CPA Evolution: Curriculum revision for Higher Education

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Abstract

Recent proposals from the National Association of States Board of Accountancy and the American Institute of Certified Public Accountants aim to modify the CPA license model to reflect the knowledge and abilities that new CPAs will need both now and in the future. The Uniform CPA Examination has recently undergone its most significant modification in many years thanks to the CPA Evolution project. This article discusses the exam's revised structure and content, evaluates the anticipated effects of those changes on accounting education, and explains how colleges will need to modify their curricula to meet the new exam core Plus requirements.

Today's accountants and the accounting industry require different technical capabilities than they did even a few years ago. For the accounting profession to advance, proficiency in technology, data analytics, risk management, and IT governance are becoming crucial competencies. The joint CPA Evolution project of the AICPA and NASBA acknowledges the rapidly evolving abilities and competences needed by today's CPAs. The quick development of technical advancements, such as data analytics, robots, and artificial intelligence, among others, is significantly altering the way CPAs do their business. Additionally, this report illustrates the constraints that the COVID-19 placed on the world's environment and economy. The CPA profession is changing, and data from IPEDS and responses from participating U.S. universities and public accounting companies enable us to assess the effects of this change on both the supply and demand of new accounting. The public accounting firms have started to fill the technology and data analytics talent gaps among accounting recruits by hiring non-accounting staff, according to the AICPA's 2021 Accounting Graduate Supply and Demand Report, which includes a survey of the hiring practices of public accounting firms. According to the research, new hires of master's graduates increased by 2% in 2020, despite a 10% decline in the total hiring of new accounting graduates.

Introduction

The CPA profession is changing, and data from IPEDS and responses from participating U.S. universities and public accounting companies enable us to assess the effects of this change on both the supply and demand of new accounting. The public accounting firms have started to fill the technology and data analytics talent gaps among accounting recruits by hiring non-accounting staff, according to the AICPA's 2021 Accounting Graduate Supply and Demand Report, which includes a survey of the hiring practices of public accounting

firms. According to the research, new hires of master's graduates increased by 2% in 2020, despite a 10% decline in the total hiring of new accounting graduates. Eighty-nine percent of all U.S. CPA firms expect to have the same number or more CPAs on staff in 2022 in comparison with 2021. (https://www.aicpa.org/professional-insights/download/2021-trends-report)

Professional exams are primarily used to evaluate candidates' technical proficiency in carrying out their tasks. Technical knowledge, the capacity to apply it wisely, an understanding of one's role as a professional, and ethical considerations are all parts of competence. The grandfather of all professional accounting tests is the CPA (Certified Public Accountant) exam. Its roots can be seen in New York's public accounting legislation from 1896. The uniform CPA test was first prepared for and graded by the American Institute of Certified Public Accountants (AICPA) in 1917. Currently, it is used to assess the technical proficiency of candidates for CPA licensure in all 50 states, Guam, Puerto Rico, the Virgin Islands, the District of Columbia, the Commonwealth of Northern Mariana Island, and a growing number of other foreign locales.

Current CPA Exam

The requirements for the CPA designation established by the boards of accountancy led to the development of additional professional exams like Certified Management Accountant (CMA), Enrolled Agent (Internal Revenue Service ER), and Certified Internal Auditor (CIA), which enable professionals to demonstrate competence in particular job functions. Currently, the CPA exam consists of four parts, to include Auditing and Attestations, Financial Accounting and Reporting, Regulations, and Business Environment and Concepts. Below are the topics currently covered in each section.

Current CPA Exam	
Breaking Down the CPA Exam Parts	
Auditing & Attestation (AUD	**Financial Accounting and Reporting (FAR)**
Topics covered:	Topics covered:
Professional responsibilities, ethics and general principles	Conceptual framework, standard-setting and financial reporting
Risk assessment and developing a planned response	Select transactions
	Select financial statements accounts
Performing further auditing procedures and obtain evidence	State and local governmental accounting
Forming conclusions and reporting	
Regulations (REG)	Business Environment and Concepts (BEC)
Topics Covered:	Topics Covered:
Business Law	
Professional responsibilities, ethics and federal tax procedures	Economics Concepts and Analysis
	Corporate governance
Federal taxation of individuals	Financial management
Federal taxation of entities	Information technology
Federal taxation of property transactions	Operation management
Source: AICPA	

Weighted Scoring Methodology

The total score in the AUD, FAR, and REG sections is a weighted combination of scaled scores from multiple-choice questions (MCQs) and task-based simulations (TBSs). For the BEC section, total score is a weighted combination of the scaled scores from the MCQs, TBSs, and written communication tasks.

CPA Score calculations Weighted Scoring Methodology				
	AUD	**BEC**	FAR	REG
Multiple-choice Questions (MCQs)	50%	50%	50%	50%
Task-based simulations (TBSs)	50%	35%	50%	50%
Written communication task	n/a	15%	n/a	n/a
Total	100%	100%	100%	100%
Source: AICPA				

CPA Exam Pass Rates by Year

The business and accounting professions, how accountants carry out their duties, and the skills and knowledge required for success in both accounting and business are all being rapidly altered by technology. The CPA Exam is being restructured into a new CPA core-plus licensure model because of these revisions by The American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA). This program is known as CPA Evolution.

Over the past four years, the CPA Exam's cumulative pass percentage has been approximately 50%. The pass rates for all CPA Exam parts have increased in the years 2019, 2020, 2021, and 2022. The AICPA reports that despite the pandemic resulting in the fewest applicants taking the CPA Exam, 2020 witnessed some of the highest pass rates in the previous ten years.

CPA Exam Year	2019 Pass Rate	2020 Pass Rate	2021 Pass Rate	2022 Pass Rate
FAR	46.31%	49.98%	44.54%	44.93
AUD	51.01%	52.84%	47.98%	48.16
BEC	59.98%	65.56%	61.94%	59.68
REG	56.34%	62.29%	59.88%	61.10
Average Pass Rate	53.41%	57.67%	53.59%	53.47

The pass rates give a quick overview of the CPA test success rates throughout time as well as some insight into which exams are consistently harder to pass than others. BEC has historically had the highest passing rate, whilst FAR has always had the lowest passing rate.

2024 CPA Exam Evolution

The CPA Exam is being revised by the AICPA and NASBA to align with the new CPA licensure paradigm that will go into effect in January 2024. The CPA Exam's evolution aims to keep pace with the profession as well as the new core-plus-discipline license paradigm. Today's CPAs are expected to take on more challenging jobs sooner in their accounting careers and contribute to increasingly complicated projects. The knowledge and abilities that CPAs need to acquire to practice their profession more effectively and efficiently will therefore be measured by the CPA Exam in 2024.

- The 16-hour arrangement of the four four-hour sections of the online CPA exam is anticipated to persist. The four elements that make up the new CPA licensure model's basic requirements for CPA candidates are accounting, auditing, tax, and technology. The three main sections will all include questions on technology.

- Candidates will also need to have more in-depth understanding in one of the following three main fields:
1. Business Analysis and Reporting (BAR) – a continuation of the accounting core.
2. Information Systems and Controls (ISC) – a continuation of the Auditing core, or.
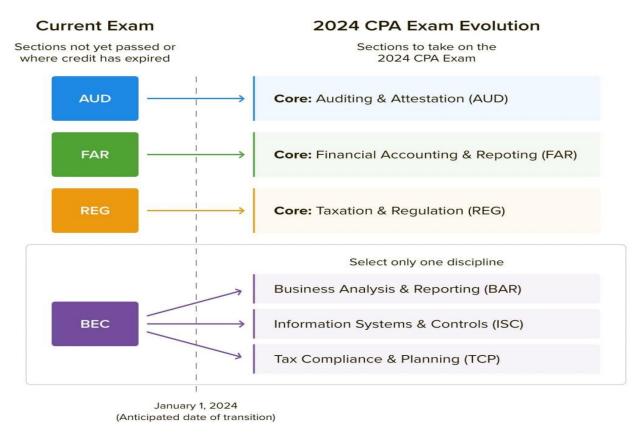3. Tax Compliance and Planning (TCP) – a continuation of the Tax core.

CPA Exam Evolution	
Breaking Down the New CPA Exam Parts	
Auditing & Attestation (AUD	**Financial Accounting and Reporting (FAR)**
Topics covered:	Topics covered:
Professional responsibilities, ethics and general principles	Conceptual framework, standard-setting and financial reporting
Risk assessment and developing a planned response	Select transactions
Performing further auditing procedures and obtain evidence	Select financial statements accounts
Forming conclusions and reporting	State and local governmental accounting
Regulations (REG)	In addition to Core, candidates will need to have a deeper knowledge in one of the following three primary disciplines
Topics Covered:	
Business Law	Select a Discipline:
Professional responsibilities, ethics and federal tax procedures	Business Analytics and Reporting (BAR)
Federal taxation of individuals	Information Systems and Controls (ISC)
Federal taxation of entities	Tax Compliance and Planning (TCP)
Federal taxation of property transactions	
Source: AICPA	

CPA Evolution: Curriculum revision for Higher Education

- The business and accounting professors will be familiar with a large portion of the curriculum's material. It has a core section that covers material that is frequently covered in courses on Intermediate Accounting, Accounting Information Systems, Auditing, Cost/Managerial Accounting, and Introduction to Taxation. But in today's accounting profession, new and growing sectors are becoming more important, therefore job hopefuls need to have the proper abilities to satisfy demand.

The CPA Evolution Model Curriculum includes the following topics in each section of the curriculum:

• Topics related to digital savvy and technology;

• An emphasis on data analytics in the Core and BAR sections, including critical thinking, extract-transform-load, data mining, and data visualization; and

• An emphasis on information systems in the Core and ISC sections, including IT governance, information security, system and organization controls, and application of digital technologies.
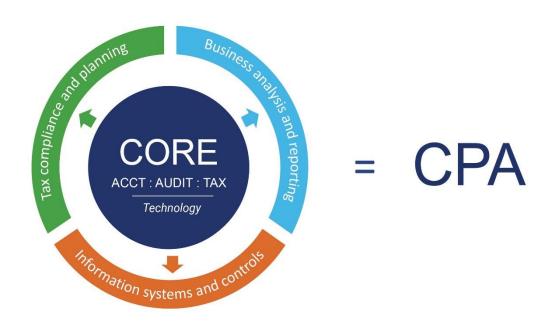
The modifications will keep the fundamental concepts now required of students taking the CPA Exam and add the new focal areas.

Students must choose their 150 hours of coursework with greater care, concentrating on the business and accounting courses that would best prepare them for their chosen concentration. This might help to improve the number of students who graduate with master's degrees in accounting.

The core requirements that will still be examined on the CPA Exam in the future will continue to be covered in undergraduate curricula. Master's programs will ensure that they are preparing the students for the

specialization areas by integrating technology into each subject they are teaching. Faculty members must do the same.

To prepare students for the specialist areas at schools without a master's program, they might add some elective courses.

Suggested Curriculum and Course(s):

The American Institute of Certified Public Accountants (ICPA) and National Associations of State Board of Accountancy (NASBA) recommended learning objectives that are based on the most recent revisions to Bloom's Taxonomy of learning. Both felt it was important to use a commonly accepted systemic approach to learning objectives and expect that schools and faculty may well adapt these recommendations to fit their specific institutional and personal professional expectations.

Suggested courses as a recommendation by Task Force members of the AICPA and NASBA. Are presented below Faculty and programs should consider their own resources and student needs when choosing where each topic will fit best in their programs.

Abbreviation		Course title		
ADA		Advanced Data Analytics in Accounting		
ADV		Advanced Financial Accounting		
AMDA		Advanced Managerial Accounting/Data Analytics		
AIS		Accounting Information Systems		
AUD		Auditing Principles		
DAA		Data Analytics in Accounting		
EA		Emerging Attestation		
ECP		Entity (Tax) Compliance and Planning		
GVT/NFP		Government/Not-for-Profit (combined course or separate in one of the two subjects)		
ICP		Individual (Tax) Compliance and Planning		
IMDA		Intermediate Managerial Accounting/Data Analytics		
INFOSEC		Information Security and Forensics		
INT		Intermediate Accounting 1 or 2 (two courses)		
ISAA		Information Systems Assurance and Advisory 1 or 2 (two courses)		
PFAS		Personal Financial Advisory Services		
TAX		Introduction to Tax for Individuals and Entities		
TR		Tax Research		
https://thiswaytocpa.com/collectedmedia/files/cpa-evolution-model-curriculum.pdf				
Source: AICPA & NASBA				

The first alternative discipline, business analysis and reporting, is made to fit with career trajectories that emphasize financial statement analysis, technical accounting, financial management, and management consulting services. This discipline includes modules on financial statements, derivatives, hedge accounting, foreign currency translation, leases, employee benefit plans, software, cost accounting, and governmental accounting that go beyond the core's coverage of financial accounting and reporting for-profit and non-profit entities. Additionally included are advanced data analytics models and decision-making strategies for financial statement analysis, accounting research, sustainability reporting, and these.

Information Systems and Controls, the second discipline, includes the following modules that build on the principles and methods in the core: IT governance, risk analysis, internal controls, System and Organization Controls (SOC) engagements, management data use, information security, and safeguarding information systems. An applicant for the IT section would be interested in working in fields including data governance, IT risk analysis, the IT portion of financial audits of business operations, and cybersecurity concerns.

Over 50% of respondents to a recent (2021) AICPA poll of accounting teachers reported enrollment losses in their undergraduate accounting programs relative to historical averages. The time has come for schools that

aim to train future CPAs to take a new look at accounting education to position themselves for success in the future.

Educators and practitioners are directing the development of a CPA Evolution model curriculum that is in line with the CPA Evolution model to assist colleges and institutions in preparing students for the demands of professional practice and future CPA Exam revisions.

In response to these changes, we as business and accounting educators should review our curriculum and working on the details about the development of a curriculum to include the core and discipline sections needed for the CPA Exam

AICPA and NASBA recommend accounting programs follow these four steps:

- Step 1. Review the modules and topics in the CPA Evolution Model Curriculum. Identify any "gaps", or subject matter areas that are not currently being taught in your program.
- Step 2. Once any gaps are identified, consider your program's objectives and strategy considering available resources. Importantly, this should include determining which one, two or three of the disciplines on which your accounting program will focus.
- Step 3. After identifying the modules and topics your program will prioritize, first seek ways to build them into existing courses. This could mean removing certain topics from existing courses, which should be done only after first consulting the educational requirements of your state board of accountancy. AICPA and NASBA recommend accounting programs cover "Core" concepts, as well as those relative to the disciplines your program will focus on.
- Step 4. Consider whether new courses will be necessary and begin the approval process. AICPA and NASBA recognize that new course approval can be a lengthy and challenging process.

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