

# **De-mystifying the CPA Examination Process:** **How to Climb a Mountain Shrouded in Fog**

By Nicholas J. Talian

## **1. Introduction**

Someone once told me that taking the Uniform Certified Public Accounting (CPA) exam was an “ordeal”. I also heard a co-worker refer to it as an “undertaking of masochistic proportions”. Stories of multiple failures, repeated reexaminations, expired scores, and countless hours spent studying for the exam nearly dissuaded me. “How bad can it possibly be?” I wondered. I decided that I simply had to discover the truth about the CPA exam, and so I began the registration process.

Having recently completed the exam, I thought I would take a moment to reflect upon this year-long journey and capture my observations on the subject while they are still fresh in my mind. Perhaps these chronicles may prove beneficial to those of you who are considering taking this exam in the future. My primary intent is to de-mystify the process of obtaining the CPA credential and shed some light on the areas which were particularly obscure and confusing to me.

This is written particularly from the perspective of an Information Technology professional who made the transition into accounting, from previous technical project management and software development roles. It may have particular relevance and applicability to those individuals who are considering a career change from technology and software development, into accounting as a profession.

I also wanted to write this article in hopes that it would provide a feeling of catharsis and relief after what was, quite frankly, a rather grueling experience.

Although countless numbers of people have climbed the mysterious and foggy slopes of Mt. Kilimanjaro, each individual ascent is a deeply personal journey. Each person must individually endure a test of his or her physical strength and mental resolve.

The same holds true for the CPA exam.

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\*Disclaimer: The content and opinions expressed in this article are entirely my own personal views and do not reflect any official stance or policy of my employer, in any way, shape, or form.

## 2. Exam Format

The CPA exam is divided into 4 separate sections, taken during 4 separate test sessions. The content of each exam subsection is as follows, ranked by the author in order of decreasing perceived difficulty. Actual difficulty will vary according to individual expertise, training, and subjective perception.

<b>Test Name:</b>	<b>REG</b> (Regulatory Environment, Business Law, Corporate and Individual Taxation)
<b>Description:</b>	This section covers knowledge of ethics and professional responsibility, business law, Federal tax procedures and accounting issues, Federal taxation of property transactions, Federal taxation – individuals, and Federal taxation – entities.
<b>Format:</b>	<ul style="list-style-type: none"> <li>• Computer-based exam with adaptive difficulty.</li> <li>• 3 testlets of 24 multiple-choice questions (MCQs).</li> <li>• 1 testlet of 6 simulation-based exercises (Sims) and an authoritative literature research problem.</li> </ul>
<b>Time Limit:</b>	3 hours with optional breaks in between each testlet. The clock keeps running during each break.
<b>Scoring:</b>	Psychometric methodology is used to score the exam with a minimum passing score of 75 or higher.

<b>Test Name:</b>	<b>FAR</b> (Financial Accounting and Reporting)
<b>Description:</b>	This section covers knowledge of concepts and standards for financial statements, typical items in financial statements, specific types of transactions and events, accounting and reporting for governmental agencies, and accounting and reporting for non-governmental and not-for-profit organizations.
<b>Format:</b>	<ul style="list-style-type: none"> <li>• Computer-based exam with adaptive difficulty.</li> <li>• 3 testlets of 30 multiple-choice questions (MCQs) each.</li> <li>• 1 testlet of 7 simulation-based exercises (Sims) and an authoritative literature research problem.</li> </ul>
<b>Time Limit:</b>	4 hours with optional breaks in between each testlet. The clock keeps running during each break.
<b>Scoring:</b>	Psychometric methodology is used to score the exam with a minimum passing score of 75 or higher.

<b>Test Name:</b>	<b>AUD</b> (Auditing and Attestation)
<b>Description:</b>	This section covers knowledge of planning the engagement, internal controls, obtaining and documenting information, reviewing engagements and evaluating information and preparing communications.
<b>Format:</b>	<ul style="list-style-type: none"> <li>• Computer-based exam with adaptive difficulty.</li> <li>• 3 testlets of 30 multiple-choice questions (MCQs) each.</li> <li>• 1 testlet of 7 simulation-based exercises (Sims) and an authoritative literature research problem.</li> </ul>
<b>Time Limit:</b>	4 hours with optional breaks in between each testlet. The clock keeps running during each break.
<b>Scoring:</b>	Psychometric methodology is used to score the exam with a minimum passing score of 75 or higher.

<b>Test Name:</b>	<b>BEC</b> (Business Environment and Concepts)
<b>Description:</b>	This section covers knowledge of business structures, economic concepts, financial management, information technology, and planning and measurement.
<b>Format:</b>	<ul style="list-style-type: none"> <li>• Computer-based exam with adaptive difficulty.</li> <li>• 3 testlets of 24 multiple-choice questions (MCQs) each.</li> <li>• 1 testlet of 3 written communications tasks.</li> </ul>
<b>Time Limit:</b>	3 hours with optional breaks in between each testlet. The clock keeps running during each break.
<b>Scoring:</b>	Psychometric methodology is used to score the exam with a minimum passing score of 75 or higher.

### 3. Strong Areas

- Mechanically, accounting is not particularly difficult from a mathematical standpoint. The most complex operations needed to perform most accounting computations are addition, subtraction, multiplication, division, and some basic algebra. You do not need to possess higher-order math knowledge of calculus, linear algebra, or discrete mathematics. Consequently, the mechanics of accounting should be relatively easy to master for most IT professionals, engineers, and scientists with strong quantitative and math-intensive backgrounds.
- The FAR, AUD, and BEC sections develop logically from core principles. Thus, it is often possible to deduce the correct answer based on a good understanding and basic fundamental knowledge of economics and accounting standards. Conceptually, accounting as a discipline has much in common with business administration, the social sciences, and law.

### 4. Weak Areas

- The REG section is dependent on rote memorization of tax rules. This is the one area that I struggled with the most, because of the manner in which many taxation concepts could **not** be derived from base principles. This is unlike many topics in the hard sciences, such as physics, chemistry, and engineering, where a few simple equations can be used to explain underlying complex behavior. In particular, the Internal Revenue tax code takes up 2 phone-book-sized volumes printed on tissue paper.
- Generally Accepted Accounting Principles (GAAP) is not a natural science. Rather, it is a codification and byproduct of certain historical traditions, human thinking, and consensus-building exercises. As such, it is inherently unstable and subject to perpetual revision and refinement. Consequently, one can never truly master the art of accounting because the laws and rulebooks are in a constant state of flux. It then becomes a life-long endeavor and one must dedicate oneself to keeping up with the latest bulletins and decrees by means of the Continuing Professional Education (CPE) system. It is important to be mindful of this commitment.
- Acronym ambiguity. Accountants love to use acronyms and abbreviations, almost as much as computer programmers. They have their own special vocabulary and jargon that they like to use to separate the wheat from the chaff and keep a certain aloofness from the rest of the world. The problem is half the time they don't even know what they are talking about. Take, for example, the use of the "slash" notation. Thus, the abbreviation "I/S" is shorthand for "Income Statement". But a problem arises with inconsistent usage of certain acronyms. For example, "G/L" may refer to the "General Ledger" or to "Gains and Losses". You as the reader will have to decipher the meaning based on the context in which the abbreviation is used. This may be frustrating to those who prefer that acronyms and technical words have a specific meaning and usage.

## 5. Why CPA?

I would like to provide some additional context on my professional background that may help put these thoughts in their proper context. Over the course of my career, my perspectives on various career paths have evolved. My career specialization has been providing consulting services for financial systems and enterprise systems to the federal government. My motivation to take this exam primarily stemmed from the fact that I was currently employed by a “Big 4” public-accounting firm. I observed the typical career progression of others in this field and the CPA route seemed to be a well-trodden path to career advancement. By no means did I assume that this was a guaranteed ticket to wealth and fortune, but I concluded that it would be a worthwhile investment of my time and money. I already had my MBA, CGFM, and PMP, but this last certification would be the “capstone” in a manner of speaking. It is a sort of test of wills, or a rite of passage, that every accountant must endure in order to prove their worth, before they can join the ranks of the elite club. I also must admit that I have a certain competitive streak in my personality, which is why I chose to undertake this endeavor.

## 6. Observations

- The Uniform CPA exam is a test of character, perseverance, and willpower more than it is an accounting exam. It tests the candidate’s ability to endure and memorize, digest, and internalize large volumes of information over a several-month-long period.
- The CPA exam measures one’s ability to focus on a particular goal to the exclusion of all other problems in life. To succeed you must filter out all the extraneous noise and chatter from your mind and concentrate on the singular goal of passing the exam.
- The portion of the exam that is supposed to test Information Technology concepts is, by and large, a joke. The material is woefully outdated and so simplistic as to be meaningless. For example, there is absolutely no coverage whatsoever on Structured Query Language (SQL).
- The Becker CPA Review course is a very effective tool to use when studying for the CPA exam. I highly recommend it. I found the software, videos, and mobile apps to be very useful and of high quality.
- That nagging feeling of being inadequately prepared never really goes away.
- The scoring system is byzantine and needs to be overhauled, in my opinion. There is no technical reason why the score results should not be available immediately.
- There is considerable overlap and redundancy in the material covered. It’s not rare to encounter an FAR type of question in the middle of REG, or a BEC style question in AUD.

## 7. Costs

I did not keep rigorous records of the amount of time and money I spent on obtaining the CPA credential (shame on me, I know). However, I would conservatively estimate the following numbers. Your own costs may vary depending on your geographic region and personal level of frugality.

Exam Section	Hours
AUD	150
REG	200
BEC	100
FAR	200
Administrative	200
<b>Total</b>	<b>850</b>

Item	Cost
Office supplies	100
Becker Review course	2,000
iPhone Apps	200
Audio Books	150
Exam fees	1,000
Rescheduling fees	100
Transportation costs	1,000
Transcript fees	100
State Board Initial Individual CPA License Application fee	150
Work experience verification supervisor CPA Licensure verification fee	50
<b>Total</b>	<b>\$4,850</b>

I used just about every possible method to expose my brain to the information so that it could absorb as much of the knowledge required to pass the CPA as possible. You name it, I used it: flashcards, software apps, etc. My theory was that if I was starting to get brain fatigue or stimulatory overload with one method, perhaps an alternative method would result in higher retention and better exam performance.

## 8. Resources

The following resources may be helpful when researching and applying to take the CPA exam:

Resource	Description	URL
AICPA	American Institute of Certified Public Accountants	<a href="http://www.aicpa.org/becomeacpa">http://www.aicpa.org/becomeacpa</a>
NASBA	National Association of State Boards of Accountancy	<a href="https://cpacentral.nasba.org/">https://cpacentral.nasba.org/</a>
Prometric	Professional Licensing and Certification Exam Provider	<a href="http://www.prometric.com/cpa/">http://www.prometric.com/cpa/</a>
Becker	Becker Professional Education / CPA Exam Review	<a href="http://www.becker.com/cpa-review">http://www.becker.com/cpa-review</a>
Another 71	CPA Exam Review and Message Board	<a href="http://www.another71.com/cpa-exam-forum/">http://www.another71.com/cpa-exam-forum/</a>

## 9. Exam Administration

From an administrative standpoint, the exam was a baroque labyrinth that had to be navigated in order to simply take the exam.

First, one must apply to a state board of accounting to sit for the exam. This process typically takes several weeks due to the fact that the submission of application materials is still paper-based and must be reviewed by a human being.

The minimum education requirements to sit for the exam vary from state to state, but since July 2014 there has been a national effort to standardize the requirements.

## 10. Exam Center Experience / Tips & Tricks

- I took some high-calorie snacks and caffeinated drinks and left them in my locker, to be consumed during breaks. This sugary junk food / comfort food fueled my brain and gave me the extra energy boost to get me through the final sections of the longer exams.
- NTS stands for “Notice to Schedule”. It is issued by the NASBA to test candidates and contains a numerical code called Session ID. You have to type this code into the computer in order to start the test. Don’t forget to take a hardcopy printout of the NTS to the exam session.
- You will be asked to show pockets are empty, photographed, fingerprinted, and subjected to metal detector wand upon entrance to the testing center.
- I witnessed someone who was denied entrance to the exam facility because their passport name did not exactly match their exam registration name. Make sure all your identification documents are in proper order, with identical spelling of your full name, when providing ID to the test center administrators.
- Make sure you are dressed comfortably for indoor office room temperatures. If there any fluctuations in the ambient temperature, please be aware that the exam center administrators may deny you the opportunity to change clothes (add / remove sweatshirt, for example).
- If you want to use ear plugs to block out background noise during the exam, take your own. The test center administrators may or may not provide you with new ones when you arrive.
- According to the rules, if you have a physical or learning disability, you may request special accommodation from the exam administrators, which could include a private testing room and/or additional time. However, according to the rules, the burden of proof for such a disability is substantial, and must be extensively documented and requires a doctor’s approval.

## 11. Statistics

- Individual pass rates per exam average around 50%.
- According to the Bureau of Labor Statistics, there are approximately 650,000 actively licensed CPAs in the United States.

## 12. Conclusion

The CPA exam is one of the more challenging professional credentials one can obtain in the course of one's career. This is probably why most CPA's possess what I can only describe as a certain swagger or confidence that comes after having completed the examination and licensure process. Perhaps the thinking is somewhat along the lines of, "Very few people can accomplish what I did. I am special." As for myself, I have tried to keep a low profile while studying and taking the exams, because truthfully I did not know if I would pass or fail. There was a distinct possibility that I would not be able to finish the entire series of tests and would have to abandon the attempt mid-way through.

In my opinion, the CPA exam is mainly a test of character. The difficulty level arises from the volume of material that must be committed to memory before taking each section. In order to successfully master the material, each candidate typically devotes hundreds of hours in preparation, and the costs involved can easily reach upwards of several thousand dollars. Consequently, the CPA exam requires a high level of commitment, endurance, and dedication in order to see it thru to the very end.

If I had to do it all over again, would I repeat the same decisions? Maybe, maybe not. I think the CPA and other professional credentialing exams drive big business in the testing industry. Many companies undoubtedly benefit financially from the legions of graduating students who take these standardized exams. Furthermore, recent economic recessions have driven experienced professionals back to school to hone their skills in order to maintain their competitive advantage. These are the market forces at play in this sector, which may explain why some accountants are reluctant to reveal the secrets of their craft to laypersons. To do so would essentially be giving away trade secrets, and forfeiting hard-earned job security.

The structure of these review materials are periodically updated to keep up with the latest regulatory changes. Indeed, the AICPA is currently reevaluating the exam format and content, to make sure it remains relevant to the industry. Recently, the AICPA issued a roadmap and solicited input into the next revision of the exam, which is scheduled to be released in 2 years.

As I await my employer to sign my work experience verification paperwork, I look back on the past year with a sense of pride and accomplishment. I sincerely hope that others may benefit from what I have learned in this process and that this article may serve as a useful reference guide.

### 13. References

- [http://en.wikipedia.org/wiki/Uniform\\_Certified\\_Public\\_Accountant\\_Examination](http://en.wikipedia.org/wiki/Uniform_Certified_Public_Accountant_Examination)
- [http://www.aicpa.org/BecomeACPA/CPAExam/PsychometricsandScoring/ScoringInformation/DownloadableDocuments/How\\_the\\_CPA\\_Exam\\_is\\_Scored.pdf](http://www.aicpa.org/BecomeACPA/CPAExam/PsychometricsandScoring/ScoringInformation/DownloadableDocuments/How_the_CPA_Exam_is_Scored.pdf)

## Appendix A – Miscellaneous Notes

- **Customer Service**

While I understand the need to preserve the integrity of the testing process, treating your customers as if they were jail-hardened criminals is hardly a good business model. Entering and exiting the facility feels like going into Fort Knox or Alcatraz. You have been warned! Fortunately, I didn't see any skull-and-crossbones symbols on the front door.

- **Misery Loves Company**

If you can find a study buddy or at least a support group to help you get through the tough stages, or the low points in the study process, that is a great plus. Just having a friendly text message or words of encouragement to help you get through that last batch of MCQs really helps.

- **Another71.com**

Another71.com is a great site and online forum where test takers commiserate, share war stories, cope with stress, and bond over tales of hardship and struggles.

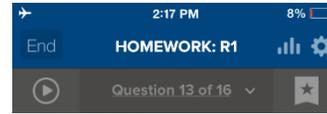
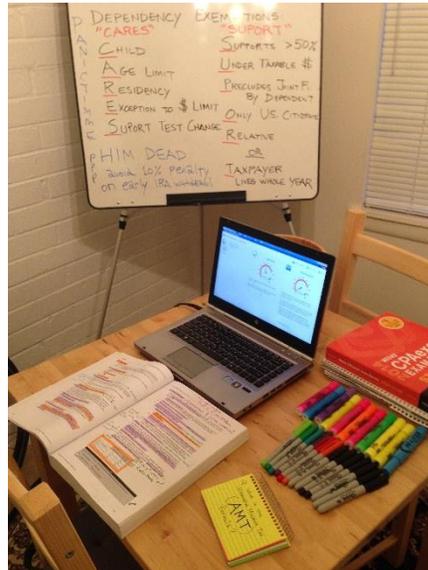
Highly recommended.

- **Rescheduling**

If you feel like you are getting close to the wire for your scheduled exam day and are just not feeling prepared, there is always the option to reschedule at the last minute. It only costs \$35 to reschedule to a later date within a testing window and could make the difference between passing with a 75 and failing with a 74. I rescheduled 2 of my exams and was glad I did because I was able to pass both of those sections.

## Appendix B – Photo documentary evidence

Here are some pictures I took while studying for the exam.



### CPA-06435

Mort and Mindy met at a New Year's Eve party held December 31, Year 1. They instantly bonded, fell madly in love, and were married at 11:38 p.m. that night. Sadly, Mort passed away November 15, Year 2. In January, Year 3, Mindy gave birth to triplets Mark, Mandy, and Maureen. Assuming that Mindy has not remarried, what filing status should she use for Year 4?

- a. Head of household.
- b. Surviving spouse.
- c. Single.
- d. Married filing jointly.



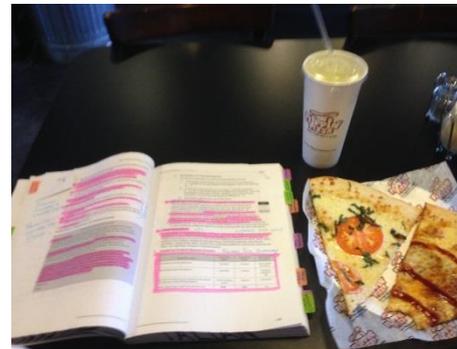
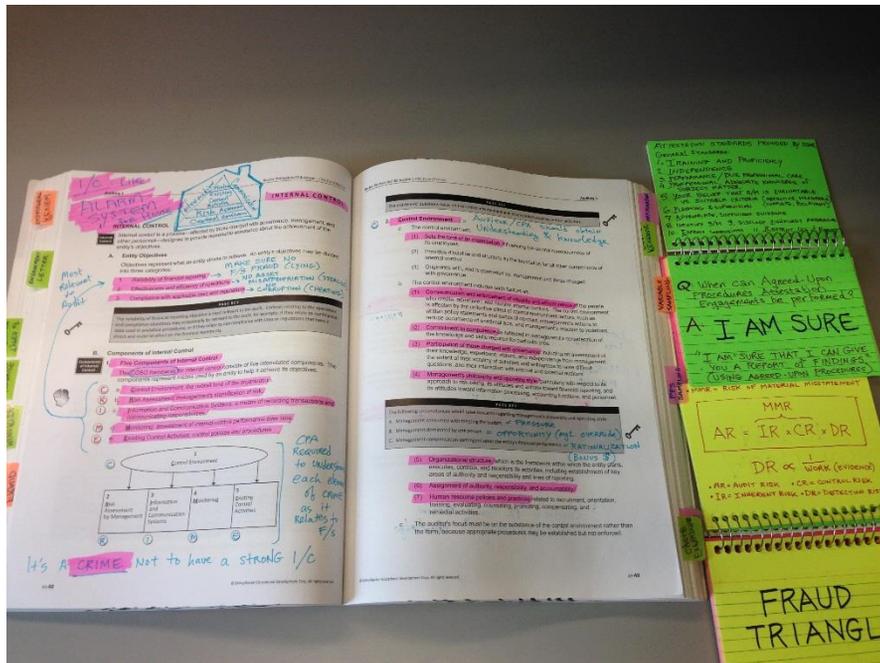
**Your Performance Compared to Passing Candidates\* by Content Area**

Content Area (% of multiple choice questions)	Weaker	Comparable	Stronger
Corporate Governance (16-20%)	Weaker		
Economic Concepts and Analysis (16-20%)	Weaker		
Financial Management (19-23%)	Weaker		
Information Systems (15-19%)	Weaker		
Strategic Planning (10-14%)	Weaker		
Operations Management (12-16%)	Weaker		

**by Item Type**

	Weaker	Comparable	Stronger
Multiple Choice (85%)	Weaker		
Written Communications (15%)		Comparable	

\*The comparable column is based on those candidates who scored between 75-80 on the examination section as a whole. For more information regarding how this comparison was calculated or for more information on how the examination is scored, please see the CPA Examination web site at [www.aicpa.org/cpa-exam](http://www.aicpa.org/cpa-exam).



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**Maintenance In Progress...**

Preventative maintenance is currently being performed on this website, we apologize for any inconveniences. Please check back again later.

