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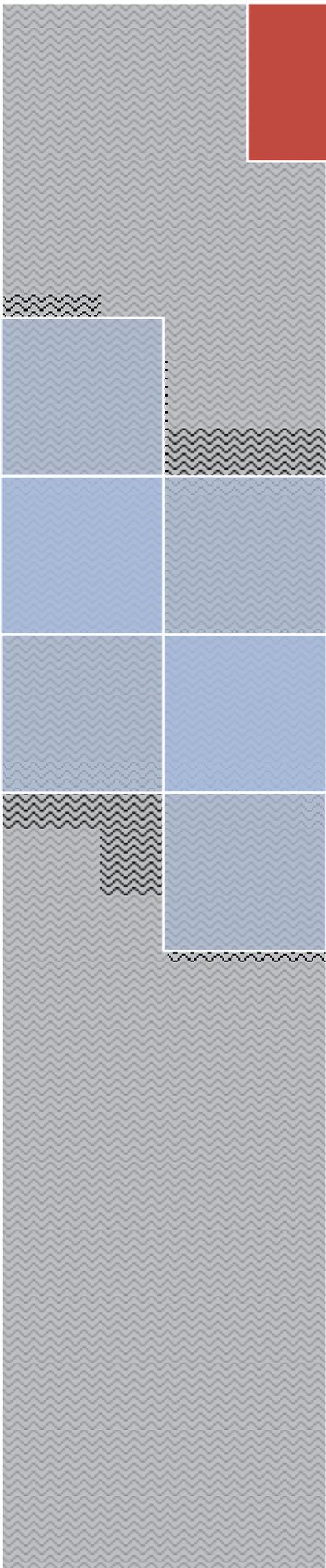
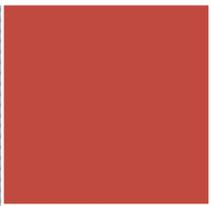
K-N-O-W Before You Go (46 pages)

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# *K-N-O-W*™ *before you go!*

*For your success on the CPA Exam.*

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Dedicated to the CPA Exam candidates.

## Prologue

The purpose of this book is to help those CPA candidates who believe in hard work, are committed and passionate to pass the CPA exam. This book does not have any short cuts to succeed on the CPA exam. In my opinion, no short cuts to success exist.

Whether you are a first time CPA candidate or have experience taking the CPA exam, this book will motivate you and help you to improve your preparation and exam taking strategies and to guide the efforts that you **MUST** put in to pass the CPA exam.

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## **K-N-O-W™** before you go!

**K**nowledge of different areas tested on the CPA exam such as financial and managerial accounting, taxation, business law, auditing, information technology, finance etc. Are you anxious already? Do not worry! You are not required to be a master in all areas; still you can pass the CPA exam.

*Get excited to gain diversified knowledge and succeed on the CPA exam*

**N**o quitting. Once you have decided to become a CPA, your only option is to pass the CPA exam. You need to be persevered and patient because quitting is not for you. However, re-attempting a failed exam section without identifying and correcting weaknesses is not perseverance. I believe perseverance is continuous improvement and nonstop hard work despite failures to turn odds in your favor.

*If you do not give up, failures can't deter you from succeeding*

**O**rganized study, that is, you need to prepare a realistic plan that helps you to reasonably allocate time between study and other professional and personal commitments. You must develop time management strategies as well as physical and mental endurance to give your best performance on the CPA exam.

*Know “WHAT” to study and learn “HOW” to study*

**W**illingness and commitment to the study plan. You can spend countless hours to prepare the best possible study plan, but it is your willingness and commitment to implement that study plan which brings you success on the CPA exam.

*Be committed to your dream of becoming a CPA and make it a reality*

## Introduction

### 1. What is the structure of the CPA Exam?

The CPA exam consists of four sections<sup>1</sup>:

#### Financial Accounting & Reporting (FAR)

- Duration: 4 Hours
- Number of Multiple Choice Questions: 66 (two testlets) worth 50%
- Number of Task Based Simulations: 8 worth 50%
- Number of Written Communications: None

#### Auditing & Attestation (AUD)

- Duration: 4 Hours
- Number of Multiple Choice Questions: 72 (two testlets) worth 50%
- Number of Task Based Simulations: 8 worth 50%
- Number of Written Communications: None

#### Regulation (REG)

- Duration: 4 Hours
- Number of Multiple Choice Questions: 76 (two testlets) worth 50%
- Number of Task Based Simulations: 8 worth 50%
- Number of Written Communications: None

#### Business Environment and Concepts (BEC)

- Duration: 4 Hours
- Number of Multiple Choice Questions: 62 (two testlets) worth 50%
- Number of Task Based Simulations: 4 worth 35%
- Number of Written Communications: 3 worth 15%

## 2. How is the CPA exam different from a college exam?

| College Exam   | CPA Exam   |
|--|--|
| College exams are of shorter duration than the CPA exam.   | On the CPA exam, FAR and AUD are four hours exams and REG and BEC exams are of three hours duration.   |
| Generally, in the college exams, you are not tested on all topics covered in the text book.                | Each section of the CPA exam is based on Content-Specification Outline (CSO) issued by AICPA and you can be tested on any area mentioned in that CSO.                              |
| You can pass the college exam by cramming specific topics and pulling a few all-nighters before the exams. | To pass the CPA exam, you do not only have to know a wide range of topics but also you need proper strategies to learn the material, to manage time and to build mental endurance. |
| You have pre-determined dates for college exams.   | You are flexible to schedule the CPA exam in Jan-Feb, Apr-May, Jul-Aug, and Oct-Nov. This flexibility is great but not always!   |

The purpose of the above table is to demonstrate that the way you study for college exams does not apply to the CPA exam. To pass the CPA exam, you would need a methodology and attitude different than you had for the college exams. You can pass all sections of the CPA exam in the first attempt provided you commit to your CPA study plans and prepare to succeed.

### **3. Can work experience substitute for the preparation needed to pass the CPA exam?**

No. Because you are a seasoned auditor or a tax professional does not mean that you will pass the AUD or REG section with no or minimal preparation. If you sit for the CPA exam without adequate study, you may fail the section of your expertise and that is frustrating.

Suppose you prepare hundreds of individual tax returns at work and know many rules related to taxable income. However, on the REG exam, can you compute the taxable interest income without knowing that interest received on state government bonds is tax exempt or the interest received on late payment of tax refund from federal or state government is taxable? Thus, my advice to you is not to take any exam section lightly.

Your practical experience definitely helps you to better prepare for the exam but it cannot substitute reading the study material and practicing the questions. The CPA exam will not care about your expertise unless you show that expertise by passing the exam. Take the advantage of your prior knowledge and experience to supplement the CPA review material and prepare effectively to pass the CPA exam.

### **4. Is there anything like over-study for the CPA exam?**

Again, the answer is no. Suppose it took you a long time to understand net present value calculation and that additional time takes your total study time for BEC beyond recommended hours (whatever that number is!), would you consider it over-studying or studying to ensure that you correctly answer net present value questions on the exam?

There is no magic number of study hours that guarantees your success on the CPA exam. If you are taking more time than others to prepare for the CPA exam, you might think (or others might say) that you are over studying. In my opinion, you are not over studying but you are studying to pass the CPA exam. If you did not pass until now, you might have under-studied but over-studying is not the case on the CPA exam.

It is not the number of study hours but the quality of those study hours that matters. If you are not confident about your preparation for the exam, do not be adamant to take the exam just because you have put recommended study hours. You may have to reschedule the exam but it is better than attempting without adequate preparation and failing the exam.

Be methodical in planning and preparation and you will succeed on the CPA exam.

## **Common situations experienced by CPA exam candidates**

### **5. “I just want to get done with the CPA exam.”**

No candidate likes the CPA exam so much that he/she wants to prolong this exam taking experience. We all want to be done with it as soon as possible. Unfortunately, “getting done with it” is not so easy; otherwise, pass rates would have been much higher than they currently are.

I suggest you not to rush to take the CPA exam. If you do not prepare strategically, there are chances that you will end up failing some or all sections of the CPA exam at least once. But you can avoid failing as best as possible with proper planning and its execution.

Prepare a schedule that helps you to study while fulfilling other personal and professional commitments. You would have to make some sacrifices to pass the CPA exam while remaining sane but you do not need to isolate yourself from the world to become a CPA.

Make a study plan; factor-in situations that may affect your studies and budget extra time for unforeseen circumstances. Do not make too optimistic plans if you cannot follow them. For example, if you work in public accounting, do not assume that somehow you will find enough time during the busy season to study for the CPA exam. If you must appear for an exam section during the busy season, complete the preparation ahead of time and utilize the limited time available during the busy season for review before you take the exam.

*Being optimistic is good, being realistic is better*

### **6. “I do not understand a topic even after several readings.”**

Inability to understand something despite several attempts can be very frustrating. However, with some patience and flexibility in your approach, the “impossible” topics can be learned or even mastered. If you are unable to understand a topic, do not force yourself to keep reading it. Skip it for a day or two and then come back to it. Moreover, try to learn a topic with a different perspective; it will help you to understand and retain the information for a longer time.

For example, you want to compute net Accounts Receivables after adjustments for bad debt write off but you are unable to understand this concept using T-accounts. I suggest

you not be rigid as to stick with T-accounts format only. Instead, try using journal entries to understand this concept.

Before Adjustment:

|                     |                |
|---------------------|----------------|
| Accounts Receivable | \$20,000       |
| Bad Debt Provision  | <u>(2,000)</u> |
| Net Receivables     | \$18,000       |

Adjustment Entry:

|                              |       |
|------------------------------|-------|
| Debit - Bad Debt Provision   | \$500 |
| Credit - Accounts Receivable | \$500 |

After Adjustment:

|                     |                    |              |
|---------------------|--------------------|--------------|
| Accounts Receivable | \$20,000 - \$500 = | \$19,500     |
| Bad Debt Provision  | (2,000 - 500) =    | <u>1,500</u> |
| Net Receivables     |                    | \$18,000     |

When you write off bad debts (\$500), you debit the Bad Debt Provision account and credit the Accounts Receivable account by the amount of bad debt (\$500); hence, net Accounts Receivable amount before and after the bad debt write-off remains the same.

Also, use your personal experiences or your own examples to understand the study material. For instance, you may know that non-business expenses should not be deducted from business income, hence for income tax purposes, any personal expenses are non-deductible. Now you can use this rule to differentiate between personal and business expenses to compute Schedule C income for REG section.

No CPA exam topic is impossible to understand, our mindset makes it so. If you think this exam is hard, you are correct. That is why, people value CPA certification.

Be patient and flexible in your study approach, and you will pass the CPA exam sooner than you think.

## 7. “I remember correct answer choices. What should I do?”

After doing practice questions two-three times, it is possible to remember correct answers choices even though you may not know the reasoning behind it. In such situations, analyze all answer choices to enhance your understanding. Rather than knowing which answer choice is correct, identify why that answer is correct and others are not.

Many times, a candidate can narrow down answer choices to two equally good ones, make a guess, and luckily select the correct option. Okay so far! However, do not stop here; invest time to understand reasoning behind the correct answer and when the “good but wrong answer” can be a correct answer. Make sure that your answer is correct for correct reason and not because of luck or instinct.

For example, if a financial analyst wants to perform liquidity analysis of a company, which of the following financial statements would be most useful?

- (a) Balance Sheet
- (b) Profit & Loss Statement
- (c) Cash Flow Statement
- (d) Statement of Changes in Equity

I can pick the correct answer choice right away because I need current assets and current liabilities to calculate current ratio and quick ratio (both ratios are measures of liquidity) and this information is available only in the balance sheet, that is, answer choice "a".

Alternatively, I can analyze other answer choices as well, to find the correct answer, as follows:

Answer choice (b) - Profit & Loss statement has information about operating and non-operating income and expenses and cash expenses and non-cash expenses. This statement tells me about the income and expenses, gains and losses made during the reporting period; hence, P&L statement is more useful in finding profitability ratios.

Answer choice (c) - Cash Flow Statement tells about the inflows and outflows of funds for operating, investing and financing purposes during the reporting period. Even though Cash Flow statement has information on flow of money, it cannot be used to compute liquidity ratios because unpaid expenses (current liabilities) and accrued incomes (current assets) are not found on this statement.

Answer choice (d) - Statement of Changes in Equity provides information about changes in retained earnings over the reporting period. Hence, this statement is useful to identify distributions to owners, treasury stock transactions etc. but not for liquidity analysis.

By analyzing just one question, I learned purposes of four different financial statements. Though, such analysis is time consuming and a tiring process, it is a helpful tool to strengthen weak areas, and at the end, it's worth the efforts.

On a personal note, this strategy of analyzing answer choices immensely helped me to prepare for theory questions, especially, in business law and audit.

### **8. "I can't write communication essays because I am not a good writer or English is not my first language."**

Many CPA candidates do not invest time to practice written communications and miss easy points. Written communications are not graded for technical accuracy but your responses must be on the topic and should not contain illegal or unethical advice.

If you are not a good writer or English is not your first language, do not assume that you cannot score well on written communications. With enough practice, you can score decent points. However, reading or memorizing answers from study material is not practice.

Write your own answers and compare them with answers given in the study material. Learn to structure the flow of discussion, ease, clarity and understandability of the language. Often write on variety of topics from your review material and seek help from others to improve your writing skills.

Also, remember that proofreading your answers is as important as writing your answers. Proofreading involves checking your essays to detect and correct grammatical errors, spellings, words' usage etc. Under the exam pressure, it is very common to make errors while writing essays. For example, compare the following sentences:

1. The CPA accepted the work of internal auditors. (Meaning - The CPA agreed to the work of internal auditors.)
2. The CPA excepted the work of internal auditors. (Meaning - The CPA did not accept the work of internal auditors.)

Using "except" in place of "accept" reversed the meaning of the entire sentence. To avoid such errors, you must reasonably divide time between writing and proofreading your answers to maximize your score.

You are not supposed to be an expert in writing business memos or letters; however, by enough practice, you can be a better writer than you expect and can maximize points on the written communications.

**Note:** If you come across a difficult topic in the exam, remain calm and think with a relaxed mind. It helps to improve the thought process.

**9. “My score on practice questions significantly vary from one attempt to another.”**

You might be tempted to practice questions right after reading the material. If the knowledge is fresh in the mind, it is easy to get good score on practice questions initially. However, if you do the same questions after few days or weeks, chances are that you may not get similar score.

When you appear for the exam, most of the information would have been learned weeks ago, thus your mind should be adapted to recall that information. It is advisable to give a few days gap (I personally prefer 4-5 days) between reading the material and doing the questions to allow the mind to absorb the concepts and gradually be adapted to recall the rules and their exceptions, formulae etc. studied earlier. This strategy would make “force” you to think and recall the concepts, plus it would also help you to analyze how much information you still remember and probably will remember.

If you cannot recall a concept after a few days gap, chances are that you will not remember it later too. You must study such topics right away to reinforce learning rather than waiting to first complete the entire course and then do a review.

**Word of Caution:** I am not advising you to skip studying during this time gap. You are the best person to decide what you want to do in that time such as review notes from a different topic, prepare formula sheet, practice written communications etc.

**10. “Someone did not get tested on or did not study some topics but passed. Should I skip those topics too?”**

With so much material to study and limited time available, CPA candidates want to study what “they” think is important and that is generally not sufficient to pass the exam.

You are responsible for anything presented in Content Specification Outline (CSO) and usually, your CPA study material is structured accordingly. Thus, do not be selective about study areas or leave topics from the study material.

If your friend or co-worker passed a CPA exam section by not studying some topics or did not get questions on something, do not assume that it will hold true for you as well. The CPA exam questions are selected from a large database and there are high chances that your exam will be different from other test takers even if you are taking the exam in the same testing center at the same time.

You may not be able to study everything extensively. However, read all the topics including appendices, supplementary information etc. to understand as best as you can and practice questions from all the areas. The additional knowledge will come handy when you need to apply elimination strategy. For example,

Which of the following databases use internet browser for development and maintenance?

- (a) Data Warehouse
- (b) Database Management System
- (c) Cloud Database
- (d) End-user Database

I may not know the correct answer but I may remember reading in the review material that a data warehouse is used to store data from various databases. Thus, answer choice (a) is eliminated. Further, I read that Database Management system is not a database itself rather it is used to create, update, maintain and utilize databases. So, answer choice (b) is eliminated.

I haven't got the correct answer yet but eliminating two wrong answer choices increased my probability of getting correct answer from 25% (1 in 4 answer choices) to 50% (1 in 2 answer choices). Further analysis of remaining answer choices tells me that an end-user database is the one that is created by an individual end-user, such as an MS-Access or MS-Excel file, for which I do not necessarily need internet. Thus, the answer choice (d) is eliminated and the remaining best answer choice is (c).

Even though I may not have knowledge of cloud database, but basic understanding of different databases from the study material helped me to eliminate wrong answer choices and reach the best answer. Having some knowledge of monotonous topics is better than having no understanding at all.

Remember that, studying one more area or practicing few more difficult questions can and do make a difference between a score of 74 and 75.

*Do not count on luck to pass the exam but strengthen your luck by putting required efforts to be best prepared for the CPA exam*

### **11. “My preparation is enough to get 75 on the CPA exam.”**

To pass the CPA exam, you only need 75 on each section but preparing for the CPA exam with a mindset that you want to study just enough to score 75 is risky. With such thinking, you may be tempted to skip some difficult topics because you think you can get 75 without knowing those difficult topics. However, as you may have experienced, getting 75 is not that easy.

If a topic is difficult, it has good chances of being tested on the exam. You cannot be tested on all difficult topics but you never know which ones you will be tested on. If you are not prepared well for the areas mentioned in Content Specification Outline (CSO); you may fail the exam, miss important things (other than the CPA exam), and go through misery for more months.

For example, governmental accounting and reporting accounts for 8% to 12% of the FAR exam<sup>1</sup>. As it is a difficult topic to understand, you may just want to read it and do the questions once assuming that you will do well on other areas and pass the exam. However, if the questions on other topics such as leases, long-term debt, not-for-profit accounting, deferred taxes are difficult than your expectations, would you still be able to score 75?

If you do not care about scoring high, it is fine. However, work hard to understand as much as you can, utilize other sources such as college textbooks and internet research to master the difficult areas so that you pass. On a personal note, I had to study governmental accounting and not-for-profit accounting three times using two different review materials, a college textbook, internet search and practiced all questions multiple times to understand those concepts.

*A score above 75 is not a wasted effort but your efforts do go wasted if you score below 75*

### **12. “I gave up my life and put so many hours, still I failed.”**

You put hundreds of hours to prepare for the exam but how many of those hours were effective? While preparing for the exam:

(a) Were you browsing internet or texting most of the time? or

- (b) Did you pretend studying more than actually studying? or
- (c) Did you do hundreds of similar type of questions without learning much? or
- (d) Did you understand or just memorize or familiarize with the study material?

Remember only “effective” study time counts toward your study time. “Effective” study time is the time when you are away from distractions, ***studying and learning simultaneously*** and practicing questions or simulations or written communication essays in the exam-like conditions.

If you have failed because you were “kind of” studying when you were supposed to be only studying; be honest to yourself, admit your mistakes, and commit to utilize your study time judiciously to pass the exam in the next attempt. You do not have to give up your life to pass the CPA exam provided you prepare the way you are expected to prepare.

*Do not multi-task when studying and do not pretend studying when doing multi-tasks. Either way, you are not studying effectively*

### **13. “My strong and weak areas change from one attempt to another.”**

Many candidates, who fail an exam section more than once, perform good in some areas in the first attempt and poor on the same areas next time. This is because those candidates are too busy in reviewing weak areas and ignore reviewing strong areas before the next attempt.

Suppose, you prepared for an exam section for 6 weeks, waited for the result for 3 additional weeks and unfortunately did not pass. You feel that by studying weak areas for 2 more weeks, you would be ready to re-attempt the exam. Hold on here! Think! You have not touched upon strong areas for almost 9 (6+3) weeks now. If you only study weak areas and re-attempt the exam, chances are that most of the knowledge from the strong areas has faded away in those 11 (6+3+2) weeks, which is approximately an entire exam window (3 months @ 4 weeks per month). Can you pass the exam with such preparation?

If you have failed an exam section, take your time to recover and consider failure as an opportunity to overcome weaknesses. Feel thrilled about it! Use your score report to make a list of weak areas, correct the weaknesses, and review stronger areas too.

Reviewing the topics you are good at might seem unnecessary and time consuming but failing an exam section again by doing poor on strong areas is frustrating and eventually, you will end up wasting more time to pass the exam.

Our goal is to pass the CPA exam in as few attempts as possible, thus, master all weak areas, but before you re-attempt the exam - ensure that your strong areas are as strong as you think.

#### **14. “I failed the CPA exam this time scoring lower than in prior attempts.”**

Your performance in a prior attempt does not predict your performance in the next attempt. If you have failed scoring close to 75, avoid the temptation to cram information on weak areas and re-appear for the exam because you do not just have to get additional point(s) to pass that section but a new score of 75.

Each time, the exam is different and questions may be structured differently. Doing well on some topics in one attempt does not guarantee that you will perform well on those topics the next time too. As time passes, memory tends to fade (as exemplified in #13 - “My strong and weak areas change from one attempt to another.”), so it is advisable to review ALL topics before re-attempting the exam.

Besides, you must focus on “adding layers of knowledge”, that is, supplement CPA review material with other learning sources such as a college textbook, do regular quizzes and analyze all answer choices to reinforce learning and to understand difficult topics. Make sure that you correctly answer practice questions not because you memorized the answers but because your judgment or reasoning is correct.

Your efforts for next attempt must not be only for 75 minus your score on last attempt.

Put extra efforts one more time to improve on your weaknesses and to strengthen your strengths and you will succeed.

## Planning for the CPA Exam

### **15. Can flexibility to take the CPA exam work AGAINST you?**

As mentioned earlier, the CPA exam is unlike a college exam. In college, you have pre-determined dates for the exams, which put you under pressure and force you to study. However, you have the flexibility to take the CPA exam at your convenience. This flexibility is great but only to an extent. Such flexibility can easily work against you if you let it.

Without any specific dates to sit for the CPA exam, you may not have the discipline to adhere to the study schedule. If you have already passed a section of the CPA exam, your 18 months time limit to pass all four sections has come into effect. Many CPA candidates procrastinate studying and when they fear losing credit for passed sections, candidates rush to appear for the remaining sections and end up failing them, and lose credit for passed section(s) too.

Never ever prepare for the CPA exam thinking that you can easily re-schedule it if you are not prepared by the exam date. Exam scheduling is flexible so that you can pass the CPA exam while fulfilling other commitments, do not use this flexibility as an excuse to postpone studying. Time will fly by faster than you think. Prepare a realistic study schedule, budget some spare time to make up for study sessions missed due to unforeseen situations, take a break from studying once a week to relax your mind and follow your study plan to be best prepared for the CPA exam.

*C-ommit, P-lan and A-ct to be a CPA*

### **16. What do you need - a Review Course or a Learning Course?**

Your study material is a key factor in determining your success or failure on the CPA exam. Do not select a CPA study material just because it is less expensive or the most popular or your company/firm is paying for it. Unless study material suits your requirements, you may fail the CPA exam, end up buying and trying various review courses and spend more money than needed to pass the CPA exam. Apart from this, you will waste time and effort by re-attempting the exam multiple times.

Before obtaining the study material, you must analyze whether you need to learn the material as if it is for the first time (i.e. a learning course) or you need to refresh your knowledge and update yourself with the latest changes in different areas that you studied

earlier (i.e. a review course). You must invest time to identify your study needs and “shop” around for the right study material.

If you are a recent graduate, compare the CPA exam content with the college courses that you took and determine how well you know the material. If you are confident that you understand most of the content and need a refresher or update your knowledge with latest developments in tax rules, accounting rule changes etc., you may opt to buy a review course.

On the other hand, if you graduated from college long ago or you are not confident about your knowledge from the college courses, you may need to learn the CPA exam content from the beginning. I suggest you to buy the study material that can help you to understand the concepts and prepare you well for the exam. Remember, your chances of passing the CPA exam increases when you emphasize on understanding the material.

**Note:** Generally, college textbooks are the best learning resource but for the CPA exam, DO NOT rely on college textbooks only. College textbooks are detailed and do not have tips and tricks required to save time on the CPA exam. However, college textbooks are still a great reference source for understanding concepts that your review material may not teach well.

## **17. What helps you to pass the CPA exam - the "best" review course or the best efforts?**

You can purchase the so-called “best” CPA study material but no study material can guarantee success on the CPA exam or be a substitute for the efforts needed to pass the CPA exam. It is not the best study material but the best way you utilize that study material to help you pass the CPA exam. Review courses are not customized for each candidate. Hence, it is your responsibility to tailor your study material and its teaching methodology to meet your needs.

For example, if your CPA review material teaches a concept using T-accounts but you have always learned better with journal entries, do not be rigid or force yourself to follow your study material approach. Adopt the method that is best suitable for you and helps you to understand and retain the knowledge.

Do not adapt yourself to your study material but modify your study material to match your situation. Besides, to get the best out of your study material, combine it with your own examples, experiences, or explanations to be well prepared for the CPA exam.

## **18. In what order should you take the CPA exam sections?**

There is no specific order to take various CPA exam sections. “Easy” and “Hard” sections are relative terms and vary from candidate to candidate. Candidates differ based on their knowledge of the subject matter, work experience etc., hence, their preferred order to take CPA exam sections may also be different. A section that is hard for one candidate may not be the same for another.

You may want to pass the “hardest ” section before the 18 months rule kicks in or you may want to pass the “easiest” section first to get the much-needed confidence to prepare for and pass the remaining sections. The choice is yours!

Utilize your work experience, educational background and prior knowledge to determine your preferred order for taking the CPA exam but do not over-stress yourself. Regardless of the order in which you want to take the CPA exam, make sure you are best prepared for each section.

## **19. What to do after you decide the exam section you want to take?**

You cannot pass the CPA exam by pulling few all nighters before the exam. Remember, it is not a college exam! Before you start preparation for any section of the CPA exam, prepare a “realistic” study plan. Realistic study plan means accommodating study time in the midst of other professional and personal commitments while retaining your mental balance.

Sections such as FAR are time consuming; hence, you must be methodical in your study approach, try to understand the material slowly and bit-by-bit. For example, studying 20 hours over the weekend might be possible to achieve but you will not retain that information for a long time, as you will not be studying regularly. Alternatively, you can study for 2-3 hours every day on weekdays and 10-12 hours on the weekend. Your total study time for the week would be the same under both approaches, but the second approach would give you an opportunity for regular study and help you to retain the information for a longer time.

Also, identify what time of the day suits you the best for studying. You may want to experiment studying early morning or late in the evening for a week or two and determine at what time you learn best. You should find a place where you are away from distractions and that helps you to focus.

Even with a realistic study plan, there are good chances that you will not be able to follow your study plan because of unexpected situations. While you prepare a study plan, keep “reserve study days” to make up for missed study sessions.

**Word of Caution:** Reserved study sessions are only to catch up for uncontrollable situations. If you use reserved study sessions as an excuse to intentionally skip studying, assure yourself that you will not be well prepared by the exam date.

## 20. What to do when you are unable to follow your study plan?

It is difficult to follow your study plan at all the times because of unforeseen circumstances. However, if you are unable to follow your study schedule, is it because:

- (a) While planning, you did not evaluate how your personal and professional commitments can affect your study? or
- (b) You miss study sessions intentionally? or
- (c) You are spending more time complaining than studying?

If the answer to such questions is yes, the problem could be you and not your study plan. None of your study plans will work if you are not committed to follow them. A candidate can spend countless hours to come up with a great study plan but that plan needs implementation to help you pass the CPA exam.

Before you change study plan (and waste a great deal of time in coming up with a new plan), check if you are honestly following your current study plan. From personal experience, I know that sometimes motivation level becomes very low and that distracts us from the study plans. A good way to maintain your motivation level is to review familiar areas at regular intervals. Sometimes when you do not understand a topic or perform well on practice questions, review a stronger area or practice questions from a familiar area. It will help you to regain your confidence.

I also suggest mix-and-match strategy, that is, when you study, don't just read the material or practice questions for the entire day, rather include doing multiple choice questions, practicing task based simulations or writing essays.

Your life does not have to revolve around the CPA exam but with a realistic study plan and its implementation, you can be well prepared for the CPA exam while taking care of other important things.

## 21. How long should you study?

Success on the CPA exam does not come from how long you study; it comes from how well you study!

There are no set number of study hours that will guarantee your success on the CPA exam. You are unique from other candidates in terms of your strengths & weaknesses, concentration time limits, memory power and understanding of the subject matter.

It is important to honestly assess your abilities, prior knowledge and experiences, and study habits to plan your study schedule. Evaluate your preparation by how much you understand the material and not by how many hours you have put in. If others studied “x number of hours” to pass an exam section, you may not have to study for the same amount of time.

When I prepared for the CPA exam, I waited for few days before judging my understanding of the topics based on the following:

- (a) Can I still recall important points of a topic without looking at the material or notes?
- (b) Am I correctly answering practice questions for right reasoning?
- (c) How much time am I taking to practice each set of questions and what is my accuracy rate?

No one cares about how many hours you took to pass the CPA exam; the important thing is to pass the CPA exam in as few attempts as possible. If you rush to take the exam, chances are that you may end up failing multiple times and it will only prolong your becoming a CPA.

Learn from other CPA candidates' experiences but make your own assessments to prepare for the CPA exam.

## 22. When should you schedule taking a CPA exam section?

While planning study for a particular CPA exam section or even in the initial stages of preparation, refrain from deciding or registering a specific exam date because unexpected situations may not allow you to follow the study schedule or be adequately prepared by "that" exam date. Moreover, registering a specific exam date early on will put you under pressure and may force you to rush through the preparation or skip some topics.

I prefer considering a **date range** to register for the exam. This date range should be flexible enough (about two weeks) to allow you to accommodate additional study days.

As you progress, utilize your understanding of the material to determine how many more days you need to prepare. A realistic analysis of preparation and available time will help you to narrow down the date range and eventually decide the date when you want to take the exam. In addition, it is important to keep an eye on the seat availability at your preferred testing center. Taking exam at a distant exam center is not only expensive (in terms of commuting/staying in a hotel) but also is another challenge.

You should also be careful about the time of the day when you plan to take the exam. Do not schedule the exam in the evening after the work (even if you plan to leave early from the work) or in the morning before an important meeting or event. If you can, take off from work on the exam day. After all, you do not want your bad day at the work to affect your performance in the exam or vice versa.

## **Preparing for the CPA Exam**

### **23. Utilize review group and succeed together**

It becomes easier to accomplish difficult tasks when we work together. It holds true for the CPA exam as well. Help and seek other candidates' help to prepare for the CPA exam. It enables you to learn the concepts using a different perspective that you did not think of earlier and may help you to avoid procrastinating study as well.

I suggest a review group where members have already done self-study, rather than a study group where members study together. If members read the material and do questions themselves, it helps in better utilization of the group time to focus on the difficult areas, to brainstorm solving difficult questions and to share ideas for writing essays.

You should decide, with your group, on common study topics and practice questions on your own. Utilize group time to discuss problem areas/questions and quiz each other to reinforce learning. Take turn to be a "teacher" of a specific topic. It will help you to study diligently and in details plus it provides you an opportunity to correct yourself and improve your understanding based on feedback from the group.

However, study groups are beneficial provided your study partners are serious towards passing the exam and are at least as motivated as you are. Make sure that the study time is utilized only for study and not for socializing. Avoid having large study group, as scheduling can become a challenge. Moreover, if group study is not fulfilling its purpose, do not keep quiet. You are better off studying on your own than being in a group that wastes your time and effort needed to pass the CPA exam.

As an additional benefit, review groups helps to develop organizational skills, team skills and communication skills that will assist you way beyond just passing the CPA exam.

### **24. Focus on understanding the study material to succeed on the exam**

Whether you learn the CPA exam topics for the first time or review those topics to refresh your knowledge and update yourself with the changes; make sure you "understand" the concepts.

Understanding the material is a difficult process, it needs patience and time and only you can help yourself with it. Your understanding of the study material will immensely help

you in the exam to correctly answer a variety of questions and increase your chances to pass the CPA exam.

Can you pass the CPA exam by just memorizing the material? Unfortunately, the answer is NO. Some areas may need memorization; however, only memorization is not enough to pass the CPA exam. As an instance, just memorizing a list of audit procedures is not enough unless you understand the differences between various audit procedures and know when to apply them.

Understanding the study material helps you to remember the concepts, think critically and relate different areas. For example, when preparing for the BEC section, you memorized that when weighted average cost of capital (WACC) goes up; the net cash flows go down and vice versa.

This much memorization gives you only limited knowledge unless you think how changes in WACC (discount rate) affect cash flows. Essentially, WACC is the rate of return that investors require for investing in a project. If the project is riskier, investors would require higher WACC (discount rate), that is, more money is to be paid to the investors. Hence, increase in risk → increases the WACC (discount rate) → reduces the net cash flows from the project.

You may ask yourself, what is the use of such an analysis? Can I use it to understand other concepts? Yes, you can. If you think - computing the price of a bond is similar to finding cash flows of a project. For a project, you discount periodic revenues and terminal value at the end of project life, while for a bond, you discount periodic interest income and principal repayment on maturity.

If the bond is riskier compared to other bonds in the market, the investors would demand a higher rate of return (market yield or discount rate). If the bond issuer's coupon rate is lower than the rate the investors' demand, the investors would pay a price lower than the par value. Any further increase in risk → increases the discount rate → reduces the bond price.

Such an analysis and logical thinking would help you to understand and retain the concepts and pass the CPA exam.

Remember, time invested to understand the study material and pass the exam this time is less than the time wasted to memorize the study material and fail the exam repeatedly.

## 25. Make notes to best understand and remember the concepts

You learn best when you do something yourself. Taking concise notes from your study material helps you to prepare well for the CPA exam. What is good note taking? Is it rewriting verbiage of the book or writing concepts in your own words?

While making notes, make sure that you are not copying review material in your notes. Your notes should be in a simple language and easy to understand. If your review material does not provide good examples on certain topics, use other resources such as college text books and internet research. Besides, your notes should be comprehensible, that is, even if you look at them after weeks, you should be able to correctly recall the concepts without going back to the study material.

Moreover, do not sacrifice quality of notes for quantity. In other words, do not make notes so short that either you cannot recall important points or you have to refer to the study material repeatedly to comprehend your notes.

Use upper case letters for rule exceptions and keywords. For example, child support payments are NOT deductible on the form 1040. Use tables to compare concepts such as advantages and disadvantages of net present value (NPV) versus internal rate of return (IRR). Prepare your notes in a notebook or a writing pad, start each concept on a new page and put study material page number on your notes for easy reference.

Before you make notes, first understand the lecture and/or text and then re-write those concepts in your own words. Memorizing few letters in the form of mnemonics is of no use unless you understand its meaning or usage. Re-write the journal entries and transfer the journal entry amounts into T-accounts, it will help you to compute changes in accounts balances and understand the bigger picture. Additionally, keep reading your notes at regular intervals and for difficult topics, re-write your notes few times.

If there are some questions that you do not understand, take help to rephrase those questions in simpler language. If English is not your first language, it might be challenging to understand or remember some concepts. Help yourself and take notes in your native language. As long as it helps you to prepare well for the exam, it does not matter in which language you make the notes.

**Note:** English is not my first language and I have personally tested this strategy of note making. It was of immense help to prepare for the exam.

## 26. Do not substitute review content for practice questions and vice versa

A CPA exam candidate cannot be adequately prepared to pass the exam by only knowing the review content and doing minimum questions or by only doing the questions and not reading the review content. CPA study books provide you the knowledge needed to understand various topics while practice questions allow you to apply that knowledge in different scenarios.

You do learn by doing questions but that additional knowledge is to supplement review books' knowledge. Knowledge gained from practice questions is not a substitute for review content. Let us demonstrate this with an example below:

Which of the following items are considered income for cash basis tax return purposes?

- I Municipal bond interest
- II State tax refund
- III Gain/Loss on treasury stock transactions

- (a) I, II and III
- (b) I and II
- (c) II only
- (d) I and III

Suppose, I did not hear about inclusion or exclusion of treasury stock gain or loss in cash basis taxable income prior to this because my review material did not have any practice questions on this topic. How can I solve this question now? My understanding from reading review content helps me in such situations.

I read that state tax refund is taxable income; hence, my answer must have "II" in it, so answer choice (d) is eliminated. I also know that municipal bond interest is tax exempt; hence, my answer must not have "I" in it, so answer choices (a) and (b) are eliminated. Thus, the only remaining answer choice (c) must be the correct answer.

Practice questions cannot present every possible situation that CPA exam can test you on but review content does provide you the basic understanding needed to make educated guess if you do not know the answer to a question. Thus, to prepare best for the CPA exam, utilize the study books and the practice questions together and do not ignore one for the other.

## 27. Practice variety of questions to enhance your knowledge and pass the CPA exam

Doing hundreds of questions will not help you much unless you learn from those questions. If you practice tons of questions that are similarly worded or present same type of problems, you acquire only limited knowledge. Practicing variety of questions enhances your knowledge and helps you to understand how questions can be modified, how to identify subtle change of words and how to correctly answer questions in the shortest possible time.

Especially for auditing section, it is so important to practice different types of questions because the same question or answer choices may be modified in different ways. Following two examples shows how same question can subtly change to provide two different correct answers:

Example 1: Which of the following provides best evidence about December 31, 2011 cash balance in the bank?

- (a) Bank reconciliation at December 31, 2011
- (b) Bank confirmation letter for December 31, 2011 balance
- (c) Checks issued and deposits made during 2011
- (d) Bank transfer schedule for 2011

The bank reconciliation statement has adjustments for outstanding checks and deposits in transit that did not pass through bank account at the year-end, thus the cash balance as per bank reconciliation statement may be different from the bank account balance, so answer choice (a) is incorrect. The list of checks issued and deposits made during the year does not confirm year-end cash balance either, so answer choice (c) is incorrect.

The bank transfer schedule only has information about the transfers made between various bank accounts during the year and thus is not helpful to substantiate year-end balance, so answer choice (d) is eliminated. The remaining answer choice (b) is correct as it provide the information about the cash balance held at the bank on year-end.

Example 2: Which of the following provides best evidence about December 31, 2011 cash balance in the balance sheet?

- (a) Bank reconciliation at December 31, 2011
- (b) Bank confirmation letter for December 31, 2011 balance
- (c) Checks issued and deposits made during 2011
- (d) Bank transfer schedule for 2011

Answer choices (c) and (d) are incorrect for same reasons as in Example 1 above. However, in this example, the correct answer is not answer choice (b) because the bank confirmation letter confirms the cash balance held at the bank as a result of transactions that passed through the bank account. Information about any outstanding checks or deposits in transit, that affects the cash balance in balance sheet, cannot be obtained from the bank confirmation letter. Hence, the correct answer choice here is (a).

In both examples, all answer choices are the same. The only difference comes from last word of the question, that is, "bank" versus "balance sheet".

I suggest you practice variety of questions to test your knowledge under different circumstances to boost your confidence. If your study material does not have a variety of questions, get questions from a different source. You may have to spend some extra money to prepare well but it would cost you less than if you have to retake the exam.

Learn to apply your knowledge in different and challenging situations to succeed on the CPA exam.

## **28. Invest time in learning how to answer lengthy questions**

We like to see short questions that we can solve fast. However, when you come across a lengthy question, do you say, "I can't solve it.", make a guess and move forward. Think! If a question is long, it could be a difficult question, hence, carry more weight. If you do not invest time in learning to solve such difficult questions in the exam, you are depending too much on the other questions to get a passing score.

If you come across a difficult practice question, do not ignore it or pick any answer choice, rather invest time to solve it regardless of your answer choice is correct or not. After your compare your answer with the correct answer, analyze the reason for which you were stuck on the question. It is time consuming but will help you to cruise through similar questions in the exam.

To quickly and correctly answer lengthy questions, the key is to pick only relevant information. Here is my strategy to solve such questions:

- I. Always read the question (generally, the last sentence) first and understand its requirement. Re-read it to confirm that you identified/caught words such as not, least likely, most likely etc. If you have understood the requirement correctly, half the battle is won. Now you are in a position to decide which information to pick and which to ignore.
- II. If you need to use a formula/T-account, write the correct formula/make a T-account (as the case may be).
- III. Now, read the information sentences to pick relevant facts or data. If the question is computational, plug numbers in the formula/T-account. For theory questions, write down the relevant facts if you think that you may not remember them.
- IV. For theory questions, “connect all the dots,” that is, relate all facts in logical sequence and for computational questions, calculate your answer. Now look at the given answer choices.
- V. If your answer matches with a given answer choice, select it and move ahead. If not, re-read the facts to find error. If you still cannot find correct answer, do not waste more time. Eliminate as many wrong choices as possible, make an educated guess and move forward.

As an example, following is the tax related information available for the year 2011:

A software professional, is single and a cash basis taxpayer, received a W-2 of \$55,000. He also received a dividend of \$1,500 from a NYSE traded company, \$800 interest income on US Treasury bonds and state tax refund of \$200 for 2010 taxes when he had taken standard deduction. He spent \$9,500 on personal meals and recreational activities during the year 2011 and paid \$720 interest on loan for purchasing US Treasury bonds and \$300 interest on his personal credit card balance. During the year 2011, he also received a guaranteed payment of \$10,000 and a non-liquidating distribution for his interest in a partnership firm in the form of a car that had a net book value of \$3,000. He rented out the basement of his principal residence in the December 2011 for \$600 but did not receive the money until January 15, 2012 and paid \$5,200 mortgage interest, real estate taxes of \$1,100 for his principal residence and \$500 real estate taxes for an apartment owned by his daughter. He spent \$50 on commuting to a charitable institution where he contributed, as a charity, his computer related services fair valued at \$750.

Which of the following would be used to compute his Taxable income for 2011?

- (a) Car worth \$3,000, \$300 interest paid on personal credit card balance, guaranteed payment of \$10,000 and computer related services of \$750.
- (b) W-2 income of \$55,000, rental income of \$600, car worth \$3,000 and \$1,600 real estate taxes paid.
- (c) Commuting expenses of \$50, interest income of \$800, interest expense of \$ 720 and dividend income of \$1,500.
- (d) Interest income of \$800, W-2 Income of \$55,000, \$200 state tax refund and rental income of \$600.

I consider this question to be a difficult question for two reasons: first, it is wordy and second, it has several dollar numbers. However, I can still correctly answer this question utilizing the steps stated above as follows:

The question asks, "Which of the following items would be used to compute Mr. A's taxable income," that is, which of those items are either taxable or tax deductible. Thus, when I read the information paragraph, I can ignore all items that are either tax exempt or not tax deductible. Moreover, the questions does not ask me to compute the amount of taxable income, hence, I do not need to do any calculations.

Now, let us read the information paragraph and pick relevant information (that is, potentially taxable or tax deductible items) as follows: W-2 of \$55,000, \$1,500 dividend, \$800 interest income, \$200 state tax refund, \$720 interest paid, \$10,000 guaranteed payment, \$500 rental income, \$5,200 mortgage interest, \$1,600 (\$1,100+\$500) real estate taxes, \$50 commuting expenses and contribution of \$750 computer related services.

By successfully understanding the question's requirement first, I picked only relevant information and increased my chances of correctly answering this question. Now is the time to "connect all the dots." As first line suggests, the taxpayer is a cash basis taxpayer, the accrued rental income of \$600 will not be taxable in 2011. In addition, \$200 state tax refund for 2010 will not be taxable in 2011 as Mr. A took standard deduction in 2010. Though Mr. A paid \$500 in real estate taxes for his daughter's apartment, he was not legally obligated to do so; hence, only \$1,100 real estate taxes will be deductible on his tax return. Last, he can only get deduction of \$50 as charitable contribution because value of services donated as charitable contribution is not deductible.

This leaves me with following taxable or tax-deductible items: \$55,000 W-2 income, \$800 interest income, \$720 interest expenses, \$10,000 guaranteed payment, \$5,200 mortgage interest, \$1,100 real estate taxes and \$50 commuting expenses as charitable

contribution. My correct answer choice should have ONLY these items. When you read the answer choices, you will find that (c) is the correct answer choice.

This may look difficult to master but per my experience, if you begin early and do enough practice, these steps are easier to implement than it seems and on a personal note, it helped me to move fast in the exam while maintaining accuracy.

**Word of Caution:** Always double check your calculation for computational questions because sometimes your incorrectly calculated answer can be one of the answer choices.

## 29. Master the skill to select the best answer among equally good answer choices

The CPA exam always has surprises for you. Even the best-prepared candidates get puzzled on some questions where more than one answers look correct or the answer that looks correct may not be the best answer (happens a lot for theory questions). With limited amount of time and plenty of exam stress, you might be tempted to choose the first answer that seems correct. Avoid such temptation and be judicious before you select an answer.

Learn to use the elimination strategy. After understanding the requirements of a question, read each answer choice carefully and unless an answer choice is obviously wrong, do not eliminate it and keep it for later consideration. When you have to select between the “best” and “seemingly correct” answer choices, re-read the question’s requirement and evaluate both answer choices against that requirement. Select the one that makes more sense. Again, it might seem easier said than done but practice helps you to master the elimination strategy. As an example,

Which of the following analytical procedures is most useful to determine the reasonableness of salary expenses?

- (a) Testing salary increment approvals
- (b) Analyzing time sheets for hours worked
- (c) Examining payroll tax withholdings
- (d) Reviewing payroll tax forms for FICA taxes

Answer choice (a) is more suitable for testing internal controls over payroll function and not as an analytical procedure, so it is eliminated from consideration. Number of hours worked can be multiplied by hourly rate to compute total salary expenses so answer

choice (b) seems to be the correct answer. However, let us not rush to pick it as correct answer choice but review other answer choices too.

Payroll tax withholdings depends on the filing status of the taxpayer, number of dependents claimed on W-4 etc., hence, it is not a good analytical procedure because two employees may earn same salary but their withholding taxes may be different based on their filing status and number of dependents. Thus, answer choice (c) is eliminated. FICA taxes comprise of Social Security and Medicare (both are fixed percentage of salary expenses), hence (d) could be a correct answer as well.

As both answer choices (b) and (d) seems to be correct, in order to select the best answer, we need to go back to the question's requirement and evaluate both answer choices against it. The question asks us to use an analytical procedure that determines the reasonableness of salary expenses, in other words, we need to use an analytical procedure that gives us the amount of payroll expenses approximately same as the amount reported by the audit client.

Using answer choice (b) gives the total salary expenses for hourly rate employees only, there is no way to find the fixed salary amounts from the answer choice (b). On the other hand, FICA taxes are fixed percentage of salary expenses for both hourly and fixed salary employees. If we have the amount of total FICA taxes (reported on federal payroll tax form), we can compute how much total salary expenses should have been for a given amount of FICA taxes. Hence, answer choice (d) is the best answer.

While studying, if you are unsure of reasoning for a correct answer, analyze the explanations for all answer choices. If you practice answering surprise questions, you will be “surprised” that how good you become at selecting the best answer choice.

### **30. Be in the CPA exam-like environment from day one**

Testing center environment, exam stress and time constraints are enough to make you vulnerable to careless mistakes, such as wrong calculations, misreading information or even worse - knowing the correct answer choice and selecting the one above or below it (I have done it multiple times!). To prepare yourself to manage stress and anxiety on the exam day, you need to adapt your mind and body to the exam conditions from the onset.

If you have appeared for the CPA exam, you know how exam center environment is. It is a quiet place, so should your study place be. You might have always liked to study in your living room with many activities going around. Not anymore or at least not until you pass the CPA exam! Choose a study place that has minimum distractions and helps you

to focus. Put away your cell phones, iPods and iPads and disable the internet connection during the time you study. In addition to studying in a quieter place, practice questions, simulations and written communication essays in a simulated environment as if you are taking the actual exam and each moment wasted is going to cost you points.

Have you ever faced a situation where you are stuck between choosing accuracy and speed? You cannot pass the CPA exam either by just being accurate (and not finishing the exam) or by just being fast (and mostly selecting good but wrong answer). To develop time management skills for the CPA exam, practice 33 questions set for FAR, 36 questions set for AUD, 38 questions set for REG and 31 questions set for BEC. Moreover, before doing practice testlet each time, estimate how much time you need to complete it based on the difficulty level of the topics covered, and try to finish that testlet earlier than the estimated time while maintaining accuracy rate.

For example, if you take an average of two minutes for bonds payable questions, try to finish a 30 questions testlet on that topic in about 50-55 minutes. If you develop the skill of finishing a testlet earlier than the allocated time, even a 5-10 minutes saving on the actual exam will be of immense help. You can utilize that extra time to review your answers or to complete other testlets or simulations or essays. Moreover, this time saving technique will give you a "time-cushion" to be able to finish the exam even if some questions are more time consuming or difficult than your expectations.

Besides, learn to control your emotions from the beginning. When you practice questions, regardless of how difficult a testlet is, hang in there! For example, even if "the most difficult" practice testlet on governmental accounting makes you miserable, do not give up or leave it in-between to call your friend and complain about the CPA exam! Close your eyes to calm down and control your emotions and frustration to finish that practice testlet. In the actual exam, you cannot leave your computer until you complete a testlet and you certainly will not have the opportunity to vent out your frustration about the exam with your friends.

Therefore, you must build mental and physical stamina to sit and concentrate for at least 40-50 minutes to complete a given testlet to the best of your ability, before you take a break.

The more you study in exam-like conditions, more adaptive and less anxious you will be for the exam and higher will be your chances of success on the CPA exam.

### **31. Practice questions on the computer to prepare effectively for the exam**

All sections of the CPA exam are computer based, so it makes sense to be comfortable in using computer to practice exam questions. If you practice questions from the printed material, you have the privilege to circle, underline or highlight important information in the questions but you cannot do so in the actual CPA exam. Many CPA exam questions have unnecessary information to distract you and you must know how to avoid such distractions.

For example, calculate the asset turnover for 2011 from the information below:

Cost = \$10,000, Profit Margin = 50% on Cost, Liabilities = \$60,000, Cash = \$5,000, Inventory = \$8,000, Net Equipments = \$72,000, Accumulated Depreciation = \$11,000 Equity = \$35,000, Prepaid Insurance = \$3,000, Accounts Receivable = \$7,000.

The formula for calculating asset turnover is Sales divided by Total Assets.

If I were doing this question from a book, as soon as I read the given information, I would strike out all the assets figures. Details about assets are unnecessary for this question as I can compute total assets by adding liabilities and equity. Striking out the irrelevant data saves me from being overwhelmed by the question and reduces my chances of making a calculation error.

However, if the same question was on the CPA exam, I had to rely on scratch paper to note down relevant information. Too much information to select from, coupled with time constraints and exam stress could make me vulnerable to mistakes. The key to avoid such situations is to master the skill of picking only the relevant information and that comes by practice.

Practicing questions on the computer will train your mind and eyes to avoid pit-falls of extraneous facts, to identify the relevant information faster and helps you to increase your speed and accuracy.

Make a good use of practice questions software that comes along with your CPA review material to ace the CPA exam.

### **32. Utilize on-screen calculator to accustom yourself to the CPA exam**

Did you use handheld calculator while doing practice questions and were uncomfortable with on-screen calculator on the actual exam? I faced this problem on my first CPA exam section (BEC) and as a result made some calculation errors.

As you may know that, in the exam, you have to use on-screen calculator only, so it is advisable to accustom yourself to using the on-screen calculator when you practice questions. Not all of you may face similar problem, however, if you have experienced it, use the on-screen calculator to practice questions for other sections to prevent this avoidable mistake.

### **33. Practice “Task Based Simulations” and improve your chances on passing the CPA exam**

Do not disregard simulations practice on the premise that actual exam simulations are very different from the ones you practice. Simulations account for 50% of the total score on FAR, REG and AUD sections and 35% on BEC section. If you do not practice enough simulation questions, you are taking a big chance.

Yes, there is an uncertainty about the kind of simulations you may get on the CPA exam and the best way to face this uncertainty is to prepare for it ahead of time. However, memorizing or reading simulation answers from the study material is not preparing for simulations. You need to put your best efforts to practice simulations, as you would do to practice multiple-choice questions.

Simulations provide you an excellent opportunity to review various topics together. Each multiple choice question tests you on a single topic while simulations have questions related to different areas. When you practice simulations, they “force” you to recall different topics and reinforce your knowledge. Moreover, practicing simulations will help you to learn navigation through the tabs and to effectively use the research database. Hence, it is imperative to be well prepared for the simulations to pass the CPA exam.

Also, be careful that you may not have to fill all blanks in the simulations. For example, if you have to make a journal entry with one debit and one credit and you have more than two lines; do not get confused or try to fill the extra line. Have faith in yourself and answer to the best of your ability.

Do not ignore or wait until the last moment to practice simulations; prepare a strategy to practice simulation questions, that is, time your performance and try to finish each task based simulation in about 7 to 8 minutes. Identify your weak areas or the problems you faced in doing practice simulations and correct those weaknesses to be best prepared to excel on the CPA exam.

### 34. Learn to write communication essays and earn easy points

Written communications account for 15% of BEC exam score<sup>1</sup>. In my opinion, scoring points on written communications is the easiest thing on the CPA exam. Yet so many candidates do not score well in this area, reason - not enough practice. You study so hard for the other areas, just put some more efforts to practice written communications to earn those easy points. However, do not memorize review material answers or wait until the last days to practice written communications, improve your writing skills along with mastering multiple-choice questions and simulations.

My strategy to maximize score on written communications is as follows:

- (a) Start with reading question's requirement and note keywords from the information paragraphs.
- (b) Before you begin writing, make a list of important points on the scratch paper that you want to incorporate in your answer and arrange those points in a logical sequence.
- (c) Use the keywords from the question in your essay and address your memo or letter to the correct addressee.
- (d) Discuss each point in a new paragraph and avoid starting new points in the middle or in the end of an ongoing paragraph.
- (e) Refrain from mixing past tense and present tense in your answer, use correct grammar and avoid redundancy in using words or discussing points, that is, do not repeat the same thing using different verbiage.
- (f) Make sure your language is easy to understand for the addressee. For example, if you are writing a memo to the bookkeepers, avoid technical terms or if you need to use technical terms, explain those terms in an easy language.
- (g) Divide your time reasonably between writing and proofreading. I personally prefer allocating 40% of the written communication time towards proofreading and editing. For example, if you plan to invest 45 minutes for three written communication essays, I suggest you utilize about 18 to 20 minutes from those 45 minutes in reviewing your essays and making improvements.
- (h) Use spell check function to detect and correct wrong spellings BUT do not rely on spell check function to find mistakes such as Its vs. It's or accept vs. except.

Does writing essays still look difficult? Pick a written communication topic from your review material and do not look at the answer. Utilize the strategy I mentioned above to write an answer and keep practicing to improve your writing skills.

There are easy points waiting for you, go get them!

### **35. Use practice exams as an opportunity to be better prepared for the actual exam**

CPA practice exams are great tools to prepare for and to adapt to the actual exam. However, these practice exams are of help only if you have enough time to analyze and correct your weaknesses. I have seen CPA exam candidates who take the practice exams a day or two before the actual exam to get a feel of the real exam. My suggestion to you is do not do that.

In my opinion, it is better to ignore the practice exams completely than to take them right before the exam day because you will not have the opportunity to correct your weaknesses or to improve your exam-taking skills. Besides, if you do not score well on the practice exams, it will de-motivate you and make you spend remaining time to complain and worry about your performance on the upcoming actual exam.

Take practice exams at least two weeks before the actual exam in order to make corrections in your exam-taking methods and to strengthen your “still” weak areas. In addition, take practice exams as if you are taking the actual exam - with a relaxed mind and in a simulated environment, that is, in a quiet place with no access to your cell phone, internet etc. Apply all those strategies to practice exams that you would apply to the actual exam. If possible, take the practice exams during the same time of the day for which your actual exam is scheduled.

In addition, do not take practice exams back to back. ANALYSIS is the key here! Take one exam - assess your weak areas and flaws in the exam-taking and time management strategies; make required corrections and move to other practice exams. Repeat the same procedure for all practice exams. If you have enough time, review practice exam questions again and focus on understanding “why wrong answer choices are wrong.”

Do not get discouraged or overly confident with your performance on the practice exams. If you have not performed well on practice exams, **DO NOT take it for granted that actual exam questions will be easier** and thus you need not correct weaknesses. (I made this mistake for my first CPA exam section (BEC), and my score on the actual BEC exam was lower than the practice exams score.)

If you did poor on a practice exam, was it because you were careless or multitasking or you still have trouble in understanding the concepts? These practice exams are one of the last opportunities to correct your weaknesses so, please be serious towards your practice

exams, learn from your mistakes and don't be lazy to give yourself a chance to fail the actual exam. Do not be afraid to make mistakes when you study but make sure you do not repeat them in the actual exam.

**Word of Caution:** Practice exams are not adaptive; hence do not use them to predict your actual exam performance or score.

### **36. Create a final review list for less than a day before the exam**

Imagine a scenario on the day before the CPA exam. You studied for weeks or months to prepare for an exam section and have done a review as well but you still do not remember some of the key details or feel weak in some areas, or just want to reinforce some concepts before the exam. Time is ticking away and you cannot afford to do another full review! However, you still want to review the material one last time. Before you do a "final" review, you must know what you need to review.

When you study the material for the first time, there are many topics or questions that you would like to review later. Prepare a list of those topics and questions and give them a page reference number from the study material. Sometimes, when you do not want to study a new area; review topics from this list. Initially, this list may be long but do not worry. As you review topics from this list several times, you will become stronger in many areas and eventually, the list will get smaller.

Before you take the exam, utilize this list for final review to refresh your understanding and to remember the important points. Personally speaking, I was able to complete the final review in 4-5 hours for each CPA exam section. If you have the exam scheduled in the morning, I would recommend completing the review by the night before the exam or if you have the exam scheduled later in the day, you should complete it by the morning on the exam day.

Avoid studying until the last moments and try to relax few hours or the night before the exam. If you study until the exam time and do not recall something at the last moment, you will go in the exam stressed and worried and that may adversely affect your performance.

Remember, having a clear and relaxed mind will give you confidence, improve your performance in the exam and help you to earn more points than if you are stressed.

## **In the Exam**

### **37. How to effectively allocate time between Multiple-Choice Questions and Task Based Simulations?**

The multiple-choice questions account for 50% and task based simulations account for 50% of the AUD, FAR and REG and 35% of the BEC exam score.<sup>1</sup> Thus, you must not allocate unreasonable amount of time in an attempt to correctly answer every multiple-choice question and rush through the simulations.

Remember, effective time allocation is paramount to pass the CPA Exam. Let us do a little math as an example. Suppose you are taking FAR or REG exam (time management is an issue on these two sections) and spent majority of the exam time to get all multiple-choice questions correct. Even if you get maximum score on multiple-choice questions, it is only 50 points and you still need 25 more points on simulations to pass the exam. Can you score those 25 points with only a little time left for the simulations?

To reasonably allocate time between multiple-choice questions and simulations, you need to develop good time management skills and that happens with practice. As suggested earlier, practice 33 questions set for FAR, 36 questions set for AUD, 38 questions set for REG and 31 questions set for BEC. After completing each testlet, compare the total time taken and your accuracy rate. Analyze how much time you would need to complete the three testlets so that you have enough time to complete 8 task based simulations.

Implement the same methodology of time tracking when you practice simulations & analyze how much time you can allocate to multiple-choice questions and be able to complete the simulations. As some of you may have experienced, being good at either multiple-choice questions or simulations is not enough; you need to do well in both areas.

One of the best ways to learn effective time allocation is practice exams. Do as many practice exams as you can to increase your speed and accuracy and to develop strong time management skills. If you do not have many practice exams, make questions set and Task Based simulations from various chapters in your study material and try to finish them within the given time limits.

Effective time allocation between multiple-choice questions and task based simulations coupled with speed and accuracy will give you higher chances of passing the CPA exam.

### **38. What if you do not remember concepts or understand questions?**

It is possible to forget things in the exam due to anxiety and stress. In such situations, first - remain calm and do not panic. If you are unable to solve a question because you do not remember the formula/concept or you do not understand the question itself, mark it and move to the ones you can answer. Once you start answering familiar questions, it will reduce anxiety and eventually concepts will come back to your mind. Once you regain your confidence, go back to the unsolved questions and nail them.

In case, you are unable to understand a question even after reading it twice, do not waste more time to try to understand it. Personally speaking, I spent only 15-20 seconds on each question to judge if I could answer it in the first attempt. If I were not sure, I moved to other questions in the testlet and came back to the unanswered ones later on either to solve them or to make an educated guess.

Even if you are well prepared, spending long time on some questions will leave you with lesser time to finish all multiple-choice questions and it may jeopardize your time management for simulations or written communications. As discussed earlier, you have to do well on all areas in order to pass the CPA exam, hence, it is not viable to overkill some questions and rush through rest of the exam.

Keep a track of your speed to manage time and convert your efforts into success on the CPA exam.

### **39. What if you doubt your selected answer choice or want to change it?**

Time permitting - you should review a testlet before marking it done. However, your review should be restricted only to the questions that you were doubtful of in the first place. Avoid the temptation to second-guess or change an answer unless you have a convincing reason or made an obvious error such as miscalculation, misreading "pit-fall" words such as most likely/least likely/except for/not etc.

Be careful that during the review, you do not overanalyze questions or the information presented to solve those questions. Once you start changing some answers, it may tempt you to review all questions or may lead you to doubt other answers as well. As a result, your confidence and time management on the exam will suffer.

Remember, you are not in a fight with the exam questions where one of you must win. You need to be accurate in answering the questions; however, you must maintain your

speed to complete the exam. Thus, have faith in yourself and your answer selection and refrain from changing the answers as much as possible.

#### **40. What if the testlet difficulty level does not change?**

Your exam testlet difficulty may or may not change but your stress and anxiety levels will! Even though, the CPA exam is adaptive, you may not see change in difficulty levels. CPA exam programmers get paid to make the CPA exam testlets adaptive, what will you get by judging if your exam testlets are becoming difficult or not?

You certainly will not be paid to analyze the difficulty of your exam testlets but the related stress will definitely cost you points on the exam. If you cannot see a change in the difficulty level for your current testlet, it does not necessarily mean that you are not doing well. The reason could be that you are stronger in the topics being tested in the current testlet.

When you start analyzing your performance during the exam, it brings thoughts such as “How much I hate the CPA exam?”, “I should have done this/that differently”, “I should have studied this/that area extensively” etc. There is already enough stress in the exam and such unnecessary and useless analysis of testlet difficulty or your performance tires your mind and makes you vulnerable to mistakes. You may perform poorly not because you do not know the material but because you let the exam to “own” you.

Focus on answering each question to its merit and complete each testlet within a reasonable amount of time. Consider each question different from previous ones, it will keep your mind clear of stress and worries and helps you to remain focused in the exam as it progresses.

If you get distracted or frustrated during the exam, close your eyes for few seconds; relax and remind yourself to control your emotions and to do the best you can.

Feel free to complain and vent out as much as you want but after the exam!

#### **41. What if you get a written communication essay within your expertise?**

It is a great feeling when you get questions on the area within your expertise. It relieves your nerves and gives you confidence. If you get a written communication topic within your expertise, you have an opportunity to score maximum points. However, do not get too excited and certainly do not write lengthy answers. You might be tempted to write anything and everything you know about that topic but remember that you are judged on the quality of response and not the quantity.

You may want to discuss many points. However, do not write a very long answer because it might cost you time on the remaining written communication questions. Select 3-4 most relevant points and write your answer using the steps I stated in #34 above (Learn to write written communication essays and earn easy points.)

You must proofread and edit your answer to score maximum points. It will not matter how expert you are on a topic if your answer is poorly structured or it has spelling mistakes or it makes no sense.

**Word of Caution:** The more you write, the lesser time you will get to proofread your answer and lack of proofreading may prevent you from scoring high on the written communication. Thus, restrict your answer to the most relevant points and provide reasonable amount of time for proofreading and editing.

#### **42. What if you panic and rush to finish the exam?**

You pay so much money in addition to investing time and effort to prepare for the CPA exam, so why you need to rush through the exam? You will not get any extra points to finish the exam early, besides, if you do not pass, you may regret that unused time could have made a difference between passing and failing.

We all want to get out of that 4 hours of stressful exam time as early as possible, but remember, all your sacrifice and hard work over weeks or months is to prepare for those 4 hours.

The exam may be difficult enough to make you feel miserable or freak you out, but if you are unable to control your emotions and rush to be done with the exam, you jeopardize your preparation of weeks or months. If the exam is difficult than you expectations, you cannot do much about it and rushing through the exam is certainly of no help. There is no guarantee that if you have to re-attempt the exam, it will be easier next time.

The regret of failing the exam lives longer than the temptation to rush and finish the exam, thus, you must control your emotions and remain calm during the exam and utilize available time judiciously to answer all questions to the best of your ability.

Learn to control your emotions; it will be of great help to transform your hard work and perseverance into success on the CPA exam.

## After the Exam

### **43. You do not fail until your score says so!**

Once you have taken a CPA exam section, please DO NOT go back to the study material to verify your answers or to analyze your performance or to predict your score. Hopefully, you have done your best in the section you attempted. Even if not, worrying or making assumptions about the result will not make a difference.

Have you experienced the feeling that you would fail the exam but ended up passing? Good - if it happened to you but think how much time you wasted and how many important things you missed while worrying about the result. Was it worth it? However, utilize the experience you gained while taking a particular CPA exam section to prepare for the remaining sections. Identify what mistakes you could have avoided and how to be better prepared for the other sections.

Use the CPA exam experience to prepare for other certifications and help other CPA exam candidates. Regardless of what you do while waiting for the exam result, do not think about it and take care of your other priorities.

*Remember, all the time wasted in worrying about what you cannot change, is the time taken away from what you can*

<sup>1</sup>Source: American Institute of Certified Public Accountants (AICPA)

## **Author's Note**

I wrote this book to share the experiences I gained in the process of passing the CPA exam (all sections in the first attempt with 90+ scores) and helping other candidates. I attempted to give my perspective to prepare for and succeed on the CPA exam.

In my opinion, there is no “one size fits all” kind of strategy to prepare for the CPA exam. Now that you own this book, only you can decide how to best utilize it and feel free to modify my suggestions to match your situation or style.

I hope this book is of interest and helps you to pass the CPA exam as soon as possible. I would like to hear your feedback - positive or constructive or otherwise, feel free to email me, at [sid@sidvats.com](mailto:sid@sidvats.com), your thoughts about this book and how it contributed towards your success on the CPA exam.

Once you achieve the goal of becoming a CPA, remember to express your gratitude towards your family, friends and significant others who made sacrifices and supported you in the journey to become a Certified Public Accountant.

## **About the Author**

I am a licensed Certified Public Accountant and have the privilege of completing Bachelor of Commerce (Honours) degree from Shri Ram College of Commerce (Top ranked undergraduate commerce college), University of Delhi, India, and Master of Business Administration degree (with Outstanding Student of the Year award - 2009) from Pace University, New York, USA.

Disclaimer:

The examples used in this book are meant for informational purposes only and are not intended to or do not disclose any confidential information related to the CPA examination questions.

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