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EXAMINATION REVIEW

1995

**HIGHEST
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**FINANCIAL ACCOUNTING
AND REPORTING:
BUSINESS ENTERPRISES**

Conforms to New Exam Specifications

Patrick R. Delaney

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CPA EXAMINATION REVIEW FINANCIAL ACCOUNTING AND REPORTING: BUSINESS ENTERPRISES 1995 EDITION

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PREFACE

The objectives of this review text are to provide study outlines of Financial Accounting and Reporting: Business Enterprises as it is tested on the Uniform CPA Examination, to provide CPA candidates with recent examination questions organized by topic, and to explain the AICPA unofficial answers to the questions included in this text.

This review manual is organized into 12 manageable study units (modules) to assist candidates in organizing their study programs. The clear concise phraseology of the study outlines is supplemented by brief examples and illustrations designed to help candidates quickly understand and retain the material. The multiple choice questions and new other objective format questions in this book are an effective means of studying the material tested on past exams; however, it is also necessary to develop the solutions approach for solving CPA essay questions and problems efficiently. To assist candidates in developing a solutions approach and to assist them in reviewing material tested, we have included a detailed solution guide for each accounting problem and outlines of the unofficial answers to the essay questions published by the AICPA are provided. A significant feature of this book concerns the tables summarizing the frequency and extent to which topical areas have been tested on each of the last nine exams. Our classification of the coverage of these exams is based on the AICPA's Content Specification Outlines for the Uniform Certified Public Accountant Examination. A Sample Examination is included in Appendix A at the end of this book.

This book has been updated and revised to include new authoritative pronouncements through November 15, 1994. All of the multiple choice questions and other objective questions from the November 1994 examination have been added to the modules to which they pertain. The schedule below lists the essay questions from the November 1994 exam which have been added to the problem material appearing in *CPA Examination Review, Volume II*, Twenty-first Edition (June 1994).

<u>Module</u>	<u>Module</u> <u>number</u>	<u>Added to this</u> <u>manual</u>
Deferred Taxes (DETX)	27	594, FARE 5b

New questions illustrate the type and format of questions being used on the examination. Changes in the Board of Examiners, their philosophy, and most important, the AICPA examination staff, result in changing types and formats of questions.

The multiple choice questions are grouped into topical categories which correspond to the sequencing of the text material as it appears within each of the corresponding modules in this manual.

The author is indebted to the American Institute of Certified Public Accountants for permission to reproduce and adapt examination materials from past certification examinations.

The author deeply appreciates the enthusiastic and dedicated attitude of the many CPA candidates with whom the author has had the pleasure to work. As always, the author welcomes any comments concerning materials contained in or omitted from this text. A form for this purpose is provided inside the back cover.

Please read Chapter 1 carefully, especially "Attributes of Examination Success" and "Purpose and Organization of This Review Textbook."

Good Luck on the Exam,
Patrick R. Delaney
November 15, 1994

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Writing an annualized text is always a publishing event and a rejuvenating human experience. The author is most grateful to the many users of previous editions, both instructors and students who have so generously shared with me their satisfaction with my work and their suggestions for changes and improvements. I hope that this will continue for I have benefited from those communications.

This work continues to be a "community effort." In addition to those colleagues cited as contributors above, I would like to acknowledge and thank those many friends who gave me so many devoted hours to bring this edition to you so quickly after the November 1994 Examination: Sandy Arntz, Brenda Bannon, Pam Miller, Kay Poormehr, Toni Simmons, and Barbara Stagner.

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TABLE OF CONTENTS

		<u>Page number</u>		
		<u>Outlines and study guides</u>	<u>Problems and solutions</u>	<u>Other</u>
CHAPTER	I. BEGINNING YOUR CPA REVIEW PROGRAM			1
	II. EXAMINATION GRADING AND GRADER ORIENTATION			23
	III. THE SOLUTIONS APPROACH			31
	IV. TAKING THE EXAMINATION			59
	V. FINANCIAL ACCOUNTING AND REPORTING			75
	Modules and Abbreviations:*			
22	Basic Theory and Financial Reporting	TREP	94	124
	A. Basic Concepts		94	124
	B. Error Correction		109	152
	C. Accounting Changes		111	161
	D. Financial Statements		116	173
23	Inventory	INVY	208	225
24	Fixed Assets	FA	254	271
25	Monetary Current Assets and Current Liabilities	CACL	301	316
26	Present Value	PV	354	414
	A. Fundamentals		354	414
	B. Bonds		362	429
	C. Debt Restructure		368	451
	D. Pensions		373	455
	E. Leases		390	471
27	Deferred Taxes	DETX	494	513
28	Stockholders' Equity	STK	533	556
29	Investments	IVES	594	613
30	Statement of Cash Flows	SCF	637	656
31	Business Combinations and Consolidations	BCC	684	715
32	Changing Prices and Foreign Currency Translation	CPFC	755	777
33	Miscellaneous	MISC	794	813
	A. Personal Financial Statements		794	813
	B. Interim Reporting		795	818
	C. Segment Reporting		797	823
	D. Ratio Analysis		799	829
	E. Partnership Accounting		802	845
	Outlines of Accounting Pronouncements			854
	APPENDIX: SAMPLE EXAMINATION			958
	INDEX			971

*As explained in Chapter 1, this book is organized into 12 modules (manageable study units). For easy reference, numbered index tabs appear on the first page of each module. The numbering of the modules commences with number 22 to correspond with the numbering system used in our two-volume set.

CHAPTER ONE

BEGINNING YOUR CPA REVIEW PROGRAM

General Comments on the Examination - 2

Purpose of the Examination - 2

Examination Content - 2

Schedule of Examinations - 3

State Boards of Accountancy - 4

Attributes of Examination Success - 6

Knowledge of Material - 6

Commitment to Exam Preparation - 6

Solutions Approach - 7

Grader Orientation - 7

Examination Strategy - 7

Examination Confidence - 7

Reasons for Failure - 8

Purpose and Organization of This Review Textbook - 8

Other Textbooks - 10

Ordering Other Textual Materials - 10

Working CPA Questions - 10

Self-Study Program - 12

Study Facilities and Available Time - 13

Self-Evaluation - 13

Time Allocation - 14

Using Notecards - 15

Using Calculators on the Exam - 16

Levels of Proficiency Required - 16

Multiple Choice Feedback - 17

Conditional Candidates - 17

Planning for the Examination - 17

Overall Strategy - 17

Weekly Review of Preparation Program Progress - 18

Time Management of Your Preparation - 21

To maximize the efficiency of your review program, begin by studying (not merely reading) this chapter and the next three chapters of this volume. They have been carefully organized and written to provide you with important information to assist you in successfully completing the Financial Accounting and Reporting section of the CPA exam. Beyond providing a comprehensive outline to help you organize the material tested on the Financial Accounting and Reporting section of the exam, Chapter 1 will assist you in organizing a study program to prepare for the Financial Accounting and Reporting portion. Self-discipline is essential.

GENERAL COMMENTS ON THE EXAMINATION

Successful completion of the Uniform CPA Examination in Financial Accounting and Reporting is an attainable goal. Keep this point foremost in your mind as you study the first four chapters in this volume and develop your study plan.

Purpose of the Examination*

The CPA examination is designed to measure basic technical competence, including

1. Technical knowledge and application of such knowledge
2. Exercise of good judgment
3. Understanding of professional responsibilities

The CPA examination is one of many screening devices to assure the competence of those licensed to perform the attest function and to render professional accounting services. Other screening devices include educational requirements, ethics examinations, etc.

The examination appears to test the material covered in accounting programs of the better business schools. It also appears to be based upon the body of knowledge essential for the practice of public accounting and, perhaps specifically, the audit of a medium-sized client. Since the examination is primarily a textbook or academic examination, you should plan on taking it as soon as possible after completing your undergraduate accounting education.

Examination Content

Guidance concerning topical content of the Financial Accounting and Reporting part of the CPA exam can be found in a document prepared by the Board of Examiners of the AICPA entitled *Content Specification Outlines for the Uniform Certified Public Accountant Examination*. These are incorporated into *Information for CPA Candidates*.

The Board's objective in preparing this detailed listing of topics tested on the exam is to help "in assuring the continuing validity and reliability of the Uniform CPA Examination." These outlines are an excellent source of guidance concerning the areas and the emphasis to be given each area on future exams.

We have included the content outlines for Financial Accounting and Reporting in Chapter 5. Additionally, we have used the outlines as the basis for our frequency analysis of the last nine exams (November 1990 - November 1994). These outlines/frequency analyses should be used as an indication of the topics' relative importance on past exams.

Beginning with the May 1994 exam, new accounting and auditing pronouncements are tested six months after the pronouncement's *effective date*. If early application is permitted, a pronouncement is tested six months after the *issuance date*; candidates are also responsible for the

* The following general comments are largely adapted from *Information for CPA Candidates*, published by the American Institute of Certified Public Accountants. *Information for CPA Candidates* is usually sent to CPA candidates by their State Board of Accountancy as they apply to sit for the CPA examination. If you will not be immediately applying to your State Board of Accountancy to sit for the exam, you may wish to request a complimentary copy from your board or the AICPA. (Write to AICPA, Examination Division, 201 Plaza III Center, Jersey City, NJ 07311-3881.)

old pronouncement until it is superseded. The exam covers federal tax regulations in effect six months before the date of the exam.

Schedule of Examinations

The two-day Uniform Certified Public Accountant Examination is given twice a year, usually on the first consecutive Wednesday-Thursday in May and November. The subject and time schedules are

CPA EXAM SCHEDULE AND FORMAT

SECTION	TIME PERIOD	MC	FORMAT	
			OOAF	FRE/P
Business Law and Professional Responsibilities	Wed. 9:00 - Noon	50-60%	20-30%	20-30%
Auditing	Wed. 1:30 - 6:00	50-60%	20-30%	20-30%
Accounting and Reporting (Taxation; Managerial; and Governmental and Not-for-Profit Organizations)	Thur. 8:30 - Noon	50-60%	40-50%	--
Financial Accounting and Reporting (Business Enterprises)	Thurs. 1:30 - 6:00	50-60%	20-30%	20-30%
TOTAL		15.5 hours		

MC = Multiple Choice; OOAF = Other Objective Answer Formats; FRE/P = Free Response Essay/Problem

The exact number of multiple choice questions, other objective format questions, problems, and essay questions that will appear on the exam is unknown. Therefore, it is very important that candidates are aware of the suggested time limits for each question to avoid the possibility of running out of time.

The AICPA began testing with other objective formats on the May 1992 examination. **Note that this is a change in form only. The exam continues to test the same concepts.** The other objective questions are included in this book in the modules to which they pertain. A listing of all question material in this book can be found on the first page of Chapter 5.

You will receive one score for the Financial Accounting and Reporting examination. A score of 75 or greater is considered passing. Rules for partial credit on the examination vary from state to state (see "State Boards of Accountancy" section).

The dates for future CPA examinations are

1995 May 3, 4

November 1, 2

1996 May 8, 9

November 6, 7

Finally, candidates who receive credit for passing some sections of the Uniform CPA Examination before May 1994 and sit for reexamination in May 1994 and thereafter will be required to pass new sections of the examination. Also, candidates may be required to pass new sections of the examination if conditional credit received before May 1994 expired after November 1993. The transfer of examination credit is shown below.

**Examination Sections
Before May 1994**

Accounting Theory

Accounting Practice

Auditing

Business Law

**Examination Sections
Beginning in May 1994**

Financial Accounting and Reporting --Business Enterprises

Accounting and Reporting--Taxation, Managerial, and Governmental and Not-for-Profit Organizations

Auditing

Business Law and Professional Responsibilities

Note that condition requirements vary by state; see the following section.

State Boards of Accountancy

The right to practice public accounting as a CPA is governed by individual state statutes. While some rules regarding the practice of public accounting vary from state to state, all State Boards of Accountancy use the Uniform CPA Examination and AICPA advisory grading service as one of the requirements to practice public accounting. Every candidate should inquire of his/her State Board of Accountancy to determine the requirements to sit for the exam, e.g., education, filing dates, references, and fees. A frequent problem candidates encounter is failure to apply by the deadline. **APPLY TO SIT FOR THE EXAMINATION EARLY. ALSO, YOU SHOULD USE EXTREME CARE IN FILLING OUT THE APPLICATION AND MAILING THE REQUIRED MATERIALS TO YOUR STATE BOARD OF ACCOUNTANCY.** If possible, have a friend review your completed application before mailing with check, photo, etc. Too many candidates are turned down for sitting for a particular CPA examination simply because of minor technical details that were overlooked (checks not signed, photos not enclosed, question not answered on application, etc.). **BECAUSE OF THE VERY HIGH VOLUME OF APPLICATIONS RECEIVED IN THE MORE POPULOUS STATES, THE ADMINISTRATIVE STAFF DOES NOT HAVE TIME TO CALL OR WRITE TO CORRECT MINOR DETAILS AND WILL SIMPLY REJECT YOUR APPLICATION.** This can be extremely disappointing particularly after spending many hours preparing to sit for a particular exam.

The various state boards, their addresses, and telephone numbers are listed on the following page. Be sure to inquire to your state board for specific and current requirements.

It is possible for candidates to sit for the examination in another state as an out-of-state candidate. Candidates desiring to do so should contact the State Board of Accountancy in their home state. Addresses of all 54 Boards of Accountancy appear on the next page.

The following general comments are largely adapted from Information for CPA Candidates, published by the American Institute of Certified Public Accountants. Information for CPA Candidates is usually sent to CPA candidates by their State Board of Accountancy as they apply to sit for the CPA examination. If you will not be immediately applying to your State Board of Accountancy to sit for the exam, you may wish to request a complimentary copy from your board or the AICPA. (Write to AICPA, Examination Division, 301 Plaza III Center, Jersey City, NJ 07311-3881.)

INDIVIDUAL STATE CPA BOARDS

	STATE BOARD ADDRESS	TELEPHONE #
AK	P.O. Box D • Juneau, AK • 99811	(907) 465-2580
AL	770 Washington Avenue • RSA Plaza • STE 236 • Montgomery, AL • 36130	(205) 242-5700
AR	101 E. Capitol • STE 430 • Little Rock, AR • 72201	(501) 682-1520
AZ	3110 N. 19th Avenue • STE 140 • Phoenix, AZ • 85015	(602) 255-3648
CA	2135 Butano Drive • STE 112 • Sacramento, CA • 95825	(916) 574-2155
CO	1560 Broadway • STE 1370 • Denver, CO • 80202	(303) 894-7800
CT	30 Trinity Street • Hartford, CT • 06106	(203) 566-7835
DC	614 H Street, N.W. • Room 904 • Washington, DC • 20001	(202) 727-7468
DE	P.O. Box 1401 • Dover, DE • 19903	(302) 739-4522
FL	2610 N.W. 43rd St. • STE 1A • Gainesville, FL • 32606	(904) 336-2165
GA	166 Pryor Street, S.W. • Atlanta, GA • 30303	(404) 656-3941
GU	P.O. Box P • Agaña, Guam • 96910	(671) 646-6987
HI	P.O. Box 3469 • Honolulu, HI • 96801	(808) 586-2694
IA	1918 S.E. Hulsizer Avenue • Ankeny, IA • 50021	(800) 272-3926
ID	Owyhee Plaza • STE 470 • 1109 Main St. • Boise, ID • 83720	(208) 334-2490
IL	10 Admia. Bldg • 506 S. Wright St. • Urbana, IL • 61801	(217) 333-1565
IN	302 W. Washington St. • Indianapolis, IN • 46204	(317) 232-3898
KS	900 S.W. Jackson Street • STE 556 • Topeka, KS • 66612	(913) 296-2162
KY	332 W. Broadway • STE 310 • Louisville, KY • 40202	(502) 588-3037
LA	1515 WTC • 2 Canal Street • New Orleans, LA • 70130	(504) 566-1244
MA	100 Cambridge St. • Room 1315 • Boston, MA • 02202	(617) 727-1806
MD	501 St. Paul Place • Room 902 • Baltimore, MD • 21202	(410) 333-6322
ME	State House Station 35 • Augusta, ME • 04333	(207) 582-8723
MI	P.O. Box 30018 • Lansing, MI • 48909	(517) 373-0682
MN	133 E. 7th St. • St. Paul, MN • 55101	(612) 296-7937
MO	P.O. Box 613 • Jefferson City, MO • 65102	(314) 751-0012
MS	961 HWY 80 East • Clinton, MS • 39056-5246	(601) 924-8457
MT	111 N. Jackson • Helena, MT • 59620	(406) 444-3739
NC	1101 Oberlin Rd. • Raleigh, NC • 27605	(919) 733-4222
ND	UND Box 9037 • Grand Forks, ND • 58202-9037	(701) 777-3869
NE	P.O. Box 94725 • Lincoln, NE • 68509	(402) 471-3595
NH	57 Regional Dr. • Concord, NH • 03301	(603) 271-3286
NJ	P.O. Box 45000 • Newark, NJ • 07101	(201) 504-6380
NM	1650 University N.E. • STE 400A • Albuquerque, NM • 87102	(505) 841-9108
NV	One E. Liberty Street • STE 311 • Reno, NV • 89501	(702) 786-0231
NY	Cultural Ed. Center • Room 9A47 • Albany, NY • 12230	(518) 474-3836
OH	77 S. High St. • 18th Flr. • Columbus, OH • 43266-0301	(614) 466-4135
OK	4545 N. Lincoln • STE 165 • Oklahoma City, OK • 73105-3413	(405) 521-2397
OR	158 12th St. N.E. • Salem, OR • 97310	(503) 378-4181
PA	P.O. Box 2649 • Harrisburg, PA • 17105-2649	(717) 783-1404
PR	Box 3271 • San Juan, Puerto Rico • 00904	(809) 722-2122
RI	233 Richmond St. • Providence, RI • 02903	(401) 277-3185
SC	800 Dutch Square Blvd • STE 260 • Columbia, SC • 29210	(803) 731-1677
SD	301 E. 14th St. • STE 200 • Sioux Falls, SD • 57104	(605) 339-6746
TN	500 James Robertson Prkwy. • 2nd Flr. • Nashville, TN • 37243-1141	(615) 741-2550
TX	1033 LaPosada • STE 340 • Austin, TX • 78752-3892	(512) 451-0241
UT	160 E. 300 South • Box 45802 • Salt Lake City, UT • 84145	(801) 530-6628
VA	3600 West Broad Street • Richmond, VA • 23230-4917	(804) 367-8505
VI	1103 King St. • STE 1 • Christiansted, St. Croix, VI • 00820	(809) 773-0096
VT	109 State St. • Montpelier, VT • 05601-1101	(802) 828-2363
WA	210 E. Union Street • STE H • Box 9131 • Olympia, WA • 98504	(206) 753-2585
WI	P.O. Box 8935 • Madison, WI • 53708	(608) 266-3020
WV	201 L & S Bldg • 812 Quarrier St. • Charleston, WV • 25301	(304) 558-3557
WY	Barrett Building • 2nd Flr. • Cheyenne, WY • 82002	(307) 777-7551

NOTE: The publisher does not assume responsibility for errors in the above information. You should request information concerning requirements in your state at least 6 months in advance of the exam dates.

ATTRIBUTES OF EXAMINATION SUCCESS

Your primary objective in preparing for the Financial Accounting and Reporting part of the CPA exam is to pass. Other objectives such as learning new and reviewing old material should be considered secondary. The six attributes of examination success discussed below are **essential**. You should study the attributes and work toward achieving/developing each of them **before** taking the examination.

1. Knowledge of Material

Two points are relevant to "knowledge of material" as an attribute of examination success. **First**, there is a distinct difference between being familiar with material and knowing the material. Frequently we (you) confuse familiarity with knowledge. Can you remember when you just could not answer an examination question or did poorly on an examination, but maintained to yourself or your instructor that you knew the material? You probably were only familiar with the material. On the CPA examination, familiarity is insufficient; you must know the material. For example, you may be familiar with the concepts in accounting for leases (SFAS 13), but can you compute the present value of an annuity due under a lease agreement and record entries for the lessee and lessor? Once again, a major concern must be to know the material rather than just being familiar with it. Knowledgeable discussion of the material is required on the CPA examination. **Second**, the Uniform Certified Public Accountant Examination in Financial Accounting and Reporting tests a literally overwhelming amount of material at a rigorous level. From an undergraduate point of view, the CPA examination in Financial Accounting and Reporting includes material from the following courses.

Intermediate Financial
Advanced Financial

Furthermore, as noted earlier, the CPA exam tests new material in all of these areas. In other words, you are not only responsible for material in the above courses, but also for all new developments in each of these areas.

This text contains outlines of accounting topics from FASB pronouncements, financial accounting courses, etc. Return to the original material (e.g., FASBs, your accounting textbooks, etc.) when the outlines less than reinforce material you already know.

2. Commitment to Exam Preparation

Your preparation for the CPA exam should begin at least three months prior to your scheduled exam date. Over the course of your preparation, you will experience many peaks and valleys. There will be days when you feel completely prepared and there will also be days when you feel totally overwhelmed. This is not unusual and, in fact, should be expected.

The CPA exam is a very difficult and challenging exam. How many times in your college career did you study months for an exam? Probably not too many. Therefore, candidates need to remain focused on the objective--succeeding on the CPA exam.

Develop a personal study program so that you are reviewing material daily. Of course, you should schedule an occasional study break to help you relax, but don't schedule too many breaks. Candidates

who dedicate themselves to studying for the exam have a much greater chance of only going through this process once. On the other hand, a lack of focus and piecemeal preparation will only extend the process over several exams.

3. Solutions Approach

The solutions approach is a systematic approach to solving the problems found on the CPA examination. Many candidates know the material fairly well when they sit for the CPA exam, but they do not know how to take the examination. Candidates generally neither work nor answer problems efficiently in terms of time or grades.

The solutions approach permits you to avoid drawing "blanks" on CPA exam problems; using the solutions approach coupled with grader orientation (see below) allows you to pick up a sizable number of points on questions testing material with which you are not familiar.

Chapter 3 outlines the solutions approach for problem/essay questions, multiple choice questions, and other objective questions. Example problems are worked as well as explained.

4. Grader Orientation

Your score on each section of the exam is determined by the sum of points assigned to individual questions. Thus, you must attempt to maximize your points on each individual question. The name of the game is to satisfy the grader, as s/he is the one who awards you points. Your answer and the grading guide (which conforms closely to the unofficial answer) are the basis for the assignment of points.

This text helps you develop grader orientation by analyzing AICPA grading procedures and grading guides (this is explained further in Chapter 2). The author believes that the solutions approach and grader orientation, properly developed, are worth at least 10 to 15 points on each section to most candidates.

5. Examination Strategy

Prior to sitting for the examination, it is important to develop an examination strategy, i.e., a preliminary inventory of the questions, the order in which to work questions, etc.

Your ability to cope successfully with the 4 1/2 hours of examination in Financial Accounting and Reporting can be improved by

- a. Recognizing the importance and usefulness of an examination strategy
- b. Using Chapter 4 "Taking the Examination" and previous examination experience to develop a "personal strategy" for the exam
- c. Testing your "personal strategy" on recent CPA questions under examination conditions (using no reference material and with a time limit)

6. Examination Confidence

You need confidence to endure the physical and mental demands of 4 1/2 hours of problem solving under tremendous pressure. Examination confidence results from proper preparation for the exam which includes mastering the first five attributes of examination success. Examination confidence is necessary to enable you to overcome the initial frustration with problems for which you may not be specifically prepared.

This study manual, properly used, should contribute to your examination confidence. The systematic outlines herein will provide you with a sense of organization so that as you sit for the examination you will feel reasonably prepared (it is impossible to be completely prepared).

Reasons for Failure

The Uniform Certified Public Accountant Examination is a formidable hurdle in your accounting career. Candidates, generally with a college degree and an accounting major, face about a 30% pass rate nationally on each section of the exam. About 20% of all candidates (first-time and re-exam) sitting for each examination successfully complete that examination. The cumulative pass rate on the exam is about 70-75%; that is, nearly three-fourths of first-time candidates eventually pass the exam. The rate is even higher for serious candidates (80%-90%) because a significant number of candidates "drop out" after failing the exam the first time.

Attempt to identify and correct your weaknesses before you sit for the examination based on your experience with undergraduate and previous CPA examinations. Also, analyze the contributing factors to incomplete or incorrect solutions to CPA problems prepared during your study program. The more common reasons for failure are

1. Failure to understand the requirements
2. Misunderstanding the text of the problem
3. Lack of knowledge of material tested
4. Inability to apply the solutions approach
5. Lack of an exam strategy, e.g., time budgeting
6. Sloppiness, computational errors, etc.
7. Failure to proofread and edit

The above are not mutually exclusive categories. Some candidates get in such a hurry that they misread the requirements and the problem text, fail to use a solutions approach, make computational errors, and omit proofreading and editing.

PURPOSE AND ORGANIZATION OF THIS REVIEW TEXTBOOK

This book is designed to help you prepare adequately for the Financial Accounting and Reporting examination. There is no easy approach to prepare for the successful completion of the CPA Examination; however, through the use of this manual, your approach will be systematic and logical.

The objective of this book is to provide study materials supportive to CPA candidates. While no guarantees are made concerning the success of those using this text, this book promotes efficient preparation by

1. Explaining how to "satisfy the grader" through analysis of examination grading and illustration of the solutions approach.
2. **Defining areas tested previously** through the use of the content specification outlines/frequency analyses described earlier. Note that predictions of future exams are not made. You should prepare yourself for all possible topics rather than gambling on the appearance of certain questions.

3. **Organizing your study program** by comprehensively outlining all of the subject matter tested on the examination in 12 easy-to-use study modules. Each study module is a manageable task which facilitates your exam preparation. Turn to the TABLE OF CONTENTS and peruse it to get a feel for the organization of this book.
4. **Providing CPA candidates with recent examination problems** organized by topic (e.g., consolidations, inventory, etc.)
5. **Explaining the AICPA unofficial answers** to the examination problems included in this text. The AICPA publishes unofficial answers to all past CPA examinations; however, no explanation is made of the approach that should have been applied to the examination problems to obtain these unofficial answers. Relatedly, the AICPA unofficial answers to multiple choice and other objective questions provide no justification and/or explanation.

A significant feature of this review text is the grouping of multiple choice questions into topical categories. These categories correspond to the sequence of material as it appears within the text portion of each module. In the answer explanations for the multiple choice questions in each module, we have included headings which provide cross-references to the text material. For example, in Module 24, Fixed Assets, a heading appears above the answers to those questions dealing with depreciation. This heading is identified by the letter "F." To find the topical coverage of depreciation in the text, the candidate would refer to the table of contents for Financial Accounting and Reporting (Chapter 5) and look under the module title (Fixed Assets) for the letter "F." At the right on the line marked "F." would be the appropriate page number in Module 24 related to depreciation.

As you read the next few paragraphs which describe the contents of this book, flip through the chapters to gain a general familiarity with the book's organization and contents.

Chapters 2, 3, and 4 are to help you "satisfy the grader."

- Chapter 2 Examination Grading and Grader Orientation
- Chapter 3 The Solutions Approach
- Chapter 4 Taking the Examination

Chapters 2, 3, and 4 contain material that should be kept in mind throughout your study program. Refer back to them frequently. Reread them for a final time just before you sit for the exam.

Chapter 5, Financial Accounting and Reporting, outlines and discusses the coverage of the Financial Accounting and Reporting section of the CPA examination. It also contains the AICPA Content Specification Outlines combined with the frequency analyses for all the Financial Accounting and Reporting topics tested in this part of the exam.

Chapter 5 (Financial Accounting and Reporting Modules) contains:

1. Outlines of the material tested on the Financial Accounting and Reporting part of the exam
2. Multiple choice questions
3. Other objective questions
4. Practice problems and/or essay questions
5. AICPA unofficial answers with the author's explanations for the multiple choice questions
6. AICPA unofficial answers with the author's explanations for the other objective questions

7. AICPA unofficial answers prefaced by the author's solution guides for the problems
8. AICPA unofficial answers prefaced by the author's answer outlines for the essay questions

Also included at the end of this text are two complete Sample Financial Accounting and Reporting CPA Examinations. We have included two in this volume because of the wide scope of this section of the exam. The sample exams are included to enable candidates to gain experience in taking a "realistic" exam. While studying the modules, the candidate can become accustomed to concentrating on fairly narrow topics. By working through the sample examination near the end of their study programs, candidates will be better prepared for taking the actual examination. The selection of multiple choice and essay questions/practice problems was based on a statistical analysis of recent exams.

Other Textbooks

Since this text is a compilation of study guides and outlines, it may be necessary to supplement it with accounting textbooks and other materials. You probably already have some of these texts or earlier editions of them. In such a case, you must make the decision whether to replace them and trade familiarity (including notes therein, etc.), with the cost and inconvenience of obtaining the newer texts containing a more updated presentation.

Before spending time and money acquiring new texts, begin your study program with *CPA EXAMINATION REVIEW: FINANCIAL ACCOUNTING AND REPORTING* to determine your need for supplemental texts.

Ordering Other Textual Materials

You probably already have intermediate and advanced texts for financial accounting and reporting. If you cannot order desired texts through a local bookstore, write the publisher directly.

The pervasive need of candidates will be AICPA materials. Candidates should locate an AICPA educator member to order their materials, since educator members are entitled to a 30% discount and may place telephone orders. The backlog at the order department is substantial; telephone orders decrease delivery time.

Telephone: (800) 862-4272

Address:

Order Department
American Institute of Certified
Public Accountants
P.O. Box 2209
Jersey City, NJ 07303-2209

Working CPA Questions

The content outlines/frequency analyses, study outlines, etc., will be used to acquire and assimilate the knowledge tested on the examination. This, however, should be only **one-half** of your preparation program. The other half should be spent practicing how to work problems.

Some candidates probably spend over 90% of their time reviewing material tested on the CPA exam. Much more time should be allocated to working old examination problems **under exam conditions**.