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## Proposed Content Specifications for the Uniform CPA Examination (Effective May 1996); Exposure Draft (American Institute of Certified Public Accountants) 1993, May 25

American Institute of Certified Public Accountants. Board of Examiners

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**EXPOSURE DRAFT**

**PROPOSED CONTENT  
SPECIFICATIONS FOR THE  
*UNIFORM CPA EXAMINATION***

(Effective May 1996)

**MAY 25, 1993**

**Prepared by the Board of Examiners of the  
American Institute of Certified Public Accountants**

Comments should be received by October 1, 1993, and addressed to:  
Board of Examiners, Examinations Division  
American Institute of Certified Public Accountants  
Harborside Financial Center, 201 Plaza III  
Jersey City, NJ 07311-3881

Questions pertaining to this exposure draft should be directed to James D. Blum, Director, Examinations Division, at 201/938-3419. This exposure draft will be discussed at an open meeting of the Board of Examiners on September 13, 1993. The meeting will be held from 3:30 pm to 5:00 pm at the AICPA's New York City offices.

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*In addition to boards of accountancy, this exposure draft has been sent to:*

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Various state licensure agencies  
Members of AICPA Council  
State CPA society executive directors  
Chairman of the AICPA Academic and Career Development Executive Committee  
Chairman of the Accounting Education Change Commission  
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# Summary

This exposure draft of the proposed Uniform CPA Examination Content Specifications, to be effective for the May 1996 Examination administration, has been prepared by the AICPA Board of Examiners' Content Validity Task Force and approved by the Board of Examiners. It describes the technical knowledge and skills for which CPA candidates will be held responsible on the Examination.

The Examination structure will continue to comprise four separately graded sections — Auditing (AUDIT); Financial Accounting & Reporting (FARE); Accounting & Reporting—Taxation, Managerial, and Governmental and Not-For-Profit Organizations (ARE); and Business Law & Professional Responsibilities (LPR). Question formats — objective questions, essays, and problems — also will remain the same as those that will be in effect from May 1994 through November 1995.

Based on the findings from the 1991 *Practice Analysis of Certified Public Accountants in Public Accounting*, the major tasks and activities that constitute public accounting engagements have been identified and important knowledge and skills to be assessed are described for each Examination section. For illustrative purposes, the related activities and pertinent knowledge and skills are described for the Auditing section beginning on page 19. Changes to the content specifications for the individual Examination sections that will be in effect from May 1994 through November 1995, have been proposed for May 1996. The significant changes for each section are as follows:

- **AUDIT.** Two of the content areas are weighted differently. "Internal Control" decreases from 25% to 20%, and "Obtaining Evidence" increases from 35% to 40%.
- **FARE.** The content areas are reorganized to eliminate overlap among topics.
- **ARE.** Managerial Accounting decreases from 15% to 10% and Federal Taxation increases from 55% to 60%.
- **LPR.** Some groups and topics are condensed.

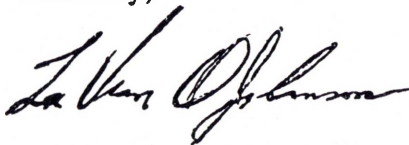
May 25, 1993

To Chairs and Administrators of Boards of Accountancy:

Enclosed is an exposure draft of *Proposed Content Specifications for the Uniform CPA Examination*, effective May 1996, prepared by the AICPA Board of Examiners. These content specifications describe the technical knowledge and skills for which CPA candidates will be held responsible on the Uniform CPA Examination.

The Board of Examiners asks that you consider carefully the exposure draft, complete the comment form attached, and return it by October 1, 1993, to: Board of Examiners, AICPA, Examinations Division, Harborside Financial Center, 201 Plaza III, Jersey City, NJ 07311-3881.

Sincerely,



LaVern O. Johnson, CPA  
Chairman  
Board of Examiners



Rick Elam, Ph.D., CPA  
Vice President—Education



# Proposed 1996 Content Specifications

## Background

The first content specifications for the Uniform CPA Examination, adopted by the Board of Examiners in 1981, were in the form of content specification outlines and were effective for the November 1983 examination. In 1984, the Board of Examiners modified these content specification outlines to incorporate the information obtained from a 1983 AICPA practice analysis, which focused on the work activities of CPAs in public accounting.

In March 1987, the Board of Examiners issued an Exposure Draft titled *Proposed Changes in the Uniform CPA Examination*. The recommendations in the Exposure Draft were based on the 1983 practice analysis and three years of studying the examination's content, structure, and format. In July 1989, the Board of Examiners approved restructuring the Uniform CPA Examination into four new sections. In 1991, the Board of Examiners received the results of a second practice analysis, which focused primarily on the tasks and activities that constitute the work of CPAs in public accounting, and the knowledge and skills needed to complete these tasks.

## Purposes of Content Specifications

The purposes of content specifications are to:

1. Ensure consistent coverage of knowledge and skills from one examination to the next.
2. Provide guidance to those who are responsible for preparing the examination.
3. Assist candidates in preparing for the examination by indicating the knowledge and skills that may be covered by the examination.
4. Alert accounting educators about the knowledge and skills candidates will need to prepare for the practice of public accounting.

## Focus of the Uniform CPA Examination

The proposed content specifications build on the two practice analysis studies by identifying the major knowledge and skills covered by the Uniform CPA Examination. In addition, the Board of Examiners reviews the content specifications continually to ensure that recent professional developments are covered by the content specifications.



Because the primary use of the Uniform CPA Examination is in licensing CPAs, its focus properly is on the knowledge and skills that new CPAs in public accounting need to have early in their careers to protect the public. The 1991 practice analysis helped to delineate these knowledge and skills, as well as the professional tasks and activities to which they relate. This practice analysis identified seven major professional tasks that early-career CPAs perform. The following table shows the extent to which the seven tasks are covered on the Uniform CPA Examination.

<i>Task</i>	<i>Extent of Coverage</i>
<b>Evaluate client and engagement to determine whether to accept/continue client and engagement.</b>	<b>Light</b>
<b>Enter into agreement with client to achieve a mutual understanding of the terms of the engagement.</b>	<b>Light</b>
<b>Plan the engagement to achieve the objectives and goals of the engagement in an efficient and effective manner.</b>	<b>Moderate</b>
<b>Obtain and document data to form a basis for conclusions.</b>	<b>Extensive</b>
<b>Evaluate information to reach and document engagement conclusions.</b>	<b>Moderate</b>
<b>Prepare communications to satisfy engagement objectives.</b>	<b>Moderate</b>
<b>Perform engagement review to provide reasonable assurance that goals and objectives are achieved.</b>	<b>Moderate</b>

These tasks apply to all public accounting engagements, although the specific activities required to complete them, as well as the importance and emphasis on each task, may differ across engagements. For illustrative purposes, the related activities and pertinent knowledge and skills are described for the Auditing section beginning on page 19. However, many of the skills also are relevant to all sections of the Uniform CPA Examination. Accordingly, these skills may also be tested on the other sections.

# Content Specification Outlines

The content specification outlines are based on the results of the two practice analysis studies, information obtained from comments on the 1987 Exposure Draft, and the judgments of auditing and accounting practitioners and educators.

## Meaning and Use of the Content Specification Outlines

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

- I. Area
  - A. Group
    - 1. Topic

Each outline is preceded by information about important skills that will be tested and selected publications that candidates may study to prepare for the Uniform CPA Examination.

The percentage following each area in the outlines represents its approximate weight. The examination questions are selected from the groups and topics listed within each area to meet the approximate percentage allocation. Generally, the group title should be sufficient to indicate the knowledge and skills to be covered. However, in certain instances, topics are explicitly listed to clarify the knowledge and skills contained within a group.

No percentages are given for groups or topics. The presence of several groups within an area or several topics within a group does not imply that equal importance or weight will be given to these groups or topics on an examination.

It is not always possible to clearly categorize knowledge and skills into only one Examination section because there is some overlap among the four sections. For example, Auditing questions often require knowledge of accounting and business law as well as auditing procedures, and questions in the Financial Accounting & Reporting section may require knowledge of taxation and business law.

## **Auditing**

The Auditing section tests candidates' knowledge of generally accepted auditing standards and procedures. This section tests this knowledge in the context of the seven tasks and the related activities identified in the 1991 Practice Analysis as relevant to the Uniform CPA Examination. This section includes engagement planning, internal control structure, evidence and procedures, and reporting. Important skills candidates are expected to demonstrate include the ability to:

- Analyze information and identify data relevant to auditing.
- Assess materiality.
- Identify risks.
- Identify relevant information and select efficient and effective procedures.
- Perform procedures, evaluate information, and formulate conclusions.
- Prepare reports, letters, and other communications.

Selected essay responses will be graded for writing skills.

### **Suggested Publications to Study**

- Statements on Auditing Standards
- Statements on Standards for Accounting and Review Services
- Statements on Quality Control Standards
- Statements on Standards for Attestation Engagements
- Statement on Standards for Accountants' Services on Prospective Financial Statements
- U.S. General Accounting Office Government Auditing Standards
- AICPA Audit and Accounting Guides:
  - Audit Sampling
  - Audits of State and Local Governmental Units
  - Consideration of the Internal Control Structure in a Financial Statement Audit
- AICPA Audit and Accounting Manual, auditing textbooks, handbooks, and articles

## **Content Specification Outline**

### **I. Planning the Engagement (20%)**

- A. Audit Risk**
- B. Materiality**
- C. Client Acceptance Activities**
- D. Understanding the Entity's Business and its Industry**
- E. Analytical Procedures**
- F. Errors and Irregularities**
- G. Illegal Acts by Clients**
- H. Documentation and Audit Programs**
- I. Engagement Responsibilities**
  - 1. Audit**
  - 2. Review**
  - 3. Compilation**
  - 4. Attestation/Reporting on Controls**
  - 5. Prospective Financial Statements**
  - 6. Audits Subject to Government Auditing Standards**
- J. Using the Work of Other Auditors**
- K. Staffing and Supervision Requirements**
- L. Quality Control Considerations**
- M. Engagement Letters**
- N. Communications Between Predecessor and Successor Auditors**

### **II. Considering the Internal Control Structure (20%)**

- A. Definitions and Basic Concepts**
- B. Understanding the Structure**
- C. Documenting the Structure**
- D. Assessing Control Risk**
- E. Testing Controls**
- F. Communicating Matters Related to the Internal Control Structure**
  - 1. Material Weaknesses**
  - 2. Other Reportable Conditions**
  - 3. Other Matters**
- G. Using Reports on the Processing of Transactions by Service Organizations**

- III. Applying Procedures and Obtaining Evidence (40%)
  - A. Sufficiency and Competence of Audit Evidence
    - 1. Financial Statement Assertions and Audit Objectives
    - 2. Confirmations
    - 3. Audit Sampling
    - 4. Accounting Estimates
  - B. Nature, Timing, and Extent of Substantive Tests
    - 1. Tests of Details of Transactions and Balances
    - 2. Analytical Procedures and Related Inquiries
    - 3. Substantive Tests Prior to the Balance Sheet Date
  - C. Other Specific Audit Topics
    - 1. Using the Work of Internal Auditors
    - 2. Using the Work of a Specialist
    - 3. Inquiry of a Client's Lawyer
    - 4. Subsequent Events
    - 5. Client Representations
    - 6. Related Parties and Related Party Transactions
    - 7. Going Concern
    - 8. Segment Information
    - 9. Interim Financial Information
    - 10. Compliance Auditing
    - 11. Working Papers
    - 12. Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
    - 13. Consideration of Omitted Procedures After the Report Date
    - 14. Letters for Underwriters
    - 15. Filings Under Federal Securities Statutes
    - 16. Other Information in Documents Containing Audited Financial Statements
  - D. SSARS Review Engagements
    - 1. Understanding the Accounting Principles and Practices of the Industry
    - 2. Inquiry and Analytical Procedures
    - 3. Other Procedures
  - E. SSARS Compilation Engagements
  - F. Attestation Engagements

#### **IV. Preparing Reports (20%)**

##### **A. Reports on Audited Financial Statements**

- 1. Reporting Responsibilities**
- 2. Presentation in Conformity with Generally Accepted Accounting Principles**
- 3. Standard Auditor's Report**
- 4. Dating the Auditor's Report**
- 5. Explanatory Language and Other Modifications to the Standard Report**
- 6. Departures from Unqualified Opinions**

##### **B. Reports on Reviewed and Compiled Financial Statements**

##### **C. Governmental Reporting Responsibilities**

- 1. Reports on Internal Control**
- 2. Compliance With Laws and Regulation**
- 3. Other**

##### **D. Reports on Attestation Engagements**

- 1. Reports on Internal Control**
- 2. Prospective Financial Statements**
- 3. Other**

##### **E. Other Reporting Considerations**

- 1. Special Reports**
- 2. Communication With Audit Committees**
- 3. Other Reporting Considerations Covered by Statements on Auditing Standards**

## **Financial Accounting & Reporting**

Financial Accounting & Reporting tests candidates' knowledge of generally accepted accounting principles and their application. This section includes coverage of financial accounting theory, concepts, and standards, as well as recognition, measurement, valuation, and presentation of typical items and specific types of transactions and events in financial statements. In addition to understanding these concepts, candidates are required to have certain skills needed to apply this knowledge. Important skills candidates are expected to demonstrate include the ability to:

- Analyze information and identify data relevant to financial accounting and reporting.
- Identify financial accounting and reporting methods and select those that are suitable.
- Perform calculations and formulate conclusions.
- Present results in writing in a financial statement format or other appropriate format.

Selected essay responses will be graded for writing skills.

### **Suggested Publications to Study**

- Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board Opinions, and AICPA Accounting Research Bulletins
- FASB Technical Bulletins
- Statement on Auditing Standards No. 69 — "The Meaning of *Present Fairly in Conformity with Generally Accepted Accounting Principles* in the Independent Auditor's Report" and Statement on Auditing Standards No. 62 — "*Special Reports*"
- AICPA Audit and Accounting Guide for Personal Financial Statements
- FASB Statements of Financial Accounting Concepts
- Accounting textbooks, handbooks, and articles

## **Content Specification Outline**

- I. Concepts and Standards for Financial Statements (20%)**
  - A. Financial Accounting Concepts**
  - B. Financial Accounting Standards for Presentation and Disclosures in General Purpose Financial Statements**
    - 1. Consolidated and Combined Financial Statements
    - 2. Balance Sheet
    - 3. Statement of Income and Changes in Equity Accounts
    - 4. Statement of Cash Flows
    - 5. Accounting Policies and Other Notes to Financial Statements
  - C. Other Presentations of Financial Data**
    - 1. Financial Statements Prepared in Conformity with Comprehensive Bases of Accounting Other than Generally Accepted Accounting Principles
    - 2. Personal Financial Statements
- II. Recognition, Measurement, Valuation, and Presentation of Typical Items in Financial Statements in Conformity with Generally Accepted Accounting Principles (40%)**
  - A. Cash, Cash Equivalents, and Marketable Securities**
  - B. Receivables**
  - C. Inventories**
  - D. Property, Plant, and Equipment**
  - E. Investments**
  - F. Intangible and Other Assets**
  - G. Payables and Accruals**
  - H. Deferred Revenues**
  - I. Notes and Bonds Payable**
  - J. Other Liabilities**
  - K. Contingent Liabilities and Commitments**
  - L. Equity Accounts**
    - 1. Corporations
    - 2. Partnerships
    - 3. Proprietorships
  - M. Revenue, Cost, and Expense Accounts**
  - N. Financing, Investing, and Operating Components of Cash Flows**



- III. Recognition, Measurement, Valuation, and Presentation of Specific Types of Transactions and Events in Financial Statements in Conformity with Generally Accepted Accounting Principles (40%)
  - A. Accounting Changes and Corrections of Errors
  - B. Business Combinations
  - C. Discontinued Operations
  - D. Employee Benefits
    - 1. Deferred Compensation Agreements
    - 2. Paid Absences
    - 3. Pension Plans
    - 4. Postemployment Benefits Other than Pensions
    - 5. Stock Purchase and Stock Option Plans
  - E. Extinguishment and Restructuring of Debt
  - F. Extraordinary Items
  - G. Financial Instruments Requiring Recognition or Disclosure in Financial Statements
    - 1. Futures Contracts
    - 2. Other Contractual Obligations
    - 3. Disclosure of Fair Values
  - H. Foreign Currency Transactions and Translation
  - I. Income Taxes
  - J. Interest Costs
  - K. Interim Financial Reporting
  - L. Leases
  - M. Lending Activities
  - N. Nonmonetary Transactions
  - O. Public Companies
    - 1. Earnings Per Share
    - 2. Segment Reporting
  - P. Quasi Reorganizations, Reorganizations, and Changes in Entity
  - Q. Real Estate Transactions
  - R. Related Parties
  - S. Research and Development Costs

# **Accounting & Reporting — Taxation, Managerial, and Governmental and Not-for-Profit Organizations**

Accounting & Reporting — Taxation, Managerial, and Governmental and Not-for-Profit Organizations tests candidates' knowledge of federal taxation, managerial accounting, and accounting for governmental and not-for-profit organizations, and their ability to apply this knowledge in practice.

## **Federal Taxation**

This portion includes coverage of knowledge of federal taxation and its application in practice. Important skills candidates are expected to demonstrate include the ability to:

- Analyze information and identify data relevant for tax purposes.
- Identify issues, elections, and alternative tax treatments.
- Perform required calculations.
- Formulate conclusions.

## **Suggested Publications to Study**

- Internal Revenue Code and Income Tax Regulations
- Internal Revenue Service Circular 230
- AICPA Statements on Responsibilities in Tax Practice
- Income tax textbooks

## **Content Specification Outline**

- I. Federal Taxation - Individuals (20%)
  - A. Inclusions in Gross Income
  - B. Exclusions and Adjustments to Arrive at Adjusted Gross Income
  - C. Deductions from Adjusted Gross Income
  - D. Filing Status and Exemptions
  - E. Tax Accounting Methods
  - F. Tax Computations, Credits, and Penalties
  - G. Alternative Minimum Tax
  - H. Tax Procedures

**II. Federal Taxation - Corporations (20%)**

- A. Determination of Taxable Income or Loss**
- B. Tax Accounting Methods**
- C. S Corporations**
- D. Personal Holding Companies**
- E. Consolidated Returns**
- F. Tax Computations, Credits, and Penalties**
- G. Alternative Minimum Tax**
- H. Other**
  - 1. Distributions**
  - 2. Incorporation, Reorganization, Liquidation, and Dissolution**
  - 3. Tax Procedures**

**III. Federal Taxation - Partnerships (10%)**

- A. Basis of Partner's Interest and Bases of Assets Contributed to the Partnership**
- B. Determination of Partner's Share of Income, Credits, and Deductions**
- C. Partnership and Partner Elections**
- D. Partner Dealing with Own Partnership**
- E. Treatment of Partnership Liabilities**
- F. Distribution of Partnership Assets**
- G. Termination of Partnership**

**IV. Federal Taxation — Estates and Trusts, Exempt Organizations, and Preparers' Responsibilities (10%)**

- A. Estates and Trusts**
  - 1. Income Taxation**
  - 2. Determination of Beneficiary's Share of Taxable Income**
  - 3. Estate and Gift Taxation**
- B. Exempt Organizations**
  - 1. Types of Organization**
  - 2. Requirements for Exemption**
  - 3. Unrelated Business Income Tax**
- C. Preparers' Responsibilities**

## **Governmental and Not-for-Profit Organizations**

This portion includes coverage of knowledge of accounting for governmental and not-for-profit organizations and the ability to apply this knowledge in practice. Important skills candidates are expected to demonstrate include the ability to:

- Analyze information and identify information relevant to governmental and not-for-profit accounting and reporting.
- Identify alternative accounting and reporting policies and select those that are appropriate in specific situations.
- Distinguish the relative weight of authority of differing sources of generally accepted accounting principles.
- Perform procedures, formulate conclusions, and present results.

### **Suggested Publications to Study**

- Governmental Accounting Standards Board (GASB) Statements, Interpretations, and Technical Bulletins
- Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board Opinions, AICPA Accounting Research Bulletins, and FASB Technical Bulletins
- FASB Statement of Financial Accounting Concepts No. 4 — "Objectives of Financial Reporting by Nonbusiness Organizations"
- Statement on Auditing Standards No. 69 — "The Meaning of *Present Fairly in Conformity with Generally Accepted Accounting Principles* in the Independent Auditor's Report"
- AICPA Audit and Accounting Guides and Statements of Position relating to governmental and not-for-profit organizations
- Governmental and not-for-profit accounting textbooks and other accounting textbooks containing pertinent chapters.
- Chief Financial Officers Act of 1990 and Standards adopted by the Federal Accounting Standards Advisory Board

## **Content Specification Outline**

### **V. Accounting for Governmental and Not-for-Profit Organizations (30%)**

#### **A. Conceptual Reporting Issues**

- 1. Measurement Focus and Basis of Accounting**
- 2. Objectives of Financial Reporting**
- 3. Uses of Fund Accounting**
- 4. Budgetary Process**
- 5. Financial Reporting Entity**
- 6. Elements of Financial Statements**

#### **B. Accounting and Financial Reporting for State and Local Governmental Organizations**

- 1. Governmental-type Funds and Account Groups**
- 2. Proprietary-type Funds**
- 3. Fiduciary-type Funds**

#### **C. Accounting and Financial Reporting for the Federal Government**

#### **D. Accounting and Financial Reporting for Not-for-Profit Organizations**

## **Managerial Accounting**

This portion includes coverage of knowledge of managerial accounting and the ability to apply this knowledge in practice. Important skills candidates are expected to demonstrate include the ability to:

- **Analyze and interpret information as a basis for decision making.**
- **Determine product and service costs.**
- **Prepare and interpret information for planning and control.**

## **Suggested Publications to Study**

- **Managerial accounting textbooks and other accounting textbooks containing pertinent chapters**
- **Accounting periodicals**

## **Content Specification Outline**

### **VI. Managerial Accounting (10%)**

- A. Cost Estimation, Cost Determination, and Cost Drivers**
- B. Job Costing, Process Costing, and Activity Based Costing**
- C. Standard Costing and Flexible Budgeting**
- D. Inventory Planning, Inventory Control, and Just-in-Time Purchasing**
- E. Budgeting and Responsibility Accounting**
- F. Variable and Absorption Costing**
- G. Cost-Volume-Profit Analysis**
- H. Cost Allocation and Transfer Pricing**
- I. Joint and By-Product Costing**
- J. Capital Budgeting**
- K. Special Analyses for Decision Making**
- L. Product and Service Pricing**

## **Business Law & Professional Responsibilities**

The Business Law & Professional Responsibilities section tests candidates' knowledge of the CPA's professional responsibilities and of the legal implications of business transactions, particularly as they relate to accounting and auditing. This section includes coverage of the CPA's professional responsibilities, business organizations, contracts, debtor-creditor relationships, government regulation of business, Uniform Commercial Code, and property. Important skills candidates are expected to demonstrate include the ability to:

- Recognize relevant legal issues.
- Recognize the legal implications of certain business situations.
- Apply the underlying principles of law to accounting and auditing situations.

Selected essay responses will be graded for writing skills.

### **Suggested Publications to Study**

- AICPA Code of Professional Conduct
- AICPA Statements on Auditing Standards dealing explicitly with proficiency, independence, and due care
- Textbooks covering business law, auditing, and accounting

This section deals with federal and widely adopted uniform laws. When there is no federal or uniform law on a topic, the questions are intended to test knowledge of the law of the majority of jurisdictions. Professional ethics questions are based on the *AICPA Code of Professional Conduct* because it is national in its application, whereas codes of other organizations and jurisdictions may be limited in their application.

### **Content Specification Outline**

#### **I. Professional Responsibilities (15%)**

##### **A. Code of Conduct**

1. Code of Professional Conduct
2. Proficiency, Independence, and Due Care
3. Responsibilities in Consulting Services
4. Disciplinary Systems Within the Profession

##### **B. Legal Responsibilities**

1. Common Law Liability to Clients and Third Parties
2. Federal Statutory Liability
3. Privileged Communications and Confidentiality

- II. Business Organizations (20%)
  - A. Agency
    - 1. Formation and Termination
    - 2. Duties of Agents and Principals
    - 3. Liabilities and Authority of Agents and Principals
  - B. Partnerships and Joint Ventures
    - 1. Formation, Operation, and Termination
    - 2. Liabilities and Authority of Partners and Joint Owners
  - C. Corporations
    - 1. Formation and Operation
    - 2. Stockholders, Directors, and Officers
    - 3. Financial Structure, Capital, and Distributions
    - 4. Reorganization and Dissolution
  - D. Estates and Trusts
    - 1. Formation, Operation, and Termination
    - 2. Allocation Between Principal and Income
    - 3. Fiduciary Responsibilities
    - 4. Distributions
- III. Contracts (10%)
  - A. Formation
  - B. Performance
  - C. Third Party Assignments
  - D. Discharge, Breach, and Remedies
- IV. Debtor-Creditor Relationships (10%)
  - A. Rights, Duties, and Liabilities of Debtors and Creditors
  - B. Rights, Duties, and Liabilities of Guarantors
  - C. Bankruptcy
- V. Government Regulation of Business (15%)
  - A. Federal Securities Acts
  - B. Employment Regulation
  - C. Environmental Regulation



**VI. Uniform Commercial Code (20%)**

- A. Commercial Paper**
- B. Sales**
- C. Secured Transactions**
- D. Bailments and Documents of Title**

**VII. Property (10%)**

- A. Real Property**
- B. Personal Property**
- C. Fire Insurance**

## **Public Accounting Tasks and Activities and Related Knowledge and Skills: An Illustration Using the Auditing Section**

To illustrate how the tasks, activities, knowledge, and skills relate to each other, those pertaining to the Auditing section of the Uniform CPA Examination are presented below. Tasks are in bold type, activities are in normal type, and knowledge and skills are in *italics*. Besides the knowledge statements presented below, "*Knowledge of professional standards relevant to this activity*" applies to each task and activity unless it is marked with an asterisk (\*). Thus, for most of the tasks and activities the Auditing section will test candidates' knowledge of generally accepted auditing standards and the skills needed to apply them. Many questions based on the Auditing content specifications (pages 4 to 7) will be written in the context of the auditing tasks and activities described below, testing selected knowledge and skills listed beneath them. The Auditing tasks, activities, knowledge, and skills are:

**Evaluate client and engagement to determine whether to accept/continue client and engagement.**

Communicate with former auditors/accountants.

Inquire of third parties.

Inquire of principals/audit committee.

Review documents (e.g., prior tax returns, financial statements, prior years' workpapers).

*Identify accounting principles, practices, and disclosures in financial statements and other communications.*

Determine nature and scope of engagement.

Determine adequacy of client's records.

*Knowledge of essential accounting records.*

*Knowledge of EDP information systems and controls.*

*Document procedures used to determine the adequacy of the client's records and the conclusions reached.*

Assess CPA firm's ability to perform engagement.

Interpret and evaluate data to assess engagement risk.

*Formulate conclusions.*

*Document conclusions.*

Decide whether to accept/continue client and engagement.

**Enter into agreement with client to achieve a mutual understanding of the terms of the engagement.**

*Knowledge of legal requirements relating to engagement agreements.*

**Plan the engagement to achieve the objectives and goals of the engagement in an efficient and effective manner.**

**Obtain an understanding of client's operations, business, and industry.\***

*Knowledge of EDP information systems and controls.*

*Evaluate information.*

*Document engagement issues and preliminary understanding of client's operations, business, and industry.*

**Obtain an understanding of the client's internal control structure and assess control risk.**

*Knowledge of objectives, nature, and scope of the engagement.*

*Knowledge of internal control objectives and procedures.*

*Knowledge of accounting and record-keeping systems.*

*Knowledge of client's internal control structure.*

*Knowledge of sampling concepts and procedures.*

*Knowledge of EDP information systems and controls.*

*Identify client's internal control environment characteristics.*

*Formulate questions about internal control environment, internal control procedures, and accounting systems.*

*Document internal control environment, internal control procedures, and accounting systems.*

*Evaluate internal control structure.*

*Select key client procedures to be tested.*

*Perform procedures.*

*Formulate conclusions regarding adequacy of client's procedures.*

*Document CPA firm's procedures, findings, and conclusions.*

**Perform preliminary analytical procedures.**

*Knowledge of analytical procedures used in engagement planning.*

*Knowledge of relationships among financial data and between financial and non-financial data.*

*Select appropriate data and methods of analysis.*

*Analyze resulting information.*

*Document analysis.*

**Assess risk of misstatement (e.g., inherent, control, and detection risks).**

*Knowledge of types of misstatements.*

*Knowledge of client's internal control structure.*

*Knowledge of statistical concepts relevant to this activity.*

*Identify risks.*

*Evaluate potential effects of risks.*

*Document assessment of risks of error.*

Determine preliminary engagement materiality.

*Knowledge of statistical concepts relevant to this activity.*

*Knowledge of users' information requirements.*

*Identify relevant client financial information.*

*Identify needs of users of financial statements.*

*Assess materiality for engagement planning.*

*Document materiality decision.*

Determine nature, timing, and extent of procedures (prepare work programs).

*Knowledge of substantive tests and tests of controls.*

*Knowledge of EDP information systems and controls.*

*Knowledge of planned levels of detection risk and tolerable misstatement.*

*Identify objectives based on planning.*

*Select efficient and effective procedures to accomplish objectives.*

*Document work programs and rationale for procedures.*

**Obtain and document data to form a basis for conclusions.**

Perform inspection procedures.

*Knowledge of the assets or documents subject to inspection.*

*Knowledge of attributes of ownership.*

*Identify assets or documents to be inspected.*

*Assess characteristics of assets or documents inspected (e.g., authenticity, ownership, quantity, quality, including physical or technological obsolescence).*

*Relate characteristics of assets or documents to other information obtained.*

*Formulate conclusions.*

*Document procedures, findings, and conclusions.*

Vouch transactions and balances.

*Knowledge of economic and financial aspects of transactions and balances that are vouched.*

*Knowledge of sampling concepts and procedures relevant to this activity.*

*Identify transactions and balances to be vouched.*

*Identify types of documents to examine.*

*Design sampling plan.*

*Define errors.*

*Select documents to be examined.*

*Examine documents to identify errors.*

*Assess whether the documents support the transactions and/or balances.*

*Formulate conclusions.*

*Document procedures, findings, and conclusions.*

Confirm with third parties.

*Knowledge of types and effective uses of confirmations.*

*Knowledge of sampling concepts and procedures relevant to this activity.*

*Select types of accounts and transactions, and attributes of them, to be confirmed.*

*Select type of confirmations (positive, negative, or blank).*

*Design sampling plan.*  
*Select items to be confirmed.*  
*Prepare confirmations.*  
*Evaluate confirmation responses.*  
*Design alternative procedures for nonresponses.*  
*Formulate conclusions.*  
*Document procedures, findings, and conclusions.*

Assess client's choice and application of valuation methods.

*Knowledge of sampling concepts and procedures relevant to this activity.*  
*Identify client's valuation methods.*  
*Assess appropriateness of client's valuation methods.*  
*Identify information needed to assess application of valuation methods.*  
*Design sampling plan.*  
*Select items to be tested.*  
*Examine items to identify misstatements.*  
*Formulate conclusions.*  
*Document procedures and findings.*

Perform analytical procedures.

*Knowledge of analytical procedures.*  
*Knowledge of relationships among financial data and between financial and non-financial information.*  
*Select appropriate analytical procedures.*  
*Estimate expected results and acceptable variances.*  
*Compare the actual and estimated results.*  
*Investigate variances in excess of the acceptable amounts.*  
*Formulate conclusions.*  
*Document procedures, findings, and conclusions.*

Obtain representations from clients and third parties.

*Identify sources and content of representations.*  
*Write letters of inquiry or representation.*  
*Assess responses.*  
*Design follow-up procedures.*  
*Document procedures, findings, and conclusions.*

Research business and technical issues.

*Knowledge of research sources.*  
*Identify issues.*  
*Identify relevant facts.*  
*Evaluate issues, facts, and client to determine scope and nature of research.*  
*Select research sources.*  
*Obtain relevant information from research sources.*  
*Evaluate information.*  
*Formulate conclusions.*  
*Document issues, facts, information obtained, and conclusions.*  
*Communicate conclusions.*

**Evaluate information to reach and document engagement conclusions.**

*Knowledge of engagement objectives.*

*Knowledge of requirements related to engagement.*

*Assess the sufficiency and competency of information obtained.*

*Compare results of work performed to planned materiality and risk.*

*Evaluate differences and significant issues.*

*Summarize results.*

*Document results.*

**Prepare communications to satisfy engagement objectives.**

Prepare/review financial statements and/or other information being reported on (e.g., basic historical financial statements, prospective financial information, supplemental information, footnote disclosures).

*Identify information for financial statements, including disclosures, and/or other communications.*

*Draft/review financial statements, including disclosures, and/or other communications.*

Prepare auditor's reports (e.g., audit, review, and compilation reports; reports on internal controls; reports on prospective financial information).

*Knowledge of regulatory requirements related to auditor's reports.*

*Select type of report.*

*Draft standard portion of report.*

*Draft nonstandard portion of report.*

Prepare letters and other required communications (e.g., management letters, communications with audit committee, comfort letters, litigation support).

*Identify required letters and other communications.*

*Identify information to include in letters and other communications.*

*Draft letters and other communications.*

**Perform engagement review to provide reasonable assurance that goals and objectives are achieved.**