2017

Information Kit

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CPA REVIEW

2017 CPA Exam Changes: Detailed Analysis

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2017 CPA Exam Changes: Detailed Analysis

Introduction

The CPA exam is going to have many changes in 2017. The changes culminate in an exam that is more difficult, with questions that test candidates at higher levels of knowledge.

Levels of Knowledge on the 2017 Exam

In the field of education, there are multiple levels of knowledge (listed from lowest to highest): Remembering and Understanding, Application, Analysis, and Evaluation.

The current CPA exam tests at the **Remembering and Understanding** and **Application** levels of knowledge. Beginning in 2017, the CPA exam will also test candidates at the **Analysis** and **Evaluation** levels of knowledge via new, more difficult multiple-choice and simulation questions.

New for 2017 CPA

01 Remembering & Understanding

The perception and comprehension of the significance of a topic utilizing knowledge gained.

02 Application

The use of demonstration of knowledge, concepts, or techniques.

03 Analysis

The examination and study of the interrelationships between separate areas in order to identify cause and find evidence to support inferences.

04 Evaluation

The examination or assessment of problems and the use of judgment to draw conclusions.

So, as a CPA candidate, you're probably wondering what these educational terms mean to you. To put it into perspective, we'll demonstrate the levels of knowledge with accounting examples.

Remembering level of knowledge

"The remembering level (the lowest level) is the ability to repeat back what one has been taught."

For example, remembering that the IRS allows for a building to be depreciated over 39.5 years.

"At the next level, understanding, the CPA candidate should be able to not only repeat what has been taught, but also comprehend the principles and theory behind the knowledge."

For instance, being able to explain to a client the mechanics (or journal entries) of depreciating a building over 39.5 years.

"The application level is where a CPA candidate not only understands the theory, but also can apply what has been learned and perform in accordance with that knowledge."

This is the level tested by the current task-based simulations. For example, the ability to make a journal entry for depreciating a building and compile the effects on the balance sheet.

EXAMPLE -- Comparative Statement of Financial Position

	Current Year End	Prior Year End		Current Year End	Prior Year End
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and equivalents	$ 325,000	$ 275,000	Accounts payable	$ 200,000	$ 125,000
Available-for-sale securities	185,000	145,000	Accrued interest on note	5,000	5,000
Accounts receivable (net)	120,000	115,000	Current maturities of L.T. debt	100,000	100,000
Notes receivable	55,000	40,000	Accrued salaries and wages	15,000	10,000
Inventories	85,000	55,000	Income taxes payable	70,000	35,000
Prepaid expenses	10,000	5,000			
Total current assets	$ 780,000	$ 635,000	Total current liabilities	$ 390,000	$ 275,000
NONCURRENT ASSETS:			NONCURRENT LIABILITIES:		
Equity-method investments	$ 120,000	$ 115,000	Bonds payable	$ 500,000	$ 600,000
Property, plant, and equipment	1,000,000	900,000	Long-term notes payable	90,000	60,000
Minus: accum. depreciation	(85,000)	(55,000)	Employee-related obligations	15,000	10,000
Goodwill	5,000	5,000	Deferred income taxes	5,000	5,000
Total noncurrent assets	$1,040,000	$ 965,000	Total noncurrent liabilities	$ 610,000	$ 675,000
			Total liabilities	$1,000,000	$ 950,000
			EQUITY:		
			Common stock $1 par	$ 500,000	$ 500,000
			Additional paid-in capital	200,000	80,000
			Accumulated OCI	30,000	20,000
			Retained earnings	70,000	50,000
			Total equity	$ 800,000	$ 650,000
Total assets	$1,820,000	$1,600,000	Total liabilities and equity	$1,800,000	$1,600,000

- **Application & Analysis**
- **Reconciling**
- **Concluding**
- **Evaluating**

The next two levels of knowledge, analysis and evaluation, can ultimately be combined into one idea: A CPA candidate will need to be able to associate various learned elements with other segments or blocks of learning or accomplishments as well as draw conclusions and make judgments about them.

Questions that test a CPA candidate's abilities to reconcile, conclude, or evaluate scenarios assess the highest levels of knowledge. For example, uncovering an understatement of ending inventory during an audit should make a CPA candidate conclude the client may be trying to understate profits by overstating cost of goods sold and thereby defer tax liabilities to a later period. The auditor should also be concerned that the client may try to understate profits in other ways, such as by not recognizing sales or overstating other expenses in the current period. Thus, further auditing in these areas may be warranted.

This type of inter-correlating information and knowledge demonstrates these higher levels of knowledge. When you are performing at this advanced stage of cognition, you can answer the "so what" questions. If you can explain why something is important or not important, then you have reached the analysis and evaluation levels of knowledge.

Current CPA Exam: AUD, BEC, FAR, REG

2017 CPA Exam

Section	Remembering & Understanding	Application	Analysis	Evaluation
AUD	30% - 40%	30% - 40%	15% - 25%	5% - 15%
BEC	15% - 25%	50% - 60%	20% - 30%	-
FAR	10% - 20%	50% - 60%	25% - 35%	-
REG	25% - 35%	35% - 45%	25% - 35%	-

Remember that these advanced cognitive skills are not currently tested on the CPA exam. Beginning in 2017, though, all 4 sections of the CPA exam will test at the analysis level, and the Auditing & Attestation

section will also have questions testing at the evaluation level. Therefore, this is a really big step for the AICPA, and it demonstrates that the questions on the CPA exam will become much more difficult.

In addition, the testing of these cognitive abilities will increase content integration among the sections, e.g., candidates may need to draw on their base-level knowledge of FAR topics while answering an AUD TBS.

Comparison Chart and Details

Current	2017
CPA Exam assesses remembering and understanding and application skill levels equally.	CPA Exam will shift to test higher order skills like analysis and evaluation and will no longer assess the remembering and understanding and application skill levels equally.
There are 4 sections: Auditing and Attestation (AUD), Business Environment and Communication (BEC), Financial Accounting and Reporting (FAR), and Regulation (REG).	No changes.
BEC includes 72 multiple-choice questions and 3 written communications.	BEC will include task-based simulations in addition to multiple-choice questions and written communications.
Total CPA Exam testing time is 14 hours.	Total testing time will be 16 hours - 4 sections of 4 hours each.
The CPA Exam includes either 72 or 90 multiple-choice questions, depending on the section.	The exam will include 62 BEC multiple-choice questions, 66 FAR multiple-choice questions, 72 AUD multiple-choice questions, and 76 REG multiple-choice questions.
The CPA Exam includes 6, 7, or no task-based simulations, depending on the section.	The CPA Exam will include 5 task-based simulations for BEC and 9 task-based simulations for AUD, FAR, and REG.
The CPA Exam does not include Document Review Simulations.	The CPA Exam will include Document Review Simulations (DRS), a new type of task-based simulations.
AUD, FAR, and REG scoring weights are as follows: 60% multiple-choice and 40% task-based simulations. BEC scoring weights are 85% multiple-choice and 15% written communications.	For AUD, FAR, and REG, the scoring weights for both the multiple-choice questions and the task-based simulations will be 50%. The scoring weights for BEC will be 50% for multiple-choice, 35% for task-based simulations, and 15% for written communications.
Scores are released within an average of 20 days.	No changes.

Generic spreadsheets are provided at the testing center during the exam.	No change for 2017, but Microsoft Excel might replace the generic spreadsheet tool in 2018.
Exam fees currently vary by state.	Exam fees will continue to vary by state, but BEC and REG will increase by $20 per section.
Breaks count toward the total exam time allotted to candidates.	A new standardized 15-minute break that will not count against testing time will be available to candidates during each exam section.

Document Review Simulation (DRS)

The Document Review Simulation (DRS) is a new type of Task-Based Simulation that tests application, analysis, and/or evaluation skills. The DRS will present a realistic document and source documents (exhibits) that require review. Certain words, phrases, sentences, or paragraphs in the DRS document may not be correct, and the candidate will need to select appropriate edits based on the source documents provided.

The AICPA believes that the new DRS will increase CPA Exam authenticity, as it represents tasks that newly licensed CPAs may have to perform.

In general, Task-Based Simulations (TBSs) on the new exam will include more material and data that a candidate will have to sort through to determine what is relevant to the actual question.

Scoring Weights

Currently on the CPA Exam, 60% of the score comes from the multiple-choice section of AUD, FAR, and REG. The remainder of the exam score (40%) is from the Task-Based Simulations. MCQs make up 85% of the total score in BEC, with the rest of the weight attributed to the written communications.

In 2017, exams will be scored differently to accommodate the increased testing at higher order skills. For AUD, FAR and REG, the MCQ and TBS portions of the exams will make up 50% each of the total score. In BEC, the MCQs will be worth 50% of the score, while the written communications will make up 15%, and the new TBSs will be 35% of the total score.

Sections	Current Version			Next Version		
	MCQs	TBS	WC	MCQs	TBS	WC
AUD	60%	40%	0%	50%	50%	0%
BEC	85%	0%	15%	50%	35%	15%
FAR	60%	40%	0%	50%	50%	0%
REG	60%	40%	0%	50%	50%	0%

Time Allotment & Exam Breaks

Each of the sections on the 2017 exam will have a 4-hour time limit. Currently, AUD and FAR are the only two sections that give candidates four hours to complete the multiple-choice questions and Task-Based Simulations. BEC and REG currently must be completed in three hours. To make up for the addition of Task-Based Simulations to BEC, the exam will increase by one hour in 2017, thus making it a four-hour exam. Due to the more complete Task-Based Simulations testing at the analysis level, REG will also increase in exam length by one hour, making it a four-hour exam as well.

Given that the exams will now be more challenging, and in some cases longer, the AICPA has added a standardized 15-minute break to each exam section. This break will automatically be offered after the first TBS testlet is completed–about the midway point of the section. The new break will not count against testing time if used, and the exam clock will stop when the break begins. If a candidate declines to take the 15-minute break, there will not be another opportunity to use it. The exam clock will restart after 15 minutes even if a candidate has not started the second TBS testlet. Candidates will still have the option to take additional breaks during their Prometric exam session, but these breaks will count against testing time.

Sections	Current Time Allotment	2017 Time Allotment	Variance
AUD	4	4	0
BEC	3	4	1
FAR	4	4	0
REG	3	4	1

Score Release Timelines

The AICPA does not anticipate any changes with the current 20-day average turnaround time, therefore score release schedules will be unaffected. There will be an exception with the first two testing windows in 2017, as there will be a delay to statistically validate candidate performance.

Exam Cost

BEC and REG sections will increase by approximately $20 each to accommodate the new candidate seat time. Remember, the BEC and REG sections will now allow candidates to have four hours in which to complete these sections.

Blueprints

Content Specification Outlines (CSOs) and Skill Specification Outlines (SSOs) will be replaced by blueprints. These blueprints will include the content, related representative tasks, and skills that will be tested on the Exam. Blueprints are representative and should not be considered all-inclusive lists of tasks that may be tested on the Exam. Further, the number of tasks associated with a particular topic is not indicative of the extent such content will be tested.

Microsoft Excel in 2018

In 2018, Microsoft Excel will replace the current generic spreadsheet function. The addition of this program will have the goal of aiding test takers in completing calculations; candidates will not be tested on their Excel skill level.

Blueprints and Current CSOs

Auditing and Attestation (AUD) section

Current Exam

Major Areas Covered	
I. Engagement Acceptance and Understanding the Assignment	12% - 16%
II. Understanding the Entity and Its Environment (including Internal Control)	16% - 20%
III. Performing Audit Procedures and Evaluating Evidence	16% - 20%
IV. Evaluating Audit Findings, Communications and Reporting	16% - 20%
V. Accounting and Review Service Engagements	12% - 16%
VI. Professional Responsibilities	16% - 20%

Next Version

Major Areas Covered		**Predominant Skill**
I. Ethics, Professional Responsibilities and General Principles	15% - 25%	Remembering and Understanding and Application
II. Assessing Risk and Developing a Planned Response	20% - 30%	Analysis and Evaluation
III. Performing Further Procedures and Obtaining Evidence	30% - 40%	Analysis and Evaluation
IV. Forming Conclusions and Reporting	15% - 25%	Remembering and Understanding and Application

Skill	**Weight**
Evaluation	5% - 15%
Analysis	15% - 25%
Application	30% - 40%
Remembering and Understanding	30% - 40%

Business Environment and Concepts (BEC) section

Current Exam

Major Areas Covered	
I. Corporate Governance	16% - 20%
II. Economic Concepts and Analysis	16% - 20%
III. Financial Management	19% - 23%
IV. Information Systems and Communications	15% - 19%
V. Strategic Planning	10% - 14%
VI. Operations Management	12% - 16%

Next Version

Major Areas Covered		**Predominant Skill**
I. Corporate Governance	17% - 27%	Application
II. Economic Concepts and Analysis	17% - 27%	Analysis
III. Financial Management	11% - 21%	Analysis
IV. Information Technology	15% - 25%	Application
V. Operations Management	15% - 25%	Analysis

Skill	**Weight**
Evaluation	-
Analysis	20% - 30%
Application	50% - 60%
Remembering and Understanding	15% - 25%

Financial Accounting and Reporting (FAR) section

Current Exam

Major Areas Covered	
I. Conceptual Framework, Standards, Standard Setting and Presentation of Financial Statements	17% - 23%
II. Financial Statement Accounts: Recognition, Measurement, Valuation, Calculation, Presentation and Disclosures	27% - 33%
III. Specific Transactions, Events and Disclosures: Recognition, Measurement, Valuation, Calculation, Presentation and Disclosures	27% - 33%
IV. Governmental Accounting and Reporting	8% - 12%
V. Not-for-Profit (Nongovernmental) Accounting and Reporting	8% - 12%

Next Version

Major Areas Covered		**Predominant Skill**
I. Conceptual Framework, Standard-Setting, and Financial Reporting	25% - 35%	Analysis
II. Select Financial Statement Accounts	30% - 40%	Analysis
III. Select Transactions	20% - 30%	Analysis
IV. State and Local Governments	5% - 15%	Remembering and Understanding and Application

Skill	**Weight**
Evaluation	-
Analysis	25% - 35%
Application	50% - 60%
Remembering and Understanding	10% - 20%

Regulation (REG) section

Current Exam

Major Areas Covered	
I. Ethics, Professional and Legal Responsibilities	15% - 19%
II. Business Law	17% - 21%
III. Federal Tax Process, Procedures, Accounting and Planning	11% - 15%
IV. Federal Taxation of Property Transactions	12% - 16%
V. Federal Taxation of Individuals	13% - 19%
VI. Federal Taxation of Entities	18% - 24%

Next Version

Major Areas Covered		**Predominant Skill**
I. Ethics, Professional and Legal Responsibilities	10% - 20%	Remembering and Understanding and Application
II. Business Law	10% - 20%	Remembering and Understanding and Application
III. Federal Taxation of Property Transactions	12% - 22%	Application and Analysis
IV. Federal Taxation of Individuals	15% - 25%	Application and Analysis
V. Federal Taxation of Entities	28% - 38%	Application and Analysis

Skill	***Weight***
Evaluation	-
Analysis	25% - 35%
Application	35% - 45%
Remembering and Understanding	25% - 35%

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