

# Uniform CPA Examination<sup>®</sup> Blueprints

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## Uniform CPA Examination Blueprints

The Uniform CPA Examination (the Exam) is comprised of four sections, each four hours long: Auditing and Attestation (AUD), Business Environment and Concepts (BEC), Financial Accounting and Reporting (FAR) and Regulation (REG).

The table below presents the design of the Exam by section, section time and question type.

Section	Section time	Multiple-choice questions (MCQs)	Task-based simulations (TBSs)	Written communication
AUD	4 hours	72	8	—
BEC	4 hours	62	4	3
FAR	4 hours	66	8	—
REG	4 hours	76	8	—

The table below presents the scoring weight of multiple-choice questions (MCQs), task-based simulations (TBSs) and written communication for each Exam section.

Section	Score weighting		
	Multiple-choice questions (MCQs)	Task-based simulations (TBSs)	Written communication
AUD	50%	50%	—
BEC	50%	35%	15%
FAR	50%	50%	—
REG	50%	50%	—

The AICPA has adopted a skill framework for the Exam based on the revised Bloom’s Taxonomy of Educational Objectives. Bloom’s Taxonomy classifies a continuum of skills that students can be expected to learn and demonstrate.

Approximately 570 representative tasks that are critical to a newly licensed CPA’s role in protecting the public interest have been identified. The representative tasks combine both the applicable content knowledge and skills required in the context of the work of a newly licensed CPA. Based on the nature of a task, one of four skill levels, derived from the revised Bloom’s Taxonomy, was assigned to each of the tasks, as follows:

Skill levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

## Uniform CPA Examination Blueprints (continued)

The skill levels to be assessed on each section of the Exam are included in the table below.

Section	Remembering and Understanding	Application	Analysis	Evaluation
AUD	25–35%	30–40%	20–30%	5–15%
BEC	15–25%	50–60%*	20–30%	—
FAR	10–20%	50–60%	25–35%	—
REG	25–35%	35–45%	25–35%	—

\*Includes written communication

Each section of the Exam has a section introduction and a corresponding section blueprint.

- The **section introduction** outlines the scope of the section, the content organization and tasks, the content allocation, the overview of content areas, the skill allocation and a listing of the section’s applicable reference literature.
- The **section blueprint** outlines the content to be tested, the associated skill level to be tested and the representative tasks a newly licensed CPA would need to perform to be considered competent. The blueprints are organized by content AREA, content GROUP, and content TOPIC. Each topic includes one or more representative TASKS that a newly licensed CPA may be expected to complete.

The purpose of the blueprint is to:

- Document the minimum level of knowledge and skills necessary for initial licensure.
- Assist candidates in preparing for the Exam by outlining the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as newly licensed CPAs.
- Guide the development of Exam questions.

The tasks in the blueprints are representative and are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested on the Exam. It also should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom’s Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

# Uniform CPA Examination Auditing and Attestation (AUD)

## Blueprint



## Auditing and Attestation

The Auditing and Attestation (AUD) section of the Uniform CPA Examination (the Exam) tests the essential knowledge and skills a newly licensed CPA must demonstrate when performing audit engagements, attestation engagements or accounting and review service engagements.

Newly licensed CPAs are required to:

- demonstrate knowledge and skills related to professional responsibilities, including ethics, independence and professional skepticism. Professional skepticism reflects an iterative process that includes a questioning mind and a critical assessment of audit evidence.
- understand the entity including its operations, information systems (including the use of third-party systems) and its underlying business processes, risks and related internal controls.
- understand the flow of transactions and underlying data through a business process and its related information systems.

### Content organization and tasks

The AUD section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that a newly licensed CPA may be expected to complete when performing audit engagements, attestation engagements or accounting and review service engagements.

The engagements tested under the AUD section of the Exam are performed in accordance with professional standards and/or regulations promulgated by various governing bodies. A listing of standards promulgated by these bodies, and other reference materials that are eligible for assessment in the AUD section of the Exam are included under References at the conclusion of this introduction.

Candidates should be aware that the tasks included in the AUD blueprint may, and typically do, relate to and can be applied to various engagement types such as:

- **Audit engagements** - Financial statement audits as well as other types of audits a newly licensed CPA may perform, such as compliance audits, audits of internal

control integrated with an audit of financial statements and audits of entities receiving federal grants. Audits may be for issuer entities subject to the audit requirements set forth by the Public Company Accounting Oversight Board (PCAOB), nonissuer entities subject to the audit requirements set forth by the American Institute of CPA's (AICPA) Auditing Standards Board or governmental entities subject to the audit requirements of the U.S. Government Accountability Office or the Office of Management and Budget.

- **Attestation engagements** - Examinations, reviews or agreed-upon procedures engagements that a newly licensed CPA may perform in accordance with the requirements set forth by the AICPA's Auditing Standards Board.
- **Accounting and review service engagements** - Preparation, compilation and review engagements that a newly licensed CPA may perform in accordance with requirements set forth by the AICPA's Accounting and Review Services Committee.

For example, tasks related to Analytical procedures (included under Area III, Group C, Topic 1) may be performed during a review engagement as a presumptively mandatory procedure, or during an audit engagement as a substantive procedure, or near the end of the engagement to assist with forming an overall conclusion on the financial statements.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the AUD section of the Exam. Additionally, it should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam. Similarly, examples provided within the task statements should not be viewed as all-inclusive.

## Auditing and Attestation (continued)

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the AUD section of the Exam:

Content area		Allocation
Area I	Ethics, Professional Responsibilities and General Principles	15–25%
Area II	Assessing Risk and Developing a Planned Response	25–35%
Area III	Performing Further Procedures and Obtaining Evidence	30–40%
Area IV	Forming Conclusions and Reporting	10–20%

### Overview of content areas

Area I of the AUD section blueprint covers several topics, including ethics, independence and professional conduct and concepts relating to professional skepticism and professional judgment. This area also includes the nature and scope of an engagement, engagement terms, documentation, communication requirements and quality control.

The remaining three areas of the AUD section blueprint (Areas II, III and IV) cover the activities that a newly licensed CPA should be able to perform when providing professional services related to audit, attestation and accounting and review service engagements. The organization of these sections follows a typical engagement process, from planning through reporting.

Area II of the AUD section blueprint covers planning, risk assessment and design of procedures responsive to identified risks. The area is focused on obtaining an understanding of an entity, its environment (internal and external), business processes, information systems and internal controls (manual and automated) in order to appropriately assess the risk of material misstatement due to fraud or errors and to design appropriate procedures to respond to those identified risks.

Area III of the AUD section blueprint covers performing planned engagement procedures that are responsive to identified risk. The area is focused on concluding on the sufficiency and appropriateness of evidence obtained by performing general procedures (e.g. observation, reperformance, sampling, etc.) and specific procedures (e.g. analytical procedures, external confirmation and audit data analytics). This area also covers testing the operating effectiveness of internal controls, responding to specific matters that require special consideration (e.g. accounting estimates, inventory, etc.), evaluating and responding to misstatements and internal control deficiencies.

Area IV of the AUD section blueprint covers the reporting requirements for audit, attestation and accounting and review service engagements. This area also includes other reporting considerations such as comparative financial statements, consistency, supplementary information and special considerations when performing engagements under Government Auditing Standards.

### Section assumptions

When completing multiple-choice questions, task-based simulations and research prompts in the AUD section of the Exam, candidates should be aware of the entity type and engagement type presented in the question. To the extent that there are different requirements for an entity under audit or review, the question will include an explicit reference to the entity type (issuer or nonissuer).

Questions may refer to an audit engagement by including phrases such as “an audit of a nonissuer” or “an audit of an issuer”. Questions will refer to other types of engagements by including phrases such as “examination of pro forma financial information”, “review engagement”, “interim review”, “compilation engagement”, etc. The use of the terms “auditor”, “accountant” or “practitioner” will also be used to further identify engagement types and applicable professional standards. Candidates should be mindful of the engagement type when answering a question.

## Auditing and Attestation (continued)

### Skill allocation

The Exam focuses on testing higher order skills. Based on the nature of the task, each representative task in the AUD section blueprint is assigned a skill level. AUD section considerations related to the skill levels are discussed below.

Skill levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

- Analysis and Evaluation skills, tested in Area II and Area III, involve tasks that require a higher level of analysis and interpretation. These tasks, such as concluding on sufficiency and appropriateness of evidence, frequently require newly licensed CPAs to apply professional skepticism and judgment.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that a newly licensed CPA would reasonably be expected to perform.

- Remembering and Understanding is mainly concentrated in Area I and Area IV. These areas contain much of the general audit knowledge that is required for newly licensed CPAs. In Area IV, many of the tasks relate to reporting and are driven by templates and illustrative examples.
- Application is tested in all four areas of the AUD section. Application tasks focus on general topics such as professional responsibilities and documentation, and the day-to-day tasks that newly licensed CPAs perform, frequently using standardized application tools such as audit programs and sampling techniques.



## Auditing and Attestation (continued)

### References — Auditing and Attestation

- AICPA Statements on Auditing Standards and Interpretations
- 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) Audit requirements for Federal Awards (2 CFR 200)
- 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 Code of Professional Conduct
- Sarbanes-Oxley Act of 2002
- U.S. Department of Labor (DOL) 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

## Summary blueprint

<b>Content area allocation</b>	<b>Weight</b>
I. Ethics, Professional Responsibilities and General Principles	15–25%
II. Assessing Risk and Developing a Planned Response	25–35%
III. Performing Further Procedures and Obtaining Evidence	30–40%
IV. Forming Conclusions and Reporting	10–20%

<b>Skill allocation</b>	<b>Weight</b>
Evaluation	5–15%
Analysis	20–30%
Application	30–40%
Remembering and Understanding	25–35%

## Area I – Ethics, Professional Responsibilities and General Principles (15–25%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Nature and scope</b>				
1. Nature and scope: audit engagements	✓			Identify the nature, scope and objectives of the different types of audit engagements, including issuer and nonissuer audits.
2. Nature and scope: engagements conducted under Government Accountability Office Government Auditing Standards	✓			Identify the nature, scope and objectives of engagements performed in accordance with Government Accountability Office Government Auditing Standards.
3. Nature and scope: other engagements	✓			Identify the nature, scope and objectives of attestation engagements and accounting and review service engagements.
<b>B. Ethics, independence and professional conduct</b>				
1. AICPA Code of Professional Conduct	✓			Understand the principles, rules and interpretations included in the AICPA Code of Professional Conduct.
	✓			Recognize situations that present threats to compliance with the AICPA Code of Professional Conduct, including threats to independence.
		✓		Apply the principles, rules and interpretations included in the AICPA Code of Professional Conduct to given situations.
		✓		Apply the Conceptual Framework for Members in Public Practice included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.
		✓		Apply the Conceptual Framework for Members in Business included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.
		✓		Apply the Conceptual Framework for Independence included in the AICPA Code of Professional Conduct to situations that could present threats to compliance with the rules included in the Code.
		✓		

## Area I – Ethics, Professional Responsibilities and General Principles (15–25%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>B. Ethics, independence and professional conduct (continued)</b>					
2. Requirements of the Securities and the Exchange Commission and the Public Company Accounting Oversight Board	✓				Understand the ethical requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board.
	✓				Recognize situations that present threats to compliance with the ethical requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board.
			✓		Apply the ethical requirements and independence rules of the Securities and Exchange Commission and the Public Company Accounting Oversight Board to situations that could present threats to compliance during an audit of an issuer.
3. Requirements of the Government Accountability Office and the Department of Labor	✓				Recognize situations that present threats to compliance with the ethical requirements of the Government Accountability Office Government Auditing Standards.
	✓				Recognize situations that present threats to compliance with the ethical requirements of the Department of Labor.
			✓		Apply the ethical requirements and independence rules of the Government Accountability Office Government Auditing Standards to situations that could present threats to compliance during an audit of, or attestation engagement for, a government entity or an entity receiving federal awards.
			✓		Apply the independence rules of the Department of Labor to situations that could present threats to compliance during an audit of employee benefit plans.
4. Professional skepticism and professional judgment	✓				Understand the concepts of professional skepticism and professional judgment.
	✓				Understand personal bias and other impediments to acting with professional skepticism, such as threats, incentives and judgment-making shortcuts.

## Area I – Ethics, Professional Responsibilities and General Principles (15–25%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>C. Terms of engagement</b>					
1. Preconditions for an engagement	✓				Identify the preconditions needed for accepting or continuing an engagement.
2. Terms of engagement and engagement letter	✓				Identify the factors affecting the acceptance or continuance of an engagement.
	✓				Identify the factors to consider when management requests a change in the type of engagement (e.g., from an audit to a review).
		✓			Perform procedures to confirm that a common understanding of the terms of an engagement exist with management and those charged with governance.
		✓			Document the terms of an engagement in a written engagement letter or other suitable form of written agreement.
<b>D. Requirements for engagement documentation</b>					
	✓				Identify the elements that comprise sufficient appropriate documentation for an engagement.
	✓				Identify the requirements for the assembly and retention of documentation for an engagement.
		✓			Prepare documentation that is sufficient to enable an experienced auditor having no previous connection with an engagement to understand the nature, timing, extent and results of procedures performed and the significant findings and conclusions reached.

## Area I – Ethics, Professional Responsibilities and General Principles (15–25%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>E. Communication with management and those charged with governance</b>					
1. Planned scope and timing of an engagement	✓				Identify the matters related to the planned scope and timing of an engagement that should be communicated to management and those charged with governance.
		✓			Prepare presentation materials and supporting schedules for use in communicating the planned scope and timing of an engagement to management and those charged with governance.
2. Internal control related matters	✓				Identify the matters related to deficiencies and material weaknesses in internal control that should be communicated to those charged with governance and management for an engagement and the timing of such communications.
		✓			Prepare written communication materials for use in communicating identified internal control deficiencies and material weaknesses for an engagement to those charged with governance and management.
<b>F. A firm's system of quality control, including quality control at the engagement level</b>					
	✓				Recognize a CPA firm's responsibilities for its accounting and auditing practice's system of quality control.
		✓			Apply quality control procedures on an engagement.

## Area II – Assessing Risk and Developing a Planned Response (25–35%)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>A. Planning an engagement</b>					
1. Developing an overall engagement strategy	✓				Explain the purpose and significance of the overall engagement strategy for an engagement.
2. Developing a detailed engagement plan		✓			Prepare a detailed engagement plan for an engagement starting with the prior-year engagement plan or with a template.
		✓			Prepare supporting planning related materials (e.g., client assistance request listings, time budgets) for a detailed engagement plan starting with the prior-year engagement plan or with a template.
<b>B. Understanding an entity and its environment</b>					
1. External factors		✓			Identify the relevant external factors. (e.g., industry, regulation, applicable financial reporting framework and technology) that impact an entity and/or the inherent risk of material misstatement, and document the procedures performed to obtain that understanding.
2. Internal factors		✓			Identify the relevant factors that define the nature of an entity, including the impact on the risk of material misstatement (e.g., its operations, ownership and governance structure, investment and financing plans, selection of accounting policies and objectives and strategies) and document the procedures performed to obtain that understanding.
		✓			Obtain an understanding of an entity's IT systems infrastructure (e.g., ERP, cloud computing or hosting arrangements, custom or packaged applications) and document the procedures performed to obtain that understanding.
		✓			Identify and document the significant business processes and data flows that directly or indirectly impact an entity's financial statements.

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill			Representative task	
	Remembering and Understanding	Application	Analysis		
<b>C. Understanding an entity's control environment and business processes, including information technology (IT) systems</b>					
1. Control environment, IT general controls and entity-level controls		✓		Identify the significant components of an entity's control environment, including its IT general controls and entity-level controls, and document the procedures performed to obtain that understanding.	
2. Business processes and the design of internal controls, including IT systems		✓		Perform a walkthrough of a significant business process and document (e.g., flow charts, process diagrams, narratives) the flow of relevant transactions and data from initiation through financial statement reporting and disclosure.	
		✓		Obtain an understanding of IT systems that are, directly or indirectly, the source of financial transactions or the data used to record financial transactions (e.g. how the entity uses IT systems to capture, store, and process information) and document the procedures performed to obtain that understanding.	
		✓		Perform tests of the design and implementation of relevant internal controls (application and manual).	
			✓	Identify and document an entity's relevant IT application controls within the flow of an entity's transactions for a significant business process and consider the effect of these controls on the completeness, accuracy and reliability of an entity's data.	
			✓	Identify and document the relevant manual controls within the flow of an entity's transactions for a significant business process and consider the effect of these controls on the completeness, accuracy and reliability of an entity's data.	
				✓	Evaluate whether relevant internal controls (application and manual) are effectively designed and placed in operation.



## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>C. Understanding an entity’s control environment and business processes, including information technology (IT) systems (continued)</b>					
3. Implications of an entity using a service organization	✓				Understand the differences between SOC 1® and SOC 2® engagements.
		✓			Identify and document the purpose and significance of an entity’s use of a service organization, including the impact of using a SOC 1® Type 2 report in an audit of an entity’s financial statements.
		✓			Use a SOC 1® Type 2 report to determine the nature and extent of testing procedures to be performed in an audit of an entity’s financial statements.
4. Limitations of controls and risk of management override	✓				Understand the limitations of internal controls and the potential impact on the risk of material misstatement of an entity’s financial statements.
		✓			Identify and document the risks associated with management override of internal controls and the potential impact on the risk of material misstatement of an entity’s financial statements.
<b>D. Assessing risks due to fraud, including discussions among the engagement team about the risk of material misstatement due to fraud or error</b>					
			✓		Assess risks of material misstatement of an entity’s financial statements due to fraud or error (e.g., during a brainstorming session), leveraging the combined knowledge and understanding of the engagement team.
<b>E. Identifying and assessing the risk of material misstatement, whether due to error or fraud, and planning further procedures responsive to identified risks</b>					
1. Impact of risks at the financial statement level		✓			Identify and document the assessed impact of risks of material misstatement at the financial statement level, taking into account the effect of relevant controls.
			✓		Analyze identified risks to detect those that relate to an entity’s financial statements as a whole (as contrasted to the relevant assertion level).

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>E. Identifying and assessing the risk of material misstatement, whether due to error or fraud, and planning further procedures responsive to identified risks (continued)</b>					
2. Impact of risks for each relevant assertion at the class of transaction, account balance and disclosure levels		✓			Identify and document risks and related controls at the relevant assertion level for significant classes of transactions, account balances and disclosures in an entity's financial statements.
			✓		Analyze the potential impact of identified risks at the relevant assertion level for significant classes of transactions, account balances and disclosures in an entity's financial statements, taking account of the controls the auditor intends to test.
3. Further procedures responsive to identified risks		✓			Develop planned audit procedures that are responsive to identified risks of material misstatement due to fraud or error at the relevant assertion level for significant classes of transactions and account balances.
			✓		Analyze the risk of material misstatement, including the potential impact of individual and cumulative misstatements, to provide a basis for developing planned audit procedures.
			✓		Analyze transactions that may have a higher risk of material misstatement from audit data analytic outputs (e.g., reports and visualizations) by determining relationships among variables and interpreting results to provide a basis for developing planned audit procedures.
<b>F. Materiality</b>					
1. For the financial statements as a whole	✓				Understand materiality as it relates to the financial statements as a whole.
		✓			Calculate materiality for an entity's financial statements as a whole.
		✓			Calculate the materiality level (or levels) to be applied to classes of transactions, account balances and disclosures in an audit of an issuer or nonissuer.

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>F. Materiality (continued)</b>					
2. Tolerable misstatement and performance materiality	✓				Understand the use of tolerable misstatement or performance materiality in an audit of an issuer or nonissuer.
		✓			Calculate tolerable misstatement or performance materiality for the purposes of assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures in an audit of an issuer or nonissuer.
<b>G. Planning for and using the work of others</b>					
	✓				Identify the factors to consider in determining the extent to which an engagement team can use the work of the internal audit function, IT auditor, auditor's specialist or a component auditor.
		✓			Determine the nature and scope of the work of the internal audit function, IT auditor, auditor's specialist or component auditor.
		✓			Perform and document procedures to determine the extent to which an engagement team can use the work of the internal audit function, IT auditor, auditor's specialist or a component auditor to obtain evidence.

## Area II – Assessing Risk and Developing a Planned Response (25–35%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>H. Specific areas of engagement risk</b>					
1. An entity's compliance with laws and regulations, including possible illegal acts	✓				Understand the accountant's responsibilities with respect to laws and regulations that have a direct effect on the determination of material amounts or disclosures in an entity's financial statements for an engagement.
	✓				Understand the accountant's responsibilities with respect to laws and regulations that are fundamental to an entity's business but do not have a direct effect on the entity's financial statements in an engagement.
		✓			Perform tests of compliance with laws and regulations that have a direct effect on material amounts or disclosures in an entity's financial statements in an engagement.
			✓		Perform tests of compliance with laws and regulations that are fundamental to an entity's business, but do not have a direct effect on the entity's financial statements for an engagement.
2. Accounting estimates	✓				Recognize the potential impact of lower complexity and higher complexity significant accounting estimates on the risk of material misstatement, including the indicators of management bias.
3. Related parties and related party transactions		✓			Perform procedures to identify related party relationships and transactions, including consideration of significant unusual transactions and transactions with executive officers.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>A. Sufficient appropriate evidence</b>					
		✓			Determine the sources of sufficient appropriate evidence (e.g., generated from management’s financial reporting system, obtained from management specialists, obtained from external sources or developed by the audit team from internal or external sources).
		✓			Identify procedures to validate the completeness and accuracy of data and information obtained from management (e.g., tying information back to original sources such as general ledger, subledger or external information sources, validate search or query criteria used to obtain data, etc.)
			✓		Exercise professional skepticism and professional judgment while analyzing the data and information to be used as evidence to determine whether it is sufficiently reliable and corroborates or contradicts the assertions in the financial statements and the objectives of the engagement and modify planned procedures accordingly.
				✓	Evaluate whether sufficient appropriate evidence has been obtained to achieve the objectives of the planned procedures.
<b>B. General procedures to obtain sufficient appropriate evidence</b>					
	✓				Understand the purpose and application of sampling techniques including the use of automated tools and audit data analytic techniques to identify significant events or transactions that may impact the financial statements.
		✓			Use sampling techniques to extrapolate the characteristics of a population from a sample of items.
		✓			Use observation and inspection to obtain evidence.
		✓			Use recalculation (e.g., manually or using automated tools and techniques) to test the mathematical accuracy of information to obtain evidence.
		✓			Use reperformance to independently execute procedures or controls to obtain evidence.
		✓			Inquire of management and others to gather evidence and document the results.
			✓		Analyze responses obtained during structured interviews or informal conversations with management and others, including those in non-financial roles, and ask relevant and effective follow-up questions to understand their perspectives and motivations.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>B. General procedures to obtain sufficient appropriate evidence (continued)</b>					
			✓		Perform tests of operating effectiveness of internal controls, including the analysis of exceptions to identify deficiencies in an audit of financial statements or an audit of internal control.
<b>C. Specific procedures to obtain sufficient appropriate evidence</b>					
<b>1. Analytical procedures</b>					
			✓		Determine the suitability of substantive analytical procedures to provide evidence to support an identified assertion.
			✓		Develop an expectation of recorded amounts or ratios when performing analytical procedures and determine whether the expectation is sufficiently precise to identify a misstatement in the entity's financial statements or disclosures.
			✓		Perform analytical procedures during engagement planning.
			✓		Perform analytical procedures near the end of an audit engagement that assist the auditor when forming an overall conclusion about whether the financial statements are consistent with the auditor's understanding of the entity.
				✓	Evaluate the reliability of data from which an expectation of recorded amounts or ratios is developed when performing analytical procedures.
				✓	Evaluate the significance of the differences of recorded amounts from expected values when performing analytical procedures.
<b>2. External confirmations</b>					
		✓			Confirm significant account balances and transactions using appropriate tools and techniques (e.g., confirmation services, electronic confirmations, manual confirmations) to obtain relevant and reliable evidence.
			✓		Analyze external confirmation responses in the audit of an issuer or nonissuer to determine the need for follow-up or further investigation.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>C. Specific procedures to obtain sufficient appropriate evidence (continued)</b>				
3. Audit data analytics		✓		Verify the accuracy and completeness of data sets that are used in an engagement to complete planned procedures.
			✓	Determine the attributes, structure and sources of data needed to complete audit data analytic procedures.
			✓	Perform procedures using outputs (e.g., reports and visualizations) from audit data analytic techniques to determine relationships among variables, interpret results, and determine additional procedures to be performed.
<b>D. Specific matters that require special consideration</b>				
1. Accounting estimates		✓		Recalculate and reperform procedures to validate the inputs and assumptions of an entity's significant accounting estimates with a higher risk of material misstatement or complexity, such as fair value estimates.
			✓	Perform procedures (e.g. reviewing the work of a specialist and procedures performed by the engagement team) to validate an entity's calculations and detailed support for significant accounting estimates in an audit of an issuer or nonissuer, including consideration of information that contradicts assumptions made by management.
				✓
2. Investments in securities	✓			Identify the considerations relating to the measurement and disclosure of the fair value of investments in securities in an audit of an issuer or nonissuer.
		✓		Test management's assumptions, conclusions and adjustments related to the valuation of investments in securities in an audit of an issuer or nonissuer.

## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>D. Specific matters that require special consideration (continued)</b>				
3. Inventory and inventory held by others			✓	Analyze management’s instructions and procedures for recording and controlling the results of an entity’s physical inventory counting in an audit of an issuer or nonissuer.
				✓
4. Litigation, claims and assessments		✓		Perform appropriate audit procedures, such as inquiring of management and others, reviewing minutes and sending external confirmations, to detect the existence of litigation, claims and assessments in an audit of an issuer or nonissuer.
5. An entity’s ability to continue as a going concern	✓			Identify factors that should be considered while performing planned procedures that may indicate substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time.
<b>E. Misstatements and internal control deficiencies</b>				
		✓		Prepare a summary of corrected and uncorrected misstatements.
			✓	Determine the effect of uncorrected misstatements on an entity’s financial statements in an engagement.
			✓	Determine the effect of identified misstatements on the assessment of internal control over financial reporting in an audit of an issuer or nonissuer.
			✓	Evaluate the significance of internal control deficiencies on the risk of material misstatement of financial statements in an audit of an issuer or nonissuer.



## Area III – Performing Further Procedures and Obtaining Evidence (30–40%) *(continued)*

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>F. Written representations</b>					
	✓				Identify the written representations that should be obtained from management or those charged with governance in an engagement.
<b>G. Subsequent events and subsequently discovered facts</b>					
	✓				Recall the impact of subsequently discovered facts on the auditor's report.
		✓			Perform procedures to identify subsequent events that should be reflected in an entity's current period financial statements and disclosures.
			✓		Determine whether identified subsequent events are appropriately reflected in an entity's financial statements and disclosures.

## Area IV – Forming Conclusions and Reporting (10–20%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Reports on auditing engagements</b>				
1. Forming an audit opinion, including modification of an auditor's opinion	✓			Identify the factors that an auditor should consider when forming an opinion on an entity's financial statements.
	✓			Identify the type of opinion that an auditor should render on the audit of an issuer or nonissuer's financial statements, including unmodified (or unqualified), qualified, adverse or disclaimer of opinion.
	✓			Identify the factors that an auditor should consider when it is necessary to modify the audit opinion on an issuer or nonissuer's financial statements, including when the financial statements are materially misstated and when the auditor is unable to obtain sufficient appropriate audit evidence.
2. Form and content of an audit report, including the use of emphasis-of-matter and other-matter (explanatory) paragraphs	✓			Identify the appropriate form and content of an auditor's report for an audit of an issuer or nonissuer's financial statements, including the appropriate use of emphasis-of-matter and other-matter (i.e., explanatory) paragraphs.
		✓		Prepare a draft auditor's report starting with a report example (e.g., an illustrative audit report from professional standards) for an audit of an issuer or nonissuer.
3. Audit of internal control integrated with an audit of financial statements	✓			Identify the factors that an auditor should consider when forming an opinion on the effectiveness of internal control in an audit of internal control.
	✓			Identify the appropriate form and content of a report on the audit of internal control, including report modifications and the use of separate or combined reports for the audit of an entity's financial statements and the audit of internal control.
		✓		Prepare a draft report for an audit of internal control integrated with the audit of an entity's financial statements, starting with a report example (e.g., an illustrative report from professional standards).

## Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>B. Reports on attestation engagements</b>				
1. General standards for attestation reports	✓			Identify the factors that a practitioner should consider when issuing an examination or review report for an attestation engagement.
		✓		Prepare a draft examination or review report for an attestation engagement starting with a report example (e.g., an illustrative report from professional standards).
2. Agreed-upon procedures reports	✓			Identify the factors that a practitioner should consider when issuing an agreed-upon procedures report for an attestation engagement.
		✓		Prepare a draft agreed-upon procedures report for an attestation engagement starting with a report example (e.g., an illustrative report from professional standards).
3. Reporting on controls at a service organization	✓			Identify the factors that a service auditor should consider when reporting on the examination of controls at a service organization.
		✓		Prepare a draft report for an engagement to report on the examination of controls at a service organization, starting with a report example (e.g., an illustrative report from professional standards).

## Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>C. Accounting and review service engagements</b>					
1. Preparation engagements	✓				Identify the factors that an accountant should consider when performing a preparation engagement.
2. Compilation reports	✓				Identify the factors that an accountant should consider when reporting on an engagement to compile an entity's financial statements, including the proper form and content of the compilation report.
			✓		Prepare a draft report for an engagement to compile an entity's financial statements, starting with a report example (e.g., an illustrative report from professional standards).
3. Review reports	✓				Identify the factors that an accountant should consider when reporting on an engagement to review an entity's financial statements, including the proper form and content of the review report.
			✓		Prepare a draft report for an engagement to review an entity's financial statements, starting with a report example (e.g., an illustrative report from professional standards).

## Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>D. Reporting on compliance</b>				
	✓			Identify the factors that an auditor should consider when reporting on compliance with aspects of contractual agreements or regulatory requirements in connection with an audit of an entity's financial statements.
	✓			Identify the factors that a practitioner should consider when reporting on an attestation engagement related to an entity's compliance with the requirements of specified laws, regulations, rules, contracts or grants, including reports on the effectiveness of internal controls over compliance with the requirements.
<b>E. Other reporting considerations</b>				
1. Comparative statements and consistency between periods	✓			Identify the factors that would affect the comparability or consistency of financial statements, including a change in accounting principle, the correction of a material misstatement and a material change in classification.
2. Other information in documents with audited statements	✓			Understand the auditor's responsibilities related to other information included in documents with audited financial statements.
3. Review of interim financial information	✓			Identify the factors an auditor should consider when reporting on an engagement to review interim financial information.
4. Supplementary information	✓			Identify the factors an auditor should consider when reporting on supplementary information included in or accompanying an entity's financial statements.

## Area IV – Forming Conclusions and Reporting (10–20%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>E. Other reporting considerations (continued)</b>					
5. Additional reporting requirements under Government Accountability Office Government Auditing Standards	✓				Identify requirements under Government Accountability Office Government Auditing Standards related to reporting on internal control over financial reporting and compliance with provisions of the law, regulations, contracts and grant agreements that have a material effect on the financial statements.
6. Special-purpose and other country frameworks	✓				Identify the factors an auditor should consider when reporting on the audit of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, when the financial statements are intended for use outside of the United States.
	✓				Identify the factors an auditor should consider when reporting on the audit of financial statements prepared in accordance with a special-purpose framework, including cash basis, tax basis, regulatory basis, contractual basis or other basis.

# Uniform CPA Examination Business Environment and Concepts (BEC)

## Blueprint



## Business Environment and Concepts

The Business Environment and Concepts (BEC) section of the Uniform CPA Examination (the Exam) tests knowledge and skills that a newly licensed CPA must demonstrate when performing:

- Audit, attest, accounting and review services
- Financial reporting
- Tax preparation
- Other professional services

The content areas tested under the BEC section of the Exam encompass five diverse subject areas. These content areas are enterprise risk management, internal controls and business processes, economics, financial management, information technology and operations management. Reference materials relevant to the BEC section of the Exam are included under References at the conclusion of this introduction.

### Content organization and tasks

The BEC section blueprint is organized by content AREA, content GROUP and content TOPIC. Each group or topic includes one or more representative TASKS that a newly licensed CPA may be expected to complete when performing audit, attest, accounting and review services, financial reporting, tax preparation or other professional services.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the BEC section of the Exam. Additionally, it should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam. Similarly, examples provided within the task statements should not be viewed as all-inclusive.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the BEC section of the Exam:

Content area		Allocation
Area I	Enterprise Risk Management, Internal Controls and Business Processes	20–30%
Area II	Economics	15–25%
Area III	Financial Management	10–20%
Area IV	Information Technology	15–25%
Area V	Operations Management	15–25%

### Overview of content areas

Area I of the BEC section blueprint covers several topics related to Enterprise Risk Management, Internal Controls and Business Processes, including the following:

- Recalling concepts from and applying enterprise risk management
- Recalling concepts from and applying internal controls
- Recalling and applying key corporate governance provisions of the Sarbanes-Oxley Act of 2002
- Describing the types and purposes of accounting and financial reporting information systems and related tools and software
- Identifying aspects of an entity's manual and automated business processes and controls
- Analyzing the flow of transactions to identify the risks in key business processes



## Business Environment and Concepts (continued)

Area II of the BEC section blueprint covers several topics related to Economics, including the following:

- Understanding business cycles and economic indicators and explaining the impact of government intervention in a market
- Quantifying the effect of changes in economic conditions on an entity's products
- Determining the business reasons for, and the underlying economic substance of, transactions and their accounting implications
- Measuring financial risks to a business and the effect of implementing mitigating strategies

Area III of the BEC section blueprint covers several topics related to Financial Management, including the following:

- Assessing the factors influencing a company's capital structure, such as risk, leverage, cost of capital, growth rate, profitability, asset structure and loan covenants
- Calculating metrics associated with the components of working capital, such as current ratio, quick ratio, cash conversion cycle and turnover ratios to determine the impact of business decisions on working capital
- Understanding commonly used financial valuation and decision models and applying that knowledge to assess assumptions, calculate the value of assets and compare investment alternatives

Area IV of the BEC section blueprint covers several topics related to Information Technology (IT), including the following:

- Understanding the role of IT and systems in supporting an entity's overall vision, strategy and business objectives
- Identifying IT-related risks associated with an entity's systems and processes, such as change management and information security, including cyber risks and risks introduced by relationships with third parties
- Identifying application and IT general control activities, whether manual, IT dependent or automated, that are responsive to IT-related risks, such as access and authorization controls and business resiliency plans
- Obtaining and transforming data to prepare it for data analytics to support business decisions

Area V of the BEC section blueprint covers several topics related to Operations Management, including the following:

- Understanding business operations and use of quality control initiatives and performance measures to improve operations
- Application of cost accounting concepts and use of variance analysis techniques
- Utilizing budgeting and forecasting techniques to monitor progress and enhance accountability

# Business Environment and Concepts (continued)

## Skill allocation

The Exam focuses on testing higher order skills. Based on the nature of the task, each representative task in the BEC section blueprint is assigned a skill level. BEC section considerations related to the skill levels are discussed below.

Skill levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

- Remembering and Understanding is tested in all five areas of the BEC section. Remembering and understanding tasks focus on the knowledge necessary to demonstrate an understanding of the general business environment and business concepts, such as those involving enterprise risk management.

- Application is also tested in all five areas of the BEC section. Application tasks focus on general topics such as those found in the subjects of economics and information technology, and the day-to-day financial management tasks that newly licensed CPAs perform, such as those involving calculations involving ratios, valuation and budgeting.
- Analysis skills, tested in Areas I, II, III and V involve tasks that require a higher level of analysis and interpretation. These tasks, such as comparing investment alternatives using calculations of financial metrics, financial modeling, forecasting and projection, frequently require newly licensed CPAs to gather evidence to support inferences.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that a newly licensed CPA would reasonably be expected to perform. The BEC section does not test any content at the Evaluation skill level as newly licensed CPAs are not expected to demonstrate that level of skill in regards to the BEC content.

# Business Environment and Concepts

(continued)

## References – Business Environment and Concepts

- The Committee of Sponsoring Organizations of the Treadway Commission (COSO):
  - Internal Control – Integrated Framework
    - Framework and Appendices
    - Internal Control over External Financial Reporting: A Compendium of Examples
    - Guidance on Monitoring Internal Control Systems Volume I, II and III
  - Enterprise Risk Management – Integrating with Strategy and Performance
    - Volume I and II
    - Compendium of Examples
    - Managing Cyber Risk in a Digital Age
- AICPA TSP 100: 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (includes March 2020 updates)
- Sarbanes-Oxley Act of 2002:
  - Title III, Corporate Responsibility
  - Title IV, Enhanced Financial Disclosures
  - Title VIII, Corporate and Criminal Fraud Accountability
  - Title IX, White-Collar Crime Penalty Enhancements
  - Title XI, Corporate Fraud Accountability
- Current business periodicals
- Current textbooks on:
  - Accounting Information Systems
  - Data Analytics (for accountants)
  - Economics
  - Finance
  - Management Information Systems
  - Managerial and Cost Accounting
  - Production Operations

## Summary blueprint

Content area allocation	Weight
I. Enterprise Risk Management, Internal Controls and Business Processes	20–30%
II. Economics	15–25%
III. Financial Management	10–20%
IV. Information Technology	15–25%
V. Operations Management	15–25%

Skill allocation	Weight
Evaluation	—
Analysis	20–30%
Application	50–60%
Remembering and Understanding	15–25%

# Area I – Enterprise Risk Management, Internal Controls and Business Processes (20–30%)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>A. Enterprise risk management (ERM)</b>					
1. Purpose and objectives	✓				Define ERM within the context of the COSO ERM framework, including the purpose and objectives of the framework.
2. Components and principles	✓				Identify and define the components, principles and underlying structure of the COSO ERM framework.
	✓				Understand the relationship among risk, business strategy and performance within the context of the COSO ERM framework.
		✓			Apply the COSO ERM framework to identify risk/opportunity scenarios in an entity.
<b>B. Internal controls</b>					
1. Purpose and objectives	✓				Define internal control within the context of the COSO internal control framework, including the purpose, objectives and limitations of the framework.
2. Components and principles	✓				Identify and define the components, principles and underlying structure of the COSO internal control framework.
		✓			Apply the COSO internal control framework to identify entity-level risks (inherent and residual) related to an organization’s compliance, operations and reporting (internal and external, financial and non-financial) objectives.
		✓			Apply the COSO internal control framework to identify risks related to fraudulent financial and non-financial reporting, misappropriation of assets and illegal acts, including the risk of management override of controls.
		✓			Apply the COSO internal control framework to identify controls to meet an entity’s compliance, operations and reporting (internal and external, financial and non-financial) objectives at the entity and sub-unit level.
		✓			Describe the corporate governance structure within an organization (e.g., tone at the top, policies, steering committees, oversight and ethics).

## Area I – Enterprise Risk Management, Internal Controls and Business Processes (20–30%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>B. Internal controls (continued)</b>				
3. Sarbanes-Oxley Act of 2002	✓			Identify and define key corporate governance provisions of the Sarbanes-Oxley Act of 2002.
		✓		Identify regulatory deficiencies within an entity by using the requirements associated with the Sarbanes-Oxley Act of 2002.
<b>C. Business processes</b>				
	✓			Describe the types and purposes of accounting and financial reporting systems along with the related tools and software, and the benefits they provide to an entity's business processes.
	✓			Distinguish business process controls by type (e.g., preventive vs. detective, automated vs. manual).
		✓		Identify the sequence of steps and the information, documents, tools and technology commonly used in key business processes (e.g., sales, cash collections, purchasing, disbursements, human resources, payroll, production, treasury, fixed assets, general ledger and reporting).
		✓		Identify the appropriate System and Organization Controls (SOC) for Service Organizations report to meet a user entity's needs and review the SOC report to obtain information such as the period covered, modifications and complementary user entity controls.
		✓		Identify an appropriate mix of business process controls (e.g., segregation of duties, input edit checks, authorization and approval, verifications, physical controls, controls over standing data, spreadsheet controls, reconciliations and supervisory controls) to prevent or detect errors in transactions.

## Area I – Enterprise Risk Management, Internal Controls and Business Processes (20–30%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
C. Business processes (continued)					
		✓			Identify the appropriate techniques, methods, systems or other tools that could improve the performance of a process.
			✓		Identify the structured and unstructured data needed to perform data analytics related to a key business process and identify the appropriate analytic technique for a given purpose.
			✓		Analyze the flow of transactions represented in a narrative, flowchart, data diagram and system interface diagram to identify the risks in key business processes related to the completeness, accuracy and continued processing integrity in input, storage, processing and output processes.

## Area II – Economics (15–25%)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>A. Economic and business cycles – measures and indicators</b>					
	✓				Understand the business cycle (trough, expansion, peak, recession) and leading, coincident and lagging indicators of economic activity (e.g., bond yields, new housing starts, personal income and unemployment).
	✓				Recall the characteristics of market types (e.g., perfect competition, monopolistic competition, oligopoly, monopoly) as well as the common competitive strategies in each type.
		✓			Explain the impact on an entity’s industry and operations due to changes in government fiscal policies, monetary policies, regulations and trade controls.
<b>B. Market influences on business</b>					
		✓			Use the laws of supply and demand and elasticity measures to explain the effect on a product.
		✓			Calculate the effect of inflation on a product’s real price or an entity’s investments, debt and future expenses.
		✓			Explain how changes in currency markets impact an entity.
		✓			Explain the opportunity cost of a business decision.
			✓		Determine the impact of market influences on an entity’s business strategy, operations and risk (e.g., increasing investment and financial leverage, innovating to develop new product offerings, seeking new foreign and domestic markets and undertaking productivity or cost-cutting initiatives).
			✓		Determine the business reasons for, and explain the underlying economic substance of, significant transactions (e.g., business combinations and divestitures, product line diversification, production sourcing and public and private offerings of securities).



## Area II – Economics (15–25%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>C. Financial risk management</b>					
1. Market, interest rate, currency, liquidity, credit, price and other risks		✓			Calculate and use ratios and measures to quantify risks associated with interest rates, currency exchange, liquidity, prices, etc. in a business entity.
2. Means for mitigating/controlling financial risks		✓			Identify strategies to mitigate financial risks (e.g., market, interest rate, currency and liquidity) and quantify their impact on a business entity.

## Area III – Financial Management (10–20%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Capital structure</b>				
		✓		Describe an organization's capital structure and related concepts, such as cost of capital, asset structure, loan covenants, growth rate, profitability, leverage and risk.
		✓		Calculate the cost of capital for a given financial scenario.
<b>B. Working capital</b>				
1. Fundamentals and key metrics of working capital management		✓		Calculate the metrics associated with the working capital components, such as current ratio, quick ratio, cash conversion cycle, inventory turnover and receivables turnover.
			✓	Detect significant fluctuations or variances in the working capital cycle using working capital ratio analyses.
2. Strategies for managing working capital			✓	Compare inventory management processes, including pricing and valuation methods, to determine the effects on the working capital of a given entity.
			✓	Compare accounts payable management techniques, including usage of discounts, factors affecting discount policy, uses of electronic funds transfer as a payment method and determination of an optimal vendor payment schedule in order to determine the effects on the working capital of a given entity.
			✓	Distinguish between corporate banking arrangements, including establishment of lines of credit, borrowing capacity and monitoring of compliance with debt covenants in order to determine the effects on the working capital of a given entity.
			✓	Interpret the differences between the business risks and the opportunities in an entity's credit management policies to determine the effects on the working capital of a given entity.
			✓	Analyze the effects on working capital caused by financing using long-term debt and/or short-term debt.

## Area III – Financial Management (10–20%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
C. Financial valuation methods and decision models					
	✓				Identify and define the different financial valuation methods and their assumptions, including but not limited to fair value, Black-Scholes, Capital Asset Pricing Model and Dividend Discount Model.
	✓				Identify and define the different financial decision models and assumptions involved in making decisions relating to asset and investment management, debt, equity and leasing.
	✓				Identify the sources of data and factors that management considers in forming the assumptions used to prepare an accounting estimate.
	✓				Describe the process and framework within which management exercises its responsibilities over the review and approval of accounting estimates.
		✓			Calculate the value of an asset using commonly accepted financial valuation methods.
			✓		Compare investment alternatives using calculations of financial metrics (e.g., payback period, net-present value, economic value added, cash flow analysis and internal rate of return), financial modeling, forecasting, projection and analysis techniques.
			✓		Compare options in a lease vs. buy decision scenario.

## Area IV – Information Technology (15–25%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Understanding of information technology (IT)</b>				
	✓			Explain the role that IT personnel, processes and strategies play in IT governance and in supporting an entity's overall vision, strategy and business objectives.
	✓			Define the basics of hardware, software, databases, networks, mobile technology, etc. used by an entity internally, externally and through outsourcing arrangements (e.g., application service providers and cloud computing).
	✓			Understand the advantages, disadvantages, risks and other considerations associated with cloud computing and IT outsourcing arrangements, including the use of System and Organization Controls (SOC) for Service Organizations reports from third parties.
		✓		Identify the role and benefits of information systems (e.g., enterprise resource planning, e-commerce and supply chain management systems).
<b>B. Risk associated with IT</b>				
1. Risk assessment		✓		Identify IT-related risks and describe mitigation strategies given risk severity, probability and costs.
2. Change management	✓			Understand the risks associated with an inadequate change control and change management process for an entity's information systems and processes, including acquisition, integration and outsourcing.
3. Security, availability, confidentiality and privacy		✓		Identify system access and segregation of duties risks.
		✓		Identify the risks (e.g., cybersecurity and internal) associated with protecting sensitive and critical information (e.g., proprietary and personal information) within information systems (including processing, storing and transmitting information internally and with external parties).
		✓		Perform threat identification to identify risks related to information confidentiality.
		✓		Perform threat identification to identify risks related to system availability.

## Area IV – Information Technology (15–25%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>C. Controls that respond to risks associated with IT</b>					
1. General IT controls	✓				Understand the controls and testing strategies used in selecting, developing and implementing new information systems.
		✓			Identify effective IT control activities, including manual, IT dependent and automated controls, as well as preventive, detective and corrective controls.
2. Logical and physical controls		✓			Identify logical and physical access controls (e.g., roles and rights and segregation of duties).
		✓			Identify the controls associated with protecting sensitive and critical information (e.g., proprietary and personal) within information systems.
		✓			Determine responses to information system confidentiality risks (e.g., incident response plan).
3. Business resiliency	✓				Understand the importance of business resiliency for an entity and the key strategies, resources, business functions, employees and steps involved in planning for it.
<b>D. Data management and relationships</b>					
1. Governance	✓				Recognize the legal, ethical, business intellectual property and customer sensitivity considerations that should be included in a data governance program that covers what data is needed, the necessary practices throughout the data life cycle and assignment of responsibility for the governance program.
2. Extract, transform and load data	✓				Understand the capabilities needed in data extraction tools and the important considerations in making a data extraction request such as the data source, format and integrity of the data.
	✓				Understand key characteristics of a relational database (e.g., data dictionary, data types, tables, records, fields, relationships, keys, views, queries and reports).

## Area IV – Information Technology (15–25%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>D. Data management and relationships (continued)</b>					
2. Extract, transform and load data (continued)	✓				Understand considerations associated with loading data into the final target database (e.g., operational data store, data warehouse or data lake) including the constraints that apply (e.g., uniqueness, referential integrity, mandatory fields), the types of loading (initial, incremental, full refresh) and load verification.
		✓			Define the attributes of a data repository such as its relevance, elements to be included or excluded, relationships between those elements and characteristics used to determine its validity, completeness and accuracy.
			✓		Determine methods to transform raw data (structured and unstructured) to make it useful for decision-making by correcting or removing data in the dataset that is incorrect, inaccurate, incomplete, improperly formatted or duplicated and to convert, aggregate, merge, replace, validate, format and split data.
3. Visualization	✓				Understand the capabilities needed in tools that support data modeling and analysis.
	✓				Understand the data visualization techniques used to make patterns, trends and correlations more easily detected in support of better decisions.

## Area V – Operations Management (15–25%)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>A. Financial and non-financial measures of performance management</b>					
		✓			Calculate financial and non-financial measures appropriate to analyze specific aspects of an entity's performance (e.g., Economic Value Added, Costs of Quality-Prevention vs. Appraisal vs. Failure).
			✓		Determine which financial and non-financial measures are appropriate to analyze specific aspects of an entity's performance and risk profile (e.g., Return on Equity, Return on Assets and Contribution Margin).
<b>B. Cost accounting</b>					
1. Cost measurement concepts, methods and techniques		✓			Apply cost accounting concepts, terminology, methods and measurement techniques within an entity.
		✓			Differentiate the characteristics of fixed, variable and mixed costs within an entity.
		✓			Compare and contrast the different costing methods such as absorption vs. variable and process vs. job order costing.
2. Variance analysis			✓		Determine the appropriate variance analysis method to measure the key cost drivers by analyzing business scenarios.

## Area V – Operations Management (15–25%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>C. Process management</b>					
1. Approaches, techniques, measures, benefits to process-management driven businesses	✓				Identify commonly used operational management approaches, techniques and measures within the context of business process management.
2. Management philosophies and techniques for performance improvement	✓				Identify commonly used management philosophies and techniques for performance and quality improvement within the context of business process management.
<b>D. Planning techniques</b>					
1. Budgeting and analysis		✓			Prepare a budget to guide business decisions.
			✓		Reconcile results against a budget or prior periods and perform analysis of variances as needed.
2. Forecasting and projection		✓			Use forecasting and projection techniques to model revenue growth, cost and expense characteristics, profitability, etc.
		✓			Prepare and calculate metrics to be utilized in the planning process, such as cost benefit analysis, sensitivity analysis, breakeven analysis, economic order quantity, etc.
			✓		Analyze results of forecasts and projections using ratio analysis and explanations of correlations to, or variations from, key financial indices.
			✓		Compare and contrast alternative approaches (such as system replacement, make vs. buy and cost/benefit) proposed to address business challenges or opportunities for a given entity.



# Uniform CPA Examination Financial Accounting and Reporting (FAR)

## Blueprint



# Financial Accounting and Reporting

The Financial Accounting and Reporting (FAR) section of the Uniform CPA Examination (the Exam) assesses the knowledge and skills that a newly licensed CPA must demonstrate in the financial accounting and reporting frameworks used by business entities (public and nonpublic), not-for-profit entities and state and local government entities.

The financial accounting and reporting frameworks that are eligible for assessment within the FAR section of the Exam include the standards and regulations issued by the:

- Financial Accounting Standards Board (FASB)
- U.S. Securities and Exchange Commission (U.S. SEC)
- American Institute of Certified Public Accountants (AICPA)
- Governmental Accounting Standards Board (GASB)

A listing of standards and regulations promulgated by these bodies, and other reference materials that are eligible for assessment in the FAR section of the Exam are included under References at the conclusion of this introduction.

## Content organization and tasks

The FAR section blueprint is organized by content AREA, content GROUP and content TOPIC. Each group or topic includes one or more representative TASKS that a newly licensed CPA may be expected to complete in practice.

Tasks in the FAR section blueprint are representative. The tasks are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the FAR section of the Exam. Additionally, it should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam. For example, the topic titled “Notes to financial statements” in Area I includes two tasks that are intended to encompass the required disclosures for any topic in the FASB Accounting Standards Codification, while the group titled “Leases” in Area III includes eight tasks that are limited to the accounting requirements in the Leases Topic of the FASB Accounting Standards Codification. The number of tasks included in the blueprint for this group and this topic is not intended to suggest that “Leases” are more significant

to newly licensed CPAs or will be tested more than the “Notes to financial statements.” Similarly, examples provided within the task statements should not be viewed as all-inclusive.

## Content allocation

The following table summarizes the content areas and the allocation of content tested in the FAR section of the Exam:

Content area		Allocation
Area I	Conceptual Framework, Standard-Setting and Financial Reporting	25–35%
Area II	Select Financial Statement Accounts	30–40%
Area III	Select Transactions	20–30%
Area IV	State and Local Governments	5–15%

## Overview of content areas

Area I of the FAR section blueprint covers FASB’s Conceptual Framework, FASB’s standard-setting process and several different financial reporting topics. The financial reporting topics include the following:

- General-purpose financial statements applicable to for-profit entities, not-for-profit entities and employee benefit plans under the FASB Accounting Standards Codification
- Disclosures specific to public companies including earnings per share and segment reporting under the FASB Accounting Standards Codification and the interim, annual and periodic filing requirements for U.S. registrants in accordance with the rules of the U.S. SEC
- Financial statements prepared under special purpose frameworks as described in AU-C Section 800 of the Codification of Statements on Auditing Standards

## Financial Accounting and Reporting (continued)

Area II of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select financial statement accounts.

- To the extent applicable, each group and topic in the area is eligible for testing within the context of both for-profit and not-for-profit entities.
  - If significant accounting or reporting differences exist between for-profit and not-for-profit entities for a given group or topic, such differences are in representative not-for-profit tasks in the blueprint.

Area III of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select transactions.

- To the extent applicable, the remaining groups in the area are eligible for testing within the context of both for-profit and not-for-profit entities.
  - If significant accounting or reporting differences exist between for-profit and not-for-profit entities, such differences are in representative not-for-profit tasks in the blueprint.

Area IV of the FAR section blueprint covers GASB's conceptual framework as well as the financial accounting and reporting requirements for state and local governments under the GASB standards and interpretations.

### Section assumptions

The FAR section of the Exam includes multiple-choice questions, task-based simulations and research prompts. When completing questions in the FAR section of the Exam, candidates should assume that all of the information provided in each question is material. In addition, candidates should assume that each question applies to a for-profit business entity reporting under U.S. GAAP unless otherwise stated in the fact pattern for a question. For example, questions that apply to not-for-profit entities specify the nature of these entities as "not-for-profit" or "non-governmental, not-for-profit." Questions that apply to the state and local governments include phrases such as "local government," "state," "municipality" or "city."

### Skill allocation

The Exam focuses on testing higher order skills. Based on the nature of the task, each representative task in the FAR section blueprint is assigned a skill level. FAR section considerations related to the skill levels are discussed below.

Skill levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

## Financial Accounting and Reporting (continued)

- Remembering and Understanding tasks are in all four areas of the FAR blueprint. These tasks, such as identifying transactions and financial reporting requirements, frequently require newly licensed CPAs to demonstrate their comprehension of accounting concepts and standards. Area IV has the highest concentration of remembering and understanding tasks.
- Application tasks are in all four areas of the FAR blueprint. These tasks, such as preparing journal entries and financial statements, frequently require newly licensed CPAs to use accounting concepts and standards to measure and recognize financial statement amounts.
- Analysis tasks are in Area I, Area II and Area III of the FAR blueprint. These tasks, such as reconciling account balances, interpreting agreements and detecting financial reporting discrepancies, frequently require newly licensed CPAs to demonstrate a higher level of interpretation. Area I and Area II have the highest concentration of analysis tasks.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that a newly licensed CPA would reasonably be expected to perform. The FAR section does not test any content at the Evaluation skill level as newly licensed CPAs are not expected to demonstrate that level of skill in regards to the FAR content.

## Financial Accounting and Reporting (continued)

### References – Financial Accounting and Reporting

- Financial Accounting Standards Board (FASB) Accounting Standards Codification
- FASB Concepts Statements
- U.S. Securities and Exchange Commission References:
  - Securities Exchange Act of 1934
  - Regulation S-X of the Code of Federal Regulations (17 CFR Part 210)
  - Regulation S-K of the Code of Federal Regulations (17 CFR Part 229)
- Codification of Statements on Auditing Standards: AU-C Section 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- AICPA Accounting and Auditing Guides
- State and Local Government References:
  - Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards
  - GASB Statements, Interpretations, Technical Bulletins and Concepts Statements
  - National Council on Governmental Accounting (NCGA) Statements and Interpretations
- Current textbooks on accounting for business entities, not-for-profit entities, and state and local government entities

## Summary blueprint

Content area allocation	Weight
I. Conceptual Framework, Standard-Setting and Financial Reporting	25–35%
II. Select Financial Statement Accounts	30–40%
III. Select Transactions	20–30%
IV. State and Local Governments	5–15%

Skill allocation	Weight
Evaluation	—
Analysis	25–35%
Application	50–60%
Remembering and Understanding	10–20%

## Area I – Conceptual Framework, Standard-Setting and Financial Reporting (25–35%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Conceptual framework and standard-setting for business and nonbusiness entities</b>				
1. Conceptual framework	✓			Recall the purpose and characteristics in the conceptual framework for business and nonbusiness entities.
2. Standard-setting process	✓			Recall the due process steps followed by the FASB to establish financial accounting and reporting standards.
<b>B. General-purpose financial statements: for-profit business entities</b>				
1. Balance sheet/ statement of financial position		✓		Prepare a classified balance sheet from a trial balance and supporting documentation.
		✓		Adjust the balance sheet to correct identified errors.
			✓	Detect, investigate and correct discrepancies while agreeing the balance sheet amounts to supporting documentation.
			✓	Calculate fluctuations and ratios and interpret the results while reviewing comparative balance sheets.
2. Income statement/ statement of profit or loss		✓		Prepare the sections of a multiple-step income statement (including operating, non-operating, discontinued operations) from a trial balance and supporting documentation.
		✓		Prepare a single-step income statement from a trial balance and supporting documentation.
		✓		Adjust the income statement to correct identified errors.
			✓	Detect, investigate and correct discrepancies while agreeing the income statement amounts to supporting documentation.
			✓	Calculate fluctuations and ratios and interpret the results while reviewing comparative income statements.

## Area I – Conceptual Framework, Standard-Setting and Financial Reporting (25–35%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>B. General-purpose financial statements: for-profit business entities (continued)</b>				
3. Statement of comprehensive income		✓		Prepare a statement of comprehensive income from a trial balance and supporting documentation.
		✓		Calculate reclassification adjustments for items of other comprehensive income.
		✓		Adjust the statement of comprehensive income to correct identified errors.
			✓	Detect, investigate and correct discrepancies while agreeing the statement of comprehensive income amounts to supporting documentation.
4. Statement of changes in equity		✓		Prepare a statement of changes in equity from a trial balance and supporting documentation.
		✓		Adjust the statement of changes in equity to correct identified errors.
			✓	Detect, investigate and correct discrepancies while agreeing the statement of changes in equity amounts to supporting documentation.
5. Statement of cash flows		✓		Prepare a statement of cash flows using the direct method and required disclosures from supporting documentation.
		✓		Prepare a statement of cash flows using the indirect method and required disclosures from supporting documentation.
		✓		Adjust a statement of cash flows to correct identified errors.
			✓	Detect, investigate and correct discrepancies while agreeing the statement of cash flows amounts to supporting documentation.
			✓	Derive the impact of transactions on the statement of cash flows.



## Area I – Conceptual Framework, Standard-Setting and Financial Reporting (25–35%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>B. General-purpose financial statements: for-profit business entities (continued)</b>					
6. Notes to financial statements		✓			Adjust the notes to the financial statements to correct identified errors and omissions.
			✓		Compare the notes to the financial statements to the financial statements and supporting documentation to identify inconsistencies and investigate those inconsistencies.
7. Consolidated financial statements (including wholly owned subsidiaries and noncontrolling interests)	✓				Recall basic consolidation concepts and terms (e.g. controlling interest, noncontrolling interest, primary beneficiary, variable interest entity).
		✓			Prepare consolidated financial statements (includes adjustments, eliminations and/or noncontrolling interests) from supporting documentation.
		✓			Adjust consolidated financial statements to correct identified errors.
			✓		Detect, investigate and correct discrepancies identified while agreeing the consolidated financial statement amounts to supporting documentation.

## Area I – Conceptual Framework, Standard-Setting and Financial Reporting (25–35%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>C. General-purpose financial statements: nongovernmental, not-for-profit entities</b>				
1. Statement of financial position	✓			Recall the purpose and objectives of the statement of financial position for a nongovernmental, not-for-profit entity.
		✓		Prepare a statement of financial position for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
		✓		Adjust the statement of financial position for a nongovernmental, not-for-profit entity to correct identified errors.
2. Statement of activities	✓			Recall the purpose and objectives of the statement of activities for a nongovernmental, not-for-profit entity.
		✓		Prepare a statement of activities for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
		✓		Adjust the statement of activities for a nongovernmental, not-for-profit entity to correct identified errors.
3. Statement of cash flows	✓			Recall the purpose and objectives of the statement of cash flows for a nongovernmental, not-for-profit entity.
		✓		Prepare a statement of cash flows and required disclosures using the direct method for a nongovernmental, not-for-profit entity.
		✓		Prepare a statement of cash flows and required disclosures using the indirect method for a nongovernmental, not-for-profit entity.
		✓		Adjust the statement of cash flows for a nongovernmental, not-for-profit entity to correct identified errors.
4. Notes to financial statements		✓		Adjust the notes to the financial statements to correct identified errors and omissions.

## Area I – Conceptual Framework, Standard-Setting and Financial Reporting (25–35%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>D. Public company reporting topics (U.S. SEC reporting requirements, earnings per share and segment reporting)</b>				
	✓			Recall the purpose of forms 10-Q, 10-K and 8-K that a U.S. registrant is required to file with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934.
	✓			Identify the significant components of Form 10-Q and Form 10-K filed with the U.S. Securities and Exchange Commission.
		✓		Prepare financial statement note disclosures for reportable segments.
		✓		Calculate basic earnings per share.
		✓		Calculate diluted earnings per share.
<b>E. Financial statements of employee benefit plans</b>				
	✓			Identify the required financial statements for a defined benefit pension plan and a defined contribution pension plan.
		✓		Prepare a statement of changes in net assets available for benefits for a defined benefit pension plan and a defined contribution pension plan.
		✓		Prepare a statement of net assets available for benefits for a defined benefit pension plan and a defined contribution pension plan.

## Area I – Conceptual Framework, Standard-Setting and Financial Reporting (25–35%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
F. Special purpose frameworks				
	✓			Recall appropriate financial statement titles to be used for the financial statements prepared under a special purpose framework.
		✓		Perform calculations to convert cash basis or modified cash basis financial statements to accrual basis financial statements.
		✓		Prepare financial statements using the cash basis of accounting.
		✓		Prepare financial statements using a modified cash basis of accounting.
		✓		Prepare financial statements using the income tax basis of accounting.

## Area II – Select Financial Statement Accounts (30–40%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Cash and cash equivalents</b>				
	✓			Calculate cash and cash equivalents balances to be reported in the financial statements.
			✓	Reconcile the cash balance per the bank statement to the general ledger.
			✓	Investigate unreconciled cash balances to determine whether an adjustment to the general ledger is necessary.
<b>B. Trade receivables</b>				
	✓			Calculate trade receivables and allowances and prepare journal entries.
	✓			Prepare any required journal entries to record the transfer of trade receivables (secured borrowings, factoring, assignment, pledging).
			✓	Prepare a rollforward of the trade receivables account balance using various sources of information.
			✓	Reconcile and investigate differences between the subledger and general ledger for trade receivables to determine whether an adjustment is necessary.
<b>C. Inventory</b>				
	✓			Calculate the carrying amount of inventory and prepare journal entries using various costing methods.
	✓			Measure impairment losses on inventory.
			✓	Prepare a rollforward of the inventory account balance using various sources of information.
			✓	Reconcile and investigate differences between the subledger and general ledger for inventory to determine whether an adjustment is necessary.

## Area II – Select Financial Statement Accounts (30–40%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>D. Property, plant and equipment</b>				
		✓		Calculate the gross and net property, plant and equipment balances and prepare journal entries.
		✓		Calculate gains or losses on the disposal of long-lived assets to be recognized in the financial statements.
		✓		Measure impairment losses on long-lived assets to be recognized in the financial statements.
		✓		Calculate the amounts necessary to prepare journal entries to record a nonmonetary exchange.
		✓		Determine whether an asset qualifies to be reported as held for sale in the financial statements.
		✓		Adjust the carrying amount of assets held for sale and calculate the loss to be recognized in the financial statements.
			✓	Prepare a rollforward of the property, plant and equipment account balance using various sources of information.
			✓	Reconcile and investigate differences between the subledger and general ledger for property, plant and equipment to determine whether an adjustment is necessary.
<b>E. Investments</b>				
1. Financial assets at fair value	✓			Identify investments that are eligible or required to be reported at fair value in the financial statements.
		✓		Calculate the carrying amount of investments measured at fair value and prepare journal entries (excluding impairment).

## Area II – Select Financial Statement Accounts (30–40%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
E. Investments (continued)				
1. Financial assets at fair value (continued)		✓		Calculate gains and losses to be recognized in net income or other comprehensive income for investments measured at fair value and prepare journal entries.
		✓		Calculate investment income to be recognized in net income for investments measured at fair value and prepare journal entries.
		✓		Measure impairment losses to be recognized on applicable investments reported at fair value in the financial statements.
2. Financial assets at amortized cost	✓			Identify investments that are eligible to be reported at amortized cost in the financial statements.
		✓		Calculate the carrying amount of investments measured at amortized cost and prepare journal entries (excluding impairment).
		✓		Measure impairment losses to be recognized on investments reported at amortized cost in the financial statements.
3. Equity method investments	✓			Identify when the equity method of accounting can be applied to an investment.
		✓		Calculate the carrying amount of equity method investments and prepare journal entries (excluding impairment).
		✓		Measure impairment losses to be recognized in the financial statements on equity method investments.

## Area II – Select Financial Statement Accounts

(30–40%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>F. Intangible assets – goodwill and other</b>				
	✓			Identify the criteria for recognizing intangible assets in the statement of financial position and classify intangible assets as either finite-lived or indefinite-lived.
	✓			Identify impairment indicators for goodwill and other indefinite-lived intangible assets.
		✓		Calculate the carrying amount of finite-lived intangible assets reported in the financial statements (initial measurement, amortization and impairment) and prepare journal entries.
		✓		Calculate the carrying amount of goodwill and other indefinite-lived intangible assets reported in the financial statements (includes initial measurement and impairment) and prepare journal entries.
<b>G. Payables and accrued liabilities</b>				
		✓		Calculate the carrying amount of payables (including accounts payable, dividends payable) and accrued liabilities (including accrued wages, accrued vacation, accrued bonuses) and prepare journal entries.
		✓		Identify and calculate liabilities arising from exit or disposal activities and determine the timing of recognition in the financial statements.
		✓		Calculate the liabilities and assets resulting from asset retirement obligations and prepare journal entries.
			✓	Reconcile and investigate differences between the subledger and general ledger for accounts payable and accrued liabilities to determine whether an adjustment is necessary.
<b>H. Long-term debt (financial liabilities)</b>				
1. Notes and bonds payable	✓			Classify a change to a debt instrument as either a modification of terms or an extinguishment of debt.
	✓			Understand when a change to the terms of a debt instrument qualifies as a troubled debt restructuring.
	✓			Classify a financial instrument as either debt or equity, based on its characteristics.



## Area II – Select Financial Statement Accounts (30–40%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>H. Long-term debt (financial liabilities) (continued)</b>					
1. Notes and bonds payable (continued)		✓			Calculate the interest expense attributable to notes and bonds payable reported in the financial statements (including discounts, premiums or debt issuance costs).
			✓		Calculate the carrying amount of notes and bonds payable and prepare journal entries.
2. Debt covenant compliance		✓			Perform debt covenant calculations as stipulated in a debt agreement to ascertain compliance.
<b>I. Equity</b>					
		✓			Prepare journal entries to recognize equity transactions in the financial statements.
		✓			Calculate net asset balances for a nongovernmental, not-for-profit entity and prepare journal entries.
<b>J. Revenue recognition</b>					
	✓				Recall concepts of accounting for revenue.
		✓			Determine the amount and timing of revenue to be recognized under a contract and prepare journal entries.
		✓			Determine revenue to be recognized by a nongovernmental, not-for-profit entity for contributed services received and prepare journal entries.
			✓		Interpret agreements, contracts and/or other supporting documentation to determine the amount and timing of revenue to be recognized in the financial statements.
			✓		Reconcile and investigate differences between the sales subledger and the general ledger to determine whether an adjustment is necessary.

## Area II – Select Financial Statement Accounts (30–40%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
K. Stock compensation (share-based payments)					
	✓				Recall concepts associated with share-based payment arrangements (grant date, vesting conditions, inputs to valuation techniques, valuation models).
		✓			Calculate compensation costs to be recognized for a share-based payment arrangement classified as equity and prepare journal entries.
		✓			Calculate compensation costs to be recognized for a share-based payment arrangement classified as a liability and prepare journal entries.
L. Income taxes					
	✓				Recall the accounting treatment for uncertainty in income taxes.
	✓				Recall the criteria for recognizing or adjusting a valuation allowance for a deferred tax asset in the financial statements.
		✓			Calculate the income tax expense, current taxes payable/receivable and deferred tax liabilities/assets to be reported in the financial statements.
		✓			Prepare journal entries to record the tax provision in the financial statements.

## Area III – Select Transactions (20–30%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Accounting changes and error corrections</b>				
		✓		Calculate a required adjustment to the financial statements due to an accounting change or error correction and determine whether it requires prospective or retrospective application.
			✓	Derive the impact to the financial statements and related note disclosures of an accounting change or an error correction.
<b>B. Business combinations</b>				
		✓		Prepare journal entries to record the identifiable net assets acquired in a business combination that results in the recognition of goodwill.
		✓		Prepare journal entries to record the identifiable net assets acquired in a business combination that includes a noncontrolling interest.
		✓		Prepare journal entries to record the identifiable net assets acquired in a business combination that results in the recognition of a bargain purchase gain.
		✓		Adjust the financial statements to properly reflect changes in contingent consideration related to a business combination.
		✓		Calculate the consideration transferred in a business combination.
		✓		Adjust the financial statements to properly reflect measurement period adjustments related to a business combination.

## Area III – Select Transactions (20–30%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>C. Contingencies and commitments</b>				
	✓			Recall the recognition and disclosure criteria used to identify commitments and contingencies.
		✓		Calculate amounts of contingencies and prepare journal entries.
			✓	Review supporting documentation to determine whether a commitment or contingency requires recognition or disclosure in the financial statements.
<b>D. Derivatives and hedge accounting (e.g., swaps, options, forwards)</b>				
	✓			Identify the characteristics of a freestanding and/or embedded derivative financial instrument to be recognized in the financial statements.
	✓			Identify the criteria necessary to qualify for hedge accounting.
<b>E. Foreign currency transactions and translation</b>				
	✓			Recall the basic functional currency concepts including the indicators to be considered when determining an entity's functional currency.
		✓		Calculate transaction gains or losses recognized from monetary transactions denominated in a foreign currency.
			✓	Adjust an entity's financial statements (local currency to functional currency or functional currency to reporting currency) and recognize the effect on equity through net income or other comprehensive income.

## Area III – Select Transactions (20–30%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>F. Leases</b>					
	✓				Recall the appropriate accounting treatment for residual value guarantees, purchase options and variable lease payments included in leasing arrangements.
	✓				Identify the criteria for classifying a lease arrangement.
		✓			Calculate the carrying amount of lease-related assets and liabilities and prepare journal entries that a lessee should record.
		✓			Calculate the carrying amount of lease-related assets and prepare journal entries that a lessor should record.
		✓			Calculate the lease costs that a lessee should recognize in the income statement.
		✓			Prepare journal entries that the seller/lessee should record for a sale-leaseback transaction.
		✓			Calculate the amount of lease income that a lessor should recognize in the income statement.
			✓		Interpret agreements, contracts and/or other supporting documentation to determine the appropriate accounting treatment of a leasing arrangement and prepare the journal entries that the lessee should record.
<b>G. Nonreciprocal transfers</b>					
	✓				Recall the recognition requirements associated with conditional and unconditional promises to give (pledges) for a nongovernmental, not-for-profit entity.
	✓				Identify transfers to a nongovernmental, not-for-profit entity acting as an agent or intermediary that are not recognized as contributions in the statement of activities.

## Area III – Select Transactions (20–30%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>G. Nonreciprocal transfers</b> (continued)				
		✓		Calculate the carrying amount of donated assets (financial assets or long-lived assets) to be reported in the statement of financial position.
		✓		Calculate increases in net assets attributable to contributions for a nongovernmental, not-for-profit entity.
<b>H. Research and development costs</b>				
	✓			Identify research and development costs and classify the costs as an expense in the financial statements.
		✓		Calculate the research and development costs to be reported as an expense in the financial statements.
<b>I. Software costs</b>				
	✓			Identify the criteria necessary to capitalize software costs (software for internal use or sale) in the financial statements.
		✓		Calculate capitalized software costs (software for internal use or sale) to be reported in the financial statements and the related amortization expense.
<b>J. Subsequent events</b>				
	✓			Identify a subsequent event and recall its appropriate accounting treatment.
		✓		Calculate required adjustments to financial statements and/or note disclosures based on identified subsequent events.
			✓	Derive the impact to the financial statements and required note disclosures due to identified subsequent events.

## Area III – Select Transactions (20–30%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
K. Fair value measurements					
	✓				Identify the valuation techniques used to measure fair value.
		✓			Use the fair value hierarchy to determine the classification of a fair value measurement.
		✓			Use the fair value concepts (e.g. highest and best use, market participant assumptions, unit of account) to measure the fair value of assets and liabilities.

## Area IV – State and Local Governments (5-15%)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>A. State and local government concepts</b>					
1. Conceptual framework	✓				Recall the purpose and characteristics of the conceptual framework for state and local governments.
2. Measurement focus and basis of accounting	✓				Recall the measurement focus and basis of accounting used by state and local governments for fund and government-wide financial reporting.
3. Purpose of funds		✓			Determine the appropriate fund(s) that a state or local government should use to record its activities.
<b>B. Format and content of the financial section of the comprehensive annual financial report (CAFR)</b>					
1. Government-wide financial statements	✓				Identify and recall basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements and financial statement components).
		✓			Prepare the government-wide statement of net position for a state or local government from trial balances and supporting documentation.
		✓			Prepare the government-wide statement of activities for a state or local government from trial balances and supporting documentation.
2. Governmental funds financial statements	✓				Identify and recall basic concepts and principles associated with governmental fund financial statements (e.g., required funds, financial statements and financial statement components).
		✓			Prepare the statement of revenues, expenditures and changes in fund balances for the governmental funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the balance sheet for the governmental funds of a state or local government from trial balances and supporting documentation.



## Area IV – State and Local Governments (5-15%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>B. Format and content of the financial section of the comprehensive annual financial report (CAFR) (continued)</b>					
3. Proprietary funds financial statements	✓				Identify and recall basic concepts and principles associated with proprietary fund financial statements (e.g., required funds, financial statements and financial statement components).
		✓			Prepare the statement of revenues, expenses and changes in fund net position for the proprietary funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the statement of net position for the proprietary funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the statement of cash flows for the proprietary funds of a state or local government.
4. Fiduciary funds financial statements	✓				Identify and recall basic concepts and principles associated with fiduciary fund financial statements (e.g., required funds, financial statements and financial statement components).
		✓			Prepare the statement of changes in fiduciary net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.
		✓			Prepare the statement of net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.
5. Notes to financial statements	✓				Recall the disclosure requirements for the notes to the basic financial statements of state and local governments.
6. Management's discussion and analysis	✓				Recall the objectives and components of management's discussion and analysis in the comprehensive annual financial report for state and local governments.

## Area IV – State and Local Governments (5-15%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>B. Format and content of the financial section of the comprehensive annual financial report (CAFR) (continued)</b>					
7. Budgetary comparison reporting	✓				Recall the objectives and components of budgetary comparison reporting in the comprehensive annual financial report for state and local governments.
8. Required supplementary information (RSI) other than management's discussion and analysis	✓				Recall the objectives and components of required supplementary information other than management's discussion and analysis in the comprehensive annual financial report for state and local governments.
9. Financial reporting entity, including blended and discrete component units	✓				Recall the criteria for classifying an entity as a component unit of a state or local government and the financial statement presentation requirements (discrete or blended).
<b>C. Deriving government-wide financial statements and reconciliation requirements</b>					
		✓			Prepare worksheets to convert the governmental fund financial statements to the governmental activities reported in the government-wide financial statements.
		✓			Prepare the schedule to reconcile the total fund balances and the net change in fund balances reported in the governmental fund financial statements to the net position and change in net position reported in the government-wide financial statements.

## Area IV – State and Local Governments (5-15%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>D. Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements</b>				
1. Net position and components thereof		✓		Calculate the net position balances (unrestricted, restricted and net investment in capital assets) for state and local governments and prepare journal entries.
2. Fund balances and components thereof		✓		Calculate the fund balances (assigned, unassigned, nonspendable, committed and restricted) for state and local governments and prepare journal entries.
3. Capital assets and infrastructure assets	✓			Identify capital assets reported in the government-wide financial statements of state and local governments.
		✓		Calculate the net general capital assets balance for state and local governments and prepare journal entries (initial measurement and subsequent depreciation and amortization).
4. General and proprietary long-term liabilities	✓			Identify general and proprietary long-term liabilities reported in the government-wide financial statements of state and local governments.
		✓		Calculate the total indebtedness to be reported in the government-wide financial statements of a state or local government.
		✓		Calculate the net general long-term debt balance for state and local governments and prepare journal entries (debt issuance, interest payments, issue premiums or issue discounts).
5. Interfund activity, including transfers		✓		Prepare eliminations of interfund activity in the government-wide financial statements of state and local governments.
		✓		Prepare journal entries to recognize interfund activity within state and local governments.

## Area IV – State and Local Governments (5-15%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>D. Typical items and specific types of transactions and events: measurement, valuation, calculation and presentation in governmental entity financial statements (continued)</b>					
6. Nonexchange revenue transactions		✓			Calculate the amount of nonexchange revenue to be recognized by state and local governments using the modified accrual basis of accounting and prepare journal entries.
		✓			Calculate the amount of nonexchange revenue to be recognized by state and local governments using the accrual basis of accounting and prepare journal entries.
7. Expenditures and expenses		✓			Calculate expenditures to be recognized under the modified accrual basis of accounting (paid from available fund financial resources) for state and local governments and prepare journal entries.
		✓			Calculate expenses to be recognized under the accrual basis of accounting for state and local governments and prepare journal entries.
8. Special items	✓				Identify transactions that require presentation as special items in government-wide financial statements for state and local governments.
9. Budgetary accounting and encumbrances	✓				Recall and explain the types of budgets used by state and local governments.
		✓			Prepare journal entries to record budgets (original and final) of state and local governments.
		✓			Prepare journal entries to record encumbrances of state and local governments.
10. Other financing sources and uses		✓			Calculate the amount to be reported as other financing sources and other financing uses in the governmental funds financial statements.

# Uniform CPA Examination Regulation (REG)

## Blueprint



## Regulation

The Regulation (REG) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that a newly licensed CPA must demonstrate with respect to:

- U.S. federal taxation
- U.S. ethics and professional responsibilities related to tax practice
- U.S. business law

A listing of reference materials relevant to the REG section of the Exam are included under References at the conclusion of this introduction.

### Content organization and tasks

The REG section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that a newly licensed CPA may be expected to complete when performing tax preparation services, tax advisory services or other responsibilities of a CPA.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the REG section of the Exam. Additionally, it should be noted that the number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam. Similarly, examples provided within the task statements should not be viewed as all-inclusive.

### Content allocation

The following table summarizes the content areas and the allocation of content tested in the REG section of the Exam:

Content area		Allocation
Area I	Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
Area II	Business Law	10–20%
Area III	Federal Taxation of Property Transactions	12–22%
Area IV	Federal Taxation of Individuals	15–25%
Area V	Federal Taxation of Entities	28–38%

### Overview of content areas

Area I of the REG section blueprint covers several topics, including the following:

- Ethics and Responsibilities in Tax Practice – Requirements based on Treasury Department Circular 230 and the rules and regulations for tax return preparers
- Licensing and Disciplinary Systems – Requirements of state boards of accountancy to obtain and maintain the CPA license
- Federal Tax Procedures – Understanding federal tax processes and procedures, including appropriate disclosures, substantiation, penalties and authoritative hierarchy
- Legal Duties and Responsibilities – Understanding legal issues that affect the CPA and his or her practice

## Regulation (continued)

Area II of the REG section blueprint covers several topics of Business Law, including the following:

- Knowledge and understanding of the legal implications of business transactions, particularly as they relate to accounting, auditing and financial reporting.
- Areas of agency, contracts, debtor-creditor relationships, government regulation of business, and business structure.
  - The Uniform Commercial Code under the topics of contracts and debtor-creditor relationships.
  - Nontax-related business structure content. Area V of the REG section blueprint covers the tax-related issues of the various business structures.
- Federal and widely adopted uniform state laws and references as identified in References below.

Area III, Area IV and Area V of the REG section blueprint cover various topics of federal income taxation and gift tax. Accounting methods and periods, and tax elections are included in the Areas listed below:

- Area III covers the federal income taxation of property transactions. Area III also covers topics related to federal gift taxation.
- Area IV covers the federal income taxation of individuals from both a tax preparation and tax planning perspective.
- Area V covers the federal income taxation of entities including sole proprietorships, partnerships, limited liability companies, C corporations, S corporations, joint ventures, trusts and tax-exempt organizations, from both a tax preparation and tax planning perspective.

### Section assumptions

The REG section of the Exam includes multiple-choice questions, task-based simulations and research prompts. Candidates should assume that the information provided in each question is material and should apply all stated assumptions. To the extent a question addresses a topic that could have different tax treatments based on timing (e.g., alimony arrangements or net operating losses), it will include a clear indication of the timing (e.g., use of real dates) so that the candidates can determine the appropriate portions of the Internal Revenue Code or Treasury Regulations to apply to

the question. Absent such an indication of timing or other stated assumptions, candidates should assume that transactions or events referenced in the question occurred in the current year and should apply the most recent provisions of the tax law in accordance with the timing specified in the CPA Exam Policy on New Pronouncements.

### Skill allocation

The Exam focuses on testing higher order skills. Based on the nature of the task, each representative task in the REG section blueprint is assigned a skill level. REG section considerations related to the skill levels are discussed below.

Skill levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

- Remembering and understanding is mainly concentrated in Area I and Area II. These two areas contain the general ethics, professional responsibilities and business law knowledge that is required for newly licensed CPAs and is tested at the lower end of the skill level continuum.
- Application and analysis skills are primarily tested in Areas III, IV and V. These three areas contain more of the day-to-day tasks that newly licensed CPAs are expected to perform and therefore are tested at the higher end of the skill level continuum.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that a newly licensed CPA would reasonably be expected to perform. The REG section does not test any content at the Evaluation skill level as newly licensed CPAs are not expected to demonstrate that level of skill in regards to the REG content.

## Regulation (continued)

### References – Regulation

- Revised Model Business Corporation Act
- Revised Uniform Limited Partnership Act
- Revised Uniform Partnership Act
- Uniform Accountancy Act
- Uniform Commercial Code
- Internal Revenue Code of 1986, as amended
- Treasury Department Circular 230
- Treasury Regulations
- Other administrative pronouncements regarding federal taxation
- Case law on federal taxation
- Public Law 86-272
- Uniform Division of Income for Tax Purposes Act (UDITPA)
- Current textbooks covering business law, federal taxation, auditing, accounting and ethics



## Summary blueprint

<b>Content area allocation</b>	<b>Weight</b>
I. Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
II. Business Law	10–20%
III. Federal Taxation of Property Transactions	12–22%
IV. Federal Taxation of Individuals	15–25%
V. Federal Taxation of Entities	28–38%

<b>Skill allocation</b>	<b>Weight</b>
Evaluation	—
Analysis	25–35%
Application	35–45%
Remembering and Understanding	25–35%

## Area I – Ethics, Professional Responsibilities and Federal Tax Procedures (10-20%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Ethics and responsibilities in tax practice</b>				
1. Regulations governing practice before the Internal Revenue Service	✓			Recall the regulations governing practice before the Internal Revenue Service.
		✓		Apply the regulations governing practice before the Internal Revenue Service given a specific scenario.
2. Internal Revenue Code and Regulations related to tax return preparers	✓			Recall who is a tax return preparer.
	✓			Recall situations that would result in federal tax return preparer penalties.
		✓		Apply potential federal tax return preparer penalties given a specific scenario.
<b>B. Licensing and disciplinary systems</b>				
	✓			Understand and explain the role and authority of state boards of accountancy.
<b>C. Federal tax procedures</b>				
1. Audits, appeals and judicial process	✓			Explain the audit and appeals process as it relates to federal tax matters.
	✓			Explain the different levels of the judicial process as they relate to federal tax matters.
		✓		Identify options available to a taxpayer within the audit and appeals process given a specific scenario.
		✓		Identify options available to a taxpayer within the judicial process given a specific scenario.

## Area I – Ethics, Professional Responsibilities and Federal Tax Procedures (10-20%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>C. Federal tax procedures (continued)</b>				
2. Substantiation and disclosure of tax positions	✓			Summarize the requirements for the appropriate disclosure of a federal tax return position.
		✓		Identify situations in which disclosure of federal tax return positions is required.
		✓		Identify whether substantiation is sufficient given a specific scenario.
3. Taxpayer penalties	✓			Recall situations that would result in taxpayer penalties relating to federal tax returns.
		✓		Calculate taxpayer penalties relating to federal tax returns.
4. Authoritative hierarchy	✓			Recall the appropriate hierarchy of authority for federal tax purposes.
<b>D. Legal duties and responsibilities</b>				
1. Common law duties and liabilities to clients and third parties	✓			Summarize the tax return preparer's common law duties and liabilities to clients and third parties.
		✓		Identify situations which result in violations of the tax return preparer's common law duties and liabilities to clients and third parties.
2. Privileged communications, confidentiality and privacy acts	✓			Summarize the rules regarding privileged communications as they relate to tax practice.
		✓		Identify situations in which communications regarding tax practice are considered privileged.

## Area II – Business Law (10-20%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Agency</b>				
1. Authority of agents and principals	✓			Recall the types of agent authority.
		✓		Identify whether an agency relationship exists given a specific scenario.
2. Duties and liabilities of agents and principals	✓			Explain the various duties and liabilities of agents and principals.
		✓		Identify the duty or liability of an agent or principal given a specific scenario.
<b>B. Contracts</b>				
1. Formation	✓			Summarize the elements of contract formation between parties.
		✓		Identify whether a valid contract was formed given a specific scenario.
		✓		Identify different types of contracts (e.g., written, verbal, unilateral, express and implied) given a specific scenario.
2. Performance	✓			Explain the rules related to the fulfillment of performance obligations necessary for an executed contract.
		✓		Identify whether both parties to a contract have fulfilled their performance obligation given a specific scenario.

## Area II – Business Law (10-20%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
B. Contracts (continued)				
3. Discharge, breach and remedies	✓			Explain the different ways in which a contract can be discharged (e.g., performance, agreement and operation of the law).
	✓			Summarize the different remedies available to a party for breach of contract.
		✓		Identify situations involving breach of contract.
		✓		Identify whether a contract has been discharged given a specific scenario.
		✓		Identify the remedy available to a party for breach of contract given a specific scenario.
C. Debtor-creditor relationships				
	✓			Explain the rights, duties and liabilities of debtors, creditors and guarantors.
	✓			Recall basic bankruptcy concepts, for example, types of bankruptcies, rights of debtors and creditors and discharge of indebtedness.
	✓			Explain the difference between a secured and unsecured creditor and the requirements needed to perfect a security interest.
		✓		Identify rights, duties or liabilities of debtors, creditors or guarantors given a specific scenario.

## Area II – Business Law (10-20%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
D. Federal laws and regulations (e.g., employment tax, qualified health plans and worker classification)				
	✓			Summarize federal laws and regulations, for example, employment tax, qualified health plans and worker classification federal laws and regulations.
		✓		Identify violations of federal laws and regulations, for example, employment tax, qualified health plans and worker classification federal laws and regulations.
E. Business structure				
1. Selection and formation of business entity and related operation and termination	✓			Summarize the processes for formation and termination of various business entities.
	✓			Summarize the non-tax operational features for various business entities.
		✓		Identify the type of business entity that is best described by a given set of nontax-related characteristics.
2. Rights, duties, legal obligations and authority of owners and management	✓			Summarize the rights, duties, legal obligations and authority of owners and management.
		✓		Identify the rights, duties, legal obligations or authorities of owners or management given a specific scenario.

## Area III – Federal Taxation of Property Transactions (12-22%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
A. Acquisition and disposition of assets				
1. Basis and holding period of assets		✓		Calculate the tax basis of an asset.
		✓		Determine the holding period of a disposed asset for classification of tax gain or loss.
2. Taxable and nontaxable dispositions		✓		Calculate the realized and recognized gain or loss on the disposition of assets for federal income tax purposes.
		✓		Calculate the realized gain, recognized gain and deferred gain on like-kind property exchange transactions for federal income tax purposes.
			✓	Analyze asset sale and exchange transactions to determine whether they are taxable or nontaxable.
3. Amount and character of gains and losses, and netting process (including installment sales)		✓		Calculate the amount of capital gain or loss for federal income tax purposes.
		✓		Calculate the amount of ordinary income and loss for federal income tax purposes.
		✓		Calculate the amount of gain on an installment sale for federal income tax purposes.
			✓	Review asset transactions to determine the character (capital vs. ordinary) of the gain or loss for federal income tax purposes.
			✓	Analyze an agreement of sale of an asset to determine whether it qualifies for installment sale treatment for federal income tax purposes.

## Area III – Federal Taxation of Property Transactions (12-22%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
A. Acquisition and disposition of assets (continued)					
4. Related party transactions (including imputed interest)	✓				Recall related parties for federal income tax purposes.
	✓				Recall the impact of related party ownership percentages on acquisition and disposition transactions of property for federal income tax purposes.
		✓			Calculate the direct and indirect ownership percentages of corporation stock or partnership interests to determine whether there are related parties for federal income tax purposes.
		✓			Calculate a taxpayer's basis in an asset that was disposed of at a loss to the taxpayer by a related party.
			✓		Calculate a taxpayer's gain or loss on a subsequent disposition of an asset to an unrelated third party that was previously disposed of at a loss to the taxpayer by a related party.
				✓	Calculate the impact of imputed interest on related party transactions for federal tax purposes.
B. Cost recovery (depreciation, depletion and amortization)					
		✓			Calculate tax depreciation for tangible business property and tax amortization of intangible assets.
		✓			Calculate depletion for federal income tax purposes.
			✓		Compare the tax benefits of the different expensing options for tax depreciation for federal income tax purposes.
			✓		Reconcile the activity in the beginning and ending accumulated tax depreciation account.



## Area III – Federal Taxation of Property Transactions (12-22%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
C. Gift taxation	✓				Recall allowable gift tax deductions and exclusions for federal gift tax purposes.
		✓			Compute the amount of taxable gifts for federal gift tax purposes.

## Area IV – Federal Taxation of Individuals (including tax preparation and planning strategies) (15-25%)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
<b>A. Gross income (inclusions and exclusions)</b>					
		✓			Calculate the amounts that should be included in, or excluded from, an individual's gross income as reported on federal Form 1040 – <i>U.S. Individual Income Tax Return</i> .
			✓		Analyze projected income for use in tax planning in future years.
			✓		Analyze client-provided documentation to determine the appropriate amount of gross income to be reported on federal Form 1040 – <i>U.S. Individual Income Tax Return</i> .
<b>B. Reporting of items from pass-through entities</b>					
		✓			Prepare federal Form 1040 – <i>U.S. Individual Income Tax Return</i> based on the information provided on Schedule K-1.
<b>C. Adjustments and deductions to arrive at adjusted gross income and taxable income</b>					
		✓			Calculate the amount of adjustments and deductions to arrive at adjusted gross income and taxable income on federal Form 1040 – <i>U.S. Individual Income Tax Return</i> .
		✓			Calculate the qualifying business income (QBI) deduction for federal income tax purposes.
			✓		Analyze client-provided documentation to determine the validity of the deductions taken to arrive at adjusted gross income or taxable income on federal Form 1040 – <i>U.S. Individual Income Tax Return</i> .
<b>D. Passive activity losses (excluding foreign tax credit implications)</b>					
	✓				Recall passive activities for federal income tax purposes.
		✓			Calculate net passive activity gains and losses for federal income tax purposes.
		✓			Prepare a loss carryforward schedule for passive activities for federal income tax purposes.
		✓			Calculate utilization of suspended losses on the disposition of a passive activity for federal income tax purposes.

## Area IV – Federal Taxation of Individuals (including tax preparation and planning strategies) (15-25%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>E. Loss limitations</b>				
		✓		Calculate loss limitations for federal income tax purposes for an individual taxpayer.
			✓	Analyze projections to effectively minimize loss limitations for federal income tax purposes for an individual taxpayer.
			✓	Determine the basis and the potential application of at-risk rules that can apply to activities for federal income tax purposes.
<b>F. Filing status</b>				
	✓			Recall taxpayer filing status for federal income tax purposes.
	✓			Recall relationships meeting the definition of dependent for purposes of determining taxpayer filing status.
		✓		Identify taxpayer filing status for federal income tax purposes given a specific scenario.
<b>G. Computation of tax and credits</b>				
	✓			Recall and define minimum requirements for individual federal estimated tax payments to avoid penalties.
		✓		Calculate the tax liability based on an individual's taxable income for federal income tax purposes.
		✓		Calculate the impact of the tax deductions and tax credits and their effect on federal Form 1040 – <i>U.S. Individual Income Tax Return</i> .

## Area V – Federal Taxation of Entities (including tax preparation and planning strategies) (28-38%)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
<b>A. Tax treatment of formation and liquidation of business entities</b>				
		✓		Calculate the realized and recognized gain for the owner and entity upon the formation and liquidation of business entities for federal income tax purposes.
			✓	Compare the tax implications of liquidating distributions from different business entities.
			✓	Analyze the tax advantages and disadvantages in the formation of a new business entity.
<b>B. Differences between book and tax income (loss)</b>				
		✓		Identify permanent vs. temporary differences to be reported on Schedule M-1 and/or M-3.
		✓		Calculate the book/tax differences to be reported on a Schedule M-1 or M-3.
		✓		Prepare a Schedule M-1 or M-3 for a business entity.
			✓	Reconcile the differences between book and taxable income (loss) of a business entity.
<b>C. C corporations</b>				
1. Computations of taxable income, tax liability and allowable credits		✓		Calculate taxable income and tax liability for a C corporation.
		✓		Calculate the credits allowable as a reduction of tax for a C corporation.

## Area V – Federal Taxation of Entities (including tax preparation and planning strategies) (28-38%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
C. C corporations (continued)					
2. Net operating losses and capital loss limitations		✓			Calculate the current-year net operating or capital loss of a C corporation.
		✓			Prepare a net operating and/or capital loss carryforward schedule for a C corporation.
3. Entity/owner transactions, including contributions, loans and distributions		✓			Calculate an entity owner's basis in C corporation stock for federal income tax purposes.
		✓			Calculate the tax gain (loss) realized and recognized by both the shareholders and the corporation on a contribution or on a distribution in complete liquidation of a C corporation for federal income tax purposes.
		✓			Calculate the tax gain (loss) realized and recognized on a nonliquidating distribution by both a C corporation and its shareholders for federal income tax purposes.
		✓			Calculate the amount of the cash distributions to shareholders of a C corporation that represents a dividend, return of capital or capital gain for federal income tax purposes.
				✓	Reconcile an owner's beginning and ending basis in C corporation stock for federal income tax purposes.
4. Consolidated tax returns	✓				Recall the requirements for filing a consolidated federal Form 1120 – <i>U.S. Corporation Income Tax Return</i> .
		✓			Prepare a consolidated federal Form 1120 – <i>U.S. Corporation Income Tax Return</i> .
		✓			Calculate federal taxable income for a consolidated federal Form 1120 – <i>U.S. Corporation Income Tax Return</i> .

## Area V – Federal Taxation of Entities (including tax preparation and planning strategies) (28-38%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
C. C corporations (continued)				
5. Multijurisdictional tax issues (including consideration of local, state and international tax issues)	✓			Define the general concept and rationale of nexus with respect to multijurisdictional transactions.
	✓			Define the general concept and rationale of apportionment and allocation with respect to state and local taxation.
	✓			Explain the difference between a foreign branch and foreign subsidiary with respect to federal income taxation to a U.S. company.
	✓			Explain how different types of foreign income are sourced in calculating the foreign tax credit for federal income tax purposes.
	✓			Recall payment sources to determine federal tax withholding requirements.
	✓			Identify situations where the base erosion and anti-abuse tax (BEAT) would apply.
	✓			Identify factors that would qualify income as Foreign Derived Intangible Income (FDII).
	✓			Define the components of Global Intangible Low-Taxed Income (GILTI).
			✓	Identify situations that would create nexus for multijurisdictional transactions.
			✓	Identify the federal filing requirements of cross border business investments.
			✓	Calculate the apportionment percentage used in determining state taxable income.

## Area V – Federal Taxation of Entities (including tax preparation and planning strategies) (28-38%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
D. S corporations				
1. Eligibility and election	✓			Recall eligible shareholders for an S corporation for federal income tax purposes.
	✓			Recall S corporation eligibility requirements for federal income tax purposes.
	✓			Explain the procedures to make a valid S corporation election for federal income tax purposes.
		✓		Identify situations in which S corporation status would be revoked or terminated for federal income tax purposes.
2. Determination of ordinary business income (loss) and separately stated items		✓		Calculate ordinary business income (loss) and separately stated items for an S corporation for federal income tax purposes.
			✓	Analyze both the accumulated adjustment account and the other adjustments account of an S corporation for federal income tax purposes.
			✓	Analyze the accumulated earnings and profits account of an S corporation that has been converted from a C corporation.
			✓	Analyze components of S corporation income/deductions to determine classification as ordinary business income (loss) or separately stated items on federal Form 1120S – <i>U.S. Income Tax Return for an S Corporation</i> .
3. Basis of shareholder's interest		✓		Calculate the shareholder's basis in S corporation stock for federal income tax purposes.
			✓	Analyze shareholder transactions with an S corporation to determine the impact on the shareholder's basis for federal income tax purposes.

## Area V – Federal Taxation of Entities (including tax preparation and planning strategies) (28-38%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
D. S corporations (continued)					
4. Entity/owner transactions (including contributions, loans and distributions)		✓			Calculate the realized and recognized gain or loss to the shareholder of property contribution to an S corporation.
		✓			Calculate the allocation of S corporation income (loss) after the sale of a shareholder's share in the S corporation for federal income tax purposes.
			✓		Analyze the shareholder's impact of an S corporation's loss in excess of the shareholder's basis for federal income tax purposes.
			✓		Analyze the federal income tax implication to the shareholders and the S corporation resulting from shareholder contributions and loans as well as S corporation distributions and loans to shareholders.
5. Built-in gains tax	✓				Recall factors that cause a built-in gains tax to apply for federal income tax purposes.
E. Partnerships					
1. Determination of ordinary business income (loss) and separately stated items		✓			Calculate ordinary business income (loss) and separately stated items for a partnership for federal income tax purposes.
			✓		Analyze components of partnership income/deductions to determine classification as ordinary business income (loss) or separately stated items on federal Form 1065 – <i>U.S. Return of Partnership Income</i> .
2. Basis of partner's interest and basis of assets contributed to the partnership		✓			Calculate the partner's basis in the partnership for federal income tax purposes.
		✓			Calculate the partnership's basis in assets contributed by the partner for federal income tax purposes.
			✓		Analyze partner contributions to the partnership to determine the impact on the partner's basis for federal income tax purposes.



## Area V – Federal Taxation of Entities (including tax preparation and planning strategies) (28-38%) (continued)

Content group/topic	Skill				Representative task
	Remembering and Understanding	Application	Analysis	Evaluation	
E. Partnerships (continued)					
3. Partnership and partner elections	✓				Recall partner elections applicable to a partnership for federal income tax purposes.
4. Transactions between a partner and the partnership (including services performed by a partner and loans)		✓			Calculate the tax implications of certain transactions between a partner and partnership (such as services performed by a partner or loans) for federal income tax purposes.
			✓		Analyze the tax implications of a partner transaction with the partnership (such as services performed by a partner or loans) to determine the impact on the partner's tax basis for federal income tax purposes.
5. Impact of partnership liabilities on a partner's interest in a partnership		✓			Calculate the impact of increases and decreases of partnership liabilities on a partner's basis for federal income tax purposes.
			✓		Analyze the impact of partnership liabilities as they relate to the general partners and limited partners for federal income tax purposes.
6. Distribution of partnership assets		✓			Calculate the realized and recognized gains (losses) by the partnership and partners of liquidating distributions from the partnership for federal income tax purposes.
		✓			Calculate the realized and recognized gains (losses) by the partnership and partners of nonliquidating distributions from the partnership for federal income tax purposes.
		✓			Calculate the partner's basis of partnership assets received in a liquidating distribution for federal income tax purposes.
		✓			Calculate the partner's basis of partnership assets received in a nonliquidating distribution for federal income tax purposes.

## Area V – Federal Taxation of Entities (including tax preparation and planning strategies) (28-38%) (continued)

Content group/topic	Skill			Representative task
	Remembering and Understanding	Application	Analysis	
E. Partnerships (continued)				
7. Ownership changes	✓			Recall the situations in which a partnership would be terminated for federal income tax purposes.
		✓		Calculate the allocation of partnership income (loss) after the sale of a partner's share in the partnership for federal income tax purposes.
		✓		Calculate the revised basis of partnership assets due to a transfer of a partnership interest for federal income tax purposes.
F. Limited liability companies				
	✓			Recall the tax classification options for a limited liability company for federal income tax purposes.
G. Trusts				
	✓			Recall and explain the differences between simple and complex trusts for federal income tax purposes.
H. Tax-exempt organizations				
1. Types of organizations	✓			Recall the different types of tax-exempt organizations for federal tax purposes.
2. Unrelated business income	✓			Recall the different types of unrelated business income for tax-exempt organizations for federal tax purposes.

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