

# REQUISITOS PARA TOMAR EL EXAMEN DE CPA EN PUERTO RICO

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- Grado mínimo requerido: Bachillerato (no es necesario que sea en Administración de Empresas)
- 
- Tres números mágicos
- **150 ----- 64 ----- 32**
  
- Mínimo de créditos requeridos: **150**
- Mínimo de créditos requeridos en Administración de Empresas: **64\***
- Mínimo de créditos requeridos en Contabilidad: **32**
  
- \* Además de los 32 de contabilidad, incluyen gerencia, economía, estadística, finanzas, mercadeo, gerencia de operaciones, ley comercial, sistemas de información y recursos humanos.

# Cursos de Repaso

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- A los candidatos que tomen un **curso de repaso para el examen de reválida**, la Junta de Contabilidad de Puerto Rico les reconocerá un crédito por cada parte del repaso que tomen.
- Un candidato que tome un curso de repaso completo (cuatro partes) solamente necesita **146** créditos universitarios. A la misma vez, el número de créditos universitarios en Administración de Empresas se reduce a **60**, ya que con los cuatro créditos del repaso el candidato obtiene 64.
- También, tres de las partes del repaso se acreditarán para fines de cumplir con el requisito de contabilidad. Esto reduce el número requerido en la universidad a **29**.

# NOTA IMPORTANTE

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- El Departamento de Contabilidad del Recinto de Río Piedras NO ofrece cursos de repaso.
- Tampoco hacemos referidos o recomendaciones.
- Los candidatos deberán comunicarse directamente con los proveedores de estos servicios.

# CONTABILIDAD

- Como regla general, todo curso que se llame Contabilidad y sea ofrecido por universidades públicas o privadas en Puerto Rico o Estados Unidos se acepta para fines de cumplir con los 32 créditos requeridos en Contabilidad.
- La mayoría de los cursos que ofrecemos en Río Piedras tienen equivalencia en el sistema de la UPR y en las universidades privadas de Puerto Rico, al igual que en las universidades estadounidenses.

# Sin Embargo

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- Ni la UPR ni ninguna otra universidad pública o privada decide si un curso se acepta o no para cumplir con los requisitos de reválida.
- Esta decisión la toman las entidades encargadas de administrar el examen de CPA y de reglamentar la profesión.
- El candidato a CPA no está obligado a tomar todos los requisitos en un solo recinto o en una sola universidad.

# Post-Bachillerato

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- Los requisitos para el examen pueden también completarse en programas graduados como MBA, MACC, MPA o JD (Derecho).
- Por supuesto, el candidato tiene que estar admitido a uno de estos programas.

# ¿Se puede tomar el examen de CPA antes de completar los requisitos?

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- El Reglamento de la Junta de Contabilidad de Puerto Rico fue enmendado el 1 de julio de 2013 y el mismo estipula que todo estudiante que **ya tenga aprobados los 32 créditos en contabilidad pero aún no tiene 150 créditos aprobados podrá tomar el examen en el semestre académico en que completará los 150 créditos.**
- Esta excepción aplica solamente a estudiantes que tengan un índice académico de **3.00 o más** en su concentración de contabilidad.
- Naturalmente, el estudiante deberá evidenciar su elegibilidad con documentos oficiales expedidos por su universidad (transcripciones y certificaciones).
- Si el estudiante aprobara las cuatro partes del examen, **la otorgación de la licencia será pospuesta** hasta que demuestre haber cumplido con todos los requisitos mínimos de estudio y el requisito de experiencia en contabilidad.

# Estudiantes del Recinto de Río Piedras

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- Los estudiantes del nuevo currículo necesitan 130 créditos para graduarse, debiendo tomar entonces entre 16 y 20 créditos para completar los requisitos del examen.
- Si toma menos de 20, pero no menos de 16, podrá completar los 150 con un curso de repaso.
- Como el estudiante tendrá 24 créditos en contabilidad (6 de 3105/3106 más 18 de concentración), deberá tomar entre 5 y 8 créditos adicionales en contabilidad (de los que tome para completar 146-150).



# Cómo es el Examen de CPA

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- El examen se ofrece mediante cita previa en los centros de exámenes **Prometric** (<http://www.prometric.com/CPA/default.htm>)
- Actualmente hay uno sólo en Puerto Rico, localizado en Metro Office Park, cerca del Fuerte Buchanan.
- Los exámenes se ofrecen durante ocho de los 12 meses del año, a saber:
  - Enero y Febrero
  - Abril y Mayo
  - Julio y Agosto
  - Octubre y Noviembre

A estos periodos de dos meses se les conoce comúnmente como “ventanas”.

# Orden y Repetición

- El candidato puede tomar las partes del examen en cualquier orden y puede tomar cuantas partes desee en una misma “ventana” de dos meses.
- Sin embargo, NO puede repetir una parte durante la misma ventana en que la tomó originalmente.
- **La puntuación mínima para aprobar cada parte es 75%.**

# Contenido del Examen de CPA

- El examen consiste de CUATRO partes.
- El contenido de cada parte varía con cierta regularidad, por lo que es importante que los candidatos conozcan el contenido actualizado cuando se estén preparando para tomar el examen.
- El contenido en esta presentación es efectivo a enero de 2014.

# Tiempo Límite Para Aprobar

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- Una vez un candidato aprueba una parte, tiene 18 meses para aprobar las otras tres.
- Si al transcurrir los 18 meses no ha completado todas las partes, la primera parte que aprobó le será cancelada y deberá tomarla de nuevo.
- Mientras no haya completado las cuatro partes, cada parte aprobada expira a los 18 meses de su fecha de aprobación.

# Las Cuatro Partes

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- **Auditing and Attestation (AUD) – 4 Horas**
  - **Financial Accounting and Reporting (FAR) – 4 Horas**
  - **Regulation (REG) – 3 Horas**
  - **Business Environment and Concepts (BEC) – 3 Horas**
- **Recuerden que se pueden tomar en cualquier orden**

# Tipos de Preguntas y Ejercicios

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- Los tipos de preguntas y ejercicios se clasifican en:
- 
- **Conocimiento y Entendimiento:** Preguntas de selección múltiple. Los candidatos tendrán acceso a una calculadora.
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- **Aplicación de Conocimientos:** Se usarán simulaciones. Los candidatos tendrán acceso a la literatura pertinente, calculadora, *spreadsheets* y otros recursos necesarios.
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- **Comunicación Escrita:** Se usarán preguntas. Para contestarlas los candidatos tendrán acceso a un procesador de palabras que incluirá la función de *spell checking*.

# Tutorial

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- Para un **tutorial del examen y muestras** del mismo, vea:
- [http://www.aicpa.org/BecomeACPA/CPAExam/ForCandidates/TutorialandSampleTest/Pages/exam\\_tutorial\\_parallel.aspx](http://www.aicpa.org/BecomeACPA/CPAExam/ForCandidates/TutorialandSampleTest/Pages/exam_tutorial_parallel.aspx)
- Las transparencias 16-93 detallan el contenido de cada una de las cuatro partes. Este contenido es efectivo a partir del 1 de enero de 2014.

# AUD Content

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



# Candidates are expected to demonstrate an awareness of

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- (1) the International Auditing and Assurance Standards Board (IAASB) and its role in establishing International Standards on Auditing (ISAs),
- (2) the differences between ISAs and U.S. auditing standards, and
- (3) the audit requirements under U.S. auditing standards that apply when they perform audit procedures on a U.S. company that supports an audit report based upon the auditing standards of another country, or the ISAs.
- This section also tests knowledge of professional responsibilities of certified public accountants, including ethics and independence.

# Also Expected

- To demonstrate an awareness of:
- (1) the International Ethics Standards Board for Accountants (IESBA) and its role in establishing requirements of the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, and
- (2) the independence requirements that apply when they perform audit procedures on a U.S. company that supports an audit report based upon the auditing standards of another country, or the ISAs.

# Know and Apply

- In addition to demonstrating knowledge and understanding of the professional standards, candidates are required to demonstrate the skills required to apply that knowledge in performing auditing and attestation tasks as certified public accountants.
- Candidates are also expected to perform the following tasks (next slides):

# Tasks

- Demonstrate an awareness and understanding of the process by which standards and professional requirements are established for audit, attestation, and other services performed by CPAs, including the role of standard-setting bodies within the U.S. and those bodies with the authority to promulgate international standards.
- Differentiate between audits, attestation and assurance services, compilations, and reviews.
- Differentiate between the professional standards for issuers and nonissuers.
- Identify situations that might be unethical or a violation of professional standards, perform research and consultations as appropriate, and determine the appropriate action.
- Recognize potentially unethical behavior of clients and determine the impact on the services being performed.

# More Tasks

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- Demonstrate the importance of identifying and adhering to requirements, rules, and standards that are established by licensing boards within their states, and which may place additional professional requirements specific to their state of practice.
- Appropriately apply professional requirements in practice, and differentiate between unconditional requirements and presumptively mandatory requirements.
- Exercise due care in the performance of work.
- Demonstrate an appropriate level of professional skepticism in the performance of work.
- Maintain independence in mental attitude in all matters relating to the audit.
- Research relevant professional literature.

# AUD Outline I

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- **I. Engagement Acceptance and Understanding the Assignment (12% - 16%)**
  - **A. Determine Nature and Scope of Engagement**
  - **B. Consider the Firm's Policies and Procedures Pertaining to Client Acceptance and Continuance**
  - **C. Communicate with the Predecessor Auditor**
  - **D. Establish an Understanding with the Client and Document the Understanding Through an Engagement Letter or Other Written Communication with the Client**

# Planning

23

- **E. Consider Other Planning Matters**
  1. Consider using the work of other independent auditors
  - 2. Determine the extent of the involvement of professionals possessing specialized skills
  - 3. Consider the independence, objectivity, and competency of the internal audit function
  
- **F. Identify Matters Related to Planning and Prepare Documentation for Communications with Those Charged with Governance**

# AUD Outline II

24

- **II. Understanding the Entity and Its Environment (including Internal Control) (16% - 20%)**
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- **A. Determine and Document Materiality**
- 
- **B. Conduct and Document Risk Assessment Discussions Among Audit Team, Concurrently with Discussion on Susceptibility of the Entity's Financial Statement to Material Misstatement Due to Fraud**
- 
- **C. Consideration of Fraud**
- 1. Identify characteristics of fraud
- 2. Document required discussions regarding risk of fraud
- 3. Document inquiries of management about fraud
- 4. Identify and assess risks that may result in material misstatements due to fraud
-



# Risk

25

- **D. Perform and Document Risk Assessment Procedures**
- 1. Identify, conduct and document appropriate inquiries of management and others within the entity
- 2. Perform appropriate analytical procedures to understand the entity and identify areas of risk
- 3. Obtain information to support inquiries through observation and inspection (including reading corporate minutes, etc.)
- **E. Consider Additional Aspects of the Entity and its Environment, including: Industry, Regulatory and Other External Factors; Strategies and Business Risks; Financial Performance**

# Internal Control

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## □ **F. Consider Internal Control**

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

# More on Internal Control

- 7. Assess whether the entity has designed controls to mitigate key risks associated with general controls or application functionality
- 8. Identify controls relevant to reliable financial reporting and the period-end financial reporting process
- 9. Consider limitations of internal control
- 10. Consider the effects of service organizations on internal control
- 11. Consider the risk of management override of internal controls

# More About Risk

28

- **G.** Document an Understanding of the Entity and its Environment, including Each Component of the Entity's Internal Control, in Order to Assess Risks
  
- **H.** Assess and Document the Risk of Material Misstatements
- 1. Identify and document financial statement assertions and formulate audit objectives including significant financial statement balances, classes of transactions, disclosures, and accounting estimates
- 2. Relate the identified risks to relevant assertions and consider whether the risks could result in a material misstatement to the financial statements
- 3. Assess and document the risk of material misstatement that relates to both financial statement level and specific assertions
- 4. Identify and document conditions and events that may indicate risks of material misstatement

# Special Audit Consideration

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- **I. Identify and Document Significant Risks that Require Special Audit Consideration**
- 1. Significant recent economic, accounting, or other developments
- 2. Related parties and related party transactions
- 3. Improper revenue recognition
- 4. Nonroutine or complex transactions
- 5. Significant accounting estimates
- 6. Illegal acts

# AUD Outline III

30

- **III. Performing Audit Procedures and Evaluating Evidence (16% - 20%)**
- **A. Develop Overall Responses to Risks**
- 1. Develop overall responses to risks identified and use the risks of material misstatement to drive the nature, timing, and extent of further audit procedures
- 2. Document significant risks identified, related controls evaluated, and overall responses to address assessed risks
- 3. Determine and document performance materiality/level(s) of tolerable misstatement

# Audit Procedures and Evidence

- **B. Perform Audit Procedures Responsive to Risks of Material Misstatement; Obtain and Document Evidence to Form a Basis for Conclusions**
- 1. Design and perform audit procedures whose nature, timing, and extent are responsive to the assessed risk of material misstatement
- 2. Integrating audits: in an integrated audit of internal control over financial reporting and the financial statements, design and perform testing of controls to accomplish the objectives of both audits simultaneously
- 3. Design, perform, and document tests of controls to evaluate design effectiveness
- 4. Design, perform, and document tests of controls to evaluate operating effectiveness
- 5. Perform substantive procedures

# Other Audit Tests

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- 6. Perform audit sampling
- 7. Perform analytical procedures
- 8. Confirm balances and/or transactions with third parties
- 9. Examine inventories and other assets
- 10. Perform other tests of details, balances, and journal entries
- 11. Perform computer-assisted audit techniques (CAATs), including data query, extraction, and analysis
- 12. Perform audit procedures on significant accounting estimates
- 13. Auditing fair value measurements and disclosures, including the use of specialists in evaluating estimates
- 14. Perform tests on unusual year-end transactions



# More Tests

33

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

# AUD Content IV

34

- **Evaluating Audit Findings, Communications, and Reporting (16% - 20%)**
- **A.** Perform Overall Analytical Procedures
- **B.** Evaluate the Sufficiency and Appropriateness of Audit Evidence and Document Engagement Conclusions
- **C.** Evaluate Whether Audit Documentation is in Accordance with Professional Standards
- **D.** Review the Work Performed by Others, including Specialists and Other Auditors, to Provide Reasonable Assurance that Objectives are Achieved
- **E.** Document the Summary of Uncorrected Misstatements and Related Conclusions
- **F.** Evaluate Whether Financial Statements are Free of Material Misstatements
- **G.** Consider the Entity's Ability to Continue as a Going Concern
- **H.** Consider Other Information in Documents Containing Audited Financial Statements (e.g. Supplemental Information and Management's Discussion and Analysis)
- **I.** Retain Audit Documentation as Required by Standards and Regulations

# Communications

35

- **J. Prepare Communications**
- 1. Reports on audited financial statements
- 2. Reports required by government auditing standards
- 3. Reports on compliance with laws and regulations
- 4. Reports on internal control
- 5. Reports on the processing of transactions by service organizations
- 6. Reports on agreed-upon procedures
- 7. Reports on financial forecasts and projections

# More on Communication

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- 8. Reports on pro forma financial information
- 9. Special reports
- 10. Reissue reports
- 11. Communicate internal control related matters identified in the audit
- 12. Communications with those charged with governance
- 13. Subsequent discovery of facts existing at the date of the auditor's report
- 14. Consideration after the report date of omitted procedures

# AUD Content V

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- **V. Accounting and Review Services Engagements (12% - 16%)**
- **A. Plan the Engagement**
- 1. Determine nature and scope of engagement
- 2. Decide whether to accept or continue the client and engagement including determining the appropriateness of the engagement to meet the client's needs and consideration of independence standards
- 3. Establish an understanding with the client and document the understanding through an engagement letter or other written communication with the client
- 4. Consider change in engagement
- 5. Determine if reports are to be used by third parties

# Basis for Conclusions

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- **B. Obtain and Document Evidence to Form a Basis for Conclusions**
- 1. Obtain an understanding of the client's operations, business, and industry
- 2. Obtain knowledge of accounting principles and practices in the industry and the client
- 3. Perform analytical procedures for review services
- 4. Obtain representations from management for review services
- 5. Perform other engagement procedures
- 6. Consider departures from generally accepted accounting principles (GAAP) or other comprehensive basis of accounting (OCBOA)
- 7. Prepare documentation from evidence gathered
- 8. Retain documentation as required by standards
- 9. Review the work performed to provide reasonable assurance that objectives are achieved

# Reports

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- **C. Prepare Communications**
- 1. Reports on compilations
- 2. Reports on reviews
- 3. Restricted use of reports
- 4. Communicating to management and others
- 5. Subsequent discovery of facts existing at the date of the report
- 6. Consider degree of responsibility for supplementary information

# AUD Content VI

40

- **VI. Professional Responsibilities (16% - 20%)**
- 
- **A. Ethics and Independence**
- 1. Code of Professional Conduct (AICPA)
- 2. Requirements related to issuers, including the PCAOB, the SEC and the Sarbanes-Oxley Act of 2002, Titles II and III, Section 303
- 3. Government Accountability Office (GAO)
- 4. Department of Labor (DOL)
- 5. Code of Ethics for Professional Accountants (IFAC)
- 
- **B. Other Professional Responsibilities**
- 1. A firm's system of quality control
- 2. General role, structure, and requirements of the PCAOB (Title I and Title IV of the Sarbanes-Oxley Act of 2002)



# Financial Accounting and Reporting (FAR)

41

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

# Requirements

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

# FAR Tasks

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- Identify and understand the differences between financial statements prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP) and International Financial Reporting Standards (IFRS).
- Prepare and review source documents including account classification, and enter data into subsidiary and general ledgers.
- Calculate amounts for financial statement components.
- Reconcile the general ledger to the subsidiary ledgers or underlying account details.
- Prepare account reconciliation and related schedules; analyze accounts for unusual fluctuations and make necessary adjustments.
- Prepare consolidating and eliminating entries for the period.
- Identify financial accounting and reporting methods and select those that are appropriate.

# Additional Tasks

- Prepare consolidated financial statements, including balance sheets, income statements, and statements of retained earnings, equity, comprehensive income, and cash flows.
- Prepare appropriate notes to the financial statements.
- Analyze financial statements including analysis of accounts, variances, trends, and ratios.
- Exercise judgment in the application of accounting principles.
- Apply judgment to evaluate assumptions and methods underlying estimates, including fair value measures of financial statement components.
- Produce required financial statement filings in order to meet regulatory or reporting requirements (e.g. Form 10-Q, 10-K, Annual Report).
- Determine appropriate accounting treatment for new or unusual transactions and evaluate the economic substance of transactions in making the determinations.
- Research relevant professional literature.

# FAR Content I

45

- **I. Conceptual Framework, Standards, Standard Setting, and Presentation of Financial Statements (17% - 23%)**
- 
- **A. Process by which Accounting Standards are Set and Roles of Accounting Standard-Setting Bodies**
- 1. U. S. Securities and Exchange Commission (SEC)
- 2. Financial Accounting Standards Board (FASB)
- 3. International Accounting Standards Board (IASB)
- 4. Governmental Accounting Standards Board (GASB)
- 
- **B. Conceptual Framework**
- 1. Financial reporting by business entities
- 2. Financial reporting by not-for-profit (nongovernmental) entities
- 3. Financial reporting by state and local governmental entities

# General Purpose Financial Statements

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- **C. Financial Reporting, Presentation and Disclosures in General-Purpose Financial Statements**
  1. Balance sheet
  - 2. Income statement
  - 3. Statement of comprehensive income
  - 4. Statement of changes in equity
  - 5. Statement of cash flows
  - 6. Notes to financial statements
  - 7. Consolidated and combined financial statements
  - 8. First-time adoption of IFRS

# SEC and OCBOA

47

- **D.** SEC Reporting Requirements (e.g. Form 10-Q, 10-K)
  
- **E.** Other Financial Statement Presentations, including Other Comprehensive Bases of Accounting (OCBOA)
  - 1. Cash basis
  - 2. Modified cash basis
  - 3. Income tax basis
  - 4. Personal financial statements
  - 5. Financial statements of employee benefit plans/trusts

# FAR Content II

48

- **II. Financial Statement Accounts: Recognition, Measurement, Valuation, Calculation, Presentation, and Disclosures (27% - 33%)**
  
- **A. Cash and Cash Equivalents**
  
- **B. Receivables**
  
- **C. Inventory**
  
- **D. Property, Plant, and Equipment**
  
- **E. Investments**
  - 1. Financial assets at fair value through profit or loss
  - 2. Available for sale financial assets
  - 3. Held-to-maturity investments
  - 4. Joint ventures
  - 5. Equity method investments (investments in associates)
  - 6. Investment property
  
- **F. Intangible Assets – Goodwill and Other**



# Liabilities/Equity/R&E

49

- **G. Payables and Accrued Liabilities**
  
- **H. Deferred Revenue**
  
- **I. Long-Term Debt (Financial Liabilities)**
  - 1. Notes payable
  - 2. Bonds payable
  - 3. Debt with conversion features and other options
  - 4. Modifications and extinguishments
  - 5. Troubled debt restructurings by debtors
  - 6. Debt covenant compliance
  
- **J. Equity**
  
- **K. Revenue Recognition**
  
- **L. Costs and Expenses**

# Compensation and Taxes

50

- **M. Compensation and Benefits**
  - 1. Compensated absences
  - 2. Deferred compensation arrangements
  - 3. Nonretirement postemployment benefits
  - 4. Retirement benefits
  - 5. Stock compensation (share-based payments)
- **N. Income Taxes**

# FAR Content III

51

- **III. Specific Transactions, Events and Disclosures: Recognition, Measurement, Valuation, Calculation, Presentation, and Disclosures (27% - 33%)**
- 
- **A. Accounting Changes and Error Corrections**
- 
- **B. Asset Retirement and Environmental Obligations**
- 
- **C. Business Combinations**
- 
- **D. Consolidation (including Off-Balance Sheet Transactions, Variable-Interest Entities and Noncontrolling Interests)**
- 
- **E. Contingencies, Commitments, and Guarantees (Provisions)**
- 
- **F. Earnings Per Share**

# More Specific Transactions and Events

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- **G.** Exit or Disposal Activities and Discontinued Operations
- 
- **H.** Extraordinary and Unusual Items
- 
- **I.** Fair Value Measurements, Disclosures, and Reporting
- 
- **J.** Derivatives and Hedge Accounting
- 
- **K.** Foreign Currency Transactions and Translation
- 
- **L.** Impairment
- 
- **M.** Interim Financial Reporting

# And more...

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- **N.** Leases
- **O.** Distinguishing Liabilities from Equity
- **P.** Nonmonetary Transactions
- **Q.** Related Parties and Related Party Transactions
- **R.** Research and Development Costs
- **S.** Risks and Uncertainties
- **T.** Segment Reporting
- **U.** Software Costs
- **V.** Subsequent Events
- **W.** Transfers and Servicing of Financial Assets and Derecognition

# FAR Content IV

54

- **IV. Governmental Accounting and Reporting (8% - 12%)**
- **A. Governmental Accounting Concepts**
- 1. Measurement focus and basis of accounting
- 2. Fund accounting concepts and applications
- 3. Budgetary accounting

# CAFR

55

- **B. Format and Content of Comprehensive Annual Financial Report (CAFR)**
- 1. Government-wide financial statements
- 2. Governmental funds financial statements
- 3. Proprietary funds financial statements
- 4. Fiduciary funds financial statements
- 5. Notes to financial statements
- 6. Management's discussion and analysis
- 7. Required supplementary information (RSI) other than Management's Discussion and Analysis
- 8. Combining statements and individual fund statements and schedules
- 9. Deriving government-wide financial statements and reconciliation requirements

# Recognition and Presentation

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- **C. Financial Reporting Entity, Including Blended and Discrete Component Units**
  
- **D. Typical Items and Specific Types of Transactions and Events: Recognition, Measurement, Valuation, Calculation, and Presentation in Governmental Entity Financial Statements**
  - 1. Net position and components thereof
  - 2. Fund balances and components thereof
  - 3. Capital assets and infrastructure assets
  - 4. General long-term liabilities
  - 5. Interfund activity, including transfers
  - 6. Nonexchange revenue transactions
  - 7. Expenditures
  - 8. Special items
  - 9. Encumbrances
  
- **E. Accounting and Reporting for Governmental Not-for-Profit Organizations**



# FAR Content V

57

- V. Not-for-Profit (Nongovernmental) Accounting and Reporting (8% - 12%)
  - **A. Financial Statements**
    - 1. Statement of financial position
    - 2. Statement of activities
    - 3. Statement of cash flows
    - 4. Statement of functional expenses

# Recognition and Presentation

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- B. Typical Items and Specific Types of Transactions and Events: Recognition, Measurement, Valuation, Calculation, and Presentation in Financial Statements of Not-for-Profit Organizations
  - 1. Support, revenues, and contributions
  - 2. Types of restrictions on resources
  - 3. Types of net assets
  - 4. Expenses, including depreciation and functional expenses
  - 5. Investments

# Regulation (REG)

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- The Regulation section tests knowledge and understanding of ethics, professional and legal responsibilities, business law, and federal taxation.
- *Ethics, Professional and Legal Responsibilities and Business Law*
- 
- These topics test knowledge and understanding of professional and legal responsibilities of certified public accountants.
- Professional ethics questions relate to tax practice issues and are based on the AICPA Statements on Standards for Tax Services, Treasury Department Circular 230, and rules and regulations for tax return preparers.
- Business law topics test knowledge and understanding of the legal implications of business transactions, particularly as they relate to accounting, auditing, and financial reporting.
- This section deals with federal and widely adopted uniform state laws.

# Requirements

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

# Ethics and Business Law Tasks

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

# Federal Taxation

62

- These topics test knowledge and understanding of concepts and laws relating to federal taxation (income, gift, and estate).
- The areas of testing include federal tax process, procedures, accounting, and planning, as well as federal taxation of property transactions, individuals, and entities (which include sole proprietorships, partnerships, limited liability entities, C corporations, S corporations, joint ventures, trusts, estates, and tax-exempt organizations).
- In addition to demonstrating knowledge and understanding of these topics, candidates are required to demonstrate the skills required to apply that knowledge in providing tax preparation and advisory services and performing other responsibilities as certified public accountants.
- To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

# Federal Taxation Tasks

63

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

# REG Content I

64

- **I. Ethics, Professional, and Legal Responsibilities (15% -19%)**
- **A. Ethics and Responsibilities in Tax Practice**
  - 1. Treasury Department Circular 230
  - 2. AICPA Statements on Standards for Tax Services
  - 3. Internal Revenue Code of 1986, as amended, and Regulations related to tax return preparers
- **B. Licensing and Disciplinary Systems**
  - 1. Role of state boards of accountancy
  - 2. Requirements of regulatory agencies
- **C. Legal Duties and Responsibilities**
  - 1. Common law duties and liability to clients and third parties
  - 2. Federal statutory liability
  - 3. Privileged communications, confidentiality, and privacy acts



# REG Content II

65

- **II. Business Law (17% - 21%)**
- 
- **A. Agency**
- 1. Formation and termination
- 2. Authority of agents and principals
- 3. Duties and liabilities of agents and principals
  
- **B. Contracts**
- 1. Formation
- 2. Performance
- 3. Third party assignments
- 4. Discharge, breach, and remedies

# UCC and Debtor/Creditor

66

- **C. Uniform Commercial Code**
  1. Sales contracts
  - 2. Negotiable instruments
  - 3. Secured transactions
  - 4. Documents of title and title transfer
  
- **D. Debtor-Creditor Relationships**
  - 1. Rights, duties, and liabilities of debtors, creditors, and guarantors
  - 2. Bankruptcy and insolvency

# Government Regulation and Business Structure

67

- **E. Government Regulation of Business**
  - 1. Federal securities regulation
  - 2. Other federal laws and regulations (antitrust, copyright, patents, money-laundering, labor, employment, and ERISA)
  
- **F. Business Structure (Selection of a Business Entity)**
  - 1. Advantages, disadvantages, implications, and constraints
  - 2. Formation, operation, and termination
  - 3. Financial structure, capitalization, profit and loss allocation, and distributions
  - 4. Rights, duties, legal obligations, and authority of owners and management

# REG Content III

68

- **III. Federal Tax Process, Procedures, Accounting, and Planning (11% - 15%)**
- 
- **A. Federal Tax Legislative Process**
  
- **B. Federal Tax Procedures**
- 1. Due dates and related extensions of time
- 2. Internal Revenue Service (IRS) audit and appeals process
- 3. Judicial process
- 4. Required disclosure of tax return positions
- 5. Substantiation requirements
- 6. Penalties
- 7. Statute of limitations

# Accounting and Tax Return Election

69

- **C. Accounting Periods**
  
- **D. Accounting Methods**
  - 1. Recognition of revenues and expenses under cash, accrual, or other permitted methods
  - 2. Inventory valuation methods, including uniform capitalization rules
  - 3. Accounting for long-term contracts
  - 4. Installment sales
  
- **E. Tax Return Elections, Including Federal Status Elections, Alternative Treatment Elections, or Other Types of Elections Applicable to an Individual or Entity's Tax Return**

# Tax Planning, Research and Communication

70

- **F. Tax Planning**
  - 1. Alternative treatments
  - 2. Projections of tax consequences
  - 3. Implications of different business entities
  - 4. Impact of proposed tax audit adjustments
  - 5. Impact of estimated tax payment rules on planning
  - 6. Role of taxes in decision-making
  
- **G. Impact of Multijurisdictional Tax Issues on Federal Taxation (Including Consideration of Local, State, and Multinational Tax Issues)**
  
- **H. Tax Research and Communication**
  - 1. Authoritative hierarchy
  - 2. Communications with or on behalf of clients

# REG Content IV

71

- **IV. Federal Taxation of Property Transactions (12% - 16%)**
- 
- **A. Types of Assets**
- **B. Basis and Holding Periods of Assets**
- **C. Cost Recovery (Depreciation, Depletion, and Amortization)**
- **D. Taxable and Nontaxable Sales and Exchanges**
- **E. Amount and Character of Gains and Losses, and Netting Process**
- **F. Related Party Transactions**

# Estate and Gift

72

- **G.** Estate and Gift Taxation
- 1. Transfers subject to the gift tax
- 2. Annual exclusion and gift tax deductions
- 3. Determination of taxable estate
- 4. Marital deduction
- 5. Unified credit



# REG Content V

73

- **V. Federal Taxation of Individuals (13% - 19%)**
- 
- **A. Gross Income**
- 1. Inclusions and exclusions
- 2. Characterization of income
  
- **B. Reporting of Items from Pass-Through Entities**
  
- **C. Adjustments and Deductions to Arrive at Taxable Income**
  
- **D. Passive Activity Losses**
  
- **E. Loss Limitations**
  
- **F. Taxation of Retirement Plan Benefits**
  
- **G. Filing Status and Exemptions**
  
- **H. Tax Computations and Credits**
  
- **I. Alternative Minimum Tax**

# REG Content VI

74

- **VI. Federal Taxation of Entities (18% - 24%)**
  
- **A. Similarities and Distinctions in Tax Treatment among Business Entities**
- 1. Formation
- 2. Operation
- 3. Distributions
- 4. Liquidation
  
- **B. Differences Between Tax and Financial Accounting**
- 1. Reconciliation of book income to taxable income
- 2. Disclosures under Schedule M-3

# C. C Corporations

75

- 1. Determination of taxable income/loss
- 2. Tax computations and credits, including alternative minimum tax
- 3. Net operating losses
- 4. Entity/owner transactions, including contributions and distributions
- 5. Earnings and profits
- 6. Consolidated returns

# D. S Corporations

76

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

# E. Partnerships

77

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

# Other Entities

78

- **F. Trusts and Estates**
  - 1. Types of trusts
  - 2. Income and deductions
  - 3. Determination of beneficiary's share of taxable income
  
- **G. Tax-Exempt Organizations**
  - 1. Types of organizations
  - 2. Obtaining and maintaining tax-exempt status
  - 3. Unrelated business income

# Business Environment & Concepts (BEC)

79

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

# Requirements

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



# Tasks

81

- Demonstrate an understanding of globalization on the business environment
- Distinguish between appropriate and inappropriate governance structures within an organization (e.g. tone at the top, policies, steering committees, strategies, oversight, etc.).
- Assess the impact of business cycles on an entity's industry or business operations.
- Apply knowledge of changes in the global economic markets in identifying the impact on an entity in determining its business strategy and financial management policies, including managing the risks of: inflation, deflation, commodity costs, credit defaults, interest rate variations, currency fluctuation, and regulation.
- Assess the factors influencing a company's capital structure, including risk, leverage, cost of capital, growth rate, profitability, asset structure, and loan covenants.
- Evaluate assumptions used in financial valuations to determine their reasonableness (e.g. investment return assumptions, discount rates, etc.).
- Determine the business reasons for and explain the underlying economic substance of transactions and their accounting implications.

# More Tasks

82

- Identify the information systems within a business that are used to process and accumulate transactional data, as well as provide monitoring and financial reporting information.
- Distinguish between appropriate and inappropriate internal control systems, including system design, controls over data, transaction flow, wireless technology, and internet transmissions.
- Evaluate whether there is appropriate segregation of duties, levels of authorization, and data security in an organization to maintain an appropriate internal control structure.
- Obtain and document information about an organization's strategic planning processes to identify key components of the business strategy and market risks.
- Develop a time-phased project plan showing required activities, task dependencies, and required resources to achieve a specific deliverable.
- Identify the business and operational risks inherent in an entity's disaster recovery/business continuity plan.
- Evaluate business operations and quality control initiatives to understand its use of best practices and the ways to measure and manage performance and costs.

# BEC Content I

83

- **I. Corporate Governance (16% - 20%)**
  - **A. Rights, Duties, Responsibilities, and Authority of the Board of Directors, Officers, and Other Employees**
    - 1. Financial reporting
    - 2. Internal control (including COSO or similar framework)
    - 3. Enterprise risk management (including COSO or similar framework)
  - **B. Control Environment**
    - 1. Tone at the top – establishing control environment
    - 2. Monitoring control effectiveness
    - 3. Change control process

# BEC Content II

- **II. Economic Concepts and Analysis (16% - 20%)**
- A. Changes in Economic and Business Cycles – Economic Measures/Indicators
- B. Globalization and Local Economies
  - 1. Impacts of globalization on companies
  - 2. Shifts in economic balance of power (e.g. capital) to/from developed from/to emerging markets
- C. Market Influences on Business Strategies
- D. Financial Risk Management
  - 1. Market, interest rate, currency, liquidity, credit, price, and other risks
  - 2. Means for mitigating/controlling financial risks

# BEC Content III

85

- **III. Financial Management (19% - 23%)**
  - **A. Financial Modeling, Projections, and Analysis**
    - 1. Forecasting and trends
    - 2. Financial and risk analysis
    - 3. Impact of inflation/deflation
  - **B. Financial Decisions**
    - 1. Debt, equity, leasing
    - 2. Asset and investment management
    -

# Capital Management & Valuation

86

- **C. Capital Management, including Working Capital**
  - 1. Capital structure
  - 2. Short-term and long-term financing
  - 3. Asset effectiveness and/or efficiency
  
- **D. Financial Valuations (e.g. Fair Value)**
  - 1. Methods for calculating valuations
  - 2. Evaluating assumptions used in valuations
  
- **E. Financial Transaction Processes and Controls**

# BEC Content IV

87

- **IV. Information Systems and Communications (15% - 19%)**
- 
- **A. Organizational Needs Assessment**
- 
- 1. Data capture
- 
- 2. Processing
- 
- 3. Reporting
- 
- 4. Role of information technology in business strategy

# B. Systems Design and Other Elements

88

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



# Security, Internet, Risks & Disaster Recovery

89

- **C. Security**
  - 1. Technologies and security management features
  - 2. Policies
  
- **D. Internet – Implications for Business**
  - 1. Electronic commerce
  - 2. Opportunities for business process reengineering
  - 3. Roles of internet evolution on business operations and organization cultures
  
- **E. Types of Information System and Technology Risks**
  
- **F. Disaster Recovery and Business Continuity**

# BEC Content V

90

- **V. Strategic Planning (10% – 14%)**
- **A. Market and Risk Analysis**
- **B. Strategy Development, Implementation, and Monitoring**
- **C. Planning Techniques**
  - 1. Budget and analysis
  - 2. Forecasting and projection
  - 3. Coordinating information from various sources for integrated planning

# BEC Content VI

- **VI. Operations Management (12% - 16%)**
- **A. Performance Management and Impact of Measures on Behavior**
  - 1. Financial and nonfinancial measures
  - 2. Impact of marketing practices on performance
  - 3. Incentive compensation
- **B. Cost Measurement Methods and Techniques**

# C. Process Management

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

# D. Project Management

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