

# Candidate Chronicle

A NEWSLETTER FOR TEXAS CPA EXAMINATION CANDIDATES - PUBLISHED BY THE TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

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## Structure, length, and content of the

# COMPUTER-BASED CPA EXAMINATION

**D**ecisions for the structure, length, and examination content specification for the computer-based Uniform CPA Examination have been finalized.

These guidelines are the result of an extensive evaluation of the most recent *Practice Analysis of Certified Public Accountants*, recommendations of the Board of Examiners (BOE) Content Committee, and responses to an exposure draft and briefing paper. The changes will become effective upon the implementation of the computer-based examination in early 2004. These modifications are expected to strengthen the examination and continue to ensure ongoing protection of the public interest. The BOE will continue to monitor the pre-test and operational outcomes of the examination to ensure it meets its objective.

Identification of the skills needed by entry-level CPAs was a primary factor considered in developing the computerized examination. The skills identified are necessary for CPAs so that they can communicate, perform research, analyze information, and apply judgment and understanding. These skills are further defined by the Board of Examiners:

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

TIME ALLOTTED PER SECTION	
AUDITING & ATTESTATION	4.5 HOURS
FINANCIAL ACCOUNTING & REPORTING	4.0 HOURS
REGULATION	3.0 HOURS
BUSINESS ENVIRONMENT & CONCEPTS	2.5 HOURS
TOTAL LENGTH	14.0 HOURS

A candidates must demonstrate the ability to apply these skills in each section in the context of the content knowledge. Skills will be assessed using an assortment of methods, such as simulations or relational case studies, to evaluate a candidate's knowledge and skills using work-related simulations. These models will require a candidate to demonstrate basic computer skills, the ability to perform common spreadsheet and word processing tasks, the capability to use a calculator or spreadsheet to perform standard financial calculations, and the ability to use electronic tools such as databases. Weights to these skills will be assigned in a manner comparable to those assigned to knowledge. The computer-based examination will be comprised of four parts:

**Auditing & Attestation** will give the candidate the opportunity to demonstrate knowledge of auditing procedures, auditing standards and other standards related to the attest function which have a significant effect on the public interest. In this portion of the examination, a candidate will be asked to:

- ✓ plan an engagement, evaluate the prospective client and engagement, decide whether to accept the engagement, and enter into an agreement with the client;
- ✓ consider internal control in both manual and computerized environments;
- ✓ obtain and document information to form a basis for conclusions;

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- ✓ review the engagement to provide reasonable assurance that objectives are achieved and evaluate information obtained to reach and to document engagement conclusions; and
- ✓ prepare communications to satisfy engagement objectives.

**Financial Accounting and Reporting** will deal with knowledge of generally accepted accounting principles for business enterprises, not-for-profit organizations, and governmental entities, as well as the proficiency necessary to apply them. Since most audit and attestation engagements relate to financial statements, a separate section on this subject is necessary. During this segment, a candidate will be required to:

- ✓ obtain and document information for use in financial statements;
- ✓ 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; and
- ✓ present results in writing in a financial statement format or other appropriate format.

**Regulation** will cover the candidate's knowledge of federal taxation, ethics, professional and legal responsibilities, and business law as well as the related skills to apply this knowledge. This section will be included since CPAs are responsible for observing the regulations that affect them and for performing services or advice on regulation such as tax laws. This section is important to ensure that candidates can independently show knowledge of professional ethics as well as regulations such as taxation, and business law. The main topics will test:

- ✓ ethics and professional and legal responsibilities;
- ✓ business law;
- ✓ federal tax procedures and accounting issues;
- ✓ federal taxation of property transactions;
- ✓ federal taxation of individuals; and
- ✓ federal taxation of entities.

The ethics, professional and legal responsibilities portion of the Regulation exam will cover knowledge of a CPA's professional and legal responsibilities and the legal implications of business transactions, particularly as they relate to accounting and auditing. It will also deal with federal and widely adopted uniform state laws. If there is no federal or uniform state law on a topic, the questions will test a candidate's understanding of the law in the majority of jurisdictions. Professional ethics questions are based on the AICPA *Code of Professional Conduct* due to its national scope. The federal tax questions will require a candidate to:

- ✓ analyze information and identify data relevant for tax purposes;
- ✓ identify issues, elections, and alternative tax treatments;
- ✓ research issues and alternative tax treatments; and
- ✓ formulate conclusions.

**Business Environment and Concepts** is designed to test knowledge of the general business environment and the business concepts, as well as the accounting implications of business transactions, information technology, business measurement (including management accounting), and the skills necessary to apply that knowledge.

The purpose of this section is to test a candidate's understanding of business concepts as it relates to the protection of the public. Knowledge of the business and its environment is a key factor in applying the audit risk model. During this section a candidate will be expected to display knowledge of:

- ✓ business structures;
- ✓ economic concepts essential to obtaining an understanding of an entity's business and industry;
- ✓ financial management;
- ✓ information technology implications in the business environment; and
- ✓ planning and measurement.

The computerized examination will be 14 hours in length. The time allotted for each section is detailed in the sidebar on page 1.



More about the

# COMPUTERIZED EXAMINATION

**T**HE NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY (NASBA) on behalf of the 54 jurisdictional boards of accountancy, and the American Institute of Certified Public Accountants (AICPA) have signed a joint agreement with the testing firm Prometric to provide a computerized CPA examination in early 2004.

**T**he final paper-and-pencil examination will be held in November 2003. The transition to a computer-based test will enhance the CPA examination by incorporating the assessment of critical skills, such as research and communication, and will include increased emphasis on information technology and general business knowledge, as well as broadening the scope of the examination in the audit and attest area. In addition, the computer-based test will afford more flexibility to CPA examination candidates, who will be able to take the examination up to four times a year. With computer-based testing, examination centers will be available up to six days a week.

The AICPA will continue to develop the questions and grade the computerized examination, while NASBA and the state boards of accountancy will be responsible for the overall administration of the exam to the more than 100,000 candidates who sit each year, including approximately 7,000 Texas candidates.

The parties to the agreement will ensure that the CPA examination is reliable, psychometrically valid, secure, legally defensible, and conforms to applicable constitutional, statutory, and regulatory standards.

NASBA and the state boards of accountancy will continue to fulfill their traditional roles of administration, including candidate eligibility and authorization processes.

“The business world has changed dramatically since the Uniform CPA Examination was first introduced,” David Costello, president and CEO of NASBA, stated. “State boards of accountancy, in meeting their public interest responsibilities, require an examination that, together with relevant education and experience criteria, qualifies candidates to be CPAs in a tough and challenging business environment.”

NASBA will develop and maintain a national candidate database that enhances examination security, assures confidentiality of candidate information, and protects against inappropriate use of candidate data. Eligibility to sit for the examination is based upon determi-

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**(512) 305-7818**

nations by individual state boards of accountancy. NASBA will issue final authorization to schedule appointments for testing once candidate information is entered into the database.

The NASBA Examination Review Board will have the right to audit all aspects of the examination, including approval of testing centers.

State boards of accountancy will continue to have flexibility in regard to how fees are collected and disbursed.

Prometric, a technology-based testing company, will assist the AICPA in computerizing the examination and will deliver it to candidates through more than 300 testing centers in the United States and its territories. Prometric will also be responsible for scheduling candidates for testing at approved test centers. The company will be subject to audits and to an annual business review for reasonableness of fees.

The parties are committed to cooperating to making the computer-based examination a reality. It will better judge the skills that new CPAs must have in order to protect the public interest.

The Uniform CPA Examination is presently administered twice annually in 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

## VOLUNTEERS SOUGHT FOR PRE-TESTING IN TEXAS

**A**S WE MOVE CLOSER TO THE FIRST UNIFORM CPA EXAMINATION VIA COMPUTER IN 2004, A NUMBER OF important projects must be completed, including computerized pre-testing and case-study simulations.

This effort is being conducted by the AICPA's Examinations Team under the auspices of the Board of Examiners, the group that is managing the transition of the examination to a computer-based format. Each question must be pre-tested and determined to be psychometrically valid prior to its inclusion in the computerized examination's item bank.

Since November, 2001 pretesting simulations have been conducted on college and university campuses across the nation, including in Texas at Baylor University, Texas A&M Commerce, and Texas A&M Corpus Christi. Another pre-test event is scheduled for October 18-19 at the University of Texas at Austin. The Board also hopes to soon be able to offer the pre-test to qualified candidates at the Board's office in Austin. The project serves several purposes, including:

- ✓ offering an opportunity to pre-test potential questions;
- ✓ giving individuals an opportunity to experience the examination in a simulated test environment;
- ✓ offering a chance to use on-line authoritative literature and pronouncements that will be available to develop responses to the case-study simulations;
- ✓ relieving some of the anxiety associated with the transition from a paper-based examination to a computerized format; and
- ✓ providing the test-taker with a scored response that could be useful in preparing for the actual computer-based CPA examination.

Texas CPAs and exam candidates can assist in the transition to the computer-based CPA exam in the following ways:

- ✓ Texas college and university accounting instructors are urged to relay this information to their department chairs so that their schools can participate in the pre-testing effort.
- ✓ Newly licensed CPAs who have taken the examination within the past year may be eligible to pre-test participants.
- ✓ CPAs and candidates are encouraged to inform co-workers of this opportunity. Individuals who are currently taking the paper-based CPA examination may participate in pre-testing.

# NOVEMBER 2002

## Uniform CPA Examination Schedule

*Wednesday*

*November 6*

**Business Law  
& Professional  
Responsibilities (LPR)**

9:00 AM - 12 NOON

**Auditing (AUD)**

1:30 PM - 6:00 PM

*Thursday*

*November 7*

**Accounting &  
Reporting (ARE)**

8:30 AM - 12 NOON

**Financial Accounting  
& Reporting (FAR)**

1:30 PM - 6:00 PM

## LOCATIONS

**Austin**

*Austin Convention Center*

**El Paso**

*Hawthorn Inn & Suites*

**Fort Worth**

*Will Rogers Memorial Center*

**Houston**

*Reliant Arena*

**Lubbock**

*Lubbock Civic Center*

**San Antonio**

*Live Oak Civic Center*

## Future Exams

**T**HE DATES OF FUTURE exams and the filing deadlines are shown below. Please use these dates when planning for these exams.

**MAY 7-8, 2003**

Filing deadline March 15, 2003

**NOVEMBER 5-6, 2003**

Filing deadline September 15, 2003

Look for your  
**PHOTO  
I.D. CARD**  
*in the mail*

**P**HOTO ID CARDS FOR THE NOVEMBER 6-7, 2002 examination were all mailed by October 23. If you have not received your card, contact us at:

**(512) 305-7851.**

You must have your photo ID and one other form of identification to enter the examination room.

# Concerned CPA Network

Offering **CONFIDENTIAL** assistance to CPAs, exam candidates, and accounting students who may have a drug or alcohol dependency problem or mental health issues.

The network is sponsored by the TSCPA and is endorsed by the Board.

*For information call*  
**(800) 289-7053**

**LEGAL NOTICE:** The identity and communications and fact of membership of anyone attending this group are confidential and protected under penalty of law under *Chapter 467 of the Texas Health and Safety Code.*

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