



RSM US LLP

October 10, 2022

American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via email to practiceanalysis@aicpa.org

Re: Exposure Draft, *Maintaining the Relevance of the Uniform CPA Examination – Aligning the Exam with the CPA Evolution Licensure Model* – June 27, 2022

RSM US LLP (RSM) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (AICPA) June 27, 2022 Exposure Draft, *Maintaining the Relevance of the Uniform CPA Examination – Aligning the Exam with the CPA Evolution Licensure Model* (the Exposure Draft). RSM is a leading provider of audit, tax and consulting services focused on the middle market.

RSM strongly supports the changes to the licensure model to recognize the evolving competencies needed for the practice of accounting today. Recognizing the changes in the roles and responsibilities of newly licensed CPAs and equipping them appropriately for their future careers through the updated topics in the proposed CPA Evolution-aligned Uniform CPA Examination will help support their future success.

While RSM does not have a significant issue with the approach of three Core exams, with the ability to choose an additional Discipline exam to demonstrate a more focused knowledge and skills in that domain, we have some concerns about some of the consequences of the approach and the Blueprints for the exams.

Addressing the core knowledge needed to qualify as a CPA

We would like to encourage the AICPA to further consider the topics covered by the Core exams to ensure that newly licensed CPAs have the appropriate knowledge for today's environment. The world continues to become more complex, such that some topics that may have been deemed 'more complex' before would be relatively 'routine' in the current environment. In addition, newly qualified CPAs are being developed to work on 'more complex' areas in an accelerated way comparative to the way that more junior members of the engagement team may have been used in the past. In reflecting on some of the topics allocated to the Discipline exams, we question whether they should not rather form part of the "Core" curriculum so as to provide a broader base of knowledge to newly licensed CPAs. We also have the view that more consideration needs to be given to the core knowledge that results from the tax curriculum, such that newly qualified CPAs have the requisite tax knowledge as they commence their careers.

We therefore encourage the AICPA to reconsider what a newly qualified CPA would need to know, including across disciplines. In the Appendix to this letter, we provide specific examples of some topics we believe should be reconsidered, including which aspects of the Discipline exams should be moved to the Core exams.

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How the transition may impact the future pipeline of newly licensed CPAs

The Discipline section introduces an element of specialization into the exams that previously did not exist, thereby favoring practical experience. As a result, we are concerned that this may encourage candidates to wait longer to begin the exam as they determine their field of choice. If candidates delay the exam further into their careers, this could result in further strain on the CPA pipeline. We encourage the AICPA to consider how the timing of the Discipline exams will achieve its intended purpose while not slowing the pipeline of newly qualified CPAs.

Transition to the new model

While we support that credit is provided for the corresponding elements of the “Core” exam that have already been passed, we have some concern about credits from previous exams for the “Discipline” exam where the previous exams may not be sufficient to meet the intention of a more robust and technical testing regime. While we recognize that managing any transition of exams from one model to another is difficult in practice, we encourage that further consideration be given to how credits are earned under the new approach, in particular for the Discipline exams.

Coordination with university and college education

While we believe that the new approach will broadly support newly licensed CPAs develop the necessary skills and knowledge necessary for their careers, we would also like to encourage that the AICPA continue to coordinate with accredited accountancy programs at universities and colleges so that the skills and knowledge in the CPA licensure model builds on what has been learned at an undergraduate level.

Other comments

Our comments on the individual topics within the Core and Discipline exams are set out in the Appendix to this letter.

We would be pleased to respond to any questions the AICPA or its staff may have about our comments. Please direct any questions to Sara Lord, Chief Auditor, at 612.376.9572 or Danielle Mathe, National Professional Standards Group, at 312.634.5566.

Sincerely,

RSM US LLP

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Appendix

The following includes comments on the individual aspects of the Core and Discipline exams.

Auditing and Attestation (AUD)

RSM would like to encourage the AICPA to further consider how “attestation” engagements can be further distinguished within this domain. While there are some aspects of attestation engagements addressed, we believe there is not enough on the specific attributes that distinguish an attestation engagement from an audit engagement (for example, in the description of topics in Area I, Part A on Ethics, Independence and Professional Responsibilities, in Part II – Assessing Risk and Developing a Planned Response or in Area III, Performing Further Procedures and Obtaining Evidence, Part D no. (2) on analytical procedures). As sustainability and environmental, social and governance (ESG) reporting continues to evolve and standards are developed within this space, the proliferation of these types of engagements, and the need for the necessary skills to undertake them, will grow. Accordingly, we believe that this domain should have more focus on how such engagements are different to audit engagements to prepare newly licensed CPAs appropriately for the types of work they will likely be undertaking.

As the exams, and the topics within the exams, are being developed to remain fit-for-purpose into the future, we have some concern about the lack of recognition of quality management. There is a global shift to a different approach for quality, and how it is achieved, which is in the process of also being implemented within the U.S. We therefore believe there should be some recognition of the mindset shift needed by newly qualified CPAs to quality as part of the competencies they will need as newly qualified accountants (regardless of discipline).

The following table includes comments on specific aspects of the Core AUD exam for consideration:

AUD Domain - Area	Part	Topic	Comment
II – Assessing Risk and Developing a Planned Response	C – Understanding an entity’s control environment and business processes, including information technology (IT) systems	(2) Control environment, IT general controls and entity-level controls and (3) Business processes and the design of internal controls, including IT systems	Identifying and testing the design and implementation of controls (D&I) is an area that is often misunderstood, in particular in relation to when it is needed and how it applies to general IT controls. Standard-setters have recently focused on this area to clarify the auditing requirements for D&I. RSM encourages the AICPA to ensure that the clarity around D&I in recently revised standards is reflected in the specific topics (2) and (3) as they relate to undertaking D&I, in particular with respect to general IT controls.

AUD Domain - Area	Part	Topic	Comment
II – Assessing Risk and Developing a Planned Response	D – Materiality	-	As financial reporting continues to evolve, disclosures have become a much more integral part of the information for users of the financial statements. Often, the information in disclosures is qualitative in nature. RSM believes that there should be more focus on the qualitative aspects of materiality as they relate to disclosures to better equip newly licensed CPAs for the future.
II – Assessing Risk and Developing a Planned Response	E – Assessing and responding to risks of material misstatement, whether due to fraud or error	-	<p>RSM believes that there should be a greater focus on some of the concepts that have been introduced or enhanced in recently revised standards to help auditors identify and assess the risks of material misstatement (i.e., to practically assist with how this can be done), including:</p> <ul style="list-style-type: none"> • Focusing on the exercise of professional skepticism • Inherent risk factors • Spectrum of risk • Likelihood and magnitude of misstatements • Significant accounts and relevant assertions <p>Understanding how these concepts practically apply will provide a more robust knowledge base for identifying and assessing risks of material misstatement.</p>

Financial Accounting and Reporting (FAR) and Business Analysis and Reporting (BAR)

As highlighted in our cover letter, we have some concerns about the Core exams (i.e., FAR) addressing the breadth of topics needed by newly qualified CPA's today. In particular, we question the distribution between FAR and BAR for some topics where we are of the view that elements of these topics should form part of (or a greater part of) the "Core" knowledge of a newly qualified CPA (with the more complex aspects of the topics being addressed in BAR accordingly).

The topics we believe should be reconsidered include:

- Stock compensation
- Indefinite life intangible assets, including goodwill
- Derivatives and hedge accounting
- Business combinations
- Revenue recognition
- Lessor accounting

There are some topics in FAR which we believe are more ‘specialized’ and should therefore rather form part of the BAR domain. For example, in relation to state and local government (Area I – Financial Reporting, Part C) as this would appear to be more specialized in nature and could therefore more appropriately be included in the BAR curriculum.

While we recognize that not all topics would necessarily be explicitly addressed in the Blueprint, in our view we believe that current expected credit losses (CECL) should be more specifically addressed, as well as preferred stock and convertible debt, all of which could be fairly common today. If further consideration is given to these topics, it is likely they would be added to the BAR curriculum.

Lastly, the topics addressed in relation to accounting for income taxes (Area III – Select Transactions, Part D) does not appear comprehensive enough for the breadth of matters that may impact an entity’s tax assets or liabilities, including the related disclosures.

Information Systems and Controls (ISC)

The following table includes specific comments on ISC:

ISC Domain - Area	Part	Topic	Comment
I – Information Systems and Data Management	A – Information systems	2. Enterprise and accounting information systems	The specific areas addressed within this topic very broadly address deficiencies, but RSM has the view that it may be helpful to also understand how the deficiencies impact other controls and processes in other audit areas.
I – Information Systems and Data Management	A – Information systems	4. Change management	We have the view that more on segregation of duties built into information systems should be incorporated into this part, not only in relation to this topic.
II – Security, Confidentiality and Privacy	B - Security		We question the focus on cybersecurity given that it’s currently not in the scope of Internal Control over Financial Reporting (ICFR).

Taxation and Regulation (REG)

The following table includes comments on specific aspects of the Core exam in this domain for consideration:

REG Domain - Area	Part	Topic	Comment
I – Ethics, Professional Responsibilities and Federal Tax Procedures	A – Ethics and Responsibility in Tax Practice	-	RSM encourages the AICPA to further consider how conflicts of interest under Circular 230 (section 10.29) are addressed within the tax exams.
II – Assessing Risk and Developing a Planned Response	D – Materiality	-	RSM would like to encourage that tax advice under Circular 230 (section 10.37) is also addressed (i.e., regarding assumptions, representations, support, and other factors underlying the practitioner's advice) to enable newly qualified CPA's to be able to offer reliable and relevant tax advice.
V – Federal Taxation of Entities (including tax preparation)	D – Partnerships	-	The current partnership topics contains no tasks involving the calculation of partnership allocations. This is fundamental knowledge that any practitioner should have, and is a cornerstone of partnership taxation. A more in-depth focus in this area may also be appropriate in the TCP domain, however RSM has the view that the basic concepts should still be covered in REG.

Tax Compliance and Planning (TCP)

The following table includes comments on specific aspects of the Core exam in this domain for consideration:

TCP Domain - Area	Part	Topic	Comment
I – Tax Compliance and Planning for Individuals and Personal	A – Individual compliance and tax planning considerations for gross income, adjusted gross	-	We encourage the AICPA to address reporting requirements for foreign income (and accounts).

TCP Domain - Area	Part	Topic	Comment
Financial Planning	income, taxable income and estimated taxes		
I – Tax Compliance and Planning for Individuals and Personal Financial Planning	B. Compliance for passive activity and at-risk loss limitations (excluding tax credit implications)		The issue of whether and when a taxpayer can group passive activities is a key issue. We encourage the AICPA to include more practical activities on this such as a task that involves determining whether a taxpayer can group activities. Additionally, real estate professional rules are often another topic at the center of many passive activity loss questions and planning discussions, we therefore also encourage more practical activities such as a task designed to assess knowledge of qualification and treatment of real estate professionals under PAL rules.
I – Tax Compliance and Planning for Individuals and Personal Financial Planning	B – S corporations	(1) Basis of shareholder's interest	Understanding when a loan will create debt basis is fundamental to determining a taxpayers debt basis in an S corporation. We encourage that further consideration be given to activities that provide a better understanding of when a loan would be considered to give rise to debt basis in the S corporation (for example, treatment of back-to-back loans as well as loans of the s corporation guaranteed by a shareholder).
III – Entity Tax Planning	A – Formation and liquidation of business entities	-	In many cases, business owners need and want a practitioner who can explain the tax-related benefits and challenges of various types of business entities to them based on their business plans and goals. We encourage that this domain includes more on understanding the various

TCP Domain - Area	Part	Topic	Comment
			attributes that tend to favor one entity type over another. For example, which type of entity would a tax practitioner recommend to an owner for consideration in situations where the owner would like to extract as much money as possible out of the entity, does not plan to pass the entity to heirs, and would prefer to exit the business in a 5-10 year window.
III – Entity Tax Planning	C – Tax planning for S corporations	-	Type F reorganizations are commonplace for S corporations, and understanding how they operate and apply to S corporations is, in our view, a key skill for a CPA. We encourage that more is added to this topic to help with determining when a restructure to an S corporations qualifies as an F reorganization, what elections are required, the impact of the F reorganization on the S corp and its shareholders, and the tax impacts if a step or election is missed.