The 2016 CPA Exam
(and a 2017 Sneak Peek)

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Owner, David Reinus CPA, Inc.
Instructor, UCLA Extension
Earnings Power of a CPA

CPA (10%) > non-CPA

Career

Earnings — $$$

$1 Million
Obtaining your CPA License

Education | Exam | Experience

Every state is unique
5 Key Steps – Exam Application Process

Step 1: Review state requirements

Step 2: Apply for CPA Exam

Step 3: Receive Notice-to-Schedule

Step 4: Schedule exam

Step 5: Study and sit
# California Educational Requirements

<table>
<thead>
<tr>
<th>Educational Requirements</th>
<th>To Sit for CPA Exam</th>
<th>To be Licensed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baccalaureate Degree</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Unit Requirements</td>
<td>24 accounting units</td>
<td>150 total units with new accounting, “accounting study” and ethics requirements</td>
</tr>
<tr>
<td></td>
<td>24 business units</td>
<td></td>
</tr>
<tr>
<td></td>
<td>120 total units</td>
<td>Refer to <a href="http://www.dca.ca.gov/cba/applicants/lic_require.shtml">www.dca.ca.gov/cba/applicants/lic_require.shtml</a> for the specifics as they become available</td>
</tr>
</tbody>
</table>
Begin Application Process

The On Demand Exam

1st Qtr Window
- JAN OPEN
- FEB OPEN
- MAR CLOSED

2nd Qtr Window
- APR OPEN
- MAY OPEN
- JUN CLOSED

3rd Qtr Window
- JUL OPEN
- AUG OPEN
- SEP CLOSED

4th Qtr Window
- OCT OPEN
- NOV OPEN
- DEC CLOSED

- Sit for exams as soon as eligible.
- Candidates can sit for each section individually and in any order.
- Section(s) not passed cannot be taken within the same (3 month) window.
- Firms want their new hires to pass early in their careers.
## Exam Fees

<table>
<thead>
<tr>
<th>Course</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing &amp; Attestation</td>
<td>$193.45</td>
</tr>
<tr>
<td>Financial Accounting &amp; Reporting</td>
<td>$193.45</td>
</tr>
<tr>
<td>Business Environment &amp; Concepts</td>
<td>$173.60</td>
</tr>
<tr>
<td>Regulation</td>
<td>$173.60</td>
</tr>
<tr>
<td>Application (first-time, $25 re-app)</td>
<td>$50.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$784.10</strong></td>
</tr>
</tbody>
</table>
Notice to Schedule and Exam Conditioning

- CA NTS good for 9 months

- Candidates can sit for each section individually and in any order

- Section(s) not passed cannot be taken within the same (3 month) window

- Credit for passed sections retained for a rolling 18 months
Rolling 18-Month Period
The CPA Exam
Four Independent Sections

Financial Accounting and Reporting

Auditing and Attestation

Regulation

Business Environment and Concepts
## Timing for Each Exam Section

<table>
<thead>
<tr>
<th>Exam Part</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>4 hrs</td>
</tr>
<tr>
<td>Audit</td>
<td>4 hrs</td>
</tr>
<tr>
<td>Regulation</td>
<td>3 hrs</td>
</tr>
<tr>
<td>Business</td>
<td>3 hrs</td>
</tr>
</tbody>
</table>

Total = 14 hours
Financial
Typical coverage

- Governmental/Not-for-profit 16–24%
- Financial 71–89%
  - IFRS/SEC Reporting
  - Pension Plans
  - Cash Flows
  - Leases
  - Bonds/Securities
  - Consolidations
- And more…
Financial – Structure

- Three multiple-choice question (MCQ) testlets containing 90 questions
- One testlet containing seven short, task-based simulations TBS; research question included
- No written communication tasks
- 15 - 20% of questions do not count
- Passing Grade 75
Audit
Typical coverage

- Engagement Acceptance and Understanding 12–16%
- Internal Controls/Fraud 16–20%
- Audit Procedures/Evidence 16–20%
- Audit Findings & Reporting 16–20%
- Accounting & Review Services 12–16%
- Professional Responsibilities/Independence 16–20%
- Plus ISA vs. U.S. Auditing Standards
- And more…
Three multiple-choice question (MCQ) testlets containing 90 questions

One testlet containing seven short, task-based simulations TBS; research question included

No written communication tasks

15 - 20% of questions do not count

Passing Grade 75
Regulation
Typical coverage

- Taxation 54-74%
  - Entities, Individual, Property
  - Process/Procedures/Planning

- Business Law 17-21%
  - Contracts/UCC/Agency
  - Business Structure

- Ethics, Professional & Legal Responsibilities 15-19%

- And more…
• Three multiple-choice question (MCQ) testlets containing 72 questions
• One testlet containing six short, task-based simulations TBS; research question included
• No written communication tasks
• 15 - 20% of questions do not count
• Passing Grade 75
Business
Typical coverage

- Corporate Governance 16–20%
- Financial Management 19–23%
- Economics & Analysis 16–20%
- Operations Management 12–16%
- Strategic Planning 10–14%
- Information Systems / Communications 15–19%
- And more…
Business – Structure

- Three multiple-choice question (MCQ) testlets containing 72 questions
- Three written communication tasks on BEC topics
- 15 - 20% of questions do not count
- Passing Grade 75
Experience
Qualifying Accounting Experience
- 1 year in a CPA firm (public accounting) or
- 1 year in a non-CPA firm (private accounting) in the accounting function and under the supervision of a CPA

Auditing/Attest Experience
- 500 hours
- Only required if ability to sign audit/attest reports is desired
## CPA Exam Pass Rates

<table>
<thead>
<tr>
<th>Section</th>
<th>2015 YTD</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td>47.48%</td>
<td>46.35%</td>
<td>45.87%</td>
</tr>
<tr>
<td>BEC</td>
<td>57.02%</td>
<td>55.46%</td>
<td>55.83%</td>
</tr>
<tr>
<td>FAR</td>
<td>48.17%</td>
<td>47.60%</td>
<td>48.32%</td>
</tr>
<tr>
<td>REG</td>
<td>50.28%</td>
<td>49.41%</td>
<td>48.48%</td>
</tr>
</tbody>
</table>
Proposed 2017 Exam Changes

- The Exam will be designed to enhance the **testing of higher-order cognitive skills that include, but are not limited to**, critical thinking, problem solving, analytical ability and professional skepticism.

- The Exam will remain structured by the **four existing sections** – *Auditing and Attestation (AUD)*, *Business Environment and Concepts (BEC)*, *Financial Accounting and Reporting (FAR)* and *Regulation (REG)*.

- Each section will have a **blueprint illustrating the knowledge and skills that will be tested on the Exam** which are linked directly to tasks that are representative of the work of a newly licensed CPA. The blueprints will replace the current Content Specification Outline (CSO) and Skill Specification Outline (SSO) and will be more informative overall for candidates, academia, regulators and other stakeholders.
Proposed 2017 Exam Changes

- To test a combination of content knowledge and higher order skills, more *task–based simulations* (TBSs) are planned for the Exam.

- TBSs will be added to the **BEC section for the first time**.

- Total Exam testing time will increase from 14 to 16 hours – four sections of **four hours each**.

- As a result of the proposed changes, the Exam will have an even greater focus on the appropriate skill levels, given today’s practice demands for newly licensed CPAs. This shift in what the Exam will test and the method of testing will keep the next version of the Exam aligned with the knowledge and skills required for initial licensure.
Proposed 2017 Exam Structure

Current exam is about 50% remembering and understanding and 50% application. The proposed exam looks like this:

<table>
<thead>
<tr>
<th>Section</th>
<th>Remembering and Understanding</th>
<th>Application</th>
<th>Analysis</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td>30%–40%</td>
<td>30%–40%</td>
<td>15%–25%</td>
<td>5%–15%</td>
</tr>
<tr>
<td>BEC</td>
<td>15%–25%</td>
<td>50%–60%*</td>
<td>20%–30%</td>
<td>–</td>
</tr>
<tr>
<td>FAR</td>
<td>10%–20%</td>
<td>50%–60%</td>
<td>25%–35%</td>
<td>–</td>
</tr>
<tr>
<td>REG</td>
<td>25%–35%</td>
<td>35%–45%</td>
<td>25%–35%</td>
<td>–</td>
</tr>
</tbody>
</table>
### Proposed 2017 Exam Structure

The proposed exam will add one hour each to REG and BEC (16 hours total) with the following distribution by question type:

<table>
<thead>
<tr>
<th>Section</th>
<th>Multiple Choice Questions</th>
<th>Task-Based Simulations</th>
<th>Written Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Exam</td>
<td>Next Exam</td>
<td>Current Exam</td>
</tr>
<tr>
<td>AUD</td>
<td>90</td>
<td>70–75</td>
<td>7</td>
</tr>
<tr>
<td>BEC</td>
<td>72</td>
<td>60–65</td>
<td>–</td>
</tr>
<tr>
<td>FAR</td>
<td>90</td>
<td>60–65</td>
<td>7</td>
</tr>
<tr>
<td>REG</td>
<td>72</td>
<td>70–75</td>
<td>6</td>
</tr>
</tbody>
</table>