

May 15, 2020

Mr. Jeffrey Hoops  
Chair, Board of Examiners  
AICPA  
220 Leigh Farm Road  
Durham, North Carolina 27707

By e-mail: [practiceanalysis@aicpa.org](mailto:practiceanalysis@aicpa.org)

**Re: Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft  
and Invitation to Comment**

Dear Mr. Hoops:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 23,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

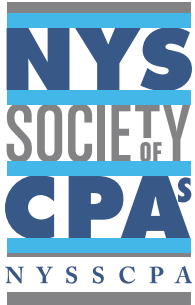
The NYSSCPA's CPA Examination Task Force deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact task force chair Renee Rampulla or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, appearing to read "Ita M. Rahilly". The signature is written over a faint, semi-transparent watermark of the NYSSCPA logo.

Ita M. Rahilly  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**MAINTAINING THE RELEVANCE OF THE UNIFORM CPA EXAMINATION®: AN  
EXPOSURE DRAFT AND INVITATION TO COMMENT**

**May 15, 2020**

**Principal Drafters**

**Robert J. Huether  
William C. Huether  
Vanessa McGovern  
Renee Rampulla  
Denise M. Stefano  
Nina Terranova-Dorata  
Mark M. Ulrich**

### **NYSSCPA 2019–2020 Board of Directors**

Ita M. Rahilly, <i>President</i>	Darcy Aldous	Jennifer A. Kartychak
Edward L. Arcara, <i>President-elect</i>	Dennis N. Annarumma	Gerard J. LoVerde
Kevin Matz, <i>Secretary/Treasurer</i>	Carnet A. Brown	Patricia A. McGrath
Barbara E. Bel, <i>Vice President</i>	Rumbidzai Bwerinofa- Petrozzello	Mitchell J. Mertz
Joseph A. Maffia, <i>Vice President</i>	Kelly R. Capron	Candice R. Meth
Renee Rampulla, <i>Vice President</i>	Catherine Censullo	Michael E. Milisits
Denise M. Stefano, <i>Vice President</i>	Anthony S. Chan	Steven M. Morse
Joanne S. Barry, <i>ex officio</i>	William H. Dresnack	Maria L. Petrollese
	Mark L. Farber	Jennifer Pickett
	Lynne M. Fuentes	Thomas S. Pirro
	Timothy J. Hammond	Janeen F. Schrann
	Elliot L. Hendler	Maria E. Suppa
	Jan C. Herringer	Mark M. Ulrich
	Douglas L. Hoffman	Liren Wei
	Kimberly G. Johnson	Charles J. Weintraub
		David G. Young

### **NYSSCPA CPA Examination Task Force**

Renee Rampulla, <i>Chair</i>	William C. Huether	Nina Terranova-Dorata
Robert J. Huether	Vanessa McGovern	Mark M. Ulrich
	Denise M. Stefano	

### **NYSSCPA Staff**

Ernest J. Markezin

# New York State Society of Certified Public Accountants

## Comments on

### **Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment**

We welcome the opportunity to respond to the AICPA's invitation to comment on *Maintaining the Relevance of the Uniform CPA Examination®* (Exposure Draft).

Overall, we support the ongoing efforts to maintain the validity, reliability, and relevance of the Uniform CPA Examination® (CPA Exam).

Our responses to the specific questions outlined in the Exposure Draft are presented below. We did not prepare responses to Questions 5, 15, 24, 31, 34, 36 and 39.

#### **Question 1: Group B: Ethics, independence and professional conduct. Topic 3: Requirements of the Government Accountability Office and the Department of Labor.**

**Remove the application skill level content regarding independence rules and ethical requirements for the Government Accountability Office and independence rules for the Department of Labor as PA research indicates this is less relevant to n1CPA practice. The Remembering and Understanding skill level content will be retained.**

We agree with the removal of the application skill level content regarding independence rules and ethical requirements for the Government Accountability Office and independence rules for the Department of Labor. We believe the understanding and remembering these specific ethical requirements and independence rules are less relevant to a newly licensed CPA (n1CPA).

#### **Question 2: Group C: Terms of engagement. Topic 1: Preconditions for an engagement.**

**Remove the topic. PA research indicates that the content in this topic is generally not among procedures completed by n1CPAs.**

While we agree that n1CPAs may not be involved in performing procedures to determine whether the preconditions for accepting an engagement have been met, their level of involvement is often dependent on the size of the accounting firm they work for, the engagement, and the skill level of the individual n1CPA. Additionally, an understanding of these preconditions can help in the audit risk assessment process. Therefore, we suggest retaining a general understanding of the Topic and that n1CPAs continue to be assessed on identifying the factors affecting the acceptance or continuance of an audit or non-audit engagement.

#### **Question 3: Group E: Communications with management and those charged with governance. Topic 3: All other matters.**

**Remove the topic. PA research indicates that the lack of specificity in the current CPA Exam Blueprint related to all other matters was not useful.**

We agree with this proposed change providing the critical components of communication with management and those charged with governance continue to be covered elsewhere in the CPA Exam.

**Question 4: Group F: Communication with component auditors and parties other than management and those charged with governance.**

**Remove the group. PA research indicates the content in this topic is beyond the scope of n1CPA practice.**

We agree with the removal of Group F: Communication with component auditors and parties other than management and those charged with governance, and believe it is beyond the scope of a n1CPA practice.

**Question 6: Group A: Planning an engagement. Topic 2: Developing a detailed engagement plan.**

**Remove the analysis skill level content on developing a detailed engagement plan. PA research indicates the analysis content tested is beyond the scope of n1CPA practice.**

We agree that CPA Exam should continue to assess preparing and documenting an engagement plan, as well as supporting client request materials. We also agree with the proposed removal of the analysis skill level content in Topic 2: Developing a detailed engagement plan within Group A: Planning an engagement and acknowledge that it may go beyond the scope of some, but not all n1CPAs. A n1CPA's involvement in this area is often dependent on the size of the accounting firm they work for, the engagement, and the skill level of the individual n1CPA. Given this, we suggest that you consider assessing this content at the application skill level.

**Question 7: Group B: Understanding an entity and its environment. Topic 1: External factors, including the applicable financial reporting framework. Topic 2: Internal factors, including nature of the entity, ownership and governance structures and risk strategy.**

**Expand the group to consider technology's impact on an entity.**

We strongly agree with this necessary change to specifically include the understanding of the business and associated processes and a digital and data-driven mindset. We also believe that technology content should be tested at all skill levels up to and including the analysis skill level.

**Question 8: Group C: Understanding an entity's internal control. Topic 1: Control environment and entity-level controls. Topic 2: Flow of transactions and design of internal controls. Topic 3: Implications of an entity using a service organization. Topic 4: Information Technology (IT) general and application controls.**

**Revise topics in Group C to more broadly consider the control environment, significant business processes, and IT systems.**

We agree with all of the proposed revisions to the topics in Group C. We believe these revisions will adequately capture the relevant skills nCPAs need to understand data; the sources of data; where and how that data may be accessed; and the completeness, accuracy, and relevance of that data.

**Question 9: Group E: Identifying and assessing the risk of material misstatement, whether due to error or fraud, and planning further procedures responsive to identified risks. Topic 3: Further procedures responsive to identified risks.**

**Add content regarding the use of audit data analytic techniques to identify transactions that may have a higher risk of material misstatement.**

We strongly agree with the proposed addition of the use of audit data analytic techniques to identify transactions that may have a higher risk of material misstatement and believe this change is consistent with current practice.

**Question 10: Group G: Planning for and using the work of others, including group audits, the internal audit function and the work of a specialist.**

**Remove content related to the use of the internal audit function. PA research indicates content on the use of the internal audit function is beyond the scope of nCPA practice.**

We agree with the proposed addition of content that relates to the use of the work of an IT auditor. We also agree that the CPA Exam should maintain current content relating to group auditors and using the work of other specialists. We suggest a reconsideration of the removal of content relating to the use of the internal audit function. We acknowledge that the use of the internal audit function may go beyond the scope of some nCPAs, but not all nCPAs. A nCPA's involvement in this area is often dependent on the size of the accounting firm they work for, the engagement, and the skill level of the individual nCPA.

**Question 11: Group H: Specific areas of engagement risk. Topic 3: Related parties and related party transactions.**

**Eliminate analysis skill level content and focus on defining and identifying related parties. PA research indicates the content at the analysis skill level is beyond the scope of nCPA practice.**

We strongly disagree with the proposal to eliminate the analysis skill level content in Topic 3: Related parties and related party transactions, of Group H. We do not believe the content at that analysis skill level is beyond the scope of nCPAs in practice. The analysis is a natural extension of defining and identifying related parties, including related disclosures and a nCPA should be able to consider significant and unusual transactions with related parties, such as those charged with governance, in the context of the risk of material misstatement.

**Question 12: Group A: Understanding sufficient appropriate evidence.**

**Revise group title to "Sufficient appropriate evidence."**

**Expand the scope of Group A to include content focused on determining the sources of sufficient appropriate evidence and identifying procedures to validate the completeness and accuracy of data.**

We agree with the proposed change to expand the scope of Group A to include content focused on:

- determining the sources of sufficient appropriate evidence and identifying procedures to validate the completeness and accuracy of data, and
- the use of professional skepticism and judgment in analyzing corroborating or contradictory evidence and evaluating whether sufficient appropriate evidence has been obtained.

**Question 13: Group B: Sampling techniques.**

**Revise group title to “General procedures to obtain sufficient appropriate evidence.”**

We agree that the concept of using automated tools and audit data analytics in audit sampling should be added to Group B along with the existing content found in other Groups. We suggest that you consider defining “automated tools” within the context of the CPA Exam because the use of the term may vary from firm to firm. We question whether it is necessary to include the term “General” in the name of the revised Group B.

**Question 14: Group C: Performing specific procedures to obtain evidence.**

**Revise group title to “Specific procedures to obtain evidence.”**

We agree to the expansion of content that will include working with data sets and encompassing tasks requiring the use of Excel (i.e., sorting, classifying, summarizing, and comparing data); and the analyzing of the results of an audit data analytic procedure along with understanding the significance of notable or unusual items. We question whether it is necessary that this content reside in a new Topic instead of being integrated elsewhere, such as being combined with the content discussed in Question 13.

**Question 16: Group D: Specific matters that require special consideration. Topic 2: Investments in securities and derivative instruments.**

**Revise topic by eliminating derivative content and focus on the testing of inputs and assumptions relating to the fair value of investments. PA research indicates the testing of derivatives in this context is beyond the scope of nICPA practice.**

We agree with the proposed change to focus on the broader concept of fair value measurement inputs and assumptions, which we believe would include various types of financial instruments and investments.

**Question 17: Group D: Specific matters that require special consideration. Topic 4: Litigation, claims and assessments.**

**Remove analysis skill level content from the topic. PA research indicates analyzing management’s estimates of accruals for litigation, claims, and assessments are beyond the scope of nICPA practice.**

We do not agree with the proposal to remove the analysis skill level content because the ability to analyze management's estimates of accruals for litigation, claims and assessments are not beyond the scope of a n1CPA in practice.

**Question 18: Group D: Specific matters that require special consideration. Topic 5: An entity's ability to continue as a going concern.**

**Remove application skill level content from the topic. PA research indicates that performing procedures related to the assessment of management's evaluation and conclusion on an entity's ability to continue as a going concern was beyond the scope of n1CPA practice.**

We agree that the CPA Exam should focus on identifying going concern factors and indicators, and that performing procedures related to the assessment of management's evaluation and conclusion on an entity's ability to continue as a going concern is beyond the scope of n1CPA practice.

**Question 19: Group F: Written representations.**

**Remove the application skill level content and retain the content related to identifying the necessary representations. PA research indicates the content currently in the remembering and understanding skill level more closely aligns with n1CPA practice.**

We believe the ability to remember and understand the types of the written representations that should be obtained from management or those charged with governance is within the scope of a n1CPA's skill level and that the removal of the related application skill level content is appropriate.

**Question 20: Group G: Subsequent events and subsequently discovered facts. Revise group title to "Subsequent events."**

**Remove subsequently discovered facts content. PA research indicates subsequently discovered facts are beyond the scope of n1CPA practice.**

We agree with the removal of subsequently discovered facts content and agree that the CPA Exam should continue to assess procedures to identify subsequent events, and if subsequent events are appropriately reflected in the financial statements and disclosures.

**Question 21: Group D: Reporting on compliance.**

**Remove the application skill level content related to the preparation of draft compliance reports. PA research indicates the preparation of compliance reports is less important to n1CPA practice.**

We believe the ability to remember and understand the type of factors that the auditor or practitioner should consider when reporting on compliance is within the scope of a n1CPA's skill level and that the removal of the application skill level content related to the preparation of draft compliance reports is appropriate.



**Question 22: Group E: Other reporting considerations. Topic 5: Single statements. Topic 7: Letters for underwriters and filings with the SEC. Topic 8: Alerts that restrict the use of written communication.**

**Remove topics. PA research indicates the content assessed in these topics is beyond the scope of a newly licensed CPA practice.**

We agree with the specific removal of other reporting matters contained in Group E: Topics 5, 7, and 8 because the topics are beyond the scope of a nICPA practice.

**Question 23: Group A: Internal control frameworks. Group B: Enterprise risk management (ERM) frameworks. Group C: Other regulatory frameworks and provisions.**

**Revise groups. This change is proposed in response to the findings identified in the PA research, more specifically understanding the business and associated processes and the digital and data-driven mindset.**

We agree to the proposed changes to revised Group A: Internal control frameworks, Group B: Enterprise risk management (ERM) frameworks, and Group C: Other regulatory frameworks and provisions.

**Question 25: Group A: Capital structure.**

**Remove the analysis content from the group.**

We agree that comparing and contrasting the strategies for financing new business initiatives and operations is beyond the scope of nICPA in practice and that the application level content is sufficient for this Group.

**Question 26: Group A: Understanding of information technology (IT). Topic 1: Organization and governance.**

**Add content to the topic on understanding the need for SOC 1 reports for outsourced IT functions.**

We agree that understanding the need for SOC 1 reports for outsourced IT functions is within the scope of a nICPA's skill set. Additionally, we propose that you consider the current location of this content and suggest a relocation to Content Group B: Role of Information Technology in Business versus Group A: Information Technology (IT) Governance.

**Question 27: Group A: Understanding of information technology (IT). Topic 3: Data.**

**Change the current Topic 3 - Data to be a Group of its own and add content related to working with data.**

We agree that data and working with data should reside in its own Group and suggest that it be located within the BEC Blueprint Area IV: Group B: Role of Information Technology in Business.

**Question 28: Group B: Risk associated with IT. Topic 2: System development and maintenance.**

**Narrow the focus of the topic and revise the skill level from application to remembering and understanding.**

This proposed change would more closely align with a nCPA's skill set and therefore we agree with narrowing the focus on recalling concepts related to controls over software changes at the remembering and understanding skill level rather than the application skill level.

**Question 29: Group C: Controls that respond to risks associated with IT. Topic 4: Continuity and recovery plans.**

**Broaden the topic and revise the skill level from application to remembering and understanding.**

We agree to the proposed revisions relating to business resiliency. Testing the revised content at the remembering and understanding skill level rather than the application skill level more closely aligns with a nCPA's skill set.

**Question 30: Group B: General-purpose financial statements: for-profit business entities. Topic 8: Discontinued operations.**

**Remove the topic and add discontinued operations as an example to the multiple-step income statement task statement in Area I, Group B, Topic 2.**

We agree with the proposed removal of separate Topic 8 and the addition of discontinued operations in the context of a multiple-step income statement because this is the general scenario a nCPA would encounter in practice.

**Question 32: Group E: Financial statements of employee benefit plans.**

**Limit the scope of content assessed. PA research indicates that the assessment of defined benefit pension plans beyond basic concepts is not within nCPA practice.**

We agree with limiting the scope of content tested in connection with Group E: Financial statements of employee benefit plans and believe that the assessment of defined benefit pension plans beyond basic concepts is not within a nCPA in practice.

**Question 33: Group K: Compensation and benefits. Topic 1: Compensated absences.**

**Remove the topic and limit the scope of the content assessed to vacation accruals under Area II, Group G, Payables and accrued liabilities. PA research indicates that this topic is less important to nCPA practice.**

We agree with moving the content in Group K: Compensation and benefits, Topic 1: Compensated absences to Area II: Group G: Payable and Liabilities, and believe it is still relevant that a nCPA be able to assess vacation accruals.

**Question 35: Group D: Derivatives and hedge accounting (e.g., swaps, options, forwards).**

**Remove application skill level content. PA research indicates that this topic is less important to nCPA practice.**

We agree that a nCPA needs to understand the basics of these instruments and the removal of the application skills level content in Group D: Derivative and hedge accounting (e.g., swaps, options, forwards) is appropriate because it is beyond a nCPA's scope of knowledge in practice.

**Question 37: Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 1: Government-wide financial statements.**

**Remove application skill level content. PA research indicates that this topic is less important to nCPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.**

We agree with this proposed change to limit the scope of this topic by focusing on identifying and recalling basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements, and financial statement components). We believe this topic is less important to nCPAs in practice unless this is a nCPA's specialized area of practice.

**Question 38: Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 2: Governmental funds financial statements. Topic 3: Proprietary funds financial statements. Topic 4: Fiduciary funds financial statements.**

**Remove application skill level content and combine these topics into a new topic titled "Fund financial statements." PA research indicates that this topic is less important to nCPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.**

We agree with the new combined topic and its focus on the basic concepts and principles associated with the governmental fund, proprietary fund, and fiduciary fund financial statements, which will not include the preparation of specific statements. A nCPA should be able to recall basic concepts at the remembering and understanding skill level involving the government-wide financial statements and reconciliation requirements.

**Question 40: Group C: Debtor-creditor relationships. Topic 1: Rights, duties and liabilities of debtors, creditors and guarantors. Topic 2: Bankruptcy and insolvency. Topic 3: Secured transactions.**

**Limit the scope of the content to the basic concepts related to debtor and creditor relationships, bankruptcy and insolvency, and secured transactions. PA research indicates that these topics are less important to nCPA practice.**

We agree that the proposed changes to combine Topics and limit the scope of the content to basic concepts related to debtor and creditor relationships, bankruptcy and insolvency, and secured transactions will better align with the skill set of a nCPA in practice.

**Question 41: Group D: Government regulation of business. Topic 1: Federal securities regulation.**

**Remove the topic. PA research indicates that this topic is less important to nCPA practice.**

We agree with the removal of Group D: Government regulation of business. Topic 1: Federal securities regulation, because these concepts related to a CPA's liability under the '33 and '34 Acts are not essential to nCPA practice. We believe the CPA Exam should continue to assess SEC reporting requirements in the FAR section.

**Question 42: Group C: Estate and gift taxation. Topic 1: Transfers subject to gift tax. Topic 2: Gift tax annual exclusion and gift tax deductions. Topic 3: Determination of taxable estate.**

**Limit the scope of the content to the basics of gift taxation and remove content on estate taxation. PA research indicates that these topics are less important to nCPA practice.**

We agree with the proposed changes to Group C: Estate and gift taxation and believe a nCPA should have a basic understanding of estate and gift taxation. We suggest that you consider combining this content with the content in Group G: Trusts and estates. Topic 2: Income and deductions as proposed in Question 45. Group G: Trusts and estates.

**Question 43: Group H: Alternative minimum tax (AMT).**

**Remove the group. PA research indicates that this group is less important to nCPA practice.**

We agree with the removal of this group given the recent and continuous changes to tax law along with the limited application to a nCPA's skill set in practice.

**Question 44: Group C: C Corporations. Topic 2: Net operating losses and capital loss limitations.**

**Remove analysis skill level content. PA research indicates that this topic is less important to nCPA practice**

We agree that the assessment of net operating loss content should remain at the application skill level, which best aligns with a nCPA in practice, and that it be removed from the analysis skill level content.

**Question 45: Group G: Trusts and estates. Topic 2: Income and deductions. Topic 3: Determination of beneficiary's share of taxable income.**

**Remove the topics. PA research indicates that these topics are less important to nCPA practice.**

We agree with the proposed transfer from Topic 1 to a separate group that will focus on recalling basic concepts related to the types of trusts (simple and complex trusts) and that these topics are less important to nCPAs in practice. We suggest that you consider combining this content with the content described in Question 42.

**Question 46: Group H: Tax-exempt organizations. Topic 2: Obtaining and maintaining tax-exempt status. Topic 3: Unrelated business income.**

**Remove Topic 2 and limit the scope of Topic 3. PA research indicates that these topics are less important to n1CPA practice.**

We agree with the removal of Topic 2: Obtaining and maintaining tax-exempt status and the limiting the scope of Topic 3: Unrelated business income, which will focus on assessing a n1CPA's understanding of unrelated business income for a tax-exempt organization rather than calculating it.

**Additional Comments for Consideration**

In addition to our responses to the specific questions in the Exposure Draft we believe it is important to bring the following to your attention:

- The Exposure Draft does not provide a definition of a “newly licensed CPA or n1CPA” thereby making it subject to varying interpretations. A respondent may view a n1CPA as a recent accounting graduate while another respondent may view a n1CPA as an individual who has been in practice for 3 to 5 years, or perhaps longer, and only recently passed the CPA Exam. Given the ambiguous nature of the profile of a n1CPA, we believe that responses to the Exposure Draft questions may unintentionally lack consistency.
- We suggest that you consider performing another review of the FAR section to consider the removal or reduction of additional items.
- We strongly disagree with the recommendation to remove the essay question (written communication question). This assessment is evidence of a candidates' ability to critically think and provide support for conclusions reached. Communication is especially important for n1CPAs who need to not only properly draft memos but communicate with clients, peers, management, those charged with governance, regulators, etc.
- We agree that the FAR area IV – State and Local Governments is specialized in nature and may not apply to a majority of n1CPAs. However, understanding this content is important to those n1CPAs working in state and local governments or with firms that specialize in this area. We suggest that you continue to reach out to the profession before reaching a final conclusion regarding the removal.