



Maintaining the Relevance of the Uniform CPA Examination®:

Practice Analysis Final Report

Approved by the Board of Examiners
American Institute of CPAs
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Practice Analysis Final Report and CPA Evolution

To all Practice Analysis Constituents and Respondents:

As this final report details, the 2019 Practice Analysis (PA) explored the current impact of technology on the profession and the work of newly licensed CPAs (nICPAs) in today's environment. It also looked at areas where the Uniform CPA Examination® (the CPA Exam) may have become too broad and not sufficiently focused on the critical knowledge and skills required of today's nICPAs.

Conducting a PA is a regular occurrence in the development and production of the CPA Exam. The 2019 PA continued the history of using regular practice analyses, coupled with periodic CPA Exam Blueprint updates required due to technical standards changes, obsolescence, etc. to ensure the CPA Exam remains current with the profession. It follows similar comprehensive analyses leading up to the computerization of the CPA Exam in 2004 and major CPA Exam updates in 2011 and 2017.

It is critical to note that this PA is based on the structure of the current operational CPA Exam, comprising four independent assertions in auditing and attestation, business environment and concepts, financial accounting and reporting, and tax and regulation.

It is important to acknowledge and understand the differences between this PA and the CPA Evolution initiative (CPA Evolution). During 2020, votes by the governing bodies of AICPA and NASBA have approved proceeding with CPA Evolution, a core + discipline licensure model. The model starts with a robust core in accounting, auditing, tax and technology that all candidates will have to complete. Then, each candidate will choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of a candidate's chosen discipline, this model leads to a full CPA license, with rights and privileges consistent with any other CPA. A discipline selected for testing does not mean the CPA is limited to that practice area. The anticipated disciplines reflect three pillars of the CPA profession: Business analysis and reporting, information systems and controls, and tax compliance and planning.

High-level descriptions of the CPA Evolution core and disciplines should be developed by late 2020 or early 2021, which will be the basis for a CPA Evolution PA to be launched in 2021. The AICPA anticipates publishing an Exposure Draft (ED) in mid-2022, publishing a CPA Evolution-related Exam Blueprint by January 2023, and beginning testing under the new model in January 2024.

Executive Summary

In 2019, the AICPA's Board of Examiners (BOE) launched a PA, a research project designed to update its understanding of the knowledge and skills required of nICPAs¹ for the design of the next version of the CPA Exam. This PA was particularly focused on the impact of technology on the work of nICPAs. The PA was also designed to identify where the CPA Exam may have become too broad and not sufficiently focused on the critical knowledge and skills required of nICPAs.

Through the PA, the AICPA sought to ensure the Exam remains current, relevant, valid and legally defensible, and supports the profession's commitment to protecting the public interest. Equally important is providing reasonable assurance to Boards of Accountancy that individuals who pass the CPA Exam possess the minimum level of technical knowledge and skills necessary for initial licensure.

A key assumption during this PA was that the current CPA Exam sections and Blueprint structure could accommodate content changes driven by technology. The BOE believes that previous PA findings and associated CPA Exam changes enhanced the testing of higher-order skills that include, but are not limited to, critical thinking, problem-solving, analytical ability and professional skepticism. Further, the Blueprints provide a foundation for organizing the content assessing the minimum knowledge and skills required of nICPAs. The current CPA Exam sections and the focus on skill levels in the Blueprints, including the task statements, allowed this PA to focus primarily on the impact of technology on nICPA practice and the related changes that should be made to the CPA Exam.

The AICPA garnered input from a wide range of stakeholders who share an interest in preserving the strength and mission of the profession. Information was gathered using a variety of methods, including interviews, focus groups and ranking and confirmation panels.² Valuable input was collected from individual CPAs, Boards of Accountancy, public accounting firms, individuals working in business and industry,

government and academia. Additionally, the BOE and its Practice Analysis Sponsor Group, Content Committee and its content subcommittees contributed countless hours to the effort, offering professional insight and guidance throughout the PA.

After concluding its research, the AICPA published a combined ED and Invitation to Comment (ITC), *Maintaining the Relevance of the Uniform CPA Examination*[®], which presented the findings and conclusions of the PA. The ED presented 46 proposed changes to the CPA Exam resulting from the PA. The ITC presented topics for further consideration and input from the profession. The two forward-looking topics for consideration covered the assessment of written communication and the assessment of the accounting for state and local governments.

The proposed ED changes represented the culmination of in-depth research, critical analysis of data, best practices in test development, and the collective thinking of leaders in the profession. In response to the ED and ITC, the AICPA received over 180 comment letters that included hundreds of discrete comments for consideration.

Respondents supported proposed changes related to the key themes outlined in the ED including:

- Understanding of business processes from inception to completion including automated aspects, risk identification and internal control mapping;
- The need for a digital and data-driven mindset and the use of data analytics; and
- Increased reliance on System and Organization Controls for Service Organizations: Internal Control over Financial Reporting (SOC 1[®]) reports.

Additionally, respondents agreed with many of the proposed changes regarding the removal of content to further focus on the critical knowledge and skills that all nICPAs must possess.

¹ For the purpose of identifying the domain of tasks, knowledge and skills necessary to protect the public interest, a newly licensed CPA is defined as an individual who has fulfilled the applicable jurisdiction's educational and experience requirements and has the knowledge and skills typically possessed by a person with one to two years of experience.

² An overview of the PA methodology was described in the [Exposure Draft](#).

Respondents did not agree with the three proposed changes related to the accounting for state and local governments; therefore, those changes will not be implemented. Overall, 35 of the 46 changes proposed in the ED will be implemented as presented, five will be modified based upon comments received, and six changes will not be made. For further details, see Appendix A.

In October 2020, following a thorough review of all comments, the BOE unanimously approved the updated CPA Exam Blueprint, which includes the final content, skills, structure and design of the CPA Exam. The resulting updated CPA Exam will launch July 1, 2021.

Important Conclusions

Based on the PA research, which includes comments received on the ED and ITC, the BOE concluded:

- The CPA Exam will retain its four-section structure – Auditing and Attestation (AUD), Business Environment and Concepts (BEC), Financial Accounting and Reporting (FAR) and Regulation (REG).
- Total CPA Exam testing time will remain 16 hours – four sections of four hours each.
- The CPA Exam will continue to assess higher-order skills that include, but are not limited to, critical thinking, problem-solving and analytical ability.
- Content and skill changes for AUD:
 - Content weighting
 - Increase Area II (Assessing Risk and Developing a Planned Response) from 20%–30% to 25%–35%
 - Decrease Area IV (Forming Conclusions and Reporting) from 15%–25% to 10%–20%
 - Skill weighting
 - Decrease RU from 30%–40% to 25%–35%
 - Increase AN from 15%–25% to 20%–30%
- Content changes for BEC:
 - Content weighting
 - Increase Area I (Enterprise Risk Management, Internal Controls and Business Processes) from 17%–27% to 20%–30%
 - Decrease Area II (Economics) from 17%–27% to 15%–25%
 - Decrease Area III (Financial Management) from 11%–21% to 10%–20%
 - Skill weighting will remain the same
- Content weighting and skill weighting will remain the same for FAR and REG.
- There will be no changes in the number of CPA Exam questions or score weighting.

Exposure Draft and Invitation to Comment Responses

In December 2019, the AICPA published the ED and ITC, *Maintaining the Relevance of the Uniform CPA Examination*®. The 46 changes to the CPA Exam proposed in the ED represented the culmination of in-depth research, critical analysis of data, best practices in test development and the collective thinking of leaders in the profession. Additionally, the ITC asked two forward-looking questions related to the testing of written communication and accounting for state and local governments.

In response to the ED and ITC, the AICPA received nearly 180 comment letters from firms, organizations and individuals that included hundreds of discrete comments for consideration.

The AICPA, the BOE's Content Committee, each CPA Exam section subcommittee, the Practice Analysis Sponsor Group and the BOE reviewed and analyzed the comment responses.

Exposure Draft comment responses

We received over 50 comment letters from public accounting firms, Boards of Accountancy, State Societies, regulators, organizations and individuals regarding the proposed changes in the ED. Respondents supported the proposed changes to the CPA Exam regarding nCPAs needing to have a digital and data-driven mindset, including the ability to manage the impact of technology on their work, increased reliance on SOC 1 reports, having an increased understanding of business processes and internal controls, and many of the proposed changes regarding the removal of content to further focus the critical knowledge and skills that all nCPAs must possess.

The AICPA's content subcommittees reviewed and considered the detailed comments received on the proposed changes for their respective CPA Exam sections. The content subcommittees considered the comments and decided to proceed with the proposed change, modify the proposed change or not to proceed with the proposed change. The content subcommittee re-deliberation process and conclusions were reviewed with the Practice Analysis Sponsor Group, the Content Committee and the BOE, each of which unanimously approved the final Blueprint.

Understanding of business processes

The PA identified that nCPAs need to understand the business including its operations, information systems, underlying business processes, information and data flows, and risks and related internal controls. This understanding is fundamental to planning and designing audit procedures responsive to the assessed risks.

There was strong support from ED respondents that nCPAs are involved in many aspects of understanding the business. The nature and extent of the nCPAs role in understanding the business will vary based on the size and complexity of the entity.

Aspects of understanding the business are currently assessed in both the AUD and BEC sections of the CPA Exam. The AUD section generally is more focused on risk assessment and testing of internal controls, while the BEC section is more focused on governance and the design of internal controls. This focus is appropriate and will continue. The AUD and

BEC Blueprints have been reorganized to assess major business processes, including manual and IT systems, and related internal controls on a more integrated basis.

The PA changes related to understanding business processes from inception to completion including automated aspects, risk identification and internal control mapping were outlined in change numbers 7–8, number 12 and numbers 23–24 and will be implemented in the AUD and BEC Blueprints.

Changes to the AUD Blueprint will be made in Area II, Group C. The topics and related tasks will be more descriptive of how nCPAs should be looking at business processes and transactions that flow through them from inception to completion, including consideration of IT systems, IT controls (general and application) and manual controls. AUD Blueprint, Area III, Group A will be revised to add tasks on the completeness and accuracy of data to be used as audit evidence. A new group will be added to the BEC Blueprint, Area I, Group C and cover business processes and transaction-level risks and controls. This group will aggregate tasks emphasizing business processes integrated with the technology enabling these processes.

For further details, see Appendix A.

Digital mindset and data analytics

A digital and data-driven mindset includes understanding the potential sources of data as well as the completeness, accuracy and relevance of the data. Newly licensed CPAs should understand the flow of transactions within business processes and information systems; this will lead to understanding the availability and reliability, i.e., completeness and accuracy, of the data. Given the advances in technology, it is important that nCPAs, at a minimum, have an understanding of data, including where and how it may be accessed and to be able to converse with clients about data and its potential use.

Data analytics is a subset of the digital and data-driven mindset. While the adoption and implementation of data analytic techniques vary widely based on firm size and complexity and size of the client, there is widespread acknowledgment that the use of data analytics is prevalent throughout the profession and nCPAs have an important role.

There was significant support in comment letters that nCPAs need to have a digital and data-driven mindset and be knowledgeable and skilled in the use of data analytics.

The PA changes related to a digital and data-driven mindset and the use of data analytics were outlined in change numbers 7–9, numbers 12–14, number 23 and number 27 and will be implemented in the AUD and BEC Blueprints.

Changes to the AUD Blueprint will be made in Area III, Groups B and C, including a new topic in Group C covering audit data analytics. The new topic on audit data analytics will include application and analysis skill level task-based simulations (TBS), or small case studies, incorporating basic data knowledge, as well as, interpreting the results of analytic procedures.

Changes to the BEC Blueprint will be made in Area IV, Group A, and will have a new group specifically focused on data management and relationships. The data management and relationship group includes topics related to data governance, extracting, transforming and loading data and visualizations. For further details, see Appendix A.

Since 2017 and concurrent with this PA, the AICPA worked with subject-matter-experts, including the AUD content subcommittee, to develop audit data analytics (ADA) TBS that assess nCPA ADA practice. In addition to generally requiring candidates to address matters surrounding the relevance and reliability of data, certain of these TBS required the use of Microsoft Excel® (Excel) to sort, filter, and compare data sets to determine trends, identify missing or duplicate transactions, or highlight anomalies within data. The research in this PA reaffirmed the research and development work completed to date.

In the ED and ITC, the AICPA indicated that Excel-based or “dynamic” TBS were planned to be introduced in the AUD section beginning Oct. 1, 2020. For several reasons, including software and technology constraints and limitations, Excel-based or “dynamic” TBS will NOT be introduced in the CPA Exam as originally planned.

The CPA Exam will proceed with ADA TBS, which presents facts and information related to data analytics in exhibits, containing worksheets, charts,

graphics, and/or reports, but the TBS will not require direct usage of Excel. The AICPA believes these TBS will appropriately assess required nCPA ADA knowledge and skills, including all topics and task statements included in the blueprint resulting from this PA. The AICPA will continue research on data analytics and how best to assess the related knowledge and skills.

Increased reliance on System and Organization Controls for Service Organizations: Internal Control over Financial Reporting (SOC 1®) reports

As described in the ED, the PA identified significantly increased reliance on SOC 1 reports given how businesses are increasingly outsourcing information systems and business processes to third parties and storing data in the cloud. Further, the PA results indicated that auditors are often required to obtain and evaluate multiple SOC 1 reports on even relatively modestly sized clients. Some ED respondents challenged the extent of nCPAs involvement in assessing reliance on SOC 1 reports, however, most respondents generally supported that the nCPAs will be involved in understanding business processes, identifying risks and related controls, including when companies have outsourced their information systems and business processes.

The PA changes related to increased reliance on SOC 1 reports were outlined in change number 8, number 23, and number 26. Understanding differences in SOC 1 and SOC 2® – SOC for Service Organizations: Trust Services Criteria (SOC 2) reports, reliance on SOC 1 reports and the implications to the nature and extent of testing of controls will be covered in AUD. BEC will cover SOC 1 reports from the user entity’s perspective including consideration of the period covered and any complementary user entity controls.

Focus on Critical Knowledge and Skills

Almost 60% of PA changes proposed removal of content to allow greater focus on the critical knowledge and skills that all nCPAs must possess. These changes were most prevalent in AUD, FAR and REG. One example of the changes to ensure the CPA Exam is addressing the critical knowledge and skills that all nCPAs must possess is the removal of differences between IFRS and U.S. GAAP from the CPA Exam (Change number 36). Our research

indicated that IFRS is client-specific, primarily foreign entities or their affiliates, and not appropriate for nICPAs. Additionally, IFRS has not been adopted for U.S. public companies as had been expected when IFRS initially was included on the CPA Exam.

Invitation to Comment responses

Almost 75% of all comment letters received responded solely to the question as to whether the accounting for state and local governments, currently comprising 5–15% of FAR section content, should continue to be assessed on the CPA Exam.

An overwhelming majority of those responses, approximately 90%, opposed any elimination or change to the current testing of the accounting for state and local governments. Given the responses, the AICPA is planning outreach to the state and local government constituency to explore their concerns and work to determine a path forward for state and local government accounting. Additionally, the AICPA will not implement any of the three proposed changes in accounting for state and local governments as outlined in the ED.

The other forward-looking question in the ITC related to the proposal to remove the written communication question in the BEC section, which represents approximately 15% of the BEC score weighting and approximately one hour of testing time. Respondents were split between the desire to assess basic business communication on the CPA Exam versus acknowledging the limitations of the current assessment. As outlined in the ITC, the current written communication question only assesses basic writing skills and not in the context of accounting, auditing, and taxation knowledge and skills including research, judgment, and skepticism.

Additionally, the written communication question does not assess the technical accuracy of the subject matter contained in a candidate's response.

The AICPA acknowledges the importance of written communication within the profession. No changes will be made to the assessment of written communication at this time. However, given the limitations of the current assessment, and the time allocated to that assessment (currently one hour of the BEC section), the AICPA will likely eliminate the written communication assessment in a future update to the Exam.

Appendix

A. Exposure Draft Change Tracker

Note: This appendix links the changes in the Exposure Draft with both the Former Blueprint (approved Oct. 4, 2018 and Effective July 1, 2019) to the New Blueprint (approved Oct. 23, 2020 and Effective July 1, 2021).

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|---------|-----------------------|--|--------|----------------|----------|---------------|-------|---------|-------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 1 | AUD | I | B | 3 | AUD 8 | Remove the application skill level content regarding independence rules and ethical requirements of the Government Accountability Office and independence rules for the Department of Labor. | | | X | I | B | 3 | AUD 8 |
| 2 | AUD | I | C | 1 | AUD 9 | Remove the Topic – Preconditions for an engagement. | | X ¹ | | I | C | 1 | AUD 9 |
| 3 | AUD | I | E | 3 | AUD 10 | Remove the Topic – All other matters. | X | | | N/A | N/A | N/A | – |
| 4 | AUD | I | F | – | AUD 11 | Remove the Group – Communications with component auditors and parties other than management and those charged with governance. | X | | | N/A | N/A | N/A | – |
| 5 | AUD | I | G | – | AUD 11 | Revise Group to exclude firm’s system of quality control. | | | X | I | F | – | AUD 10 |
| 6 | AUD | II | A | 2 | AUD 12 | Remove the analysis skill level content on developing a detailed engagement plan. | X | | | II | A | 2 | AUD 11 |
| 7 | AUD | II | B | 1 and 2 | AUD 12 | Expand the Group to consider technology’s impact on an entity and its environment. | X | | | II | B | 1 and 2 | AUD 11 |

¹ The modification was to remove only the application skill level task statements for the testing of preconditions for an engagement.

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|----------------|-----------------------|---|--------|----------------|----------|---------------|-------|-------------|-------------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 8 | AUD | II | C | 1, 2, 3, and 4 | AUD 13 and AUD 14 | Revise topics in Group C to more broadly cover the following topics: Control environment, IT general controls and entity-level controls; Business processes and the design of internal controls, including IT systems (content added relating to obtaining and understanding of the IT systems that are used for financial reporting); and Implications of an entity using a service organization. This includes understanding the differences between SOC 1 and SOC 2 engagements and identifying and documenting the purpose and significance of an entity's use of a service organization, including the impact of using SOC 1 Type 2 reports in an audit of an entity's financial statements. | X | | | II | C | 1, 2, and 3 | AUD 12 and AUD 13 |
| 9 | AUD | II | E | 3 | AUD 15 | Add content regarding the use of audit data analytic techniques to identify transactions that may have a higher risk of material misstatement. | | X ² | | II | E | 3 | AUD 14 |
| 10 | AUD | II | G | – | AUD 16 | Remove content related to the use of the internal audit function. | | X ³ | | II | G | – | AUD 15 |
| 11 | AUD | II | H | 3 | AUD 17 | Eliminate analysis skill level content and focus on defining and identifying related parties. | X | | | II | H | 3 | AUD 16 |
| 12 | AUD | III | A | – | AUD 18 | Expand the scope of Group A to include content focused on determining the sources of sufficient appropriate evidence and identifying procedures to validate the completeness and accuracy of data. Additionally, include content on the use of professional skepticism and judgment in analyzing corroborating or contradictory evidence and evaluating whether sufficient appropriate evidence has been obtained. | X | | | III | A | – | AUD 17 |

² The modification was to add specific language regarding the use of outputs from audit data analytics techniques. The proposed change in the Exposure Draft indicated adding content regarding the use of audit data analytic techniques (in Excel) to identify transactions that may have a higher risk of material misstatement. Task-based simulations requiring the use of Excel will not be added to the Exam for the reasons outlined in the Final Report.

³ The modification was to add content related to using the work of an IT auditor, while maintaining the current content on group audits, internal audit, and the work of a specialist.

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|-------|------------------------|--|--------|----------------|----------|---------------|-------|-------------|-------------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 13 | AUD | III | B | – | AUD 18 | Revise Group B and give it the new name “General procedures to obtain sufficient appropriate evidence.” This group would include the existing content on sampling techniques. The concept of using automated tools and audit data analytics in audit sampling would be added. Add existing content found in the current Group C related to (i) inquiry of management (Group C, Topic 3), (ii) observation and inspection (Group C, Topic 4), and (iii) recalculation and reperformance (Group C, Topic 5) to this group. Additionally, content related to the use of automated tools and techniques related to recalculation would be added. | X | | | III | B | – | AUD 17 and AUD 18 |
| 14 | AUD | III | C | – | AUD 18, AUD 19, AUD 20 | Revise group title to “Specific procedures to obtain sufficient appropriate evidence.” Topics 3–5 were moved to Group B in change 13. This revised Group C would include existing content related to (i) analytical procedures (Group C, Topic 1), and (ii) external confirmation (Group C, Topic 2). A new Topic will be added to Group C, titled “Audit data analytics.” This new topic would include existing audit data analytic content from Topic 1 and Topic 6, such as identifying data needed to complete audit data analytics and analyzing results and outputs. Further, content will be added related to analyzing the results of an audit data analytic procedure and understanding the significance of notable or unusual items. Given the changes being made to this Group C, Topic 6: All other procedures are proposed to be eliminated as its content is either moved, covered elsewhere, or lacks sufficient specificity. | | X ⁴ | | III | C | 1, 2, and 3 | AUD 18 and AUD 19 |
| 15 | AUD | III | D | 1 | AUD 20 | Remove Topic – Opening balances. | X | | | N/A | N/A | N/A | – |
| 16 | AUD | III | D | 2 | AUD 20 | Revise Topic by eliminating derivative content and focus on the testing of inputs and assumptions relating to the fair value of investments. | X | | | III | D | 2 | AUD 19 |

⁴ The modification was to remove any reference to the use of Excel. The proposed change in the Exposure Draft indicated working with data sets and encompassing tasks requiring the use of Excel (i.e., sorting, classifying, summarizing and comparing data). Task-based simulations requiring the use of Excel will not be added to the Exam for the reasons outlined in the Final Report.

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|-------------|-----------------------|---|--------|----------------|----------|---------------|-------|-------|-------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 17 | AUD | III | D | 4 | AUD 21 | Remove analysis skill level content related to litigation, claims, and assessments from the Topic. | X | | | III | D | 4 | AUD 20 |
| 18 | AUD | III | D | 5 | AUD 21 | Remove application skill level content related to performing procedures related to the assessment of management’s evaluation and conclusion on an entity’s ability to continue as a going concern from the Topic. The AUD section will assess identifying going concern factors and indicators. | X | | | III | D | 5 | AUD 20 |
| 19 | AUD | III | F | – | AUD 22 | Remove the application skill level content and retain the content related to identifying the necessary written representations. | X | | | III | F | – | AUD 21 |
| 20 | AUD | III | G | – | AUD 22 | Revise group title to “Subsequent events.” Remove subsequently discovered facts content. | | X ⁵ | | III | G | – | AUD 21 |
| 21 | AUD | IV | D | – | AUD 26 | Remove the application skill level content related to the preparation of draft compliance reports. | X | | | N/A | N/A | N/A | – |
| 22 | AUD | IV | E | 5, 7, and 8 | AUD 27 | Remove Topics - Single statements, Letters for underwriters and filings with the SEC, and Alerts that restrict the use of written communication. | X | | | N/A | N/A | N/A | – |

⁵ The modification was to shift the testing of subsequently discovered facts from the application skill level to remembering and understanding.

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------------|-------|-----------------------|--|--------|----------|----------|---------------|-------------|---------|-------------------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 23 | BEC | I | A, B, and C | – | BEC 7 and BEC 8 | There are multiple components for this proposed change. First, for Group C: Other regulatory frameworks and provisions, remove reference to other regulatory frameworks. The remaining Group C content will focus solely on the Sarbanes-Oxley Act of 2002 and will be moved to Group A: Internal control frameworks as a new topic; Group C as currently displayed would be removed. Including this content in Group B - Internal controls is more logical and clearer. Add a new Group C, titled “Business processes” to Area I to emphasize understanding the business processes, integrated with the technology enabling those processes. Process and transaction-level risks and controls from existing Area I, Groups A and B; Area IV, Group A – Topics 2 and 3, Group B – Topic 3, and Group C – Topic 1 would be moved to the new Area I, Group C. Content to be included in the new Group C would be describing business processes and flows of transactions including enabling technology, identifying opportunities to improve efficiency, identifying and designing transaction-level controls, use of SOC 1 reports from service providers, identifying risks and control gaps, and using data and business intelligence in the context of an entity’s significant business processes. Due to the foregoing proposed changes to the current content of Group A and a new Group C, rename Area I: Enterprise Risk Management, Internal Controls and Business Processes. | X | | | I | A, B, and C | Various | BEC 7, BEC 8, and BEC 9 |
| 24 | BEC | II | A and B | – | BEC 9 | Revise Area II, Groups A and B by removing general macroeconomic content allowing more focus on how economics, business cycles, and market influences more directly impact industries and business entities. For example, remove general macroeconomic content such as calculating GDP, Aggregate Demand Curve, and Money Supply in Group A and analysis of impacts on the overall economy in Group B. | X | | | II | A and B | – | BEC 10 |

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|-------|-----------------------|--|--------|----------|----------|---------------|-------|-------------|-------------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 25 | BEC | III | A | – | BEC 11 | Remove the analysis skill level content related to capital structure. | X | | | N/A | N/A | N/A | – |
| 26 | BEC | IV | A | 1 | BEC 13 | Add content to the Group Understanding of information technology on understanding the need for SOC 1 reports for outsourced IT functions. | X | | | IV | A | – | BEC 14 |
| 27 | BEC | IV | A | 3 | BEC 13 | Change the current Topic 3 - Data to be a Group of its own and add content related to working with data. This new Group on data includes expanded content on data management, data governance, and data relationships. Additionally, the Group includes content related to extracting and loading data at the remembering and understanding skill level and content related to transforming and working with data and data relationships at the application skill level. | X | | | IV | D | 1, 2, and 3 | BEC 15 and BEC 16 |
| 28 | BEC | IV | B | 2 | BEC 13 | Revise the Topic on System development and maintenance to focus on recalling concepts related to controls over software changes at the remembering and understanding skill level rather than the application skill level. The new Topic is called Change management. | X | | | IV | B | 2 | BEC 14 |
| 29 | BEC | IV | C | 4 | BEC 15 | Revise the Topic on Continuity and recovery plans to focus on recalling concepts related to business resiliency. Business resiliency integrates crisis management and business continuity. The revised content will be at the remembering and understanding skill level rather than the application skill level. | X | | | IV | C | 3 | BEC 15 |
| 30 | FAR | I | B | 8 | FAR 9 | Remove the Topic on Discontinued operations and add discontinued operations as an example to the multiple-step income statement task statement. | X | | | I | B | 2 | FAR 7 |

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|----------------|----------------------------|---|--------|----------|----------|---------------|-------|----------------|-------------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 31 | FAR | I | B | 9 | FAR 9 | Remove the Topic on Going concern. The AUD section will assess identifying going concern factors and indicators. | X | | | N/A | N/A | N/A | – |
| 32 | FAR | I | E | – | FAR 11 | Remove content on the preparation of a statement of changes in net assets available for benefits and a statement of net assets available for benefits for defined benefit pension plans (defined contribution plan content would be retained). The CPA Exam will continue to assess content on the identification of the required financial statements for defined benefit pension plans. | | | X | I | E | – | FAR 11 |
| 33 | FAR | II | K | 1 | FAR 18 | Remove the Topic on Compensated absences and limit the scope of the content assessed to vacation accruals under Payables and accrued liabilities. | X | | | II | G | – | FAR 16 |
| 34 | FAR | II | K | 2 | FAR 18 | Remove the Topic – Retirement benefits. | X | | | N/A | N/A | N/A | – |
| 35 | FAR | III | D | – | FAR 20 | Remove the application skill level content for derivatives and hedge accounting (e.g., swaps, options, and forwards). | X | | | III | D | – | FAR 20 |
| 36 | FAR | III | L | – | FAR 23 | Remove the Group – Differences between IFRS and U.S. GAAP. | X | | | N/A | N/A | N/A | – |
| 37 | FAR | IV | B | 1 | FAR 24 | Remove the application skill level content for the government-wide financial statements. | | | X | IV | B | 1 | FAR 24 |
| 38 | FAR | IV | B | 2, 3, and 4 | FAR 24, FAR 25, and FAR 26 | Remove application skill level content and combine the topics into a new topic titled “Fund financial statements”. | | | X | IV | B | 2, 3, and 4 | FAR 24 and FAR 25 |
| 39 | FAR | IV | D | 1, 2, 5, and 8 | FAR 27 and FAR 28 | Remove the application skill level content in Topics 1, 2, and 5 and move the remembering and understanding skill level content to the appropriate government-wide and governmental fund financial statement topics in Group B. Remove Topic 8. | | | X | IV | D | 1, 2, 5, and 8 | FAR 27 and FAR 28 |

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|-------------|-----------------------|---|--------|----------|----------|---------------|-------|-------|-------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 40 | REG | II | C | 1, 2, and 3 | REG 9 and REG 10 | Limit the scope of the content to the basic concepts related to debtor and creditor relationships, bankruptcy and insolvency, and secured transactions. Remove the application skill level content from bankruptcy and insolvency and secured transactions. The content covering the rights, duties and liabilities of debtors, creditors and guarantors and the remembering and understanding skill level content from bankruptcy and insolvency and secured transactions will be combined in Group C. There will no longer be separate topics in Group C. | X | | | II | C | – | REG 9 |
| 41 | REG | II | D | 1 | REG 10 | Remove the Topic – Federal securities regulation. The Group will be renamed to Federal laws and regulations. The CPA Exam will continue to assess SEC reporting requirements in the FAR section. | X | | | II | D | – | REG 10 |
| 42 | REG | III | C | 1, 2, and 3 | REG 14 | Limit the scope of the content to the basics of gift taxation and remove content on estate taxation. Accordingly, combine the basic gift taxation content at the remembering and understanding and application skill levels in Group C (Gift taxation). The content will focus on identifying gift tax deductions and exclusions and calculating and classifying gifts for federal tax purposes. The CPA Exam will continue to assess concepts related to an individual's tax basis of an asset received from a decedent. | X | | | III | C | – | REG 13 |
| 43 | REG | IV | H | – | REG 17 | Remove the Group – Alternative minimum tax (AMT). | X | | | N/A | N/A | N/A | – |
| 44 | REG | V | C | 2 | REG 19 | Remove the analysis level skill content related to net operating losses and capital loss limitations. The CPA Exam will continue to assess net operating loss content at the application skill level. | X | | | V | C | 2 | REG 17 |

| Change number | Section | Former blueprint | | | | Change description and rationale | Change | | | New blueprint | | | |
|---------------|---------|------------------|-------|---------|-----------------------|---|--------|----------|----------|---------------|-------|-------|-------------|
| | | Area | Group | Topic | Blueprint page number | | Made | Modified | Not made | Area | Group | Topic | Page number |
| 45 | REG | V | G | 2 and 3 | REG 25 | Remove the Topics – Income and deductions and Determination of beneficiary’s share of taxable income. The content in Topic 1 will become a separate group (Trusts) and will focus on recalling basic concepts related to the types of trusts (simple and complex trusts). | X | | | V | G | – | REG 22 |
| 46 | REG | V | H | 2 and 3 | REG 25 | Remove the Topic – Obtaining and maintaining tax-exempt status and limit the scope of the Topic - Unrelated business income. Unrelated business income will be limited to assessing basic understanding for a tax-exempt organization rather than calculating it. | X | | | V | H | 2 | REG 22 |

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- Erica Kathryn Nelson
- Nicola (Niki) Neilon
- Joshua W. Partlow
- Randall Penfield
- Kathleen J. Smith
- James A. Wollack

C. Exposure Draft Respondents

Firms

- Allen, Gibbs & Houlik, L.C.
- Baker Tilly
- BKD
- Blum, Shapiro & CO.
- Boyer & Ritter, LLC
- CLA
- Crowe
- Deloitte
- Eide Bailly
- Grant Thornton
- Heinfeld, Meech & CO.
- Horton McNulty & Saeteurn
- Lauterbach & Amen, LLP
- Mauldin & Jenkins
- Melanson Heath
- PwC
- RFH
- Rubin Brown
- Scott S. Perry, CPA PLLC

Government

- Alabama Association of School Business Officials
- Auditor General – State of Florida
- Baltimore County Public Schools
- California State Controllers
- City of Brookfield, Wisconsin
- City of Charlottesville, Virginia
- City of Cibola, Texas
- City of La Puente, California
- City of Leavenworth, Kansas
- City of Lynwood, California
- City of Reedley, California
- City of San Jose, California
- City of Springdale, Arkansas
- City of Tustin, California
- Clackamas County, Oregon, Department of Finance
- Colorado Office of the State Auditor
- Coachella Valley Water District, California
- County of Santa Barbara, California, Auditor-Controller's Office
- County of Amador, California
- County of Sonoma, California

- Cugamonga Valley Water Agency, California
- David Douglas School District, Oregon
- Indiana State Board of Accounts
- Michigan Office of the Auditor General
- Napa County, California
- North East Independent School District, Texas
- Office of the District of Columbia Auditor
- Ohio Auditor of State
- Orange County, California, Auditor-Controller
- San Bernardino County, California, Employees' Retirement Association
- San Mateo County, California
- Santa Clarita Valley Water Agency, California
- State and Local Government Finance Division within the North Carolina Department of State Treasurer
- State of Illinois Office of the Auditor General
- Tennessee Department of Audit, Division of State Audit
- Tennessee Comptroller of the Treasury, Division of Local Government Audit
- Town of Blacksburg, Virginia
- Washington State Auditor
- West Virginia State Treasurer's Office
- Yuba County, California, Auditor-Controller

State Boards and State Societies

- NASBA
- Illinois Board of Examiners
- Missouri State Board of Accountancy
- New York State Board for Public Accountancy
- Oklahoma State Board of Accountancy
- South Dakota Board of Accountancy
- Texas State Board of Public Accountancy
- California Society of CPAs (CalCPA)
- Connecticut Society of CPAs (CTCPA) – Governmental Accounting and Auditing Committee (GAAC)

- Illinois CPA Society
- Kentucky Society of CPAs
- New Jersey Society of Certified Public Accountants (NJCPA) – Accounting and Auditing Standards Interest Group
- New York State Society of CPAs
- Pennsylvania Institute of Certified Public Accountants (PICPA)

Organizations

- American Accounting Association (AAA) – Government and Nonprofit (GNP) Section
- AGA – Association of Government Accountants
- Association of Local Government Auditors
- California State Association of County Auditors (CalSACA)
- California Society of Municipal Finance Officers (CSMFO)
- Florida Government Finance Officers Association (FGFOA)
- GFOA – Government Finance Officers Association
- National Association of State Auditors, Comptrollers and Treasurers (NASACT)
- Oregon Government Finance Officers Association
- Pennsylvania Association of School Business Officials
- Truth in Accounting
- Virginia Government Finance Officers Association

Regulators

- Federal Accounting Standards Advisory Board (FASAB)
- Governmental Accounting Standards Board (GASB)
- PCAOB
- U.S. Government Accountability Office (GAO)

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- Rutgers Business School
- University of Illinois – Springfield

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