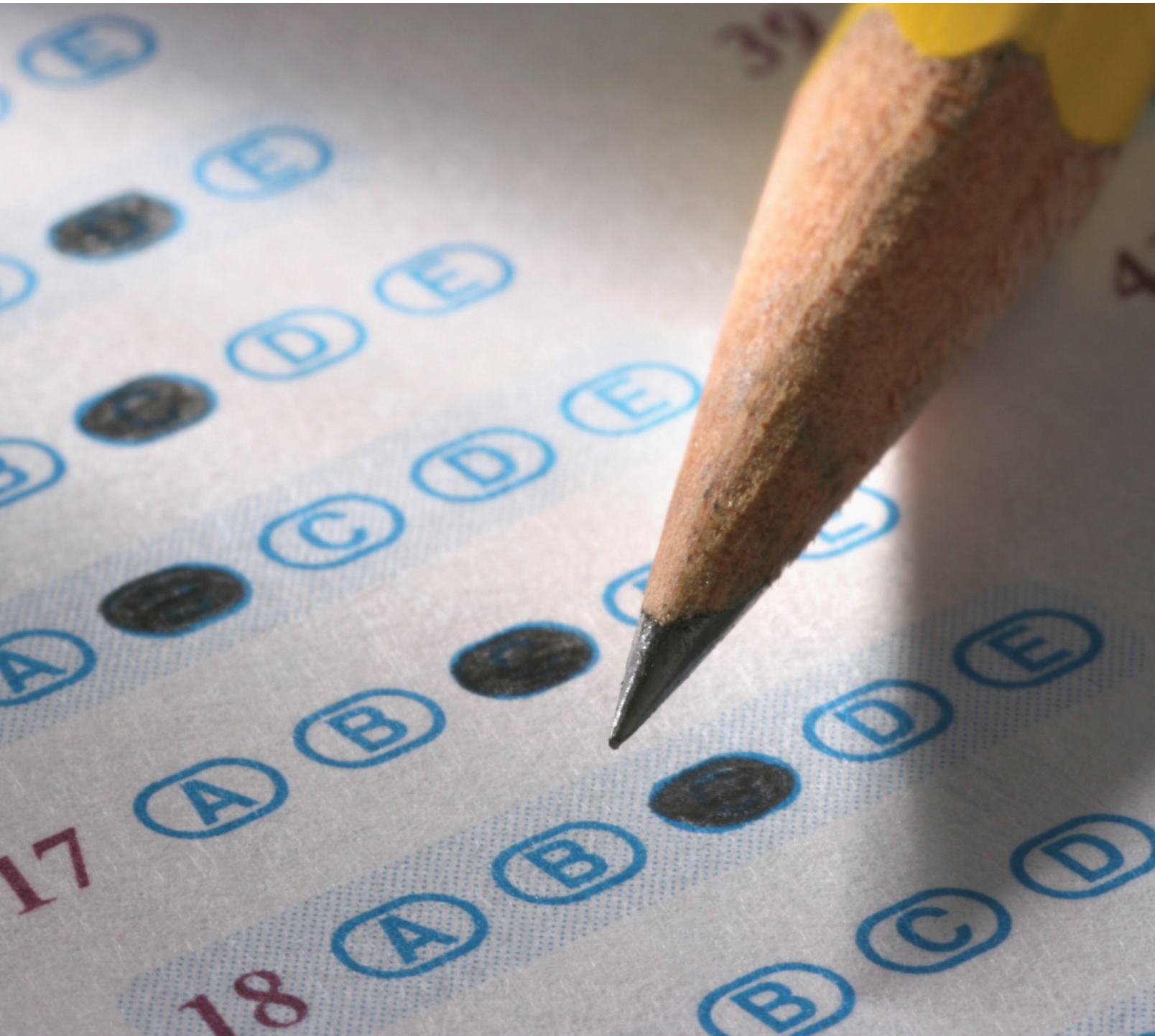


The Only Constant is Change: Upcoming Changes to the Uniform CPA Exam



By Kelsey R. Brasel, Ph.D., CPA; Renee Flasher, Ph.D., CIA, CMA, CPA, CFE; and Sharon Huang, Ph.D.

The Uniform CPA Exam has continually experienced change in its history (see Exhibit 1). The most significant format change in recent history was the computerization of the exam in 2004. Six years later, in 2011, the American Institute of Certified Public Accountants (AICPA) implemented enhanced computer-based testing and incorporated International Financial Reporting Standards (IFRS) content.

Most recently, AICPA has announced another set of significant changes that will alter the current form of the Uniform CPA Exam, effective April 1, 2017. This article summarizes the significant changes outlined in AICPA's *Practice Analysis Final Report: Maintaining Relevance of the Uniform CPA Examination* (2016).

The New Uniform CPA Exam Changes

In its April 4, 2016, report, AICPA detailed significant changes for the exam. Beginning in 2014, AICPA conducted a practice analysis to identify the knowledge and skillsets required of newly licensed CPAs. Based on this research, AICPA concluded that the current exam had not kept pace with the continually changing expectations and demands of newly licensed CPAs.

To address this concern, AICPA is making changes to the exam to provide a better measure of the skills necessary for a new CPA. Among the significant changes, the new exam will increase the assessment of higher-order cognitive skills and increase the use of task-based simulations with a corresponding reduction in multiple-choice questions to 50 percent of the exam. However, the overall

structure of four sections will remain and include: Auditing and Attestation (AUD), Business Environment and Concepts (BEC), Financial Accounting and Reporting (FAR) and Regulation (REG).

One of the more significant changes to the current version of the exam is an increased emphasis on higher-order skills (see Exhibit 2). Historically, the CPA exam focused on lower-level skills, such as remembering and understanding, and application. The upcoming version of the exam will not only test these skills, but it will also test higher-order cognitive skills, including analysis and evaluation. For example, a remembering and understanding task would include "understanding the purpose and application of sampling techniques in an audit engagement." Application tasks are a bit more difficult; for example, the candidate should "use sampling techniques to extrapolate the characteristics of a population from a sample of items tested." An example of analysis skill test objective would require the candidate to "determine the suitability of substantial analytical procedures to provide evidence to support an identified assertion." The highest-order skill, evaluation, would require candidates to "evaluate the significance of the differences of recorded amounts from expected values when performing analytical procedures in an audit engagement."

Currently, the exam focuses 50-60 percent of the questions on remembering and understanding and 40-50 percent of questions on application (with the exception of BEC, which focuses a majority of its questions on remembering and understanding). Under the new exam, FAR,

Exhibit 1

Previous Major Revisions of the CPA Exam

Adapted from Frasier, Baugh and Williams (2016)

Date	Description/Revision of the CPA Exam
Pre-1994	19.5 hours, pencil/paper, four parts are: Auditing, Law, Acc. Theory, Acc. Practice (2 parts, 4.5 hours each); given twice per year in May and Nov.
1994	15.5 hours, use of calculator, pencil/paper, four parts are: 1. Business Law and Professional Responsibilities (LPR). 2. Auditing (AUDIT). 3. Accounting and Reporting (Tax, Managerial, Gov't, Not-for-profit) (ARE). 4. Financial Acc. and Reporting – Business Enterprises (FARE).
2004	Computerized Exam; 14 hours; revised four parts are: 1. Auditing and Attestation (AUD). 2. Business Environment and Concepts (BEC) – covers business structures, economic concepts, financial management, information technology and planning and measurement. 3. Financial Accounting and Reporting (FAR). 4. Regulation (REG) – covers ethics and professional responsibility, business law and federal taxation.
2011	Enhanced computer-based testing, 14 hours, testing IFRS (International Financial Reporting Standards), research codification and international auditing standards.

continued on next page

BEC and REG will focus on remembering, application and analysis, while AUD will also focus on evaluation (as depicted in Exhibit 2). For example, the AUD exam will be composed of 5-15 percent on evaluation, 15-25 percent on analysis, 30-40 percent on application, and 30-40 percent on remembering and understanding. The increased testing of higher-order cognitive skills is a significant change to the current CPA exam.

New types of TBS will be implemented in the new CPA exam: document review simulations (DRS), enhanced simulations and integrative simulations. First, DRS will present a realistic document for the candidate to complete, for example, a summary worksheet and supporting source documents. Candidates will be required to select appropriate edits to highlighted words or sections of the document based

of the exam has been increased from 14 to 16 hours. Additionally, a 15-minute break will be offered to candidates in addition to the allotted testing time. Optional breaks after each section of the exam will be available; however, the breaks reduce the allotted testing time. Due to the increase in testing time, AICPA notes exam fees will increase, but the extent of the increase has not been disclosed.

Exhibit 2

Types of Skills Tested on the New CPA Exam

Adapted from AICPA (2016)

Skill Level	Question Type	Percentage of Questions			
		AUD	FAR	REG	BEC
Evaluation	TBS	5 – 15%	--	--	--
Analysis	TBS	15 – 25%	25 – 35%	25 – 35%	20 – 30%
Application	MCQ, TBS, WC	30 – 40%	50 – 60%	35 – 45%	50 – 60%
Remembering and Understanding	MCQ	30 – 40%	10 – 20%	25 – 35%	15 – 25%

TBS = Task-Based Simulations, MCQ = Multiple Choice Questions, WC = Written Communication

To test higher-order skills, the mix of multiple-choice questions (MCQ) and task-based simulations (TBS) will change under the new exam (see Exhibit 3). Specifically, the weighting of MCQ for AUD, FAR and REG will decrease from 60 percent to 50 percent of the exam. The weighting of TBS for AUD, FAR and REG will increase from 40 percent to 50 percent of the exam. For the first time, BEC will include TBS that will compose 35 percent of the exam. Writing Comprehension tested in BEC will remain weighted at 15 percent; however, grammar and punctuation will be tested under the new exam in addition to content. The remaining content of BEC will be 50 percent MCQ, which represents a significant decrease from the current weighting of 85 percent.

on the supporting documentation. Second, enhanced simulations provide an increased amount of background information and require candidates to determine whether the information is relevant to the question. Finally, integrative simulations include content from multiple sections of the exam and require the candidate to integrate knowledge from more than one exam section to answer questions.

The New Uniform CPA Exam Administration and Support Changes

The length of REG and BEC will be increased from three hours to four hours in length to mirror the current length of AUD and FAR. Therefore, the total length

Blueprints detailing the topics and skill level tested on the new exam are available in the *Practice Analysis Final Report: Maintaining Relevance of the Uniform CPA Examination* (2016). The blueprints replace the current Content Specification Outlines and Skill Specification Outlines. Blueprints do reflect some minor changes in categorization of content; for example, nonprofit accounting is no longer separately tested as a section of FAR. However, there is strong overlap between the existing content specification outlines and the test blueprints.

The National Association of State Boards of Accountancy (NASBA) estimates scores for the first window of the new exam (Q2 2017) will be released 10 weeks after the close of the testing window. After scoring is better calibrated, subsequent windows will release scores 10 days after the close of the testing window. In addition, the testing window has been expanded by 10 days per quarter starting June 2016. As of now, the continuation of the expanded testing window is uncertain. If allowed in the long term, candidates have an extra 40 days per year to schedule their testing dates.

Changes Are Significant

Significant changes have been adopted by AICPA that will alter the current form of the Uniform CPA Exam beginning on April 1, 2017. The most significant change will be the testing of higher-order skills (evaluation and analysis), in addition to application and remembering and understanding skills. Additionally, the new exam will increase the number of TBS for all four sections and increase the weighting of these questions.

Employers should encourage candidates currently taking the exam to pass all four sections prior to the changes going into

Exhibit 3

Question Counts and Score Weightings on the New CPA Exam

Adapted from AICPA (2016)

Section	MCQ		TBS		WC	
	Count	Weighting	Count	Weighting	Count	Weighting
AUD	72	50%	8 – 9	50%	--	--
FAR	66	50%	8 – 9	50%	--	--
REG	76	50%	8 – 9	50%	--	--
BEC	62	50%	4 – 5	35%	3	15%

TBS = Task-Based Simulations, MCQ = Multiple Choice Questions, WC = Written Communication

effect on April 1, 2017. However, NASBA, boards of accountancy and AICPA have agreed that any combination of passed current format exam sections and passed new format exam sections will count toward licensure requirements (subject to the 18-month rule).

Also, the 2014 *NASBA Candidate Book* summarizes all the educational institutions reported by candidates sitting for the exam by state. Texas ranked high with the fourth most educational institutions in the nation, with greater than 60 different institutions referenced. Therefore, any student expecting to reach his/her 150-hour

requirement to sit for the exam in Texas may see changes implemented within accounting courses as instructors begin to emphasize the types of problems and activities, in addition to content knowledge, aligning with the new exam format.

For more information about the new exam format, visit AICPA's website (www.aicpa.org/becomeacpa/cpaexam/nextexam/). It remains to be seen if candidates have success in demonstrating these new skills with the new format. AICPA's hope is that candidates, educational institutions and the employers within Texas see the benefits of this new format sooner rather than later. ■

References:

American Institute of Certified Public Accountants (AICPA). 2016. *Practice Analysis Final Report: Maintaining the Relevance of the Uniform CPA Examination*. April 4, 2016. Retrieved from <http://www.aicpa.org/BecomeACPA/CPAExam/nextexam/DownloadableDocuments/2016-practice-analysis-final-report.pdf>

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