



September 30, 2022

Mr. Michael Decker
Vice President of Examinations
American Institute of Certified Public Accountants
100 Princeton South
Suite 200
Ewing, NJ 08628

**Re: Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination -
Aligning the Exam with the CPA Evolution Licensure Model**

Dear Mr. Decker,

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the American Institute of Certified Public Accountants' Exposure Draft, *Maintaining the Relevance of the Uniform CPA Examination* (the ED). We support the AICPA's efforts to ensure that the content of the Uniform CPA Examination (CPA Exam) remains current with the needs of the profession and continues to protect the public interest by assessing the appropriate knowledge and skills required of newly-licensed CPAs.

Overall, we support the proposed changes to the CPA Exam, including the realignment of content between Core and Discipline Exams. We note that the three Discipline Exams correspond to a large degree to the practices in our Trust Solutions segment into which we hire a significant percentage of our entry-level candidates (i.e., assurance, digital assurance and transparency, and tax). Regardless of the test discipline selected, we would expect to continue to allow our staff to work in the practice of their choice, consistent with the AICPA's confirmation that there will continue to be one CPA license — with undifferentiated rights and privileges.

For at least the last five years, there has been a year over year decline in the number of students graduating with an accounting degree.¹ We believe that the financial burden and effort created by the 150 credit hour requirement as well as concerns about passing the CPA exam are two factors contributing to this disheartening decline. In addition, in our informal outreach, university faculty have relayed a perception by some students that other majors offer a more lucrative career path with less effort.

To combat the declining numbers of CPA candidates, we urge the AICPA to carefully consider its messaging regarding the basis and value of the new exam structure. Any implication that the changes make the new exam more difficult — and consequently harder to pass — may further inhibit a student's selection of an accounting career path. At the same time, we support an exam designed with the rigor appropriate to maintain the integrity of a valuable and respected certification. Further, we encourage the AICPA to conduct a post implementation review to assess whether the CPA Exam is a barrier to entry that contributes to a lack of diversity in the profession.

We see the value of the Discipline Exams as providing qualified candidates with an opportunity to choose an area of focus and thereby tailor their preparation to suit their individual interests and potential future career. Replacing broad knowledge with more emphasis on targeted skills will allow

¹ AICPA, [2021 Trends: A report on accounting education, the CPA exam and public accounting firms' hiring of recent graduates report](#)



students to explore a specialty area and better prepare them for the workforce. We believe, however, that it is important for each of the Discipline Exams to retain a comparable level of difficulty. Otherwise, the selection of a discipline will be based on factors unrelated to the value a specific specialty brings to the candidate.

To this end, we note that the proposed CPA Exam blueprint for the Information Systems and Controls (ISC) Discipline Exam reflects a disproportionate weighting among the skill levels of Bloom's Taxonomy of Educational Objectives as well as compared to the other disciplines. According to the ED, 55-65% of the ISC discipline content is expected to be assessed at "Remembering and Understanding," the lowest skill level. The other Discipline Exams, Tax Compliance and Planning (TCP) and Business Analysis and Reporting (BAR), are targeted to have 5-15% and 10-20% of their content tested at this level, respectively. We recommend that the AICPA consider generally aligning the skill level distribution among the Discipline Exams. If the concentration within the lowest level of cognitive skill is due to the challenges of assessing the specific topics within the ISC Discipline Exam at more advanced levels of proficiency, we encourage the AICPA to research alternative testing strategies. To achieve the stated objectives, we believe it is important for each Discipline Exam to require a similar degree of skill and effort to achieve a passing grade.

We also note that the ED proposes to eliminate the writing element of the CPA Exam. We believe that competency in written communications is a critical skill for CPAs and encourage the AICPA to retain a writing element. The CPA Exam plays a significant role in upholding the standards by which the profession operates. Removing the written communications requirement may send a message that these skills are not valued in the profession. Further, we are aware that some academic institutions use the components of the CPA Exam as an important input into the development of their curriculum. In these cases, the exclusion of written communications from the exam may challenge educators' ability to dedicate funding and faculty resources to the teaching of these skills. While we appreciate the manual nature of the assessment of the written portion of the exam, we encourage the AICPA to continue to explore options (e.g., technology) that would accommodate retaining assessment of a candidate's communication skills as an element of the exam.

In our response to the AICPA's 2020 Invitation to comment, we expressed our support for reducing or removing accounting for state and local governments from the CPA Exam. Accounting and reporting under standards issued by the Governmental Accounting Standards Board (GASB) continue to diverge from the requirements applicable to private sector entities. As a result, very little of the preparation and study related to Financial Accounting Standards Board standards would help prepare candidates to be tested on detailed GASB concepts. We do not believe that the effort needed to perform well in this area, often in the absence of any applicable college courses, befits its specialized nature and limited applicability to the majority of entry level candidates. We do, however, support the continued coverage of foundational GASB concepts in the Financial Accounting and Reporting Core Exam.

The Appendix includes our responses to the questions posed in the ED.

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We would be pleased to discuss our comments or answer any questions the AICPA or its staff may have. Please contact Valerie Wieman at valerie.wieman@pwc.com or Roderick Adams at roderick.adams@pwc.com regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP



1. **Do the Core Exam Blueprints include the knowledge and skills required of all nCPAs to protect the public interest? If not:**
 - a. **Is there content missing from the Core Exam Blueprints? If so, please explain what content you believe should be added, including examples of how this is affecting nCPA practice.**
 - b. **Is there content included in the Core Exam Blueprints that is not relevant to nCPA practice that should be removed? If so, please provide the details of what content you believe should be removed and why it should not be considered nCPA practice.**

We identified the following observations in our review of the Core Exam blueprints.

Financial Accounting and Reporting (FAR)

We suggest that the accounting for research and development costs be moved to the FAR Core Exam. We do not believe it belongs among the complex accounting topics intended to be addressed in the BAR Discipline Exam. We also recommend the inclusion of the following topics:

Area	Content group	Topic recommended for inclusion
Select Balance Sheet Accounts	Equity	<ul style="list-style-type: none"> • Criteria for classifying a financial instrument as a liability or equity
Select Transactions	Accounting for income taxes	<ul style="list-style-type: none"> • Implications of changes in tax rates on tax accounts

Taxation and Regulation (REG)

Area	Content group	Topic recommended for inclusion
Federal Taxation of Entities (including tax preparation)	Differences between book and tax income	<ul style="list-style-type: none"> • Tax accounting methods (e.g., cash versus accrual basis, inventory, UNICAP)
Federal Taxation of Entities (including tax preparation)	S corporations	<ul style="list-style-type: none"> • Implications of a conversion from a C corporation to an S corporation



2. Do each of the Discipline Exam Blueprints include the knowledge and skills required of an nCPA to protect the public interest? If not:
- Is there content missing from the Discipline Exam Blueprints? If so, please explain what content you believe should be added, including examples of how this is affecting nCPA practice.
 - Is there content included in the Discipline Exam Blueprints that is not relevant to nCPA practice that should be removed? If so, please provide the details of what content you believe should be removed and why it should not be considered nCPA practice.

We identified the following observations in our review of the Core Exam blueprints.

Business Analysis and Reporting (BAR)

We suggest that the accounting for research and development costs be moved to the FAR Core Exam. We do not believe it belongs among the complex accounting topics intended to be addressed in the BAR Discipline Exam. We also recommend the inclusion of the following topics:

Area	Content group	Topic recommended for inclusion
Technical Accounting and Reporting	Indefinite-lived intangible assets, including goodwill	<ul style="list-style-type: none"> Key valuation assumptions for determining the fair value of a reporting unit
Technical Accounting and Reporting	Revenue recognition	<ul style="list-style-type: none"> Performance obligation identification Primary considerations when determining principal versus agent
Technical Accounting and Reporting	Public company reporting requirements	<ul style="list-style-type: none"> Definitions of operating segments and reportable segments, and the related aggregation criteria
Technical Accounting and Reporting	Long-term debt (financial liabilities)	<ul style="list-style-type: none"> Criteria for classifying debt as current or long-term



Information Systems and Controls (ISC)

Area	Content group	Topic recommend for inclusion
Information Systems and Data Management	Change management	<ul style="list-style-type: none"> • Non-traditional and/or emerging change management approaches and tools (e.g., DevOps, Agile)
Security, Confidentiality and Privacy	Security	<ul style="list-style-type: none"> • Impact of the use of emerging technologies (e.g., blockchain, bots) on the IT control environment

We also recommend removal of references to SQL in the Data management section as it is only one of many code examples.

Tax Compliance and Planning (TCP)

Area	Content Group	Topic recommended for inclusion
Tax Compliance and Planning for Individuals and Personal Financial Planning	Individual compliance and tax planning considerations for gross income, adjusted gross income, taxable income and estimated taxes	<ul style="list-style-type: none"> • Impact of filing status on the calculation of tax • Alternative minimum tax • Types of income, including fringe benefits • Qualified business income • Child’s investment income/Kiddie tax • Credits/refundable credits, including state resident tax credits • Determination of state residency
Tax Compliance and Planning for Individuals and Personal Financial Planning	Compliance for passive activity and at-risk loss limitations (excluding tax credit implications)	<ul style="list-style-type: none"> • Treatment of flow-through income and tax attributes
Tax Compliance and Planning for Individuals and Personal Financial Planning	Gift taxation compliance and planning	<ul style="list-style-type: none"> • Substantiation requirements for charitable contributions • State gift, estate, and inheritance taxes and exemptions



Area	Content Group	Topic recommended for inclusion
Tax Compliance and Planning for Individuals and Personal Financial Planning	Personal financial planning for individuals	<ul style="list-style-type: none"> ● Trust tax basics (tax impact of setting up different types of trusts; grantor versus irrevocable trusts) ● Charitable contributions ● Generation-skipping tax
Entity Tax Compliance	C corporations	<ul style="list-style-type: none"> ● Net operating and capital loss utilization - Include impact on built-in losses and credits ● Transactions between a shareholder and a C corporation (contributions to and distributions from a corporation and loans) - Tax-free concepts for contributions and distributions ● Consolidated tax returns - State consolidated return filing requirements and issues ● International tax issues - Limitations on deductibility of interest
Entity Tax Compliance	S corporations - Transactions between a shareholder and an S corporation (contributions to and distributions from a corporation)	<ul style="list-style-type: none"> ● Tax-free concepts for contributions and distributions ● Implications of state composite returns
Entity Tax Compliance	Partnerships - Transactions between a partner and a partnership (services performed by a partner and contributions to and distributions from a partnership)	<ul style="list-style-type: none"> ● Tax-free concepts for contributions and distributions ● Implications of state composite/withholding returns
Property Transactions (disposition of assets)	Amount and character of gains and losses on asset disposition, and netting process, including installment sales	<ul style="list-style-type: none"> ● State real estate/controlling interest transfer taxes

We also suggest removal of the following topic from the Entity Tax Compliance area of content:

- Review loan documents and supporting documentation to determine implications of a loan between a shareholder and C corporation, including imputed interest