



Uniform CPA Examination Examination Content Specifications

**Effective Upon the Launch of the
Computer-based Uniform CPA Examination**

**Prepared by the Board of Examiners of the
American Institute of Certified Public Accountants**

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Uniform CPA Examination Examination Content Specifications

The content of the Uniform CPA Examination is based primarily on the results of periodic studies of public accounting practice and the evaluations of CPA practitioners and educators. The content of each examination section is described in a combination of narrative and outline forms known as “content specifications”. The content specifications provide the framework or “blueprint” for testing knowledge and skills on the Uniform CPA Examination.

The AICPA Board of Examiners (BOE) has approved and adopted the following content specification outlines (CSOs) for the four sections of the computer-based Uniform CPA Examination: Auditing & Attestation, Financial Accounting & Reporting, Regulation, and Business Environment & Concepts.

These revised CSOs become effective upon the launch of the computer-based Uniform CPA Examination (targeted for early 2004), and directly relate to the entry-level knowledge and skills necessary to protect the public interest as identified in the *2000 Practice Analysis of Certified Public Accountants*. They also incorporate comments in response to the Exposure Draft *Proposed Structure and Content Specifications for the Uniform CPA Examination*.

The outline portions of the content specifications contained on the following pages identify the technical content to be tested on each of the four sections of the revised Uniform CPA Examination. Each major content area in the outline is preceded by a Roman numeral and is followed by percentages that represent the range of total test points associated with that content area. Examination items will be selected from the content represented by the capital letters and Arabic numerals listed under each Roman numeral. The presence of several groups within an area or several topics within a group does not imply equal importance or weight will be given to these groups or topics on an examination. The outlines list the *areas*, *groups*, and *topics* to be tested:

- I. *(Roman Numeral)* **Area**
 - A. *(Capital letter)* **Group**
 - 1. *(Arabic numeral)* **Topic**

Each outline is followed by information about selected publications that candidates may study to prepare for the Uniform CPA Examination.

Skills

Identification of the skills needed by entry-level CPAs was an integral component of the *2000 Practice Analysis*. The skills identified as necessary for protection of the public interest include the abilities to communicate, perform research and analyze information, as well as other higher-order skills such as judgment and understanding.

Definitions:

- Communication is the ability to effectively elicit and/or express information through written or oral means.
- Research is the ability to locate and extract relevant information from available resource material.
- Analysis is the ability to organize, process, and interpret data to provide options for decision-making.
- Judgment is the ability to evaluate options for decision-making and provide an appropriate conclusion.
- Understanding is the ability to recognize and comprehend the meaning and application of a particular matter.

Candidates will be required to demonstrate their ability to apply these skills in each section of the Uniform CPA Examination in the context of the content knowledge. Skills assessments for the revised examination are in the process of being finalized. They will, however, be made using a variety of methods, such as simulations, or relational case studies, which will test candidates' knowledge and skills using work-related situations. Simulations will require candidates to have basic computer skills, knowledge of common spreadsheet and word processing functions, the ability to use a financial calculator or a spreadsheet to perform standard financial calculations, and the ability to use electronic tools such as databases. The Board of Examiners will assign weights to skills for each section in a manner similar to the weights attached to knowledge.

Auditing & Attestation

The Auditing & Attestation section covers knowledge of auditing procedures, auditing standards generally accepted in the United States of America (GAAS) and other standards related to attest engagements and the skills needed to apply that knowledge in auditing and other attestation engagements. This section tests such knowledge and skills in the context of the five broad engagement tasks in the outline that follows.

Auditing & Attestation Content Specification Outline

- I. Plan the engagement, evaluate the prospective client and engagement, decide whether to accept or continue the client and the engagement, and enter into an agreement with the client (22%–28%)
 - A. Determine nature and scope of engagement
 1. Auditing standards generally accepted in the United States of America (GAAS)
 2. Standards for accounting and review services
 3. Standards for attestation engagements
 4. Compliance auditing applicable to governmental entities and other recipients of governmental financial assistance
 5. Other assurance services
 6. Appropriateness of engagement to meet client's needs
 - B. Assess engagement risk and the CPA firm's ability to perform the engagement
 1. Engagement responsibilities
 2. Staffing and supervision requirements
 3. Quality control considerations
 4. Management integrity
 5. Researching information sources for planning and performing the engagement
 - C. Communicate with the predecessor accountant or auditor
 - D. Decide whether to accept or continue the client and engagement
 - E. Enter into an agreement with the client about the terms of the engagement
 - F. Obtain an understanding of the client's operations, business, and industry
 - G. Perform analytical procedures
 - H. Consider preliminary engagement materiality
 - I. Assess inherent risk and risk of misstatements from errors, fraud, and illegal acts by clients
 - J. Consider other planning matters
 1. Using the work of other independent auditors
 2. Using the work of a specialist
 3. Internal audit function
 4. Related parties and related party transactions
 5. Electronic evidence
 6. Risks of auditing around the computer

- K. Identify financial statement assertions and formulate audit objectives
 - 1. Significant financial statement balances, classes of transactions, and disclosures
 - 2. Accounting estimates
- L. Determine and prepare the work program defining the nature, timing, and extent of the procedures to be applied
- II. Consider internal control in both manual and computerized environments (12%–18%)
 - A. Obtain an understanding of business processes and information flows
 - B. Identify controls that might be effective in preventing or detecting misstatements
 - C. Document an understanding of internal control
 - D. Consider limitations of internal control
 - E. Consider the effects of service organizations on internal control
 - F. Perform tests of controls
 - G. Assess control risk
- III. Obtain and document information to form a basis for conclusions (32%–38%)
 - A. Perform planned procedures
 - 1. Applications of audit sampling
 - 2. Analytical procedures
 - 3. Confirmation of balances and/or transactions with third parties
 - 4. Physical examination of inventories and other assets
 - 5. Other tests of details
 - 6. Computer-assisted audit techniques, including data interrogation, extraction and analysis
 - 7. Substantive tests before the balance sheet date
 - 8. Tests of unusual year-end transactions
 - B. Evaluate contingencies
 - C. Obtain and evaluate lawyers' letters
 - D. Review subsequent events
 - E. Obtain representations from management
 - F. Identify reportable conditions and other control deficiencies
 - G. Identify matters for communication with audit committees
 - H. Perform procedures for accounting and review services engagements
 - I. Perform procedures for attestation engagements
- IV. Review the engagement to provide reasonable assurance that objectives are achieved and evaluate information obtained to reach and to document engagement conclusions (8%–12%)
 - A. Perform analytical procedures
 - B. Evaluate the sufficiency and competence of audit evidence and document engagement conclusions
 - C. Evaluate whether financial statements are free of material misstatements
 - D. Consider whether substantial doubt about an entity's ability to continue as a going concern exists

- E. Consider other information in documents containing audited financial statements
- F. Review the work performed to provide reasonable assurance that objectives are achieved
- V. Prepare communications to satisfy engagement objectives (12%–18%)
 - A. Reports
 - 1. Reports on audited financial statements
 - 2. Reports on reviewed and compiled financial statements
 - 3. Reports required by Government Auditing Standards
 - 4. Reports on compliance with laws and regulations
 - 5. Reports on internal control
 - 6. Reports on prospective financial information
 - 7. Reports on agreed-upon procedures
 - 8. Reports on the processing of transactions by service organizations
 - 9. Reports on supplementary financial information
 - 10. Special reports
 - 11. Reports on other assurance services
 - 12. Reissuance of reports
 - B. Other required communications
 - 1. Errors and fraud
 - 2. Illegal acts
 - 3. Communications with audit committees
 - 4. Other reporting considerations covered by statements on auditing standards and statements on standards for attestation engagements
 - C. Other matters
 - 1. Subsequent discovery of facts existing at the date of the auditor's report
 - 2. Consideration after the report date of omitted procedures

References—Auditing & Attestation

- AICPA Statements on Auditing Standards and Interpretations
- AICPA Statements on Standards for Accounting and Review Services and Interpretations
- AICPA Statements on Quality Control Standards
- AICPA Statements on Standards for Attestation Engagements
- U.S. General Accounting Office *Government Auditing Standards*
- AICPA Audit and Accounting Guides

Audit Sampling

Consideration of Internal Control in a Financial Statement Audit

Analytical Procedures

Auditing Revenues in Certain Industries

- Current textbooks on auditing and other attestation services
- AICPA Auditing Practice Releases
- AICPA Audit and Accounting Manual
- AICPA Audit Risk Alerts and Compilation and Review Alerts
- Single Audit Act, as amended

Financial Accounting & Reporting

The Financial Accounting & Reporting section tests knowledge of accounting principles generally accepted in the United States of America (GAAP) for business enterprises, not-for-profit organizations, and governmental entities, and the skills needed to apply that knowledge. Content covered in this section includes financial accounting concepts and standards, and their application. To demonstrate such knowledge and skills, candidates will be required to

- Obtain and document information for use in financial statement presentations
- Evaluate, analyze, and process entity information for reporting in financial statements
- Communicate entity information and conclusions
- Analyze information and identify data relevant to financial accounting and reporting
- Identify financial accounting and reporting methods and select those that are suitable
- Perform calculations
- Formulate conclusions
- Present results in writing in a financial statement format or other appropriate format

Financial Accounting & Reporting Content Specification Outline

- I. Concepts and standards for financial statements (17%–23%)
 - A. Financial accounting concepts
 1. Process by which standards are set and roles of standard-setting bodies
 2. Conceptual basis for accounting standards
 - B. Financial accounting standards for presentation and disclosure in general-purpose financial statements
 1. Consolidated and combined financial statements
 2. Balance sheet
 3. Statement(s) of income, comprehensive income and changes in equity accounts
 4. Statement of cash flows
 5. Accounting policies and other notes to financial statements
 - C. Other presentations of financial data (financial statements prepared in conformity with comprehensive bases of accounting other than GAAP)
 - D. Financial statement analysis
- II. Typical items: recognition, measurement, valuation, and presentation in financial statements in conformity with GAAP (27%-33%)
 - A. Cash, cash equivalents, and marketable securities
 - B. Receivables
 - C. Inventories
 - D. Property, plant, and equipment

- E. Investments
 - F. Intangibles and other assets
 - G. Payables and accruals
 - H. Deferred revenues
 - I. Notes and bonds payable
 - J. Other liabilities
 - K. Equity accounts
 - L. Revenues, cost, and expense accounts
- III. Specific types of transactions and events: recognition, measurement, valuation, and presentation in financial statements in conformity with GAAP (27%–33%)
- A. Accounting changes and corrections of errors
 - B. Business combinations
 - C. Contingent liabilities and commitments
 - D. Discontinued operations
 - E. Earnings per share
 - F. Employee benefits, including stock options
 - G. Extraordinary items
 - H. Financial instruments, including derivatives
 - I. Foreign currency transactions and translation
 - J. Income taxes
 - K. Interest costs
 - L. Interim financial reporting
 - M. Leases
 - N. Non-monetary transactions
 - O. Related parties
 - P. Research and development costs
 - Q. Segment reporting
 - R. Subsequent events
- IV. Accounting and reporting for governmental entities (8%–12%)
- A. Governmental accounting concepts
 - 1. Measurement focus and basis of accounting
 - 2. Fund accounting concepts and application
 - 3. Budgetary process
 - B. Format and content of governmental financial statements
 - 1. Government-wide financial statements
 - 2. Governmental funds financial statements
 - 3. Conversion from fund to government-wide financial statements
 - 4. Proprietary fund financial statements

5. Fiduciary fund financial statements
 6. Notes to financial statements
 7. Required supplementary information, including management's discussion and analysis
 8. Comprehensive annual financial report (CAFR)
- C. Financial reporting entity including blended and discrete component units
- D. Typical items and specific types of transactions and events: recognition, measurement, valuation and presentation in governmental entity financial statements in conformity with GAAP
1. Net assets
 2. Capital assets and infrastructure
 3. Transfers
 4. Other financing sources and uses
 5. Fund balance
 6. Non-exchange revenues
 7. Expenditures
 8. Special items
 9. Encumbrances
- E. Accounting and financial reporting for governmental not-for-profit organizations
- V. Accounting and reporting for nongovernmental not-for-profit organizations (8%–12%)
- A. Objectives, elements and formats of financial statements
1. Statement of financial position
 2. Statement of activities
 3. Statement of cash flows
 4. Statement of functional expenses
- B. Typical items and specific types of transactions and events: recognition, measurement, valuation and presentation in the financial statements of not-for-profit organizations in conformity with GAAP
1. Revenues and contributions
 2. Restrictions on resources
 3. Expenses, including depreciation and functional expenses
 4. Investments

References—Financial Accounting & Reporting

- Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board Opinions, AICPA Accounting Research Bulletins, and FASB Technical Bulletins
- Codification of Statements on Auditing Standards:

AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*

AU Section 560, *Subsequent Events*

AU Section 623, *Special Reports*

- FASB Statements of Financial Accounting Concepts
- AICPA Statements of Position:
 - 93-7, *Reporting on Advertising Costs*
 - 94-6, *Disclosure of Certain Significant Risks and Uncertainties*
 - 96-1, *Environmental Remediation Liabilities*
 - 97-2, *Software Revenue Recognition*
 - 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*
 - 98-2, *Accounting for the Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*
 - 98-5, *Reporting on the Costs of Start-Up Activities*
- Governmental Accounting Standards Board (GASB) Statements, Interpretations, and Technical Bulletins
- AICPA Audit and Accounting Guides relating to governmental and not-for-profit organizations
- Current textbooks on accounting for business enterprises, not-for-profit organizations, and governmental entities

Regulation

The Regulation section tests candidates' knowledge of federal taxation, ethics, professional and legal responsibilities, and business law and the skills needed to apply that knowledge.

Ethics, Professional and Legal Responsibilities, and Business Law

This portion covers knowledge of a CPA's professional and legal responsibilities and the legal implications of business transactions, particularly as they relate to accounting and auditing, and the skills needed to apply that knowledge. This section deals with federal and widely adopted uniform state laws. If there is no federal or uniform state law on a topic, the questions are intended to test knowledge of the law of the majority of jurisdictions. Professional ethics questions are based on the AICPA Code of Professional Conduct because it is national in its application.

Federal Taxation

This portion tests knowledge of principles and procedures for federal income, estate, and gift taxation and their application in practice. To demonstrate such knowledge, candidates will be required to—

- Analyze information and identify data relevant for tax purposes
- Identify issues, elections, and alternative tax treatments
- Research issues and alternative tax treatments
- Formulate conclusions

Regulation Content Specification Outline

- I. Ethics and professional and legal responsibilities (15%–20%)
 - A. Code of Professional Conduct
 - B. Proficiency, independence, and due care
 - C. Ethics and responsibilities in tax practice
 - D. Licensing and disciplinary systems imposed by the profession and state regulatory bodies
 - E. Legal responsibilities and liabilities
 1. Common law liability to clients and third parties
 2. Federal statutory liability
 - F. Privileged communications and confidentiality
- II. Business law (20%–25%)
 - A. Agency
 1. Formation and termination
 2. Duties and authority of agents and principals
 3. Liabilities and authority of agents and principals
 - B. Contracts
 1. Formation

- 2. Performance
- 3. Third-party assignments
- 4. Discharge, breach, and remedies
- C. Debtor-creditor relationships
 - 1. Rights, duties, and liabilities of debtors, creditors, and guarantors
 - 2. Bankruptcy
- D. Government regulation of business
 - 1. Federal securities acts
 - 2. Other government regulation (antitrust, pension and retirement plans, union and employee relations, and legal liability for payroll and social security taxes)
- E. Uniform commercial code
 - 1. Negotiable instruments and letters of credit
 - 2. Sales
 - 3. Secured transactions
 - 4. Documents of title and title transfer
- F. Real property, including insurance
- III. Federal tax procedures and accounting issues (8%–12%)
 - A. Federal tax procedures
 - B. Accounting periods
 - C. Accounting methods including cash, accrual, percentage of completion, completed contract, and installment sales
 - D. Inventory methods, including uniform capitalization rules
- IV. Federal taxation of property transactions (8%–12%)
 - A. Types of assets
 - B. Basis of assets
 - C. Depreciation and amortization
 - D. Taxable and nontaxable sales and exchanges
 - E. Income, deductions, capital gains and capital losses, including sales and exchanges of business property and depreciation recapture
- V. Federal taxation—individuals (12%–18%)
 - A. Gross income – inclusions and exclusions
 - B. Reporting of items from pass-through entities, including passive activity losses
 - C. Adjustments and deductions to arrive at taxable income
 - D. Filing status and exemptions
 - E. Tax computations, credits, and penalties
 - F. Alternative minimum tax
 - G. Retirement plans
 - H. Estate and gift taxation, including transfers subject to the gift tax, annual exclusion, and items includible and deductible from gross estate

VI. Federal taxation—entities (22%–28%)

- A. Similarities and distinctions in tax reporting among such entities as sole proprietorships, general and limited partnerships, Subchapter C corporations, Subchapter S corporations, limited liability companies, and limited liability partnerships
- B. Subchapter C corporations
 - 1. Determination of taxable income and loss, and reconciliation of book income to taxable income
 - 2. Tax computations, credits, and penalties, including alternative minimum tax
 - 3. Net operating losses
 - 4. Consolidated returns
 - 5. Entity/owner transactions, including contributions and distributions
- C. Subchapter S corporations
 - 1. Eligibility and election
 - 2. Determination of ordinary income, separately stated items, and reconciliation of book income to taxable income
 - 3. Basis of shareholder's interest
 - 4. Entity/owner transactions, including contributions and liquidating and nonliquidating distributions
 - 5. Built-in gains tax
- D. Partnerships
 - 1. Determination of ordinary income, separately stated items, and reconciliation of book income to taxable income
 - 2. Basis of partner's interest and basis of assets contributed to the partnership
 - 3. Partnership and partner elections
 - 4. Partner dealing with own partnership
 - 5. Treatment of partnership liabilities
 - 6. Distribution of partnership assets
 - 7. Ownership changes and liquidation and termination of partnership
- E. Trusts
 - 1. Types of trusts
 - 2. Income and deductions
 - 3. Determination of beneficiary's share of taxable income

References—Regulation

Ethics, Professional and Legal Responsibilities, and Business Law

- *AICPA Professional Standards: Code of Professional Conduct and Bylaws*
- AICPA Statements on Auditing Standards dealing explicitly with proficiency, confidentiality, independence, and due care

- AICPA Statements on Standards for Consulting Services
- AICPA Statements on Responsibilities in Personal Financial Planning Practice
- Pronouncements of the Independence Standards Board
- Current textbooks covering business law, auditing, and accounting

Federal Taxation

- Internal Revenue Code and Income Tax Regulations
- Internal Revenue Service Circular 230
- AICPA Statements on Standards for Tax Services
- U.S. Master Tax Guide
- Current Federal income tax textbooks

Business Environment & Concepts

The Business Environment & Concepts section tests knowledge of general business environment and business concepts that candidates need to know in order to understand the underlying business reasons for and accounting implications of transactions, and the skills needed to apply that knowledge in performing financial statement audit and attestation engagements and other functions normally performed by CPAs that affect the public interest. Content covered in this section includes knowledge of business structure; economic concepts essential to obtaining an understanding of an entity's operations, business and industry; financial management; information technology; and planning and measurement.

Business Environment & Concepts Content Specification Outline

- I. Business structure (17%–23%)
 - A. Advantages, implications, and constraints of legal structures for business
 1. Sole proprietorships and general and limited partnerships
 2. Limited liability companies (LLC), limited liability partnerships (LLP), and joint ventures
 3. Subchapter C and subchapter S corporations
 - B. Formation, operation, and termination of businesses
 - C. Financial structure, capitalization, profit and loss allocation, and distributions
 - D. Rights, duties, legal obligations, and authority of owners and management (directors, officers, stockholders, partners, and other owners)
- II. Economic concepts essential to obtaining an understanding of an entity's business and industry (8%–12%)
 - A. Business cycles and reasons for business fluctuations
 - B. Economic measures and reasons for changes in the economy, such as inflation, deflation and interest rate changes
 - C. Market influences on business strategies, including selling, supply chain, and customer management strategies
 - D. Implications to business of dealings in foreign currencies, hedging and exchange rate fluctuations
- III. Financial management (17%–23%)
 - A. Financial modeling, including factors such as financial indexes, taxes and opportunity costs, and models such as economic value added, cash flow, net present value, discounted payback, and internal rate of return
 1. Objectives
 2. Techniques
 3. Limitations
 - B. Strategies for short-term and long-term financing options, including cost of capital and derivatives
 - C. Financial statement and business implications of liquid asset management

1. Management of cash and cash equivalents, accounts receivable, accounts payable, and inventories
 2. Characteristics and financial statement and business implications of loan rates (fixed vs. variable) and loan covenants
- IV. Information technology (IT) implications in the business environment (22%–28%)
- A. Role of business information systems
 1. Reporting concepts and systems
 2. Transaction processing systems
 3. Management reporting systems
 4. Risks
 - B. Roles and responsibilities within the IT function
 1. Roles and responsibilities of database/network/Web administrators, computer operators, librarians, systems programmers and applications programmers
 2. Appropriate segregation of duties
 - C. IT fundamentals
 1. Hardware and software, networks, and data structure, analysis, and application, including operating systems, security, file organization, types of data files, and database management systems
 2. Systems operation, including transaction processing modes, such as batch, on-line, real-time, and distributed processing, and application processing phases, such as data capture; edit routines; master file maintenance; reporting, accounting, control, and management; query, audit trail, and ad hoc reports; and transaction flow
 - D. Disaster recovery and business continuity, including data backup and data recovery procedures, alternate processing facilities (hot sites), and threats and risk management
 - E. Financial statement and business implications of electronic commerce, including electronic fund transfers, point of sale transactions, internet-based transactions and electronic data interchange
- V. Planning and measurement (22%–28%)
- A. Planning and budgeting
 1. Planning techniques, including strategic and operational planning
 2. Forecasting and projection techniques
 3. Budgeting and budget variance analysis
 - B. Performance measures
 1. Organizational performance measures, including financial and nonfinancial scorecards
 2. Benchmarking, including quality control principles, best practices, and benchmarking techniques
 - C. Cost measurement
 1. Cost measurement concepts (standard, joint product, and by-product costing)

2. Accumulating and assigning costs (job order, process, and activity-based costing)
3. Factors affecting production costs

References—Business Environment & Concepts

Current textbooks on

- Business law
- Managerial accounting
- Management
- Finance
- Economics
- Accounting information systems
- Management information systems
- Budgeting and measurement

AICPA Audit Risk Alerts

Business periodicals provide background material that is helpful in gaining an understanding of business environment and concepts.