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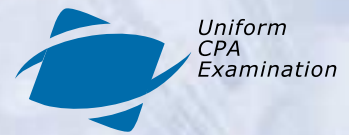
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The CPA EXAM ALERT



January/February 2003

BOE Restructures for 2002-03 Committee Year

The AICPA Board of Examiners (BOE) has changed its composition and restructured certain committees and task forces under its responsibility for the 2002-03 committee year (which began October 1, 2002). Changes were made in view of the requirements of the computer-based testing (CBT) agreement among the AICPA, NASBA, and Prometric, and after review of CBT-related committees and volunteer groups in each organization.

Said BOE Chair Olivia Kirtley, "The signed CBT agreement has enabled critical systems and other work to move forward in preparation for the launch of a computer-based exam in early 2004. The agreement also helped identify and confirm the roles and responsibilities of each of the organizations, establish specific lines of communication, and formalize the decision-making process. In particular, the agreement established a Steering Group, consisting of equal representation from each of the organizations, which will oversee the systems integration of the CBT initiative through launch. This prompted us to review our committee and task force structures and make changes that would better support the CBT initiative at this point in its development."

CIC and Operations Committees Discontinued

After evaluating the most efficient and effective use of volunteer and other resources in light of the tri-party CBT agreement, AICPA and NASBA leadership decided to

(Continued on page 2)

Also In This Issue

Meet New BOE Members.....	p. 2
BOE Approves Skills Definitions	p. 3
Simulations at Exam Launch.....	p. 4
A Job Well Done	p. 4
Talking to Lorraine P. Sachs	p. 5
Help Set Standards for Computerized CPA Exam.....	p. 6
AICPA Awards Distinguished Service Honors	p. 6
AICPA Literature Available To Schools and Individuals.....	p. 7
Academics Surveyed About Computerized CPA Exam	p. 7

The Director's Desk



Update from

GREGORY JOHNSON

Director of the CPA Examination

This issue of The CPA Exam Alert marks both the end of one busy year, and the beginning of another. In 2002, we saw two successful administrations of the paper-based CPA Examination. At the same time, considerable work was done on the computer-based test (CBT) in the areas of content, systems, legislation, communication, and operations. The historic three-party agreement among AICPA, NASBA, and Prometric was signed, and the CBT initiative shifted from a research to a development mode.

The 2002-03 committee year began October 1, 2002. In line with CBT's move to its next phase, the AICPA Board of Examiners (BOE) announced changes to its structure, and CBT-related committees. The joint AICPA/NASBA Computerization Implementation Committee and the Operations Committee were discontinued. Their activities, which laid the groundwork for a computer-based test, had either been completed or transitioned to other groups or individuals under the three-party CBT agreement. The BOE also expanded its roster. David Landsittel, a former CIC member, and Ken Bishop, Executive Director of the Missouri State Board of Accountancy, will enhance the BOE from a CBT systems perspective, as well as from a regulatory standpoint. Short bios of both members are included in this issue.

Also included are skills definitions for the computer-based test, and an explanation of the BOE's decision to defer the introduction of simulations in the Business Environment & Concepts (BEC) section of the computer-based test. Lorraine P. Sachs, NASBA's Executive Vice President & CEO, provided a brief Q&A on state board and NASBA's preparations for CBT.

The New Year moves us ever closer to a computerized CPA Examination, which will help us continue our mission of protecting the public interest. On the horizon are tutorials and other exam-related materials; you'll hear more about them in future Exam Alerts. Please continue to e-mail me at gjohnson@aicpa.org with suggestions or comments about *The CPA Exam Alert*. We look forward to hearing from you. ■

Meet New BOE Members

Ken Bishop was appointed Executive Director of the Missouri State Board of Accountancy in December of 1998. Before his appointment with the Board of Accountancy, he served as an Assistant Director in the Missouri Department of Public Safety. His prior career in law-enforcement ranged from undercover narcotics officer, under-sheriff to chief of police. He is past Chairman of the Executive Directors Committee of the National Association of State Boards of Accountancy (NASBA), and is currently Chair of the NASBA Computer Examination Administration Task Force.

Mr. Bishop is a graduate of the Missouri State Highway Patrol Academy, and the Federal Criminal Justice Academy. He has a bachelor's degree in Education and Developmental Psychology from the University of Missouri Columbia, and a master's degree in Criminal Justice. He is a graduate of Harvard University's Kennedy School of Government Executive Program.



Ken Bishop

David Landsittel is a consultant to accounting firms and others on financial reporting, corporate governance, auditing and quality control matters. After 34 years of service in public accounting, he retired from Arthur Andersen LLP in 1997. Mr. Landsittel was a member of the joint AICPA/NASBA Computerization Implementation Committee, and previously served as Chairman of the AICPA's Auditing Standards Board. He also served on the Board of Directors and is a Past President of the Illinois CPA Society. Mr. Landsittel was a member of the National Association of Corporate Directors Best Practices Council, the Advisory Council for the Committee on Sponsoring Organizations (COSO), and the Accounting Education Change Commission.



David Landsittel

Mr. Landsittel received an MBA from the University of Chicago Graduate School of Business and an undergraduate degree from DePauw University in Greencastle, Indiana.

BOE Restructures for 2002-03 Committee Year *continued from page 1*

discontinue the joint AICPA/NASBA Computerization Implementation Committee (CIC). Concurrent with this decision, the AICPA decided to discontinue its Operations Committee.

The CIC was created to oversee development and implementation of the computerized CPA Examination. The committee successfully laid the foundation for the computer-based CPA Examination, and has transitioned its remaining tasks and responsibilities to different groups and individuals.

The Operations Committee had completed its primary work on administration of the computerized CPA Examination. The CBT agreement also clarified the roles and responsibilities for the administration of the revised examination.

Task Forces Changes

The existing Education and Communication Task Forces formed by the CIC will continue and report directly to the

BOE. In addition, the BOE is forming a new Systems Oversight Task Force. This Systems Oversight Task Force will provide the primary oversight of the AICPA's CBT system development effort and its Operational Transition activities, and will liaison with NASBA and Prometric from a systems integration standpoint.

BOE Expanded

To keep the CBT initiative on track as it enters the development and implementation phases, Ken Bishop, Executive Director of the Missouri State Board of Accountancy, and David Landsittel, a former CIC member, have been appointed to the BOE. Said Olivia Kirtley, "Ken will help increase the BOE's exposure to state board executive directors and their issues and concerns. David will certainly add to the BOE's institutional knowledge of the computerization project and assist in its systems development oversight. We're delighted to welcome these two distinguished individuals to the BOE."

BOE Approves Skills Definitions

The AICPA Board of Examiners (BOE) has approved the skills definitions and weighting targets to be used with the content specification outlines (CSOs) of the computer-based CPA Examination. Five relevant skills have been identified by the BOE's Content Committee for purposes of testing entry-level CPAs for licensure. The skills are Research, Communication, Analysis, Judgment, and Understanding.

The computer-based CPA Examination will require candidates to demonstrate their research ability to search professional literature, identify relevant information, and draw conclusions. To demonstrate understanding, analysis and judgment, candidates will answer questions that require them to:

- Interpret, and apply the relevant professional literature.
- Comprehend professional standards and apply these standards during the course of an engagement.
- Recognize business-related issues and their relevance to evaluating an entity's financial condition.
- Evaluate, analyze, and process entity information for reporting in financial statements.
- Identify financial accounting and reporting methods and select those that are suitable.
- Address, analyze, and resolve issues in the conduct of an engagement.

The examination will also test written communication skills in the context of specific subject matter. Candidates will demonstrate their written communica-

tion skills through the use of short constructed response questions. The accounting content will be at a level that allows candidates to adequately demonstrate enough knowledge and provide a sufficient writing sample, so that writing skills can be properly assessed.

The following criteria will be given to candidates and used for grading written communication:

- **Coherent organization.** The response should include elements that guide the reader, such as an overview statement; separate, unified paragraphs; and transition words.
- **Conciseness.** Use as few words as necessary, without scrimping on substance.
- **Clarity.** Use proper terminology, give sufficient detail, and write short sentences, in addition to organizing material for easy reading.
- **Standard English.** Show control of grammar, punctuation, capitalization, and spelling.
- **Responsiveness.** Focus on the requirements of the prompt, not extraneous matters.
- **Appropriateness to the reader.** Choose language and information that the reader identified in the prompt can understand. Define terms the reader is not likely to know.

The BOE's skills decision document will be posted shortly on the CPA exam Web site, www.cpa-exam.org. For more information, contact the AICPA Exams Team at cpaexam@aicpa.org.

Skills Definitions for the Revised CPA Exam

Identification of the skills needed by entry-level CPAs was an integral component of the recently completed Practice Analysis. The skills identified as necessary for the protection of the public interest are: Analysis, Judgment, Communication, Research, and Understanding. The BOE has approved the following skills definitions:

- **ANALYSIS** is the ability to organize, process, and interpret data to develop options for decision-making.
- **JUDGMENT** is the ability to evaluate options for decision-making and provide an appropriate conclusion.
- **COMMUNICATION** is the ability to effectively elicit and/or express information through written or oral means.
- **RESEARCH** is the ability to locate and extract relevant information from available resource materials.
- **UNDERSTANDING** is the ability to recognize and comprehend the meaning and application of a particular matter.

For more information about skills for the computer-based CPA Examination, contact the AICPA Exams Team at cpaexam@aicpa.org.

Simulations at Exam Launch

The AICPA Board of Examiners (BOE) has decided to defer the introduction of case-based simulations in the Business Environment and Concepts (BEC) section of the revised CPA Examination, until after the launch of the computer-based test (CBT). All other examination sections will contain simulations as originally planned. Simulations are compact case studies that will test candidates' accounting knowledge and skills using realistic work-related situations.

The BOE is strongly committed to the concept of simulations in the BEC section of the revised examination. BOE Chair Olivia Kirtley said, "In today's

business environment, it is clear that CPAs need strong skills in the areas covered by BEC. The BOE is firmly committed to including this important component of the examination in BEC as soon as possible after CBT launch."

According to Craig Mills, AICPA executive director-examinations, the reason for the deferral stems from the need to have a better understanding of CPA candidates' level of preparedness in this area. Said Mr. Mills, "Although we've been testing business concepts in the current exam, the introduction of a new section devoted to business does indicate an increased emphasis on the area. By introducing this section with

multiple-choice questions first, we will be better able to determine the types and complexity of BEC simulations that are most appropriate for entry-level CPAs."

After review and consideration of the alternatives, the BOE agreed that it was prudent to defer inclusion of simulations in BEC until after the new exam is launched. This will enable staff to concentrate on gathering needed data from simulations in other sections. The deferral also allows for more time to focus on quality data collection and development of additional multiple-choice questions for the initial computer-based test. ■

A Job Well Done

The work done by the CIC and Operations Committee was greatly appreciated, as evidenced by these excerpts from letters sent to the state boards of accountancy announcing the conclusion of these committees:

"NASBA and the AICPA are extremely appreciative of the significant work that has been accomplished by the CIC which has laid the foundation for the implementation of the examination. For their excellent work, we commend: William Holder, CIC Chair; its current committee members, Nathan Garrett, Asa Hord, David Landsittel, Eric Schindler, William Treacy,

Michael Weatherwax, and Eugene Willis; and past members, Michael Harnish, Rick Richardson, Carol Sigmann, and Dennis Spackman. Without their expertise, diligence, and commitment to the CPA examination, the accounting profession and boards of accountancy would not be in a position to make this momentous transition to a computer-based test."

"The Operations Committee has done a tremendous job, and we thank Susan Stopher, Committee Chair, and its current members, Susan Harris, Dana McInturff, Barbara Showers and Joanne Vician for their excellent work and dedication." ■



Talking to . . .

Lorraine P. Sachs, NASBA Executive Vice President and Chief Operating Officer

What are the states doing in preparation for the computer-based test?

The state boards of accountancy are in the process of changing their rules and statutes to accommodate the computer-based test. This means, for example, making the alterations necessary to permit candidates to take one section of the examination at a time, or to remove requirements for a "written" examination, or to remove fee caps.

In addition, board members and executive directors are visiting Prometric's testing sites to ensure their candidates will have an adequate testing environment, and that necessary security procedures are in place.

Most importantly, board representatives are working to communicate to the students, professors and licensees in their jurisdictions that the computer-based examination is coming and the candidates need to prepare for several essential changes.

At this early stage in the computer-based examination's development, what messages do the candidates need now?

Simply, they need to know that the sections of the examination will be changing and what the equivalency between the old and new sections will be. They need to know the policies set by the state boards of accountancy in their jurisdictions. For example, candidates will no longer be required to take all sections at one time. They need to understand how credits from the

paper-and-pencil examination will be transitioned over into the computer-based examination environment. It is expected that all candidates in the examination pipeline will receive the information from their boards. Candidates can find contact information for individual boards of accountancy on NASBA's web site, www.nasba.org, and the new CPA Exam web site, www.cpa-exam.org.

Certainly candidates should be encouraged to work with reference sources on-line, to become familiar with finding information on a screen, rather than on a page. Also, they should become well acquainted with www.cpa-exam.org to prepare for the computer-based examination's simulations and keep abreast of other candidate information.

What is the status of the National Candidate Database?

NASBA is developing and will maintain a National Candidate Database to serve as the gateway for all candidates applying to take the computerized Uniform CPA Examination. We will work with the boards and their designees to retrieve, store and manage eligibility information. This Gateway System will accept authorized candidates' information from the states and will process authorizations to test, create notices to schedule for the candidates, collect fees, handle attendance information, receive score information from the AICPA, and create score notices for the candidates. Pilot testing



Lorraine P. Sachs

for the system will begin in October 2003, with boards transmitting information to NASBA about acceptability of candidates in March 2004. We will be ready to schedule candidates for testing beginning in April 2004.

Do you anticipate any problems?

NASBA, AICPA and Prometric all have teams working to make the conversion to a computer-based examination seamless. Does that mean that the new examination will just roll into place effortlessly? We certainly hope to make it appear that way to the candidates. However, we all know that communication and flexibility will be key as the new examination is inaugurated. However, we believe making the switch will be worth it, as the state boards look forward to utilizing a new examination that will continue to assure the public of competent entry-level CPA professionals for a dynamic business environment. ■

Help Set Standards for Computerized CPA Exam

The AICPA needs qualified CPAs to participate in two-day sessions to set passing scores for the computer-based Uniform CPA Examination. CPAs who have participated in prior standard setting panels say it's a terrific experience; a great opportunity to network with peers, and a chance to enjoy an intellectual exercise and make a meaningful contribution to the accounting profession.

Panelists should be CPAs with 3-8 years of experience, who have supervised entry-level CPAs within the past 12 months. To ensure good representation, the AICPA is looking for a cross-section of CPA professionals in terms of firm size, industries, region of country, sex, ethnicity, and other important



demographics. Panelists may not be affiliated with CPA Exam preparation and review programs. A two-day time

commitment in either June or July 2003 is required. Normal travel and per diem expenses will be reimbursed and CPE credit is expected to be offered to participants who attend the entire two-day meeting.

The AICPA is reaching out to accounting firms—large and small—as well as individual CPA practitioners throughout the United States. By participating on a panel, CPAs can:

- Help the profession.
- Increase visibility among peers.
- Increase visibility of their firms within the profession.
- Get involved in professional activities.
- Gain an introduction to professional committees.

Today more than ever, CPAs need to show their support for the profession and the Uniform CPA Examination. Take part in the CPA Exam's historic transition and gain recognition as a contributor to this important effort.

To volunteer, go to the CPA Exam Web site at: <http://www.cpa-exam.org/lrc/panels.html>. Print out, complete, and fax the standard setting application form to the Examinations Team. Or call Gelya Kotlyar at 201-938-3427 for more information. ■

Make a Difference — Sign Up for Standard Setting

- ◆ The AICPA needs CPAs with:
 - 3-8 years of experience
 - Recent experience (within past 12 months) supervising new CPAs.
- ◆ Available for 2 days—during the week of June 23, 2003 or the week of July 14, 2003—to help set passing scores for the computer-based CPA Exam.
- ◆ Panels require a cross-section of CPA professionals in terms of important demographics, including sex, ethnicity, firm size, and region of country. Panelists cannot be affiliated with CPA Exam review courses

If you meet the criteria and would like to participate, send an email to cpaexam@aicpa.org. Include your name, postal address, e-mail address, areas of expertise, years of experience, number of years supervising entry-level CPAs, sex, ethnicity, and the size of your firm if applicable. An AICPA team member will contact you if you are selected to participate. Or go to <http://www.cpa-exam.org/lrc/panels.html> and download a faxable application form.

AICPA Awards Distinguished Service Honors

At the AICPA's October 2002 Governing Council meeting, Olivia Kirtley, current chair of the AICPA's Board of Examiners, and Doyle Z. Williams, Dean of the Sam M. Walton College of Business at the University of Arkansas, were presented with Gold Medals for Distinguished Service. John E. Hunnicutt, who is retiring as Senior Vice President — Public Affairs for the AICPA, received the Medal of Honor.

In recognizing Kirtley's contributions to the profession, J. Mason Andres, Chair of the AICPA Awards Committee, said, "Ms. Kirtley made history as the first woman in the AICPA's then 110-year history to be elected Chair and the first CPA in business and industry to assume the top leadership role."

Mr. Andres also lauded Dr. Doyle Z. Williams for his distinguished academic career, referring to him as a "catalyst for change in accounting education." Over

the course of 36 years, Williams has held more than 260 professional committee assignments and offices, and has held a wide range of positions at the national levels in Texas, California, and Arkansas.

In presenting the Medal of Honor, Mr. Mason noted, "John Hunnicutt's professional life has been one of government insider, skillful strategist, and devoted advocate for the CPA profession. Articulate, diplomatic, and astute, John embodies all that good leadership is supposed to be." ■

AICPA Literature Available To Schools and Individuals

With the advent of the computer-based CPA Examination, many educators are concerned about school and student access to accounting and auditing authoritative literature and tax research databases. The AICPA, and the AICPA/AAA Education Task Force, continue to explore ways to make non-AICPA authoritative literature available to more schools at a reasonable cost.

While those efforts progress, it may help to know that the AICPA offers its authoritative literature to schools at a very reasonable cost. Under the Academic Site License Program, schools can get the complete set of Professional Standards, Technical Practice Aids, and Audit and Accounting Guides, on CD-ROM for an unlimited number of users, for \$1,185.00 in the first year. Annual

renewals with quarterly updates are available for only \$885.00 per year.

Information about the AICPA site license agreement for schools is available at <http://www.aicpa.org/educ/resourceinfo.htm>. Or contact the AICPA Academic and Career Development team at (212) 596-6221, or e-mail: educat@aicpa.org.

In addition, individuals can subscribe to the AICPA's online reference library, AICPA RESOURCE: Accounting & Auditing Literature. AICPA student members can subscribe for \$40 per year, and the subscription is free of charge to AICPA educator members. Those members can purchase access directly from AICPA's vendor, cpa2biz.com, provided they register on the site as an AICPA member. Nonmember educators can also acquire a free subscription by send-

ing written confirmation to AICPA Member Satisfaction on college or university letterhead. The letter can be faxed to 1-800-362-5066 or mailed to AICPA, Subscription Dept., P.O. Box 2208, Jersey City, New Jersey 07303-2208.

Nonmember students will be charged the prevailing nonmember rate. AICPA student affiliate membership is \$30 per year. AICPA currently does not offer colleges or universities site licenses or multi-user subscriptions for the online AICPA RESOURCE. Individuals can contact the AICPA Academic and Career Development team at (212) 596-6221 or e-mail: educat@aicpa.org for more information. ■

Academics Surveyed About Computerized CPA Exam

Most educators think their schools are adequately preparing for the computer-based CPA Examination, according to research conducted by the OSR Group on behalf of the AICPA/AAA Education Task Force. The purpose of the study, conducted from May—June 2002 among more than 700 educators, was twofold: to assess the degree to which accounting faculty are aware of the planned changes to the Uniform CPA Examination and gather perceptions on their schools' readiness for a computerized test.

The survey covered educators' awareness of changes to the CPA Examination, computer availability in schools, access to online resources, and schools' likelihood to participate in exam pre-testing. At the time of the survey, the target date for CBT launch was November 2003. The implementation date was later announced as early 2004.

The survey was the first formal evaluation of educators' opinions on the com-

puter-based CPA Examination. Jan Williams, Chair of the Education Task Force, said "This type of data gathering activity is essential to understanding educators' perceptions and concerns about the computer-based CPA Examination."

Another study was also undertaken around the same time. Faculty and administrators at Historically Black Colleges and Universities (HBCU), other predominantly minority institutions, and smaller schools were interviewed by communications firm DCG Inc. The Task Force wanted to gain an understanding about how these educators perceive the proposed revisions to the CPA Examination and how the changes would impact their curriculums, students and technology.

That study was completed in June 2002. While most of the faculty interviewed reported that they knew about the examination changes, they reported

limited knowledge of the specific changes in the examination. These educators also indicated that more time was needed to widely communicate the specific changes so that faculty and students would have a better understanding of what is needed to prepare for the changes. Many of the smaller institutions with limited resources indicated that additional financial resources would be needed to enable them to adequately prepare students for the computer-based CPA Examination.

The Education Task Force is charged with making recommendations to the Board of Examiners (BOE) on ways to facilitate understanding of the revised CPA Examination by the academic community, and minimize any adverse effect the computer-based CPA examination may have on academe.

Both research reports are posted on the CPA Examination Web site at <http://www.cpa-exam.org/lrc/reports.html>. ■



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The CPA EXAM ALERT

January/February 2003

UPCOMING EVENTS

January 27-28, 2003

AICPA Business, Environment & Concepts Subcommittee
(Tampa, FL)
Contact: Anthony Manochio (201) 938-3383

January 27-28, 2003

AICPA Auditing Subcommittee
(Naples, FL)
Contact: Edward Gehl (201) 938-3423

January 30-31, 2003

AICPA Regulation/Tax Subcommittee
(Newport Beach, CA)
Contact: Jim Quaglietta (201) 938-3331

February 3-4, 2003

AICPA FAR Subcommittee
(Dallas, TX)
Contact: Linda Mills (201) 938-3196

February 9-12, 2003

NASBA Executive Directors Conference
(San Antonio, TX)
Contact: Tom Kenny (615) 880-4237

March 6-7, 2003

AICPA Psychometric Oversight Committee
(Jersey City, NJ)
Contact: Bruce Biskin (201) 938-3421

March 20, 2003

AICPA Board of Examiners
(Washington, DC)
Contact: Gregory Johnson (201) 938-3376