

# **The New CPA Exam: A Challenge for Academicians**

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Based on the exposure draft, *Proposed Structure and Content Specifications for the Uniform CPA Examination (2/28/01)*, the Board of Examiners of the AICPA is recommending fundamental changes in the Uniform CPA Examination. The plan is for the revised structure to take effect with the May 2004 examination. A primary purpose of the proposed examination content specifications is to “apprise educators about the knowledge and skills candidates will need to pass the CPA Examination and to function as entry-level CPAs” (p. 12). University accounting programs must adapt their curriculums to meet this call for change.

### **The Call for Change**

At the heart of the “call to change” the Uniform CPA Examination is the need to certify that CPAs demonstrate the knowledge and skills necessary to protect the public interest. In light of recent corporate events (e.g., Enron), CPAs must reestablish public confidence in their custodial role. Accountants entering the profession will succeed only if they are capable of assimilating within a rapidly changing business and financial environment. The vision of the “new” CPA exam is that the CPA profession stays on top of the change curve; the CPA designation will carry with it the ability to make sense of a complex changing world and communicate the total picture with clarity and objectivity.

**The New Exam.** Toward this vision, a dramatic change in the exam is the new computerized format. Besides assessing the candidate’s computer skills (i.e. the use of electronic tools such as spreadsheets, databases and word-processors), the computer-based delivery will enable the evaluation of different (formerly untested) critical skill sets via case study simulations, as well as requiring the candidate to utilize research tools and access authoritative literature. Incrementally, another modification to the exam is that material coverage within sections is no longer independent of other sections; the computerized environment will facilitate the testing of the candidate’s ability to integrate knowledge between sections of the examination (i.e. tax issues

pertinent to an accounting problem may be tested within the context of the *Financial Accounting & Reporting* section).

In conjunction with the computerization of the exam, “information technology” (IT), not previously tested, will be covered within a new *Business Environment & Concepts* section. The material coverage of the other sections will be amended so that the exam still is comprised of four sections; e.g., law & professional responsibilities will be included with taxation under a freshly entitled *Regulation* section. The section composition of the “new” CPA exam compared with the current exam is summarized:

<b>Weight</b>	<b>Current Examination</b>	<b>“New” Examination</b>	<b>Weight</b>
100%	Auditing	Auditing & Attestation	100%
100%	Financial Accounting & Reporting	Financial Accounting & Reporting -- Business enterprises -- Governmental entities -- Not-for-profit organization	80% 10% 10%
60% 30% 10%	Accounting & Reporting -- Taxation -- Governmental and Not-for-Profit Organizations -- Managerial (measurement)	Regulation -- Taxation -- Law & Professional Responsibilities (all areas other than Business Structure)	60% 40%
20% 80%	Law & Professional Responsibilities -- Business Structure -- All areas other than Business Structure	Business Environment & Concepts -- Business Structure -- Measurement (managerial) -- All areas other than Business Structure and Measurement (not separately tested on current exam)	20% 10% 70%

The candidates’ knowledge of IT will be tested, within the “All areas other than Business Structure and Measurement” part of the *Business Environment & Concepts* section, along these primary topic areas:

- Business Information Systems
- Hardware and Software
- Electronic Commerce
- Networks
- Data Structure, Analysis, and Manipulation
- Transaction and Application Processing
- IT Controls

To succeed in performing audits and other engagements in a computerized environment, so that complex information is translated into critical knowledge, today's CPA must assert IT knowledge. While up to thirty percent of the "All areas other than Business Structure and Measurement" part of the "new" exam is allocated for IT topics, other sections could likewise evaluate the candidate's potential proficiency in a technology driven world. For example, the *Auditing & Attestation* section may incorporate computer-assisted auditing techniques as well as the consideration of internal controls within a highly computerized environment.

### **Academic Programs Must Respond**

Concomitant with the "call to change" the Uniform CPA Examination is the challenge for academicians to respond accordingly. University accounting programs must adapt their curricula so that graduates are prepared to enter the changing profession and sit for the "new" CPA exam. Programs need to expand their core accounting requirements to include additional *Accounting Information Systems* (AIS) courses that will cover the necessary IT topics. Accounting programs typically have only one required AIS course, and this will not suffice to cover the required IT material; two AIS courses, at a minimum, are necessary.

The AICPA recently conducted two surveys (both online and via telephone interviews) with Accounting department faculty and administrators to assess academia's awareness of and readiness for the "new" computer-based CPA exam (<http://www.cpa-exam.org/lrc/academicsurvey.html>). Only one-third or less of the respondents from University Accounting programs expressed astute awareness of the changes to the content and structure of the exam. Likewise, regarding changing the Accounting curriculum to accommodate the "new" CPA exam, only 22% responded that making the appropriate curriculum changes is being considered (53% stated that changes are not being considered, with the remaining 25% either uncertain or not involved in curriculum decisions). However, 65% of the universities did mention that they expect to have instituted the necessary curriculum changes in time for the "new" exam.

**San Jose State University's Commitment to Change.** At San Jose State University (SJSU), nestled in the heart of Silicon Valley, the change to conform to the new standards is already in place. Keeping ahead of the curve, in fall 2000, SJSU implemented a complete sequence of seven information technology based AIS courses for accounting majors to select from. While at present only the initial AIS course (120A) is required of traditional accounting majors, to ensure preparation for the "new" exam, the plan is to augment the curriculum by requiring the first two AIS courses (120A & B) and strongly recommend that students take the next two courses (120C & D) as electives. SJSU also offers an AIS concentration requiring students to take five from the AIS course sequence (120A, B, C, D, & G), with the remaining two (120E & F) recommended from a group of electives. The AIS concentration is particularly appealing to prospective employers in the Silicon Valley area; also students choosing the AIS track will be prepared to sit for the Certified Information Systems Auditor (CISA) exam.

A description of the AIS courses at SJSU can be a useful guideline for other universities as they adapt to meet the needs of the student and the profession, with the "new" CPA exam as the impetus:

- Accounting Information Systems (120A)

The first course in accounting information systems covers the business processing, as well as the documentation and transaction flow, of accounting information in business organizations. Systems design and the related principles of internal control, for both computerized and manual systems environments, are discussed.

- Advanced Accounting Information Systems and Information Systems Audit (120B)

Control and Audit issues related to information systems are covered. A project-oriented computer lab is utilized to develop working knowledge and skills related to database management. The focus is data modeling of business processes and implementing databases using application tools (Excel & Access).

- Business Network Environments and Controls (120C)

Students are introduced to corporate network environments and configurations such as local area networks (LAN) and wide area networks (WAN); the integrity and security of these networks are discussed from both hardware and software perspectives such as encryption/authentication technologies. Internet interfaces including the open systems interconnection (OSI) model and transmission control protocol/internet protocol (TCP/IP) basics and practical Windows 2000 server/client operations are also covered.

- Platforms Security and E-Commerce Controls and Audit (120D)

Students are exposed to the overall functional capabilities of different operating systems such as the UNIX and Windows 2000. Additionally, they are taught how to audit the security of these platforms. E-Commerce IT environments as well as security considerations for E-Commerce web sites are discussed.

- Current Topics in IT Audit (120E)

This course is based on real-world audit cases where students apply the appropriate information systems auditing techniques. In addition, students are required to establish a website and link it to an existing database (1) to explore the security and control issues of operating/maintaining the website involving network structures, firewalls, and encryption technology, and (2) to audit the establishes E-commerce site.

- Honors Practicum in Accounting Information Systems (120F)

This AIS concentration elective is a project-oriented course providing students with practical experience in implementing an enterprise resource planning (ERP) system (e.g., Great Plains) using business data of a hypothetical company. Project planning

management, internal controls, and topics related to implementing ERP systems are included.

- Programming and Systems Development in AIS (120G)

This course covers the process and technical elements of structured programming and current techniques utilized in accounting systems development. Structured programming topics include object and business reporting languages such as VisualBasic.Net. Systems development topics include requirements analysis, functional specification, as well as systems design, implementation, testing, and maintenance.

At San Jose State University, the Accounting faculty is committed not only to keeping abreast of the CPA exam, but to having graduates prepared to enter the profession ready to adapt to a complex changing world. The change of the Uniform CPA Examination is a strong indication that the accounting profession must change. The “new” examination makes great strides towards certifying that entrants into the profession will have the knowledge and skills necessary to protect the public interest and be technologically prepared to assimilate within a rapidly transforming business environment. Accounting education must follow suit and change to meet the needs of the profession. Universities, if not already done so, need to amend their curricula to stay ahead of the accounting profession and CPA change curve.