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**HYBRID (IN-PERSON/VIRTUAL)**  
**ACCOUNTING EXAMINING BOARD**  
**Room N208, 4822 Madison Yards Way, 2<sup>nd</sup> Floor North, Madison**  
**Contact: Brad Wojciechowski (608) 266-2112**  
**August 31, 2022**

*The following agenda describes the issues that the Board plans to consider at the meeting. At the time of the meeting, items may be removed from the agenda. Please consult the meeting minutes for a record of the actions of the Board. Be advised that board members may attend meetings designated as "Hybrid" in-person or virtually.*

**AGENDA**

**9:00 A.M.**

**OPEN SESSION – CALL TO ORDER – ROLL CALL**

- A. Adoption of Agenda (1-4)**
- B. Approval of Minutes of June 8, 2022 (5-7)**
- C. Reminders: Conflicts of Interest, Scheduling Concerns
- D. Introductions, Announcements and Recognition
- E. Administrative Matters – Discussion and Consideration**
  - 1) Department, Staff and Board Updates
  - 2) Board Members – Term Expiration Dates
    - a. Barron, Thuy T. – 7/1/2025
    - b. Friedman, Michael E. – 7/1/2023
    - c. Misey, Robert – 7/1/2025
    - d. Phillips, Joan – 7/1/2023
    - e. Reinemann, John – 7/1/2025
    - f. Schlichting, David K. – 7/1/2022
    - g. Strautmann, Susan M. – 7/1/2024
- F. Quarterly Board Chair Connection Meeting – Discussion and Consideration**
- G. Credentialing Matters – Discussion and Consideration**
  - 1) Certified Public Accountants Certified and Licensed Since Last Review Meeting (**8-9**)
  - 2) Firms Licensed Since Last Review Meeting (**8-9**)
  - 3) Continuing Education and Renewal Requirement Communication (**10**)
- H. Wisconsin Institute of Certified Public Accountants (WICPA) Educators Committee Regarding the Shortage of CPA Candidates – Discussion and Consideration**

- I. National Association of State Boards of Accountancy (NASBA) 2022 Focus Questions – Discussion and Consideration (11-14)**
- J. Education and Examination Matters – Discussion and Consideration**
  - 1) NASBA CPA Evolution Transition Recommendation **(15-17)**
  - 2) American Institute of Certified Public Accountants (AICPA) Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination **(18-161)**
- K. Legislation and Policy Matters – Discussion and Consideration
- L. Administrative Rule Matters – Discussion and Consideration (162)**
  - 1) Possible Rule Project Discussion: CPA Exam Credit Extensions **(163-169)**
  - 2) Pending or Possible Rulemaking Projects
- M. Practice Matters – Discussion and Consideration**
  - 1) Ernst & Young, L.L.P. Securities and Exchange Commission Settlement **(170-186)**
- N. Speaking Engagements, Travel, or Public Relation Requests, and Reports – Discussion and Consideration**
  - 1) NASBA Annual Meeting on October 30, 2022 – November 2, 2022 in San Diego, CA
  - 2) Travel Report: NASBA Eastern Regional Meeting on June 27-29, 2022, in White Sulpher Springs, WV
- O. COVID-19 – Discussion and Consideration
- P. Discussion and Consideration of Items Added After Preparation of Agenda
  - 1) Introductions, Announcements and Recognition
  - 2) Administrative Matters
  - 3) Election of Officers
  - 4) Appointment of Liaisons and Alternates
  - 5) Delegation of Authorities
  - 6) Education and Examination Matters
  - 7) Credentialing Matters
  - 8) Practice Matters
  - 9) Legislative and Policy Matters
  - 10) Administrative Rule Matters
  - 11) Liaison Reports
  - 12) Board Liaison Training and Appointment of Mentors
  - 13) Informational Items
  - 14) Division of Legal Services and Compliance (DLSC) Matters
  - 15) Presentations of Petitions for Summary Suspension
  - 16) Petitions for Designation of Hearing Examiner
  - 17) Presentation of Stipulations, Final Decisions and Orders
  - 18) Presentation of Proposed Final Decisions and Orders
  - 19) Presentation of Interim Orders
  - 20) Petitions for Re-Hearing
  - 21) Petitions for Assessments
  - 22) Petitions to Vacate Orders
  - 23) Requests for Disciplinary Proceeding Presentations
  - 24) Motions
  - 25) Petitions

- 26) Appearances from Requests Received or Renewed
- 27) Speaking Engagements, Travel, or Public Relation Requests, and Reports

**Q. Public Comments**

**CONVENE TO CLOSED SESSION to deliberate on cases following hearing (s. 19.85(1)(a), Stats.); to consider licensure or certification of individuals (s. 19.85(1)(b), Stats.); to consider closing disciplinary investigations with administrative warnings (ss. 19.85(1)(b), and 440.205, Stats.); to consider individual histories or disciplinary data (s. 19.85(1)(f), Stats.); and to confer with legal counsel (s. 19.85(1)(g), Stats.).**

**R. Deliberation on Division of Legal Services and Compliance (DLSC) Matters**

- 1) **Administrative Warnings**
  - a. 20 ACC 005 - Z.T.M.C. **(187-188)**
- 2) **Proposed Stipulations, Final Decisions and Orders**
  - a. 18 ACC 008 – Raymond Ladd **(189-196)**
  - b. 20 ACC 005 – Greg Martin **(197-203)**
  - c. 20 ACC 013 – David Schroeder **(204-211)**

**S. Deliberation of Items Added After Preparation of the Agenda**

- 1) Education and Examination Matters
- 2) Credentialing Matters
- 3) DLSC Matters
- 4) Monitoring Matters
- 5) Professional Assistance Procedure (PAP) Matters
- 6) Petitions for Summary Suspensions
- 7) Petitions for Designation of Hearing Examiner
- 8) Proposed Stipulations, Final Decisions and Order
- 9) Proposed Interim Orders
- 10) Administrative Warnings
- 11) Review of Administrative Warnings
- 12) Proposed Final Decisions and Orders
- 13) Matters Relating to Costs/Orders Fixing Costs
- 14) Case Closings
- 15) Board Liaison Training
- 16) Petitions for Assessments and Evaluations
- 17) Petitions to Vacate Orders
- 18) Remedial Education Cases
- 19) Motions
- 20) Petitions for Re-Hearing
- 21) Appearances from Requests Received or Renewed

**T. Consulting with Legal Counsel**

**RECONVENE TO OPEN SESSION IMMEDIATELY FOLLOWING CLOSED SESSION**

**U. Vote on Items Considered or Deliberated Upon in Closed Session if Voting is Appropriate**

**V. Open Session Items Noticed Above Not Completed in the Initial Open Session**

**ADJOURNMENT**

**NEXT MEETING: NOVEMBER 30, 2022**

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MEETINGS AND HEARINGS ARE OPEN TO THE PUBLIC, AND MAY BE CANCELLED  
WITHOUT NOTICE.

Times listed for meeting items are approximate and depend on the length of discussion and voting. All meetings are held virtually unless otherwise indicated. In-person meetings are typically conducted at 4822 Madison Yards Way, Madison, Wisconsin, unless an alternative location is listed on the meeting notice. In order to confirm a meeting or to request a complete copy of the board's agenda, please visit the Department website at <https://dps.wi.gov>. The board may also consider materials or items filed after the transmission of this notice. Times listed for the commencement of disciplinary hearings may be changed by the examiner for the convenience of the parties. Requests for interpreters for the hard of hearing, or other accommodations, are considered upon request by contacting the Affirmative Action Officer at 608-266-2112, or the Meeting Staff at 608-266-5439.

**ACCOUNTING EXAMINING BOARD  
MEETING MINUTES  
JUNE 8, 2022**

**PRESENT:** Thuy Barron, Michael Friedman, Robert Misey (*via Zoom*), Joan Phillips, John Reinemann (*via Zoom*), David Schlichting

**EXCUSED:** Susan Strautmann

**STAFF:** Brad Wojciechowski, Executive Director; Jameson Whitney, Legal Counsel; Sofia Anderson, Administrative Rule Coordinator; Kimberly Wood, Program Assistant Supervisor-Adv.; and other DSPS Staff

**CALL TO ORDER**

Michael Friedman, Chairperson, called the meeting to order at 9:05 a.m. A quorum was confirmed with six (6) members present.

**ADOPTION OF AGENDA**

**MOTION:** David Schlichting moved, seconded by Thuy Barron, to adopt the Agenda as published. Motion carried unanimously.

**APPROVAL OF MINUTES OF MARCH 9, 2022**

**MOTION:** Robert Misey moved, seconded by Joan Phillips, to approve the Minutes of March 9, 2022 as published. Motion carried unanimously.

**WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (WICPA)  
EDUCATORS COMMITTEE REGARDING SHORTAGE OF CPA CANDIDATES**

**MOTION:** Michael Friedman moved, seconded by Thuy Barron, to designate David Schlichting and Joan Phillips to work together to prepare and present a recommendation to the Board regarding options to address the shortage of CPA candidates. Motion carried unanimously.

**CREDENTIALING MATTERS**

**Certified Public Accountants Certified and Licensed Since the Last Review Meeting**

**MOTION:** Thuy Barron moved, seconded by Joan Phillips, to accept all certified public accountants that have been certified and licensed since the last meeting. Motion carried unanimously.

**Firms Licensed Since the Last Review Meeting**

**MOTION:** John Reinemann moved, seconded by Robert Misey, to accept all public accounting firms that have been licensed since the last meeting. Motion carried unanimously.

## **Continuing Education and Renewal Requirement Communications**

**MOTION:** David Schlichting moved, seconded by Joan Phillips, to authorize the Chairperson to approve the language of the communication to be sent out to credential holders regarding the extended continuing education deadline. Motion carried unanimously.

### **CLOSED SESSION**

**MOTION:** David Schlichting moved, seconded by Joan Phillips, to convene to closed session to deliberate on cases following hearing (s. 19.85(1)(a), Stats.); to consider licensure or certification of individuals (s. 19.85(1)(b), Stats.); to consider closing disciplinary investigations with administrative warnings (ss. 19.85 (1)(b), and 440.205, Stats.); to consider individual histories or disciplinary data (s. 19.85 (1)(f), Stats.); and to confer with legal counsel (s. 19.85(1)(g), Stats.). Michael Friedman, Chairperson read the language of the motion. The vote of each member was ascertained by voice vote. Roll Call Vote: Thuy Barron-yes; Michael Friedman-yes; Robert Misey-yes; Joan Phillips-yes; John Reinemann-yes; and David Schlichting-yes. Motion carried unanimously.

The meeting convened to Closed Session at 11:15 a.m.

### **DELIBERATION ON DIVISION OF LEGAL SERVICES AND COMPLIANCE (DLSC) MATTERS**

#### **Case Closings**

##### **20 ACC 012 – M.V.S.**

**MOTION:** Michael Friedman moved, seconded by Thuy Barron, to close DLSC Case Number 20 ACC 012, against M.V.S., for No Violation. Motion carried unanimously.

#### **Proposed Stipulations, Final Decisions, and Orders**

##### **20 ACC 002 – Michael Kollath and Associates C.P.A., L.L.C.**

**MOTION:** Joan Phillips moved, seconded by Thuy Barron, to adopt the Findings of Fact, Conclusions of Law and Order in the matter of disciplinary proceedings against Michael Kollath and Associates C.P.A., L.L.C., DLSC Case Number 20 ACC 002. Motion carried unanimously.

**Monitoring Matters**

**Quinn Dugan, C.P.A.  
Requesting Full Licensure**

**MOTION:** Joan Phillips moved, seconded by David Schlichting, to grant the request of Quinn Dugan, C.P.A. for full licensure. Motion carried unanimously.

**RECONVENE TO OPEN SESSION**

**MOTION:** Michael Friedman moved, seconded by Robert Misey, to reconvene into open session. Motion carried unanimously.

The meeting reconvened into Open Session at 11:25 a.m.

**VOTE ON ITEMS CONSIDERED OR DELIBERATED UPON IN CLOSED SESSION**

**MOTION:** Joan Phillips moved, seconded by Thuy Barron, to affirm all motions made and votes taken in closed session. Motion carried unanimously.

*(Be advised that any recusals or abstentions reflected in the closed session motions stand for the purposes of the affirmation vote.)*

**ADJOURNMENT**

**MOTION:** Joan Phillips moved, seconded by John Reinemann, to adjourn the meeting. Motion carried unanimously.

The meeting adjourned at 11:27 a.m.

**State of Wisconsin  
Department of Safety & Professional Services**

**AGENDA REQUEST FORM**

1) Name and Title of Person Submitting the Request:  <b>James Kuehn, LPPA</b>		2) Date When Request Submitted: <b>8/18/22</b> <small>Items will be considered late if submitted after 12:00 p.m. on the deadline date which is 8 business days before the meeting</small>	
3) Name of Board, Committee, Council, Sections: Accounting Examining Board			
4) Meeting Date: <b>8/31/22</b>	5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6) How should the item be titled on the agenda page?  Credentialing Matters 1. Certified Public Accountants Certified and Licensed Since Last Review Meeting 2. Firms Licensed Since Last Review Meeting	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session	8) Is an appearance before the Board being scheduled? <input type="checkbox"/> Yes ( <u>Fill out Board Appearance Request</u> ) <input checked="" type="checkbox"/> No	9) Name of Case Advisor(s), if required:	
10) Describe the issue and action that should be addressed:  Informational – No Action: List of Certified Public Accountants certified and licensed, and firms licensed since last review meeting on <b>6/8/2022</b>			
11) Signature of person making this request  James Kuehn <hr/> Supervisor (if required)		Authorization   <hr/> Date	Date  8/18/2022 <hr/> Date
Executive Director signature (indicates approval to add post agenda deadline item to agenda)    Date			
Directions for including supporting documents: 1. This form should be attached to any documents submitted to the agenda. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, provide original documents needing Board Chairperson signature to the Bureau Assistant prior to the start of a meeting.			



1. Certified Public Accountants Certified and Licensed Since Last Review Meeting:


- |  |   |
|--|---|
| 1. 28519-1; Andries, Jacob             | 42. 28560-1; Schneider, Matthew         |
| 2. 28520-1; Moy, Annette               | 43. 28561-1; Borton, Joseph             |
| 3. 28521-1; Huang, Nan                 | 44. 28562-1; Thiel, Joseph              |
| 4. 28522-1; Holubets, Ashley           | 45. 28563-1; Klein, Kayla               |
| 5. 28523-1; Weiler, Kassidy            | 46. 28564-1; Vogel, Frederick           |
| 6. 28524-1; Manke, Melissa             | 47. 28565-1; Brothen, Lauren            |
| 7. 28525-1; Barbeau, Zachary           | 48. 28566-1; Engel, Zachary             |
| 8. 28526-1; Schuenke, Loren            | 49. 28567-1; Davis, Peter               |
| 9. 28527-1; Genovese, Casey            | 50. 28568-1; Ahmad, Ahmad               |
| 10. 28528-1; Acker, Henry              | 51. 28569-1; Miesfeld, Spencer          |
| 11. 28529-1; Beadle, Nathan            | 52. 28570-1; Taitt, Renee               |
| 12. 28530-1; Drewes, Riley             | 53. 28571-1; Nagan, Andrew              |
| 13. 28531-1; Jones, Angela             | 54. 28572-1; Noe, Tucker                |
| 14. 28532-1; Holzmann, Jessica         | 55. 28573-1; Case, Philip               |
| 15. 28533-1; Bell, Benjamin            | 56. 28574-1; Epping, Abigail            |
| 16. 28534-1; Yelich, April             | 57. 28575-1; Gao, Yuan                  |
| 17. 28535-1; Wolinsky, Zachary         | 58. 28576-1; Thompson, Tanner           |
| 18. 28536-1; Kielpikowski,<br>Michelle | 59. 28577-1; Bruingooe, Taylor          |
| 19. 28537-1; Gorski, Rachel            | 60. 28578-1; Laughlin, Morgan           |
| 20. 28538-1; Clanfield, Margaret       | 61. 28579-1; Frackowiak,<br>Christopher |
| 21. 28539-1; Bennett, Vanessa          | 62. 28580-1; Miller, Katrina            |
| 22. 28540-1; Leonde, Matthew           | 63. 28581-1; John, Austin               |
| 23. 28541-1; Cody, Zachary             | 64. 28582-1; DeBroux, Rachel            |
| 24. 28542-1; Schuh, Anna               | 65. 28583-1; Wong, Franklin             |
| 25. 28544-1; Storch, Nathan            | 66. 28584-1; Ryskoski, Aspen            |
| 26. 28543-1; Fox, Matthew              | 67. 28585-1; Chiapetta, Joseph          |
| 27. 28545-1; Sorenson, Collin          | 68. 28586-1; Wogou, Jodel               |
| 28. 28546-1; Storm, Gary               | 69. 28587-1; Pass, Bryce                |
| 29. 28547-1; Homa, Margaret            | 70. 28588-1; Caldwell, Chase            |
| 30. 28548-1; Terzic, Dragan            | 71. 28589-1; Yanke, Ryan                |
| 31. 28549-1; Cribben, Devin            | 72. 28590-1; Sima, Lemlem               |
| 32. 28550-1; Breunig, Breanna          | 73. 28591-1; Konowalski, Justin         |
| 33. 28551-1; Meng, Yiliu               | 74. 28592-1; Hann, Bailey               |
| 34. 28552-1; Koster, Julia             | 75. 28593-1; Picard, Lauren             |
| 35. 28553-1; Rhodes, Stuart            | 76. 28594-1; Anderson, Mitchell         |
| 36. 28554-1; Van Laduyt,<br>Allison    | 77. 28595-1; Morgan, Kendra             |
| 37. 28555-1; Milbrath, Miranda         | 78. 28596-1; Brown, Eric                |
| 38. 28556-1; Holdway,<br>Christopher   | 79. 28597-1; Schwab, Curtis             |
| 39. 28557-1; Hill, Jonathan            | 80. 28598-1; Jacobson, Claire           |
| 40. 28558-1; Stebbins, Morgan          | 81. 28599-1; Halverson, Claire          |
| 41. 28559-1; Donarski, Robert          | 82. 28600-1; Downing, Brendan           |

2. Firms Licensed Since Last Review Meeting

1. 1633-3; Casey Genovese, CPA


**State of Wisconsin  
Department of Safety & Professional Services**

**AGENDA REQUEST FORM**

1) Name and title of person submitting the request: Brad Wojciechowski, Executive Director		2) Date when request submitted: 08/17/2022 <small>Items will be considered late if submitted after 12:00 p.m. on the deadline date which is 8 business days before the meeting</small>	
3) Name of Board, Committee, Council, Sections: Accounting Examining Board			
4) Meeting Date: 08/31/2022	5) Attachments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	6) How should the item be titled on the agenda page? Credentialing Matters – Discussion and Consideration <ul style="list-style-type: none"> <li>• Continuing Education and Renewal Requirement Communication</li> </ul>	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session	8) Is an appearance before the Board being scheduled? <input checked="" type="checkbox"/> Yes: Melinda Boyle Prior <input type="checkbox"/> No	9) Name of Case Advisor(s), if applicable: N/A	
10) Describe the issue and action that should be addressed: Melinda Boyle-Prior will be attending to discuss the renewal communication that was sent between meetings.			
11) Authorization			
		08/17/2022	
Signature of person making this request		Date	
Supervisor (Only required for post agenda deadline items)		Date	
Executive Director signature (Indicates approval for post agenda deadline items)		Date	
Directions for including supporting documents: 1. This form should be saved with any other documents submitted to the <a href="#">Agenda Items</a> folders. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, provide original documents needing Board Chairperson signature to the Bureau Assistant prior to the start of a meeting.			

**State of Wisconsin  
Department of Safety & Professional Services**

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3) Name of Board, Committee, Council, Sections: Accounting Examining Board			
4) Meeting Date: 08/31/2022	5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6) How should the item be titled on the agenda page? NASBA 2022 Focus Questions	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session	8) Is an appearance before the Board being scheduled? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	9) Name of Case Advisor(s), if applicable: N/A	
10) Describe the issue and action that should be addressed: NASBA Regional Directors will discuss the Focus Questions during the Regional Breakout sessions during the 2022 Annual Meeting. The link to the questions is below. <a href="https://app.smartsheet.com/b/form/ae7a5a03467b4ae48bd7facf06dee62a">https://app.smartsheet.com/b/form/ae7a5a03467b4ae48bd7facf06dee62a</a>			
11) <b>Authorization</b>			
		<b>08/17/2022</b>	
Signature of person making this request		Date	
Supervisor (Only required for post agenda deadline items)		Date	
Executive Director signature (Indicates approval for post agenda deadline items)		Date	
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# Regional Directors' Focus Questions 2022

*The input received from our Focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions.*

*We will be reviewing the questions during our semi-annual regional conference calls in September, and your responses during our regional breakout sessions at the 115th Annual Meeting in October.*

**What is your first and last name? \***

**What state are you from? \***

## CPA Evolution

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**Has your Board identified any rules that need to be updated, other than education or examination rules, to implement CPA Evolution? \***

For example, calculation of conditional credit on date of score release rather than date of test administration.

- Yes  
 No

**Are there any areas where NASBA could provide assistance? \***

- Yes  
 No

**Is your board working with any other organizations in your jurisdiction, such as state CPA societies, to highlight upcoming changes resulting from CPA evolution? \***

- Yes  
 No

## College & University Outreach

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**What does your board do and/or plan to do regarding college and university outreach activities? \***

- Board meetings on campus
- Coordinated activities with state societies
- On-campus presentations
- Other

Principal Place of Business

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**How do your jurisdiction's laws and rules differ from the Uniform Accountancy Act (UAA)\* with respect to mobility and principal place of business? \***

\*Click to reference [Section 3q](#) of the UAA.

NASBA Assistance

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**Are there any issues or concerns that your board would like to notify NASBA about? \***

**How can NASBA be of assistance to your Board at this time? \***

**NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply. \***

- Input only from Board Chair
- Input only from Executive Director
- Input only from Board Chair and Executive Director
- Input from all Board Members and Executive Director
- Input from some Board Members and Executive Director
- Input from all Board Members

Input from some Board Members

Other


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**State of Wisconsin  
Department of Safety & Professional Services**

**AGENDA REQUEST FORM**

1) Name and title of person submitting the request: Brad Wojciechowski, Executive Director		2) Date when request submitted: 08/15/2022 <small>Items will be considered late if submitted after 12:00 p.m. on the deadline date which is 8 business days before the meeting</small>	
3) Name of Board, Committee, Council, Sections: Accounting Examining Board			
4) Meeting Date: 08/31/2022	5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6) How should the item be titled on the agenda page? Education and Examination Matters – Discussion and Consideration • NASBA CPA Evolution Transition Recommendation	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session	8) Is an appearance before the Board being scheduled? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	9) Name of Case Advisor(s), if applicable: N/A	
10) Describe the issue and action that should be addressed: See attached and discuss			
11) <b>Authorization</b>			
		08/15/2022	
Signature of person making this request		Date	
Supervisor (Only required for post agenda deadline items)		Date	
Executive Director signature (Indicates approval for post agenda deadline items)		Date	
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National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880/4290 ♦ Web [www.nasba.org](http://www.nasba.org)

June 1, 2022

Dear Executive Director:

Upon the launch of the new CPA Examination in January 2024, it is anticipated some candidates with conditional credit may possibly be negatively impacted by limited opportunities to test and also by delays in score reporting.

The CBT Administration Committee and the Executive Directors Committee strongly recommend that transitioning policies regarding credit extensions be consistent among all boards to reduce confusion and shifting candidate application behaviors based upon differing board policies. Because questions have been raised regarding credit extension policies during transition, the Committees are recommending the following credit extension policy:

**Any candidate with Uniform CPA Examination credit(s) on January 1, 2024 will have such credit(s) extended to June 30, 2025.**

The recommendation is based on the following goals and objectives:

- Minimizes candidate disruption
- Easy to understand, communicate and implement
- Minimize risk to the public protection
- Minimize impact to the candidate pipeline
- Support and promote the new CPA Evolution model
- Minimize changes to state board statute/rules
- Be uniformly accepted by all Boards of Accountancy

It should also be noted that during the conversion from the paper-and-pencil examination to the computerized examination in 2004, similar extensions of credits were granted.

The two committees will take up the issue of addressing how new candidates testing in 2024 could be impacted by limited testing opportunities and score delays later this year and make further recommendations to the Boards.

We urge you to adopt the above recommendation. If you have any questions, please contact either of us, or Patricia Hartman, NASBA Director of Client Services (615-880-4273 or [phartman@nasba.org](mailto:phartman@nasba.org)). Pat and other NASBA senior staff are available to attend your Board meetings virtually over the coming months to answer questions and provide further background information regarding the recommendation of the Committees if that would be helpful.



Also, please let Pat know if your Board will adopt the recommended policy, as she will be tracking status of this matter for all Boards and reporting it periodically to you. Our intent is to share this information widely, along with testing and score release calendars for 2024 later in 2022, so it is preferable that each Board doesn't announce their policy decision until such time as the broad release. NASBA will communicate the timing the announcements with the Boards before they are published.

Thank you for your consideration of this matter.

Sincerely,

*Nancy J. Corrigan*

Nancy J. Corrigan, CPA  
Chair, CBT Administration Committee  
[nancy.corrigan@cba.ca.gov](mailto:nancy.corrigan@cba.ca.gov)  
916-561-1711


*Kent A. Absec*

Kent A. Absec  
Chair, Executive Directors Committee  
[kent.absec@dopl.ida.gov](mailto:kent.absec@dopl.ida.gov)  
208-334-2615

cc: Colleen Conrad, COO and EVP, NASBA  
Patricia Hartman, Director of Client Services, NASBA

**State of Wisconsin  
Department of Safety & Professional Services**

**AGENDA REQUEST FORM**

1) Name and title of person submitting the request: Brad Wojciechowski, Executive Director		2) Date when request submitted: 08/22/2022 <small>Items will be considered late if submitted after 12:00 p.m. on the deadline date which is 8 business days before the meeting</small>	
3) Name of Board, Committee, Council, Sections: Accounting Examining Board			
4) Meeting Date: 08/31/2022	5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6) How should the item be titled on the agenda page? Education and Examination Matters – Discussion and Consideration <ul style="list-style-type: none"> <li>AICPA Exposure Draft, Maintaining the Relevance of the CPA Uniform CPA Examination</li> </ul>	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session	8) Is an appearance before the Board being scheduled? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	9) Name of Case Advisor(s), if applicable: N/A	
10) Describe the issue and action that should be addressed: See and discuss the attached draft.			
11) <span style="float: right;">Authorization</span>  <div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">  </div> <div style="text-align: right;"> <b>08/22/2022</b> </div> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <span>Signature of person making this request</span> <span>Date</span> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <span>Supervisor (Only required for post agenda deadline items)</span> <span>Date</span> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <span>Executive Director signature (Indicates approval for post agenda deadline items)</span> <span>Date</span> </div>			
Directions for including supporting documents: 1. This form should be saved with any other documents submitted to the <a href="#">Agenda Items</a> folders. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, provide original documents needing Board Chairperson signature to the Bureau Assistant prior to the start of a meeting.			



Exposure Draft

# Maintaining the Relevance of the Uniform CPA Examination<sup>®</sup> –

## Aligning the Exam with the CPA Evolution Licensure Model

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# CPA Evolution – Transforming the CPA Licensure Model and Exam

The [CPA Evolution](#) initiative is transforming the Certified Public Accountant (CPA) licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. It is a joint effort of the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA).

Exponential growth in new rules, concepts, and standards, along with changes in the roles and responsibilities of newly licensed CPAs (nCPAs), have caused the body of knowledge required of nCPAs to grow. The CPA Evolution model establishes a foundation for the most important and relevant topics that all nCPAs need to know to protect the public interest while providing an opportunity for candidates to choose one of three Disciplines as described below.

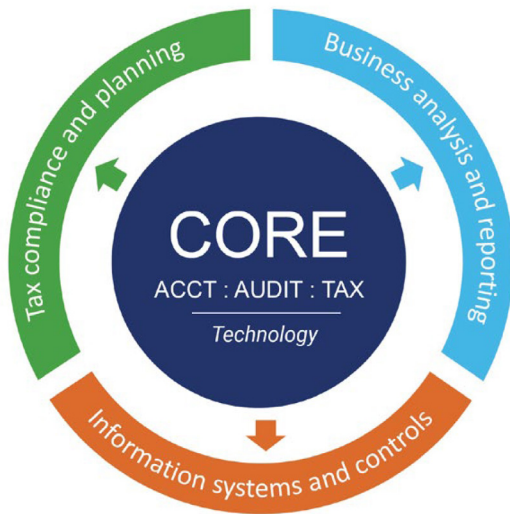
In 2020, the AICPA governing Council and the NASBA Board of Directors both voted to advance the CPA Evolution initiative. NASBA and the AICPA are moving forward with implementing a new Core and Discipline CPA licensure model, and plan to launch the CPA Evolution-aligned Uniform CPA Examination® (the 2024 CPA Exam) in January 2024.

Under the CPA Evolution licensure model, all candidates will be required to pass three Core Exam sections covering: Auditing and Attestation (AUD); Financial Accounting and Reporting (FAR); and Taxation and Regulation (REG).

Each candidate will also choose one Discipline<sup>1</sup> (i.e., Business Analysis and Reporting (BAR), Information Systems and Controls (ISC), or Tax Compliance and Planning (TCP)) to demonstrate knowledge and skills in that particular domain. The Disciplines will focus on topics that apply to nCPAs engaged in those areas of practice and are less likely to be encountered by nCPAs who are not focused in those areas of practice. Regardless of a candidate's chosen Discipline, the CPA Evolution model leads to CPA licensure, with rights, privileges, and responsibilities consistent with the present CPA license. CPA professional practice is not limited by the Discipline passed; professional standards provide guidance related to required competence and due care when performing professional services.

<sup>1</sup> Passing one Discipline Exam section is required for licensure. Once a candidate passes a Discipline Exam section, they cannot take another Discipline Exam section. If a candidate takes a Discipline Exam section and does not pass, or loses credit for a passed Discipline Exam section, they can choose to take any of the Discipline Exam sections.

## New Licensure Model: Core and Disciplines



Strong **Core** with accounting, auditing and taxation/regulation along with a recognition of the impact of technology

Knowledge & skills in (one of) three **Disciplines**

Reflects reality of practice

Adaptive and flexible

One CPA license

Enhances public projection

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Data and technology concepts will be assessed in all Core and Discipline Exam sections. This includes:

- A focus on understanding how data is structured and information flows through underlying information technology (IT) systems and business processes.
- Determining methods to transform data to make it useful for decision-making.
- Verifying the completeness and accuracy of source data.
- Using the outputs of automated tools, visualizations, and data analytic techniques.

A candidate will not be required to generate reports or visualizations, nor will a candidate be required to use a data analytic software application. Task statements will provide the necessary context of how technology is incorporated into the assessment.

Higher-order skills will be assessed in all Core and Discipline Exam sections. The testing of higher-order skills includes, but is not limited to, critical thinking, problem-solving, analytical ability, professional skepticism, and research.

# Executive Summary

The Uniform CPA Examination® (the CPA Exam or the Exam) provides reasonable assurance to Boards of Accountancy that individuals who pass the CPA Exam possess the minimum level of knowledge and skills necessary for initial licensure as a CPA. To remain relevant to a dynamic profession and current with the real-world demands on nCPAs, the CPA Exam must continually evolve.

The periodic execution of a Practice Analysis (PA) is necessary to ensure that the CPA Exam:

- Supports the profession's commitment to protecting the public interest;
- Remains current, relevant, reliable, psychometrically valid, and legally defensible; and
- Fulfills the needs of the Boards of Accountancy in carrying out their licensing responsibilities.

In mid-2020, the AICPA's Board of Examiners (BOE) launched this PA, a research project designed to update its understanding of the knowledge and skills required of nCPAs, particularly focused on aligning the CPA Exam to the CPA Evolution licensure model. The PA collected input about the work today's nCPAs are required to perform from a variety of stakeholders who share an interest in preserving the strength and mission of the profession. Valuable information was collected from CPA volunteers, with unique participants in each research phase, who directly supervise nCPAs. Please see the Practice Analysis Process in Appendix B for more information.

The creation of three Core Exam sections and three Discipline Exam sections required realignment of some existing CPA Exam content and the identification of new content to be assessed on the 2024 CPA Exam. Substantially all of the content previously assessed in the Business Environment and Concepts (BEC) section has been reallocated to the AUD, FAR, BAR, and ISC Exam sections.

The results of the PA research highlighted the following points:

## **Focus on Data and Technology Concepts**

- Data and technology concepts and higher order skills will be tested in all Core and Discipline Exam sections. See the Data and Technology section and Uniform CPA Examination Blueprints in Appendix A for further information.

## **New content areas are primarily in the ISC and TCP Discipline Exam sections as follows:**

- IT infrastructure, platforms, and services; security, confidentiality, and privacy, and considerations for System and Organization Controls (SOC) engagements will be assessed in the ISC Discipline Exam section. See SOC Engagements section and Uniform CPA Examination Blueprints in Appendix A for further information.
- Personal financial planning and tax planning will be assessed in the TCP Discipline Exam section. See Personal Financial Planning and Tax Planning section and Uniform CPA Examination Blueprints in Appendix A for further information.

## **Environmental, Social, and Governance (ESG)**

- While the disclosure of ESG information is an area of increasing focus for companies, investors, and regulators, the PA research indicated that nCPAs have minimal roles in ESG matters at this time. As noted under Emerging Content – Environmental, Social, and Governance, the BAR Discipline Exam section includes content on understanding how the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) framework could be applied to identify, respond to, and report ESG related risks.

## Description of Exposure Draft

This Exposure Draft (ED) presents an informed and thoughtful proposal for the 2024 CPA Exam based on research and input from the profession and other interested stakeholders. Accordingly, this ED outlines proposed 2024 CPA Exam changes using language that presumes those changes will be implemented after review of feedback to the ED and, ultimately, upon the BOE's approval.

This ED, including the draft Uniform CPA Examination Blueprints (the CPA Exam Blueprints) in Appendix A, which are an integral part of this ED, presents the findings and conclusions of a PA conducted by the AICPA over the past two years under the oversight of the BOE and its Practice Analysis Sponsor Group. This PA focused on aligning the CPA Exam to the CPA Evolution licensure model. See further discussion below under Practice Analysis Process in Appendix B.

Following consideration of comments received, the final CPA Exam Blueprints are expected to be approved in December 2022 and published in January 2023 with a planned Exam launch in January 2024. This will provide Exam candidates, colleges and universities, firms, review course providers, and other stakeholders about a year to plan for the 2024 CPA Exam as more fully described in the draft CPA Exam Blueprints in Appendix A.

## 2024 CPA Exam Transition Policy

It is important to be aware that there will be a hard cutover from the current CPA Exam sections to the 2024 CPA Exam sections on the January 2024 launch. None of the sections of the current CPA Exam will be available for testing after December 2023. Accordingly, it is necessary to have a transition policy for mapping credit for CPA Exam sections passed under the current CPA Exam to credit under the 2024 CPA Exam. Transition policies like this have been necessary at other times when significant changes were made to the CPA Exam, such as when it was computerized in April 2004.

The CPA Exam transition policy was recommended to the Boards of Accountancy by the NASBA CBT Administration Committee after development and much deliberation by a task force with state board representatives from the BOE, sitting state board members, and executive directors from multiple states. The Boards of Accountancy have agreed this transition policy best serves the candidates, the state boards, and the public interest.

The transition policy is quite simple. Candidates who have credit for AUD, FAR, or REG on the current CPA Exam will not need to take the corresponding new Core section of AUD, FAR, or REG on the 2024 CPA Exam. Candidates who have credit for BEC on the current CPA Exam will not need to take any of the three Discipline sections.

If, however, a candidate loses credit for AUD, FAR, or REG after Dec. 31, 2023, they then must take the corresponding new Core section of AUD, FAR, or REG. A candidate who loses credit for BEC after Dec. 31, 2023 must select one of the three Discipline sections to be tested. See [Transition Policy Announced for the 2024 CPA Exam Under the CPA Evolution Initiative](#) on NASBA's website.

## Uniform CPA Examination Blueprints

The CPA Exam Blueprints are the official document approved by the BOE presenting the content knowledge and skills required of nCPAs for protection of the public interest and eligible for assessment on the CPA Exam.

The purpose of the CPA Exam Blueprints is to:

- Document the minimum level of knowledge and skills for initial licensure.
- Assist candidates in preparing for the CPA Exam by outlining the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as nCPAs.
- Guide the development of CPA Exam questions.



The CPA Exam Blueprints contain an introduction to each CPA Exam section which provides (i) a summary of what is eligible for assessment in the section, (ii) content allocations by area, (iii) skill<sup>2</sup> allocations for the section, and (iv) reference materials for the section.

The detailed blueprints are organized by content area, content group, and content topic. Each group or topic includes one or more representative tasks that an

nICPA may be expected to complete in practice. The representative task statements combine both the applicable content knowledge and the skills required in the context of the work that an nICPA would reasonably be expected to perform. Thus, the assigned skill level is a direct result of the task that an nICPA would reasonably be expected to perform in a given area.

<sup>2</sup> The AICPA adopted a skill framework for the CPA Exam based on the revised Bloom's Taxonomy of Educational Objectives. Bloom's Taxonomy classifies a continuum of skills that students can be expected to learn and demonstrate. For more information, see the Introduction portion of the CPA Exam Blueprints in Appendix A.

# Request for Comment

The AICPA values the views of all CPA Exam stakeholders and is seeking comments on the questions listed below. In your response, please indicate whether the response represents the official response of a State Board of Accountancy, state CPA society, or regulator. Otherwise, please advise whether the response is on behalf of a firm, business, college or university, government, other organization; or represents your individual views. The AICPA will make all comments publicly available by posting the responses to its website for one year.

The AICPA will consider all responses received on or before Sept. 30, 2022. Email your submission to [practiceanalysis@aicpa.org](mailto:practiceanalysis@aicpa.org).

The CPA Exam is designed to assess the knowledge and skills of nCPAs in their role to protect the public interest. For the purpose of identifying the domain of tasks, knowledge and skills necessary to protect the public interest, an nCPA is defined as someone who has fulfilled the applicable jurisdiction's educational and experience requirements, has the knowledge and skills typically required by a person with one to two years of experience, and has passed the Exam. Core Exam sections assess the knowledge and skills universal (common) to all nCPAs. Discipline Exam sections assess the knowledge and skills in the respective Discipline domain applicable to nCPAs.

1. Do the Core Exam Blueprints include the knowledge and skills required of all nCPAs to protect the public interest? If not:
  - a. Is there content missing from the Core Exam Blueprints? If so, please explain what content you believe should be added, including examples of how this is affecting nCPA practice.

- b. Is there content included in the Core Exam Blueprints that is not relevant to nCPA practice that should be removed? If so, please provide the details of what content you believe should be removed and why it should not be considered nCPA practice.
2. Do each of the Discipline Exam Blueprints include the knowledge and skills required of an nCPA to protect the public interest? If not:
  - a. Is there content missing from the Discipline Exam Blueprints? If so, please explain what content you believe should be added, including examples of how this is affecting nCPA practice.
  - b. Is there content included in the Discipline Exam Blueprints that is not relevant to nCPA practice that should be removed? If so, please provide the details of what content you believe should be removed and why it should not be considered nCPA practice.

## Guide for Respondents

Comments are requested on the 2024 CPA Exam as defined by the draft CPA Exam Blueprints included in Appendix A. Comments are most helpful when they refer to specific content in the CPA Exam Blueprints to be added or deleted, including the rationale for the response. When a respondent agrees with proposals in the ED, it will be helpful for the AICPA to be made aware of this view. Written comments on this ED will become part of the public record of the AICPA and will be posted on its website for one year. Responses should be sent to [practiceanalysis@aicpa.org](mailto:practiceanalysis@aicpa.org) and received no later than Sept. 30, 2022.

# Background and Introduction

Since 1917, the CPA Exam has a trusted history as one component of the CPA licensing process. The mission of the CPA Exam is to provide reasonable assurance to Boards of Accountancy that individuals seeking licensure have demonstrated the minimum knowledge and skills necessary for an nCIPA to protect the public interest in today's business and financial environment. The CPA Exam is the same exam for every CPA candidate in all 55 United States licensing jurisdictions.

The AICPA develops, maintains, and scores the CPA Exam. The BOE, a senior volunteer committee of the AICPA, is responsible for the establishment of policies governing the development, maintenance, and scoring of the CPA Exam in accordance with legal and psychometric standards as they apply to licensure examinations. The BOE also has the responsibility for strategic planning and risk assessment to ensure that the CPA Exam continues to fulfill its mission.

To remain relevant to a dynamic profession and current with the real-world demands on nCIPAs, the CPA Exam must continually evolve. The periodic execution of a PA is necessary to ensure that the CPA Exam:

- Supports the profession's commitment to protecting the public interest;
- Remains current, relevant, reliable, psychometrically valid, and legally defensible; and
- Fulfills the needs of the Boards of Accountancy in carrying out their licensing responsibilities.

The BOE policies require a PA to be conducted at any time the changes in the profession are significant enough to indicate the CPA Exam needs to be updated (for a single CPA Exam section or the CPA Exam as a whole). However, at a minimum, a PA will be completed no less than every seven years. As discussed below, PAs have been completed more frequently. Between PAs, the BOE oversees continuous maintenance of the CPA Exam. The CPA Exam Blueprints are modified as necessary to remain current with new standards and laws and revisions are also made to improve the clarity, organization, and the content assessed.

## Recently Completed Practice Analyses

The two previous PAs laid the foundation for the CPA Exam Blueprints including the testing of higher order skills, increased focus on understanding the business, testing of data analytics and technology, and increased focus on the reliance on SOC 1® Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting (ICFR) – Guide (SOC 1®).

### Practice Analysis Completed in 2016

A PA was launched in 2014 and completed in 2016. The findings were implemented in the CPA Exam in 2017. The PA completed in 2016 resulted in an increased focus on testing higher order skills by increasing the number and scoring weight of simulations. The need to test higher order skills was identified in the research as it was deemed critically important that nCIPAs are competent in recognizing issues, identifying errors, challenging assumptions, and applying both professional judgment and skepticism.

To assist CPA Exam candidates, educators, and other Exam stakeholders, the AICPA published the first CPA Exam Blueprints in 2016.

### Practice Analysis Completed in 2020

The PA launched in 2019 and completed in 2020 focused on technology's impact on nCIPA practice. Several findings were identified in the technology research including that nCIPAs need to have increased knowledge and skills related to:

- **Understanding the business** – nCIPAs need to understand the business, including its operations, information systems, underlying business processes, information and data flows, and risks and related internal controls. Newly licensed CPAs roles in understanding the business include:
  - Understanding the source of entity financial and tax information,
  - Understanding procedures in manual and automated systems by which transactions are initiated, authorized, processed, and recorded in general ledgers, and

- Mapping internal controls in both manual and IT systems. In particular, nCPAs need to be able to understand the flow of transactions from start to finish, inclusive of both manual and automated systems, along with the related control activities.
- **Digital and data-driven mindset including data analytics** – A digital and data-driven mindset includes understanding the potential sources of data as well as the completeness, accuracy, and relevance of the data.
  - This mindset is related to the initial finding identified above, understanding the business. Newly licensed CPAs should understand the flow of transactions within business processes and information systems; this will lead to understanding the availability and reliability, i.e., completeness and accuracy of the data.
- **Reliance on SOC 1<sup>®</sup> reports** – significantly increased reliance on SOC 1<sup>®</sup> reports given how businesses are increasingly outsourcing information systems and business processes to third parties and storing data in the cloud.
  - This finding is also an extension of understanding the business. An auditor’s need to understand a client’s business processes and information systems extends to outsourced processes or systems that could impact the financial statements.

The PA completed in 2020 supported the need for strong foundational knowledge and skills. There was universal support that technology advances require nCPAs to have a clear understanding of basic accounting, auditing, and taxation skills as well as professional skepticism. The findings were implemented in the CPA Exam in 2021.

## CPA Evolution Practice Analysis

In mid-2020, the BOE launched this current PA to align the CPA Exam with the CPA Evolution licensure model. Under the CPA Evolution licensure model, all candidates will be required to pass three Core Exam sections covering: AUD, FAR, and REG. Each candidate will also choose a Discipline (i.e., BAR, ISC, and TCP) to demonstrate knowledge and skills in that particular domain. The Disciplines will focus on topics that apply to nCPAs engaged in those areas of practice and are less likely to be encountered by CPAs who are not focused in those areas of practice. Regardless of a candidate’s chosen Discipline, the CPA Evolution model leads to CPA licensure, with rights, privileges, and responsibilities consistent with the present CPA license.

The PA research sought to understand the scope of the initial NASBA and AICPA vision around the Core and Discipline model, which then provided guiding principles for the research. The three Core Exam sections will assess the knowledge and skills required by all nCPAs and the Disciplines Exam sections will assess knowledge and skills required of nCPAs in that particular domain.

The PA research was conducted in two phases: (i) the Exploration Phase and (ii) the Confirmation Phase. The AICPA was assisted by a third-party research firm in conducting focus groups and surveys in both the Exploration and Confirmation phases.

The Exploration Phase research captured valuable information about the Core and Discipline Exam sections utilizing surveys and focus groups, respectively. Additional follow-up interviews with focus group participants provided further information about some of the new areas of content that would be assessed in the Discipline Exam sections. The Exploration Phase also included multiple meetings with AICPA and NASBA leadership and frequent discussions with the BOE and its Content Committee and Content Subcommittees.

The Confirmation Phase research collected important quantitative and qualitative feedback on the CPA Exam Blueprints from licensed CPAs working in all areas of the profession. These CPAs participated in surveys where they provided ratings and comments on groupings of task statements. These task statements were developed using the results of the Exploration Phase research, and were reviewed, modified, and approved by the BOE and its Content Committee and Content Subcommittees. The Confirmation Phase research provided the AICPA, the

Content Committee, and the Content Subcommittees additional information about content and skills in the Core and Discipline Exam sections, which was considered and incorporated into the draft CPA Exam Blueprints in Appendix A that were approved by the BOE.

For further discussion of the breadth and depth of the Exploration and Confirmation Phase research, see the Practice Analysis Process in Appendix B below.

## Realignment of Existing Exam Content

The creation of three Core Exam sections and three Discipline Exam sections, as outlined in the CPA Evolution licensure model, required realignment of some existing Exam content and identification of new content to be assessed on the 2024 CPA Exam. Substantially all of the content previously assessed in the BEC section, with the exception of the written communication item that will be removed concurrent with the launch of the 2024 CPA Exam,<sup>3</sup> has been included in the AUD, FAR, BAR, and ISC Exam sections. A de minimis amount of content was removed from the Exam as more fully described in the Practice Analysis Process in Appendix B.

Additionally, certain content previously assessed in the FAR and REG sections will now be assessed in the BAR and TCP Discipline Exam sections, respectively. Further, the PA identified new content requiring assessment. For more information on the content contained in each of the Core and Discipline Exam sections, see Exam Section Commentary below.

<sup>3</sup> For further information on the removal of the written communication item, see the [Infrastructure-changes-to-the-cpa-exam-in-2024](#) document.

# New Exam Content Identified by the Practice Analysis

New exam content was identified during the PA and is primarily in the ISC and TCP Discipline sections.

## SOC Engagements

The PA Research identified a significant increase in SOC 2<sup>®</sup> Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality or Privacy – Guide (SOC 2<sup>®</sup>) engagements. The PA research identified that nCPAs are performing procedures in recurring SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements. As more fully described below under Exam Section Commentary, the ISC Discipline Exam section will cover aspects of:

- IT infrastructure, platforms, and services;
- Security, confidentiality and privacy; and
- Considerations for SOC engagements.

The ISC Discipline Exam section will assess the unique aspects of planning and reporting on both SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements, the system description criteria used in SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements, and how the Trust Service Criteria are used in a SOC 2<sup>®</sup> engagement when evaluating the suitability of the design and operating effectiveness of controls relevant to the security, availability, or processing integrity of information and systems, or the confidentiality or privacy of the information processed by the systems at an entity.

All nCPAs must understand internal controls over financial reporting and the implications of relying on SOC 1<sup>®</sup> reports. This was identified in the PA completed in 2020. Reliance on SOC 1<sup>®</sup> reports will continue to be covered in the AUD Core Exam section.

## Personal Financial Planning and Tax Planning

The PA research indicated that nCPAs play an important role in advising clients on the basics of personal financial planning and tax planning. The PA research indicated that nCPAs are often involved in tax compliance and they naturally progress into more holistic work involving tax planning and personal financial planning for clients.

Newly licensed CPAs have been identified as being involved with individual tax planning considerations for gross income, adjusted gross income, taxable income, and estimated taxes; gift taxation; and specific personal financial planning concepts including:

- Understanding qualified retirement plans, such as traditional IRAs, Roth IRAs, 401(k)s, annuities, and employer sponsored plans and preparing schedules used in the decision-making process to select a retirement plan from among multiple options and identifying the related advantages and disadvantages.
- Understanding the risks associated with varying investment options, including equity securities, corporate bonds, and municipal bonds and calculating the ROI for different investment options, net of the tax impact.
- Planning for funding post-secondary education using qualified tuition programs, student loans and grants, and scholarships.
- Understanding the use of insurance to mitigate risk, including life insurance, long-term care insurance, and umbrella policies.

# Data and Technology Concepts

Data and technology concepts will be assessed in all Core and Discipline Exam sections. This includes:

- A focus on understanding how data is structured and information flows through underlying IT systems and business processes.
- Determining methods to transform data to make it useful for decision-making.
- Verifying the completeness and accuracy of source data.
- Using the outputs of automated tools, visualizations, and data analytic techniques to:
  - Assist in risk assessment or to complete planned procedures.
  - Prepare financial statements, account analysis, tax returns, supporting schedules.

- Identify patterns, trends, and correlations to explain an entity's results.

Task statements will provide the necessary context of how technology is incorporated into the assessment. For example, the BAR Discipline Exam section includes the following task statement that outlines how a candidate could be expected to use data to complete a task:

- Use outputs (e.g., reports, visualizations) from data analytic techniques to identify patterns, trends and correlations to explain an entity's results.

A candidate will not be required to generate reports or visualizations, nor will a candidate be required to use a data analytic software application.

## Research

Applied research is eligible to be tested in all Core and Discipline Exam sections with a focus on reviewing and using excerpts of source materials to complete a

range of tasks including identifying issues, analyzing facts, and determining appropriate responses.

## Previous Research Affirmed

In addition to the matters above, the PA research affirmed important findings from previous PAs. That is, nICPAs continue to need a strong foundation in the following areas for their role in protecting the public interest:

- Auditing and attestation; financial accounting and reporting; taxation and regulation; ethics and professional standards; business law; economics; and research.
- Technology; digital and data-driven mindset including data analytics, also known as digital acumen.
- Higher-order skills – including, but are not limited to, critical thinking, problem-solving, analytical ability, and professional skepticism.
- Understanding the business – nICPAs need to understand the business including its operations, information systems, underlying business processes, information and data flows, and risks and related internal controls.

# Emerging Content – Environmental, Social, and Governance

ESG information is an area of increasing focus for companies, investors, and regulators. ESG covers a wide range of potential considerations, including among others, sustainability matters and an entity's impact on the environment, social matters and an entity's values, and governance.

ESG is evolving rapidly. There has been initial rule-making and standard-setting activity around ESG in the past year. The United States Securities and Exchange Commission released proposed rules on disclosure of climate related matters. The International Sustainability Standards Board was formed to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

PA research included direct inquiries of CPAs to understand an nICPA's role in ESG matters. Practitioners and supervisors of nICPAs indicated the role was minimal at this time. Based on these inquiries and consultation and deliberations with the Content Committee and Content Subcommittee, the BAR Discipline Exam section includes content on understanding how the COSO ERM framework could be applied to identify, respond to, and report ESG related risks.

The AICPA and the BOE will continue to monitor ongoing developments in the ESG area.

## Exam Section Commentary

This portion of the ED provides summary information and PA considerations for each of the 2024 CPA Exam's six sections. The content to be assessed in the Core and Discipline Exam sections reflect the knowledge and skills identified and validated in the PA research. The representative task statements combine the applicable content knowledge and the skills required in the context of the work that an nICPA would reasonably be expected to perform and provide clarity over what will be assessed in the respective Core and Discipline Exam sections.

### Core Exam Sections

The Core sections: AUD, FAR, and REG will test the knowledge and skills that all nICPAs need in their role to protect the public interest. All candidates will be required to pass the three Core Exam sections.

### Auditing and Attestation (AUD)

The AUD Core Exam section remains largely unchanged, aside from the addition of BEC content described below. No existing AUD content was moved to other 2024 CPA Exam sections.

The AUD Core Exam section tests the knowledge and skills that all nICPAs must demonstrate when performing audit, attestation, and accounting and review service engagements. The assessment will focus on an nICPA's role in planning, risk assessment, performing procedures, obtaining evidence, and reporting for these engagement types. The assessment will incorporate professional skepticism and professional judgment with a focus on the critical assessment of evidence and the need to apply knowledge and experience to make informed decisions.



In 2021, as a result of the 2020 PA, the AUD section was expanded to emphasize: (i) technology as an external factor in the understanding of the business, (ii) understanding significant business processes and related IT systems, and (iii) identifying and documenting the significant components of an entity's control environment, including entity level and IT general controls.

Certain economics content from BEC has been added to the AUD Core Exam section. This content covers internal and external factors related to understanding an entity and its environment including basic economic concepts such as supply and demand and business cycles. Additionally, some business process and internal control content from BEC has been added to the AUD Core Exam section.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the [AUD Core Exam section Blueprint](#) in Appendix A.

### **Financial Accounting and Reporting (FAR)**

The FAR Core Exam section tests the knowledge and skills that all nCPAs must demonstrate with respect to financial accounting and reporting frameworks used by for-profit (public and nonpublic) and not-for-profit entities. The frameworks eligible for assessment include the standards and/or regulations issued by the:

- Financial Accounting Standards Board (FASB)
- U.S. Securities and Exchange Commission (U.S. SEC)
- American Institute of Certified Public Accountants (AICPA)

Additionally, the Core FAR Exam section will test the foundational concepts related to state and local governments as issued by the Governmental Accounting Standards Board (GASB), including measurement focus, basis of accounting, and determining the appropriate funds in which to record activities.

Under the Core and Discipline Model, some existing FAR content will be allocated between the FAR Core Exam section and the BAR Discipline Exam section, for example, revenue recognition and lease accounting. Revenue recognition in the FAR Core Exam section will assess recalling basic concepts of accounting for revenue and applying the five-step model to determine the amount and timing of revenue recognition. Lease accounting in the FAR Core Exam section will assess lessee accounting including determining the carrying amounts of lease-related assets and liabilities. Other than identified above, state and local government accounting is in the BAR Discipline Exam section. The Core FAR Exam section includes content from BEC related to understanding and applying financial statement ratios and performance metrics.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the [FAR Core Exam section Blueprint](#) in Appendix A.

### **Taxation and Regulation (REG)**

The REG Core Exam section tests the knowledge and skills that all nCPAs must demonstrate with respect to U.S. ethics and professional responsibilities related to tax practice, U.S. business law, and U.S. federal tax compliance for individuals and entities with a focus on recurring and routine transactions.

Under the CPA Evolution Core and Discipline model, existing REG content will be allocated between the REG Core Exam section and the TCP Discipline Exam section. The REG Core Exam section will focus on routine and recurring tasks and the TCP Discipline Exam section will focus on nonroutine and higher complexity tasks. For example, the REG Core Exam section will test individual gross income concepts like wages, interest and dividends, guaranteed payments received from a partnership, and income from a qualified retirement plan, while the TCP Discipline Exam section will test gross income concepts like the exercise of incentive stock options (ISO), imputed interest on a below-market-rate loan, and compensation earned while employed outside the U.S.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the [REG Core Exam section Blueprint](#) in Appendix A.

### **Discipline Exam sections**

The Discipline Exam sections: BAR, ISC, and TCP will test the knowledge and skills in the respective Discipline domain applicable to nCPAs. Each candidate must pass one Discipline Exam section.

### **Business Analysis and Reporting (BAR)**

The BAR Discipline Exam section tests the knowledge and skills an nCPA must demonstrate with respect to:

- Analyzing financial statements and financial information with a focus on an nCPA's role in comparing historical results to budgets and forecasts; deriving the impact of transactions, events (actual and proposed), and market conditions on performance measures; and comparing investment alternatives.
- Select technical accounting and reporting requirements under the FASB and SEC that are applicable to for-profit business entities (e.g., stock compensation, business combinations, derivatives) and higher order skills related to revenue recognition and lease accounting.
- Financial accounting and reporting requirements under GASB that are applicable to state and local government entities.

The BAR Discipline Exam section will test more complex technical accounting topics such as stock compensation, business combinations, and derivatives and hedge accounting. Certain topics will be tested in both the FAR Core Exam section and the BAR Discipline Exam section, such as revenue recognition and lease accounting. For example, the BAR Discipline Exam section will test:

- The analysis and interpretation of agreements, contracts, and other supporting documentation to determine whether revenue was appropriately recognized.
- Recalling and applying lessor accounting requirements and analyzing the provisions of a lease agreement to determine whether a lessee appropriately accounted for the lease.

The BAR Discipline Exam section includes content from BEC on non-financial measures of performance; managerial and cost accounting concepts and the use of variance analysis techniques; budgeting, forecasting, and projection techniques; factors that influence an entity's capital structure, such as leverage, cost of capital, liquidity, and loan covenants; financial valuation decision models used to compare investment alternatives; risk management topics including the COSO Enterprise Risk Management framework; and the effect of changes in economic conditions and market influences on an entity's business.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the [BAR Discipline Exam section Blueprint](#) in Appendix A.

### **Information Systems and Controls (ISC)**

The ISC Discipline Exam section tests the knowledge and skills an nCPA must demonstrate with respect to information technology (IT) audit and advisory services, including SOC engagements. The ISC Discipline Exam section also tests the knowledge and skills that nCPAs must demonstrate with respect to data management, including data collection, storage, and usage throughout the data life cycle.

With respect to SOC engagements, the ISC Discipline Exam section primarily focuses on:

- The use of the Description Criteria for a Description of a Service Organization's System and Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy in planning, performing, and reporting in a SOC 2® engagement.
- Planning, certain procedures (excluding the testing of internal controls over financial reporting) and reporting on a SOC 1® engagement.

The ISC Discipline Exam section includes content from BEC on certain aspects of business processes and internal control, risks associated with IT and controls that respond to those risks, and data management and relationships.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the [ISC Discipline Exam section Blueprint](#) in Appendix A.

### **Tax Compliance and Planning (TCP)**

The TCP Discipline Exam section tests the knowledge and skills an nCPEA must demonstrate with respect to U.S. federal tax compliance for individuals and entities with a focus on nonroutine and higher complexity transactions, U.S. federal tax planning for individuals and entities, and personal financial planning.

The assessment of federal tax compliance will focus on an nCPEA's role in both the preparation and review of tax returns. The assessment of federal tax planning will focus on an nCPEA's role in determining the tax implications of proposed transactions, available tax

alternatives, or business structures. The assessment of personal financial planning will focus on planning strategies and opportunities that an nCPEA typically identifies in connection with the preparation and review of individual tax returns.

As explained above in the REG Core Exam section, existing REG content will be allocated between the REG Core Exam section and the TCP Discipline Exam section. The TCP Discipline Exam section will focus on nonroutine and higher complexity tasks, including, for example, consolidated C-Corporation tax returns and international tax issues.

For further information on the content organization and tasks, content allocation, overview of content areas, section assumptions, skill allocation, and references, see the [TCP Discipline Exam section Blueprint](#) in Appendix A.

# Proposed Exam Design

The table below presents the design of the 2024 CPA Exam by Core and Discipline section, section time and question type.

Section	Section Time	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs) <sup>4</sup>
AUD – Core	4 hours	78	7
FAR – Core	4 hours	50	7
REG – Core	4 hours	72	8
BAR – Discipline	4 hours	50	7
ISC – Discipline	4 hours	82	6
TCP – Discipline	4 hours	68	7

The table below presents the scoring weight of MCQs and TBSs for each Core and Discipline Exam section.

Section	Score Weighting <sup>5</sup>	
	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs)
AUD – Core	50%	50%
FAR – Core	50%	50%
REG – Core	50%	50%
BAR – Discipline	50%	50%
ISC – Discipline	60%	40%
TCP – Discipline	50%	50%

All feedback to this ED will be thoughtfully considered and help finalize the development of the 2024 CPA Exam content, structure and design. Changes for the 2024 CPA Exam will be announced early in 2023 and implemented in 2024.

<sup>4</sup> Number of MCQs and TBSs are preliminary and approximate. The actual number of MCQs and TBSs will be included in the Final Report expected to be issued in January 2023.

<sup>5</sup> Score weighting is preliminary and approximate. Actual score weighting will be included in the Final Report expected to be issued in January 2023.

# Board of Examiners

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# Appendix A

# Uniform CPA Examination<sup>®</sup> Blueprints

Exposure Draft

American Institute of CPAs



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## Uniform CPA Examination Blueprints

The CPA licensure model requires all candidates to pass three Core exam sections and one Discipline exam section of a candidate's choosing. The Uniform CPA Examination (the Exam) has been designed accordingly as reflected in the Exam Blueprints. The Core exam sections assess the knowledge and skills that all newly licensed CPAs (nCPAs) need in their role to protect the public interest. The Discipline exam sections assess the knowledge and skills in the respective Discipline domain applicable to nCPAs in their role to protect the public interest.

The three Core exam sections, each four hours long, are: Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR) and Taxation and Regulation (REG). The three Discipline exam sections, each four hours long, are: Business Analysis and Reporting (BAR), Information Systems and Controls (ISC) and Tax Compliance and Planning (TCP).

The table below presents the design of the Exam by Core and Discipline section, section time and question type.

Section	Section Time	Multiple-Choice Questions (MCQs) <sup>1</sup>	Tasked-Based Simulations (TBSs) <sup>1</sup>
AUD – Core	4 hours	78	7
FAR – Core	4 hours	50	7
REG – Core	4 hours	72	8
BAR – Discipline	4 hours	50	7
ISC – Discipline	4 hours	82	6
TCP – Discipline	4 hours	68	7

<sup>1</sup> Number of MCQs and TBSs are preliminary and approximate. The actual number of MCQs and TBSs will be included in the Final Report expected to be issued in January 2023.

<sup>2</sup> Score weighting is preliminary and approximate. Actual score weighting will be included in the Final Report expected to be issued in January 2023.

<sup>3</sup> Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

The table below presents the scoring weight of MCQs and TBSs for each Core and Discipline Exam section.

Section	Score Weighting <sup>2</sup>	
	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs) <sup>1</sup>
AUD – Core	50%	50%
FAR – Core	50%	50%
REG – Core	50%	50%
BAR – Discipline	50%	50%
ISC – Discipline	60%	40%
TCP – Discipline	50%	50%

The AICPA adopted a skill framework for the Exam based on the revised Bloom's Taxonomy of Educational Objectives<sup>3</sup>. Bloom's Taxonomy classifies a continuum of skills that students can be expected to learn and demonstrate.



## Uniform CPA Examination Blueprints (continued)

Representative tasks that are critical to an nICPA's role in protecting the public interest have been identified. The representative tasks combine both the applicable content knowledge and skills required in the context of the work of an nICPA. Based on the nature of a task, one of four skill levels, derived from the revised Bloom's Taxonomy, is assigned to each of the tasks, as follows:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The skill levels to be assessed on each Core and Discipline section of the Exam are included in the table below.

Section	Remembering and Understanding <sup>4</sup>	Application <sup>4</sup>	Analysis <sup>4</sup>	Evaluation <sup>4</sup>
AUD – Core	30–40%	30–40%	15–25%	5–15%
FAR – Core	5–15%	45–55%	35–45%	–
REG – Core	25–35%	35–45%	25–35%	–
BAR – Discipline	10–20%	45–55%	30–40%	–
ISC – Discipline	55–65%	20–30%	10–20%	–
TCP – Discipline	5–15%	50–60%	30–40%	–

<sup>4</sup> Skill weightings are preliminary and approximate. Actual skill ratings will be included in the Final Report expected to be issued in January 2023.

Each section of the Exam has a section introduction and a corresponding section blueprint.

- The **section introduction** outlines the scope of the section, the content organization and tasks, the content allocation, the overview of content areas, section assumptions, the skill allocation and a listing of the section's applicable reference literature.
- The **section blueprint** outlines the content to be tested, the associated skill level to be tested and representative tasks an nICPA would likely encounter. The blueprints are organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nICPA may be expected to complete.

The purpose of the blueprint is to:

- Document the minimum level of knowledge and skills necessary for initial licensure.
- Assist candidates in preparing for the Exam by outlining the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as nICPAs.
- Guide the development of Exam questions.

The tasks in the blueprints are representative and are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested on the Exam. The number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

# Uniform CPA Examination Auditing and Attestation (AUD) Blueprint



## Auditing and Attestation

The Auditing and Attestation (AUD) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nCPAs must demonstrate when performing the following engagements:

- **Audit engagements** include financial statement audits, compliance audits, audits of internal control integrated with an audit of financial statements and audits of entities receiving federal awards or grants. Audits include issuer entities subject to the requirements set forth by the Public Company Accounting Oversight Board (PCAOB), nonissuer entities subject to the requirements set forth by the American Institute of CPAs (AICPA) Auditing Standards Board or governmental entities subject to the requirements of the U.S. Government Accountability Office (GAO) or the Office of Management and Budget (OMB).
- **Attestation engagements** include assertion-based examinations, direct examinations and review or agreed-upon procedures engagements that are subject to the requirements set forth by the AICPA's Auditing Standards Board.
- **Accounting and review service engagements** include preparation, compilation and review engagements that are subject to the requirements set forth by the AICPA's Accounting and Review Services Committee.

The assessment will focus on an nCPA's role in planning, risk assessment, performing procedures, obtaining evidence and reporting for these engagement types. The assessment will incorporate:

- Data and technology concepts with a focus on understanding how data is structured and flows through underlying systems, verifying the completeness and accuracy of source data and using the outputs of data analytic techniques to assist in risk assessment or to complete planned procedures.
- Professional skepticism and professional judgment with a focus on the critical assessment of evidence and the need to apply knowledge and experience to make informed decisions.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., auditing standards, attestation standards, accounting and review services standards) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the AUD section of the Exam is included under References at the conclusion of this introduction.

### Content organization and tasks

The AUD section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nCPA may be expected to complete when performing various types of engagements.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the AUD section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.," this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the AUD section of the Exam:

Content area	Allocation
Area I	Ethics, Professional Responsibilities and General Principles 15–25%
Area II	Assessing Risk and Developing a Planned Response 25–35%
Area III	Performing Further Procedures and Obtaining Evidence 30–40%
Area IV	Forming Conclusions and Reporting 10–20%

## Auditing and Attestation (continued)

### Overview of content areas

Area I of the AUD section blueprint covers ethics, professional responsibilities and general principles, including the following:

- Ethics and independence including understanding and applying the AICPA Code of Conduct and the ethical and independence requirements of the U.S. Securities and Exchange Commission (SEC), PCAOB, GAO and Department of Labor (DOL).
- Professional skepticism including the critical assessment of evidence and the need to apply knowledge and experience to make informed decisions.
- Nature, scope and terms of engagements including engagement preconditions.
- Requirements for engagement documentation and communication with management or those charged with governance.
- Understanding of quality control on an engagement and responsibilities within a firm.

Area II of the AUD section blueprint covers planning and risk assessment and design of procedures responsive to identified risks. The Area includes the following:

- Engagement strategy and engagement planning.
- Internal and external factors related to understanding an entity and its environment including basic economic concepts such as supply and demand and business cycles.
- Understanding an entity's control environment and business processes including an understanding of the COSO Internal Control – Integrated Framework, entity-level controls and the design of internal controls, IT systems and related IT general controls. SOC 1® reports as they affect the audit of user-entity financial statements are also included.
- Materiality including performance materiality or tolerable misstatement.
- Assessing and responding to risks of material misstatement, whether due to fraud or error.

- Planning for and using the work of others including management's specialists and auditor's specialists.
- Specific areas of engagement risk including compliance with laws and regulations, accounting estimates, related parties and requirements for single audits in accordance with the Uniform Guidance for Single Audits.

Area III of the AUD section blueprint covers performing procedures and obtaining evidence. The Area includes the following:

- Use of data and information including requesting, preparing and transforming data, reliability of data and information and data analytics.
- Sufficient appropriate evidence including sources of evidence and concluding on whether evidence obtained achieves the engagement's planned objectives.
- Sampling techniques including appropriate populations, sample size, stratification and extrapolation of results.
- Performing procedures to obtain evidence including tests of controls, tests of details, analytical procedures and external confirmations.
- Specific matters that require special audit consideration such as accounting estimates, investments in securities, inventory, litigation, claims and assessments, going-concern and testing transactions related to federal awards during a single audit.
- Misstatements and internal control deficiencies including preparing a summary of misstatements and determining their effect on the financial statements and the nature, timing and extent of procedures.
- Written representations requested from management.
- Subsequent events including identification of subsequent events and the impact to an entity's financial statements and disclosures.

## Auditing and Attestation (continued)

Area IV of the AUD section blueprint covers engagement reporting. The Area includes the following:

- Reporting on auditing and attestation engagements including factors to consider when forming an opinion, types of opinions and the appropriate form and content of a report.
- Considerations for performing preparation engagements.
- Considerations for reporting on compilation and review engagements, including the appropriate form and content of a report.
- Considerations for reporting on compliance aspects as part of an audit engagement or an attestation engagement related to compliance with a specific requirement or rule.
- Other reporting considerations when performing engagements, including consistency, other information, review of interim financial information, supplementary information, special-purpose frameworks and additional reporting requirements under GAO Government Auditing Standards.

### Section assumptions

The AUD section of the Exam includes multiple-choice questions and task-based simulations. When completing multiple-choice questions and task-based simulations in the AUD section of the Exam, candidates should be aware of the entity type and engagement type presented in the question. To the extent that there are different requirements for an entity under audit or review, the question will include an explicit reference to the entity type (issuer or nonissuer).

Questions may refer to an audit engagement by including phrases such as “an audit of a nonissuer” or “an audit of an issuer”. Questions will refer to other types of engagements by including phrases such as “examination of pro forma financial information”, “review engagement”, “interim review”, “compilation

<sup>5</sup> Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

engagement”, etc. The use of the terms “auditor”, “accountant” or “practitioner” will also be used to further identify engagement types and applicable professional standards. Candidates should be mindful of the engagement type when answering a question.

### Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives<sup>5</sup>. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The AUD section of the Exam assesses content at all of the skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding is mainly concentrated in Area I and Area IV. Area I contains much of the general audit knowledge that is required for nICPAs. In Area IV, many of the tasks relate to reporting and are driven by templates and illustrative examples.

## Auditing and Attestation (continued)

- Application is tested in all four areas of the AUD section. Application tasks focus on general topics such as professional responsibilities and documentation, and the day-to-day tasks that nCPAs perform, using standardized application tools such as audit programs and sampling techniques.
- Analysis and Evaluation skills, tested in Area II and Area III, involve tasks that require a higher level of analysis and interpretation. These tasks, such as concluding on sufficiency and appropriateness of evidence, require nCPAs to apply professional skepticism and judgment.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nCPA would reasonably be expected to perform.

### References – Auditing and Attestation

- AICPA Statements on Auditing Standards and Related Auditing Interpretations
- PCAOB Auditing Standards (SEC approved), Auditing Interpretations and Ethics and Independence Rules
- U.S. GAO Government Auditing Standards
- Single Audit Act, as amended
- OMB Audit Requirements for Federal Awards (2 CFR 200)
- AICPA Statements on Quality Control Standards
- AICPA Statements on Standards for Accounting and Review Services and Related Accounting and Review Services Interpretations
- AICPA Statements on Standards for Attestation Engagements and Interpretations
- AICPA Audit and Accounting Guides
- AICPA Code of Professional Conduct
- Sarbanes-Oxley Act of 2002
- U.S. DOL Interpretive bulletins relating to guidelines on independence of accountant retained by Employee Benefit Plan (29 CFR 2509.75-9)
- U.S. SEC Independence Rules
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO): Internal Control – Integrated Framework
- Current textbooks on auditing, attestation services, economics and ethics and independence

## Summary Blueprint

<b>Content area allocation</b>	<b>Weight</b>
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I. Ethics, Professional Responsibilities and General Principles	15–25%
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II. Assessing Risk and Developing a Planned Response	25–35%
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III. Performing Further Procedures and Obtaining Evidence	30–40%
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IV. Forming Conclusions and Reporting	10–20%
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<b>Skill allocation</b>	<b>Weight</b>
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Evaluation	5–15%
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Analysis	15–25%
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Application	30–40%
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Remembering and Understanding	30–40%
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## Area I – Ethics, Professional Responsibilities and General Principles (15–25%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Ethics, independence and professional responsibilities</b>					
1. AICPA Code of Professional Conduct	✓				Understand the principles, rules and interpretations included in the AICPA Code of Professional Conduct.
		✓			Apply the principles, rules and interpretations included in the AICPA Code of Professional Conduct to situations.
		✓			Apply the Conceptual Framework for Members in Public Practice and Members in Business included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.
		✓			Apply the Conceptual Framework for Independence included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.
2. Requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board	✓				Understand the ethical and independence requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board.
		✓			Apply the ethical requirements and independence rules of the Securities and Exchange Commission and the Public Company Accounting Oversight Board to situations that could compromise compliance or impair independence during an audit of an issuer.
3. Requirements of the Government Accountability Office and the Department of Labor	✓				Understand the ethical and independence requirements of the Government Accountability Office Government Auditing Standards.
	✓				Understand the independence requirements of the Department of Labor.



## Area I – Ethics, Professional Responsibilities and General Principles (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Ethics, independence and professional responsibilities (continued)</b>					
3. Requirements of the Government Accountability Office and the Department of Labor (continued)		✓			Apply the ethical requirements and independence rules of the Government Accountability Office Government Auditing Standards to situations that could present threats to compliance during an audit of, or attestation engagement for, a government entity or an entity receiving federal awards.
		✓			Apply the independence rules of the Department of Labor to situations when an accountant would not be considered independent during an audit of employee benefit plans.
<b>B. Professional skepticism and professional judgment</b>					
		✓			Understand the concepts of professional skepticism and professional judgment.
		✓			Understand unconscious auditor biases and other impediments to acting with professional skepticism, including threats, incentives and judgment-making shortcuts.
<b>C. Nature and scope</b>					
1. Audit engagements		✓			Identify the nature, scope and objectives of the different types of audit engagements for issuers and nonissuers (e.g., financial statement, ERISA plan financial statement).
2. Engagements conducted under Government Accountability Office Government Auditing Standards		✓			Identify the nature, scope and objectives of engagements performed in accordance with Government Accountability Office Government Auditing Standards, including single audits.
3. Other engagements		✓			Identify the nature, scope and objectives of attestation engagements and accounting and review service engagements.

## Area I – Ethics, Professional Responsibilities and General Principles (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Terms of engagement</b>					
1. Preconditions for an engagement	✓				Identify the preconditions needed for accepting or continuing an engagement.
2. Terms of engagement and the engagement letter	✓				Identify the factors affecting the acceptance or continuance of an engagement.
	✓				Recall when it is acceptable to agree to management's request for a change in the type of engagement (e.g., from an audit to a review).
		✓			Perform procedures to confirm that a common understanding of the terms of an engagement exist with management and those charged with governance.
		✓			Document the terms of an engagement in a written engagement letter or other suitable form of written agreement.
<b>E. Requirements for engagement documentation</b>					
	✓				Identify the elements that comprise sufficient appropriate documentation in physical or electronic form for an engagement.
	✓				Identify the requirements for the assembly and retention of documentation in physical or electronic form for an engagement.
		✓			Prepare documentation that is sufficient to enable an experienced auditor or practitioner having no previous connection with an engagement to understand the nature, timing, extent and results of procedures performed, the significant findings and conclusions reached and the significant professional judgments made.

## Area I – Ethics, Professional Responsibilities and General Principles (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>F. Communication with management and those charged with governance</b>					
<b>1. Planned scope and timing of an engagement</b>	✓				Identify the matters related to the planned scope and timing of an engagement that should be communicated to management and those charged with governance.
		✓			Prepare presentation materials and supporting schedules for use in communicating the planned scope and timing of an engagement to management and those charged with governance.
<b>2. Internal control related matters</b>	✓				Identify the matters related to deficiencies and material weaknesses in internal control that should be communicated to those charged with governance and management for an engagement and the timing of such communications.
		✓			Prepare written communication materials for use in communicating identified internal control deficiencies and material weaknesses for an engagement to those charged with governance and management.
<b>G. Quality control</b>					
	✓				Identify a CPA firm's responsibilities for its accounting and auditing practice's system of quality control.
	✓				Explain procedures and responsibilities for quality control on an engagement.

## Area II – Assessing Risk and Developing a Planned Response (25–35%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Planning an engagement</b>					
1. Overall engagement strategy	✓				Explain the purpose and significance of the overall engagement strategy for an engagement.
2. Engagement plan		✓			Prepare a draft engagement plan for specific processes, accounts or classes of transactions considering the prior period and changes in the current period.
		✓			Prepare supporting planning-related materials (e.g., client assistance request listings, time budgets) for a detailed engagement plan starting with the prior-year engagement plan or with a template.
<b>B. Understanding an entity and its environment</b>					
1. External factors	✓				Understand supply and demand, elasticity measures and profit maximization (e.g. marginal cost, marginal revenue).
	✓				Understand the business cycles (trough, expansion, peak, recession) and leading, coincident and lagging indicators of economic activity (e.g., consumer price index, producer price index, federal funds rate, bond yields, unemployment).
		✓			Identify relevant factors (e.g., industry, regulatory, economic, government policy, financial reporting framework, technology, supply chain) that could impact an entity, its operations, and/or the inherent risk of material misstatement.
2. Internal factors	✓				Understand the entity's responsibilities with respect to the corporate governance provisions of the Sarbanes-Oxley Act of 2002.
		✓			Identify the relevant factors that define the nature of an entity, including the impact on the risk of material misstatement (e.g., its operations, ownership and governance structure, investment and financing plans, selection of accounting policies and objectives and strategies).

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Understanding an entity's control environment and business processes, including information technology (IT) systems</b>					
1. COSO Internal Control – Integrated Framework	✓				Define internal control within the context of the COSO internal control framework, including the purpose, objectives and limitations of the framework.
	✓				Identify and define the components, principles and underlying structure of the COSO internal control framework.
2. Control environment, IT general controls, and entity-level controls	✓				Understand the elements of an entity's control environment, including the design and implementation of IT general controls and entity-level controls.
		✓			Perform procedures to obtain an understanding of how an entity has responded to risks arising from IT, including identifying and testing the design and implementation of relevant IT general controls.
3. Business processes and the design of internal controls, including IT systems		✓			Identify and document the significant business processes and data flows that directly or indirectly impact an entity's financial statements.
		✓			Perform a walkthrough of a significant business process and document (e.g., flow charts, process diagrams, narratives) the flow of relevant transactions and data from initiation through financial statement reporting and disclosure.
		✓			Obtain an understanding of an entity's IT systems infrastructure (e.g., ERP, cloud computing or hosting arrangements, custom or packaged applications) and document the procedures performed to obtain that understanding.
		✓			Obtain an understanding of IT systems that are, directly or indirectly, the source of financial transactions or the data used to record financial transactions (e.g., how the entity uses IT systems to capture, store, and process information).
		✓			Perform tests of the design and implementation of relevant automated and manual transaction-level internal controls (e.g. authorizations and approvals, reconciliations, verifications, physical or logical controls, segregation of duties).

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Understanding an entity's control environment and business processes, including information technology (IT) systems (continued)</b>					
3. Business processes and the design of internal controls, including IT systems (continued)			✓		Identify and document the relevant automated and manual controls within the flow of an entity's transactions for a significant business process and consider the effect of these controls on the completeness, accuracy and reliability of an entity's data.
				✓	Conclude whether relevant automated and manual transaction-level internal controls are effectively designed and placed in operation.
4. Implications of an entity using a service organization	✓				Understand the differences between SOC 1® and SOC 2® engagements.
		✓			Identify and document the purpose and significance of an entity's use of a service organization, including the impact of using a SOC 1® Type 2 report in an audit of an entity's financial statements.
		✓			Use a SOC 1® Type 2 report to determine the nature and extent of testing procedures to be performed in an audit of an entity's financial statements.
5. Limitations of controls and risk of management override	✓				Understand the limitations of internal controls and the potential impact on the risk of material misstatement of an entity's financial statements.
			✓		Identify and document the risks associated with management override of internal controls and the potential impact on the risk of material misstatement of an entity's financial statements.
<b>D. Materiality</b>					
1. For the financial statements as a whole	✓				Understand materiality as it relates to the financial statements as a whole.
		✓			Calculate materiality for an entity's financial statements as a whole.
		✓			Calculate the materiality level (or levels) to be applied to classes of transactions, account balances and disclosures in an audit of an issuer or nonissuer.

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Materiality (continued)</b>					
2. Tolerable misstatement and performance materiality	✓				Understand the use of tolerable misstatement or performance materiality in an audit.
		✓			Determine tolerable misstatement or performance materiality for the purposes of assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures in an audit of an issuer or nonissuer.
<b>E. Assessing and responding to risks of material misstatement, whether due to fraud or error</b>					
		✓			Determine the pressures, incentives and opportunities for fraud (e.g., fraudulent financial reporting, misappropriation of assets) that could lead to the risk of material misstatement.
		✓			Determine risk of material misstatement, whether due to fraud or error, at the financial statement level and relevant assertion level for each material class of transactions, account balance and disclosure.
		✓			Determine a response to risks of material misstatement at the financial statement level (e.g. maintaining professional skepticism, engagement team supervision, incorporating elements of unpredictability), considering the auditor's understanding of the control environment.
		✓			Determine appropriate procedures to assess the operating effectiveness of relevant controls.
		✓			Determine appropriate substantive procedures to test relevant assertions for each material class of transactions, account balance and disclosure.
		✓			Determine procedures to satisfy the requirements and objectives of an attestation engagement.
		✓			Determine procedures to satisfy the requirements and objectives of an accounting and review services engagement.

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>E. Assessing and responding to risks of material misstatement, whether due to fraud or error (continued)</b>					
			✓		Assess risks of material misstatement, whether due to fraud or error, at the financial statement level and develop a response by leveraging the combined knowledge and understanding of the engagement team.
			✓		Assess the potential impact of identified risks at the relevant assertion level for each material class of transactions, account balance and disclosure, considering the controls the auditor intends to test.
			✓		Analyze the risk of material misstatement, including the potential impact of individual and cumulative misstatements, to provide a basis for developing planned audit procedures.
			✓		Use outputs from audit data analytic procedures (e.g. reports and visualizations) to identify transactions that may have a higher risk of material misstatement and interpret the results to develop planned audit procedures.
<b>F. Planning for and using the work of others</b>					
	✓				Identify the factors to consider in determining the extent to which an engagement team can use the work of the internal audit function, IT auditor, auditor's specialist, management's specialist or a component auditor.
		✓			Determine the nature and scope of the work of the internal audit function, IT auditor, auditor's specialist, management's specialist or component auditor.
		✓			Perform and document procedures to determine the extent to which an engagement team can use the work of the internal audit function, IT auditor, auditor's specialist, management's specialist or a component auditor.



## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>G. Specific areas of engagement risk</b>					
<b>1. An entity's compliance with laws and regulations</b>	✓				Understand the accountant's responsibilities with respect to laws and regulations that have a direct effect on the determination of material amounts or disclosures in an entity's financial statements for an engagement.
	✓				Understand the accountant's responsibilities with respect to laws and regulations that are fundamental to an entity's business but do not have a direct effect on the entity's financial statements in an engagement.
		✓			Perform tests of compliance with laws and regulations that have a direct effect on material amounts or disclosures in an entity's financial statements in an engagement.
			✓		Perform tests of compliance with laws and regulations that are fundamental to an entity's business, but do not have a direct effect on the entity's financial statements for an engagement.
<b>2. Accounting estimates</b>	✓				Recognize the potential impact of lower complexity and higher complexity significant accounting estimates on the risk of material misstatement, including the indicators of management bias.
<b>3. Related parties and related party transactions</b>		✓			Perform procedures to identify related party relationships and transactions, including consideration of significant unusual transactions and transactions with executive officers.
<b>4. Uniform Guidance for single audits</b>	✓				Understand when an entity is required to have a single audit in accordance with the audit requirements of the Uniform Guidance, including the identification of federal awards and major programs.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Use of data and information</b>					
1. Requesting, preparing and transforming data	✓				Explain the components of a relational database (e.g., tables, records, fields/ attributes, primary and foreign keys, normalization).
	✓				Explain the characteristics and uses of different measurement scales (e.g., nominal, ordinal, interval, ratio, continuous, discrete).
		✓			Determine attribute structures, format, and sources of data needed when making a data extraction request to complete planned procedures.
		✓			Determine methods to transform (e.g., preparing, cleaning, scrubbing) data to complete planned procedures.
2. Reliability of data and information		✓			Perform procedures (e.g., agreeing information to original sources such as general ledger, subledger or external information sources, validating search or query criteria used to obtain data) to validate the reliability (completeness, accuracy, authenticity and susceptibility to management bias) of data and information obtained.
3. Data analytics		✓			Describe how to apply automated tools and techniques to process, organize, structure or present data in a given context to generate useful information that can be used as evidence.
			✓		Perform procedures using outputs (e.g., reports, visualizations) from audit data analytic techniques and types (e.g., descriptive, diagnostic) to determine relationships and trends among variables and interpret results.
<b>B. Sufficient appropriate evidence</b>					
		✓			Determine the sources of sufficient appropriate evidence (e.g., obtained from management specialists, obtained from external sources, developed by the audit team from internal or external sources).

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. Sufficient appropriate evidence (continued)</b>					
			✓		Exercise professional skepticism and professional judgment while analyzing information to be used as audit evidence taking into account its relevance and reliability, authenticity and whether such information corroborates or contradicts the assertions in the financial statements.
				✓	Conclude whether sufficient appropriate evidence has been obtained to achieve the objectives of the planned procedures.
<b>C. Sampling techniques</b>					
	✓				Understand the purpose and application of sampling techniques including the use of automated tools and audit data analytic techniques to identify significant events or transactions that may impact the financial statements.
	✓				Determine the appropriate population of items to sample to meet the objectives of the planned procedures.
		✓			Use sampling techniques to extrapolate the characteristics of a population from a sample of items.
<b>D. Procedures to obtain sufficient appropriate evidence</b>					
<b>1. Test of controls and test of details</b>		✓			Use observation and inspection to obtain evidence.
		✓			Use recalculation (manually or using automated tools and techniques) to test the mathematical accuracy of information to obtain evidence.
		✓			Use reperformance to independently execute procedures or controls to obtain evidence.
		✓			Inquire of management and others to gather evidence and document the results.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Procedures to obtain sufficient appropriate evidence (continued)</b>					
<b>1. Test of controls and test of details (continued)</b>			✓		Analyze responses obtained during structured interviews or informal conversations with management and others, including those in non-financial roles, and ask relevant and effective follow-up questions to understand their perspectives and motivations.
			✓		Perform tests of operating effectiveness of internal controls, including the analysis of exceptions to identify deficiencies in an audit of financial statements or an audit of internal control.
<b>2. Analytical procedures</b>		✓			Determine the suitability of substantive analytical procedures to provide evidence to support an identified assertion.
			✓		Perform substantive analytical procedures, including developing an expectation, on an account balance to provide evidence to support an identified assertion.
			✓		Perform analytical procedures near the end of an audit engagement that assist the auditor when forming an overall conclusion about whether the financial statements are consistent with the auditor's understanding of the entity.
				✓	Evaluate and investigate differences resulting from analytical procedures (e.g., fluctuations or relationships that are inconsistent with other information or expected values).
<b>3. External confirmations</b>		✓			Confirm significant account balances and transactions using appropriate tools and techniques (e.g., confirmation services, electronic confirmations, manual confirmations) to obtain relevant and reliable evidence.
			✓		Analyze external confirmation responses to determine the need for follow-up or further investigation.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>E. Specific matters that require special consideration</b>					
1. Accounting estimates		✓			Recalculate and reperform procedures to validate the inputs and assumptions of an entity's significant accounting estimates with a higher risk of material misstatement or complexity, such as fair value estimates.
			✓		Perform procedures (e.g. reviewing the work of a specialist and procedures performed by the engagement team) to validate an entity's calculations and detailed support for significant accounting estimates, including consideration of information that contradicts assumptions made by management.
				✓	Conclude on the reasonableness of significant accounting estimates with a lower risk of material misstatement or complexity in an audit.
2. Investments in securities	✓				Identify the considerations relating to the measurement and disclosure of the fair value of investments in securities in an audit.
		✓			Test management's assumptions, conclusions and adjustments related to the valuation of investments in securities in an audit.
3. Inventory and inventory held by others				✓	Test the ending inventory quantities in an audit by obtaining evidence regarding the existence and condition of inventory and inventory held by others (e.g., inventory counting procedures, confirmation) and conclude whether inventory records accurately reflect count results.
4. Litigation, claims and assessments		✓			Perform appropriate audit procedures, including inquiring of management and others, reviewing minutes and sending external confirmations, to detect the existence of litigation, claims and assessments.
5. An entity's ability to continue as a going concern	✓				Identify factors that should be considered while performing planned procedures that may indicate substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>E. Specific matters that require special consideration (continued)</b>					
6. Uniform Guidance for single audits		✓			Test transactions related to federal awards for compliance with statutes, regulations, and the terms and conditions of the federal awards.
<b>F. Misstatements and internal control deficiencies</b>					
		✓			Prepare a summary of corrected and uncorrected misstatements.
			✓		Determine the effect of uncorrected misstatements on an entity's financial statements in an engagement.
			✓		Determine the effect of identified misstatements on the assessment of internal control over financial reporting, individually and in the aggregate.
				✓	Evaluate internal control deficiencies to determine potential impact on the nature, timing, and extent of audit procedures.
<b>G. Written representations</b>					
	✓				Identify the written representations that should be obtained from management or those charged with governance in an engagement.
<b>H. Subsequent events and subsequently discovered facts</b>					
	✓				Recall the impact of subsequently discovered facts on the auditor's report.
		✓			Perform procedures to identify subsequent events that should be reflected in an entity's current period financial statements and disclosures.
			✓		Determine whether identified subsequent events are appropriately reflected in an entity's financial statements and disclosures.

## Area IV – Forming Conclusions and Reporting (10–20%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Reporting on audit engagements</b>					
	✓				Identify the factors that an auditor should consider when forming an opinion on an entity's financial statements.
	✓				Identify the factors that an auditor should consider when forming an opinion on the effectiveness of internal control in an audit of internal control over financial reporting that is integrated with an audit of financial statements.
	✓				Identify the type of opinion (unqualified or unmodified, qualified, adverse, or disclaimer of opinion) that an auditor should render on the audit of an issuer or nonissuer's financial statements.
	✓				Identify the appropriate use of emphasis-of-matter and other-matter (explanatory) paragraphs.
		✓			Determine the appropriate form and content of an auditor's report for an engagement, including the appropriate use of emphasis-of-matter and other-matter (explanatory) paragraphs.
		✓			Determine the appropriate form and content of a report on the audit of internal control over financial reporting, including report modifications and the use of separate or combined reports for the audit of an entity's financial statements and the audit of internal control.
<b>B. Reporting on attestation engagements</b>					
<b>1. Examination or review engagements</b>	✓				Identify the factors that a practitioner should consider when issuing an assertion-based examination, direct examination or review report.
		✓			Determine the appropriate form and content of an accountant's report for an assertion-based examination, direct examination, or review for an attestation engagement.

## Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. Reporting on attestation engagements (continued)</b>					
2. Agreed-upon procedures engagements	✓				Identify the factors that a practitioner should consider when issuing an agreed-upon procedures report for an attestation engagement.
		✓			Determine the appropriate form and content of an agreed-upon procedures report for an attestation engagement.
<b>C. Accounting and review service engagements</b>					
1. Preparation engagements	✓				Identify the factors that an accountant should consider when performing a preparation engagement.
2. Compilation engagements	✓				Identify the factors that an accountant should consider when reporting on an engagement to compile an entity's financial statements.
		✓			Determine the appropriate form and content of an accountant's report for a compilation engagement.
3. Review engagements	✓				Identify the factors that an accountant should consider when reporting on an engagement to review an entity's financial statements.
		✓			Determine the appropriate form and content of an accountant's report for a review engagement.
<b>D. Reporting on compliance</b>					
	✓				Identify the factors that an auditor should consider when reporting on compliance with aspects of contractual agreements or regulatory requirements in connection with an audit of an entity's financial statements.
	✓				Identify the factors that a practitioner should consider when reporting on an attestation engagement related to an entity's compliance with the requirements of specified laws, regulations, rules, contracts or grants, and reports on the effectiveness of internal controls over compliance with the requirements.



## Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>E. Other reporting considerations</b>					
1. Comparative statements and consistency between periods	✓				Identify the factors (change in accounting principle, the correction of a material misstatement, or a material change in classification) that would affect the comparability or consistency of financial statements.
2. Other information in documents with audited statements	✓				Understand the auditor's responsibilities related to other information included in documents with audited financial statements.
3. Review of interim financial information	✓				Identify the factors an auditor should consider when reporting on an engagement to review interim financial information.
4. Supplementary information	✓				Identify the factors an auditor should consider when reporting on supplementary information included in or accompanying an entity's financial statements.
5. Additional reporting requirements under Government Accountability Office Government Auditing Standards	✓				Identify requirements under Government Accountability Office Government Auditing Standards related to reporting on internal control over financial reporting and compliance with provisions of the law, regulations, contracts, grant agreements and federal awards that have a material effect on the financial statements.
	✓				Understand the requirements when preparing the auditor's report on compliance and internal control over compliance – major programs and the auditor's schedule of findings and questioned costs for a single audit.
6. Special-purpose frameworks	✓				Identify the factors an auditor should consider when reporting on the audit of financial statements prepared in accordance with the cash basis, tax basis, regulatory basis, contractual basis or other basis of accounting.

# Uniform CPA Examination Financial Accounting and Reporting (FAR) Blueprint



## Financial Accounting and Reporting

The Financial Accounting and Reporting (FAR) section of the Uniform CPA Examination (the Exam) assesses the knowledge and skills that nCPAs must demonstrate in the financial accounting and reporting frameworks used by for-profit (public and nonpublic) and not-for-profit entities.

The frameworks eligible for assessment include the standards and/or regulations issued by the:

- Financial Accounting Standards Board (FASB)
- U.S. Securities and Exchange Commission (U.S. SEC)
- American Institute of Certified Public Accountants (AICPA)

The assessment of financial accounting and reporting concepts will focus on an nCPA's role in the preparation and review of financial statements, account balances and transactions to ensure compliance with the applicable frameworks described above. The assessment will incorporate:

- Data and technology concepts, including the verification of the completeness and accuracy of source data used in the preparation of financial statements and the use of various sources of data and information to prepare supporting schedules for account balances.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., FASB Accounting Standards Codification) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

The FAR section of the Exam will also assess foundational concepts related to the accounting requirements for state and local governments as issued by the Governmental Accounting Standards Board (GASB).

A list of reference materials relevant to the FAR section of the Exam is included under References at the conclusion of this introduction.

### Content organization and tasks

The FAR section blueprint is organized by content AREA, content GROUP and content TOPIC. Each group or topic includes one or more representative TASKS that an nCPA may be expected to complete in practice.

Tasks in the FAR section blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the FAR section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.," this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the FAR section of the Exam:

Content area		Allocation
Area I	Financial Reporting	30–40%
Area II	Select Balance Sheet Accounts	30–40%
Area III	Select Transactions	25–35%

## Financial Accounting and Reporting (continued)

### Overview of content areas

Area I of the FAR section blueprint covers the preparation, review and analysis of financial statements (for profit and not-for-profit entities) and foundational concepts related to the accounting requirements for state and local governments. The Area includes the following:

- General-purpose financial reporting and ratios and performance metrics applicable to for-profit entities and not-for-profit entities prepared under the FASB Accounting Standards Codification.
- Disclosures specific to public companies including earnings per share prepared under the FASB Accounting Standards Codification and the interim, annual and periodic filing requirements for U.S. registrants in accordance with the rules of the U.S. SEC.
- Financial statements prepared under special purpose frameworks as described in AU-C Section 800 of the Codification of Statements on Auditing Standards.
- State and local government concepts including measurement focus, basis of accounting and determining the appropriate funds to record activities in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Area II of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select balance sheet accounts for both for-profit and not-for-profit entities. The Area includes the following:

- Cash and cash equivalents.
- Trade receivables.
- Inventory.
- Property, plant and equipment.
- Investments, including financial assets at fair value, financial assets at amortized cost and equity method investments.
- Intangible assets, with a focus on finite-lived intangible assets.
- Payables and accrued liabilities.

- Long-term debt, including notes and bonds payable and debt covenant calculations.
- Equity transactions, specifically focusing on equity issuance, stock dividends, stock splits and treasury stock.

If significant accounting or reporting differences exist between for-profit and not-for-profit entities for a given group or topic, such differences are in representative not-for-profit tasks in the FAR section blueprint.

Area III of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select transactions for both for-profit and not-for-profit entities. The Area includes the following:

- Accounting changes and error corrections.
- Contingencies and commitments.
- Revenue recognition, specifically focusing on recalling and applying the five-step model and accounting for contributions received by not-for-profit entities.
- Accounting for income taxes.
- Fair value measurement concepts and classification within the fair value hierarchy.
- Leases, specifically focusing on recalling and applying lessee accounting requirements.
- Subsequent events.

If significant accounting or reporting differences exist between for-profit and not-for-profit entities, such differences are in representative not-for-profit tasks in the FAR section blueprint.

### Section assumptions

The FAR section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that all of the information provided in each question is material and should apply all stated assumptions. In addition, candidates should assume that each question applies to a for-profit business

## Financial Accounting and Reporting (continued)

entity reporting under U.S. GAAP unless otherwise stated in the fact pattern for a question. For example, questions that apply to not-for-profit entities specify the nature of these entities as “not-for-profit” or “non-governmental, not-for-profit.” Questions that apply to state and local governments include phrases such as “local government,” “state,” “municipality” or “city.”

### Skill allocation

The Exam applies a skill framework based on the revised Bloom’s Taxonomy of Educational Objectives<sup>6</sup>. Bloom’s Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The FAR section of the Exam assesses content at the first three skill levels of Bloom’s taxonomy as described below:

- Remembering and Understanding is tested in all three areas of the FAR blueprint. Tasks, such as identifying transactions and financial reporting requirements, require nCPAs to demonstrate their comprehension of accounting concepts and standards.
- Application skills are tested in all three areas of the FAR blueprint. Tasks, such as preparing journal entries and financial statements, require nCPAs to

use accounting concepts and standards to measure and recognize financial statement amounts.

- Analysis skills are tested in all three areas of the FAR blueprint. Tasks, such as reconciling account balances and detecting financial reporting discrepancies, require nCPAs to demonstrate a higher level of interpretation. Area II has the highest concentration of analysis tasks.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nCPA would reasonably be expected to perform.

### References – Financial Accounting and Reporting

- FASB Accounting Standards Codification
- FASB Concepts Statements
- U.S. SEC References:
  - Securities Exchange Act of 1934
  - Regulation S-X of the Code of Federal Regulations (17 CFR Part 210)
  - Regulation S-K of the Code of Federal Regulations (17 CFR Part 229)
- Codification of Statements on Auditing Standards: AU-C Section 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- AICPA Practice Aid – Accounting and Financial Reporting Guidelines for Cash – and Tax – Basis Financial Statements
- State and Local Government References:
  - GASB Codification of Governmental Accounting and Financial Reporting Standards
  - GASB Statements
- Current textbooks on accounting for business entities, not-for-profit entities, and state and local government entities

<sup>6</sup> Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom’s Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

## Summary Blueprint

<b>Content area allocation</b>	<b>Weight</b>
I. Financial Reporting	30–40%
II. Select Balance Sheet Accounts	30–40%
III. Select Transactions	25–35%

<b>Skill allocation</b>	<b>Weight</b>
Evaluation	–
Analysis	35–45%
Application	45–55%
Remembering and Understanding	5–15%

## Area I – Financial Reporting (30–40%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. General-Purpose Financial Reporting: For-Profit Business Entities</b>					
1. Balance sheet/Statement of financial position		✓			Prepare a classified balance sheet from a trial balance and supporting documentation.
		✓			Adjust the balance sheet to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the balance sheet amounts to supporting documentation, including the source data.
2. Income statement/Statement of profit or loss		✓			Prepare a single-step or multi-step income statement (e.g., operating, nonoperating, discontinued operations) from a trial balance and supporting documentation.
		✓			Adjust the income statement to correct identified errors.
		✓			Calculate transaction gains or losses recognized from monetary transactions denominated in a foreign currency.
			✓		Detect, investigate and correct discrepancies while agreeing the income statement amounts to supporting documentation, including the source data.
3. Statement of comprehensive income	✓				Recall the purpose, objectives and structure of the statement of comprehensive income.
	✓				Identify items classified as other comprehensive income.
4. Statement of changes in equity		✓			Prepare a statement of changes in equity from a trial balance and supporting documentation.
		✓			Adjust the statement of changes in equity to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the statement of changes in equity amounts to supporting documentation, including the source data.

## Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. General-Purpose Financial Reporting: For-Profit Business Entities (continued)</b>					
<b>5. Statement of cash flows</b>		✓			Prepare a statement of cash flows using the direct method or indirect method and required disclosures from supporting documentation.
		✓			Adjust a statement of cash flows to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the statement of cash flows amounts to supporting documentation, including the source data.
			✓		Derive the impact of transactions on the statement of cash flows.
<b>6. Consolidated financial statements (including wholly-owned subsidiaries and noncontrolling interests)</b>		✓			Prepare consolidated financial statements (adjustments, and/or eliminations) from supporting documentation.
		✓			Adjust consolidated financial statements to correct identified errors.
			✓		Detect, investigate and correct discrepancies identified while agreeing the consolidated financial statement amounts to supporting documentation, including the source data.
<b>7. Notes to financial statements</b>		✓			Adjust the notes to the financial statements to correct identified errors and omissions.
			✓		Compare the notes to the financial statements to the financial statements and supporting documentation, including the source data, to identify inconsistencies and investigate those inconsistencies.
<b>B. General-Purpose Financial Reporting: Nongovernmental Not-for-Profit Entities</b>					
<b>1. Statement of financial position</b>	✓				Recall the purpose and objectives of the statement of financial position for a nongovernmental, not-for-profit entity.



## Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. General-Purpose Financial Reporting: Nongovernmental Not-for-Profit Entities (continued)</b>					
1. Statement of financial position (continued)		✓			Prepare a statement of financial position for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
			✓		Adjust the statement of financial position for a nongovernmental, not-for-profit entity to correct identified errors.
2. Statement of activities	✓				Recall the purpose and objectives of the statement of activities for a nongovernmental, not-for-profit entity.
			✓		Prepare a statement of activities for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
				✓	Adjust the statement of activities for a nongovernmental, not-for-profit entity to correct identified errors.
3. Statement of cash flows	✓				Recall the purpose and objectives of the statement of cash flows for a nongovernmental, not-for-profit entity.
			✓		Prepare a statement of cash flows and required disclosures using the direct method or indirect method for a nongovernmental, not-for-profit entity.
				✓	Adjust the statement of cash flows for a nongovernmental, not-for-profit entity to correct identified errors.
4. Notes to the financial statements				✓	Adjust the notes to the financial statements to correct identified errors and omissions.
<b>C. State and Local Government Concepts</b>					
1. Measurement focus and basis of accounting	✓				Recall the measurement focus and basis of accounting used by state and local governments for fund and government-wide financial reporting.
2. Purpose of funds			✓		Determine the appropriate fund(s) that a state or local government should use to record its activities.

## Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Public Company Reporting Topics</b>					
	✓				Recall the purpose of forms 10-Q, 10-K and 8-K that a U.S. registrant is required to file with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934.
	✓				Identify the items of Form 10-Q (Part I Items 1 through 3) and Form 10-K (Part II Items 7, 7A and 8) filed with the U.S. Securities and Exchange Commission.
		✓			Calculate basic earnings per share and diluted earnings per share considering the impact of stock options, preferred stock, convertible preferred stock and/or convertible debt.
<b>E. Special Purpose Frameworks</b>					
	✓				Recall appropriate financial statement titles to be used for the financial statements prepared under a special purpose framework.
		✓			Perform calculations to convert cash basis or modified cash basis financial statements to accrual basis financial statements.
		✓			Prepare financial statements using the cash basis or modified cash basis of accounting.
		✓			Prepare financial statements using the income tax basis of accounting.
<b>F. Financial Statement Ratios and Performance Metrics</b>					
	✓				Identify the appropriate financial statement ratio or performance metric to perform a specified type of analysis.
		✓			Calculate profitability ratios (e.g., gross profit margin, return on sales, return on assets, return on equity).
		✓			Calculate liquidity ratios (e.g., current, quick, accounts receivable turnover, inventory turnover, accounts payable turnover).

## Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
F. Financial Statement Ratios and Performance Metrics (continued)					
		✓			Calculate solvency ratios (e.g., debt-to-equity, total debt, times interest earned).
		✓			Calculate performance metrics (e.g., EBITDA, price-to-earnings, dividend payout, asset turnover).
		✓			Calculate variances between budget and actual results.

## Area II – Select Balance Sheet Accounts (30–40%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Cash and cash equivalents</b>					
		✓			Calculate cash and cash equivalents balances to be reported in the financial statements.
			✓		Reconcile the cash balance per the bank statement to the general ledger.
			✓		Investigate unreconciled cash balances to determine whether an adjustment to the general ledger is necessary.
<b>B. Trade receivables</b>					
		✓			Calculate trade receivables and allowances and prepare journal entries.
		✓			Prepare any required journal entries to record the transfer of trade receivables (secured borrowings, factoring, assignment, pledging).
			✓		Prepare a rollforward of the trade receivables account balance using various sources of data and information.
			✓		Reconcile and investigate differences between the subledger and general ledger for trade receivables to determine whether an adjustment is necessary.
<b>C. Inventory</b>					
		✓			Calculate the carrying amount of inventory and prepare journal entries using various costing methods.
		✓			Use the lower of cost and net realizable value or the lower of cost or market approach to calculate the carrying amount of inventory.
			✓		Prepare a rollforward of the inventory account balance using various sources of data and information.
			✓		Reconcile and investigate differences between the subledger and general ledger for inventory to determine whether an adjustment is necessary.

## Area II – Select Balance Sheet Accounts (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Property, plant and equipment</b>					
		✓			Calculate the gross and net property, plant and equipment balances and prepare journal entries.
		✓			Calculate gains or losses on the disposal of long-lived assets to be recognized in the financial statements.
		✓			Calculate impairment losses on long-lived assets to be recognized in the financial statements.
		✓			Determine whether an asset qualifies to be reported as held for sale in the financial statements.
		✓			Adjust the carrying amount of assets held for sale and calculate the loss to be recognized in the financial statements.
			✓		Prepare a rollforward of the property, plant and equipment account balance using various sources of data and information.
			✓		Reconcile and investigate differences between the subledger and general ledger for property, plant and equipment to determine whether an adjustment is necessary.
<b>E. Investments</b>					
<b>1. Financial assets at fair value</b>	✓				Identify investments that are eligible or required to be reported at fair value in the financial statements.
		✓			Calculate the carrying amount of investments measured at fair value (excluding impairment).
		✓			Calculate investment income to be recognized in net income for investments measured at fair value and prepare journal entries.
		✓			Calculate impairment losses to be recognized on applicable investments reported at fair value in the financial statements.

## Area II – Select Balance Sheet Accounts (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>E. Investments (continued)</b>					
2. Financial assets at amortized cost	✓				Identify investments that are eligible to be reported at amortized cost in the financial statements.
		✓			Calculate the carrying amount of investments measured at amortized cost and prepare journal entries (excluding impairment).
			✓		Calculate impairment losses to be recognized on investments reported at amortized cost in the financial statements.
3. Equity method investments	✓				Identify when the equity method of accounting can be applied to an investment.
		✓			Calculate the carrying amount of equity method investments and prepare journal entries (excluding impairment).
<b>F. Intangible assets</b>					
	✓				Identify the criteria for recognizing intangible assets in the statement of financial position and classify intangible assets as either finite-lived or indefinite-lived.
		✓			Calculate the carrying amount of finite-lived intangible assets reported in the financial statements (initial measurement, amortization and impairment) and prepare journal entries.
			✓		Calculate the carrying amount of purchased software and cloud computing arrangements reported in the financial statements (initial measurement, amortization and impairment) and prepare journal entries.
<b>G. Payables and accrued liabilities</b>					
			✓		Calculate the carrying amount of payables (e.g., accounts payable, dividends payable) and accrued liabilities (e.g., accrued wages, accrued vacation, accrued bonuses) and prepare journal entries.

## Area II – Select Balance Sheet Accounts (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>G. Payables and accrued liabilities (continued)</b>					
		✓			Identify and calculate liabilities arising from exit or disposal activities (e.g., one-time termination benefits, severance arrangements) and determine the timing of recognition in the financial statements.
		✓			Calculate the liabilities and assets resulting from asset retirement obligations and prepare journal entries.
			✓		Reconcile and investigate differences between the subledger and general ledger for accounts payable and accrued liabilities to determine whether an adjustment is necessary.
<b>H. Long-term debt (financial liabilities)</b>					
<b>1. Notes and bonds payable</b>	✓				Recall the criteria to classify a change to a debt instrument as either a modification of terms or an extinguishment of debt.
	✓				Understand when a change to the terms of a debt instrument qualifies as a troubled debt restructuring.
		✓			Calculate the interest expense attributable to notes and bonds payable reported in the financial statements (e.g., discounts, premiums, debt issuance costs).
		✓			Calculate the carrying amount of notes and bonds payable and prepare journal entries.
<b>2. Debt covenant compliance</b>		✓			Perform debt covenant calculations as stipulated in a debt agreement to ascertain compliance.
<b>I. Equity</b>					
		✓			Prepare journal entries to recognize equity transactions in the financial statements (e.g., equity issuance, stock dividends, stock splits, treasury stock).

## Area III – Select Transactions (25–35%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Accounting changes and error corrections</b>					
		✓			Calculate a required adjustment to the financial statements due to an accounting change (change in accounting principle or change in accounting estimate) or error correction and determine whether it requires prospective or retrospective application.
			✓		Derive the impact to the financial statements and related note disclosures of an identified accounting change or an error correction.
<b>B. Contingencies and commitments</b>					
	✓				Recall the recognition and disclosure criteria used to identify commitments and contingencies.
		✓			Calculate amounts of contingencies and prepare journal entries.
			✓		Review supporting documentation to determine whether a commitment or contingency requires recognition and/or disclosure in the financial statements.
<b>C. Revenue recognition</b>					
	✓				Recall concepts of accounting for revenue using the five-step model.
	✓				Recall the recognition requirements associated with conditional and unconditional promises to give (pledges) for a nongovernmental, not-for-profit entity.
	✓				Identify transfers to a nongovernmental, not-for-profit entity acting as an agent or intermediary that are not recognized as contributions.
		✓			Determine the amount and timing of revenue to be recognized using the five-step model and prepare journal entries.
		✓			Determine the recognition and subsequent measurement requirements for contract costs and prepare journal entries.



## Area III – Select Transactions (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Revenue recognition (continued)</b>					
		✓			Determine the amount and timing of revenue to be recognized by a nongovernmental, not-for-profit entity for contributed services received and prepare journal entries.
		✓			Calculate the amount to be recognized for contributions (financial assets and nonfinancial assets) to a nongovernmental, not-for-profit entity.
<b>D. Accounting for income taxes</b>					
	✓				Recall the accounting treatment for uncertainty in income taxes.
	✓				Recall the criteria for recognizing or adjusting a valuation allowance for a deferred tax asset.
		✓			Calculate the income tax expense, current taxes payable/receivable and deferred tax liabilities/assets.
		✓			Prepare journal entries to record the tax provision.
<b>E. Fair value measurements</b>					
	✓				Identify the valuation techniques used to measure fair value.
	✓				Recall assumptions (e.g., highest and best use, market participant assumptions, unit of account) and approaches (cost, income, market) used to measure fair value.
		✓			Use the fair value hierarchy to determine the classification of a fair value measurement.

## Area III – Select Transactions (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>F. Lessee accounting</b>					
	✓				Recall the appropriate accounting treatment for residual value guarantees, purchase options and variable lease payments included in leasing arrangements for a lessee.
	✓				Identify the criteria for classifying a lease arrangement for a lessee.
		✓			Calculate the carrying amount of lease-related assets and liabilities and prepare journal entries that a lessee should record.
		✓			Calculate the lease costs that a lessee should recognize in the income statement.
<b>G. Subsequent events</b>					
	✓				Identify a subsequent event and recall its appropriate accounting treatment.
		✓			Calculate required adjustments to financial statements and/or note disclosures based on identified subsequent events.
			✓		Derive the impact to the financial statements and required note disclosures due to identified subsequent events.

# Uniform CPA Examination Taxation and Regulation (REG) Blueprint



## Taxation and Regulation

The Taxation and Regulation (REG) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nCPAs must demonstrate with respect to:

- U.S. ethics and professional responsibilities related to tax practice
- U.S. business law
- U.S. federal tax compliance for individuals and entities with a focus on recurring and routine transactions

The assessment of federal tax compliance will focus on an nCPA's role in both the preparation and review of tax returns. The assessment will incorporate:

- Data and technology concepts including the verification of the completeness and accuracy of source data used to prepare returns and supporting schedules and the consideration of the outputs of automated validation checks and diagnostic tools that highlight potential errors or anomalies.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., Internal Revenue Code, Treasury Regulations) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the REG section of the Exam is included under References at the conclusion of this introduction.

### Content organization and tasks

The REG section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nCPA may be expected to complete when performing tax preparation services or other responsibilities of a CPA.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the REG section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.," this is not intended to be an exhaustive list but

rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the REG section of the Exam:

Content area		Allocation
Area I	Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
Area II	Business Law	15–25%
Area III	Federal Taxation of Property Transactions	5–15%
Area IV	Federal Taxation of Individuals	22–32%
Area V	Federal Taxation of Entities (including tax preparation)	23–33%

### Overview of content areas

Area I of the REG section blueprint covers the following:

- Ethics and Responsibilities in Tax Practice — Requirements based on Treasury Department Circular 230 and the rules and regulations for tax return preparers.
- Licensing and Disciplinary Systems — Requirements of state boards of accountancy to obtain and maintain the CPA license.
- Federal Tax Procedures — Understanding federal tax processes and procedures, including audits and appeals, appropriate disclosures, substantiation, penalties and authoritative hierarchy.
- Legal Duties and Responsibilities — Understanding legal issues that affect the CPA and their practice.

## Taxation and Regulation (continued)

Area II of the REG section blueprint covers several business law concepts focused on the legal implications of business transactions and issues as they relate to accounting, auditing and financial reporting. The Area includes the following:

- Government regulation of business, specifically employment taxes, worker classification laws, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, the Foreign Corrupt Practices Act of 1977 and the Patient Protection and Affordable Care Act.
- Areas of agency, contracts, debtor-creditor relationships and business structure.
  - The Uniform Commercial Code under the topics of contracts and debtor-creditor relationships.
  - Legal aspects of business entity selection, formation, operation and termination.

Area III of the REG section blueprint covers federal tax compliance related to routine and recurring property transactions for individuals and entities. The Area includes the following:

- Basis of an asset purchased for use in a trade or business, and the related depreciation of the asset.
- Basis of an asset converted from personal to business use, and the related depreciation of the asset.
- Basis of assets held by individuals.
- Basis of intangible assets.
- Cost recovery (depreciation and amortization) of assets held for use in a trade or business.

Area IV of the REG section blueprint covers federal tax compliance related to routine and recurring transactions and issues for individuals. The Area includes the following:

- Inclusion and exclusion of amounts for purposes of calculating gross income, adjusted gross income and taxable income.

- Reporting of income from pass-through entities, including the proper handling of items on an individual's tax return.
- Loss limitations, filing statuses available to a taxpayer, the role of tax credits and safe harbor requirements for estimated taxes.

Area V of the REG section blueprint covers federal tax compliance related to routine and recurring transactions and issues for entities. The Area includes the following:

- Required adjustments to book income to determine taxable income.
- Computation of taxable income for C corporations, including state and local tax issues, and allowable tax credits.
- Determination of ordinary business income (loss) and separately stated items for S corporations and partnerships, and the impact of current year transactions on the owner's basis in the entity.
- Classification options for limited liability companies, eligibility and election of S corporation status and types of tax-exempt organizations.

### Section assumptions

The REG section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that the information provided in each question is material and should apply all stated assumptions. Candidates will not be tested on their knowledge of specific tax rate percentages, amounts or limitations that are indexed to inflation. Absent any stated assumptions, candidates should assume that transactions or events referenced in the question occurred in the current year and should apply the most recent provisions of the tax law in accordance with the timing specified in the CPA Exam Policy on New Pronouncements.

## Taxation and Regulation (continued)

### Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives<sup>7</sup>. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The REG section of the Exam assesses content at the first three skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding is mainly concentrated in Area I and Area II. These two areas contain the general ethics, professional responsibilities and business law knowledge that is required for nICPAs and they are tested at the lower end of the skill level continuum.
- Application and Analysis skills are primarily tested in Areas III, IV and V. These three areas contain more of the day-to-day tasks that nICPAs are expected to perform related to the preparation and review of tax returns and therefore are tested at the higher end of the skill level continuum.

<sup>7</sup> Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). *A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition)*. New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). *Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain*. New York: David McKay.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nICPA would reasonably be expected to perform.

### References – Regulation

- Revised Model Business Corporation Act
- Revised Uniform Limited Partnership Act
- Revised Uniform Partnership Act
- Uniform Accountancy Act
- Uniform Commercial Code
- Internal Revenue Code of 1986, as amended
- Treasury Department Circular No. 230, Regulations Governing Practice before the Internal Revenue Service
- Treasury Regulations
- Other administrative pronouncements regarding federal taxation
- Case law on federal taxation
- Public Law 86-272
- Bankruptcy Abuse Prevention and Consumer Protection Act of 2005
- Patient Protection and Affordable Care Act
- The Foreign Corrupt Practices Act of 1977
- Uniform Division of Income for Tax Purposes Act (UDITPA)
- Current textbooks on business law, federal taxation, accounting and ethics

## Summary Blueprint

<b>Content area allocation</b>	<b>Weight</b>
I. Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
II. Business Law	15–25%
III. Federal Taxation of Property Transactions	5–15%
IV. Federal Taxation of Individuals	22–32%
V. Federal Taxation of Entities (including tax preparation)	23–33%

<b>Skill allocation</b>	<b>Weight</b>
Evaluation	–
Analysis	25–35%
Application	35–45%
Remembering and Understanding	25–35%

## Area I – Ethics, Professional Responsibilities and Federal Tax Procedures (10–20%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Ethics and responsibilities in tax practice</b>					
1. Regulations governing practice before the Internal Revenue Service	✓				Recall the regulations governing practice before the Internal Revenue Service.
		✓			Apply the regulations governing practice before the Internal Revenue Service given a specific scenario.
2. Internal Revenue Code and Regulations related to tax return preparers	✓				Recall who is a tax return preparer.
	✓				Recall situations that would result in tax return preparer penalties.
		✓			Apply potential tax return preparer penalties given a specific scenario.
<b>B. Licensing and disciplinary systems</b>					
	✓				Understand and explain the role and authority of state boards of accountancy.
<b>C. Federal tax procedures</b>					
1. Audits, appeals and the judicial process	✓				Explain the audit and appeals process as it relates to tax matters.
	✓				Explain the different levels of the judicial process as they relate to tax matters.
2. Substantiation and disclosure of tax positions	✓				Summarize the requirements for the appropriate disclosure of a tax return position.
		✓			Identify situations in which disclosure of tax return positions is required.
		✓			Identify whether substantiation is sufficient given a specific scenario.



## Area I – Ethics, Professional Responsibilities and Federal Tax Procedures (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Federal tax procedures (continued)</b>					
3. Taxpayer penalties	✓				Recall situations that would result in taxpayer penalties relating to tax returns.
		✓			Identify taxpayer penalties given a specific scenario.
4. Authoritative hierarchy	✓				Recall the appropriate hierarchy of authority for tax purposes.
<b>D. Legal duties and responsibilities</b>					
1. Common law duties and liabilities to clients and third parties	✓				Summarize the tax return preparer's common law duties and liabilities to clients and third parties.
		✓			Identify situations which result in violations of the tax return preparer's common law duties and liabilities to clients and third parties.
2. Privileged communications, confidentiality and privacy acts	✓				Summarize the rules regarding privileged communications as they relate to tax practice.
		✓			Identify situations in which communications regarding tax practice are considered privileged.

## Area II – Business Law (15–25%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Agency</b>					
1. Authority of agents and principals	✓				Recall the types of agent authority.
		✓			Identify whether an agency relationship exists given a specific scenario.
2. Duties and liabilities of agents and principals	✓				Explain the various duties and liabilities of agents and principals.
		✓			Identify the duty or liability of an agent or principal given a specific scenario.
<b>B. Contracts</b>					
1. Formation	✓				Summarize the elements of contract formation between parties.
		✓			Identify whether a valid contract was formed given a specific scenario.
			✓		Identify different types of contracts (e.g., written, verbal, unilateral, express, implied) given a specific scenario.
2. Performance and discharge	✓				Explain the rules related to the fulfillment of performance obligations necessary for an executed contract.
	✓				Explain the different ways in which a contract can be discharged (e.g. performance, agreement, and operation of the law).
			✓		Identify whether a contract has been discharged given a specific scenario.
			✓		Identify whether both parties to a contract have fulfilled their performance obligation given a specific scenario.
3. Breach and remedies	✓				Summarize the different remedies available to a party for breach of contract.
			✓		Identify situations involving breach of contract given a specific scenario.
			✓		Identify the remedy available to a party for breach of contract given a specific scenario.

## Area II – Business Law (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Debtor-creditor relationships</b>					
	✓				Explain the rights, duties and liabilities of debtors, creditors and guarantors.
	✓				Explain the rights of debtors and creditors and how property is distributed in bankruptcy proceedings.
	✓				Explain the difference between a secured and unsecured creditor and the requirements needed to perfect a security interest.
		✓			Identify rights, duties or liabilities of debtors, creditors or guarantors given a specific scenario.
<b>D. Federal laws and regulations (employment tax, qualified health plans, bankruptcy, worker classifications and anti-bribery)</b>					
	✓				Summarize the federal laws and regulations for qualified health care plans, including required business mandates and premium tax credits.
	✓				Explain the federal laws and regulations related to employment taxes from both an employer and employee perspective.
	✓				Recall the factors used to determine classification of an employee versus an independent contractor.
	✓				Recall the types of bankruptcy and the requirements for discharge of indebtedness.
	✓				Summarize the federal laws and regulations prohibiting bribery of foreign government officials, including payments made to generate preferential treatment from a foreign government.
		✓			Identify compliance issues with various federal laws and regulations (employment tax, qualified health plans, bankruptcy, worker classifications and anti-bribery) given a specific scenario.

## Area II – Business Law (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>E. Business structure</b>					
1. Selection and formation of business entity and related operation and termination	✓				Summarize the processes for formation and termination of various business entities.
	✓				Summarize the legal characteristics of various business entities.
2. Rights, duties, legal obligations and authority of owners and management	✓				Summarize the rights, duties, legal obligations and authority of owners and management.
		✓			Identify the rights, duties, legal obligations and authority of owners and management given a specific scenario.

## Area III – Federal Taxation of Property Transactions (5–15%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Basis of assets</b>					
		✓			Calculate the tax basis of an asset purchased for use in a trade or business.
		✓			Calculate the tax basis of an asset converted from personal to business use.
		✓			Calculate the tax basis of property received as a gift or as an inheritance from a decedent.
		✓			Calculate the tax basis of stock acquired through a wash sale.
		✓			Calculate the basis of intangible assets, including organization costs, start-up costs and loan costs.
<b>B. Cost recovery (depreciation and amortization)</b>					
		✓			Calculate tax depreciation for tangible business property using MACRS, including identification of the applicable recovery period and convention.
		✓			Determine property eligible for a Section 179 deduction.
		✓			Calculate tax amortization for intangible assets.
			✓		Review a tax depreciation and amortization schedule for the current year and supporting documentation, including any source data used to create the schedule, to determine the completeness and accuracy of the expense amounts deducted for tax purposes.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the depreciation and amortization expense reported on a tax return based on the source data used to prepare the return.

## Area IV – Federal Taxation of Individuals (22–32%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Gross income (inclusions and exclusions)</b>					
		✓			Calculate the amounts that should be included in an individual's gross income as reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> , including wages, interest and dividends, guaranteed payments received from a partnership, income from a qualified retirement plan and punitive damages.
		✓			Calculate the capital gain that should be included in an individual's gross income as reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> from transactions, including gains from the sale of investments or virtual currencies, assets received as gifts and assets received from a decedent and classify them as long-term or short-term.
		✓			Calculate the amounts that should be excluded from an individual's gross income as reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> , including tax-exempt interest, gifts received and life insurance proceeds.
		✓			Calculate the income reported in the year of death for a decedent on Form 1040 – <i>U.S. Individual Income Tax Return</i> .
			✓		Review Form 1040 – <i>U.S. Individual Income Tax Return</i> and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the gross income reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the gross income reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> based on the source data used to prepare the form.
<b>B. Reporting of items from pass-through entities</b>					
		✓			Use information provided from disregarded and pass-through entities in which an individual has an ownership interest to report ordinary business income (loss) and separately stated items on an individual's tax return.

## Area IV – Federal Taxation of Individuals (22–32%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Adjustments and deductions to arrive at adjusted gross income and taxable income</b>					
		✓			Identify adjustments allowed in the calculation of adjusted gross income given a specific scenario, including a contribution to a qualified retirement plan, contribution to a health savings plan and self-employment expenses.
		✓			Identify itemized deductions allowed in the calculation of taxable income given a specific scenario, including medical expenses, qualified residence interest expense, taxes and charitable contributions.
		✓			Calculate the qualifying business income (QBI) deduction for federal income tax purposes.
			✓		Review Form 1040 – <i>U.S. Individual Income Tax Return</i> and supporting documentation, including any source data used to create the return, to determine the accuracy of the adjusted gross income and taxable income reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the adjusted gross income and taxable income reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> based on the source data used to prepare the form.
<b>D. Loss limitations</b>					
		✓			Calculate the net tax loss allowed on the sale of capital property, including netting of capital gains and losses and capital loss carryforwards.
		✓			Calculate the amount of ordinary business loss allowed for an individual materially participating in the operations of a pass-through entity with sufficient basis in the entity.
		✓			Calculate losses disallowed for tax purposes, such as from a hobby, wash sale or sale of a personal-use asset.

## Area IV – Federal Taxation of Individuals (22–32%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Loss limitations (continued)</b>					
			✓		Review Form 1040 – <i>U.S. Individual Income Tax Return</i> and supporting documentation, including any source data used to create the return, to determine the accuracy of the losses reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the loss limitations reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> based on the source data used to prepare the form.
<b>E. Filing status</b>					
	✓				Recall taxpayer filing status for tax purposes.
	✓				Recall relationships meeting the definition of dependent for purposes of determining taxpayer filing status.
		✓			Identify taxpayer filing status for tax purposes given a specific scenario.
<b>F. Computation of tax and credits</b>					
	✓				Recall and define the difference between a refundable and nonrefundable tax credit.
	✓				Recall and define the safe harbor requirements for individual estimated tax payments to avoid penalties.
			✓		Calculate the tax liability based on an individual's taxable income given a specific scenario, including consideration of the net investment income tax.



## Area V – Federal Taxation of Entities (including tax preparation) (23–33%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Differences between book and tax income (loss)</b>					
		✓			Identify permanent vs. temporary differences to be reported on Schedule M-3 in a given scenario.
		✓			Calculate the book/tax differences to be reported on a Schedule M-1 or M-3.
			✓		Review an entity's adjusted book trial balance and supporting documentation to identify and calculate possible book/tax differences.
			✓		Review a C corporation's adjusted book trial balance and supporting documentation, including relevant source data used to create the trial balance, to determine the completeness and accuracy of the book/tax differences reported on Form 1120 – <i>U.S. Corporation Income Tax Return</i> .
<b>B. C corporations</b>					
1. Computations of taxable income, tax liability and allowable credits		✓			Calculate taxable income for a C corporation.
		✓			Calculate the current-year net operating or capital loss of a C corporation, and the limitations on use in the current year.
		✓			Calculate the credits allowable as a reduction to tax for a C corporation.
2. State and local tax issues	✓				Define the general concept and rationale of nexus with respect to state and local taxation.
	✓				Define the general concept and rationale of apportionment and allocation with respect to state and local taxation.
		✓			Calculate state taxable income using the applicable apportionment factors given a specific scenario.

## Area V – Federal Taxation of Entities (including tax preparation) (23–33%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. S corporations</b>					
<b>1. Eligibility and election</b>	✓				Recall eligible shareholders for an S corporation for tax purposes.
	✓				Recall S corporation eligibility requirements for tax purposes.
		✓			Identify situations in which S corporation status would be revoked or terminated for tax purposes.
<b>2. Determination of ordinary business income (loss) and separately stated items</b>		✓			Calculate ordinary business income (loss) and separately stated items for an S corporation for tax purposes.
		✓			Calculate the impact of current year operations on an S corporation's accumulated adjustments account.
				✓	Review federal Form 1120S – <i>U.S. Income Tax Return for an S Corporation</i> and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the classification of items as ordinary business income (loss), separately stated or nondeductible.
				✓	Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the ordinary business income (loss) and separately stated items reported on Form 1120S – <i>U.S. Income Tax Return for an S Corporation</i> based on the source data used to prepare the form.
<b>3. Basis of shareholder's interest</b>		✓			Calculate a shareholder's stock basis in an S corporation for tax purposes resulting from business operations, cash contributions by the shareholder and cash distributions to the shareholder.
		✓			Calculate changes in a shareholder's debt basis in an S corporation resulting from current year repayment of debt.

## Area V – Federal Taxation of Entities (including tax preparation) (23–33%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Partnerships</b>					
1. Determination of ordinary business income (loss) and separately stated items		✓			Calculate ordinary business income (loss) and separately stated items for a partnership for tax purposes, including consideration of guaranteed payments disbursed.
			✓		Review federal Form 1065 – <i>U.S. Return of Partnership Income</i> and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the classification of items as ordinary business income (loss), separately stated or nondeductible.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of ordinary business income (loss) and separately stated items reported on Form 1065 – <i>U.S. Return of Partnership Income</i> based on the source data used to prepare the form.
2. Basis of partner's interest		✓			Calculate the partner's basis in a partnership for tax purposes resulting from business operations, cash contributions by a partner, cash distributions to a partner and changes in existing partnership liabilities.
<b>E. Limited liability companies</b>					
	✓				Recall the tax classification options for a limited liability company for tax purposes.
<b>F. Tax-exempt organizations</b>					
	✓				Recall the different types of tax-exempt organizations for tax purposes.

# Uniform CPA Examination Business Analysis and Reporting (BAR)

## Blueprint



## Business Analysis and Reporting

The Business Analysis and Reporting (BAR) section of the Uniform CPA Examination (the Exam) assesses the knowledge and skills nCPAs must demonstrate with respect to:

- Financial statement and financial information analysis with a focus on an nCPA's role in comparing historical results to budgets and forecasts, deriving the impact of transactions, events (actual and proposed) and market conditions on financial and nonfinancial performance measures and comparing investment alternatives.
- Select technical accounting and reporting requirements under the Financial Accounting Standards Board (FASB) Accounting Standards Codification and the U.S. Securities and Exchange Commission (SEC) that are applicable to for-profit business entities and employee benefit plans.
- Financial accounting and reporting requirements under the Governmental Accounting Standards Board (GASB) that are applicable to state and local government entities.

The assessment will also incorporate:

- Data and technology concepts including the:
  - Determination of methods to transform data to make it useful for decision-making.
  - Determination of attribute structures, formats and sources of data needed to prepare financial statement analysis.
  - Use of outputs from data analytic techniques to identify patterns, trends and correlations to explain an entity's results.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g. FASB Accounting Standards Codification, GASB Statements of Governmental Accounting Standards) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the BAR section of the Exam is included under References at the conclusion of this introduction.

### Content organization and tasks

The BAR section blueprint is organized by content AREA, content GROUP and content TOPIC. Each group or topic includes one or more representative TASKS that an nCPA may be expected to complete in practice.

Tasks in the BAR section blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the BAR section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.," this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the BAR section of the Exam:

Content area		Allocation
Area I	Business Analysis	40–50%
Area II	Technical Accounting and Reporting	35–45%
Area III	State and Local Governments	10–20%

### Overview of content areas

Area I of the BAR section blueprint covers historical, current and prospective analysis of the financial statements. The Area includes the following:

- Financial statement analysis, including comparison of current period financial statements to prior period or budget and interpretation of financial statement fluctuations and ratios.

## Business Analysis and Reporting (continued)

- Non-financial and non-GAAP measures of performance, including use of the balanced scorecard approach and interpretation of non-financial and non-GAAP measures to assess an entity's performance and risk profile.
- Managerial and cost accounting concepts and the use of variance analysis techniques.
- Budgeting, forecasting and projection techniques.
- Factors that influence an entity's capital structure, such as leverage, cost of capital, liquidity and loan covenants.
- Financial valuation decision models used to compare investment alternatives.
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management framework, including how it applies to environmental, social and governance (ESG) related risks.
- The effect of changes in economic conditions and market influences on an entity's business.

Area II of the BAR section blueprint covers financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to technical accounting and reporting topics. The Area includes the following:

- Indefinite-lived intangible assets, including goodwill.
- Internally developed software.
- Revenue recognition, specifically focusing on the analysis and interpretation of agreements, contracts and other supporting documentation to determine whether revenue was appropriately recognized.
- Stock compensation.
- Research and development costs.
- Business combinations.
- Consolidated financial statements, specifically focusing on topics including variable interest entities, noncontrolling interests, functional currency and foreign currency translation adjustments.

- Derivatives and hedge accounting.
- Leases, specifically focusing on recalling and applying lessor accounting requirements and analyzing the provisions of a lease agreement to determine whether a lessee appropriately accounted for the lease.
- Public company reporting topics, specifically focusing on Regulation S-X, Regulation S-K and segment reporting.
- Financial statements of employee benefit plans.

To the extent there are accounting or reporting differences between public business entities and nonpublic business entities, such differences may be tested for the financial accounting and reporting topics in the BAR section blueprint.

Area III of the BAR section blueprint covers GASB's financial accounting and reporting requirements for state and local governments under the GASB standards and interpretations. The Area includes the following:

- Basic concepts and principles of the government-wide, governmental funds, proprietary funds and fiduciary funds financial statements.
- Preparing government-wide, governmental funds, proprietary funds and fiduciary funds financial statements and other components of the financial section of the annual comprehensive financial report.
- Deriving the government-wide financial statements and reconciliation requirements.
- Accounting for specific types of transactions such as net position, fund balances, capital assets, long-term liabilities, interfund activity, nonexchange revenue, expenditures and expenses and budgetary accounting within the governmental entity financial statements.

### Section assumptions

The BAR section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that all of the information provided in each question is material and should apply all stated assumptions. In addition, candidates should assume that each question applies to a for-profit business

## Business Analysis and Reporting (continued)

entity reporting under U.S. GAAP unless otherwise stated in the fact pattern for a question. For example, questions that apply to the state and local governments include phrases such as “local government,” “state,” “municipality” or “city.”

### Skill allocation

The Exam applies a skill framework based on the revised Bloom’s Taxonomy of Educational Objectives<sup>9</sup>. Bloom’s Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The BAR section of the Exam assesses content at the first three skill levels of Bloom’s taxonomy as described below:

- Remembering and Understanding is tested in all three areas of the BAR blueprint. Tasks, such as identifying criteria and recalling concepts, require nCPAs to demonstrate their comprehension of accounting concepts, frameworks and standards. Areas II and III have the highest concentration of remembering and understanding tasks.
- Application skills are tested in all three areas of the BAR blueprint. Tasks, such as calculating and determining the impact of a transaction on the business, preparing journal entries and preparing financial statements, require nCPAs to use accounting and business concepts to measure an entity’s performance and to measure and recognize financial statement amounts.

- Analysis skills are tested in Areas I and II of the BAR blueprint. Tasks, such as interpreting results, comparing alternatives, reconciling account balances and interpreting agreements, require nCPAs to demonstrate a higher level of interpretation. Area I has the highest concentration of analysis tasks.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nCPA would reasonably be expected to perform.

### References – Business Analysis and Reporting

- FASB Accounting Standards Codification
- U.S. SEC References:
  - Securities Exchange Act of 1934
  - Regulation S-X of the Code of Federal Regulations (17 CFR Part 210)
  - Regulation S-K of the Code of Federal Regulations (17 CFR Part 229)
- State and Local Government References:
  - GASB Codification of Governmental Accounting and Financial Reporting Standards
  - GASB Statements, Interpretations, Technical Bulletins and Concepts Statements
  - National Council on Governmental Accounting (NCGA) Statements and Interpretations
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO):
  - Enterprise Risk Management – Integrating with Strategy and Performance
  - Enterprise Risk Management – Applying Enterprise Risk Management to Environmental, Social and Governance-related risks
- Current textbooks on accounting for business entities, state and local government entities, data analytics, economics, finance, managerial and cost accounting

## Summary Blueprint

<b>Content area allocation</b>	<b>Weight</b>
I. Business Analysis	40–50%
II. Technical Accounting and Reporting	35–45%
III. State and Local Governments	10–20%

<b>Skill allocation</b>	<b>Weight</b>
Evaluation	–
Analysis	30–40%
Application	45–55%
Remembering and Understanding	10–20%



## Area I – Business Analysis (40–50%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Current period/historical analysis, including the use of data</b>					
<b>1. Financial statement analysis</b>		✓			Determine attribute structures, format and sources of data needed to prepare financial statement analysis.
			✓		Compare current period financial statement accounts to prior periods or budget and explain variances.
			✓		Interpret financial statement fluctuations and ratios.
			✓		Use outputs (e.g., reports, visualizations) from data analytic techniques to identify patterns, trends and correlations to explain an entity's results.
			✓		Derive the impact of transactions on the financial statements and notes to the financial statements.
<b>2. Non-financial and non-GAAP measures of performance</b>	✓				Identify relevant non-financial and non-GAAP measures used to analyze an entity's performance.
		✓			Identify and apply internal and external benchmarking (e.g., competitor analysis) techniques to measure an entity's performance.
		✓			Use a balanced scorecard approach to measure an entity's performance.
			✓		Interpret non-financial (e.g., customer retention rate, employee turnover, labor productivity rate, ticket response time) and non-GAAP (e.g., EBITDA, free cash flow, core earnings, adjusted net income for non-recurring expenses) measures and analyze specific aspects of an entity's performance and risk profile.
<b>3. Managerial and cost accounting</b>		✓			Calculate fixed, variable and mixed costs.
		✓			Describe and use the different costing methods including absorption, variable, activity-based, process and job order costing.

## Area I – Business Analysis (40–50%) (continued)

Content group/topic	Skill				Representative Task	
	Remembering & Understanding	Application	Analysis	Evaluation		
<b>A. Current period/historical analysis, including the use of data (continued)</b>						
<b>3. Managerial and cost accounting (continued)</b>			✓		Derive the appropriate variance analysis method to measure the key cost drivers by analyzing business scenarios.	
			✓		Interpret sales results by performing price, volume and mix analysis.	
<b>B. Prospective analysis, including the use of data</b>						
<b>1. Budgeting, forecasting and projection</b>		✓			Determine methods to transform (e.g., preparing, cleaning, scrubbing) structured and unstructured data to make it useful for decision-making.	
			✓		Prepare a budget using supportable assumptions.	
			✓		Use forecasting and projection techniques to model financial results including revenue growth, cost and expense characteristics and profitability.	
				✓	Prepare and interpret the results of planning techniques including cost benefit analysis, sensitivity analysis, what-if scenarios, breakeven analysis and predictive analytics.	
				✓	Analyze results of forecasts and projections using ratio analysis and explanations of correlations to, or variations from, key financial indices.	
	<b>2. Capital structure</b>		✓			Calculate the cost of capital for a given financial scenario.
				✓		Determine the impact of changes in an entity's capital structure on cost of capital, loan covenants, liquidity and leverage.
				✓	Compare the strategies for financing new business initiatives and operations within the context of an optimal capital structure.	
				✓	Interpret the impact of various capital structures on financial statements and key performance measures.	

## Area I – Business Analysis (40–50%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. Prospective analysis, including the use of data (continued)</b>					
<b>3. Investment alternatives using financial valuation decision models</b>		✓			Use assumptions (e.g., highest and best use, market participant assumptions, unit of account) and approaches (cost, income, market) to measure fair value.
		✓			Determine the impact of changes to assumptions used to value an asset.
				✓	Compare investment alternatives (e.g., system replacement, make, lease or buy decisions) using financial metrics and modeling (e.g., payback period, net-present value, economic value added, cash flow analysis, internal rate of return).
<b>4. Risk management</b>	✓				Recall the purpose and objectives of the COSO ERM framework.
	✓				Recall how the COSO ERM framework can be applied to identify, respond to, and report environmental, social and governance (ESG) related risks.
		✓			Apply the COSO ERM framework to identify risk/opportunity scenarios in an entity.
		✓			Use strategies to mitigate financial risks (e.g., market, interest rate, currency, liquidity).
				✓	Compare various strategies for managing the working capital of an entity.
				✓	Derive the impact of a proposed transaction on key performance measures of an entity.
				✓	Interpret an entity's strengths, weaknesses, opportunities and threats (SWOT) analysis to assess the entity's options to achieve its overall business strategy.
<b>5. Economic and market influences on business</b>		✓			Determine the effect of supply and demand and elasticity measures on a product.
		✓			Calculate the effect of inflation on a product's real price or an entity's investments, debt and future expenses.

## Area I – Business Analysis (40–50%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
B. Prospective analysis, including the use of data (continued)					
5. Economic and market influences on business (continued)		✓			Calculate and use ratios and measures to quantify risks associated with risks of an entity (e.g., interest rates, currency exchange, prices).
		✓			Calculate the opportunity cost of a business decision.
			✓		Interpret the impact of market influences on an entity's business strategy, operations and risk (e.g., sourcing production inputs, innovating to develop or diversify product offerings, seeking new markets, undertaking productivity or cost-cutting initiatives).
			✓		Compare acquisition and divestiture opportunities based on given market analysis and investment criteria.

## Area II – Technical Accounting and Reporting (35–45%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Indefinite-lived intangible assets, including goodwill</b>					
	✓				Recall impairment indicators for goodwill and other indefinite-lived intangible assets.
		✓			Calculate the carrying amount of goodwill and other indefinite-lived intangible assets reported in the financial statements (initial measurement and impairment) and prepare journal entries.
<b>B. Internally developed software</b>					
	✓				Recall the criteria necessary to capitalize software developed for internal use or software developed for sale in the financial statements.
		✓			Calculate capitalized software developed for internal use or software developed for sale to be reported in the financial statements and the related amortization expense.
<b>C. Revenue recognition</b>					
			✓		Interpret agreements, contracts and/or other supporting documentation to determine the amount and timing of revenue to be recognized in the financial statements using the five-step model.
			✓		Reconcile and investigate differences between the sales subledger and the general ledger to determine whether an adjustment is necessary.
<b>D. Stock compensation (share-based payments)</b>					
	✓				Recall concepts associated with share-based payment arrangements (e.g., grant date, vesting conditions, inputs to valuation techniques, valuation models).
		✓			Use a given fair value measurement of a share-based payment arrangement classified as equity to prepare journal entries to recognize compensation cost.

## Area II – Technical Accounting and Reporting (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Stock compensation (share-based payments) (continued)</b>					
		✓			Use given fair value measurements of a share-based payment arrangement classified as a liability to prepare journal entries to recognize compensation cost.
<b>E. Research and development costs</b>					
	✓				Identify research and development costs and classify the costs as an expense in the financial statements.
		✓			Calculate the research and development costs to be reported as an expense in the financial statements.
<b>F. Business combinations</b>					
	✓				Recall concepts associated with the accounting for business combinations (e.g., business vs. asset acquisition, contingent consideration, measurement period adjustments).
		✓			Prepare journal entries to record the identifiable net assets acquired in a business combination that results in the recognition of goodwill or a bargain purchase gain.
		✓			Prepare journal entries to record the identifiable net assets acquired in a business combination that includes a noncontrolling interest.
		✓			Calculate the consideration transferred in a business combination.
<b>G. Consolidated financial statements</b>					
	✓				Recall basic consolidation concepts and terms (e.g., controlling interest, noncontrolling interest, primary beneficiary, variable interest entity).

## Area II – Technical Accounting and Reporting (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>G. Consolidated financial statements (continued)</b>					
	✓				Recall the basic functional currency concepts including the indicators to be considered when determining a subsidiary's functional currency.
		✓			Calculate foreign currency translation adjustments (local currency to functional currency and/or functional currency to reporting currency) to prepare consolidated financial statements.
		✓			Determine the appropriate presentation of foreign currency translation adjustments in the consolidated statement of comprehensive income.
<b>H. Derivatives and hedge accounting</b>					
	✓				Identify the characteristics of a freestanding and/or embedded derivative financial instrument to be recognized in the financial statements.
	✓				Identify the criteria necessary to qualify for hedge accounting.
	✓				Recall the appropriate presentation of gains and losses on derivative financial instruments (swaps, options and forwards) in the financial statements.
		✓			Use given inputs (interest rates, notional amounts, fair value measurements) to prepare the journal entries to record the net settlements and changes in fair value for an interest rate swap that qualifies for hedge accounting (fair value hedge, cash flow hedge).
<b>I. Leases</b>					
	✓				Identify the criteria for classifying a lease arrangement for a lessor.
		✓			Calculate the carrying amount of lease-related assets and liabilities and prepare journal entries that a lessor should record.
		✓			Calculate the amount of lease income that a lessor should recognize in the income statement.

## Area II – Technical Accounting and Reporting (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>I. Leases (continued)</b>					
		✓			Prepare journal entries that the seller/lessee should record for a sale and leaseback transaction.
			✓		Interpret agreements, contracts and/or other supporting documentation to determine the appropriate accounting treatment of a leasing arrangement and prepare the journal entries that the lessee should record.
<b>J. Public company reporting topics</b>					
	✓				Recall public company reporting requirements of Regulation S-X and Regulation S-K.
	✓				Recall the purpose, objective and key characteristics of XBRL business reporting.
	✓				Recall the financial statement note disclosure requirements for reportable segments.
<b>K. Financial statements of employee benefit plans</b>					
	✓				Identify the required financial statements for a defined benefit pension plan and a defined contribution pension plan.
	✓				Recall the disclosure requirements for the notes to the financial statements of a defined benefit pension plan and a defined contribution pension plan.
		✓			Prepare a statement of changes in net assets available for benefits for a defined benefit pension plan and a defined contribution pension plan.
		✓			Prepare a statement of net assets available for benefits for a defined benefit pension plan and a defined contribution pension plan.



## Area III – State and Local Governments (10–20%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Format and content of the financial section of the annual comprehensive financial report</b>					
<b>1. Government-wide financial statements</b>	✓				Identify and recall basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements, financial statement components).
		✓			Prepare the government-wide statement of net position for a state or local government from trial balances and supporting documentation.
		✓			Prepare the government-wide statement of activities for a state or local government from trial balances and supporting documentation.
<b>2. Governmental funds financial statements</b>	✓				Identify and recall basic concepts and principles associated with governmental fund financial statements (e.g., required funds, financial statements, financial statement components).
		✓			Prepare the statement of revenues, expenditures and changes in fund balances for the governmental funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the balance sheet for the governmental funds of a state or local government from trial balances and supporting documentation.
<b>3. Proprietary funds financial statements</b>	✓				Identify and recall basic concepts and principles associated with proprietary fund financial statements (e.g., required funds, financial statements, financial statement components).
		✓			Prepare the statement of revenues, expenses and changes in fund net position for the proprietary funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the statement of net position for the proprietary funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the statement of cash flows for the proprietary funds of a state or local government.

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## Area III – State and Local Governments (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Format and content of the financial section of the annual comprehensive financial report (continued)					
4. Fiduciary funds financial statements	✓				Identify and recall basic concepts and principles associated with fiduciary fund financial statements (e.g., required funds, financial statements, financial statement components).
		✓			Prepare the statement of changes in fiduciary net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the statement of net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.
5. Notes to financial statements	✓				Recall the disclosure requirements for the notes to the basic financial statements of state and local governments.
6. Management's discussion and analysis	✓				Recall the objectives and components of management's discussion and analysis in the annual comprehensive financial report for state and local governments.
7. Budgetary comparison reporting	✓				Recall the objectives and components of budgetary comparison reporting in the annual comprehensive financial report for state and local governments.
8. Required supplementary information (RSI) other than management's discussion and analysis	✓				Recall the objectives and components of required supplementary information other than management's discussion and analysis in the annual comprehensive financial report for state and local governments.
9. Financial reporting entity, including blended and discrete component units	✓				Recall the criteria for classifying an entity as a component unit of a state or local government and the financial statement presentation requirements (discrete or blended).

## Area III – State and Local Governments (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. Deriving government-wide financial statements and reconciliation requirements</b>					
		✓			Prepare worksheets to convert the governmental fund financial statements to the governmental activities reported in the government-wide financial statements.
		✓			Prepare the schedule to reconcile the total fund balances and the net change in fund balances reported in the governmental fund financial statements to the net position and change in net position reported in the government-wide financial statements.
<b>C. Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements</b>					
<b>1. Net position and components thereof</b>		✓			Calculate the net position balances (unrestricted, restricted and net investment in capital assets) for state and local governments and prepare journal entries.
<b>2. Fund balances and components thereof</b>		✓			Calculate the fund balances (assigned, unassigned, nonspendable, committed and restricted) for state and local governments and prepare journal entries.
<b>3. Capital assets and infrastructure assets</b>	✓				Identify capital assets reported in the government-wide financial statements of state and local governments.
		✓			Calculate the net general capital assets balance for state and local governments and prepare journal entries (initial measurement and subsequent depreciation and amortization).
<b>4. General and proprietary long-term liabilities</b>	✓				Identify general and proprietary long-term liabilities reported in the government-wide financial statements of state and local governments.
		✓			Calculate the total indebtedness to be reported in the government-wide financial statements of a state or local government.
		✓			Calculate the net general long-term debt balance for state and local governments and prepare journal entries (e.g., debt issuance, interest payments, issue premiums, issue discounts).

## Area III – State and Local Governments (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
C. Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements (continued)					
5. Interfund activity, including transfers		✓			Prepare eliminations of interfund activity in the government-wide financial statements of state and local governments.
			✓		Prepare journal entries to recognize interfund activity within state and local governments.
6. Nonexchange revenue transactions		✓			Calculate the amount of nonexchange revenue to be recognized by state and local governments using the modified accrual basis of accounting and prepare journal entries.
			✓		Calculate the amount of nonexchange revenue to be recognized by state and local governments using the accrual basis of accounting and prepare journal entries.
7. Expenditures and expenses		✓			Calculate expenditures to be recognized under the modified accrual basis of accounting (paid from available fund financial resources) for state and local governments and prepare journal entries.
			✓		Calculate expenses to be recognized under the accrual basis of accounting for state and local governments and prepare journal entries.
8. Budgetary accounting and encumbrances	✓				Recall and explain the types of budgets used by state and local governments.
			✓		Prepare journal entries to record budgets (original and final) of state and local governments.
			✓		Prepare journal entries to record encumbrances of state and local governments.

# Uniform CPA Examination Information Systems and Controls (ISC) Blueprint



## Information Systems and Controls

The Information System and Controls (ISC) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nCPAs must demonstrate with respect to information systems, including processing integrity, availability, security, confidentiality and privacy. Inherent in the analysis of controls in each of these subjects is awareness of the risks that the entity is intending to mitigate through the use of those controls.

The ISC section also tests the knowledge and skills that nCPAs must demonstrate with respect to data management, including data collection, storage and usage throughout the data life cycle.

The ISC section of the exam focuses on information technology (IT) audit and advisory, including System and Organization Controls (SOC) engagements. With respect to SOC engagements, the ISC section primarily focuses on:

- The use of the Description Criteria for a Description of a Service Organization's System and Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy in planning, performing and reporting in a SOC 2® engagement.
- Planning, certain procedures (excluding the testing of internal controls over financial reporting) and reporting on a SOC 1® engagement.

The assessment will also incorporate applied research with a focus on reviewing and using excerpts of source materials (e.g., standards, regulations, frameworks) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the ISC section of the Exam is included under References at the conclusion of this introduction.

### Content organization and tasks

The ISC section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nCPA may be expected to complete when performing assurance or advisory services relative to an entity's business processes, information systems, data management and security.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the ISC section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.", this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the ISC section of the Exam:

Content area		Allocation
Area I	Information Systems and Data Management	35–45%
Area II	Security, Confidentiality and Privacy	35–45%
Area III	Considerations for System and Organization Controls (SOC) Engagements	15–25%

## Information Systems and Controls (continued)

### Overview of content areas

Area I of the ISC section blueprint is focused on information systems and data management in a modern context, recognizing that much of it is cloud-based and undergoing rapid innovation. The Area includes the following:

- IT architecture components and the use of cloud-based models for IT infrastructure, platforms and services.
- Enterprise and accounting information systems, the business processes they enable and controls over processing integrity.
- System availability and IT change management.
- Data collection, storage, structured query language (SQL) queries and integration of data from different data sources.
- Business process models.

While certain representative tasks in Area I relate to testing controls in a SOC 2® engagement context, they are representative of similar procedures that may be performed in other IT audit and advisory contexts.

Area II of the ISC section blueprint covers security, confidentiality and privacy. The Area includes the following:

- Select portions of specified regulations, standards and frameworks related to information security and privacy that are considered by management in designing and implementing information systems and related controls.
- Types of threats and attacks (including cyber) to which an entity may be subject.
- Controls the entity uses to prevent, detect and respond to those threats and attacks.
- Controls the entity uses to maintain the confidentiality and privacy of information.

- Testing an entity's controls over security, confidentiality and privacy.
- An entity's incident response plan.

While certain representative tasks in Area II relate to testing controls in a SOC 2® engagement context, they are representative of similar procedures that may be performed in other IT audit and advisory contexts.

Area III of the ISC section blueprint covers considerations for SOC engagements. The Area includes the following:

- Form, content and management assertions in SOC 1®, SOC 2® and SOC 3® reports and the intended users of those reports.
- Aspects of engagement planning and reporting for SOC 1® and SOC 2® engagements.
- Procedures related to complementary user entity controls and complementary subservice organization controls.
- Procedures related to the system description criteria for SOC 1® and SOC 2® engagements.
- Trust services criteria for SOC 2® engagements.

### Section assumptions

The ISC section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that the information provided in each question is material and should apply all stated assumptions.

## Information Systems and Controls (continued)

### Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives<sup>9</sup>. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The ISC section of the Exam assesses content at the first three skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding skills are tested across all areas. These areas contain foundational knowledge that nCPAs are expected to possess related to standards, regulations, frameworks and procedures.
- Application skills are tested across all areas. These areas contain tasks that nCPAs are expected to perform related to examining information systems, data management and SOC engagements.
- Analysis skills are tested in Area I and Area II. These areas contain tasks that nCPAs are expected to perform related to detecting deficiencies in the suitability or design and deviations in the operation of controls related to information systems.

<sup>9</sup> Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nCPA would reasonably be expected to perform.

### References – Information Systems and Controls

The subject matter covered in the ISC section is rapidly changing. Newly licensed CPAs need to stay current through resources such as those detailed below. To the extent the References refer to specific sections of a publication, the scope of the assessment of the content in that publication will be limited to those specific sections.

- AICPA
  - 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (Includes March 2020 updates) (Trust Services Criteria)
  - 2018 Description Criteria for a Description of a Service Organization's System in a SOC 2<sup>®</sup> Report
  - Description Criteria for Management's Description of the Entity's Cybersecurity Risk Management Program
  - Frequently asked questions – SOC 2<sup>®</sup> and SOC 3<sup>®</sup> examinations
  - Materiality considerations for attestation engagements involving aspects of subject matters that cannot be quantitatively measured
  - Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1<sup>®</sup>) – Guide
  - SOC 2<sup>®</sup> Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy
  - Statements on Standards for Attestation Engagements and Interpretations



## Information Systems and Controls (continued)

- Center for Internet Security (CIS), CIS Controls; Version 8
  - “Overview” and “Why is this Control critical?” sections of each control (Control 01 to Control 18)
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO)
  - Blockchain and Internal Control: The COSO Perspective
  - Enterprise Risk Management for Cloud Computing
  - Managing Cyber Risk in a Digital Age
- Cybersecurity & Infrastructure Security Agency (CISA)
  - Security Tips published by the National Cyber Awareness System (NCAS), released or revised subsequent to November 1, 2019 that are relevant to the Groups and Topics in Area I and Area II, limited to the information in the tip itself, and not extending to the underlying referenced material
- Health Insurance Portability and Accountability Act of 1996 (HIPAA) 45 CFR Part 164 Security and Privacy
  - Section 164.103 through Section 164.530 excluding Implementation Specifications and Compliance Dates
- ISACA
  - COBIT 2019 Framework: Introduction and Methodology, Chapters 1 through 5
  - White papers available to the public free of charge that address subject matters covered in the groups and topics of ISC Area I and Area II
- National Institute of Standards and Technology (NIST)
  - Framework for Improving Critical Infrastructure Cybersecurity (CSF) Version 1.1, Sections 1 and 2, including the glossary definitions of terms used in those sections
  - NIST Privacy Framework: A Tool For Improving Privacy through Enterprise Risk Management; Version 1.0, Sections 1 and 2, including the glossary definitions of terms used in those sections
  - Security and Privacy Controls for Information Systems and Organizations, Special Publication 800-53 (SP 800-53) Revision 5, Chapters 1 and 2, including the glossary definitions of terms used in those sections
- PCI Security Standards Council Payment Card Industry Data Security Standard (PCI DSS)
  - PCI DSS Quick Reference Guide; Version 3.2.1 Introduction: Protecting Cardholder Data with PCI Security Standards, Overview of PCI Requirements and Security Controls and Processes for PCI DSS Requirements
- Regulation (EU) 2016/679 General Data Protection Regulation (GDPR)
  - Articles 4 through 34
- Textbooks
  - Accounting Information Systems
  - Data Confidentiality and Privacy
  - Data Literacy
  - Data Management
  - Incident Response and Disaster Recovery
  - Information Security / Cyber Security
  - Information Systems
  - Information Technology (IT)
  - IT Audit and Assurance

## Summary Blueprint

<b>Content area allocation</b>	<b>Weight</b>
I. Information Systems and Data Management	35–45%
II. Security, Confidentiality and Privacy	35–45%
III. Considerations for System and Organization Controls (SOC) Engagements	15–25%

<b>Skill allocation</b>	<b>Weight</b>
Evaluation	–
Analysis	10–20%
Application	20–30%
Remembering and Understanding	55–65%

## Area I – Information Systems and Data Management (35–45%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Information systems</b>					
<b>1. IT infrastructure</b>	✓				Explain the purpose and recognize examples of key components of IT architecture (e.g., operating systems, servers, network infrastructure, and end-user devices).
	✓				Explain cloud computing, including cloud computing models (infrastructure as a service (IaaS), platform as a service (PaaS), and software as a service (SaaS)) and deployment models (e.g., public, private, hybrid).
	✓				Summarize the role and responsibilities of cloud service providers.
	✓				Explain how the COSO framework addresses cloud computing governance.
<b>2. Enterprise and accounting information systems</b>	✓				Summarize enterprise resource planning (ERP) and accounting information systems, what they encompass and how they interact.
	✓				Explain how the COSO internal control framework can be used to evaluate risks related to the use of blockchain in the context of financial reporting and to design and implement controls to address such risks.
		✓			Determine potential changes to business processes to improve the performance of an accounting information system (e.g., automation, outsourcing).
				✓	Reconcile the actual sequence of steps and the information, documents, tools and technology used in a key business process of an accounting information system (e.g., sales, cash collections, purchasing, disbursements, human resources, payroll, production, treasury, fixed assets, general ledger, reporting) to the documented process (e.g., flowchart, business process diagram, narrative).
				✓	Detect deficiencies in the suitability or design and deviations in the operation of controls related to an information system's processing integrity in a SOC 2 <sup>®</sup> engagement using the Trust Services Criteria.

## Area I – Information Systems and Data Management (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Information systems (continued)</b>					
3. Availability	✓				Recall the scope, purpose and key considerations for business resiliency, disaster recovery and business continuity plans.
	✓				Explain the objectives of mirroring, replication and back-up.
	✓				Summarize steps in a business impact analysis.
	✓				Recall measures of system availability (e.g., agreed service time, downtime).
			✓		Determine the appropriateness of the organization's data backup types (e.g., full, incremental, differential) including recovery considerations.
				✓	Detect deficiencies in the suitability or design and deviations in the operation of controls related to a service organization's availability service commitments and system requirements in a SOC 2 <sup>®</sup> engagement using the Trust Services Criteria.
4. Change management	✓				Summarize aspects of change management including authorization, the use of different environments, segregation of duties, testing, conversion, and documentation.
	✓				Explain key concepts of release management and patch management procedures.
			✓		Test the design and implementation of change control policies for IT resources (hardware and software).
<b>B. Data management</b>					
	✓				Identify data collection methods and techniques.
	✓				Define the various types of data storage (e.g., data warehouse, data lake, data mart) and database schemas (e.g., star, snowflake).

## Area I – Information Systems and Data Management (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
B. Data management (continued)					
	✓				Summarize the data life cycle (i.e., the span of the use of information, from creation, through active use, storage and final disposition).
		✓			Examine a relational database's structure to determine whether it applies data integrity rules, uses a data dictionary, and normalizes the data.
		✓			Examine a SQL query (common commands, clauses, operators, aggregate functions and string functions) to determine whether the retrieved data set is relevant and complete.
			✓		Integrate the data available from different data sources to provide information necessary for financial and operational analysis and decisions.
			✓		Investigate a business process model (e.g., flowchart, data flow diagram, business process model and notation (BPMN) diagram) to identify potential improvements.

## Area II – Security, Confidentiality and Privacy (35–45%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Regulations, standards and frameworks</b>					
	✓				Recall the covered entities and permitted uses and disclosures of the HIPAA Security and Privacy Rules.
	✓				Recall the scope of the GDPR and the six principles and key concepts for personal data.
	✓				Recall the requirements of the PCI DSS.
	✓				Recall the three parts of the NIST CSF (Framework Core, Framework Implementation Tiers, Framework Profiles).
	✓				Recall the three parts of the NIST Privacy Framework (Framework Core, Framework Profiles, Framework Implementation Tiers).
	✓				Recall the purpose, applicability, target audience and organizational responsibilities of NIST SP 800-53.
	✓				Recall the overview of each CIS Control.
	✓				Recall the governance system principles, governance framework principles and the components of a governance system according to COBIT 2019.
<b>B. Security</b>					
<b>1. Threats and attacks</b>					
	✓				Classify the different types of threat agents (e.g., internal or external, nation or non-nation state-sponsored, adversary, threat actors, attacker or hacker).
	✓				Identify types of attacks (e.g., physical, distributed denial of service, malware, social engineering, web application attacks, mobile device attacks).
	✓				Identify techniques used in a cyber-attack (e.g., buffer overflow, mobile code, cross-site scripting, SQL injections, race conditions, covert channel, replay and return-oriented attack).

## Area II – Security, Confidentiality and Privacy (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. Security (continued)</b>					
<b>1. Threats and attacks (continued)</b>	✓				Explain the stages in a cyber-attack (e.g., reconnaissance, scanning, enumeration, gaining access, escalation of privileges, maintaining access, network exploitation, covering tracks).
	✓				Identify the cybersecurity risks related to using cloud environments, platforms and services.
	✓				Identify the cybersecurity risks related to the Internet of Things (IoT).
	✓				Identify the cybersecurity risks related to mobile technologies.
	✓				Explain threat modeling and threat landscape.
			✓		
<b>2. Mitigation</b>	✓				Identify ways to protect networks and devices used to access the network remotely (e.g., isolation and segmentation, virtual private network (VPN), wireless network security, endpoint security, system hardening, intrusion prevention and detection systems).
	✓				Recall the definition and purpose of vulnerability management.
	✓				Explain the concepts of layered security and defense-in-depth.
	✓				Define the concepts of least-privilege, zero-trust, whitelisting and the need-to-know principle.
	✓				Explain the differences between policy-based, role-based, rule-based, risk-adaptive and discretionary access controls.
	✓				Recall the purpose and content of a technology acceptable use policy including considerations specific to mobile technologies and bring-your-own-device (BYOD).

## Area II – Security, Confidentiality and Privacy (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. Security (continued)</b>					
<b>2. Mitigation (continued)</b>	✓				Explain how the COSO frameworks can be used to assess cyber risks and controls.
		✓			Determine the common preventive, detective or corrective controls (e.g., authorization, intrusion prevention systems, device and software hardening, log analysis, intrusion detection systems, virus quarantining, patches) to mitigate risk of cyber-attacks for an organization.
		✓			Determine the appropriate identification and authentication techniques and technologies (e.g., password management, single sign-on, multi-factor authentication, personal identification number (PIN) management, digital signatures, smart cards, biometrics) in a specific scenario.
<b>3. Testing</b>		✓			Perform procedures to obtain an understanding how the entity communicates information to improve security knowledge and awareness and to model appropriate security behaviors to personnel through a security awareness training program.
		✓			Provide input into a security assessment report by documenting the issues, findings and recommendations identified while performing tests of controls.
			✓		Perform a walkthrough of an organization's procedures relevant to IT security (e.g., IT risk management, human resources, training and education) and compare the observed procedure with the documented policy requirement.
			✓		Detect deficiencies in the suitability or design and deviations in the operation of controls related to a service organization's security service commitments and system requirements in a SOC 2® engagement using the Trust Services Criteria.
<b>C. Confidentiality and privacy</b>					
	✓				Explain encryption fundamentals, techniques and applications.
	✓				Recall the differences between confidentiality and privacy.



## Area II – Security, Confidentiality and Privacy (35–45%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Confidentiality and privacy (continued)</b>					
	✓				Identify methods for the protection of confidential data during the design, development, testing and implementation of applications that use confidential data (e.g., data obfuscation, tokenization).
	✓				Explain Data Loss Prevention (DLP).
	✓				Identify financial and operational implications of a data breach.
		✓			Determine controls and data management practices to securely collect, process, store, transmit and delete confidential data or data subject to privacy regulations.
			✓		Detect deficiencies in the suitability or design and deviations in the operation of controls related to a service organization's confidentiality and privacy service commitments and system requirements in a SOC 2 <sup>®</sup> engagement using the Trust Services Criteria.
			✓		Perform a walkthrough of an organization's procedures relevant to confidentiality and privacy (e.g., IT risk management, human resources, training and education) and compare the observed procedure with the documented policy requirement.
<b>D. Incident response</b>					
	✓				Recall the differences between security/cybersecurity events and incidents.
	✓				Explain the use of insurance as a mitigation strategy for a security incident or data breach.
	✓				Summarize contents commonly included in incident response plans (e.g., roles, responsibilities, methods, steps, timelines).
		✓			Perform procedures to test whether the entity responded to cybersecurity incidents in accordance with the incident response plan.

## Area III – Considerations for System and Organization Controls (SOC) Engagements (15–25%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Considerations specific to planning and performing a SOC engagement					
	✓				Explain the purpose of the Trust Services Criteria and its organization (e.g., alignment with the COSO Internal Control – Integrated Framework, supplemental criteria, common criteria and additional specific criteria).
	✓				Recall the types of subject matters a practitioner may be engaged to report on using the Trust Services Criteria.
	✓				Identify management assertions specific to the different categories and types (Type 1 and Type 2) of SOC engagements (SOC 1®, SOC 2®, SOC 3®).
	✓				Recall the intended users of SOC 1®, SOC 2® and SOC 3® reports.
	✓				Summarize the independence considerations between the service auditor, service organization and subservice organizations.
	✓				Explain how materiality is determined and used in performing a SOC engagement (SOC 1®, SOC 2®).
	✓				Identify the risk assessment requirements for a service organization and the service auditor.
	✓				Summarize the criteria for a vendor to be considered a subservice organization.
	✓				Explain the considerations for deciding between, and use of, the inclusive and carve-out method for subservice organizations and complementary subservice organization controls (CSOCs).
	✓				Define service commitments and system requirements in a SOC 2® engagement and how they correspond to an entity's objectives referred to in the Trust Services Criteria.

## Area III – Considerations for System and Organization Controls (SOC) Engagements (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Considerations specific to planning and performing a SOC engagement (continued)					
	✓				Recall the impact of subsequently discovered facts on the SOC engagement (SOC 1®, SOC 2®).
	✓				Explain the purpose and common sections of a system description subject to SOC 1® or SOC 2® engagements.
	✓				Recall the Description Criteria for Management’s Description of an Entity’s Cybersecurity Risk Management Program.
	✓				Explain the purpose of complementary user entity controls (CUECs) identified by service organization management in their system description.
	✓				Recall requirements about obtaining management’s written representations in a SOC engagement (SOC 1®, SOC 2®).
		✓			Obtain an understanding of the system addressed by a SOC 2® engagement, including the clear identification of the boundaries of the system as defined by the service organization.
		✓			Perform procedures to obtain an understanding of how a service organization provides its personnel and external users information on how to report failures, incidents, concerns and other complaints related to a system subject to a SOC 2® engagement.
		✓			Prepare a comparison of management’s system description to suitable criteria in a SOC 1® engagement or to the description criteria in a SOC 2® engagement.
		✓			Perform procedures to identify subsequent events that could require disclosure (SOC 1®, SOC 2®).

# Area III – Considerations for System and Organization Controls (SOC) Engagements (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
B. Considerations specific to reporting on a SOC engagement					
	✓				Explain the effect of CUECs on the SOC report (SOC 1®, SOC 2®).
	✓				Summarize the carve-out vs. the inclusive method of reporting on CSOCs.
	✓				Explain the types of opinions and report modifications when deficiencies have been identified.
		✓			Prepare results of testing of controls to be included in the SOC 2® report of the test of a control, including when there was an exception identified by the test.
		✓			Determine the appropriate form and content of a report on the examination of controls at a service organization (SOC 1®, SOC 2®).

# Uniform CPA Examination Tax Compliance and Planning (TCP)

## Blueprint



## Tax Compliance and Planning

The Tax Compliance and Planning (TCP) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nCPAs must demonstrate with respect to:

- U.S. federal tax compliance for individuals and entities with a focus on nonroutine and higher complexity transactions
- U.S. federal tax planning for individuals and entities
- Personal financial planning

The assessment of federal tax compliance will focus on an nCPA's role in both the preparation and review of tax returns. The assessment of federal tax planning will focus on an nCPA's role in determining the tax implications of proposed transactions, available tax alternatives or business structures. The assessment of personal financial planning will focus on planning strategies and opportunities that an nCPA typically identifies in connection with the preparation and review of individual tax returns.

The assessments described above will also incorporate:

- Data and technology concepts including the verification of the completeness and accuracy of source data used to prepare returns and supporting schedules.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., Internal Revenue Code, Treasury Regulations) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the TCP section of the Exam is included under References at the conclusion of this introduction.

### Content organization and tasks

The TCP section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nCPA may be expected to complete when performing tax preparation services, tax planning services or personal financial planning services.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the TCP section of the Exam. Lists or examples included within the text of a representative task beginning with the word "including" are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with "e.g.," this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include "e.g." are intended to be an exhaustive list of the content to be assessed with respect to that representative task. Additionally, the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the TCP section of the Exam:

Content area		Allocation
Area I	Tax Compliance and Planning for Individuals and Personal Financial Planning	30–40%
Area II	Entity Tax Compliance	30–40%
Area III	Entity Tax Planning	10–20%
Area IV	Property Transactions (disposition of assets)	10–20%

## Tax Compliance and Planning (continued)

### Overview of content areas

Area I of the TCP section blueprint is focused on individuals and covers federal tax compliance for nonroutine transactions and issues, tax planning and personal financial planning. The Area includes the following:

- Tax compliance issues related to incentive compensation, at-risk and passive loss limitations and gifting assets.
- Tax planning issues related to accelerating or deferring income and deductions to minimize tax liability, estimated tax payments, gifting assets, changing tax rates and legislation.
- Personal financial planning for individuals, including the assessment of qualified retirement plans, investing, education funding and risk mitigation through the use of insurance.

Area II of the TCP section blueprint covers federal tax compliance related to nonroutine entity tax transactions and issues. The Area includes the following:

- Utilization of net operating losses, consolidated tax returns and international tax issues for C corporations.
- Transactions between an entity and owner, specifically recognized income and losses from the contribution of noncash property, liquidating and nonliquidating distributions of noncash property and services performed by an owner.
- Impact on an owner's basis resulting from contributions and distributions of noncash property to an entity.
- Partnership elections and the impact of ownership changes to a partnership.
- Identifying characteristics of different types of trusts, calculating income and allocating items between income and corpus.
- Obtaining and maintaining tax-exempt status as well as recalling the types of unrelated business income for a tax-exempt organization.

Area III of the TCP section blueprint covers federal tax planning for entities. The Area includes the following:

- Formation and liquidation of various entities, including comparisons of different entity types.
- Tax planning for C corporations, S corporations and partnerships, including the tax implications of a proposed transaction to both the entity and owner.

Area IV of the TCP section blueprint covers federal tax compliance issues related to asset dispositions. The Area includes the following:

- Nontaxable dispositions of property, and the realized, recognized and deferred tax gains resulting from the transaction.
- Character of recognized gains and losses on the disposition of property used in a trade or business, including installment sale transactions.
- Sale of property to a related party, including nonrecognition of gain or loss.

### Section assumptions

The TCP section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that the information provided in each question is material and should apply all stated assumptions. Candidates will not be tested on their knowledge of specific tax rate percentages, amounts or limitations that are indexed to inflation. To the extent a question addresses a topic that could have different tax treatments based on timing (e.g., net operating losses), it will include a clear indication of the timing (e.g., use of real dates) so that the candidates can determine the appropriate portions of the Internal Revenue Code or Treasury Regulations to apply to the question. Absent such an indication of timing or other stated assumptions, candidates should assume that transactions or events referenced in the question occurred in the current year and should apply the most recent provisions of the tax law in accordance with the timing specified in the CPA Exam Policy on New Pronouncements.

## Tax Compliance and Planning (continued)

### Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives.<sup>10</sup> Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The TCP section of the Exam assesses content at the first three skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding is mainly concentrated in Area I and Area II. These two areas contain nonroutine compliance issues encountered by nCPAs and they are tested at the lower end of the skill level continuum.
- Application and Analysis skills are tested across all areas. These areas contain day-to-day planning tasks that nCPAs are expected to perform related to tax and personal financial planning and the preparation and review of tax returns and therefore are tested at the higher end of the skill level continuum.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nCPA would reasonably be expected to perform.

### References – Tax Compliance and Planning

- Revised Model Business Corporation Act
- Revised Uniform Limited Partnership Act
- Revised Uniform Partnership Act
- Internal Revenue Code of 1986, as amended
- Treasury Regulations
- Other administrative pronouncements regarding federal taxation
- Case law on federal taxation
- Current textbooks on federal taxation, personal financial planning and tax planning

<sup>10</sup> Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). *A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition)*. New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). *Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain*. New York: David McKay.



## Summary Blueprint

<b>Content area allocation</b>	<b>Weight</b>
I. Tax Compliance and Planning for Individuals and Personal Financial Planning	30–40%
II. Entity Tax Compliance	30–40%
III. Entity Tax Planning	10–20%
IV. Property Transactions (disposition of assets)	10–20%

<b>Skill allocation</b>	<b>Weight</b>
Evaluation	–
Analysis	30–40%
Application	50–60%
Remembering and Understanding	5–15%

## Area I – Tax Compliance and Planning for Individuals and Personal Financial Planning (30–40%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Individual compliance and tax planning considerations for gross income, adjusted gross income, taxable income and estimated taxes</b>					
		✓			Consider the impact to an individual's taxable income for certain items of gross income, including the exercise of incentive stock options (ISO), imputed interest on a below-market-rate loan, and compensation earned while employed outside the U.S.
		✓			Consider the effect of changing tax rates and legislation on the timing of income and expense items for planning purposes given a specific scenario.
		✓			Identify projected tax savings through utilization of flexible spending accounts (FSAs) and qualified health savings accounts (HSAs) for planning purposes given a specific scenario.
		✓			Consider the impact of using either itemized deductions or the standard deduction for planning purposes given a specific scenario.
		✓			Calculate estimated tax payments required for an individual to avoid underpayment penalties given a specific planning scenario.
			✓		Review an individual's projected income and expenses prior to year-end to determine the tax implications, and provide options to minimize tax liability given a specific planning scenario.
<b>B. Compliance for passive activity and at-risk loss limitations (excluding tax credit implications)</b>					
		✓			Calculate the at-risk loss limitation for an activity in which an individual materially participates, including losses from pass-through entities and losses from real estate rental activities with active participation.
		✓			Calculate the passive activity loss limitations given a specific scenario, including the netting of passive activity gains and losses.

## Area I – Tax Compliance and Planning for Individuals and Personal Financial Planning (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. Compliance for passive activity and at-risk loss limitations (excluding tax credit implications) (continued)</b>					
		✓			Calculate utilization of suspended losses on the disposition of a passive activity for tax purposes.
			✓		Review an individual's basis schedules and supporting documentation for a pass-through entity, including any source data used to create the schedules, to confirm the correct allocation of a loss between the amounts suspended for at-risk limitations, suspended for passive activity rules, and allowed for tax purposes.
<b>C. Gift taxation compliance and planning</b>					
	✓				Recall allowable gift tax deductions and exclusions for federal gift tax purposes.
	✓				Explain the unified transfer tax system and how the annual exclusion, marital deduction and the unified credit impact the planning for gifts and gift taxation.
		✓			Calculate the amount of taxable gifts for federal gift tax purposes.
		✓			Calculate the potential tax savings when donating noncash property to a charitable organization given a specific planning scenario, including identification of the property to be donated to minimize the individual's current-year tax liability.
		✓			Identify the potential tax savings from gifting ownership of noncash property to an individual given a specific planning scenario, including identification of the property to be gifted to minimize the donor's future estate.

## Area I – Tax Compliance and Planning for Individuals and Personal Financial Planning (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
D. Personal financial planning for individuals					
	✓				Demonstrate an understanding of the advantages and disadvantages of different qualified retirement plans, including traditional IRAs, Roth IRAs, 401(k)s, annuities, and employer-sponsored plans.
	✓				Demonstrate an understanding of the risks associated with different investment options, including equity securities, corporate bonds and municipal bonds.
	✓				Demonstrate an understanding of planning for funding post-secondary education, including qualified tuition programs, student loans, grants and scholarships.
	✓				Explain how insurance is used in planning to mitigate risk, including life insurance, long-term care insurance and umbrella policies.
		✓			Prepare a schedule to be used in the decision-making process to select a retirement plan from different options given a specific planning scenario, identifying the related advantages and disadvantages.
		✓			Calculate the return on investment (ROI) for different investment options, net of the tax impact, given a specific planning scenario.

## Area II – Entity Tax Compliance (30–40%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. C corporations</b>					
1. Net operating and capital loss utilization	✓				Recall the limitations on the use of net operating losses when there is an ownership change.
		✓			Calculate the amount of a C corporation's net operating loss for a given year and the related carryforward or carryback.
		✓			Calculate the amount of a C corporation's capital loss utilized in the current year and the related carryforward or carryback.
2. Transactions between a shareholder and a C corporation (contributions to and distributions from a corporation and loans)		✓			Calculate a shareholder's tax realized and recognized gain (loss) on the contribution of noncash property to a C corporation, and the C corporation's basis in the property contributed.
		✓			Calculate the tax realized and recognized gain (loss) for both a C corporation and shareholders on a nonliquidating distribution of noncash property, and the shareholders' basis in the property received.
		✓			Calculate the tax realized and recognized gain (loss) for both a C corporation and shareholders on a liquidating distribution, and the shareholders' basis in the property received.
		✓			Calculate the amount and treatment of the cash distributions to shareholders in excess of a C corporation's current and accumulated earnings and profits (E & P).
				✓	Review loan documents and supporting documentation to determine the tax implications of a loan between a shareholder and C corporation, including imputed interest.
3. Consolidated tax returns	✓				Recall the requirements for filing a consolidated federal Form 1120 – <i>U.S. Corporation Income Tax Return</i> .
		✓			Calculate taxable income for a consolidated federal Form 1120 – <i>U.S. Corporation Income Tax Return</i> , including elimination of intercompany transactions.

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## Area II – Entity Tax Compliance (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. C corporations (continued)</b>					
<b>4. International tax issues</b>	✓				Explain the sourcing of income for a U.S. corporation with foreign operations.
	✓				Explain the sourcing of income for a foreign corporation with U.S. operations, including consideration of federal tax withholding requirements.
	✓				Explain the concept of a controlled foreign corporation (CFC) and the impact on a U.S. corporation's taxable income.
	✓				Explain the concept of permanent establishment for a corporation and the activities that would create it.
	✓				Explain the difference between a foreign branch and foreign subsidiary with respect to federal income taxation to a U.S. corporation.
	✓				Explain the requirements related to Interest Charge Domestic International Sales Corporation (IC-DISC), foreign derived intangible income (FDII), base erosion and anti-abuse (BEAT) and global intangible low-taxed income (GILTI).
			✓		
<b>B. S corporations</b>					
<b>1. Basis of shareholder's interest</b>		✓			Calculate the impact on a shareholder's stock basis in an S corporation for tax purposes resulting from contributions of noncash property, including an S corporation's assumption of debt on the contributed property.
		✓			Calculate the impact on a shareholder's stock basis in an S corporation for tax purposes resulting from nonliquidating distributions of noncash property.
		✓			Calculate the impact on a shareholder's debt basis in an S corporation for tax purposes resulting from loans made by a shareholder to an S corporation.
				✓	Review a shareholder's stock and debt basis schedules in an S corporation for tax purposes and supporting documentation, including any source data used to create the schedule, to determine the accuracy of transactions reflected.

## Area II – Entity Tax Compliance (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>B. S corporations (continued)</b>					
<b>2. Transactions between a shareholder and an S corporation (contributions to and distributions from a corporation)</b>		✓			Calculate a shareholder's tax realized and recognized gain (loss) on the contribution of noncash property to an S corporation, and the S corporation's basis in the property contributed.
			✓		Calculate the tax realized and recognized gain (loss) for both an S corporation and shareholders on a nonliquidating distribution of noncash property, and the shareholders' basis in the property received.
			✓		Calculate the tax realized and recognized gain (loss) for both an S corporation and shareholders on a liquidating distribution, and the shareholders' basis in the property received.
			✓		Calculate the allocation of S corporation income (loss) after the sale of a shareholder's ownership interest in the S corporation for tax purposes.
<b>C. Partnerships</b>					
<b>1. Basis of partner's interest</b>		✓			Calculate the impact on a partner's basis in a partnership for tax purposes resulting from contributions of noncash property, including a partnership's assumption of debt on the contributed property.
			✓		Calculate the impact on a partner's basis in a partnership for tax purposes resulting from nonliquidating distributions of noncash property.
			✓		Calculate the impact on a partner's basis in a partnership for tax purposes resulting from recourse and nonrecourse partnership debt incurred during the current year, including loans made by a partner to a partnership.
				✓	Review a partner's basis schedule in a partnership for tax purposes and supporting documentation, including any source data used to create the schedule, to determine the accuracy of transactions reflected.
<b>2. Partnership and partner elections</b>	✓				Recall partner elections applicable to a partnership for tax purposes.

## Area II – Entity Tax Compliance (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Partnerships (continued)</b>					
<b>3. Transactions between a partner and a partnership (services performed by a partner and contributions to and distributions from a partnership)</b>		✓			Calculate the tax implications of certain transactions between a partner and partnership (e.g., services performed by a partner) for tax purposes.
		✓			Calculate a partner's tax realized and recognized gain (loss) on the contribution of noncash property to a partnership, and the partnership's basis in the property contributed.
		✓			Calculate the tax realized and recognized gain (loss) for both a partnership and partners on a nonliquidating distribution of noncash property, and the partner's basis in the property received.
		✓			Calculate the tax realized and recognized gain (loss) for both a partnership and partners on a liquidating distribution, and the partner's basis in the property received.
<b>4. Ownership changes</b>		✓			Calculate the allocation of partnership income (loss) after the sale of a partner's share in a partnership for tax purposes.
		✓			Calculate the revised basis of partnership assets due to a transfer of a partnership interest for tax purposes.



## Area II – Entity Tax Compliance (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>D. Trusts</b>					
1. Types of trusts	✓				Recall and explain the characteristics of various types of trusts, including simple trusts, complex trusts and grantor trusts.
	✓				Recall and explain a trust as a pass-through entity and the roles of grantor, trustee, and beneficiaries and the concept of corpus.
2. Income and deductions		✓			Identify the allocation of items between income and corpus in a given scenario.
		✓			Calculate a trust's accounting income, distributable net income and taxable income, including the income distribution deduction.
<b>E. Tax-exempt organizations</b>					
1. Obtaining and maintaining tax-exempt status	✓				Recall the requirements to qualify as an IRC Section 501(c)(3) tax-exempt organization.
	✓				Recall the events that would cause an entity to lose its tax-exempt status.
2. Unrelated business income	✓				Recall the different types of unrelated business income for tax-exempt organizations for tax purposes.

## Area III – Entity Tax Planning (10–20%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Formation and liquidation of business entities</b>					
		✓			Prepare a schedule that is used as an input to an entity selection decision that calculates the tax implications of noncash property transactions for multiple entity types.
		✓			Identify the type of business entity that is best described by a given set of legal characteristics.
			✓		Derive the tax implications of entity selection and formation decisions across multiple entity types and compare the results.
			✓		Derive the tax implications of entity liquidation decisions across multiple entity types and compare the results.
<b>B. Tax planning for C corporations</b>					
		✓			Calculate the potential tax savings from utilization of net operating and capital loss carryovers.
		✓			Identify opportunities to optimize state and local income tax rules in tax planning for business expansion given a specific scenario, including apportionment of income and location of business.
		✓			Calculate the effect of changing tax rates and legislation on the timing of income and expense items for tax planning purposes given a specific scenario.
		✓			Calculate estimated tax payments for a C corporation in order to avoid underpayment penalties given a specific planning scenario.
			✓		Derive the tax implications to a shareholder and C corporation for a proposed transaction after formation of the corporation, including noncash property contributions and noncash property distributions.

## Area III – Entity Tax Planning (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>C. Tax planning for S corporations</b>					
		✓			Calculate the projected amount subject to built-in gains for a proposed disposition of an asset in order to minimize the built-in gains tax due.
		✓			Identify the implications of terminating an S corporation election given a specific planning scenario.
			✓		Derive the tax implications to a shareholder and S corporation for a proposed transaction after formation of the corporation, including noncash property contributions and loans from a shareholder and noncash property distributions to a shareholder.
			✓		Derive the tax implications of a contemplated election to treat distributions to shareholders as being made from an S corporation's accumulated earnings and profits (AEP) and not from the accumulated adjustments account (AAA).
<b>D. Tax planning for partnerships</b>					
		✓			Calculate the tax implications to a partner for the contribution to a partnership of noncash property that has appreciated or depreciated in value.
		✓			Calculate the tax implications of various types of payments to a partner, including guaranteed payments and a nonliquidating distribution.
			✓		Derive the tax implications to a partner and partnership for a proposed transaction, including a contribution of noncash property, a nonliquidating distribution of noncash property or the sale of a partnership interest.

## Area IV – Property Transactions (disposition of assets) (10–20%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
<b>A. Nontaxable disposition of assets</b>					
		✓			Calculate the realized gain, recognized gain and deferred gain on like-kind property exchange transactions for tax purposes and the basis of the asset received as a result of the exchange transaction.
			✓		Review asset sale and exchange transactions, and relevant supporting documentation, to determine whether they are taxable or nontaxable.
<b>B. Amount and character of gains and losses on asset disposition, and netting process, including installment sales</b>					
		✓			Identify the character of the gain and loss recognized by a taxpayer on the disposal of an asset given a specific scenario.
		✓			Calculate the Section 1231 capital gain and Section 1231 ordinary loss recognized for tax purposes on the disposition of an asset used in a trade or business.
		✓			Calculate the Section 1245 and Section 1250 depreciation recapture recognized for tax purposes on the disposition of an asset used in a trade or business.
		✓			Calculate the unrecaptured Section 1250 gain recognized for tax purposes on disposition of an asset used in a trade or business.
		✓			Calculate the loss allowed on the disposition of Section 1244 small business stock for tax purposes.
			✓		Review a schedule of asset dispositions for the current year and supporting documentation, including any source data used, to determine the completeness and accuracy of the amount and the character of the gain or loss recognized for tax purposes.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the amount and character of a gain or loss reported on a tax return based on the source data used to prepare the return.

## Area IV – Property Transactions (disposition of assets) (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
C. Related party transactions, including imputed interest					
	✓				Recall related parties for tax purposes.
		✓			Calculate the direct and indirect ownership percentages of corporation stock or partnership interests to determine whether there are related parties for tax purposes.
		✓			Calculate a taxpayer's gain or loss on a subsequent disposition of an asset to an unrelated third party that was previously purchased from a related party.
		✓			Calculate the amount and treatment of imputed interest on related party transactions for tax purposes.

**Examinations Team**

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# Appendix B

## Practice Analysis Process

### Goal of Licensure

The goal of licensure is protection of the public interest, or more specifically, providing the public with assurance that those individuals who are licensed possess a minimum level of knowledge and skills necessary for safe and effective practice. The qualifications for licensure generally include educational requirements, and the passing of an exam assessing the knowledge and/or skills required for competent performance.<sup>6</sup> Some form of PA is typically used as the basis for identifying and supporting the knowledge and skills necessary for competent performance.<sup>7</sup>

### Practice Analysis Process

Practice or job analysis refers to a variety of systematic procedures designed to obtain descriptive information about the tasks performed on a job and/or the knowledge, skills, and abilities thought necessary to perform those tasks.<sup>8</sup> A practice analysis is the primary mechanism for establishing the job-relatedness of decisions concerning licensure. That is, if licensure decisions can be linked directly to the outcomes of a practice analysis, they may be said to be job-related. Similarly, if the content of a licensure exam/test can be linked directly to the outcomes of a practice analysis, the test may be said to be job-related, and inferences from test scores may be supported by arguments of content validity as related to the practice analysis.

The rationale that supports the content of a licensure exam is the demonstrable linkage that exists between the exam content and the performance domain of the associated occupation or profession. Professional standards and legal precedents recommend that a practice analysis include the participation of

various subject matter experts (SME)<sup>9</sup> and that the information collected be representative of the diversity within the occupation.<sup>10</sup> Diversity refers to regional or job context factors and to SME factors such as race or ethnicity, experience, and gender. The practice analysis conducted to define the performance domain for nICPA was designed to be consistent with the Standards for Educational and Psychological Testing (AERA, APA, & NCME, 2014); General Requirements for Bodies Operating Certification of Persons (Organization for Standardization, 2003); Standards for the Accreditation of Certification Programs (NCCA, 2014) and current professional practice.

### Project Organization

#### Proposal of New Model for CPA Licensure and Initial NASBA and AICPA Research 2018 – 2021

The CPA Evolution initiative aims to transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. It is a joint effort of NASBA and AICPA.

Beginning in 2018, and over three years, NASBA and the AICPA talked to more than 4,000 stakeholders from across the profession to gather input on how to transform CPA licensure. The feedback received included:

- The profession agrees with the need to change the CPA licensure model.
- Newly licensed CPAs should all demonstrate strong common Core competencies.
- The new CPA licensure model should position CPAs for the future.
- The new CPA licensure model should continue to protect the public interest.

<sup>6</sup> American Educational Research Association [AERA], American Psychological Association [APA], and the National Council for Measurement in Education [NCME], 2014

<sup>7</sup> AERA, APA, & NCME, 2014 National Commission for Certifying Agencies [NCCA], 2002; Raymond & Neustel, 2006.

<sup>8</sup> (Arvey & Faley, 1988; Gael, 1983; Raymond & Neustel, 2006).

<sup>9</sup> (Mehrens, 1987; NCCA, 2002; Raymond & Neustel, 2006).

<sup>10</sup> (Kuehn, Stallings, & Holland, 1990).

In Fall 2019, NASBA and the AICPA carefully reviewed all of the feedback received, studied other professions' licensure models, and considered multiple options for updates to the CPA licensure model before developing the Core and Discipline licensure model.

This approach is responsive to stakeholder input, while still propelling the profession into the future. The model starts with a strong Core in accounting, auditing, and tax, with a recognition of the impact technology has on each. All candidates will be required to complete the Core sections. Then, each candidate will choose a Discipline in which to demonstrate knowledge and skills in that particular domain. Regardless of chosen Discipline, this model leads to full CPA licensure, with rights and privileges consistent with any other CPA. The Discipline selected for testing does not mean the CPA is limited to that practice area. Benefits of the Core and Discipline model include:

- Enhances public protection by producing candidates who have the knowledge necessary to perform high-quality work, meeting the needs of organizations, firms, and the public.
- Is responsive to feedback, as it builds accounting, auditing, tax, and technology knowledge requirements into a robust common Core.
- Reflects the realities of practice, requiring knowledge in one of three Disciplines that are pillars of the profession.
- Is adaptive and flexible.
- Results in one CPA license.

After the AICPA governing Council and the NASBA Board of Directors both voted to support advancing the CPA Evolution initiative, the AICPA began a new practice analysis to develop a CPA Evolution-aligned CPA Exam.

## Overview of the Practice Analysis Methodology

### Phase 1 – Exploration

#### Initial Draft of CPA Evolution-Aligned CPA Exam Blueprints

The first step of aligning the CPA Exam to the Core and Discipline model for CPA Evolution was to examine the content assessed by the CPA Exam and allocate content to the Core and Discipline Exam sections. Guiding principles were established for the allocation of current content to the Core and Discipline model for CPA Evolution. First, the content allocated to the Core Exam sections should represent the knowledge and skills that all nICPAs need to protect the public interest. Second, the Discipline Exam sections should assess knowledge and skills in the candidate's area of focus necessary to protect the public interest.

The AICPA worked with the joint AICPA and NASBA CPA Evolution Task Force, which led the initial vision, scoping, and research for the CPA Evolution initiative starting in 2018, to create an initial draft of the CPA Evolution-aligned content at a topic level. Content was allocated to the Core and Discipline sections using the guiding principles described above. The resulting initial draft of the content was then reviewed and tested using surveys and focus groups.

The AICPA contracted with American Institutes for Research (AIR) to develop the protocols for the Core Exams Survey and Discipline Exams Focus Groups. AIR collected, analyzed, and reported the results of the Core Exams Survey; and led the questions, discussions, and reporting for three virtual Discipline Exams Focus Groups.

#### Core Exams Survey

A group of 34 CPAs from across the profession who were familiar with the CPA Evolution project were asked to provide agreement ratings on the proposed groups and topics for all proposed Core Exam sections covering accounting, auditing and attestation, and taxation and regulation. The participants had the opportunity to participate in a virtual introductory training session. Prior to the virtual training session, participants were sent documents explaining the survey and research process.



During the training, AICPA reviewed the CPA Evolution model, the guiding principles, mapping examples, and draft Discipline Exam section content. After an overview of the effort, AICPA walked participants through the Core Exams Survey to ensure their comfort level with completing the survey. Participants had approximately four weeks to complete the Core Exams Survey and provided ratings on 161 groups and topics.

The Core Exams Survey asked the participants to what extent they agree that certain groups or topics should be part of the Core Exam sections. To provide their agreement ratings, participants were asked to select a response from a Likert-scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). If participants did not agree that certain groups or topics should be included in the Core Exam sections, then they were asked if the content should be included in a Discipline Exam section or removed from the 2024 CPA Exam.

The results of the Core Exam Survey showed strong support for the groups and topics proposed to be included in the Core Exam sections. Of the 161 groups and topics, only 11 groups and topics received less than an average agreement rating (less than 3.0). Overall, participants who disagreed with the aforementioned content did not think the content should be removed from the 2024 CPA Exam, rather it should be considered for the Discipline Exam sections.

Additionally, the participants were asked to provide agreement ratings on eight content topics that were proposed for removal from the 2024 CPA Exam. Participants agreed (provided an average agreement rating greater than 3.0) that five of the content topics could be considered for removal including:

- BEC – Operations Management – *Approaches, techniques, measures, benefits to process-management driven businesses*
- BEC – Operations Management – *Management philosophies and techniques for performance improvement*
- FAR – State and Local Governments – State and local government concepts – *Conceptual framework*

- FAR – State and Local Governments – Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements – *Special items*
- FAR – State and Local Governments – Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements – *Other financing sources and uses*

Participants did not agree (provided an average agreement rating below 3.0) that three of the content topics should be removed including:

- FAR – Conceptual Framework, Standard-Setting and Financial Reporting – Conceptual framework and standard-setting for business and nonbusiness entities – *Conceptual framework*
- FAR – Conceptual Framework, Standard-Setting and Financial Reporting – Conceptual framework and standard-setting for business and nonbusiness entities – *Standard-setting process*
- REG – Federal Taxation of Entities (including tax preparation and planning strategies): S corporations: *Built-in gains tax*

Using the results of the survey, the Content Committee and Content Subcommittees proposed to remove the five content topics discussed above from the 2024 CPA Exam, but also decided it was proper to remove conceptual framework and standard-setting process from FAR. The Content Committee and Content Subcommittees agreed that the content topics were not knowledge and skills required for nICPA practice. Additionally, the Content Committee and Content Subcommittees, moved the assessment of built-in gains tax to the TCP Discipline Exam section.

### **Discipline Exam Focus Groups**

Using the same CPAs from the Core Exams Survey, who were already familiar with CPA Evolution and the PA research, AICPA and AIR conducted three three-hour virtual panels, one for each Discipline Exam section. Based on the participants' background and area of practice, they were asked to participate in one focus group (either BAR, ISC, or TCP).

For each focus group, the participants were reviewing, reacting, and brainstorming using the high-level description for that particular Discipline Exam section. During each focus group, the participants brainstormed and generated content for each area under the specific Discipline Exam section. When generating new content for one area, the AIR facilitator gave the participants time to review the high-level proposed content for that area and then brainstorm additional ideas for topics. The virtual focus groups used Google Jamboard™ to conduct the virtual brainstorming using virtual sticky notes that could be created and edited by the participants.

Numerous content topics were generated from each focus group including:

- For the BAR Discipline Exam section, important context and background were given for the potential assessments of financial statement analysis, technical accounting and reporting; financial and operations management; and accounting for state and local governments.
- For the ISC Discipline Exam section, important context and background were given for the potential assessments of IT governance and risk assessment; performing procedures; tests of internal control; SOC engagements; use and management of data; and information security and protection of information assets.
- For the TCP Discipline Exam section, important context and background were given for individual tax and financial planning; entity tax compliance; entity tax planning; and property transactions.

The results of the focus group's brainstorming were largely confirmatory in nature to the potential content that could be assessed in the Discipline Exam sections, and provided important context and background for the knowledge and skills required of nCPAs in those areas of practice.

## Exploration Phase Follow-up Interviews

Based on the results of the Discipline Exam Focus Groups, it was clear that more information was needed on nCPA's role particularly related to SOC engagements and personal financial planning and tax planning. To gather more information about the knowledge and skills needed by nCPAs, the AICPA planned and conducted a series of direct interviews with over 20 CPAs from across the profession working directly on SOC engagements and tax planning and personal financial planning who supervised nCPAs.

AIR advised on the process, protocol, and interview questions. The following questions were asked with regard to nCPAs working on SOC engagements and tax planning and personal financial planning.

## SOC Engagements Interviews

The SOC interview protocol included the following questions regarding an nCPA's role in SOC engagements:

- To what extent are nCPAs involved in SOC engagements at your firm?
  - SOC 1® (Type 1 or Type 2 engagements)?
  - SOC 2® (Type 1 or Type 2 engagements)?
  - SOC 3® Trust Services Criteria for General Use Report (SOC 3®) (Type 1 or Type 2 engagements)?
  - SOC® – Supply Chain?
  - SOC® – Cybersecurity?
- Does your firm need to provide additional training in order for nCPAs to be able to perform the required tasks? If training is required, what is the nature of the required training and delivery mode?
  - Do the nCPAs involved in SOC engagements have a specialized degree or background in addition to auditing / accounting? If so, which degree or credential?
  - What is the approximate breakout of nCPAs that work on SOC engagements versus staff with other credentials?

- What responsibilities or tasks, if any, does the nICPA have in planning the SOC 1®/SOC 2® engagements?
  - What does the nICPA primarily focus on in the planning of SOC 1®/SOC 2® engagements?
  - What knowledge or skills are nICPA required to have regarding Trust Services Criteria?
  - Obtaining an understanding of the service organization’s system and risk assessment; and what is the extent of the nICPA’s role?
- What responsibilities or tasks does the nICPA have in performing the SOC engagement?
  - What responsibilities or tasks do the nICPAs have in obtaining evidence regarding the design of controls?
  - What responsibilities or tasks do nICPAs have in obtaining evidence regarding the operating effectiveness of controls?
  - What responsibilities or tasks do nICPAs have in evaluating the reliability of information produced by the service organization?
- What responsibilities or tasks, if any, does the nICPA have in the preparation of the Service Auditor’s Report?
  - What responsibilities or tasks, if any, does the nICPA have in describing tests of controls and results?
- What tools, techniques, or technology do nICPAs use (or are emerging) to gather data or information in any of the aforementioned areas of a SOC engagement?

The themes emerging from the virtual interviews regarding an nICPA’s role in SOC engagements highlighted that nICPAs are increasingly involved on SOC engagements and need to understand the basics of planning, performing, and reporting on SOC engagements (SOC 1® and SOC 2®) and the Trust Services Criteria. This includes understanding the basics of security, confidentiality, and privacy; incident response; IT infrastructure; change management; and data management.

The research showed that nICPAs are rarely involved in SOC 3®, SOC® for Supply Chain, and SOC® for Cybersecurity engagements. The AICPA analyzed the focus group themes and identified the findings that are summarized in the New Content Identified by Practice Analysis section. These findings are fundamental to the proposed content and reorganization throughout the AUD Core Exam section and the ISC Discipline Exam section of the 2024 CPA Exam.

### **Personal Financial Planning (PFP) and Tax Planning Interviews**

The PFP and tax planning interview protocol included the following questions regarding an nICPA’s role in PFP and tax planning:

- To what extent are nICPAs involved in personal financial planning at your firm?
  - Do nICPAs provide both PFP and tax preparation services to clients; are they required to specialize?
  - Do you require members of PFP practice to have their CPA license?
    - Is the amount of members of the PFP practice with their CPA license comparable to the amount of CPAs in your tax practice?
- Does your firm need to provide additional training in order for nICPAs to be able to perform the required tasks? If training is required, what is the nature of the required training and delivery mode?
  - Do nICPAs involved in personal financial planning have a specialized degree or background in addition to taxation/accounting? If so, which degree or credential?
- To what extent are nICPAs required to understand the regulatory landscape, including financial services regulations and fiduciary practices?
  - Are other licenses and/or certifications required? If so, at what point in these individuals’ careers?
  - Are nICPAs required to know the PFP standards?

- What responsibilities or tasks, if any, does the nICPA have in fundamental financial planning for clients?
- What responsibilities or tasks, if any, does the nICPA have in estate, gift, and wealth transfer planning?
- What responsibilities or tasks, if any, does the nICPA have in charitable planning?
- What responsibilities or tasks, if any, does the nICPA have in risk management and insurance planning?
- What responsibilities or tasks, if any, does the nICPA have in employee and business-owner planning?
- What responsibilities or tasks, if any, does the nICPA have in investment planning?
  - What types of investments are discussed?
- What responsibilities or tasks, if any, does the nICPA have in retirement planning?
- What responsibilities or tasks, if any, does the nICPA have in elder, special needs, and chronic illness planning?
- What responsibilities or tasks, if any, does the nICPA have in education planning?
- What tools, techniques, or technology do nICPAs use (or are emerging) to gather data or information for personal financial planning work?
- Are there other areas of financial planning or tax planning not discussed that involve nICPA? If so, which areas?

The themes emerging from the virtual interviews regarding an nICPA's role in personal financial planning and tax planning highlighted that nICPAs are involved in advising clients on the basics of personal financial planning (including retirement and education planning; implications of how insurance mitigates risk; and risks of different types of investments).

### **Focus Groups on Data and Technology Concepts in Taxation**

Based on the results of the Discipline Exam Focus Groups, it was clear that more information was needed regarding the use of data and technology by nICPAs in taxation.

A group of diverse tax practitioners from different locations and firm sizes were brought together for focus group sessions to consider how technology, including automation of aspects of tax return preparation and outsourcing, continues to impact the work of nICPAs.

Through four focus group sessions, there was discussion on how the tax preparation process has evolved. This included the use of software and other technology used to communicate with clients and gather, analyze, and prepare data and documentation. The group discussed detailed examples of the most important tasks where the nICPA are involved.

The focus groups identified that nICPAs review tax returns and client information earlier in their careers, sometimes without the experience of having prepared the returns from original documentation. At multiple points in their work, nICPAs need to possess an analytical mindset to understand what information they have, what information they do not have, and why it may or may not make sense given the context.

The results of the focus groups provided valuable information and context that were used to draft the task statements in the REG Core Exam and the TCP Discipline Exam sections. This will change how certain tasks will be assessed, including the need to understand the sources and flow of data and potential issues with the data and consider automated diagnostic and validation checks.

### **Analysis of the Core Exams Surveys, Focus Groups and Interviews**

The results of the Core Exams Survey showed strong initial support for the content allocated to the Core Exam sections. The Discipline Exams Focus Groups generated numerous ideas to consider and provided confirmatory data that major areas of nICPA practice were included in the proposed Discipline Exam sections. The Discipline Exams Focus Groups highlighted that more research was needed in a few key areas: an nICPA's role in SOC engagements and an nICPA's role in personal financial planning and tax planning.

The follow-up interviews focused on an nICPA's role in SOC engagements and personal financial planning and tax planning. The research showed that nICPAs need increased knowledge and skills related to SOC engagements, IT, and related controls. This included the basics of planning, performing, and reporting on SOC engagements and additional focus on security, confidentiality, and privacy; incident response; IT infrastructure; change management; and data management. The research also showed that nICPAs need increased knowledge and skills related to personal financial planning and tax planning including the basics of personal financial planning and the basics of tax planning for C Corporations, S Corporations, and partnerships, including the use of data and technology.

The BOE's Content Committee and its Subcommittees reviewed the results of the survey, focus groups, and interviews and incorporated the results into the next draft of the Core and Discipline Exam section Blueprints, which focused on adding task statements to the areas, groups, and topics. The resultant Blueprints were used as the basis for the next step of research – the Socialization Survey.

### **Socialization Survey**

The Socialization Survey was the profession's first chance to review and provide feedback on the potential content for the 2024 CPA Exam. The survey outlined the Core and Discipline Exam sections, which included the areas and groups/topics for each of the proposed sections. The online survey was posted on the AICPA's website for two months and included a Background Document, which provided information on CPA Evolution, CPA Evolution research conducted to date, and an outline of the proposed 2024 CPA Exam content to review prior to taking the survey.

AIR advised on the process, Background Document, and survey. The survey asked participants to indicate their level of agreement with the proposed content for each area of a Core and Discipline Exam section. The rating provided should have considered all of the proposed content for that area as it related to the practice of nICPAs. If a participant did not agree with the content proposed for a certain area, they were asked to explain which specific groups/topics in the

area they disagreed with and their reasoning. A participant was able to provide ratings and feedback on all Core and Discipline Exam sections or provide ratings and feedback on select Core and Discipline Exam sections. Additionally, each area of the Core and Discipline Exam sections could be skipped if the participant did not feel comfortable rating a particular area.

At the conclusion of the Socialization Survey, a participant was asked two additional questions: (i) was there any additional content that you believed was not yet identified and should be considered for inclusion in a Core or Discipline Exam section; and (ii) did you have any other comments related to the content allocations in the Core or Discipline Exam sections.

Over 400 participants from across the profession participated in the Socialization Survey. The results indicated strong support for the area and groups/topics for each Core and Discipline Exam section with an average rating of over three and a half on a four-point scale. To provide their agreement ratings, participants were asked to select a response from a Likert-scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). No area of any Core or Discipline Exam section received less than an average agreement rating (3.0). Participants that provided ratings were from across the profession with most participants from public accounting (37%); academia (17%); working in business and industry (14%); working for not-for-profits or government organizations (8%); and other (24%).

The qualitative results provided at the end of the survey indicated that there were questions or concerns related to the visibility of technology, analytics, and data in the Core and Discipline Exam sections; the placement of cost accounting in the BAR Discipline Exam section; the split of testing lessee accounting in the FAR Core Exam section and lessor accounting in the BAR Discipline Exam section; and the prominence of Environment, Social, and Governance (ESG) topics in the Core and Discipline Exam sections.

The BOE's Content Committee and its Subcommittees reviewed the results of the Socialization Survey and incorporated the results into the next draft of the Core and Discipline Exam section Blueprints, which focused on refining task statements to the areas, groups, and topics. The resultant Blueprints were used as the basis for the next step of research – the Confirmation Phase.

## Phase 2 – Confirmation

The AICPA contracted with AIR to develop a survey methodology to collect quantitative and qualitative feedback on the CPA Exam Blueprints from licensed CPAs from all areas of the profession. These CPAs participated in a survey where they would provide ratings and comments on groupings of task statements reviewed by the BOE's Content Committee and its Subcommittees using the research from Phase 1 of the PA.

Based on the length of the content, which included all the areas, groups/topics, and task statements in each Core and Discipline Exam section, AIR recommended breaking the content into three surveys, each including a Core and Discipline pairing. This would result in surveys of a reasonable length. The Core Discipline pairings were the following:

- Core *Financial Accounting and Reporting*/Discipline *Business Analysis and Reporting*
- Core *Taxation and Regulation*/Discipline *Tax Compliance and Planning*
- Core *Auditing and Attestation*/Discipline *Information Systems and Controls*

AIR recommended that data be collected from approximately 100 participants for each pairing who met particular criteria that were designed to ensure participants were very familiar with the work of nCPAs and their role in protecting the public interest. The criteria for survey participants included the following: (i) active CPA licensure status and (ii) experience directly supervising nCPAs in the last two years. The intent was to have participants with varied backgrounds including diversity in area of practice, ethnicity, gender, location, and age.

The AICPA recruited survey participants and vetted them based on their background and experience. In addition, AICPA gathered information about their primary area of employment to try to ensure that participants were assigned to the appropriate Core and Discipline pairing and balanced across these categories. Across all three Core and Discipline pairings, the AICPA recruited over 400 participants.

The AICPA conducted four Confirmation Phase Training Sessions<sup>11</sup> for all selected participants. Additionally, selected participants were emailed background information on CPA Evolution and the survey process, which they were requested to read prior to the training session. These sessions were approximately 30 minutes in length and provided the participants with an overview of the CPA Evolution initiative, the new licensure model, and the 2024 CPA Exam PA research, along with an overview of what would be expected of them for the upcoming survey. The last portion of the session was devoted to answering participants' questions. A representative from AIR attended each session and answered any questions related to the confirmation survey.

Each survey included a Core and Discipline pairing and was administered using Verint *EFM* (previously known as *Vovici 7*). Participants were presented with the Core Exam section first, followed by the Discipline Exam section. The survey also included a demographic questionnaire asking participants to identify their experience, job title, licensure status, education, race/ethnicity, gender, and age. Note that the participants could choose not to disclose their race/ethnicity, gender, age, and education.

Participants were asked to indicate (i) their level of agreement that each grouping of task statements includes the knowledge and skills required of an nCPA, and (ii) provide a rating representing how confident they were in their ratings given to all groupings within an Area. When assigning ratings to the groupings, participants were instructed to consider the presented content with respect to nCPAs to make a holistic rating across the information presented for each grouping.

<sup>11</sup> These sessions were recorded and made available to those who could not attend, and to the additional participants who were recruited later.

To provide their agreement ratings, participants were asked to select a response from a Likert-scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). At the end of each Area, they were asked to rate their confidence in their ratings on the same 4-point rating scale.

Numeric ratings do not capture why participants rated a grouping below threshold. Therefore, a comment box for Strongly Disagree or Disagree ratings was included. Participants who disagreed with the grouping content were given the option of providing feedback to explain their rationale for low ratings. Moreover, at the end of the entire survey, participants were asked to provide additional feedback on the proposed content and suggest additional content that they believed had not been identified and should have been considered for inclusion in either the Core or Discipline Exam Sections. The section below discusses key points from the quantitative and qualitative results of the Confirmation Phase Survey.

### Key Points

- The results of this Confirmation Survey are based on a total of 300 participants out of 414 (72.5%) recruited CPAs. The range of final sample sizes across the three Core and Discipline pairings was 79 to 118.
- All survey participants were active CPAs who supervised nCPAs in the last two years, mostly working in public practice.
- While all participants across the three surveys held at least a bachelor's degree, a substantial portion of them also had a master's degree.
- Across the three surveys, participants represented all ages (above 25) and traditional genders (male/female). In terms of race, most of the participants (i.e., over 80%) reported being in a White racial group.
- Distribution of primary area of employment among participants.
  - FAR/BAR had 74% of participants from public accounting; 15% from government or not-for-profit; and 11% from business and industry. Conversely, AUD/ISC and REG/TCP had 97% and 98% of participants from public accounting, respectively, with the balance in business and industry.
  - Across the three surveys, participants from all size firms in public accounting were invited to participate with 37% from small firms, 37% from large firms, and 26% from Big 4 firms.
- All Area-level average confidence ratings were above 3.00, indicating participants' high level of confidence in their ratings.
- None of the Group averages within the FAR and REG Core Exam sections and the TCP Discipline Exam section fell below the threshold of 3.00 (Agree).
- AUD, BAR, and ISC included a total of four Groups with a Mean rating below the threshold of 3.0.
  - AUD – Economic Concepts
  - BAR – Prospective Analysis, including the use of data
  - BAR – Derivatives and Hedge Accounting
  - ISC – Regulations, Standards and Frameworks

AIR analyzed comments from participants who disagreed with the content on below-threshold groupings, as well as comments from all participants provided at the end of the surveys. A summary of the below-threshold comments revealed opinions from those who disagreed with the content, such as the following:

- AUD – Economic Concepts, most content could be removed.
- BAR – Prospective Analysis and Derivatives and Hedge Accounting could be too advanced for nCPAs, and therefore, could be removed.
- BAR – Prospective Analysis and AUD – Economic Concepts may be better placed elsewhere in the Exam and, in some cases, replaced with suggested alternatives accordingly.
- ISC – Regulations, Standards and Frameworks could be too specific, too advanced for nCPAs, or both; therefore, they may need to be removed.
- BAR – Prospective Analysis, AUD – Economic Concepts, and ISC – Regulations, Standards and Frameworks, there is a possible gap between the academic training and applied practice that could have implications for exam content.

From the end of survey comments:

- Overall, participants who provided additional feedback at the end of the survey mostly showed a neutral, or positive, attitude towards the proposed content of the CPA Evolution-aligned Exam.
- Specifically, the REG/TCP pairing garnered the highest positive feedback among all three Core and Discipline pairings.

AIR's synthesis of survey responses revealed that the overall proposed content for the CPA Exam Blueprints appropriately captures capabilities necessary for initial licensure even though some content revisions to the below-threshold Groups were suggested.

Overall, participants provided over 1,000 comments during the survey process. AICPA reviewed all comments, including comments made for groupings of task statements receiving above agreement ratings in order to identify any emerging themes.

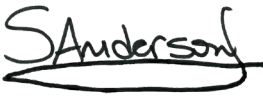
The BOE's Content Committee and its Subcommittees reviewed, considered, and deliberated the quantitative and qualitative results of the Confirmation Phase survey and incorporated the results into the next draft of the Core and Discipline Exam section Blueprints. The Subcommittee deliberations resulted in the reorganization of certain content, revision of multiple task statements, and adjustment to specific content and skill weightings. The resultant CPA Exam Blueprints, which were reviewed and approved by the Content Committee and the BOE, are included for comment in Appendix A of this ED.





**State of Wisconsin  
Department of Safety & Professional Services**

**AGENDA REQUEST FORM**

<b>1) Name and title of person submitting the request:</b> Sofia Anderson, Administrative Rules Coordinator		<b>2) Date when request submitted:</b> 8/18/2022 <small>Items will be considered late if submitted after 12:00 p.m. on the deadline date which is 8 business days before the meeting</small>	
<b>3) Name of Board, Committee, Council, Sections:</b> Accounting Examining Board			
<b>4) Meeting Date:</b> August 31, 2022	<b>5) Attachments:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>6) How should the item be titled on the agenda page?</b> Administrative Rules Matters – Discussion and Consideration 1. Possible rule project discussion: CPA exam credit extensions 2. Pending and Possible Rulemaking Projects	
<b>7) Place Item in:</b> <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session	<b>8) Is an appearance before the Board being scheduled?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>9) Name of Case Advisor(s), if required:</b> N/A	
<b>10) Describe the issue and action that should be addressed:</b> Attachments: 1. CPA Evolution Recommendation letter 2. Chapter Accy 2			
<b>11) Authorization</b> <div style="display: flex; justify-content: space-between; align-items: flex-end; margin-top: 20px;"> <div style="text-align: center;">   <hr/>                 Signature of person making this request             </div> <div style="text-align: center;">                 8/18/22  <hr/>                 Date             </div> </div> <div style="display: flex; justify-content: space-between; align-items: flex-end; margin-top: 10px;"> <div style="width: 60%;">Supervisor (if required)</div> <div style="width: 35%;">Date</div> </div> <div style="display: flex; justify-content: space-between; align-items: flex-end; margin-top: 10px;"> <div style="width: 70%;">Executive Director signature (indicates approval to add post agenda deadline item to agenda)</div> <div style="width: 25%;">Date</div> </div>			
<b>Directions for including supporting documents:</b> 1. This form should be attached to any documents submitted to the agenda. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, provide original documents needing Board Chairperson signature to the Bureau Assistant prior to the start of a meeting.			



National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880/4290 ♦ Web [www.nasba.org](http://www.nasba.org)

June 1, 2022

Dear Executive Director:

Upon the launch of the new CPA Examination in January 2024, it is anticipated some candidates with conditional credit may possibly be negatively impacted by limited opportunities to test and also by delays in score reporting.

The CBT Administration Committee and the Executive Directors Committee strongly recommend that transitioning policies regarding credit extensions be consistent among all boards to reduce confusion and shifting candidate application behaviors based upon differing board policies. Because questions have been raised regarding credit extension policies during transition, the Committees are recommending the following credit extension policy:

**Any candidate with Uniform CPA Examination credit(s) on January 1, 2024 will have such credit(s) extended to June 30, 2025.**

The recommendation is based on the following goals and objectives:

- Minimizes candidate disruption
- Easy to understand, communicate and implement
- Minimize risk to the public protection
- Minimize impact to the candidate pipeline
- Support and promote the new CPA Evolution model
- Minimize changes to state board statute/rules
- Be uniformly accepted by all Boards of Accountancy

It should also be noted that during the conversion from the paper-and-pencil examination to the computerized examination in 2004, similar extensions of credits were granted.

The two committees will take up the issue of addressing how new candidates testing in 2024 could be impacted by limited testing opportunities and score delays later this year and make further recommendations to the Boards.

We urge you to adopt the above recommendation. If you have any questions, please contact either of us, or Patricia Hartman, NASBA Director of Client Services (615-880-4273 or [phartman@nasba.org](mailto:phartman@nasba.org)). Pat and other NASBA senior staff are available to attend your Board meetings virtually over the coming months to answer questions and provide further background information regarding the recommendation of the Committees if that would be helpful.

Also, please let Pat know if your Board will adopt the recommended policy, as she will be tracking status of this matter for all Boards and reporting it periodically to you. Our intent is to share this information widely, along with testing and score release calendars for 2024 later in 2022, so it is preferable that each Board doesn't announce their policy decision until such time as the broad release. NASBA will communicate the timing the announcements with the Boards before they are published.

Thank you for your consideration of this matter.

Sincerely,

*Nancy J. Corrigan*

Nancy J. Corrigan, CPA  
Chair, CBT Administration Committee  
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cc: Colleen Conrad, COO and EVP, NASBA  
Patricia Hartman, Director of Client Services, NASBA

## Chapter Accy 2

### INDIVIDUAL CERTIFICATION AND LICENSURE

#### Subchapter I — Authority and Definitions

Accy 2.001 Authority.  
Accy 2.002 Definitions.

#### Subchapter II — Application for Certification of Individuals

Accy 2.101 Application.  
Accy 2.102 Expiration of applications.

#### Subchapter III — Education

Accy 2.202 Education required for certification.

#### Subchapter IV — Examination

Accy 2.301 Examination.  
Accy 2.302 Certified public accountant examination.  
Accy 2.303 Education required for examination.  
Accy 2.304 Candidates for examination.  
Accy 2.305 Cheating on examination.  
Accy 2.306 Professional ethics examination.  
Accy 2.307 Examination review.

Accy 2.308 Transfer of scores.

#### Subchapter V — Experience

Accy 2.401 Review of candidate's experience.  
Accy 2.402 Experience evaluation.  
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Accy 2.404 Experience; general.  
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#### Subchapter VI — Licensure

Accy 2.501 Requirements for renewal and reinstatement of individual licenses.

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Accy 2.601 Definitions.  
Accy 2.602 CPE requirements for certified public accountants.  
Accy 2.603 Criteria for acceptance of learning activities.

#### Subchapter I — Authority and Definitions

**Accy 2.001 Authority.** The rules in this chapter are adopted under the authority in ss. 15.08 (5) (b), 227.11 (2), and 442.04, Stats.

**History:** 2015 Wis. Act 217: cr. Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.002 Definitions.** In this chapter, except where a different meaning is indicated:

(1) "Accredited" means to be listed by an accrediting agency recognized by the secretary of the federal department of education.

**Note:** For a listing of accrediting agencies recognized by the secretary of the federal department of education, see [http://www2.ed.gov/admins/finaid/accred/accreditation\\_pg6.html](http://www2.ed.gov/admins/finaid/accred/accreditation_pg6.html).

(2) "Bachelor's degree" means a baccalaureate degree normally conferred by universities and colleges at the completion of at least a 4-year, full-time, academic-year program of study.

**Note:** Some students complete the 4-year bachelor's degree in less than 4 years by attending summer school or maximum course loads over a number of academic semesters.

**History:** 2015 Wis. Act 217: cr. Register May 2016 No. 725, eff. 6-1-16; EmR1713: emerg. am. (intro), eff. 6-23-17; 2017 Wis. Act 88: am. (intro.) Register December 2017 No. 744, eff. 6-1-17; CR 17-064: am. (intro.) Register March 2018 No. 747, eff. 4-1-18.

#### Subchapter II — Application for Certification of Individuals

**Accy 2.101 Application.** A candidate applying for a certificate as a certified public accountant shall apply on an application form provided by the board. The application shall be supported by all of the following:

(1) The appropriate fee authorized in s. 440.05, Stats.

(2) Proof of fulfilling the educational requirements specified in s. Accy 2.202 and s. 442.04 (5) (b) 3., Stats., by submitting one of the following:

(a) For a candidate who qualifies under s. Accy 2.202 (1), proof that the candidate earned a master's degree specified under s. Accy 2.202 (1).

(b) For a candidate who qualifies under s. Accy 2.202 (2), (3), or (4), certified copies of transcripts for all academic work completed at an accredited educational institution that reflect that the candidate has satisfied the requirement under s. Accy 2.202 (2), (3), or (4), whichever is applicable.

(3) Evidence of at least one year of public accounting experience as required by s. Accy 2.403 and s. 442.04 (5) (b) 5., Stats.

(4) Evidence that the applicant has successfully passed each section of the Uniform Certified Public Accountant Examination.

(5) Successful completion of the open book professional ethics examination on statutes and rules governing the practice of public accounting in Wisconsin as set forth in s. Accy 2.306.

**Note:** Application forms are available upon request to the board's office at 1400 East Washington Avenue, P.O. Box 8935, Madison WI 53708-8935 or on the Internet at [www.dps.wi.gov](http://www.dps.wi.gov). An applicant with a disability will be provided reasonable accommodations.

**History:** Cr. Register, November, 1993, No. 455, eff. 12-1-93; r. and recr. Register, March, 1996, No. 483, eff. 4-1-96; am. (1) (b) 2, and 3., Register, January, 1999, No. 517, eff. 2-1-99; correction in (1) (b) 1, to 3, made under s. 13.92 (4) (b) 7., Stats., Register April 2015 No. 712; 2015 Wis. Act 217: renum. (title), (intro.), (1), and (2) from Accy 3.05 (title), (1) (intro.), (a) and (b) (intro.), 1, and am. (title), (intro.), (2) cr. (3) to (5) Register May 2016 No. 725, eff. 6-1-16; EmR1618: emerg. am. (2), eff. 9-26-16; EmR1713: emerg. r. and recr. (2), eff. 6-23-17; 2017 Wis. Act 88: r. and recr. (2) Register December 2017 No. 744, eff. 6-1-17; CR 17-064: r. and recr. (2) (a), (b), (c), Register March 2018 No. 747, eff. 4-1-18; CR 20-041: r. (2) (c) Register October 2021 No. 790, eff. 11-1-21.

**Accy 2.102 Expiration of applications.** If an applicant for a certificate to practice as a certified public accountant does not comply with a request for information related to his or her application within one year from the date the first request for information was made, the application expires. The applicant may file a new application if his or her application expires under this section.

**History:** Cr. Register, August, 1992, No. 440, eff. 9-1-92; 2015 Wis. Act 217: renum. from Accy 7.07 Register May 2016 No. 725, eff. 6-1-16.

#### Subchapter III — Education

**Accy 2.202 Education required for certification.** A candidate applying for a certificate to practice as a certified public accountant must have earned a bachelor's or higher degree from an accredited educational institution and have satisfied one of the following for purposes of meeting the 150-hour coursework requirement under s. 442.04 (5) (b) 3., Stats.:

(1) Earned a master's degree in accounting from an institution, as defined in s. 442.04 (5) (a), Stats., with an accounting program or department accredited by the Association to Advance Collegiate Schools of Business.

(2) Earned a bachelor's or higher degree from a business program or college of business accredited by the Association to Advance Collegiate Schools of Business, the International Assembly for Collegiate Business Education, or the Accreditation Council for Business Schools and Programs, and completed at least 24 semester hours in accounting from an accredited educational institution at the undergraduate level or 15 semester hours

at the graduate level, or an equivalent combination, that cover each of the following subject areas:

- (a) Financial accounting.
- (b) Cost or managerial accounting.
- (c) Taxation.
- (d) Auditing.
- (e) Accounting information systems.

(3) Earned a bachelor's or higher degree from an accredited educational institution and completed all of the following:

(a) At least 24 semester hours in accounting from an accredited educational institution at the undergraduate level or 15 semester hours at the graduate level, or an equivalent combination, that cover each of the following subject areas:

1. Financial accounting.
2. Cost or managerial accounting.
3. Taxation.
4. Auditing.
5. Accounting information systems.

(b) At least 24 semester hours in business and economics courses other than accounting courses from an accredited educational institution at the undergraduate level or 15 semester hours at the graduate level, or an equivalent combination, that cover each of the following subject areas:

1. Economics.
2. Finance.
3. Statistics or data analytics.
4. Business law.
5. Information technology.

**Note:** The courses covering the subjects of financial accounting, cost or managerial accounting, taxation, and auditing under s. Accy 2.202 (2) or (3), would generally be courses taken beyond the introduction accounting course required of every business major.

(4) Completed coursework that the board determines is reasonably equivalent to the course content and semester hours requirements specified in sub. (3) (a) and (b).

**History:** 2015 Wis. Act 217: renum. (intro.), (1) from Accy 7.035 (intro.), (2) and am., cr. (1) (a) to (f), (2) Register May 2016 No. 725, eff. 6-1-16; EmR1618: emerg. am. (intro.), cr. (3), eff. 9-26-16; EmR1713: emerg. r. and recr., eff. 6-23-17; 2017 Wis. Act 88: r. and recr. Register December 2017 No. 744, eff. 6-1-17; CR 17-064: r. and recr., Register March 2018 No. 747 eff. 4-1-18; CR 20-041: r. (5) Register October 2021 No. 790, eff. 11-1-21.

## Subchapter IV — Examination

**Accy 2.301 Examination.** A candidate for a certified public accountant certificate shall successfully pass the certified public accountant examination set forth in s. Accy 2.302 and the professional ethics examination set forth in s. Accy 2.306.

**History:** Cr. Register, November, 1993, No. 455, eff. 12-1-93; 2015 Wis. Act 217: renum. from Accy 3.02 and am. Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.302 Certified public accountant examination.** (1) The subjects covering the discipline of accounting in the certified public accountant examination shall be as provided by the board of examiners of the American Institute of Certified Public Accountants Uniform Certified Public Accountant Examination. The passing grade on each section is 75 or higher.

(2) Examinations shall be graded by the board of examiners of the American institute of certified public accountants advisory grading service.

**History:** Cr. Register, November, 1993, No. 455, eff. 12-1-93; 2015 Wis. Act 217: renum. from Accy 3.03 and am. (1) Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.303 Education required for examination.** A candidate for the certified public accountant examination must have satisfied one of the following for purposes of meeting the 120-hour coursework requirement under s. 442.04 (5) (b) 4., Stats.:

- (1) Satisfied s. Accy 2.202 (1), (2), or (3).

(2) Satisfied the course content and semester hours requirements specified in s. Accy 2.202 (3) (a) and (b), or completed coursework that the board determines is reasonably equivalent to those requirements.

**History:** Cr. Register, November, 1993, No. 455, eff. 12-1-93. r. and recr. Register, March, 1996, No. 483, eff. 4-1-96; 2015 Wis. Act 217: renum. from Accy 3.04 and am. Register May 2016 No. 725, eff. 6-1-16; EmR1618: emerg. am., eff. 9-26-16; EmR1713: emerg. r. and recr., eff. 6-23-17; 2017 Wis. Act 88: r. and recr. Register December 2017 No. 744, eff. 6-1-17; CR 17-064: r. and recr., Register March 2018 No. 747 eff. 4-1-18; CR 20-041: r. (3) Register October 2021 No. 790, eff. 11-1-21.

**Accy 2.304 Candidates for examination.** (1) A candidate shall be allowed to sit for each section of the uniform certified public accountant examination individually.

(2) A candidate shall retain credit for any section passed for 18 months. A candidate may retake a section once the grade for the previous attempt of the same section has been released.

(3) A candidate must pass all sections of the uniform certified public accountant examination within a rolling 18-month period that begins on the date that the first section is passed.

(4) If any section of the uniform certified public accountant examination is not passed within the rolling 18-month period, credit for any section passed outside the 18-month period shall expire and that section shall be retaken.

(5) The board may on a case-by-case basis extend the 18-month period of credit for sections of the Uniform CPA Examination passed, or the duration of the 18-month rolling period, upon the applicant showing to the board's satisfaction that the inability to pass all sections of the examination within the 18-month period was due to one of the following:

- (a) The sickness of the candidate or a member of the candidate's immediate family if the candidate substantiates the illness by a doctor's certificate.
- (b) A death in the candidate's immediate family if the candidate provides proof of death.
- (c) Temporary military service.
- (d) Other good reason deemed acceptable by the board.

**History:** Cr. Register, November, 1993, No. 455, eff. 12-1-93; CR 02-149: r. and recr. Register October 2003 No. 574, eff. 11-1-03; 2015 Wis. Act 217: renum. from Accy 3.06 and am. (title), (1), (3), (4) Register May 2016 No. 725, eff. 6-1-16; CR 19-160: am. (2) Register June 2020 No. 774, eff. 7-1-20; CR 21-013: cr. (5) Register December 2021 No. 792, eff. 1-1-22.

**Accy 2.305 Cheating on examination.** (1) Cheating on the certified public accountant examination is a serious breach of integrity and indicates a lack of good professional character. Cheating on an examination includes any of the following:

(a) Communications concerning an examination being taken between candidates inside or outside of the examination room, or copying another's answers.

(b) Communications concerning an examination being taken with accomplices outside of the examination room.

(c) Substitution by a candidate of another person to sit in the examination room for the candidate and take one or more of the examination questions for the candidate.

(d) Reference to "crib notes," test books, electronic media, or other materials, other than those provided to the candidate as part of the examination, inside or outside of the examination room during periods examinations are being taken.

(e) Divulging the nature or content of any examination question or answer to any individual or entity subsequent to the conclusion of the examination.

(f) Removing any examination materials, notes or other similar materials from the examination room.

(g) Falsifying or misrepresenting educational credentials or other information required for admission to the examination.

(2) Penalties imposed by the board for cheating on the examination shall be related to the seriousness of the offense. Cheating that was planned in advance is the most serious offense. Penalties may include the entering of a failing grade on all sections taken

for the examinations in which cheating occurred and suspension of the right to take the next scheduled examination after the examination in which cheating occurred. Time within which conditional credit previously earned for passing part of the examination may be extended by board action in situations where penalties are levied, and by as long as the period of suspension.

(3) If more than one candidate is involved in a connected offense of cheating on an examination, each candidate knowingly involved in the cheating is subject to penalties.

(4) Other jurisdictions to which a candidate may apply to take the certified public accountant examination during a period of suspension of the right to take the examination shall be notified of the penalty levied in Wisconsin.

**History:** Cr. Register, November, 1993, No. 455, eff. 12-1-93; cr. (1) (e) and (f), Register, March, 1996, No. 483, eff. 4-1-96; 2015 Wis. Act 217: renum. from Accy 3.09 and am. (1) (intro.), (a) to (d), (2), (4), cr. (1) (g) Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.306 Professional ethics examination.** (1) A candidate for a certified public accountant certificate shall successfully pass an open book professional ethics examination on statutes and rules governing the practice of public accounting in Wisconsin.

(2) The passing grade on the professional ethics examination is 80.

(3) A candidate who fails to achieve a passing score on the professional ethics examination is not eligible for reexamination for 30 days following notification of the failure. A candidate who fails to achieve a passing score upon reexamination is not eligible for another reexamination for 90 days following notification of the reexamination failure.

**History:** Cr. Register, November, 1993, No. 455, eff. 12-1-93; 2015 Wis. Act 217: renum. from Accy 3.10 Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.307 Examination review.** (1) An applicant for the certified public accountant examination may request a review of his or her examination from the National Association of State Boards of Accountancy.

(2) An applicant who fails the professional ethics examination may request a review of the examination. The following conditions apply:

(a) The applicant shall file a written request to the board within 30 days of the date on which examination results were mailed and pay the fee under s. SPS 4.05.

(b) Examination reviews are by appointment only and shall be limited to one hour.

(c) Reviews shall be conducted prior to the time an applicant applies to retake the examination.

(d) An applicant may review each failed examination only once.

(e) The examination may be reviewed by telephone. During a telephone review an applicant shall be provided with the statute or administrative code reference number and the topic of the test questions the applicant failed.

(f) An applicant may not be accompanied during the review by any person other than the proctors.

(g) Bound reference books shall be permitted in the review.

(h) Applicants may not remove any notes from the review. Notes shall be retained by the proctor.

(i) The proctor shall not respond to inquiries by the applicant regarding allegations of examination error.

**History:** Cr. Register, March, 1996, No. 483, eff. 4-1-96; correction in (2) (a) made under s. 13.92 (4) (b) 7., Stats., Register November 2011 No. 671; 2015 Wis. Act 217: renum. from Accy 3.11 and am. (1) Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.308 Transfer of scores.** Applicants who have passed all or part of the uniform certified public accountant examination in another jurisdiction but who have not yet received their

certified public accountant certificate shall be able to transfer scores in subjects passed to Wisconsin provided that:

(1) Scores transferred must be certified to the board by the other jurisdiction and must be passed in accordance with rules applicable to Wisconsin candidates.

(2) Transfer of scores must be accepted by board action and the applicant notified in a manner similar to the action on scores for Wisconsin applicants.

**History:** 2015 Wis. Act 217: renum. from Accy 7.04 (1) and am. Register May 2016 No. 725, eff. 6-1-16.

## Subchapter V — Experience

### Accy 2.401 Review of candidate's experience.

(1) Following the successful passing of each section of the uniform CPA examination and upon written request by a candidate, a candidate's experience shall be reviewed by the board. The written request shall include employer verification statements and information on experience to update the experience data already in the candidate's file. Such evaluation will determine whether the candidate qualifies at that time under the requirement of having at least one year of public accounting experience or its equivalent, the sufficiency of the experience or the equivalency to be judged by the board. The board shall inform the candidate if additional experience is needed. Upon gaining the required additional experience, the candidate shall notify the board and provide verification.

(2) Experience may consist of providing any type of services or advice using accounting, attest, compilation, management advisory, financial advisory, tax, or related consulting skills.

**History:** Cr. Register, December, 1974, No. 228, eff. 1-1-75; renum. from Accy 5.01, Register, October, 1976, No. 250, eff. 11-1-76; r. (4), Register, April, 1986, No. 364, eff. 5-1-86; renum. and am. (1), r. (2) and (3), Register, February, 1990, No. 410, eff. 3-1-90; CR 03-071: renum. from Accy 5.02 and am. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: renum. (title), (1) from Accy 5.01 and am., cr. (2) Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.402 Experience evaluation.** (1) The board shall evaluate public accounting experience and equivalent experience at each regularly scheduled board meeting. Evaluations may be made at special meetings, but normally will not be scheduled at such meetings.

(2) The board shall review the candidate's experience on written request by the candidate. Among the areas of experience that may be considered by the board are the following:

(a) Experience in accounting in industry and government may be considered equivalent to public accounting when it requires high levels of knowledge, competence and judgment.

(b) Experience in teaching accounting may be considered equivalent to public accounting when it is at an advanced and specialized level of accounting. Courses taught in areas other than accounting do not qualify as public accounting experience.

(c) Experience in law may be considered equivalent to public accounting when it is at a level with responsibility for independent accounting decisions and requires high levels of accounting knowledge, competence and judgment.

**History:** Cr. Register, December, 1974, No. 228, eff. 1-1-75; renum. from Accy 5.02, Register, October, 1976, No. 250, eff. 11-1-76; CR 03-071: renum. from Accy 5.03 and am., cr. (2) (a) to (c) Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: renum. from Accy 5.02 Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.403 Public accounting experience.** An individual must have at least one year of public accounting experience or its equivalent as determined by the board. Experience shall be acquired after the applicant has satisfied one of the requirements under s. Accy 2.303. This experience must have been acquired within 5 years prior to applying for the certification as a certified public accountant.

**History:** Cr. Register, December, 1974, No. 228, eff. 1-1-75; renum. from Accy 5.03, Register, October, 1976, No. 250, eff. 11-1-76; CR 01-047: am. Register December 2002 No. 564, eff. 1-1-03; CR 03-071: renum. from Accy 5.04 Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: renum. from Accy 5.03 and am. Register May 2016 No. 725, eff. 6-1-16; EmR1618: emerg. am., eff. 9-26-16;

EmR1713: emerg. am., eff. 6-23-17; CR 17-064: am., Register March 2018 No. 747 eff. 4-1-18.

**Accy 2.404 Experience; general. (1)** The nature and level of an employee's position or job title and position description is considered.

**(2)** Part-time employment can be counted proportionately, but normally is given little weight. If part-time employment is combined with full-time employment, the full-time employment is normally given the most weight.

**(3)** No more than one day of experience is allowed for any calendar day.

**History:** Cr. Register, December, 1974, No. 228, eff. 1-1-75; renum. from Accy 5.07, Register, October, 1976, No. 250, eff. 11-1-76; am. Register, December, 1978, No. 276, eff. 1-1-79; CR 03-071: renum. from Accy 5.08 and am. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: renum. from Accy 5.04 Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.405 Bookkeeping and elementary individual tax return preparation.** Bookkeeping and elementary individual tax return preparation are generally not considered to be qualifying experience.

**History:** Cr. Register, December, 1974, No. 228, eff. 1-1-75; renum. from Accy 5.08, Register, October, 1976, No. 250, eff. 11-1-76; CR 03-071: renum. from Accy 5.09 and am. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: renum. from Accy 5.05 Register May 2016 No. 725, eff. 6-1-16.

**Accy 2.406 Judgment.** Experience evaluations are based on the judgment of the board.

**History:** Cr. Register, December, 1974, No. 228, eff. 1-1-75; renum. from Accy 5.11, Register, October, 1976, No. 250, eff. 11-1-76; CR 03-071: renum. from Accy 5.12 and am. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: renum. from Accy 5.07 Register May 2016 No. 725, eff. 6-1-16.

## Subchapter VI — Licensure

**Accy 2.501 Requirements for renewal and reinstatement of individual licenses. (1) RENEWAL BEFORE 5 YEARS.** An individual certified public accountant who files an application for renewal of a license within 5 years after the renewal date may renew his or her license by filing with the board all of the following:

(a) An application for renewal on a form prescribed by the department that includes the applicant's representation under penalties of perjury that, during the 2-year period immediately preceding the date of application, the applicant has completed at least 80 continuing professional development credits meeting the requirements under s. [Accy 2.602](#).

(b) The fee determined by the department under s. [440.03 \(9\) \(a\)](#), Stats., and the applicable late renewal fee specified in s. [440.08 \(3\) \(a\)](#), Stats.

**(2) RENEWAL AFTER 5 YEARS.** An individual certified public accountant who files an application for renewal of a license 5 years or more after the renewal date may renew his or her license by filing with the board all of the following:

(a) An application for renewal on a form prescribed by the department that includes the applicant's representation under penalties of perjury that, during the one-year period immediately preceding the date of application, the applicant has completed at least 120 continuing professional development credits meeting the requirements under s. [Accy 2.602](#).

(b) The fee determined by the department under s. [440.03 \(9\) \(a\)](#), Stats., and the applicable late renewal fee specified in s. [440.08 \(3\) \(a\)](#), Stats.

(c) Verification of successful completion of examinations specified in s. [Accy 2.301](#) or education specified in s. [Accy 2.202](#) or both as may be prescribed by the board.

**(3) REINSTATEMENT.** (a) Notwithstanding the board's authority under s. [442.12 \(1\) \(g\)](#), Stats., to grant a hearing pursuant to an application in writing and notice, an individual certified public accountant who has a license with unmet disciplinary requirements and who has failed to renew the license within 5 years after

the renewal date, or an individual whose license has been surrendered or revoked, may apply for reinstatement of his or her license. The request shall be in writing and be accompanied by all of the following:

1. The materials and fee specified in sub. [\(2\) \(a\) to \(c\)](#).

2. Evidence of completion of disciplinary requirements, if applicable.

3. Evidence of rehabilitation or change in circumstances warranting reinstatement of the credential.

(b) The board shall grant reinstatement of a license following an application for reinstatement under par. [\(a\)](#) if the board determines the individual has satisfied the requirements under par. [\(a\) 1. to 3.](#) and the board determines reinstatement is warranted.

**History:** 2015 Wis. Act 217: cr. Register May 2016 No. 725, eff. 6-1-16; CR 19-049: am. (1) (a), (2) (a) Register November 2019 No. 767, eff. 12-15-19.

## Subchapter VII — Continuing Professional Education

**Accy 2.601 Definitions.** In this subchapter:

**(1)** "Compliance period" means the 2-year period immediately preceding the renewal date under s. [440.08 \(2\) \(a\) 1.](#), Stats.

**(2)** "CPE" means continuing professional education.

**(3)** "Inactive certificate holder" means an individual who holds an unrevoked certificate as a certified public accountant granted under s. [442.04 \(1\)](#), Stats., and who does not hold a current license to practice as a certified public accountant issued under s. [442.08 \(1\)](#), Stats.

**History:** CR 19-049: cr. Register November 2019 No. 767, eff. 12-15-19.

**Accy 2.602 CPE requirements for certified public accountants. (1) COMPLETION OF CPE CREDITS.** During each compliance period, a licensee shall complete at least 80 CPE credits that contribute to growth in professional knowledge and professional competence. At least 20 CPE credits shall be completed during each 12-month period of each compliance period. The 80 CPE credits shall include not less than 40 CPE credits from formal learning activities meeting the requirements under s. [Accy 2.603 \(1\) and \(2\)](#).

**(2) CPE RELATED TO ETHICS.** Three of the CPE credits from formal learning activities required under sub. [\(1\) or \(5\)](#) shall be on the subject of ethics.

**(3) CREDIT FOR FORMAL AND INFORMAL LEARNING ACTIVITIES.** Fifty minutes of participation in a formal or informal learning activity is equal to one CPE credit. CPE credits may be claimed in increments of one-tenth of a credit, which is equal to 5 minutes of participation in a formal or informal learning activity.

**(4) CREDIT FOR CPE FROM ANOTHER JURISDICTION.** A licensee holding a current unrevoked CPA license issued by any other United States CPA licensing jurisdiction shall meet the requirements under subs. [\(1\) and \(2\)](#) if the licensee is in compliance with the continuing professional education or continuing professional development CPA licensing requirements of the jurisdiction in which the other license is held.

**(5) EXEMPTION FOR NEW LICENSEES AND INACTIVE CERTIFICATE HOLDERS.** (a) The requirements under sub. [\(1\)](#) are reduced by one-half for a compliance period during which a CPA is initially licensed during the first year of such compliance period, and do not apply to a compliance period during which a CPA is initially licensed during the second year of such compliance period.

(b) The requirements under sub. [\(1\)](#) do not apply to an inactive certificate holder to whom all of the following apply:

1. The certificate holder does not practice as a certified public accountant within the meaning of s. [442.02 \(1m\)](#), Stats.

2. The certificate holder does not use the title or designation of "certified public accountant" without the word "inactive."



(6) **CERTIFICATION STATEMENT.** At the time of each renewal, an applicant shall sign a statement certifying that the CPE credit hours required under this section have been completed.

(7) **CARRYFORWARD OF CPE CREDITS.** A licensee may carry forward from one compliance period to the next consecutive compliance period a maximum of 40 CPE credits that exceed the minimum number of credits required to satisfy requirements in the earlier compliance period, which credits may represent any combination of formal and informal learning activities and shall retain their character as formal or informal learning activity credits.

(8) **CARRYBACK OF CPE CREDITS.** A licensee may carry back CPE credits earned during the first 12 months of a compliance period to the immediately preceding compliance period to the extent necessary to allow the individual to satisfy the CPE requirements for such preceding period, provided the individual does not count such carryback credits to satisfy CPE requirements for more than one compliance period.

(9) **FAILURE TO COMPLETE CPE CREDITS.** A licensee who fails to complete the requirements under this section may not practice in this state as a certified public accountant until the license is renewed or reinstated under s. [Accy 2.501](#).

(10) **LIMITATIONS ON CLAIMING CPE CREDITS.** (a) The number of CPE credits that may be claimed by an instructor, discussion leader, or speaker for preparation and presentation of a CPE learning activity may not exceed 3 times the number of credits awarded to individuals attending or participating in such CPE learning activity. CPE credits may not be claimed for any activity related to subsequent presentations of the same course unless the content has been substantially changed.

(b) CPE credits for participating in a specific learning activity may not be claimed in more than one compliance period.

(c) Successful completion of a one credit semester university or college course shall be equal to 15 CPE credits. Successful completion of a one credit quarter university or college course shall be equal to 10 CPE credits.

(d) CPE credits may not be claimed for time devoted to studying for or taking the CPA examination.

(11) **RECORDKEEPING.** A licensee shall retain documentation of each activity for which CPE credits are claimed for at least 5 years from the date on which the activity was completed.

(12) **WAIVER OF CPE CREDITS.** The board may waive all or a portion of the CPE credits required under this section if it finds exceptional circumstances such as prolonged illness, disability, or other similar circumstances have prevented a licensee from meeting the requirements.

(13) **BOARD AUTHORITY.** Subject to s. [440.035 \(2\)](#), Stats., the board has the authority to determine whether CPE learning activities claimed by a CPA satisfy the requirements under this section.

**History:** CR 19-049: cr. Register November 2019 No. 767, eff. 12-15-19; correction in (13) made under s. [13.92 \(4\) \(b\) 7.](#), Stats., Register November 2019 No. 767.

**Accy 2.603 Criteria for acceptance of learning activities. (1) QUALIFYING LEARNING ACTIVITIES.** Acceptable formats for formal and informal learning activities include all of the following:

- (a) Attending lectures.
- (b) Participating in online webinars and webcasts.
- (c) Completing self-study courses developed by vendors.
- (d) Teaching a course.
- (e) Performing independent research.
- (f) Listening to podcasts.
- (g) Watching videos.
- (h) Reading books and articles.
- (i) Attending meetings.
- (j) Engaging in learning activities similar to those under pars. (a) to (i) that enhance a participant's professional growth and competence.

(2) **REQUIREMENTS FOR APPROVAL OF FORMAL LEARNING ACTIVITIES.** The board shall accept a formal learning activity that meets all of the following requirements:

(a) An individual's participation can be objectively confirmed by a program sponsor.

(b) Materials describing the activity specify all of the following:

- 1. The subject matter of the activity.
- 2. Any prerequisites to enrollment.
- 3. Any required advance preparation.
- 4. The format of the activity.
- 5. The number of CPE credits awarded by the program sponsor for participating in the activity.

(c) The program sponsor and any individual presenting or supervising the activity have education and experience qualifications appropriate for the activity to enhance the competency of learning activity participants.


(3) **REQUIREMENTS FOR APPROVAL OF INFORMAL LEARNING ACTIVITIES.** The board shall accept an informal learning activity for which the participant has documented all of the following:

- (a) The format of the activity.
- (b) The date or dates on which the learning activity was performed and completed.
- (c) The subject matter of the activity.
- (d) The number of CPE credits claimed for participating in the activity.
- (e) The materials prepared or used by the participant in connection with the learning activity. Documentation the board may accept includes all of the following:
  - 1. The title and author of a book the participant has read.
  - 2. A copy of an article the participant has read, or the title of the article and the name of the publication in which the article appeared.
  - 3. Minutes from a meeting attended by the participant.
  - 4. A program outline or handouts from a learning activity attended by the participant.
  - 5. A link to reading, video, audio, or other online learning materials or activities performed and completed by the participant.

**History:** CR 19-049: cr. Register November 2019 No. 767, eff. 12-15-19; correction in (1) (intro.) made under s. [35.17](#), Stats., Register November 2019 No. 767.

**State of Wisconsin  
Department of Safety & Professional Services**

**AGENDA REQUEST FORM**

1) Name and title of person submitting the request: Brad Wojciechowski, Executive Director		2) Date when request submitted: 08/18/2022 <small>Items will be considered late if submitted after 12:00 p.m. on the deadline date which is 8 business days before the meeting</small>	
3) Name of Board, Committee, Council, Sections: Accounting Examining Board			
4) Meeting Date: 08/31/2022	5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6) How should the item be titled on the agenda page? Ernst & Young SEC Settlement – Discussion and Consideration	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session	8) Is an appearance before the Board being scheduled? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	9) Name of Case Advisor(s), if applicable: N/A	
10) Describe the issue and action that should be addressed: See attached and discuss			
11) <span style="float: right;">Authorization</span>  <div style="text-align: right; margin-right: 50px;">   <b>08/18/2022</b> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <span>Signature of person making this request</span> <span>Date</span> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <span>Supervisor (Only required for post agenda deadline items)</span> <span>Date</span> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <span>Executive Director signature (Indicates approval for post agenda deadline items)</span> <span>Date</span> </div>			
Directions for including supporting documents: 1. This form should be saved with any other documents submitted to the <a href="#">Agenda Items</a> folders. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, provide original documents needing Board Chairperson signature to the Bureau Assistant prior to the start of a meeting.			

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 95167 / June 28, 2022**

**ACCOUNTING AND AUDITING ENFORCEMENT**

**Release No. 4313 / June 28, 2022**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-20911**

**In the Matter of**

**Ernst & Young LLP,**

**Respondent.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 4C AND 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934 AND RULE 102(e)  
OF THE COMMISSION'S RULES OF  
PRACTICE, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission ("SEC" or "Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Respondent Ernst & Young LLP ("EY") pursuant to Sections 4C<sup>1</sup> and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 102(e)(1)(ii) and 102(e)(1)(iii) of the Commission's Rules of Practice.<sup>2</sup>

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<sup>1</sup> Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others; (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

<sup>2</sup> Rule 102(e)(1)(ii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to be lacking in character or integrity or to have engaged in unethical or improper professional conduct.

Rule 102(e)(1)(iii) provides, in pertinent part, that:

## II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Respondent admits the facts set forth in Sections III.B and III.C below, acknowledges its conduct violated PCAOB Rule 3500T and provides a basis for the Commission to impose remedies pursuant to Exchange Act Sections 4C(a)(2) and (a)(3) and Rules 102(e)(1)(ii) and (iii) of the Commission’s Rules of Practice; admits the Commission’s jurisdiction over it and the subject matter of these proceedings; and consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

## III.

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>3</sup> that:

### A. SUMMARY

1. This case involves Ernst & Young’s failures to act with the integrity required of a public company auditor. Over multiple years, a significant number of EY audit professionals cheated on the ethics component of the Certified Public Accountant (CPA) exam, as well as on a variety of other examinations required to maintain their CPA licenses. As this was ongoing, EY withheld this misconduct from SEC staff conducting an investigation of potential cheating at the firm. EY audit professionals’ repeated cheating on exams and the firm’s misrepresentations to the SEC violated ethics and integrity standards and discredited the accounting profession.

2. To become licensed as a CPA, applicants in most states must pass ethics examinations. These are designed to keep accountants who do not sufficiently understand their ethical responsibilities from the essential role CPAs play in serving the public interest. State accountancy boards require CPAs to complete continuing professional education (CPE) courses to ensure they remain knowledgeable about their ethical obligations and current accounting standards. CPAs must pass examinations designed to test their understanding of these materials in order to get credit for these courses and maintain their licenses.

3. Over multiple years, a significant number of EY audit professionals cheated on these exams by using answer keys and sharing them with their colleagues. From 2017 to 2021, 49 EY audit professionals sent and/or received answer keys to CPA ethics exams. In addition, hundreds of other audit professionals cheated on CPE courses, including those addressing CPAs’

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The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

<sup>3</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

ethical obligations. And a significant number of EY professionals who did not cheat themselves, but knew their colleagues were cheating and facilitating cheating, violated the firm's Code of Conduct by failing to report this misconduct.

4. This sharing of answer keys is not the first time in recent years that a large number of EY audit professionals cheated on exams. From 2012 to 2015, over 200 EY audit professionals across the country exploited a software flaw in EY's CPE testing platform to pass exams while answering only a low percentage of questions correctly. Following EY's discovery of that earlier cheating scheme, the firm took disciplinary actions and repeatedly warned its audit professionals not to cheat on exams. Still, the cheating continued.

5. Just as many of its audit professionals failed to report their colleagues' cheating as required, EY withheld this misconduct from the SEC during an investigation about cheating at the firm. In June 2019, the SEC's Division of Enforcement sent EY a formal request for information about complaints the firm had received regarding cheating on training exams. On the same day EY received this request, the firm received a tip that an audit professional had shared an answer key to a CPA ethics exam. EY did not disclose this information to the SEC. To the contrary, its submission indicated that the firm did not have any current issues with cheating. In light of the tip it had received, EY's June 20 submission was materially misleading. But EY never corrected its submission. Even after the firm began an internal investigation, confirmed there had been cheating, and the matter was discussed among senior lawyers at the firm and with members of the firm's senior management, EY still did not correct its misleading submission.

6. Investors rely on independent audit firms to serve critical gatekeeping roles with respect to financial reporting. This gatekeeping role depends on the integrity not only of the independent audit firms' audit personnel, but of its management and its attorneys. Thus, the federal securities laws provide remedies for those accountants, audit firms, and attorneys found to be lacking in integrity.<sup>4</sup> Moreover, EY is required by PCAOB rules and the Code of Professional Conduct of the American Institute of Certified Public Accountants ("AICPA") to act with integrity in connection with the professional services it provides its clients.<sup>5</sup> PCAOB Quality Control Standards require EY to have a system of quality control that provides reasonable assurance that its audit personnel "perform all professional responsibilities with integrity."<sup>6</sup> Subject to maintaining client confidences, certified public accountants are required to be "honest and candid."<sup>7</sup> And the

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<sup>4</sup> See Commission Rule of Practice 102(e)(1)(ii), 17 C.F.R. § 201.102(e)(1)(ii); see also Exchange Act Section 4C(a)(2).

<sup>5</sup> PCAOB Rule 3500T requires EY to maintain integrity when performing any professional service in connection with the preparation or issuance of any audit report. As an AICPA member, EY was required to comply with the AICPA's Code of Professional Conduct, which requires the firm to maintain integrity in connection with all professional services.

<sup>6</sup> QC § 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, at §§ 20.01 and 20.09.

<sup>7</sup> See "Principles of Professional Conduct," ET Section 54 (codified as AICPA Code of Professional Conduct 0.300.040).

AICPA prohibits members from committing acts “discreditable to the profession.”<sup>8</sup> EY violated all of these strictures.

## **B. RESPONDENT**

7. Ernst & Young LLP is a limited liability partnership and professional services firm headquartered in New York, New York. It is a member firm of Ernst & Young Global Limited, a UK entity.

## **C. FACTS**

### EY AUDIT PROFESSIONALS EXPLOIT SOFTWARE FLAW TO CHEAT

8. In December 2014, an internal EY whistleblower reported a flaw in the firm’s software that allowed professionals to pass CPE exams without the required number of correct responses. This vulnerability allowed exam takers to achieve a passing score while answering as little as one question correctly. The firm’s investigation of this matter determined that from 2012 to 2015, over 200 EY audit professionals in multiple offices exploited this flaw to pass CPE exams.

9. EY took a variety of disciplinary actions against the audit professionals who engaged in this misconduct. To prevent further cheating, EY added prominent warnings to CPE exams reminding test-takers that assessments must be taken independently, and that a failure to do so reflected a lack of integrity.<sup>9</sup> The firm repeatedly reminded its personnel that cheating on exams was highly improper and violates EY’s Code of Conduct, which requires professionals to act with integrity and requires those who become aware of misconduct to report any deviations or violations of the Code to the firm.

10. However, EY learned that, despite these warnings, certain audit personnel were continuing to cheat. For example, in 2016, EY learned that professionals in its Denver office improperly shared answer keys. In response, the office’s managing partner warned staff that these actions constituted a serious violation of the firm’s Code of Conduct and underscored the importance of ethical behavior in connection with CPE. After the firm learned of two employees who had cheated on a CPA ethics exam in 2017, EY issued the following warning to U.S. personnel:

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<sup>8</sup> See AICPA Code of Professional Conduct 1.400.001 (“Acts Discreditable Rule”).

<sup>9</sup> For example, one warning stated:

You must complete the assessment without assistance from others. Adherence to that requirement is part of your acceptance of and commitment to the EY Global Code of Conduct which includes acting with integrity in connection with professional education. Acting with integrity also means that you should not share or discuss the contents of the assessment, or your responses, with anyone who has yet to complete it. Failure to adhere to these requirements may result in disciplinary action.

“Cheating” on internal or external tests, assessments or evaluations can result in disciplinary action, including termination. You must complete them without assistance from others. Assessments will further your professional development. Not completing a test on your own or sharing or soliciting answers from others during an assessment, is CHEATING. This conduct is contrary to our Global Code of Conduct and our values. Take it seriously!

11. These recurring instances of cheating reflected that the problem was persisting notwithstanding the firm’s warnings. Though EY continued to warn its personnel not to cheat, it did not implement any additional controls to detect this misconduct during the relevant period.

#### EY’S SUBMISSION TO THE SEC’S ENFORCEMENT DIVISION

12. On June 17, 2019, the SEC issued an order finding that another large audit firm engaged in misconduct that included, among other things, cheating on internal training exams. The SEC imposed a \$50 million penalty on that firm.<sup>10</sup>

13. On June 19, 2019, EY’s U.S. Chair and Managing Partner sent a message to all U.S. personnel regarding that matter. The message warned, “[s]haring answers on internal or external tests or evaluations is highly unethical behavior, in violation of our Code of Conduct, and will not be tolerated at EY.” The SEC’s action against the other firm, she wrote, “serves as an important reminder of our responsibility to serve the public interest and the need to always act with integrity and honesty.”

14. That day, the SEC’s Division of Enforcement sent EY a formal request asking whether EY had received any ethics or whistleblower complaints regarding testing associated with any EY training program or continuing professional education course.

15. As requested, EY responded on June 20. EY provided a narrative submission that described five matters “related to cheating or other misconduct on training programs and assessments.” One of those matters was the 2017 tip about two employees cheating on a CPA ethics exam. None of the matters in EY’s submission involved potentially ongoing misconduct by current employees or misconduct that the firm did not appear to have appropriately addressed.

16. EY’s June 20 submission created the impression that EY did not have current issues with cheating – either on training programs and assessments or CPA ethics exams. However, on June 19, the day before EY made its submission, an employee reported to a manager that a professional in the firm’s audit group had emailed the employee answers to a CPA ethics exam. That afternoon, the manager informed an EY human resources employee of the tip, which was then relayed to others in EY’s human resources group.

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<sup>10</sup> See *In the Matter of KPMG LLP*, Exchange Act Rel. No. 86118 (June 17, 2019).

17. Various senior EY attorneys received the SEC Division of Enforcement's June 19 request. They reviewed EY's June 20 submission, which conveyed that the firm's personnel were not cheating on exams. And by no later than June 21, they were apprised of the employee's June 19 tip about receiving an answer key to a CPA ethics exam.

18. The tip EY's submission failed to include involved cheating on a CPA ethics exam. It was sufficiently concerning to the firm that it began an extensive investigation. Yet, despite the message from EY's U.S. Chair and Managing Partner only two days earlier about the importance of integrity and honesty, EY did not correct its submission to the SEC's Enforcement Division.

#### EY FAILS TO CORRECT SUBMISSION AS IT LEARNS OF MORE CHEATING

19. By the fall of 2019, EY's investigation revealed significant misconduct: despite all of the warnings, EY audit professionals had continued to cheat by using answer keys they had received from colleagues to pass exams and sharing answer keys with others. The investigation confirmed that audit professionals in multiple offices cheated on CPA ethics exams. They also cheated on a wide variety of CPE courses, including courses on ethics and other topics, such as the Summary of Audit Differences, which are designed to ensure that audit professionals can properly evaluate whether clients' financial statements are presented fairly in all material respects and comply with Generally Accepted Accounting Principles.

20. Many professionals acknowledged during the firm's investigation that they knew their conduct violated EY's Code of Conduct, but they cheated because of work commitments or an inability to pass training exams after multiple attempts.<sup>11</sup>

21. Notably, 91 audit professionals requested, used, or shared answer keys with colleagues *after* EY's U.S. Chair and Managing Partner sent the message highlighting the SEC enforcement action against the other large audit firm, yet again reminding personnel not to cheat, and yet again discussing the importance of integrity.

22. Despite the requirement in EY's Code of Conduct and the firm-wide warnings that audit professionals are obligated to report unethical conduct, a significant number of audit professionals who knew their colleagues were using and sharing answer keys failed to report this misconduct. Many of these EY professionals attributed their silence to a lack of appreciation that sharing exam answers constituted cheating and violated EY's Code of Conduct, and a desire to avoid getting colleagues in trouble.

23. EY's General Counsel's Office discussed the firm's investigation as it was ongoing with the firm's Executive Committee in October 2019. By then, members of the firm's senior management and various EY senior attorneys understood that (i) the SEC had sanctioned another large audit firm for exam cheating by its professionals, (ii) SEC staff had asked EY about tips it had received involving exam-related misconduct, (iii) EY had received a tip about sharing answer

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<sup>11</sup> Based on its investigation, the firm has imposed a range of disciplinary actions on numerous professionals depending on the severity of the violations and other factors.



keys to a CPA ethics exam, (iv) the cheating involved more than a small number of individuals in a single office; and (v) the firm had not disclosed the tip to the SEC.

24. Following these discussions, EY broadened its investigation. Yet, despite the U.S. Chair and Managing Partner's message to others about integrity,<sup>12</sup> EY did not correct its submission to the SEC.

25. Instead, EY decided to inform the PCAOB. However, it would not do so yet. EY decided to delay disclosing the misconduct even to the PCAOB until "the extent of the misconduct within the Firm was clearer and EY had a credible plan in place to address the problem." That took four more months.

26. The SEC did not learn about the issue until March 2020 – almost nine months after the June 19, 2019 request – when the PCAOB notified the SEC that EY had disclosed that a significant number of its employees had cheated on training exams.

#### **D. EY'S CONDUCT DURING THE INVESTIGATION**

27. EY conducted a robust investigation of the underlying cheating and provided substantial information to the Commission about that misconduct. EY has also taken remedial steps to reduce the risk of the conduct recurring, including various employment actions (up to and including terminating employees).

28. However, with respect to its misleading submission to the SEC, EY did not self-police, self-report, remediate, or cooperate in the Commission's investigation. For example, EY did not "do a thorough review of the nature, extent, origins and consequences of the conduct and related behavior;" "voluntarily disclose information our staff did not directly request and otherwise might not have uncovered;" or adopt "new and more effective [policies and procedures] designed to prevent a recurrence of the misconduct."<sup>13</sup>

29. To the contrary, by withholding information about misconduct that EY knew SEC staff was investigating, EY's continued misrepresentations to the SEC's Division of Enforcement significantly hindered the SEC's ability to take action that would protect investors from audit professionals who do not understand their ethical obligations, fail to act with appropriate

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<sup>12</sup> The June 19 message from EY's U.S. Chair and Managing Partner warned, "No client or external relationship and no metric is more important than the ethics, integrity and reputation of EY. We all play a vital role in instilling confidence in capital markets. We must always be committed to each other as colleagues, holding ourselves and each other accountable and maintaining zero tolerance of those who do not live our values. As stated in our Global Code of Conduct, we are people who demonstrate integrity, respect and always doing the right thing."

<sup>13</sup> See *Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934 and Commission Statement on the Relationship of Cooperation to Agency Enforcement Decisions*, Rel. No. 34-44969 (Oct. 23, 2001).

professional integrity, and have not met – or needed to cheat in order to meet – minimum professional requirements to demonstrate their knowledge of important accounting principles.

## E. VIOLATIONS

30. As a result of the conduct of personnel described above, EY willfully<sup>14</sup> violated PCAOB Rule 3500T, which requires EY and associated persons to comply with ethics standards, including to maintain integrity, as described in the AICPA's Code of Professional Conduct when performing any professional service in connection with the preparation or issuance of any audit report,<sup>15</sup> within the meaning of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

31. The AICPA Code of Professional Conduct requires that a member not commit any act discreditable to the profession. AICPA Code of Professional Conduct 1.400.001. As a result of the conduct of personnel described above, EY failed to comply with AICPA Code of Professional Conduct 1.400.001 within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

32. PCAOB Quality Control Standards require that a registered firm "shall have a system of quality control for its accounting and auditing practice." QC 20.01. Those quality control standards require further that firms should establish policies and procedures to provide "reasonable assurance that (a) personnel ... perform all professional responsibilities with integrity." QC 20.09.

33. PCAOB Quality Control Standards also direct the firm on the professional development of its staff. A firm should have policies and procedures to provide it with reasonable assurance that "[w]ork is assigned to personnel having the degree of technical training and proficiency required in the circumstances" and that "personnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned, and satisfy applicable continuing professional education requirements of regulatory agencies."<sup>16</sup>

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<sup>14</sup> "Willfully" for purposes of imposing relief under Exchange Act Section 4C and Rule 102(e) of the Commission's Rules of Practice "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

<sup>15</sup> The rule requires auditors to comply with the AICPA's Code of Professional Conduct Rule 102, and interpretations and rulings thereunder, as in existence on April 16, 2003. Although PCAOB Rule 3500T references the AICPA Code as in existence on April 16, 2003, the definition of integrity remains identical to the current definitions in the Code of Professional Conduct promulgated by the AICPA and applicable to current members of the AICPA.

<sup>16</sup> QC § 20.13.b-c.

34. To provide reasonable assurance that the policies and procedures underlying a firm's system of quality control are suitably designed and being effectively applied, PCAOB quality control standards recognize the necessity of "Monitoring," which involves "an ongoing consideration and evaluation of, among other things, the effectiveness of professional development activities and compliance with the firm's policies and procedures."<sup>17</sup>

35. As a result of the conduct described above, EY failed to comply with QC 20 within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

## F. FINDINGS

36. Based on the foregoing, the Commission finds that EY willfully violated PCAOB Rule 3500T within the meaning of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

37. Based on the foregoing, the Commission finds that EY engaged in conduct that provides a basis to impose remedies against the firm pursuant to Exchange Act Section 4C(a)(2) and Rule 102(e)(1)(ii).

## G. UNDERTAKINGS

EY has undertaken to complete the following actions:

### *EY Review of Policies and Procedures*

38. EY Review. Within 120 days after the entry of this Order, EY shall evaluate ("EY Review") the sufficiency and adequacy of its quality controls, policies, and procedures relevant to ethics and integrity and to responding to Information Requests<sup>18</sup> (collectively, EY's "Policies and Procedures") to determine whether they are designed and implemented in a manner that provides reasonable assurance of compliance with all professional standards, including those relating to ethics and integrity applicable to accountants and attorneys, related to the subjects below. EY's evaluation shall include assessing:

a. the adequacy and sufficiency of ethics and integrity training and guidance, including regarding anti-retaliation and whistleblowing;

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<sup>17</sup> QC § 20.20.c.-d.

<sup>18</sup> As used in this Order, "Information Requests" means any solicitation of information from the Commission, including from the Division of Enforcement, and irrespective of form — for example, including solicitations of information pursuant to oral voluntary requests, written subpoenas, or any other solicitation of information from the Commission and its staff.

b. whether EY's culture is supportive of ethical and compliant conduct and maintaining integrity, including strong, explicit, and visible support and commitment by the firm's management;

c. whether the firm has designed and implemented appropriate policies and procedures relating to responding to Information Requests, including those relating to analyzing Information Requests, collecting responsive information, producing the information requested, communicating accurately, and correcting false or misleading statements or omissions in submissions responsive to Information Requests; and

d. whether EY has designed and implemented appropriate policies and procedures and deploys proper resources and oversight to comply with all professional standards relating to the subjects discussed in paragraph 38, including (i) monitoring to detect non-compliance; (ii) having appropriate reporting lines, compensation, and rewards; (iii) assigning responsibility for overseeing compliance to senior executives and managers with access to relevant information and personnel; and (iv) ensuring consistent discipline.

39. EY Report to the Commission. Within 60 days of completing the EY Review, EY shall deliver to the Commission staff a detailed written report ("EY Report to the Commission") summarizing its review and any changes it has made to EY's Policies and Procedures relating to the subjects described in paragraph 38. The EY Report to the Commission shall provide written evidence of how the Policies and Procedures, including any changes, are designed and implemented in a manner that provides reasonable assurance of compliance with all professional standards relating to the subjects discussed in paragraph 38 in the form of a narrative and be supported by exhibits. The Commission staff may request further evidence of how the Policies and Procedures provide such assurance, and EY agrees to provide such evidence.

The EY Report to the Commission shall set forth the results of its assessment of the adequacy and sufficiency of its ethics and integrity training, including a description of the training. The EY Report to the Commission should also include a description of any training courses added or modified as a result of the assessment conducted under this paragraph.

#### ***Independent Review of EY's Policies and Procedures***

40. Independent Consultant Review of Policies and Procedures. EY shall retain, within 60 days after the entry of this Order, an independent consultant (the "Policies and Procedures IC") not unacceptable to the Commission staff. The Policies and Procedures IC shall have, at a minimum, demonstrated expertise designing or reviewing compliance policies, procedures, and controls relating to ethics and integrity. EY shall provide to the Commission staff a copy of the engagement letter detailing the scope of the Policies and Procedures IC's responsibilities. EY shall deliver to the Policies and Procedures IC the EY Report to the Commission at the same time as EY provides such report to the Commission staff as specified in paragraph 39. EY shall require that the Policies and Procedures IC conduct a review of EY's Policies and Procedures to determine whether they are designed and being implemented in a manner that provides reasonable assurance of compliance with all professional standards relating to the subjects described in paragraph 38 (the "Policies and Procedures IC Review").

41. EY shall cooperate fully with the Policies and Procedures IC and shall provide reasonable access to information and records as the Policies and Procedures IC may reasonably request, subject to EY's right to withhold from disclosure any information or records protected by any applicable protection or privilege, such as the attorney-client privilege or the attorney work product doctrine. The Policies and Procedures IC shall have the right to interview any partner, employee, agent, or consultant of EY concerning any matter within or relating to the Policies and Procedures IC Review. The Policies and Procedures IC will not have access to EY's client materials or materials that reflect client confidential information.

42. Report of Policies and Procedures IC. After the Policies and Procedures IC Review is completed, but no later than 90 days after Commission staff receives the EY Report, the Policies and Procedures IC shall issue a detailed written report (the "Policies and Procedures IC Report") to EY: (i) summarizing its work; (ii) making recommendations, as the Policies and Procedures IC deems appropriate, reasonably designed to ensure that EY's Policies and Procedures relating to the subjects described in paragraph 38 are adequate and sufficient to provide reasonable assurance of compliance with all professional standards relating to the subjects described in paragraph 38; and (iii) describing its review of EY's training and making additional recommendations, as the Policies and Procedures IC deems appropriate. EY shall require the Policies and Procedures IC to provide a copy of the Policies and Procedures IC Report to the Commission staff when it is issued.

43. Adoption of Recommendations. EY shall adopt, as soon as practicable, all recommendations of the Policies and Procedures IC in its report. Provided, however, that within 30 days of issuance of the Policies and Procedures IC Report, EY may advise the Policies and Procedures IC in writing of any recommendation that it considers to be unnecessary, unjust, outside the scope of this Order, unduly burdensome, or impractical. EY need not adopt any such unnecessary, unjust, outside the scope of this Order, unduly burdensome, or impractical recommendation at that time, but instead may propose in writing to the Policies and Procedures IC an alternative recommendation (an "Alternative Recommendation") designed to achieve the same objective or purpose. EY will provide any such Alternative Recommendation(s) to the Commission staff at the same time that EY submits such Alternative Recommendation(s) to the Policies and Procedures IC. EY and the Policies and Procedures IC shall engage in good faith negotiations in an effort to reach agreement on any recommendations objected to by EY. In the event that the Policies and Procedures IC and EY are unable to agree on any Alternative Recommendation(s) within 60 days of the issuance of the Policies and Procedures IC Report, EY shall abide by the determinations of the Policies and Procedures IC.

44. Privilege. EY shall not be in, and shall not have or claim an attorney-client relationship with the Policies and Procedures IC. Accordingly, EY shall not seek to invoke the attorney-client privilege or any other doctrine or privilege to prevent the Policies and Procedures IC from transmitting any information, reports, or documents to Commission staff.

45. Certification by Principal Executive Officer.<sup>19</sup> Within 60 days of issuance of the Policies and Procedures IC Report as described in paragraph 42, but not sooner than 30 days after a copy of the Policies and Procedures IC Report is provided to the Commission staff, EY's Principal

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<sup>19</sup> As used in this Order, "Principal Executive Officer" means the Chief Executive Officer or equivalent.

Executive Officer must certify to the Commission staff in writing that (i) EY has adopted and has implemented or will implement all recommendations of the Policies and Procedures IC in its report, if any; and (ii) the Policies and Procedures IC agrees with EY's adoption and implementation of the recommendations. To the extent that EY has not implemented all recommendations of the Policies and Procedures IC within 60 days of issuance of the Policies and Procedures IC Report, EY's Principal Executive Officer must certify to the Commission staff in writing, 30 days after their implementation, that (i) EY has adopted and has implemented all recommendations of the Policies and Procedures IC; and (ii) the Policies and Procedures IC agrees that the recommendations have been adequately adopted and implemented by EY. The certification(s) by EY's Principal Executive Officer shall provide written evidence of the implementation of the Policies and Procedures IC's recommendations in the form of a narrative description, and be supplemented with supporting exhibits. The Commission staff may request further evidence of the implementation of any of the Policies and Procedures IC's recommendations, and EY agrees to provide such evidence within a reasonable time period to the satisfaction of Commission staff. If, because of changed circumstances, EY determines during the pendency of these Undertakings that certain changes are necessary to recommendations already implemented, EY should notify the Commission staff in advance of making any such changes, and the Commission staff may determine, in their discretion, whether to permit such modification.

#### *Independent Review of EY's Disclosure Failures*

46. Independent Consultant Review of EY's Conduct Relating to the Commission Staff's June 2019 Information Request. EY shall, within 30 days after the entry of this Order, designate a three-person committee of EY senior personnel who had no involvement in EY's conduct relating to the June 2019 Enforcement Division Request, including its failure to correct its submission, and who will have authority to direct and oversee employment and other remedial actions on behalf of the firm (the "Special Review Committee"). The Special Review Committee shall retain, within 60 days after the entry of this Order, an independent consultant (the "Remedial IC"), not unacceptable to the Commission staff. The Remedial IC shall have, at a minimum, demonstrated expertise: (i) conducting investigations; and (ii) assessing the reasonableness of how entities and attorneys have responded to subpoenas, document requests, and/or information requests. EY's Special Review Committee shall provide to the Commission staff a copy of the engagement letter detailing the scope of the Remedial IC's responsibilities, which the Commission understands will provide that the Remedial IC is to conduct a review covered by the attorney-client privilege. EY's Special Review Committee shall require that the Remedial IC conduct a review (the "Remedial IC Review") of EY's conduct relating to the Commission staff's June 2019 Information Request, including whether any member of EY's executive team, General Counsel's Office, compliance staff, or other EY employees contributed to the firm's failure to correct its misleading submission.

47. Privilege. EY shall cooperate fully with the Remedial IC and shall provide reasonable access to information and records as the Remedial IC may reasonably request. Consistent with EY's right to enter into an attorney-client relationship with the Remedial IC, this access shall not exclude any information or records protected by any privilege such as the attorney-client privilege or the attorney work product doctrine. The Remedial IC shall have the right to interview any partner, employee, agent, or consultant of EY concerning any matter within or

relating to the Remedial IC Review. The Commission will not have a right to access any information obtained or produced by the Remedial IC.

48. Report of the Remedial IC Review. After the Remedial IC Review is completed, but in no event later than 90 days after the Remedial IC is retained, the Remedial IC shall issue a detailed written report (the "Remedial IC Report") to the Special Review Committee (i) summarizing its work and (ii) making recommendations, as the Remedial IC deems appropriate, as to employment actions or other remedial steps.

49. Adoption of Remedial IC Recommendations. The Special Review Committee shall ensure that the firm adopts, as soon as practicable, all recommendations of the Remedial IC in the Remedial IC Report. Provided, however, that within 14 days of issuance of the Remedial IC Report, the Special Review Committee may advise the Remedial IC in writing of any recommendation that it disagrees with. EY need not adopt any such recommendation at that time, but the Special Review Committee instead may propose in writing to the Remedial IC an alternative approach. The Special Review Committee and the Remedial IC shall engage in good faith negotiations in an effort to reach agreement on any recommendations objected to by the Special Review Committee. In the event that the Remedial IC and the Special Review Committee are unable to agree on an alternative proposal within 30 days of the issuance of the Remedial IC Report, the Special Review Committee shall abide by the determinations of the Remedial IC.

50. Certification by Principal Executive Officer and the Special Review Committee. Within 60 days of issuance of the Remedial IC Report, but not sooner than 30 days after a copy of the Remedial IC Report is provided to the Special Review Committee, EY's Principal Executive Officer and the Special Review Committee must certify to the Commission staff in writing that (i) EY has adopted and has implemented or will implement all recommendations of the Remedial IC, if any; and (ii) the Remedial IC agrees with EY's adoption and implementation of the recommendations. To the extent that EY has not implemented all recommendations of the Remedial IC within 60 days of issuance of the Remedial IC Report, EY's Principal Executive Officer and Special Review Committee must certify to the Commission staff in writing, 30 days after their implementation, that (i) EY has adopted and has implemented all recommendations of the Remedial IC; and (ii) the Remedial IC agrees that the recommendations have been adequately adopted and implemented by EY. The certifications by EY's Principal Executive Officer and Special Review Committee shall provide written evidence of all employment or other disciplinary actions taken following the Remedial IC's work.

### *The Independent Consultants' Hiring Authority and Compensation*

51. Hiring Authority and Compensation. The Policies and Procedures IC and the Remedial IC (collectively, the "Independent Consultants") shall have the authority to employ legal counsel, consultants, investigators, experts, and other personnel necessary to assist in the proper discharge of the Independent Consultants' duties. The Independent Consultants' compensation and expenses shall be borne exclusively by EY. To ensure the independence of the Independent Consultants, EY: (i) shall not have the authority to terminate the Independent Consultants or substitute other independent consultants for the initial Policies and Procedures IC or Remedial IC, without the prior written approval of the Commission staff; and (ii) shall compensate the

Independent Consultants and persons engaged to assist the Independent Consultants for services rendered pursuant to this Order at their reasonable and customary rates.

52. Independence. EY shall require the Independent Consultants to enter into agreements that provide that, for the period of their engagement and for a period of two years from completion of each of their engagements, the Independent Consultants shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with EY, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. The agreements shall also provide that the Independent Consultants will require that any firm with which either is affiliated or of which either is a member, and any person engaged to assist the Independent Consultants in performance of their duties under this Order shall not, without prior written consent of the Division of Enforcement, enter into any employment, consultant, attorney-client, auditing or other professional relationship with EY, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of their engagement and for a period of two years after each of their engagements.

#### *Notice to Audit Clients, Training, and Certifications*

53. Notification. Within 10 business days after entry of this Order, EY shall provide all of its issuer audit clients and SEC-registered broker-dealer audit clients a copy of this Order.

54. First Certification. By no later than 15 months after the entry of this Order, unless otherwise extended by the Commission staff, EY's Principal Executive Officer shall certify, in writing, compliance with the undertakings set forth above. The certification shall provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may request further evidence of compliance, and EY agrees to provide such evidence in a reasonable period of time to the satisfaction of Commission staff, subject to EY's right to withhold information and records relating to the Remedial IC's work based on applicable protections or privileges, such as the attorney-client privilege or the attorney work product doctrine.

55. Ethics and Integrity Training for EY Audit Professionals. Beginning within 30 days and ending no earlier than 36 months after the entry of this Order, all audit professionals and all EY partners and employees who, at any time prior to March 3, 2020, were aware (i) of the Division of Enforcement's June 19, 2019 request, (ii) of EY's June 20, 2019 response, and (iii) that an employee had made a tip on June 19, 2019 concerning cheating shall complete a minimum of 6 hours every 6 months of ethics and integrity training by an independent training provider not unacceptable to the Commission staff.

56. Annual Certification. With respect to calendar years 2023, 2024, and 2025, EY's Principal Executive Officer shall certify that EY has assessed whether EY's Policies and Procedures relating to the topics discussed in paragraph 38 are adequate and sufficient to provide reasonable assurance of compliance with all professional standards relating to the subjects described in paragraph 38 by, among other things, testing the firm's implementation of EY's Policies and Procedures during the twelve (12) months preceding the certification ("Annual Certification"). The Annual Certification shall describe the nature and scope of EY's testing. The



Annual Certification shall represent that the Principal Executive Officer has reviewed and evaluated the firm's assessment and testing process and that, based on belief and after reasonable inquiry, the Principal Executive Officer believes that EY's Policies and Procedures relating to the topics discussed in paragraph 38 are adequate and sufficient to provide reasonable assurance of compliance with all relevant professional standards. EY's Principal Executive Officer shall also certify that the training requirements discussed in paragraph 55 have been completed. If the Principal Executive Officer cannot represent that EY's Policies and Procedures are adequate and sufficient or that the training requirements have been completed, then the Principal Executive Officer shall describe in reasonable detail the reasons for the inability to so certify. The Principal Executive Officer shall provide the Annual Certifications to the Commission's staff within 60 days of the end of the annual period. EY shall preserve and retain all documentation regarding the Principal Executive Officer's Annual Certification for 7 years and will make it available to the staffs of the Commission or the PCAOB upon request.

57. All reports and certifications mentioned in these undertakings shall be submitted to Melissa Hodgman, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549, or such other person as the Commission staff may request, with a copy to the Office of Chief Counsel of the Enforcement Division.

58. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent EY's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. EY shall cease and desist from committing or causing any violations and any future violations of PCAOB Rule 3500T.

B. EY be, and hereby is, censured.

C. EY shall comply with the undertakings enumerated in paragraphs 38 through 58 above.

D. EY shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$100 million to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

E. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying EY as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Melissa Hodgman, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary