Accredited Business Accountant (ABA) Practice 1 Exam Outline

Domain 1: Financial Accounting
Task 1: Use principles of accounting to provide financial data to manage a business.
Knowledge of:
a. Principles (e.g., going concern, economic entity)
b. Assumptions (e.g., revenue recognition, materiality, matching)
c. Qualitative characteristics (e.g., relevance, reliability, comparability and consistency)
d. Analysis of basic transactions
Task 2: *Set up Records* – Design a system for record setup to organize the financial data.
Knowledge of:
a. Chart of accounts (e.g., assets, liabilities, equity, revenue, expenses)
b. General Journal and entries
c. Special journal and entries (e.g., payroll, sales, cash receipts, cash disbursements, purchases)
d. Debits and credits
Task 3: *Define Accounting Cycle* – Analyze the transactions of the business using the accounting cycle to understand the proper reporting.
Knowledge of:
a. Accounting cycle steps (e.g., journalizing, posting, trial balance preparation, financial statement preparation, closing entries, reversing entries)
Task 4: *Cash vs. Accrual* – Determine the differences between cash and accrual accounting methods.
Knowledge of:
a. Basis of accounting (e.g., cash and accrual)
Task 5: *Revenue Recognition* – Determine when revenue is recognized and recorded.
Knowledge of:
a. Long-term contracts, installment sale, and cost recovery
Task 6: *Recording Adjusting/Reversing Entries* – Analyze transactions to prepare adjustments and reversing journal entries using accounting principles to properly report account balances.
Knowledge of:
a. Prepaid items, unearned revenue, deferred and accrued entries, and depreciation
b. Closing entries and correcting entries
Skill in:
a. Recording journal entries

Task 7: *Prepare Accounting Worksheet* – Organize adjusting and closing entries using worksheets to prepare financial statements.
Skill in:
a. Organizing journal entries
b. Preparing worksheets
Task 8: *Partnerships* – Analyze changes in partnership interests using accounting principles to determine partners' capital accounts.
Knowledge of:
a. Partner types (e.g., general partner, limited partner, limited liability company)
b. Inside and outside basis
c. Adding and removing partners
Task 9: *Financial Statements* – Identify the different reports of the business's financial statements to analyze the business operations.
Knowledge of:
a. Financial statements – (e.g., balance sheet, income statement, statement of cash flows, statement of owner's/stockholders' equity)
b. Single-step and multistep comparative statements
c. Account and report format
d. Cash flows statement, direct and indirect
Task 10: *Provide Supplemental Information* – Identify additional information not reported elsewhere to give more information to the reader.
Knowledge of:
a. Generally accepted accounting principles (GAAP)
Task 11: *Report Disclosures* – Identify information of the business that is required to be disclosed in the financial statements to provide information to the reader.
Knowledge of:
a. Generally accepted accounting principles (GAAP)
Task 12: Categorize current assets as those used in a year or operating cycle.
Knowledge of:
a. Current assets – (e.g., Cash and cash equivalents, accounts and notes receivable, investments, inventory, prepaid assets)
b. Current vs. long-term assets
c. Bad debt and allowance for bad debt

d. Debt and equity securities, holding periods, amortization of bond premiums and discounts, disclosures, and equity method
e. Inventory methods (e.g., FIFO, LIFO, weighted average, specific identification, lower of cost or market, periodic and perpetual, gross profit and retail)
Task 13: *Record Property and Equipment* – Identify the fixed assets of a business that should be classified as property and equipment.
Knowledge of:
a. Depreciation and depletion of real and personal property
b. Proper recording of real and personal property including natural resources
c. Depreciation methods (e.g., straight line, sum of the digits, declining balance, units of production)
d. Revenue expenditures vs. capital expenditures
Task 14: *Intangible Assets* – Identify the non-physical assets of a business that should be classified as intangible.
Knowledge of:
a. Patents, startup costs, organizational costs, goodwill, copyrights, leaseholds, trademark, and trade names
b. Amortization of intangibles/straight line
Task 15: *Liabilities* – Identify and classify obligations of a business to determine the amount of business debt and risk of services non-performed.
Knowledge of:
a. Liabilities – (e.g., current, long-term, deferred revenue)
b. Short-term and long-term interest bearing notes and noninterest bearing notes
c. Contingent liabilities
d. Secured and unsecured bonds, and discount and premium bonds
Task 16: *Equity* – Analyze/Measure the effect of owner investments and business operations to determine the equity investors have in the business.
Knowledge of:
a. Common stock, additional paid in capital, preferred stock, par value, stated value, treasury stock, and cost vs. par value
b. Preferred stock features (e.g., cumulative, participating, convertible and callable)
c. Retained earnings and dividends (e.g., cash, property, scrip, liquidating, stock)
Task 17: *Compensation* – Compute the labor expense of the business using payroll reports.
Knowledge of:
a. Salaries, wages, commissions, and bonuses

b. Payroll taxes, FICA, Medicare, and unemployment
c. Classification of employees/independent contractors
d. Pensions
e. Earnings records and reporting
Skill in:
a. Calculating labor costs
Task 18: *Leases* – Identify the proper classification of the business's leases to determine if a lease should be a business expense or a fixed asset (e.g., operating lease vs. capital leases).
Knowledge of:
a. Residual, sales, and direct financing
Task 19: *Accounting for Pensions* – Identify how pensions and retirement plans are accounted for on financial statements.
Knowledge of:
a. Contributory and noncontributory plans, vested benefits, vested employees, funded and unfunded plans, service costs, gain and loss on pensions, and ERISA
Task 20: *Depreciation* – Calculate the recovery of the cost of fixed assets using depreciation.
Skill in:
a. Determining the appropriate method (e.g., modified accelerated cost recovery system [MACRS], straight line, declining balance)
Task 21: *Statement Analysis* – Use financial statement analysis to determine business performance.
Knowledge of:
a. Current ratio, quick ratio, working capital, accounts receivable/payable turnover, and debt-to-equity ratio
b. Comparative balance sheet and financial statements, and common size method
Skill in:
a. Computing ratios
Task 22: *Statements on Standards for Accounting and Review Services (SSARS)* – Apply the appropriate level of SSARS financial reporting to present financial statements.
Knowledge of:
a. SSARS 21
Task 23: *Engagement Letters* – Compose and record the agreement between the professional and the client using an engagement letter to define responsibilities.

Knowledge of:
a. SSARS 21 and safe harbor language, and disclaimer letter
b. Prepared and compiled statements
Task 24: *Basis of Accounting* – Use a specific basis of accounting to determine consistent reporting.
Knowledge of:
a. Types (e.g., generally accepted accounting principles [GAAP], cash, financial reporting framework, tax)
Task 25: *Work Papers* – Document conclusions using source documents to support information reported in the financial statements.
Knowledge of:
a. Management assertions, nature of report, and extent of risk
b. Recommended work papers (e.g., engagement letters, working trial balance, adjusting journal entries, engagement summary checklist, specific procedures)
Skill in:
a. Creating work papers to document conclusions
Task 26: *Report/Transmittals* – Determine the proper accountant's report to include with financial statements using the report that defines the accountant's level of service.
Knowledge of:
a. Transmittal and cover letters, and compilation reports (e.g., single-year, comparative, disclosures and nondisclosures, personal financial statement reports)

Accredited Business Accountant (ABA) Practice 2 Exam Outline

Domain 2: Business Consulting
Task 1: *Cost-Volume-Profit* – Analyze sales volume and costs to make business decisions.
Knowledge of:
a. Basic CVP (cost-volume-profit) formula
b. Breakeven point of sales for single-product and multiproduct companies
c. Contribution margin, contribution margin ratio, margin of safety, and operating leverage
d. Fixed and variable costs
Task 2: *Department Analysis* – Calculate departmental performance.
Knowledge of:
a. Cost centers, profit centers, and investment centers
b. Segmented income statement
c. Return on investment and residual income
Task 3: *Time Value of Money* – Calculate the value of a single sum or a series of sums to measure present and future value.
Skill in:
a. Calculating the future and present value (e.g., leases, notes, amortization of premiums and discounts, annuities, pensions, post-retirement benefits and obligations, long-term assets, sinking funds, business combinations)
Task 4: *Capital Budgeting/Capital Investment* – Compute return on investment to determine the value of a long-term investment.
Knowledge of:
a. Accounting rate of return, payback period, net present value, internal rate of return, incremental cost, and total cost
b. Depreciation (e.g., modified accelerated cost recovery system [MACRS], straight line)
c. Payback periods, simple rates of return, and profitability indexes
Skill in:
a. Computing after-tax cost of taxable cash expense and taxable cash received
b. Computing after-tax present value for investment proposals
Task 5: *Budgets/Cash Budget* – Prepare a projected statement of revenues and expenses using estimates and knowledge of the business to plan activities for the year.
Knowledge of:
a. Economic order quantity (EOQ)
b. Reorder point

Skill in:
a. Gathering financial reports including information on sales, production, direct materials, direct labor, manufacturing, finished goods inventory, and selling and administrative expenses
b. Using management tools for planning future expenses
Task 6: *Internal Control* – Evaluate operating procedures using management's policies to discourage fraud and encourage compliance with applicable laws and regulations.
Knowledge of:
a. Segregation of duties, monitoring, risk assessment, and control procedures
b. Cost and benefits of control
Task 7: *Employee Benefits* – Define indirect compensation.
Knowledge of:
a. Costs and control of employee benefits (e.g., health insurance, paid time off, retirement programs)
b. Legally required benefits
Task 8: *Managerial Decisions* – Define the problem, identify alternative solutions, select the best alternative, and monitor the results.
Skill in:
a. Determining relevant and irrelevant costs
b. Analyzing whether to keep or replace a product line and equipment
c. Analyzing whether to make or buy a product
d. Analyzing whether to accept or refuse a special order
Domain 3: Taxation
Task 1: *Individual Tax Returns (1040)* – Collect information from the taxpayer using data to prepare a complete and accurate return.
Knowledge of:
a. Taxable entities (e.g., individuals, partnerships, corporations [S&C], trusts, estates, nonprofits, limited liability companies)
Task 2: Determine the appropriate filing status of taxpayers through inquiry.
Knowledge of:
a. IRS Publication 17 – Filing Status
Skill in:
a. Identifying more than one filing status
b. Identifying tax rates
c. Determining injured spouse or innocent spouse (e.g., spousal debt)

Task 3: Report all income received except items specifically excluded from tax by law.
Knowledge of:
a. Compensation income including fringe benefits
b. Education (e.g., scholarships, fellowships, teaching stipends)
c. Interest, dividends, and capital gains
d. Taxable state and local refunds
e. Alimony
f. Business income from self-employment activities
g. Farming activities
h. Rental activities and pass-through entities
i. Investment activities
j. Other income (e.g., debt relief, gambling income, hobby income, prizes, jury duty)
k. Social Security
l. Unemployment compensation
m. Retirement distributions
n. Income exclusions (e.g., life insurance, disability, VA benefits)
Task 4: Determine deductions to be subtracted from income to arrive at adjusted gross income.
Knowledge of:
a. Educator expenses
b. Alimony
c. Self-employment health insurance or health savings account (HSA) deductions
d. Keogh/Self-employment plan (SEP)/individual retirement account (IRA) contributions
e. Self-employment tax deduction
f. Moving expense
g. Penalty on early savings withdrawal
h. Student loan interest and tuition and fees
i. Domestic production deduction
Task 5: Determine whether to use the standard deduction or itemized deductions to calculate the lowest taxable income.
Knowledge of:
a. Medical expense (e.g., payments to hospitals, doctors, prescriptions, mileage, insurance)
b. Tax expense (e.g., state and local income tax, real estate, personal property, sales tax)
c. Interest expense (e.g., mortgage interest, points, mortgage insurance premiums, investment interest)
d. Charitable contributions
e. Miscellaneous subject to 2% limitation (e.g., investment expenses, tax preparation, safe deposit box) vs. not subject to 2% (e.g., gambling losses, estate tax on income in respect of a decedent, impairment-related work expenses of persons with disabilities)
f. Unreimbursed employee expenses (e.g., job travel, union dues, education, licenses)
g. Casualty or theft
h. Reduction in total Schedule A

Task 6: Determine the taxpayer's taxable income by subtracting deductions and exemptions from adjusted gross income.
Knowledge of:
a. U.S. income tax – Form 1040 and instructions
Task 7: Determine if the taxpayer is subject to alternative minimum tax (AMT) or excess premium tax credit repayment.
Knowledge of:
a. IRS Forms 6251 and 8962 and instructions
Task 8: Determine reductions to income tax by using tax credits to reduce the taxpayer's tax liability (e.g. foreign tax credit, child and dependent care, education, retirement savings, child tax credit, energy credits).
Knowledge of:
a. Forms 1116, 2441, 8863, 8880, 8812, 5695 and instructions
Task 9: Determine additional taxes to complete calculating the proper income tax liability (e.g., self-employment tax, unreported Social Security and Medicare tax, additional retirement tax, household employment tax, first-time home buyer credit repayment, net investment income tax, shared responsibility payment).
Knowledge of:
a. Schedules SE and H, and Forms 4137, 5329, 5405, 8959, and 8960, and instructions
Task 10: Apply payments and refundable credits to tax liability to calculate total payments.
Knowledge of:
a. Payments, estimated tax credits, and extension payments (Publication 17 – Part Six)
b. Credits (e.g., earned income credit [EIC], additional child tax credit, American opportunity tax credit, net premium tax credit, excess Social Security withheld) (Publication 17 – Part Six)
Task 11: *Specialty Topics* – Review unusual topics to determine how they affect tax returns.
Knowledge of:
a. Taxation of gifts
b. Taxation of insurance
c. Investment taxation
d. Divorce issues
e. Like-kind exchanges
f. Roth conversions

Task 12: *Partnerships (1065)* – Collect information from the taxpayer to prepare a complete and accurate partnership return.
Knowledge of:
a. Basis – inside and outside
b. Capital accounts
c. Elections
d. Limited liability companies
e. K-1 preparation
Skill in:
a. Applying the at-risk and passive activity rules
Task 13: *S Corporations (1120S)* – Collect information from the taxpayer to prepare a complete and accurate S corporation return.
Knowledge of:
a. Basis
b. Built-in gains tax
c. Shareholder compensation
d. S corporation election and revocation
e. Shareholder benefits
f. Shareholder loans and distributions
g. Eligible owners and requirements
h. K-1 and separately stated items
Skill in:
a. Applying at-risk and passive activity rules
Task 14: *Limited Liability Companies/Disregarded Entities* –Determine the best method of reporting client income and expenses for limited liability companies and disregarded entities.
Knowledge of:
a. Single-member/multimember LLC tax law
Task 15: *Corporations (1120)* – Collect information from the taxpayer to prepare a complete and accurate corporate return.
Knowledge of:
a. Corporate tax law
Task 16: *Trust and Estates Income Tax (1041)* – Collect information from the taxpayer to prepare a complete and accurate fiduciary return.
Knowledge of:
a. Trust document

b. Will
c. Asset ownership
d. Roles of trustees, executor, beneficiary, and surviving spouse
Task 17: *Federal Estate Tax Return (706)* – Collect information from the taxpayer to prepare a complete and accurate estate return.
Knowledge of:
a. Will
b. Trust document
c. Probate
d. Gift tax returns filed by decedent prior to death
e. Estate tax law
f. Roles of trustees, executor (personal representative), beneficiaries, and surviving spouse
Task 18: *Federal Gift Tax Return (709)* – Collect information from the taxpayer to prepare a complete and accurate gift tax return.
Knowledge of:
a. Limits on annual gift exclusion
b. Transfer of assets to reduce estate tax
Task 19: *Not-for-profit Issues (990)* – Collect information from the taxpayer to prepare a complete and accurate nonprofit return.
Knowledge of:
a. Type of nonprofit (e.g., churches, veterans organizations, hospitals, member organizations, schools) and related tax code section
b. Nonprofit tax law
Domain 4: Business Law
Task 1: Recognize different forms of business and business transactions to advise clients (e.g., partnership, corporation, trust, limited liability company).
Knowledge of:
a. Contracts
b. Uniform Commercial Code
c. Agency
Domain 5: Ethics
Task 1: Determine best practices and procedures for accounting and tax professionals.
Knowledge of:
a. ACAT Code of Ethics
b. Practice procedures
c. Due diligence