried out through the work of approximately 2,000 member volunteers serving on the Institute's governing Council, Board of Directors, and its nearly 200 committees, subcommittees, panels and task forces. To apply for service on one of the AICPA's many committees or workgroups, simply go to <http://volunteers.aicpa.org/apply/> and provide the requested information. Applications received by May 1, 2002 will be considered for appointment to this year's committees. Applications received after that date will be reviewed during next year's appointment process.

This new Web site was created to make it easier for prospective volunteers to participate. The site's improved Web pages simplify the application process

and provide more information to assist applicants in determining the volunteer groups to which they would like to apply. For example, Committees affiliated with the Uniform CPA Examination include the Board of Examiners and the Content, Psychometric Oversight, and Operations Committees. However, there are many other committees and groups that need volunteers.

In a major change to simplify the site, the selection of "skills" is no longer a mandatory aspect of the application process. However, the entry of skills and the inclusion of a resume, if available, can be particularly helpful during the appointments selection process and will enable the AICPA to proactively contact a member when a new volunteer group is formed that complements that member's particular experience.

Members are reminded that volunteer members must have access to the Internet and an e-mail account to help facilitate communication.

The new application Web site also can be reached from the home page of the newly revised Committee Handbook located at <http://volunteers.aicpa.org/handbook>. The Committee Handbook provides the ability to review each volunteer group roster and optionally print out all rosters or any particular combination of rosters (e.g., printing only tax-related groups). Address any inquiries concerning AICPA volunteer groups to committee@aicpa.org or contact Andrea Singletary at 212/596-6097. For information about Examination Team Committees, contact Diane Babuin at 201/938-3361 or dbabuin@aicpa.org.

EXCELLENT VOLUNTEER RESPONSE

Thanks to the terrific response from the AICPA's professional membership, Examination Team members working on simulation development have more than enough volunteers for the current phase of work.

So many CPAs responded to the team's request for volunteers, that they filled their volunteer quota in just a few weeks. Said Richard DeVore, Simulation Development Leader, "The response was almost overwhelming. We

want to thank all those who expressed interest in working on simulations. Perhaps next year we'll look for additional volunteers, but for now we have all the people we can use."

Although simulation development needs are filled, volunteers are still needed in other areas of examination development. To offer your services, go to the AICPA Committee Application web site at <http://volunteers.aicpa.org/apply/>.

NEW BOOK OUT ON COMPUTER-BASED TESTING

Craig N. Mills, the AICPA's Executive Director of Examinations, is co-editor of a recently published book on computer-based testing. *Computer-Based Testing: Building the Foundation for Future Assessments*

stems from an international colloquium that drew more than 200 measurement professionals from eight countries and 29 states. Called a "must-read for professionals, scholars and advanced students in the testing

field..." the book contains material presented at the colloquium, discussant remarks and the resulting research agenda. To order a copy, go to www.erlbaum.com. Volume discounts are available.

REVISED EXAM CONTENT continued from page 1

meet the challenges of an increasingly complex world and keep its well-earned place as a protector of the public interest and maintain the public's trust.”

These changes are reflected in the four-section structure recommended by the Content Committee, which has overall responsibility for the technical content of the CPA examination, and approved by the BOE. The four examination sections and their related segments are considered critical to the protection of the public interest. “The Content Committee studied the results of the last practice analysis,” said Michael Bolas, CPA, and Chair of the Content Committee, “to identify the typical activities performed by entry-level accounting professionals and determined the knowledge and skills necessary to successfully carry out these activities. The revised examination structure reflects this.”

The four sections and their related segments are:

- **Auditing & Attestation.** This section covers knowledge of auditing procedures, generally accepted auditing standards and other standards related to attest engagements, and the skills needed to apply that knowledge in those engagements.
- **Financial Accounting & Reporting.** This section covers knowledge of generally accepted accounting principles for business enterprises, not-for-profit organizations, and governmental entities, and the skills needed to apply that knowledge.
- **Regulation.** This section covers knowledge of federal taxation, ethics, professional and legal responsibilities, and business law, and the skills needed to apply that knowledge.
- **Business Environment & Concepts.** This section covers knowledge of general

business environment and business concepts that candidates need to know in order to understand the underlying business reasons for and accounting implications of business transactions, and the skills needed to apply that knowledge.

The Content Committee has reviewed comments to exposure draft *Proposed Structure and Content Specifications for the Uniform CPA Examination* and finalized its recommendations to the BOE. The BOE will issue a report detailing the final content specification outlines shortly.

Said Bolas, “Of course, the CPA Examination is just one part of the CPA licensing process, but we are doing all we can to ensure that it continues to do its job and ensure that candidates admitted into the profession have the necessary skills and competencies to protect the public interest.” ➔

REVISED CPA EXAM STILL COST-EFFECTIVE continued from page 5

Profession	Examination Type	Average Application Cost & Other Fees ⁱ	Average Examination Fees ⁱⁱ	Total Average for a Typical Candidate
Accounting	Computer (late 2003)	\$ 75.00 ⁱⁱⁱ	\$ 458.00	\$ 533
Architecture	Computer	\$343.80	\$ 981.00	\$1,325
Dentistry	P&P, Computer and Clinical Evaluation	\$271.00	\$1,161.00 ^{iv}	\$1,432
Engineering	P&P	\$ 94.00	\$ 125.00	\$ 219
Law	P&P ^v	\$163.07	\$ 517.90	\$ 681
Medicine	Computer	\$430.00	\$1,300.00	\$1,730
Nursing	Computer	\$ 96.00	\$ 200.00	\$ 296
Pharmacy	P&P and Computer	\$ 64.00	\$ 397.00	\$ 461

ⁱ This is the average of the application fees and miscellaneous fees such as finger printing, state ethics exam, IDP (architecture), etc., charged by California, Illinois, Missouri, Texas and Virginia. These miscellaneous fees do not include a candidate's costs for attending the testing, providing his or her own tools, insurance, patients, etc.

ⁱⁱ The average of all exam fees for national/regional exams charged by California, Illinois, Missouri, Texas and Virginia.

ⁱⁱⁱ Individual state fees have not yet been set, so \$75 is used here.

^v The \$230 average of the \$160 paper-and-pencil and \$300 computer exam is used here since candidates have a choice.

^{iv} Because in some states the candidate's application and/or exam fee is based on when he or she applies to the board, the average of such fees was used in these calculations.

The CPA EXAM ALERT

May/June 2002

UPCOMING EVENTS

April 25 – 26, 2002

AICPA Board of Examiners Meeting
(Washington, D.C.)
Contact: Gregory Johnson (201) 938-3376

April 29 – 30, 2002

AICPA Auditing Subcommittee Meeting
(Charleston, SC)
Contact: Edward Gehl (201) 938-3423

April 30 – May 1, 2002

AICPA/NASBA Computerization Implementation
Committee Meeting
(Chicago, IL)
Contact: Gregory Johnson (201) 938-3376

June 2 - 4, 2002

NASBA Western Regional Meeting
(Las Vegas, NV)
Contact: Lorraine Sachs (212) 644-6469

June 9 – 11, 2002

NASBA Eastern Regional Meeting
(Cleveland, OH)
Contact: Lorraine Sachs (212) 644-6469

June 13 –14, 2002

AICPA Young CPAs Conference
(Phoenix, AZ)
Contact: Carmela Chinnici (212) 596-6114

July 24 – 27, 2002

AICPA Interchange Conference
(Palm Beach, FL)
Contact: Nadine Cunningham (201) 938-3795

July 30 – 31, 2002

AICPA/NASBA Computerization Implementation
Committee Meeting
(New York, NY)
Contact: Gregory Johnson (201) 938-3376