

# **CONTENT AND SKILL SPECIFICATIONS FOR THE UNIFORM CPA EXAMINATION**

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**Approved by the Board of Examiners  
American Institute of Certified Public Accountants  
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Examinations Team  
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American Institute of Certified Public Accountants

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## CONTENT SPECIFICATION OUTLINES (CSOs)

The outline portions of the content specifications identify the extent of the technical content to be tested on each of the four sections of the Uniform CPA Examination. The outlines list the areas, groups, and topics to be tested in the following manner:

### 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.

### **Weights**

The percentage range following each area represents the approximate percentage of total test questions associated with the area. The ranges are designed to provide flexibility in building the examination, and the midpoints of the ranges for all areas in each section total 100%. The examination questions will be selected from each area to fall within the percentage allocation range. No percentages are given for groups or topics. 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.

### **Auditing and Attestation (AUD)**

The Auditing and Attestation section tests knowledge and understanding of the following professional standards: Auditing standards promulgated in the United States of America (related to audits of an “Issuer” (a public company), a “Nonissuer” (an entity that is not a public company), governmental entities, not-for-profit entities, and employee benefit plans, standards related to attestation and assurance engagements, and standards for performing accounting and review services.

Candidates are expected to demonstrate an awareness of: (1) the International Auditing and Assurance Standards Board (IAASB) and its role in establishing International Standards on Auditing (ISAs), (2) the differences between ISAs and U.S. auditing standards, and (3) the audit requirements under U.S. auditing standards that apply when they perform audit procedures on a U.S. company that supports an audit report based upon the auditing standards of another country, or the ISAs.

This section also tests knowledge of professional responsibilities of certified public accountants, including ethics and independence.

Candidates are also expected to demonstrate an awareness of: (1) the International Ethics Standards Board for Accountants (IESBA) and its role in establishing requirements of the International

Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, and (2) the independence requirements that apply when they perform audit procedures on a U.S. company that supports an audit report based upon the auditing standards of another country, or the ISAs.

In addition to demonstrating knowledge and understanding of the professional standards, candidates are required to demonstrate the skills required to apply that knowledge in performing auditing and attestation tasks as certified public accountants. The outline below specifies the tasks and related knowledge in which candidates are required to demonstrate proficiency: Candidates are also expected to perform the following tasks:

- Demonstrate an awareness and understanding of the process by which standards and professional requirements are established for audit, attestation, and other services performed by CPAs, including the role of standard-setting bodies within the U.S. and those bodies with the authority to promulgate international standards.
- Differentiate between audits, attestation and assurance services, compilations, and reviews.
- Differentiate between the professional standards for issuers and nonissuers.
- Identify situations that might be unethical or a violation of professional standards, perform research and consultations as appropriate, and determine the appropriate action.
- Recognize potentially unethical behavior of clients and determine the impact on the services being performed.
- Demonstrate the importance of identifying and adhering to requirements, rules, and standards that are established by licensing boards within their states, and which may place additional professional requirements specific to their state of practice.
- Appropriately apply professional requirements in practice, and differentiate between unconditional requirements and presumptively mandatory requirements.
- Exercise due care in the performance of work.
- Demonstrate an appropriate level of professional skepticism in the performance of work.
- Maintain independence in mental attitude in all matters relating to the audit.
- Research relevant professional literature.

**I. Auditing and Attestation: Engagement Acceptance and Understanding the Assignment  
(12% - 16%)**

**A. Determine Nature and Scope of Engagement**

**B. Consider the Firm's System of Quality Control for Policies and Procedures  
Pertaining to Client Acceptance and Continuance, including:**

1. The CPA firm's ability to perform the engagement within reporting deadlines
2. Experience and availability of firm personnel to meet staffing and supervision requirements
3. Whether independence can be maintained
4. Integrity of client management
5. Appropriateness of the engagement's scope to meet the client's needs

**C. Communicate with the Predecessor Auditor**

**D. Establish an Understanding with the Client and Document the Understanding Through an Engagement Letter or Other Written Communication with the Client**

**E. Consider Other Planning Matters**

1. Consider using the work of other independent auditors
2. Determine the extent of the involvement of professionals possessing specialized skills
3. Consider the independence, objectivity, and competency of the internal audit function

**F. Identify Matters and Prepare Documentation for Communications with Those Charged with Governance**

**II. Auditing and Attestation: Understanding the Entity and Its Environment (including Internal Control) (16% - 20%)**

**A. Determine and Document Materiality Levels for Financial Statements Taken as a Whole**

**B. Conduct and Document Risk Assessment Discussions Among Audit Team, Concurrently with Discussion on Susceptibility of the Entity's Financial Statement to Material Misstatement Due to Fraud**

**C. Consideration of Fraud**

1. Identify characteristics of fraud
2. Document required discussions regarding risk of fraud
3. Document inquiries of management about fraud

4. Identify and assess risks that may result in material misstatements due to fraud

**D. Perform and Document Risk Assessment Procedures**

1. Identify, conduct and document appropriate inquiries of management and others within the entity
2. Perform appropriate analytical procedures to understand the entity and identify areas of risk
3. Obtain information to support inquiries through observation and inspection (including reading corporate minutes, etc.)

**E. Consider Additional Aspects of the Entity and its Environment, including: Industry, Regulatory and Other External Factors; Strategies and Business Risks; Financial Performance**

**F. Consider Internal Control**

1. Perform procedures to assess the control environment, including consideration of the COSO framework and identifying entity-level controls
2. Obtain and document an understanding of business processes and information flows
3. Perform and document walkthroughs of transactions from inception through recording in the general ledger and presentation in financial statements
4. Determine the effect of information technology on the effectiveness of an entity's internal control
5. Perform risk assessment procedures to evaluate the design and implementation of internal controls relevant to an audit of financial statements
6. Identify key risks associated with general controls in a financial IT environment, including change management, backup/recovery, and network access (e.g. administrative rights)
7. Identify key risks associated with application functionality that supports financial transaction cycles, including: application access control (e.g. administrative access rights); controls over interfaces, integrations, and e-commerce; significant algorithms, reports, validation, edit checks, error handling, etc.
8. Assess whether the entity has designed controls to mitigate key risks associated with general controls or application functionality

9. Identify controls relevant to reliable financial reporting and the period-end financial reporting process
10. Consider limitations of internal control
11. Consider the effects of service organizations on internal control
12. Consider the risk of management override of internal controls

**G.** Document an Understanding of the Entity and its Environment, including Each Component of the Entity's Internal Control, in Order to Assess Risks

**H.** Assess and Document the Risk of Material Misstatements

1. Identify and document financial statement assertions and formulate audit objectives including significant financial statement balances, classes of transactions, disclosures, and accounting estimates
2. Relate the identified risks to relevant assertions and consider whether the risks could result in a material misstatement to the financial statements
3. Assess and document the risk of material misstatement that relates to both financial statement level and specific assertions
4. Identify and document conditions and events that may indicate risks of material misstatement

**I.** Identify and Document Significant Risks that Require Special Audit Consideration

1. Risk of fraud
2. Significant recent economic, accounting, or other developments
3. Related parties and related party transactions
4. Improper revenue recognition
5. Nonroutine or complex transactions
6. Significant management estimates
7. Illegal acts

**III.** Auditing and Attestation: Performing Audit Procedures and Evaluating Evidence (16% - 20%)

**A.** Develop Overall Responses to Risks

1. Develop overall responses to risks identified and use the risks of material misstatement to drive the nature, timing, and extent of further audit procedures
2. Document significant risks identified, related controls evaluated, and overall responses to address assessed risks
3. Determine and document level(s) of tolerable misstatement

**B. Perform Audit Procedures Responsive to Risks of Material Misstatement; Obtain and Document Evidence to Form a Basis for Conclusions**

1. Design and perform audit procedures whose nature, timing, and extent are responsive to the assessed risk of material misstatement
2. Integrating audits: in an integrated audit of internal control over financial reporting and the financial statements, design and perform testing of controls to accomplish the objectives of both audits simultaneously
3. Design, perform, and document tests of controls to evaluate design effectiveness
4. Design, perform, and document tests of controls to evaluate operating effectiveness
5. Perform substantive procedures
6. Perform audit sampling
7. Perform analytical procedures
8. Confirm balances and/or transactions with third parties
9. Examine inventories and other assets
10. Perform other tests of details, balances, and journal entries
11. Perform computer-assisted audit techniques (CAATs), including data query, extraction, and analysis
12. Perform audit procedures on significant management estimates
13. Auditing fair value measurements and disclosures, including the use of specialists in evaluating estimates
14. Perform tests on unusual year-end transactions

15. Audits performed in accordance with International Standards on Auditing (ISAs) or auditing standards of another country: determine if differences exist and whether additional audit procedures are required
16. Evaluate contingencies
17. Obtain and evaluate lawyers' letters
18. Review subsequent events
19. Obtaining and placing reliance on representations from management
20. Identify material weaknesses, significant deficiencies, and other control deficiencies
21. Identify matters for communication with those charged with governance

**IV. Auditing and Attestation: Evaluating Audit Findings, Communications, and Reporting (16% - 20%)**

- A. Perform Analytical Procedures**
- B. Evaluate the Sufficiency and Appropriateness of Audit Evidence and Document Engagement Conclusions**
- C. Evaluate Whether Audit Documentation is in Accordance with Professional Standards**
- D. Review the Work Performed by Others to Provide Reasonable Assurance that Objectives are Achieved**
- E. Document the Summary of Uncorrected Misstatements and Related Conclusions**
- F. Evaluate Whether Financial Statements are Free of Material Misstatements**
- G. Consider the Entity's Ability to Continue as a Going Concern**
- H. Consider Other Information in Documents Containing Audited Financial Statements (e.g. Supplemental Information and Management's Discussion and Analysis)**
- I. Retain Audit Documentation as Required by Standards and Regulations**
- J. Prepare Communications**
  1. Reports on audited financial statements
  2. Reports required by government auditing standards
  3. Reports on compliance with laws and regulations

4. Reports on internal control
5. Reports on the processing of transactions by service organizations
6. Reports on agreed-upon procedures
7. Reports on financial forecasts and projections
8. Reports on pro forma financial information
9. Special reports
10. Reissue reports
11. Communicate internal control related matters identified in the audit
12. Communications with those charged with governance
13. Subsequent discovery of facts existing at the date of the auditor's report
14. Consideration after the report date of omitted procedures

**V. Accounting and Review Services Engagements (12% - 16%)**

**A. Plan the Engagement**

1. Determine nature and scope of engagement
2. Decide whether to accept or continue the client and engagement including determining the appropriateness of the engagement to meet the client's needs and consideration of independence standards
3. Establish an understanding with the client and document the understanding through an engagement letter or other written communication with the client
4. Consider change in engagement
5. Determine if reports are to be used by third parties

**B. Obtain and Document Evidence to Form a Basis for Conclusions**

1. Obtain an understanding of the client's operations, business, and industry
2. Obtain knowledge of accounting principles and practices in the industry and the client

3. Obtain knowledge of stated qualifications of accounting personnel
4. Perform analytical procedures for review services
5. Obtain representations from management for review services
6. Perform other engagement procedures
7. Consider departures from generally accepted accounting principles (GAAP) or other comprehensive basis of accounting (OCBOA)
8. Prepare documentation from evidence gathered
9. Retain documentation as required by standards
10. Review the work performed to provide reasonable assurance that objectives are achieved

**C. Prepare Communications**

1. Reports on compiled financial statements
2. Reports on reviewed financial statements
3. Restricted use of reports
4. Communicating to management and others
5. Subsequent discovery of facts existing at the date of the report
6. Consider degree of responsibility for supplementary information

**VI. Professional Responsibilities (16% - 20%)**

**A. Ethics and Independence**

1. Code of Professional Conduct (AICPA)
2. Public Company Accounting Oversight Board (PCAOB)
3. U. S. Securities and Exchange Commission (SEC)
4. Government Accountability Office (GAO)
5. Department of Labor (DOL)
6. Sarbanes-Oxley Act of 2002, Title II

7. Sarbanes-Oxley Act of 2002, Title III, Section 303
8. Code of Ethics for Professional Accountants (IFAC)

**B. Other Professional Responsibilities**

1. Sarbanes-Oxley Act of 2002, Title IV
2. Sarbanes-Oxley Act of 2002, Title I

## References – Auditing and Attestation

- AICPA Statements on Auditing Standards and Interpretations
- AICPA Codification of Statements on Auditing Standards, AU Appendix B, *Analysis of International Standards on Auditing*
- Public Company Accounting Oversight Board (PCAOB) Standards (SEC-Approved) and Related Rules, PCAOB Staff Questions and Answers, and PCAOB Staff Audit Practice Alerts
- U.S. Government Accountability Office Government Auditing Standards
- Single Audit Act, as amended
- Office of Management and Budget (OMB) Circular A-133
- AICPA Statements on Quality Control Standards
- AICPA Statements on Standards for Accounting and Review Services and Interpretations
- AICPA Statements on Standards for Attestation Engagements and Interpretations
- AICPA Audit and Accounting Guides
- AICPA Auditing Practice Releases
- AICPA Code of Professional Conduct
- IFAC Code of Ethics for Professional Accountants
- Sarbanes-Oxley Act of 2002
- Department of Labor Guidelines and Interpretive Bulletins re: Auditor Independence
- SEC Independence Rules
- Employee Retirement Income Security Act of 1974
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO): Internal Control – Integrated Framework
- Current textbooks on auditing, attestation services, ethics, and independence

## Financial Accounting and Reporting (FAR)

The Financial Accounting and Reporting section tests knowledge and understanding of the financial reporting framework used by business enterprises, not-for-profit organizations, and governmental entities. The financial reporting frameworks that are included in this section are those issued by the standard-setters identified in the references to these CSOs, which include standards issued by the Financial Accounting Standards Board, the International Accounting Standards Board, the U.S. Securities and Exchange Commission, and the Governmental Accounting Standards Board.

In addition to demonstrating knowledge and understanding of accounting principles, candidates are required to demonstrate the skills required to apply that knowledge in performing financial reporting and other tasks as certified public accountants. To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

- Identify and understand the differences between financial statements prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP) and International Financial Reporting Standards (IFRS).
- Prepare and/or review source documents including account classification, and enter data into subsidiary and general ledgers.
- Calculate amounts for financial statement components.
- Reconcile the general ledger to the subsidiary ledgers or underlying account details.
- Prepare account reconciliation and related schedules; analyze accounts for unusual fluctuations and make necessary adjustments.
- Prepare consolidating and eliminating entries for the period.
- Identify financial accounting and reporting methods and select those that are appropriate.
- Prepare consolidated financial statements, including balance sheets, income statements, and statements of retained earnings, equity, comprehensive income, and cash flows.
- Prepare appropriate notes to the financial statements.
- Analyze financial statements including analysis of accounts, variances, trends, and ratios.
- Exercise judgment in the application of accounting principles.
- Apply judgment to evaluate assumptions and methods underlying estimates, including fair value measures of financial statement components.
- Produce required financial statement filings in order to meet regulatory or reporting requirements (e.g. Form 10-Q, 10-K, Annual Report).

- Determine appropriate accounting treatment for new or unusual transactions and evaluate the economic substance of transactions in making the determinations.
- Research relevant professional literature.

The outline below specifies the knowledge in which candidates are required to demonstrate proficiency:

- I.** Conceptual Framework, Standards, Standard Setting, and Presentation of Financial Statements (17% - 23%)
  - A.** Process by which Accounting Standards are Set and Roles of Accounting Standard-Setting Bodies
    1. U. S. Securities and Exchange Commission (SEC)
    2. Financial Accounting Standards Board (FASB)
    3. International Accounting Standards Board (IASB)
    4. Governmental Accounting Standards Board (GASB)
  - B.** Conceptual Framework
    1. Financial reporting by business entities
    2. Financial reporting by not-for-profit (nongovernmental) entities
    3. Financial reporting by state and local governmental entities
  - C.** Financial Reporting, Presentation and Disclosures in General-Purpose Financial Statements
    1. Balance sheet
    2. Income statement
    3. Statement of comprehensive income
    4. Statement of changes in equity
    5. Statement of cash flows
    6. Notes to financial statements
    7. Consolidated and combined financial statements
    8. First-time adoption of IFRS

- D.** SEC Reporting Requirements (e.g. Form 10-Q, 10-K)
  - E.** Other Financial Statement Presentations, including Other Comprehensive Bases of Accounting (OCBOA)
    - 1. Cash basis
    - 2. Modified cash basis
    - 3. Income tax basis
    - 4. Personal financial statements
    - 5. Financial statements of employee benefit plans/trusts
- II.** Financial Statement Accounts: Recognition, Measurement, Valuation, Calculation, Presentation, and Disclosures (27% - 33%)
- A.** Cash and Cash Equivalents
  - B.** Receivables
  - C.** Inventory
  - D.** Property, Plant, and Equipment
  - E.** Investments
    - 1. Financial assets at fair value through profit or loss
    - 2. Available for sale financial assets
    - 3. Held-to-maturity investments
    - 4. Joint ventures
    - 5. Equity method investments (investments in associates)
    - 6. Investment property
  - F.** Intangible Assets – Goodwill and Other
  - G.** Payables and Accrued Liabilities
  - H.** Deferred Revenue
  - I.** Long-Term Debt (Financial Liabilities)
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1. Notes payable
2. Bonds payable
3. Debt with conversion features and other options
4. Modifications and extinguishments
5. Troubled debt restructurings by debtors
6. Debt covenant compliance

**J.** Equity

**K.** Revenue Recognition

**L.** Costs and Expenses

**M.** Compensation and Benefits

1. Compensated absences
2. Deferred compensation arrangements
3. Nonretirement postemployment benefits
4. Retirement benefits
5. Stock compensation (share-based payments)

**N.** Income Taxes

**III.** Specific Transactions, Events and Disclosures: Recognition, Measurement, Valuation, Calculation, Presentation, and Disclosures (27% - 33%)

**A.** Accounting Changes and Error Corrections

**B.** Asset Retirement and Environmental Obligations

**C.** Business Combinations

**D.** Consolidation (including Off-Balance Sheet Transactions, Variable-Interest Entities and Noncontrolling Interests)

**E.** Contingencies, Commitments, and Guarantees (Provisions)

**F.** Earnings Per Share

**G.** Exit or Disposal Activities and Discontinued Operations

- H.** Extraordinary and Unusual Items
- I.** Fair Value Measurements, Disclosures, and Reporting
- J.** Derivatives and Hedge Accounting
- K.** Foreign Currency Transactions and Translation
- L.** Impairment
- M.** Interim Financial Reporting
- N.** Leases
- O.** Distinguishing Liabilities from Equity
- P.** Nonmonetary Transactions (Barter Transactions)
- Q.** Related Parties and Related Party Transactions
- R.** Research and Development Costs
- S.** Risks and Uncertainties
- T.** Segment Reporting
- U.** Software Costs
- V.** Subsequent Events
- W.** Transfers and Servicing of Financial Assets and Derecognition
- IV.** Governmental Accounting and Reporting (8% - 12%)
  - A.** Governmental Accounting Concepts
    1. Measurement focus and basis of accounting
    2. Fund accounting concepts and applications
    3. Budgetary accounting
  - B.** Format and Content of Comprehensive Annual Financial Report (CAFR)
    1. Government-wide financial statements
    2. Governmental funds financial statements

3. Proprietary funds financial statements
4. Fiduciary funds financial statements
5. Notes to financial statements
6. Management's discussion and analysis
7. Required supplementary information (RSI) other than Management's Discussion and Analysis
8. Combining statements and individual fund statements and schedules
9. Deriving government-wide financial statements and reconciliation requirements

**C. Financial Reporting Entity, Including Blended and Discrete Component Units**

**D. Typical Items and Specific Types of Transactions and Events: Recognition, Measurement, Valuation, Calculation, and Presentation in Governmental Entity Financial Statements**

1. Net assets and components thereof
2. Fund balances and components thereof
3. Capital assets and infrastructure assets
4. General long-term liabilities
5. Interfund activity, including transfers
6. Nonexchange revenue transactions
7. Expenditures
8. Special items
9. Encumbrances

**E. Accounting and Reporting for Governmental Not-for-Profit Organizations**

**V. Not-for-Profit (Nongovernmental) Accounting and Reporting (8% - 12%)**

**A. 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, Calculation, and Presentation in Financial Statements of Not-for-Profit Organizations**

1. Support, revenues, and contributions
2. Types of restrictions on resources
3. Types of net assets
4. Expenses, including depreciation and functional expenses
5. Investments

## References – Financial Accounting and Reporting

- Financial Accounting Standards Board (FASB) Accounting Standards Codification
- Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards
- Standards Issued by the U. S. Securities and Exchange Commission (SEC):
  - Regulation S-X of the Code of Federal Regulations (17 CFR Part 210)
  - Financial Reporting Releases (FRR)/Accounting Series Releases (ASR)
  - Interpretive Releases (IR)
  - SEC Staff Guidance in Staff Accounting Bulletins (SAB)
  - SEC Staff Guidance in EITF Topic D and SEC Staff Observer Comments
- International Accounting Standards Board (IASB) International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations
- AICPA Auditing and Accounting Guides
- Current textbooks on accounting for business enterprises, not-for-profit organizations, and governmental entities

## Regulation (REG)

The Regulation section tests knowledge and understanding of ethics, professional and legal responsibilities, business law, and federal taxation.

### *Ethics, Professional and Legal Responsibilities and Business Law*

These topics test knowledge and understanding of professional and legal responsibilities of certified public accountants. Professional ethics questions relate to tax practice issues and are based on the AICPA Code of Professional Conduct, Treasury Department Circular 230, and rules and regulations for tax return preparers. Business law topics test knowledge and understanding of the legal implications of business transactions, particularly as they relate to accounting, auditing, and financial reporting. This section deals with federal and widely adopted uniform state laws or references identified in this CSO.

In addition to demonstrating knowledge and understanding of these topics, candidates are required to demonstrate the skills required to apply that knowledge in performing their responsibilities as certified public accountants. To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

- Identify situations that might be unethical or a violation of professional standards, perform research and consultations as appropriate, and determine the appropriate action.
- Recognize potentially unethical behavior of clients and determine the impact on the tax services being performed.
- Demonstrate the importance of identifying and adhering to requirements, rules, and standards that are established by licensing boards within their state, and which may place additional professional requirements specific to their state of practice.
- Apply business law concepts in evaluating the economic substance of client transactions, including purchase agreements, loans and promissory notes, sales contracts, leases, side agreements, commitments, contingencies, and assumption of liabilities.
- Evaluate the legal structure of an entity to determine the implications of applicable laws and regulations on how a business is organized, governed, and operates.

### *Federal Taxation*

These topics test knowledge and understanding of concepts and laws relating to federal taxation (income, gift, and estate). The areas of testing include federal tax process, procedures, accounting, and planning, as well as federal taxation of property transactions, individuals, and entities (which include sole proprietorships, partnerships, limited liability entities, C corporations, S corporations, joint ventures, trusts, estates, and tax-exempt organizations).

In addition to demonstrating knowledge and understanding of these topics, candidates are required to demonstrate the skills required to apply that knowledge in providing tax preparation and advisory services and performing other responsibilities as certified public accountants. To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

- Evaluate the tax implications of different legal structures for business entities.
- Apply analytical reasoning tools to assess how taxes affect economic decisions related to the timing of income/expense recognition and property transactions.
- Consider the impact of multijurisdictional tax issues on federal taxes.
- Identify the differences between tax and financial accounting.
- Analyze information and identify data relevant for tax purposes.
- Identify issues, elections, and alternative tax treatments.
- Research issues and alternative tax treatments.
- Formulate conclusions.
- Prepare documentation to support conclusions and tax positions.
- Research relevant professional literature.

The outline below specifies the knowledge in which candidates are required to demonstrate proficiency:

**I. Ethics, Professional, and Legal Responsibilities (15% -19%)**

**A. Ethics and Responsibilities in Tax Practice**

1. Treasury Department Circular 230
2. AICPA Statements on Standards for Tax Services
3. Internal Revenue Code of 1986, as amended, and Regulations related to tax return preparers

**B. Licensing and Disciplinary Systems**

1. Role of state boards of accountancy
2. Requirements of regulatory agencies

**C. Legal Duties and Responsibilities**

1. Common law duties and liability to clients and third parties
2. Federal statutory liability
3. Privileged communications, confidentiality, and privacy acts

**II.** Business Law (17% - 21%)

**A.** Agency

1. Formation and termination
2. Authority of agents and principals
3. Duties and liabilities of agents and principals

**B.** Contracts

1. Formation
2. Performance
3. Third party assignments
4. Discharge, breach, and remedies

**C.** Uniform Commercial Code

1. Sales contracts
2. Negotiable instruments
3. Secured transactions
4. Documents of title and title transfer

**D.** Debtor-Creditor Relationships

1. Rights, duties, and liabilities of debtors, creditors, and guarantors
2. Bankruptcy and insolvency

**E.** Government Regulation of Business

1. Federal securities regulation
2. Other federal laws and regulations (antitrust, copyright, patents, money-laundering, labor, employment, and ERISA)

**F.** Business Structure (Selection of a Business Entity)

1. Advantages, disadvantages, implications, and constraints
2. Formation, operation, and termination

3. Financial structure, capitalization, profit and loss allocation, and distributions
4. Rights, duties, legal obligations, and authority of owners and management

**III.** Federal Tax Process, Procedures, Accounting, and Planning (11% - 15%)

**A.** Federal Tax Legislative Process

**B.** Federal Tax Procedures

1. Due dates and related extensions of time
2. Internal Revenue Service (IRS) audit and appeals process
3. Judicial process
4. Required disclosure of tax return positions
5. Substantiation requirements
6. Penalties
7. Statute of limitations

**C.** Accounting Periods

**D.** Accounting Methods

1. Recognition of revenues and expenses under cash, accrual, or other permitted methods
2. Inventory valuation methods, including uniform capitalization rules
3. Accounting for long-term contracts
4. Installment sales

**E.** Tax Return Elections, Including Federal Status Elections, Alternative Treatment Elections, or Other Types of Elections Applicable to an Individual or Entity's Tax Return

**F.** Tax Planning

1. Alternative treatments
2. Projections of tax consequences
3. Implications of different business entities

4. Impact of proposed tax audit adjustments
  5. Impact of estimated tax payment rules on planning
  6. Role of taxes in decision-making
- G.** Impact of Multijurisdictional Tax Issues on Federal Taxation (Including Consideration of Local, State, and Multinational Tax Issues)
- H.** Tax Research and Communication
1. Authoritative hierarchy
  2. Communications with or on behalf of clients
- IV.** Federal Taxation of Property Transactions (12% - 16%)
- A.** Types of Assets
- B.** Basis and Holding Periods of Assets
- C.** Cost Recovery (Depreciation, Depletion, and Amortization)
- D.** Taxable and Nontaxable Sales and Exchanges
- E.** Amount and Character of Gains and Losses, and Netting Process
- F.** Related Party Transactions
- G.** Estate and Gift Taxation
1. Transfers subject to the gift tax
  2. Annual exclusion and gift tax deductions
  3. Determination of taxable estate
  4. Marital deduction
  5. Unified credit
- V.** Federal Taxation of Individuals (13% - 19%)
- A.** Gross Income
1. Inclusions and exclusions
  2. Characterization of income

- B.** Reporting of Items from Pass-Through Entities
  - C.** Adjustments and Deductions to Arrive at Taxable Income
  - D.** Passive Activity Losses
  - E.** Loss Limitations
  - F.** Taxation of Retirement Plan Benefits
  - G.** Filing Status and Exemptions
  - H.** Tax Computations and Credits
  - I.** Alternative Minimum Tax
- VI.** Federal Taxation of Entities (18% - 24%)
- A.** Similarities and Distinctions in Tax Treatment Among Business Entities
    - 1. Formation
    - 2. Operation
    - 3. Distributions
    - 4. Liquidation
  - B.** Differences Between Tax and Financial Accounting
    - 1. Reconciliation of book income to taxable income
    - 2. Disclosures under Schedule M-3
  - C.** C Corporations
    - 1. Determination of taxable income/loss
    - 2. Tax computations and credits, including alternative minimum tax
    - 3. Net operating losses
    - 4. Entity/owner transactions, including contributions and distributions
    - 5. Earnings and profits
    - 6. Consolidated returns

#### **D. S Corporations**

1. Eligibility and election
2. Determination of ordinary income/loss and separately stated items
3. Basis of shareholder's interest
4. Entity/owner transactions, including contributions and distributions
5. Built-in gains tax

#### **E. Partnerships**

1. Determination of ordinary income/loss and separately stated items
2. Basis of partner's/member's interest and basis of assets contributed to the partnership
3. Partnership and partner elections
4. Transactions between a partner and the partnership
5. Treatment of partnership liabilities
6. Distribution of partnership assets
7. Ownership changes and liquidation and termination of partnership

#### **F. Trusts and Estates**

1. Types of trusts
2. Income and deductions
3. Determination of beneficiary's share of taxable income

#### **G. Tax-Exempt Organizations**

1. Types of organizations
2. Obtaining and maintaining tax-exempt status
3. Unrelated business income

## References – Regulation

### Ethics, Professional and Legal Responsibilities, and Business Law

- AICPA Code of Professional Conduct
- AICPA Statements on Standards for Tax Services
- Revised Model Business Corporation Act
- Revised Uniform Limited Partnership Act
- Revised Uniform Partnership Act
- Securities Act of 1933
- Securities Exchange Act of 1934
- Sarbanes-Oxley Act of 2002
- Uniform Commercial Code
- Current textbooks covering business law, auditing, accounting, and ethics

### Federal Taxation

- Internal Revenue Code of 1986, as amended, and Regulations
- Treasury Department Circular 230
- Other administrative pronouncements
- Case law
- AICPA Model Tax Curriculum
- Current Federal tax textbooks

## Business Environment and Concepts (BEC)

The Business Environment and Concepts section tests knowledge and skills necessary to demonstrate an understanding of the general business environment and business concepts. The topics in this section include knowledge of corporate governance; economic concepts essential to understanding the global business environment and its impact on an entity's business strategy and financial risk management; financial management processes; information systems and communications; strategic planning; and operations management.

In addition to demonstrating knowledge and understanding of these topics, candidates are required to apply that knowledge in performing audit, attest, financial reporting, tax preparation, and other professional responsibilities as certified public accountants. To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

- Demonstrate an understanding of globalization on the business environment
- Distinguish between appropriate and inappropriate governance structures within an organization (e.g. tone at the top, policies, steering committees, strategies, oversight, etc.).
- Assess the impact of business cycles on an entity's industry or business operations.
- Apply knowledge of changes in the global economic markets in identifying the impact on an entity in determining its business strategy and financial management policies, including managing the risks of: inflation, deflation, commodity costs, credit defaults, interest rate variations, currency fluctuation, and regulation.
- Assess the factors influencing a company's capital structure, including risk, leverage, cost of capital, growth rate, profitability, asset structure, and loan covenants.
- Evaluate assumptions used in financial valuations to determine their reasonableness (e.g. investment return assumptions, discount rates, etc.).
- Determine the business reasons for and explain the underlying economic substance of transactions and their accounting implications.
- Identify the information systems within a business that are used to process and accumulate transactional data, as well as provide monitoring and financial reporting information.
- Distinguish between appropriate and inappropriate internal control systems, including system design, controls over data, transaction flow, wireless technology, and internet transmissions.
- Evaluate whether there is appropriate segregation of duties, levels of authorization, and data security in an organization to maintain an appropriate internal control structure.
- Obtain and document information about an organization's strategic planning processes to identify key components of the business strategy and market risks.

- Develop a time-phased project plan showing required activities, task dependencies, and required resources to achieve a specific deliverable.
- Identify the business and operational risks inherent in an entity's disaster recovery/business continuity plan.
- Evaluate business operations and quality control initiatives to understand its use of best practices and the ways to measure and manage performance and costs.

The outline below specifies the knowledge in which candidates are required to demonstrate proficiency:

- I. Corporate Governance (16% - 20%)**
  - A. Rights, Duties, Responsibilities, and Authority of the Board of Directors, Officers, and Other Employees**
    1. Financial reporting
    2. Internal control (including COSO or similar framework)
    3. Enterprise risk management (including COSO or similar framework)
  - B. Control Environment**
    1. Tone at the top – establishing control environment
    2. Monitoring control effectiveness
    3. Change control process
- II. Economic Concepts and Analysis (16% - 20%)**
  - A. Changes in Economic and Business Cycles – Economic Measures/Indicators**
  - B. Globalization and Local Economies**
    1. Impacts of globalization on companies
    2. Shifts in economic balance of power (e.g. capital) to/from developed from/to emerging markets
  - C. Market Influences on Business Strategies**
  - D. Financial Risk Management**
    1. Market, interest rate, currency, liquidity, credit, price, and other risks

2. Means for mitigating/controlling financial risks

**III. Financial Management (19% - 23%)**

**A. Financial Modeling, Projections, and Analysis**

1. Forecasting and trends
2. Financial and risk analysis
3. Impact of inflation/deflation

**B. Financial Decisions**

1. Debt, equity, leasing
2. Asset and investment management

**C. Capital Management, including Working Capital**

1. Capital structure
2. Short-term and long-term financing
3. Asset effectiveness and/or efficiency

**D. Financial Valuations (e.g. Fair Value)**

1. Methods for calculating valuations
2. Evaluating assumptions used in valuations

**E. Financial Transaction Processes and Controls**

**IV. Information Systems and Communications (15% - 19%)**

**A. Organizational Needs Assessment**

1. Data capture
2. Processing
3. Reporting
4. Role of information technology in business strategy

**B. Systems Design and Other Elements**

1. Business process design (integrated systems, automated, and manual interfaces)
2. Information Technology (IT) control objectives
3. Role of technology systems in control monitoring
4. Operational effectiveness
5. Segregation of duties
6. Policies

**C. Security**

1. Technologies and security management features
2. Policies

**D. Internet – Implications for Business**

1. Electronic commerce
2. Opportunities for business process reengineering
3. Roles of internet evolution on business operations and organization cultures

**E. Types of Information System and Technology Risks**

**F. Disaster Recovery and Business Continuity**

**V. Strategic Planning (10% – 14%)**

**A. Market and Risk Analysis**

**B. Strategy Development, Implementation, and Monitoring**

**C. Planning Techniques**

1. Budget and analysis
2. Forecasting and projection
3. Coordinating information from various sources for integrated planning

**VI. Operations Management (12% - 16%)**

**A. Performance Management and Impact of Measures on Behavior**

1. Financial and nonfinancial measures
2. Impact of marketing practices on performance
3. Incentive compensation

**B. Cost Measurement Methods and Techniques**

**C. Process Management**

1. Approaches, techniques, measures, and benefits to process-management-driven businesses
2. Roles of shared services, outsourcing, and off-shore operations, and their implications on business risks and controls
3. Selecting and implementing improvement initiatives
4. Business process reengineering
5. Management philosophies and techniques for performance improvement such as Just in Time (JIT), Quality, Lean, Demand Flow, Theory of Constraints, and Six Sigma

**D. Project Management**

1. Project planning, implementation, and monitoring
2. Roles of project managers, project members, and oversight or steering groups
3. Project risks, including resource, scope, cost, and deliverables

## References – Business Environment and Concepts

- The Committee of Sponsoring Organizations of the Treadway Commission (COSO):
  - Internal Control – Integrated Framework
  - Enterprise Risk Management
- Sarbanes-Oxley Act of 2002:
  - Title III, Corporate Responsibility
  - Title IV, Enhanced Financial Disclosures
  - Title VIII, Corporate and Criminal Fraud Accountability
- Current Business Periodicals
- Current Textbooks on:
  - Accounting Information Systems
  - Budgeting and Measurement
  - Corporate Governance
  - Economics
  - Enterprise Risk Management
  - Finance
  - Management
  - Management Information Systems
  - Managerial Accounting
  - Production Operations
  - Project Management

## SKILL SPECIFICATION OUTLINES (SSOs)

The Skill Specification Outlines (SSOs) identify the skills to be tested on the Uniform CPA Examination. There are three categories of skills, and the weightings will be implemented through the use of different question formats in the exam. For each of the question formats, a different set of tools will be available as resources to the candidates, who will need to use those tools to demonstrate proficiency in the applicable skills categories.

### Weights

The percentage range assigned to each skill category will be used to determine the quantity of each type of question, as described below. The percentage range assigned to each skill category represents the approximate percentage to which that category of skills will be used in the different sections of the CPA Examination to assess proficiency. The ranges are designed to provide flexibility in building the examination, and the midpoints of the ranges for each section total 100%. No percentages are given for the bulleted descriptions included in these definitions. 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 bullets on an examination.

Skills Category	Weights (FAR, REG, AUD)	Weights (BEC)
Knowledge and Understanding	50% - 60%	80% - 90%
Application of the Body of Knowledge	40% - 50%	-
Written Communication	-	10% - 20%

Knowledge and Understanding: Multiple-choice questions will be used as the proxy for assessing knowledge and understanding, and will be based upon the content topics as outlined in the CSOs. Candidates will not have access to the authoritative literature, spreadsheets, or database tools while answering these questions. A calculator will be accessible for the candidates to use in performing calculations to demonstrate their understanding of the principles or subject matter.

Application of the Body of Knowledge: Task-based simulations will be used as the proxy for assessing application of the body of knowledge and will be based upon the content topics as outlined in the CSOs. Candidates will have access to the authoritative literature, a calculator, spreadsheets, and other resources and tools which they will use to demonstrate proficiency in applying the body of knowledge.

Written Communication will be assessed through the use of responses to essay questions, which will be based upon the content topics as outlined in the CSOs. Candidates will have access to a word processor, which includes a spell check feature.

## Outlines

The outlines below provide additional descriptions of the skills that are represented in each category.

**Knowledge and Understanding:** Expertise and skills developed through learning processes, recall, and reading comprehension. Knowledge is acquired through experience or education and is the theoretical or practical understanding of a subject; knowledge is also represented through awareness or familiarity with information gained by experience of a fact or situation. Understanding represents a higher level than simple knowledge and is the process of using concepts to deal adequately with given situations, facts, or circumstances. Understanding is the ability to recognize and comprehend the meaning of a particular concept.

**Application of the Body of Knowledge, including Analysis, Judgment, Synthesis, Evaluation, and Research:** Higher-level cognitive skills that require individuals to act or transform knowledge in some fashion. These skills are inextricably intertwined and thus are grouped into this single skill area.

- Assess the Business Environment:
  - Business Process Evaluation: Assessing and integrating information regarding a business's operational structure, functions, processes, and procedures to develop a broad operational perspective; identify the need for new systems or changes to existing systems and/or processes.
  - Contextual Evaluation: Assessing and integrating information regarding client's type of business or industry.
  - Strategic Analysis – Understanding the Business: Obtaining, assessing and integrating information on the entity's strategic objectives, strategic management process, business environment, the nature of and value to customers, its products and services, extent of competition within its market space, etc.).
  - Business Risk Assessment: Obtaining, assessing and integrating information on conditions and events that could impede the entity's ability to achieve strategic objectives.
  - Visualize abstract descriptions: Organize and process symbols, pictures, graphs, objects, and other information.
- Research:
  - Identify the appropriate research question.
  - Identify key search terms for use in performing electronic searches through large volumes of data.
  - Search through large volumes of electronic data to find required information.
  - Organize information or data from multiple sources.

- Integrate diverse sources of information to reach conclusions or make decisions.
- Identify the appropriate authoritative guidance in applicable financial reporting frameworks and auditing standards for the accounting issue being evaluated.
- Application of Technology:
  - Using electronic spreadsheets to perform calculations, financial analysis, or other functions to analyze data.
  - Integration of technological applications and resources into work processes.
  - Using a variety of computer software and hardware systems to structure, utilize, and manage data.
- Analysis:
  - Review information to determine compliance with specified standards or criteria.
  - Use expectations, empirical data, and analytical methods to determine trends and variances.
  - Perform appropriate calculations on financial and nonfinancial data.
  - Recognize patterns of activity when reviewing large amounts of data or recognize breaks in patterns.
  - Interpretation of financial statement data for a given evaluation purpose.
  - Forecasting future financial statement data from historical financial statement data and other information.
  - Integrating primary financial statements: using data from all primary financial statements to uncover financial transactions, inconsistencies, or other information.
- Complex Problem Solving and Judgment:
  - Develop and understand goals, objectives, and strategies for dealing with potential issues, obstacles, or opportunities.
  - Analyze patterns of information and contextual factors to identify potential problems and their implications.
  - Devise and implement a plan of action appropriate for a given problem.
  - Apply professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of information or evidence obtained.

- Adapt strategies or planned actions in response to changing circumstances.
  - Identify and solve unstructured problems.
  - Develop reasonable hypotheses to answer a question or resolve a problem.
  - Formulate and examine alternative solutions in terms of their relative strengths and weaknesses, level of risk, and appropriateness for a given situation.
  - Develop creative ways of thinking about situations, problems, and opportunities to create insightful and sound solutions.
  - Develop logical conclusions through the use of inductive and deductive reasoning.
  - Apply knowledge of professional standards and laws, as well as legal, ethical, and regulatory issues.
  - Assess the need for consultations with other professionals when gray areas, or areas requiring specialized knowledge, are encountered.
- Decision Making:
    - Specify goals and constraints.
    - Generate alternatives.
    - Consider risks.
    - Evaluate and select the best alternative.
- Organization, Efficiency, and Effectiveness:
    - Use time effectively and efficiently.
    - Develop detailed work plans, schedule tasks and meetings, and delegate assignments and tasks.
    - Set priorities by determining the relevant urgency or importance of tasks and deciding the order in which they should be performed.
    - File and store information so that it can be found easily and used effectively.

**Written Communication:** The various skills involved in preparing written communication, including:

- Basic writing mechanics, such as grammar, spelling, word usage, punctuation, and sentence structure.

- Effective business writing principles, including organization, clarity, and conciseness.
- Exchange technical information and ideas with coworkers and other professionals to meet goals of job assignment.
- Documentation:
  - Prepare documents and presentations that are concise, accurate, and supportive of the subject matter.
  - Document and cross-reference work performed and conclusions reached in a complete and accurate manner.
- Assist client to recognize and understand implications of critical business issues by providing recommendations and informed opinions.
- Persuade others to take recommended courses of action.
- Follow directions.