WHAT YOU NEED TO KNOW
ABOUT THE CPA EXAM CHANGES

ULTIMATE GUIDE TO THE CPA EVOLUTION

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

1080-SUR- 2024 CPA EVOLUTION ULTIMATE GUIDE | 231213

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WHAT DOES THE CPA EXAM LOOK LIKE IN 2024?

The CPA profession is constantly changing. CPAs are required to perform more advanced tasks and contribute to increasingly complex projects earlier in their accounting careers.

As the profession continues to evolve, the licensure process has undergone an enormous transformation to keep pace by overhauling the format of the CPA Exam. This transformation, known as the CPA Evolution, is a joint venture between the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA).

The purpose of the CPA Evolution initiative is to update and restructure the entire CPA Exam to align with the skills needed of newly licensed CPAs.

This guide will help you understand the CPA Evolution and how Surgent is preparing candidates for success no matter when they plan to sit for the CPA Exam.

WHAT DOES THE CPA EXAM LOOK LIKE?

Beginning Jan. 1, 2024, there are three core sections that all candidates must take. The sections are Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR) and Taxation and Regulation (REG). While the names are the same as three of the previous sections, the content in the sections will not be identical to the pre-2024 exam sections. In addition to passing the three core sections, each candidate must pass one of three new discipline sections of the candidate's choosing*: Business Analysis and Reporting (BAR), Information Systems Control (ISC) or Tax Compliance and Planning (TCP).

*Candidates who have an active credit for BEC do not need to take a discipline. BEC credit will replace the discipline.

1

Previous format:

AUD, BEC, FAR and REG

Evolution format: Core + 1 discipline

- Core: AUD, FAR and REG
- Disciplines: BAR, ISC or TCP

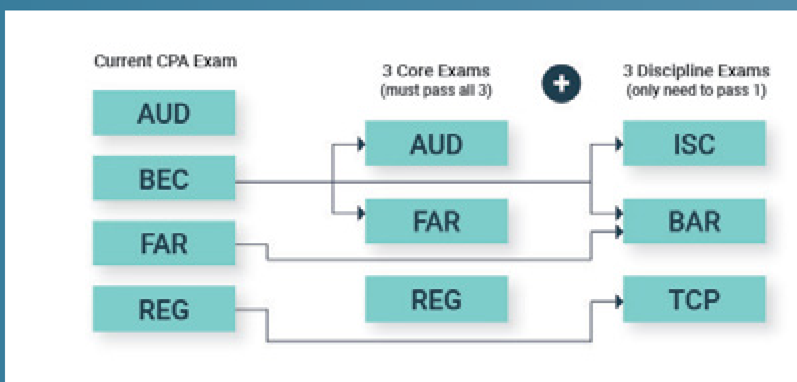
2

Major changes to the CPA Exam include

- FAR to have less breadth of content and less advanced content
- Content moving from FAR to BAR
  - Consolidation and business combinations
  - Lessor accounting, sale-leasebacks
- Cost accounting and managerial accounting no longer "core" to becoming a CPA — moved to BAR discipline
- Advanced accounting topics no longer "core" — moved to BAR discipline
- Internal controls and SOC reports fall to ISC discipline
- Theoretical analytics appear but applied analytics not tested
- Derivatives and hedge accounting returns

CPA EVOLUTION EXAM FORMAT

Candidates still must pass four sections of the CPA Exam, but under the new format you will be required to pass all three core sections and one discipline section to be licensed in 2024. While the BEC section is no longer part of the CPA Exam in 2024, the contents of BEC will be reallocated to four of the six new testing sections.



FAR and REG to have less breadth of content and less advanced content.

SECTION	SECTION HRS	MCQs	TBS- SIMS
AUD - core	4 Hours	78	7
FAR - core	4 Hours	50	7
REG - core	4 Hours	72	8
BAR - discipline	4 Hours	50	7
ISC - discipline	4 Hours	82	6
TCP - discipline	4 Hours	68	7

WHAT ARE THE NEW DISCIPLINES?

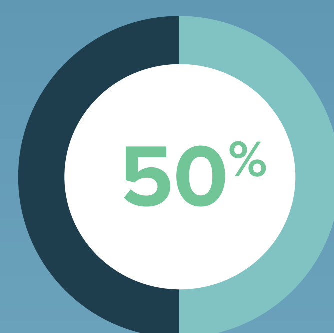
What is BAR?

Business analysis reporting, technical accounting, financial and operations management.

Business Analysis and Reporting (BAR) will cover financial statement analysis and reporting, technical accounting, financial and operations management.

Major content in BAR:

- Non-financial performance
- Capital structure and operations
- COSO enterprise risk management and its application to ESG
- Managerial accounting and cost accounting
- Variance analysis
- Leases
- State and local government and NFP accounting
- Derivatives and hedge accounting returns
- Consolidation and business combinations
- Revenue recognition application and analysis



The AICPA expects that more than 50% of exam candidates will take BAR discipline

WHAT ARE THE NEW DISCIPLINES?

What is ISC?

Information Systems Control (ISC) will cover business processes, information security and governance, information systems and IT audit.

Major content in ISC:

- Information systems and data management
- Security, confidentiality and privacy
- Considerations for System and Organization Controls (SOC) engagements
- Deeper level of understanding of IT than was covered in BEC
- Regulations, standards and frameworks
- COSO frameworks applied to cloud computing, blockchain and cybersecurity
- Change management
- Security risks and controls

What is TCP?

Tax Compliance and Planning (TCP) will cover individual tax compliance and planning, personal finance planning, entity tax compliance and planning.

Major content in TCP:

- Tax compliance
- Personal finance planning
- Entity tax compliance
- Entity tax planning
- Property transactions
- Formation and liquidation of entities
- Use of losses by taxpayers to minimize tax liability
- Tax implications of foreign income
- Computation of income and deductions trusts

BAR will cover business analysis, technical accounting and reporting, state and local governments.

ISC will cover information systems, data management, security, privacy and SOC engagements.

TCP will cover U.S. federal tax compliance for individuals and entities, personal financial planning and property transactions.

5 THINGS YOU NEED TO KNOW

Parts passed before Jan. 1, 2024, still count toward licensure

- Passed sections are grandfathered in — no retesting needed
- 18-month window extended another 18 months – meaning if you have an unexpired credit on Jan. 1, you get a new 18-month window for that credit
- If BEC passed before 2024, then BEC will replace discipline section requirement
- AUD, FAR and REG will carry over and serve as core credit

The discipline does not need to be your field of study.

- Take the discipline you think you can pass on the first attempt
- Existing college curriculum suggests this will be BAR

Take your discipline immediately following the core section associated with it:

- FAR > BAR
- AUD > ISC
- REG > TCP

Need to consider blackout dates.

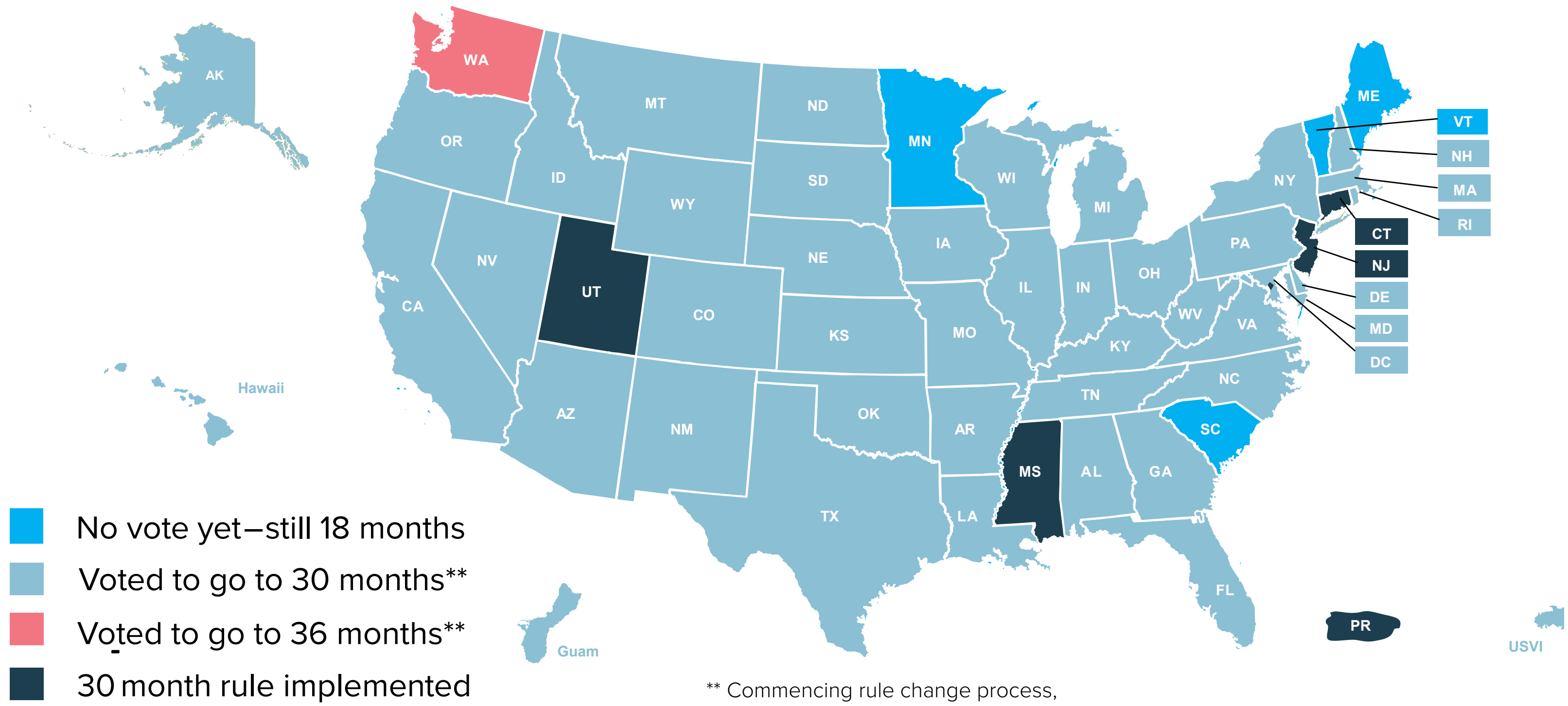
Discipline can only be taken in certain months.

CPA Evolution launch in Jan. 10, 2024

States are currently voting to expand the pass window to 30-months - only a few have finalized to date (see next page)

Under the new format, you need to pass 3 core sections and 1 discipline section

STATUS OF CREDIT PERIOD DECISIONS BY JURISDICTION AS OF 11/28/2023



** Commencing rule change process, therefore new rule not yet in effect.

THE UNIFORM CPA EXAMINATION

FACTS ABOUT THE CPA EVOLUTION

- Exam candidates can change their discipline at any point
- **Note:** *You don't have to take the discipline section that matches your specialty in practice or what you will be doing at work*
- Elimination of BEC as a section
  - » This does not eliminate BEC content on the CPA Exam
  - » Content split among 4 of the 6 remaining/new sections
- Technology, digital acumen and data analytics are now core components across all 6 section parts
- Elimination of written communications ("essays")
- Elimination of research simulations and comprehensive authoritative literature in all simulations.
  - » Note: Can still appear as exhibits to selection simulations
- Excel removed from CPA Exam and replaced by SpreadJS

78 Total number of MCQs in AUD core section

50 Total number of MCQs in FAR

72 Total number of MCQs in REG

MYTHS ABOUT THE CPA EVOLUTION

I must pass core sections first.

You can take these in any order, but Surgent recommends taking the discipline that corresponds to a given core (e.g., FAR-BAR) immediately after the core for that discipline.

I can only take a discipline exam once.

If you fail a discipline exam, you can try the same discipline again or switch to another discipline.

I must take a discipline section that matches my career or job.

You don't have to take a discipline section that matches your career or job. Take which one you are most likely to pass. (Most likely BAR, since it most closely matches college curriculum)

I will lose credit for any exam section passed in 2023.

Any exam section you have credit for on Jan. 1, 2024, will still count toward licensure. Plus, you will get an extended 18-month window for all previously passed parts on that date!

BEC content is completely going away.

BEC content will be split among 4 of the 6 exam sections. The section is gone, but the content remains.

50 Number of MCQs in the new BAR discipline

82 Number of MCQs in the new ISC discipline

68 Number of MCQs in the new TCP discipline

4 You must pass 4 sections of CPA Exam; 3 core and 1 discipline

16 Total number of testing hours in 4 sections that are needed to pass CPA Exam

CPA EVOLUTION TEST ADMINISTRATION

While the core sections (AUD, FAR and REG) are available for scheduling through March 26, 2024, in the first quarter of 2024, the discipline sections (BAR, ISC and TCP) will be available through February 6, 2024. Scores are anticipated to only be released once per test section per quarter due to necessary standard-setting analyses and activities.

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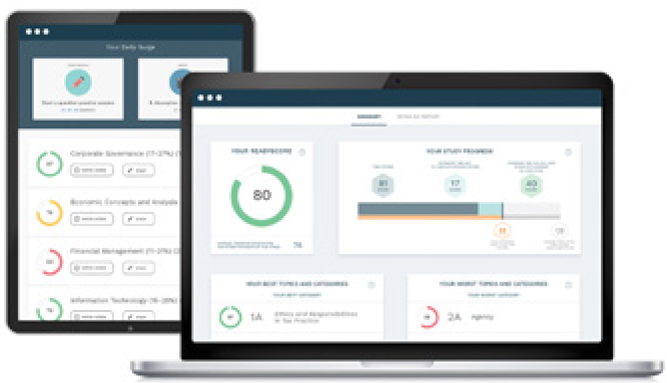
*All dates are subject to change

LET SURGENT CPA REVIEW BE YOUR GUIDE

Surgent rolled out an updated exam prep course. Your course material dynamically changes based on your testing date.

Ready to start studying? Visit surgent.com to see how we can guide you through the new CPA Exam.



Final 2022 cumulative pass rates for current format of CPA Exam:

AUD: 46.9% **BEC: 56.5%** **FAR: 42.9%** **REG: 59.2%**

CPA EVOLUTION FAQS

1 What's changed from the previous CPA Exam to Evolution?

The previous CPA Exam included four mandatory exams that all candidates take: AUD, BEC, FAR and REG. Now the CPA Evolution Exam includes three core exams (AUD, FAR and REG) and one discipline exam of your choosing (either BAR, ISC or TCP). No longer does each candidate take the same four exams. While the names of the core exams remain the same, the content of each has changed.

In addition to the exam realignment, essays and most of the authoritative guidance resources in the simulations have disappeared in the new exam format. Some of the content in the old exam has been realigned, and some (like BEC) are sprinkled throughout CPA Evolution exam parts. Technology, digital acumen, and data analytics are also now core components across all 6 section-parts. For more information, read our blog about changes to exam content and experience.

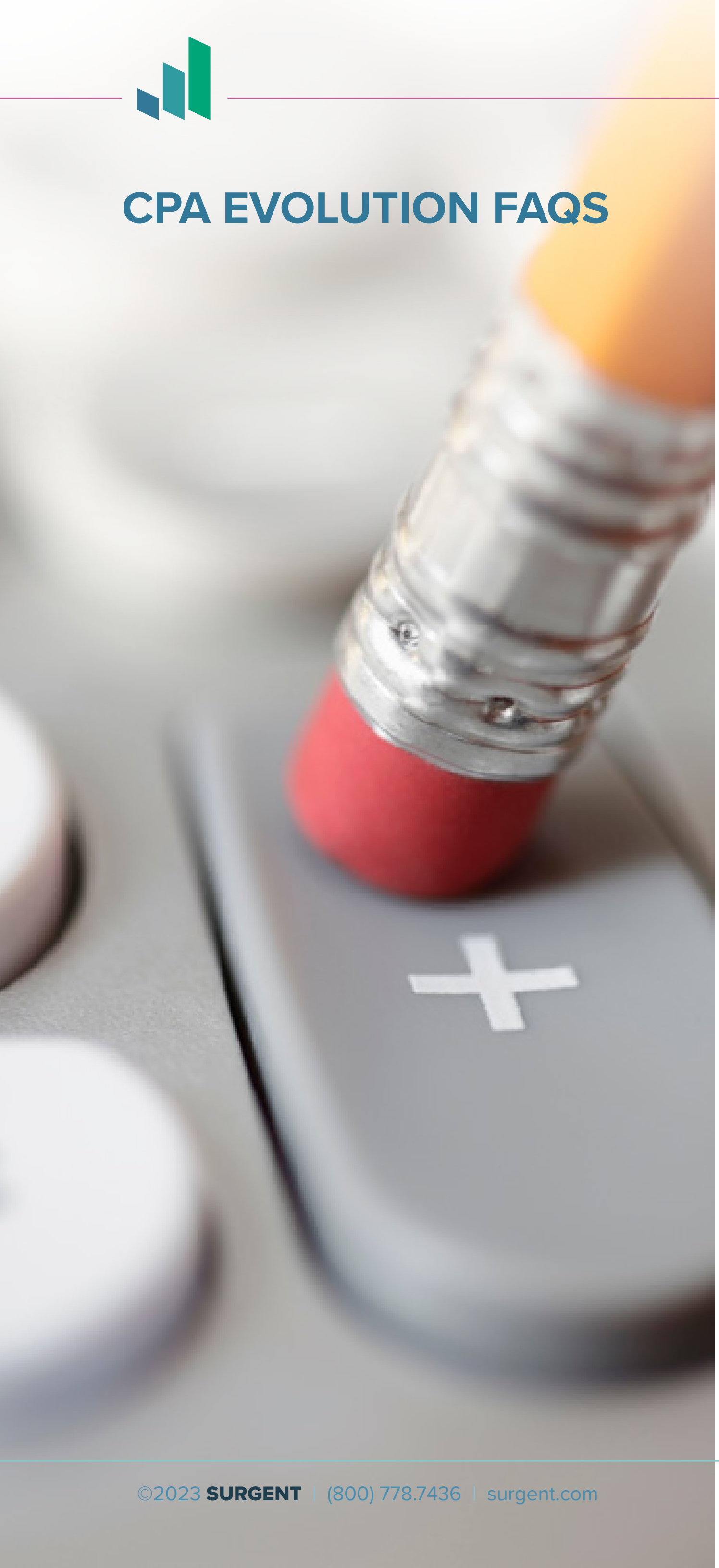
2 What is the format of CPA Evolution?

While you will only need to take 4 exams (3 core + 1 discipline), here is the breakdown of each:

- AUD (core): 4 hours, 78 MCQs and 7 task-based simulations
- FAR (core): 4 hours, 50 MCQs and 7 task-based simulations
- REG (core): 4 hours, 72 MCQs and 8 task-based simulations
- BAR (discipline): 4 hours, 50 MCQs and 7 task-based simulations
- ISC (discipline): 4 hours, 82 MCQs and 6 task-based simulations
- TCP (discipline): 4 hours, 68 MCQs and 7 task-based simulations

3 What topics are included in the new discipline exams?

- Business Analysis and Reporting (BAR) — Financial statement analysis and reporting, technical accounting, and financial and operations management.



CPA EVOLUTION FAQS

- Information Systems Control (ISC) — Business processes, information systems, information security and governance, and IT audit.
- Tax Compliance and Planning (TCP) — Individual tax compliance and planning, personal finance planning and entity tax compliance and planning.

4 Which discipline exam should I take?

Do not take a discipline exam simply because it matches your field of work or interests. Instead, you should choose the exam you feel you are the most likely to pass. That's the goal! If you aren't sure which will be easiest, Surgent recommends taking BAR. The content on this exam is most similar to your college curriculum. If you already work in tax and have a solid foundation, take TCP.

Remember, if you fail - you can try a new discipline. And no matter what discipline you take (and pass), you can still practice in any area.

5 Does it matter which order I take core and discipline exams?

You can take the exam parts in any order you choose. You do not have to pass core sections before your discipline exams.

Surgent recommends taking your discipline exam immediately following the core section associated with it: FAR > BAR, AUD > ISC and REG > TCP.