

How to **Pass the** **CPA** **EXAM**

The IPassTheCPAExam.com

**Guide for
International
Candidates**



STEPHANIE NG

WILEY

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How to Pass the CPA Exam

THE IPASSTHECPAEXAM.COM GUIDE FOR
INTERNATIONAL CANDIDATES

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To my parents, and Jane, John, Megan, and Max

Introduction

Dear Aspiring CPAs,

I am Stephanie and I have been running a popular CPA exam preparation site called IPassTheCPAExam.com since January 2010.

I originally set up the site to help candidates pick the most suitable CPA review course, but quickly realized that my readers were looking for something else.

They could not even get past the application. They were highly educated and successful accountants in their respective countries, but somehow, the U.S.-centric system made things very difficult.

I Understand the Frustration

Why? Because I have been there. I was an international candidate myself and spent countless hours of research to come up with a way that I thought would work, but it turned out that a new law had passed and I was back to square one.

Five weeks later when I figured out another path that looked workable for me, it was a hassle to go through the application process, such as getting the transcripts evaluated by what is known as the *foreign credential evaluation agencies*, and the nightmare of missing deadlines here and there . . .

I burned out before the studying began.

But I was determined to get it done—and, in fact, once I got approved for the exam, I studied hard, took the four parts in one go and passed the four sections of the exam on my first attempt (FAR: 92, REG: 84, AUD: 88, BEC: 87).

It Is Mission “Possible”

The CPA exam requirements are getting stricter since I became a CPA, but every year more than 10,000 international candidates go through the maze and get approved to sit for the exam.

If they can do it, I am sure you can, too.

How I Can Be Helpful

I have been answering readers’ questions through my site for the past three years, and I am thankful for all the email, notes, blessings, gifts (I got a gift mailed to me from Pakistan) . . . but the best part is to hear the success stories from my readers.

Hi Stephanie, I passed BEC in Jan with an 80, REG in April with a 91, and FAR in August with another 91, I scheduled AUD in 10/18, just wait for my good news! . . . and don’t forget: CPA Exam is passable! Thanks for my family and all my friends to keep me running!

—Yan Tan

(Yan passed AUD with yet another 91 in October.)

This book is an extension of what is offered on my website. You can find tips on every single step, pitfalls that you should avoid during the application process, what to expect along the way, as well as a new section on how to study for the CPA exam for candidates with an international background.

Throughout the book you can read stories of my readers in different parts of the CPA journey, from those contemplating whether to make the jump, those in the middle of studying, to those who have passed the exam and got their licenses. I hope these personal accounts make this book a more enjoyable read.

You will also find three icons that highlight the text in the form of definitions, notes, and tips.



The definition box is used to introduce the acronyms that you will come across in your CPA journey.



Note

The note box draws attention to important reminders.



TIP

The tip box is my special place for words of advice.

How You Can Be Helpful

I understand that many of my readers are highly educated and experienced finance professionals in your respective countries. Being a CPA is not only about getting a better job and making more money; it is also about how you can make good use of your expertise to give back to the community.

For me, I am going to donate all the royalties from this book to two worthy causes:

- 1. New Sight Eye Care:** A U.K.-registered charity founded by a dear friend and her husband, Joyce and Henri Samoutou. They, together with their three young children, are now in the Republic of Congo establishing the first eye surgical center. Follow their amazing work on their website at www.newsightcongo.com.

2. The other charity will be nominated and voted on by my readers. Get the latest update on my website at <http://ipassthecpaexam.com>.

CHAPTER 1

Why CPA?

First of all, I applaud your decision to take on this difficult challenge—to study for and pass the Certified Public Accountant (CPA) exam.

Everyone has a reason to become a CPA. Some aspire to become a Big 4 partner, some strive to earn recognition from peers and colleagues, while others want to enhance their credentials, or simply get a secure job that is well paid with a decent work-life balance.

Whatever your reasons might be, I can assure you that passing the CPA exam is going to be one of the most celebrated moments in your life.

What Is CPA?

CPA stands for Certified Public Accountant in the United States. It is a designation granted to individuals who pass the Uniform CPA Examination and have met the educational and working experience requirements.

In most parts of the United States, only licensed U.S. CPAs can sign audit opinions on financial statements. This statutory right differentiates U.S. CPAs from Chartered Accountants and CPAs from other countries, as well as professional designations such as Chartered Financial Analyst (CFA), Certified Management Accountants (CMA), and Certified Internal Auditor (CIA).

Unlike some other professional accounting certifications such as Association of Chartered Certified Accountants

(ACCA), CPA does not have a syllabus for which candidates can sign up, take the coursework, and expect to obtain the designation on completion of the coursework.

Instead, candidates must find a way to meet the educational requirements to become eligible for the exam. We cover the educational requirements extensively in Chapter 3, "How to Get Qualified."

Five Reasons to Become a CPA

The U.S. CPA exam is considered to be one of the most challenging with a low passing rate, yet tens of thousands of candidates jump in and take the challenge every year. Why?

Increasing Demand

After the recent corporate scandals and failures, governments and the business communities have stepped in to scrutinize the corporation, pouring considerable resources to hire and train accounting professionals.

The Sarbanes-Oxley Act is believed to have increased the demand for accountants and CPAs by double-digit percentage points. The U.S. Bureau of Labor Statistics predicts that the number of jobs for accountants and auditors "is expected to grow by 22 percent between 2008 and 2018, which is much faster than the average for all occupations."

The constant demand for CPAs makes this an ideal profession for those looking for a stable and rewarding job.

Hi Stephanie, I am a Psychology major who just graduated from college. Starting from junior year, I decided I want to become a CPA. I wanted to be able to provide my family with financial stability after seeing the stress my family went through when my mom passed away following my dad's unemployment during my

sophomore year. I wasn't able to get into the accounting minor at my school but I took an equivalent amount of accounting classes and I enjoyed them. Indeed, the knowledge I gained is very practical and I found the learning process very rewarding.

Right now, I am finishing up my last few online classes and getting ready to take the CPA exam.

—Ying

Decreasing Supply

An intriguing national survey by the American Institute of Certified Public Accountants (AICPA) shows that 75 percent of its members are retiring in 10 years. The situation in major financial hubs is equally acute: More than 50 percent of the practitioners at the New York Society of CPA are more than 50 years old. Even in academia, the supply of accounting professors is getting tight: The average age of the accounting faculty is 55; the most common age is 63.

It takes 10 to 15 years to reach the senior positions in public, governmental, and corporate accounting, so this is the time to jump in and catch this golden opportunity.



The American Institute of Certified Public Accountants (AICPA)

The AICPA is the national professional organization for CPAs in the United States, and one of the oldest and largest accounting bodies in the world. The institute sets the U.S. auditing standards and ethical standards for the profession. It is also one of the major stakeholders in the design and administration of the Uniform CPA Examination.

The Value of Getting Recognized

Besides the demand-supply imbalance, becoming a CPA is a personal achievement. Your family, friends, and business

partners will be proud of you with this globally recognized qualification.

Becoming a CPA is also a demonstrated commitment to the accounting industry. Accounting firms and companies recognize professionals who put in the investment of time, money, and effort to achieve this goal. You will get the reward when it comes to recruiting and promotion.

Hello Stephanie. Merry Christmas! Well, almost.:) I'm writing to you because I have decided that I want to embark on this long and grueling journey towards my CPA license. I live in California, and graduated two and a half years ago. I have been working in private accounting, but feel I need my CPA license to help me move up and make more money. I feel that obtaining my CPA license will help open new opportunities or make me qualified for better paying positions.

—Edgar De La Torre

At the same time, getting the CPA designation could be a matter of survival. I got many emails from readers asking for help to pass the CPA exam as soon as possible, because they had received an ultimatum from the management to get it done. Most of these readers are seasoned finance professionals with many years of practical experience; yet for one reason or another, they procrastinate until it becomes almost too late. Learn from my readers' experience and take the exam as soon as you can.

The Door to Career Change or More Interesting Career Paths

Accounting is much more than bookkeeping and auditing. There are many interesting niches once you reach a level of expertise. Forensic accounting is an exciting field. Finance and risk management careers within biotechnology and environmental engineering are options with great potential.

As the economy recovers, your CPA designation will be a valuable asset when new opportunities emerge in promising industries.

If you are looking for career change, the CPA designation can help you get into accounting even though you have no prior experience.

Hi Stephanie, my name is Donna, and I am a mere eight weeks away from completing my Master's of Science Degree in Accounting. I actually never really thought I would be interested in accounting. I obtained my Bachelor's Degree in Elementary Education way back when and taught for a few years. My husband moved around for his job (with me in tow), and after our first move I never got back into teaching. I've been in administrative roles for the last fifteen years and ended up doing some financial work in city government. I decided to utilize the city's educational assistance program to pursue my Master's Degree and decided that accounting seemed interesting (go figure . . . I usually get blank stares or comments like "Wow . . . better you than me. . . . I could never be an accountant").

While I'm not certain where my hat will hang after I get my degree, I do know that the sky is the limit if I am able to get my CPA license. I'll be 44 this November, so I am anxious to get on the career ladder. With that being the case, my goal is to have all four sections of the exam passed successfully by the end of 2013.

—Donna

The Route to Financial Freedom

The salary range of accountants depends on education, geography, and market condition among other factors. In general, however, CPAs can expect to earn up to 10 percent more than their peers without the professional designation.

If you take into account the cumulative effect as well as the potential for CPAs to get more frequent promotions, the difference can be substantial over the lifetime of your career.

You may not become a millionaire strictly as a CPA, but you will likely pay off the mortgage, retire early, and enjoy life earlier with the help of this designation.

Five More Reasons to Become a CPA for International Candidates

As an international candidate, you may have an even greater desire to obtain the U.S. CPA designation.

It Could Be Easier Than the Local CPA Exam

It may be hard to believe, but in some parts of the world, the professional accounting examination is even tougher to pass.

In China, for example, the equivalent exam administered by the Chinese Institute of Certified Public Accountants (CICPA) has a passing rate of well below 20 percent. The exam comprises seven papers with exam topics constantly changing as the local accounting and auditing standards converge with the international standards. In comparison, the U.S. version is considerably more lenient with passing rates around 50 percent.

It is interesting to note that with the growing Chinese economy, the demand for accountants is higher than in the United States: There are currently 180,000 CICPA members but the institute aims to increase this number by almost 40 percent to 250,000 by 2015.

With this extreme demand-supply imbalance, it is logical for Chinese accountants to take the U.S. CPA exam for higher success rates and speedier processes, as long as their employers recognize non-Chinese qualifications. These U.S. CPA-qualified accountants in China are in high demand in international accounting firms and multinational corporations.

It Could Take Less Time to Become a CPA

The U.S. CPA exam consists of four sections totaling 14 hours, involving multiple-choice questions, task-based simulations, and written communications. Candidates can take the sections separately or in one go. They can also sit for the exam any time during the testing windows, which are offered in the first two months of each quarter.

In other parts of the world, the equivalent professional accounting exam often consists of several papers with long calculations and essays. Each paper is offered once or twice a year. Because of the different arrangements, a U.S. CPA candidate can technically complete the exam within a few months, while the non-U.S. counterparts have no choice but to tackle each paper one at a time.

If you want to become a CPA on a fast track, this is a great reason for you to get started.

It Allows More Flexibility

As you embark on the CPA journey, you will appreciate the flexibility offered by this exam when compared to its overseas counterparts.

First of all, the exam is 100 percent computerized, which enables low-cost delivery of the exam in a more customized and user-friendly format. By scheduling the exam on any Monday to Friday (even Saturday and Sunday for some

sites) during the test windows, you can set your own pace and take the exam at a time convenient for you.

The computerized format has led to the proliferation of practice test questions offered on computers. Guided review courses are available with full offerings of videos, lecture notes, and flash cards on computer and mobile devices.

The test preparation software often comes with a study planner and diagnostics to help schedule and analyze your study process in a systematic manner. This makes self-study much easier, more efficient, and more effective.

Candidates outside the United States used to have little choice when it came to CPA review courses. Nowadays, the availability of online self-study courses has created the same level playing field. With dedication and hard work, international candidates have an equal chance to successfully pass the CPA exam.

It Could Increase Your Job Mobility

Many readers of my website are chartered accountants and their memberships span many accounting professional organizations. When they realize that these qualifications cannot be fully recognized in other parts of the world and especially in the United States, they find the need to take the U.S. CPA exam.

I also have readers who are university students with the aspiration to go abroad and work in a foreign country. They have not decided on the destination but after recognizing the global acceptance of the U.S. CPA designation, they are determined to focus their efforts on the CPA exam.

The U.S. CPA Exam Is Going International

The greatest news is that the AICPA and the National Association of State Boards of Accountancy (NASBA) want you to join! The stakeholders of the CPA exam spent two

years studying the international exam delivery program. In August 2011, the first international sites were open in Japan, Bahrain, Kuwait, Lebanon, and the United Arab Emirates, followed by another site in Brazil in February 2012.

U.S. citizens living abroad and citizens of the above countries can take advantage of these international testing locations. Long-term residents of Egypt, Jordan, Lebanon, Oman, Qatar, Saudi Arabia, UAE, and Yemen can take the exam in one of the Middle Eastern locations. Long-term residents of Argentina, Colombia, and Venezuela can take the exam in Brazil.

Candidates should be aware of the restrictions involved (discussed in Chapter 3) but all in all this is an excellent sign that international candidates are welcome to join the community.



National Association of State Boards of Accountancy (NASBA)

NASBA is an association dedicated to serving the fifty-five State Boards of Accountancy. NASBA is another major stakeholder in the administration of the Uniform CPA Examination.

What Are You Waiting For?

This is the best time to make up your mind and take up the challenge! I guide you on how to achieve this goal in the most efficient and cost-effective way in later chapters.

CHAPTER 2

What Is the CPA Exam?

In order to become a CPA in the United States, you need to fulfill the “Three Es” requirements: Education, Examination, and Experience. This chapter focuses on the second step, the Uniform CPA Examination. We discuss in length the educational and experience requirements in the next chapter.

Exam Coverage

Here are frequently asked questions on the coverage, format, and passing rate of the CPA exam.

What Does the Uniform CPA Exam Cover?

The exam is comprehensive, covering all accounting concepts and applications in financial accounting and auditing, together with related fields such as economics, business law, business ethics, internal control, financial management, risk management, information systems, regulations, and taxation.

There are four sections in the exam:

- 1.** Audit and Attestation (AUD)—four hours
- 2.** Financial Accounting and Reporting (FAR)—four hours
- 3.** Regulation (REG)—three hours
- 4.** Business Environment and Concepts (BEC)—three hours

We review the topics and study tips for each session in later chapters.

What Is the Exam Format?

The CPA exam is fully computerized. For FAR, AUD, and REG, the section consists of:

- Three testlets (i.e., groups) of 24 to 30 multiple-choice questions.
- One testlet of task-based simulation questions with six to seven questions, or three questions on written communications.

Multiple-Choice Questions

Multiple-choice questions are graded positively in this exam. In other words, there is no penalty for incorrect answers. This has an implication on the test-taking strategy and we go over this in the second half of this book.

Task-Based Simulation Questions

Also known as the *simulations*, they are “condensed case studies” to test whether candidates understand the selected concept in-depth and are able to apply the concepts in the business environment. They are also meant to assess the candidates' ability to research effectively.

Prior to 2011, there was a written communications tab within the simulation questions, which represented 10 percent of the total score. The rest of the simulations represented 20 percent. Effective January 2011, there is no written communications in FAR, AUD, and REG but you will find three written communication tasks in BEC.

To really understand how simulations work, you have to work on the practice questions online and get used to the format. You can also learn more about this exam format in

Chapter 8, “How to Overcome the Fear of Task-Based Simulations.”

Written Communication Tasks

Candidates are asked to write a memo, letter to the client, or other types of business writing that a junior CPA is expected to perform in everyday work. You are graded on relevance, conciseness, and proper use of English instead of the technical accuracy of the content.

What Is the CPA Exam Passing Rate?

Each section is slightly different, but the overall CPA exam pass rate in 2012 was 49.0 percent. Although this is not an encouraging statistic, you can greatly improve your odds by planning and studying for the exam the right way, which is the focus in the second half of this book.



Note

If English is not your first language, you may want to read Chapter 9, “How to Ace the Written Communication Tasks,” on how to get comfortable with business writing for the purpose of the CPA exam.

Exam Schedule and Location

Here are the questions on when and where you can take the exam.

When Does the Exam Take Place?

You can take the exam anytime during the “testing window,” which is the first 60 days of each calendar quarter. The testing window is the same for both U.S. and international testing locations effective January 1, 2013.

When Is the Deadline?

There is no deadline because the testing date is not fixed. However, international candidates should start the application process around four to six months before the desired test date. Extra time is required because of the additional steps in the application process for international candidates. We go over this in Chapter 3, “How to Get Qualified,” and Chapter 4, “Getting Ready.”

After completing a successful application, you receive the “Notice to Schedule,” or NTS. This is the admission ticket that allows you to schedule the exam anytime within six months for most states, and within 9 to 12 months for a few others.

Where Can I Take the Exam?

You can sit for the exam in the Prometric centers throughout the United States and in the international exam sites in Japan, Bahrain, Kuwait, Lebanon, the United Arab Emirates, and Brazil.

Note that the international exam sites are restricted for U.S. and local citizens as well as local long-term residents. For example, a Taiwan citizen cannot take the CPA exam in Japan even though it is the most convenient location. A U.S. citizen working in Taiwan is eligible to take the exam in Japan.

Exceptions are long-term residents of Egypt, Jordan, Lebanon, Oman, Qatar, Saudi Arabia, UAE, and Yemen; they may take the exam in one of the Middle Eastern locations. Long-term residents of Argentina, Colombia, and Venezuela can schedule their exams in Brazil.

Where Can I Get the Application Form?

The application process is complicated for international candidates. There is no centralized agency to administer the application in the United States. Instead, the boards of accountancy in each of the 50 states and five territories are responsible for establishing the eligibility requirements and granting the CPA license.

You need to select a state and fulfill this particular state's requirements in order to sit for the exam. We go over the steps in detail in Chapter 3.

Can I Register in One State and Physically Sit for the Exam in Another?

Yes. For example, you can register in Colorado but physically take the exam in California where your relatives live.

For candidates from East Asia and Southeast Asia, taking the exam in Guam is the most logical choice. Note that there is a surcharge of US\$110 per exam section in Guam if candidates do not register the exam through Guam.

Exam Qualifications

Here are the questions on the eligibility and possible exemptions for the exam.

I Did Not Study in the United States. Can I Qualify?

Yes, but there is an additional step in the application process. For education obtained outside the United States, you need to get your transcripts evaluated by one of the foreign credential evaluation agencies.

The list of approved agencies can be found in the CPA exam application form. You can look up the information on