

Uniform CPA Examination Financial Accounting and Reporting (FAR)

Blueprint



Financial Accounting and Reporting

The Financial Accounting and Reporting (FAR) section of the Uniform CPA Examination (the Exam) assesses the knowledge and skills that nCPAs must demonstrate in the financial accounting and reporting frameworks used by for-profit (public and nonpublic) and not-for-profit entities.

The frameworks eligible for assessment include the standards and/or regulations issued by the:

- Financial Accounting Standards Board (FASB)
- U.S. Securities and Exchange Commission (U.S. SEC)
- American Institute of Certified Public Accountants (AICPA)

The assessment of financial accounting and reporting concepts will focus on an nCPA's role in the preparation and review of financial statements, account balances and transactions to ensure compliance with the applicable frameworks described above. The assessment will incorporate:

- Data and technology concepts, including the verification of the completeness and accuracy of source data used in the preparation of financial statements and the use of various sources of data and information to prepare supporting schedules for account balances.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., FASB Accounting Standards Codification) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

The FAR section of the Exam will also assess foundational concepts related to the accounting requirements for state and local governments as issued by the Governmental Accounting Standards Board (GASB).

A list of reference materials relevant to the FAR section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The FAR section blueprint is organized by content AREA, content GROUP and content TOPIC. Each group or topic includes one or more representative TASKS that an nCPA may be expected to complete in practice.

Tasks in the FAR section blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the FAR section of the Exam. Lists or examples included within the text of a representative task beginning with the word “including” are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with “e.g.,” this is not intended to be an exhaustive list but rather examples of the types of content that could be assessed. Parenthetical lists that do not include “e.g.” are intended to be an exhaustive list of the content to be assessed with respect to that representative task.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the FAR section of the Exam:

Content area		Allocation
Area I	Financial Reporting	30–40%
Area II	Select Balance Sheet Accounts	30–40%
Area III	Select Transactions	25–35%

Financial Accounting and Reporting (continued)

Overview of content areas

Area I of the FAR section blueprint covers the preparation, review and analysis of financial statements (for profit and not-for-profit entities) and foundational concepts related to the accounting requirements for state and local governments. The Area includes the following:

- General-purpose financial reporting and ratios and performance metrics applicable to for-profit entities and not-for-profit entities prepared under the FASB Accounting Standards Codification.
- Disclosures specific to public companies including earnings per share prepared under the FASB Accounting Standards Codification and the interim, annual and periodic filing requirements for U.S. registrants in accordance with the rules of the U.S. SEC.
- Financial statements prepared under special purpose frameworks as described in AU-C Section 800 of the Codification of Statements on Auditing Standards.
- State and local government concepts including measurement focus, basis of accounting and determining the appropriate funds to record activities in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Area II of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select balance sheet accounts for both for-profit and not-for-profit entities. The Area includes the following:

- Cash and cash equivalents.
- Trade receivables.
- Inventory.
- Property, plant and equipment.
- Investments, including financial assets at fair value, financial assets at amortized cost and equity method investments.
- Intangible assets, with a focus on finite-lived intangible assets.

- Payables and accrued liabilities.
- Long-term debt, including notes and bonds payable and debt covenant calculations.
- Equity transactions, specifically focusing on equity issuance, stock dividends, stock splits and treasury stock.

If significant accounting or reporting differences exist between for-profit and not-for-profit entities for a given group or topic, such differences are in representative not-for-profit tasks in the FAR section blueprint.

Area III of the FAR section blueprint covers the financial accounting and reporting requirements in the FASB Accounting Standards Codification that are applicable to select transactions for both for-profit and not-for-profit entities. The Area includes the following:

- Accounting changes and error corrections.
- Contingencies and commitments.
- Revenue recognition, specifically focusing on recalling and applying the five-step model and accounting for contributions received by not-for-profit entities.
- Accounting for income taxes.
- Fair value measurement concepts and classification within the fair value hierarchy.
- Leases, specifically focusing on recalling and applying lessee accounting requirements.
- Subsequent events.

If significant accounting or reporting differences exist between for-profit and not-for-profit entities, such differences are in representative not-for-profit tasks in the FAR section blueprint.


Financial Accounting and Reporting (continued)

Section assumptions

The FAR section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that all of the information provided in each question is material and should apply all stated assumptions. In addition, candidates should assume that each question applies to a for-profit business entity reporting under U.S. GAAP unless otherwise stated in the fact pattern for a question. For example, questions that apply to not-for-profit entities specify the nature of these entities as “not-for-profit” or “non-governmental, not-for-profit.” Questions that apply to state and local governments include phrases such as “local government,” “state,” “municipality” or “city.”

Skill allocation

The Exam applies a skill framework based on the revised Bloom’s Taxonomy of Educational Objectives³. Bloom’s Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
 Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The FAR section of the Exam assesses content at the first three skill levels of Bloom’s taxonomy as described below:

- Remembering and Understanding is tested in all three areas of the FAR blueprint. Tasks, such as identifying transactions and financial reporting requirements, require nICPAs to demonstrate their comprehension of accounting concepts and standards.
- Application skills are tested in all three areas of the FAR blueprint. Tasks, such as preparing journal entries and financial statements, require nICPAs to use accounting concepts and standards to measure and recognize financial statement amounts.
- Analysis skills are tested in all three areas of the FAR blueprint. Tasks, such as reconciling account balances and detecting financial reporting discrepancies, require nICPAs to demonstrate a higher level of interpretation. Area II has the highest concentration of analysis tasks.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nICPA would reasonably be expected to perform.

³ Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom’s Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Financial Accounting and Reporting (continued)

References – Financial Accounting and Reporting

The References detailed below are the sources of the subject matter eligible for assessment in the FAR section, to the extent that the subject matter is included in the blueprint's content areas, groups and topics. Further, the assessment of the subject matter described in a representative task that identifies an organization, publication, law, regulation, standard or framework is limited to the specific sections of the References detailed below. Similarly, subject matter identified in a representative task and related subject matter is eligible for assessment to the extent it is included in the References detailed below.

- FASB Accounting Standards Codification
- FASB Concepts Statements
- U.S. SEC References:
 - Securities Exchange Act of 1934
 - Regulation S-X of the Code of Federal Regulations (17 CFR Part 210)
 - Regulation S-K of the Code of Federal Regulations (17 CFR Part 229)
- Codification of Statements on Auditing Standards: AU-C Section 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- AICPA Practice Aid – Accounting and Financial Reporting Guidelines for Cash – and Tax – Basis Financial Statements
- State and Local Government References:
 - GASB Codification of Governmental Accounting and Financial Reporting Standards
 - GASB Statements
- Current textbooks on accounting for business entities, not-for-profit entities, and state and local government entities

Summary Blueprint

Content area allocation	Weight
I. Financial Reporting	30–40%
II. Select Balance Sheet Accounts	30–40%
III. Select Transactions	25–35%

Skill allocation	Weight
Evaluation	–
Analysis	35–45%
Application	45–55%
Remembering and Understanding	5–15%

The following pages include the detailed blueprints that define the areas, groups, topics and representative tasks for the FAR section. It is important to note that the number of representative tasks associated with a particular content group or topic is not indicative of the extent to which such content group, topic or related skill level will be assessed on the Exam (i.e., more numerous tasks in a particular group, topic or skill compared to another should not infer more content weight assigned to that group, topic or skill).

Area I – Financial Reporting (30–40%)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
A. General-Purpose Financial Reporting: For-Profit Business Entities					
1. Balance sheet/Statement of financial position		✓			Prepare a classified balance sheet from a trial balance and supporting documentation.
		✓			Adjust the balance sheet to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the balance sheet amounts to supporting documentation, including the source data.
2. Income statement/Statement of profit or loss		✓			Prepare a single-step or multi-step income statement (e.g., operating, nonoperating, discontinued operations) from a trial balance and supporting documentation.
		✓			Adjust the income statement to correct identified errors.
		✓			Calculate transaction gains or losses recognized from monetary transactions denominated in a foreign currency.
			✓		Detect, investigate and correct discrepancies while agreeing the income statement amounts to supporting documentation, including the source data.
3. Statement of comprehensive income	✓				Recall the purpose, objectives and structure of the statement of comprehensive income.
	✓				Identify items classified as other comprehensive income.
4. Statement of changes in equity		✓			Prepare a statement of changes in equity from a trial balance and supporting documentation.
		✓			Adjust the statement of changes in equity to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the statement of changes in equity amounts to supporting documentation, including the source data.

Area I – Financial Reporting (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. General-Purpose Financial Reporting: For-Profit Business Entities (continued)					
5. Statement of cash flows		✓			Prepare a statement of cash flow using the indirect method and required disclosures from supporting documentation.
		✓			Adjust a statement of cash flows to correct identified errors.
			✓		Detect, investigate and correct discrepancies while agreeing the statement of cash flows amounts to supporting documentation, including the source data.
			✓		Derive the impact of transactions on the statement of cash flows.
6. Consolidated financial statements (including wholly-owned subsidiaries and noncontrolling interests)		✓			Prepare consolidated financial statements (adjustments, and/or eliminations) from supporting documentation.
		✓			Adjust consolidated financial statements to correct identified errors.
			✓		Detect, investigate and correct discrepancies identified while agreeing the consolidated financial statement amounts to supporting documentation, including the source data.
7. Notes to financial statements		✓			Adjust the notes to the financial statements to correct identified errors and omissions.
			✓		Compare the notes to the financial statements to the financial statements and supporting documentation, including the source data, to identify inconsistencies and investigate those inconsistencies.
B. General-Purpose Financial Reporting: Nongovernmental Not-for-Profit Entities					
1. Statement of financial position	✓				Recall the purpose and objectives of the statement of financial position for a nongovernmental, not-for-profit entity.

Area I – Financial Reporting (30–40%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
B. General-Purpose Financial Reporting: Nongovernmental Not-for-Profit Entities (continued)					
1. Statement of financial position (continued)		✓			Prepare a statement of financial position for a nongovernmental, not-for-profit entity from a trial balance and supporting documentation.
		✓			Adjust the statement of financial position for a nongovernmental, not-for-profit entity to correct identified errors.
2. Statement of activities	✓				Recall the purpose and objectives of the statement of activities for a nongovernmental, not-for-profit entity.
		✓			Prepare a statement of activities for a nongovernmental, not-for-profit entity, including donor restrictions and releases from donor restrictions, from a trial balance and supporting documentation.
		✓			Adjust the statement of activities for a nongovernmental, not-for-profit entity to correct identified errors.
		✓			Report expenses by nature and function in either the statement of activities, the notes to the financial statements or a statement of functional expenses for a nongovernmental, not-for-profit entity.
3. Statement of cash flows	✓				Recall the purpose and objectives of the statement of cash flows for a nongovernmental, not-for-profit entity.
		✓			Prepare a statement of cash flows and required disclosures using the direct method or indirect method for a nongovernmental, not-for-profit entity.
		✓			Adjust the statement of cash flows for a nongovernmental, not-for-profit entity to correct identified errors.
4. Notes to the financial statements		✓			Adjust the notes to the financial statements to correct identified errors and omissions.

Area I – Financial Reporting (30–40%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
C. State and Local Government Concepts					
1. Measurement focus and basis of accounting	✓				Recall the measurement focus and basis of accounting used by state and local governments for fund and government-wide financial reporting.
2. Purpose of funds		✓			Determine the appropriate fund(s) that a state or local government should use to record its activities.
D. Public Company Reporting Topics					
	✓				Recall the purpose of forms 10-Q, 10-K and 8-K that a U.S. registrant is required to file with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934.
	✓				Identify the items of Form 10-Q (Part I Items 1 through 3) and Form 10-K (Part II Items 7, 7A and 8) filed with the U.S. Securities and Exchange Commission.
		✓			Calculate basic earnings per share and diluted earnings per share considering the impact of stock options, preferred stock, convertible preferred stock and/or convertible debt.
E. Special Purpose Frameworks					
	✓				Recall appropriate financial statement titles to be used for the financial statements prepared under a special purpose framework.
		✓			Perform calculations to convert cash basis or modified cash basis financial statements to accrual basis financial statements.
		✓			Prepare financial statements using the cash basis or modified cash basis of accounting.
		✓			Prepare financial statements using the income tax basis of accounting.

Area I – Financial Reporting (30–40%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
F. Financial Statement Ratios and Performance Metrics					
	✓				Identify the appropriate financial statement ratio or performance metric to perform a specified type of analysis.
		✓			Calculate profitability ratios (e.g., gross profit margin, return on sales, return on assets, return on equity).
		✓			Calculate liquidity ratios (e.g., current, quick, accounts receivable turnover, inventory turnover, accounts payable turnover).
		✓			Calculate solvency ratios (e.g., debt-to-equity, total debt, times interest earned).
		✓			Calculate performance metrics (e.g., EBITDA, price-to-earnings, dividend payout, asset turnover).
		✓			Calculate variances between budget and actual results.

Area II – Select Balance Sheet Accounts (30–40%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Cash and cash equivalents					
		✓			Calculate cash and cash equivalents balances to be reported in the financial statements.
			✓		Reconcile the cash balance per the bank statement to the general ledger.
			✓		Investigate unreconciled cash balances to determine whether an adjustment to the general ledger is necessary.
B. Trade receivables					
		✓			Calculate trade receivables and allowances (e.g., credit losses, sales returns) and prepare journal entries.
		✓			Prepare any required journal entries to record the transfer of trade receivables (secured borrowings, factoring, assignment, pledging).
			✓		Prepare a rollforward of the trade receivables account balance using various sources of data and information.
			✓		Reconcile and investigate differences between the subledger and general ledger for trade receivables to determine whether an adjustment is necessary.
C. Inventory					
		✓			Calculate the carrying amount of inventory and prepare journal entries using various costing methods.
		✓			Use the lower of cost and net realizable value or the lower of cost or market approach to calculate the carrying amount of inventory.
			✓		Prepare a rollforward of the inventory account balance using various sources of data and information.
			✓		Reconcile and investigate differences between the subledger and general ledger for inventory to determine whether an adjustment is necessary.

Area II – Select Balance Sheet Accounts (30–40%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
D. Property, plant and equipment					
		✓			Calculate the gross and net property, plant and equipment balances and prepare journal entries.
		✓			Calculate gains or losses on the disposal of long-lived assets to be recognized in the financial statements.
		✓			Calculate impairment losses on long-lived assets to be recognized in the financial statements.
		✓			Determine whether an asset qualifies to be reported as held for sale in the financial statements.
		✓			Adjust the carrying amount of assets held for sale and calculate the loss to be recognized in the financial statements.
			✓		Prepare a rollforward of the property, plant and equipment account balance using various sources of data and information.
			✓		Reconcile and investigate differences between the subledger and general ledger for property, plant and equipment to determine whether an adjustment is necessary.
E. Investments					
1. Financial assets at fair value	✓				Identify investments that are eligible or required to be reported at fair value in the financial statements.
		✓			Calculate the carrying amount of investments measured at fair value (excluding impairment).
		✓			Calculate investment income to be recognized in net income for investments measured at fair value and prepare journal entries.
		✓			Calculate impairment losses to be recognized on applicable investments reported at fair value in the financial statements.

Area II – Select Balance Sheet Accounts (30–40%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
E. Investments (continued)					
2. Financial assets at amortized cost	✓				Identify investments that are eligible to be reported at amortized cost in the financial statements.
		✓			Calculate the carrying amount of investments measured at amortized cost and prepare journal entries (excluding impairment).
		✓			Calculate impairment losses to be recognized on investments reported at amortized cost in the financial statements.
3. Equity method investments	✓				Identify when the equity method of accounting can be applied to an investment.
		✓			Calculate the carrying amount of equity method investments and prepare journal entries (excluding impairment).
F. Intangible assets					
	✓				Identify the criteria for recognizing intangible assets in the statement of financial position and classify intangible assets as either finite-lived or indefinite-lived.
		✓			Calculate the carrying amount of finite-lived intangible assets reported in the financial statements (initial measurement, amortization and impairment) and prepare journal entries.
		✓			Calculate the carrying amount of purchased software and cloud computing arrangements reported in the financial statements (initial measurement, amortization and impairment) and prepare journal entries.

Area II – Select Balance Sheet Accounts (30–40%) (continued)

	Skill				
Content group/topic	Remembering & Understanding	Application	Analysis	Evaluation	Representative Task
G. Payables and accrued liabilities					
	✓				Recall the recognition and measurement requirements for asset retirement obligations.
		✓			Calculate the carrying amount of payables (e.g., accounts payable, dividends payable) and accrued liabilities (e.g., accrued wages, accrued vacation, accrued bonuses, self-insurance liabilities) and prepare journal entries.
		✓			Identify and calculate liabilities arising from exit or disposal activities (e.g., one-time termination benefits, severance arrangements) and determine the timing of recognition in the financial statements.
			✓		Reconcile and investigate differences between the subledger and general ledger for accounts payable and accrued liabilities to determine whether an adjustment is necessary.
H. Debt (financial liabilities)					
1. Notes and bonds payable	✓				Recall the criteria to classify a change to a debt instrument as either a modification of terms or an extinguishment of debt.
	✓				Understand when a change to the terms of a debt instrument qualifies as a troubled debt restructuring.
		✓			Calculate the interest expense attributable to notes and bonds payable reported in the financial statements (e.g., discounts, premiums, debt issuance costs).
		✓			Calculate the carrying amount of notes and bonds payable and prepare journal entries.
2. Debt covenant compliance		✓			Perform debt covenant calculations as stipulated in a debt agreement to ascertain compliance.
I. Equity					
		✓			Prepare journal entries to recognize equity transactions in the financial statements (e.g., equity issuance, stock dividends, stock splits, treasury stock, capital account activity in pass-through entities).

Area III – Select Transactions (25–35%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Accounting changes and error corrections					
		✓			Calculate a required adjustment to the financial statements due to an accounting change (change in accounting principle or change in accounting estimate) or error correction and determine whether it requires prospective or retrospective application.
			✓		Derive the impact to the financial statements and related note disclosures of an identified accounting change or an error correction.
B. Contingencies and commitments					
	✓				Recall the recognition and disclosure criteria used to identify commitments and contingencies.
		✓			Calculate amounts of contingencies and prepare journal entries.
			✓		Review supporting documentation to determine whether a commitment or contingency requires recognition and/or disclosure in the financial statements.
C. Revenue recognition					
	✓				Recall concepts of accounting for revenue using the five-step model.
	✓				Recall the recognition requirements associated with conditional and unconditional promises to give (pledges) for a nongovernmental, not-for-profit entity.
	✓				Identify transfers to a nongovernmental, not-for-profit entity acting as an agent or intermediary that are not recognized as contributions.
		✓			Determine the amount and timing of revenue to be recognized using the five-step model and prepare journal entries.
		✓			Determine the recognition and subsequent measurement requirements for contract costs and prepare journal entries.

Area III – Select Transactions (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
C. Revenue recognition (continued)					
		✓			Determine the amount and timing of revenue to be recognized by a nongovernmental, not-for-profit entity for contributed services received and prepare journal entries.
		✓			Calculate the amount to be recognized for contributions (financial assets and nonfinancial assets) to a nongovernmental, not-for-profit entity.
D. Accounting for income taxes					
	✓				Recall the accounting treatment for uncertainty in income taxes.
	✓				Recall the criteria for recognizing or adjusting a valuation allowance for a deferred tax asset.
		✓			Calculate the income tax expense and current taxes payable/receivable.
		✓			Calculate deferred tax assets/liabilities resulting from book to tax basis differences (e.g., allowance for credit losses, inventory costing methods, property, plant and equipment).
		✓			Prepare journal entries to record the tax provision.
E. Fair value measurements					
	✓				Identify the valuation techniques used to measure fair value.
	✓				Recall assumptions (e.g., highest and best use, market participant assumptions, unit of account) and approaches (cost, income, market) used to measure fair value.
		✓			Use the fair value hierarchy to determine the classification of a fair value measurement.

Area III – Select Transactions (25–35%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
F. Lessee accounting					
	✓				Recall the appropriate accounting treatment for residual value guarantees, purchase options and variable lease payments included in leasing arrangements for a lessee.
	✓				Identify the criteria for classifying a lease arrangement for a lessee.
		✓			Calculate the carrying amount of lease-related assets and liabilities and prepare journal entries that a lessee should record.
		✓			Calculate the lease costs that a lessee should recognize in the income statement.
G. Subsequent events					
	✓				Identify a subsequent event and recall its appropriate accounting treatment.
		✓			Calculate required adjustments to financial statements and/or note disclosures based on identified subsequent events.
			✓		Derive the impact to the financial statements and required note disclosures due to identified subsequent events.