

Content Specification Outline – REG

Regulation

The Regulation section tests candidates' knowledge of federal taxation, ethics, professional and legal responsibilities, business law and the skills needed to apply that knowledge.

Ethics, Professional and Legal Responsibilities, and Business Law: This portion covers knowledge of a CPA's professional and legal responsibilities and the legal implications of business transactions, particularly as they relate to accounting and auditing, and the skills needed to apply that knowledge. This section deals with federal and widely adopted uniform state laws. If there is no federal or uniform state law on a topic, the questions are intended to test knowledge of the law of the majority of jurisdictions. Professional ethics questions are based on the AICPA Code of Professional Conduct because it is national in its application.

Federal Taxation: This portion tests knowledge of principles and procedures for federal income, estate, and gift taxation and their application in practice. To demonstrate such knowledge, candidates will be required to—

- Analyze information and identify data relevant for tax purposes
- Identify issues, elections, and alternative tax treatments
- Research issues and alternative tax treatments
- Formulate conclusions

Regulation Content Specification Outline

I. Ethics and professional and legal responsibilities (15%–20%)

- A. Code of Professional Conduct
- B. Proficiency, independence, and due care
- C. Ethics and responsibilities in tax practice
- D. Licensing and disciplinary systems imposed by the profession and state regulatory bodies
- E. Legal responsibilities and liabilities
 1. Common law liability to clients and third parties
 2. Federal statutory liability
 3. Privileged communications and confidentiality

II. Business law (20%–25%)

- A. Agency
 1. Formation and termination
 2. Duties and authority of agents and principals
 3. Liabilities and authority of agents and principals
- B. Contracts
 1. Formation
 2. Performance
 3. Third-party assignments
 4. Discharge, breach, and remedies
- C. Debtor-creditor relationships
 1. Rights, duties, and liabilities of debtors, creditors, and guarantors
 2. Bankruptcy
- D. Government regulation of business
 1. Federal securities acts
 2. Other government regulation (antitrust, pension and retirement plans, union and employee relations, and legal liability for payroll and social security taxes)
- E. Uniform commercial code
 1. Negotiable instruments and letters of credit
 2. Sales
 3. Secured transactions
 4. Documents of title and title transfer
- F. Real property, including insurance

III. Federal tax procedures and accounting issues (8%–12%)

- A. Federal tax procedures
- B. Accounting periods
- C. Accounting methods including cash, accrual, percentage of completion, completed contract, and installment sales
- D. Inventory methods, including uniform capitalization rules

IV. Federal taxation of property transactions (8%–12%)

- A. Types of assets
- B. Basis of assets
- C. Depreciation and amortization
- D. Taxable and nontaxable sales and exchanges
- E. Income, deductions, capital gains and capital losses, including sales and exchanges of business property and depreciation recapture

V. Federal taxation—individuals (12%–18%)

- A. Gross income—inclusions and exclusions
- B. Reporting of items from pass-through entities, including passive activity losses
- C. Adjustments and deductions to arrive at taxable income
- D. Filing status and exemptions
- E. Tax computations, credits, and penalties
- F. Alternative minimum tax
- G. Retirement plans
- H. Estate and gift taxation, including transfers subject to the gift tax, annual exclusion, and items includible and deductible from gross estate

VI. Federal taxation—entities (22%–28%)

- A. Similarities and distinctions in tax reporting among such entities as sole proprietorships, general and limited partnerships, Subchapter C corporations, Subchapter S corporations, limited liability companies, and limited liability partnerships
- B. Subchapter C corporations
 - 1. Determination of taxable income and loss, and reconciliation of book income to taxable income
 - 2. Tax computations, credits, and penalties, including alternative minimum tax
 - 3. Net operating losses
 - 4. Consolidated returns
 - 5. Entity/owner transactions, including contributions and distributions
- C. Subchapter S corporations
 - 1. Eligibility and election
 - 2. Determination of ordinary income, separately stated items, and reconciliation of book income to taxable income
 - 3. Basis of shareholder's interest
 - 4. Entity/owner transactions, including contributions and liquidating and nonliquidating distributions
 - 5. Built-in gains tax
- D. Partnerships
 - 1. Determination of ordinary income, separately stated items, and reconciliation of book income to taxable income
 - 2. Basis of partner's interest and basis of assets contributed to the partnership
 - 3. Partnership and partner elections
 - 4. Partner dealing with own partnership
 - 5. Treatment of partnership liabilities
 - 6. Distribution of partnership assets
 - 7. Ownership changes and liquidation and termination of partnership
- E. Trusts
 - 1. Types of trusts
 - 2. Income and deductions
 - 3. Determination of beneficiary's share of taxable income

References—Regulation

Ethics, Professional and Legal Responsibilities, and Business Law

- AICPA Professional Standards: Code of Professional Conduct and Bylaws
- AICPA Statements on Auditing Standards dealing explicitly with proficiency, confidentiality, independence, and due care
- AICPA Statements on Standards for Consulting Services
- AICPA Statements on Responsibilities in Personal Financial Planning Practice
- Pronouncements of the Independence Standards Board
- Current textbooks covering business law, auditing, and accounting
- Sarbanes-Oxley Act of 2002
- Public Company Accounting Oversight Board (PCAOB) Auditing, Attestation and Quality Control Standards
- Securities Exchange Act of 1933
- Securities Exchange Act of 1934

Federal Taxation

- Internal Revenue Code and Income Tax Regulations
- Internal Revenue Service Circular 230
- AICPA Statements on Standards for Tax Services
- U.S. Master Tax Guide
- Current Federal income tax textbooks