



BAR

Business Analysis & Reporting

CPA Exam Review

2025
Edition

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- GASB Codification of Governmental Accounting and Financial Reporting Standards and GASB Statements
- GASB Concepts Statements
- GASB Interpretations and Technical Bulletins

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Introduction

How to Best Use Your Course

Welcome to the UWorld CPA Review course! Our expert team is passionate about helping you succeed and has developed an award-winning program that is proven to yield results. Before you get started, please read through this guide on how to best use your course so that you can master all of the topics laid out for you in the AICPA Blueprints and ultimately pass the CPA Exam. At UWorld, our passion is to make the hard stuff easy to learn and understand.

Plan Your Studies

When preparing for the CPA Exam, half the battle is setting yourself up for success with a solid plan from the get go. This includes establishing short- and long-term goals to ensure you're staying on track.

To get started, use the Study Plan in your course. Start your plan by setting the beginning and ending dates for your schedule. Then select your pace (Fast Track vs Customize) and set the number of hours per day you will study. The system will create your plan based on your choices. It is important to follow your plan steadily so that you can ensure you hit your goals. If you miss a day, make it up!



Tip!

Download the app! This gives you access to everything your course offers while on the go.

Master the Concepts through Active Learning

With this program, you will build your foundational knowledge and mastery of core exam topics through **active learning**. This evidence-based learning methodology centers around the principle that students retain information best when they actively participate in answering questions.

- **Begin with the Representative Task.** Read through each representative task carefully. (The Representative Tasks are from the AICPA Blueprints and are presented in our books and videos to guide you through the materials.) Pay particular attention to the words at the beginning of the task; they provide guidance on level and focus
- **Scan the book chapter.** Do you feel confident with the material? If you do, you might want to move directly to the questions and begin to practice. If you find that you are hesitant about an area, read the book or watch the video to solidify your understanding before you practice on some questions
- **Watch the videos.** If you prefer to absorb material on video rather than by reading the book, you will notice that the videos are deliberately set up in small segments. Our team created these segments so you can review what you need, either as part of the whole topic or for specific review of a smaller area
- **Practice the questions.** In our question bank (our QBank) we have taken great care to provide you with very high-quality questions and explanations. Each explanation not only tells you why the concept tested is important to understand but also teaches you why the answer is correct and why the other answer choices are not correct. Images, tables, and links to definitions also help fill in gaps as you use the questions and explanations to learn by doing

Track Your Progress and Performance

As you complete each chapter, track your progress and performance using our signature **SmartPath Predictive Technology™**. SmartPath is a data-driven platform that provides recommended targets based on previous students who have passed the CPA Exam. This is an important tool to help you study efficiently and gauge whether you are *exam-ready*. Your goal is to hit both your progress target (Questions Attempted) and performance target (Score) for each chapter.

As you work through the material, don't worry about hitting your "Score" target right away and focus your efforts on hitting the "Questions Attempted" target first. This approach may feel uncomfortable, but trust that you are building your knowledge as you absorb the answer explanations.

Once you've completed all the topics in a chapter, you can go back and focus your efforts on hitting the "Score" target. If you are falling short, drill down in the Performance tab to see which topics need extra attention.



Tip!

Don't over-study. **SmartPath™** helps determine when you can move on to the next topic.

Solidify the Concepts

Need extra help mastering the concept? Take advantage of the additional learning tools that are integrated into your course. For example, you could be working through a difficult question and find you need further explanation. No problem! There's a link to the supporting lecture right there in the question. Want to remember something for later review? Easily transfer content directly from the question to a digital flashcard. These are just a few ways we make it easy to navigate to and access the right tools you need at the right time.

These additional tools are designed to enhance your studies—**you do not necessarily need to read or watch all of this material!** Rather, use these tools as a means to improve on weak areas:

- **Video Lectures** – From the Lectures tab or directly integrated in the link at the bottom of each practice question, you have access to the profession's most motivating and effective lecturers. Lectures break down difficult topics into simplified concepts and provide helpful memory aids. These are especially recommended for visual and auditory learners
- **Textbooks** – Digital eTextbooks are accessible side by side with the video lectures or in a printed format with some of our course packages. These can be used as a reference if you need further explanation of a concept. Many students also find it beneficial to follow along in the textbook while watching the lectures and either take notes directly in the physical books or by using the Notes feature and highlighting tool in the platform
- **Digital Flashcards** – Create custom flashcards directly from your practice questions by clicking on the lightning bolt symbol. Depending on your program package, your course may also be pre-loaded with an "Expert Deck" of flashcards covering the most heavily tested topics. You can review all your cards in Study Mode or using our **Spaced-Repetition Technology**. This is an evidence-based learning method that presents cards you've marked as *difficult* more frequently and cards you've marked as *easy* less frequently. The spacing of how and when the flashcards are introduced has been proven to increase retention and strengthen memory recall

Get Exam-Ready

The final days leading up to the exam are a critical time in which you're going to want to review your SmartPath data and ask, "Am I *exam-ready*?" If you have hit all the targets, you are in a really good spot. However, if any areas are still marked "Needs Improvement," now is the time to focus your efforts on meeting those targets.

Finally, we recommend you **take at least one full practice exam before exam day** (click on the "Exam Sim" tab in the QBank). This allows you to hone your test-taking skills in an exam-like environment that follows the same 5-testlet, 4-hour structure as the exam.

AICPA Blueprints

The UWorld CPA Review course is based on the AICPA Blueprints, which show candidates what skills and content topics will be tested on the CPA Exam. You don't have to make tough decisions about what concepts to focus on. If you follow our methodology, you will be well on your way to passing the exam.

Let's take a look at what we mean by starting with the AICPA Blueprints. The Blueprints have four levels:

- Area
- Group
- Topic
- Representative Task

Each Representative Task also has a Skill level.

- Remembering & Understanding
- Application
- Analysis
- Evaluation (used only in AUD)

Here is a snapshot of a Blueprint with the levels and skills marked.

Area I – Business Analysis (40–50%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Current period/historical analysis, including the use of data					
1. Financial statement analysis		✓			Determine attribute structures, format, and sources of data needed to prepare financial statement analysis.
			✓		Compare current period financial statement accounts to prior periods or budget and explain variances.
			✓		Interpret financial statement fluctuations and ratios (eg, profitability, liquidity, solvency, performance).
			✓		Use outputs (eg, reports, visualizations) from data analytic techniques to identify patterns, trends, and correlations to explain an entity's results.
			✓		Derive the impact of transactions on the financial statements and notes to the financial statements.

BAR
Area I: Business Analysis
Group A: Current Period/Historical Analysis
Topic 1: Financial Statement Analysis

The Table of Contents of the BAR book shows how each UWorld textbook is set up to follow the order of the AICPA Blueprints, with

- Area
- Group
- Topic

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In the pages of each book, we provide the Representative Tasks from the AICPA Blueprints. We did that to make a direct connection between the exam and our content. Our team deliberately focused on what the Tasks say and wrote study materials that match with the Task. There is no closer connection between what will be tested and what you are studying.


1.01 Financial Statement Analysis

Overview

A company appraises the past, present, and future execution of goals and economic fitness by performing **financial statement analysis** on its results from operations in a given period. Refer to the financial ratios used in the FAR exam for this section.

The results are viewed in relation to prior periods, budgets, and key performance indicators (ie, benchmarks). Companies **make informed decisions** using this analysis. The analysis is often presented using summaries and visualizations that present the financial data in an easy-to-understand, meaningful report.

Attribute Structures, Format, and Sources of Data



Representative Task (Application): Determine attribute structures, format, and sources of data needed to prepare financial statement analysis.

Beyond connecting to the topics of the AICPA Blueprints, our team also differentiated the textbook content to match the skill levels of the Tasks.

- **Remembering & Understanding** tasks require you to understand the definitions and fundamentals of the topic. We have presented the information in these areas with an eye to creating clear explanations of the topics
- **Application** tasks are more about using your knowledge in scenarios to indicate that you understand the concepts. Our authors have therefore provided examples that show you how to apply your knowledge in specific situations. Many of these examples are similar to questions that you will find on the exam
- **Analysis** tasks require a higher level of thinking, many times leading you to choose one outcome over another or to make a decision. On the exam, these tasks will always be addressed in Task-Based Simulations, or TBSs. The AICPA intentionally makes these more challenging to determine if you really know the material and can work with it as a professional. In our materials, our authors often guide you through the critical thinking required to work with TBSs
- **Evaluation** tasks are only in the AUD section of the exam and are at the highest level of thinking. They go a step further than the Analysis level and require you to evaluate or judge different approaches or outcomes

The CPA Exam

Within the AICPA Blueprints, there is information about how much time candidates have for each section and how many questions by question type each section contains. Question types include Multiple-Choice Questions (MCQs) and Task-Based Simulations (TBSs).

Section	Section Time	Multiple-Choice Questions (MCQs)	Task-Based Simulations (TBSs)
AUD – Core	4 hours	78	7
FAR – Core	4 hours	50	7
REG – Core	4 hours	72	8
BAR – Discipline	4 hours	50	7
ISC – Discipline	4 hours	82	6
TCP – Discipline	4 hours	68	7

Scoring Weight by Exam Section

The AICPA also shows candidates how the question types for each section are weighted and account for their overall score.

Section	Score Weighting	
	Multiple-Choice Questions (MCQs)	Task-Based Simulations (TBSs)
AUD – Core	50%	50%
FAR – Core	50%	50%
REG – Core	50%	50%
BAR – Discipline	50%	50%
ISC – Discipline	60%	40%
TCP – Discipline	50%	50%

Skill Allocations

As mentioned earlier, each Representative Task is tested at a specific Skill Level, and each part of the exam has its own weighting of the Skill Levels, as seen here.

Section	Remembering & Understanding	Application	Analysis	Evaluation
AUD – Core	30–40%	30–40%	15–25%	5–15%
FAR – Core	5–15%	45–55%	35–45%	–
REG – Core	25–35%	35–45%	25–35%	–
BAR – Discipline	10–20%	45–55%	30–40%	–
ISC – Discipline	55–65%	20–30%	10–20%	–
TCP – Discipline	5–15%	55–65%	25–35%	–

Content Allocations

The AICPA Blueprints address how coverage of the various content areas is allocated in each exam. Using the UWorld system that ties directly to the Blueprint structure, it is easy to see which topics are covered to what extent.

AUD

Content Area	Allocation
Area I Ethics, Professional Responsibilities, and General Principles	15–25%
Area II Assessing Risk and Developing a Planned Response	25–35%
Area III Performing Further Procedures and Obtaining Evidence	30–40%
Area IV Forming Conclusions and Reporting	10–20%

FAR

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

REG

Content Area	Allocation
Area I Ethics, Professional Responsibilities, and Federal Tax Procedures	10–20%
Area II Business Law	15–25%
Area III Federal Taxation of Property Transactions	5–15%
Area IV Federal Taxation of Individuals	22–32%
Area V Federal Taxation of Entities (including tax preparation)	23–33%

BAR

Content Area		Allocation
Area I	Business Analysis	40–50%
Area II	Technical Accounting and Reporting	35–45%
Area III	State and Local Governments	10–20%

ISC

Content Area		Allocation
Area I	Information Systems and Data Management	35–45%
Area II	Security, Confidentiality, and Privacy	35–45%
Area III	Considerations for System and Organization Controls (SOC) Engagements	15–25%

TCP

Content Area		Allocation
Area I	Tax Compliance and Planning for Individuals and Personal Financial Planning	30–40%
Area II	Entity Tax Compliance	30–40%
Area III	Entity Tax Planning	10–20%
Area IV	Property Transactions (disposition of assets)	10–20%

Exam Testlets

Each section of the exam is divided into five testlets. Two testlets cover MCQs, and three testlets cover TBSs. Not all sections have an equal number of MCQs and TBSs, as the following chart shows.

Section	Testlet					Total	
	1	2	3	4	5	MCQ	TBS
AUD - Core	MCQ	MCQ	TBS	TBS	TBS	78	7
FAR - Core	25	25	2	3	2	50	7
REG - Core	36	36	2	3	3	72	8
BAR - Discipline	25	25	2	3	2	50	7
ISC - Discipline	41	41	1	3	2	82	6
TCP - Discipline	34	34	2	3	2	68	7

Finally, to manage your time effectively in the exam, we recommend that you:

- Use 75 seconds per multiple-choice question as a benchmark,
- Allocate 15-20 minutes per task-based simulation, depending on complexity, and
- Take the standard 15-minute break after the third testlet; it doesn't count against your time.

To see the full AICPA Blueprints, visit

<https://www.aicpa.org/becomeacpa/cpaexam/examinationcontent>

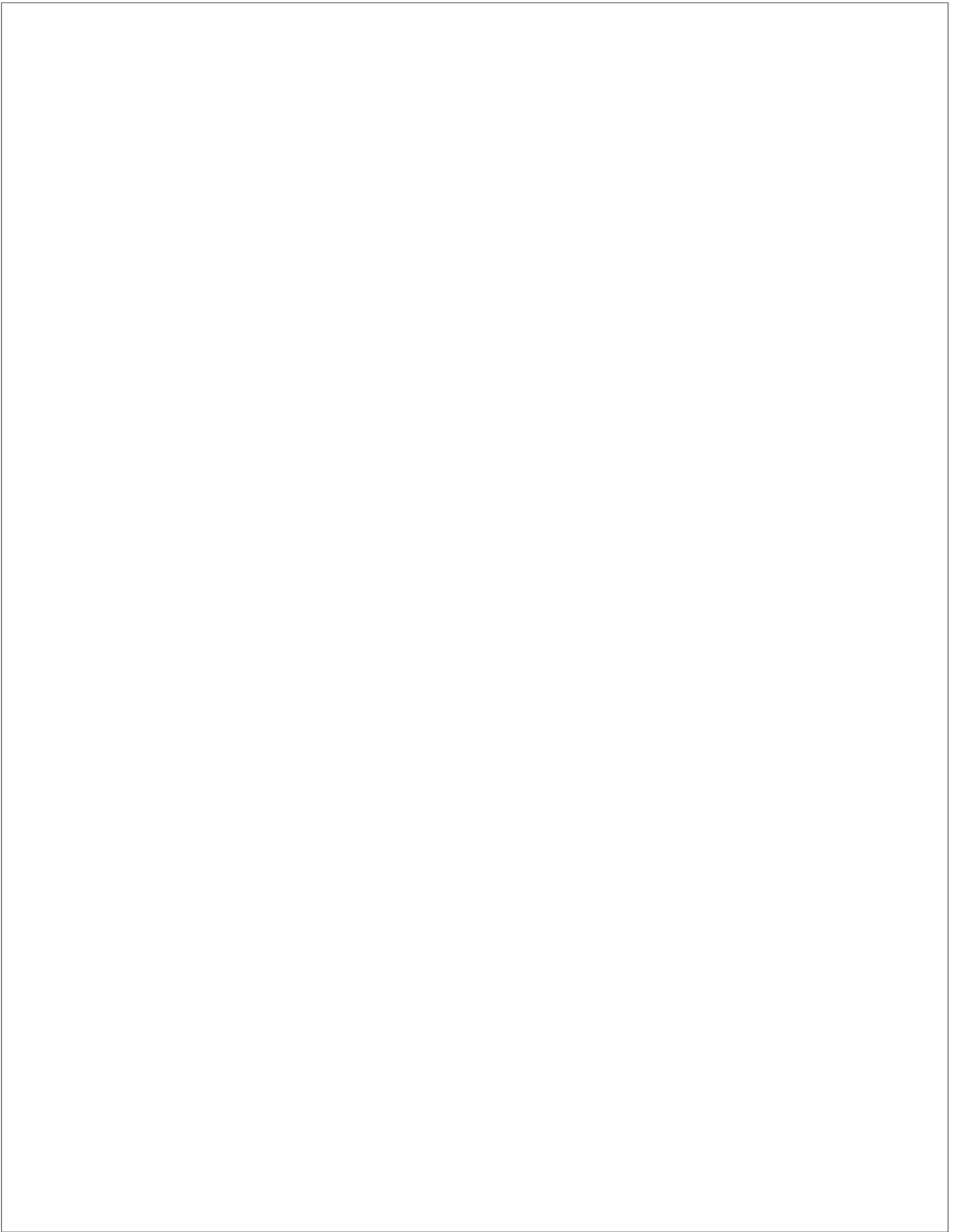
Above all, start the study process with confidence! As Roger always says, "You do not have to be a genius to pass the CPA Exam. If you study, you will pass!" You've got this.





BAR

Area I: Business Analysis





BAR 1

Current Period/Historical Analysis, Including the Use of Data

BAR 1: Current Period/Historical Analysis, Including the Use of Data

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1.01 Financial Statement Analysis

Overview

A company appraises the past, present, and future execution of goals and economic fitness by performing **financial statement analysis** on its results from operations in a given period. Refer to the financial ratios used in the FAR exam for this section.

The results are viewed in relation to prior periods, budgets, and key performance indicators (ie, benchmarks). Companies **make informed decisions** using this analysis. The analysis is often presented using summaries and visualizations that present the financial data in an easy-to-understand, meaningful report.

Attribute Structures, Format, and Sources of Data



Representative Task (Application): Determine attribute structures, format, and sources of data needed to prepare financial statement analysis.

Entities generate large volumes of data due to enterprise resource planning (ERP) systems, customer relationship management (CRM) systems, social media use, website-tracking data, and e-commerce transactions. Instead of merely storing information for contractual, operational, reporting, and compliance purposes, this **data can be mined** and analyzed to **identify trends**, enhance insight, and support decision-making.

Not all data and data sources are the same. Depending on the method of extraction and compatibility of different software applications, data may be extracted and loaded in a readily useable format. Structured data that comes from relational databases can normally be transferred between applications by CSV file. However, other types of data, such as unstructured and semi-structured, may need to be transformed prior to analysis.



Structured Data

Organized in a predefined manner



Semi-Structured Data

Loosely organized into categories



Unstructured Data

Not organized in a predefined manner

Structured: Data contained in fields within records or files (eg, databases and spreadsheets)

Semi-structured: Data that has information associated (ie, metadata or tags) that makes it easier to process than unstructured data (eg, HTML-tagged text)

Unstructured: Raw data not contained within a database/spreadsheet (eg, text, video, audio, photos, etc.)

Financial data is used to perform financial statement analysis. It is important to understand the data attributes (ie, data characteristics or features) in order to perform the analysis. Data attributes can be qualitative or quantitative.

Qualitative data attributes	Quantitative data attributes
Nominal: names of data	Numeric: measurable quantity
Binary: only two values (Yes/No)	Discrete: finite values (numeric or categorical)
Ordinal: data with a meaningful sequence	Continuous: infinite values

Generally, the data used to perform financial statement analysis comes from an entity's accounting system. The entity's results of operations and financial position are represented with numeric data. Other types of data can be combined with the financial results to generate a meaningful analysis. Examples include the following:

- **Nominal data:** regions, product descriptions, macroeconomic data (eg, GDP, inflation)
- **Binary data:** yes/no fields on information like open invoices, debt covenants met, etc.
- **Ordinal data:** top 10 clients
- **Discrete data:** average sales price for products

Techniques used to extract, transform, and load data in the context of prospective analysis are covered later in BAR. The focus of this section is the analysis of current and historical financial data.

Data Analysis Techniques

The following techniques are used to perform data analysis:

- **Sorting:** A simple categorizing of data in ascending/descending order (eg, largest A/R balance by customer) to identify outliers
- **Cluster analysis:** Grouping data by similarities in a way that shows the structure/relationships between the data
- **Matching:** Comparing data from various sources (eg, electronic documents) to identify unexpected differences
- **Process mining:** Identifying the specific activities to create a process model for achieving a defined goal so that deviations from the model (eg, bottlenecks) can be corrected, with the goal of optimizing processes
- **Comparative analysis:** Comparing the relationships between variables (eg, financial statement items) over two or more periods
- **Trend analysis:** Analyzing changes in data (eg, account balances) over time to look for trends (a type of comparative analysis).
- **Ratio analysis:** Calculating ratios to discover relationships among financial and nonfinancial data
- **Predictive modeling:** Comparing expectations to actual data to identify deviations (eg, reasonableness test).

- **Regression analysis:** Using a statistical analysis to examine the relationship between one or more independent variables (eg, predictors) and a dependent variable
- **Time-series regression analysis:** A regression analysis that uses data from *more than one past period* to make predictions for future periods
- **Cross-sectional regression analysis:** A regression analysis that uses data from *one period of time or a point in time* to make predictions

There are many different software applications (eg, Microsoft Excel, Tableau, Power BI) that perform data analytics. These programs can be used in conjunction with accounting software (eg, QuickBooks, Sage Intacct) to report the financial results of a company using visualizations showing relationships between financial and nonfinancial data.

Comparison of Current Period Results to Prior Periods or Budget



Representative Task (Analysis): Compare current period financial statement accounts to prior periods or budget and explain variances.

A company compares current-period financial statement accounts to prior-period or budgeted amounts as a way to provide context for current-period performance. **Variances** are used to identify and investigate areas where the actual results were over or under the amounts being compared. Variances are either **favorable** (ie, positive) or **unfavorable** (ie, negative).

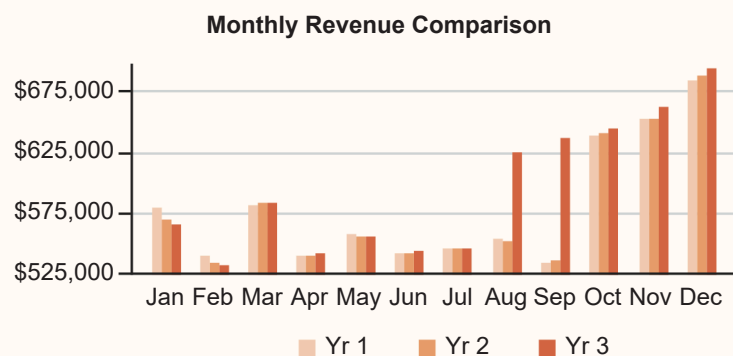
A favorable variance is the result of **actual performance being better** than the amounts compared. This type of analysis can be performed monthly, quarterly, annually, or even for longer periods of time.

Once the variance is determined, the reasons for the **difference are investigated**. Understanding budget variances can also improve **forecasting** results. For example, a company might have seasonal fluctuations in sales. By comparing current results to prior periods, the company can confirm this pattern and adjust staffing and expenses accordingly.



A toy company is comparing monthly revenue for the past three years. Sales tend to increase in the last quarter of the year for holiday shopping. The company launched a marketing campaign in August of Year 3 in an attempt to increase sales.

By comparing the monthly revenue results, the company can easily see the seasonality of its sales as well as the effectiveness of the marketing campaign.





A service company compares budgeted expenses to actual results each period. The variances are identified, and significant variances are investigated. Positive variances (ie, actual expense is less than budget) are flagged with green, and negative variances (ie, actual expense is greater than budget) are flagged with red.

In this example, overall expenses were \$6,011 more than budgeted. However, that only shows part of the picture. A comparison of each expense line shows the following:

- Marketing and personnel costs were higher than expected
- Legal and other general and administrative expenses were lower than expected

These differences should be investigated.

Expenses:	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personnel			
Contract	\$ 17,843	17,402 ●	(441)
In-house	67, 435	71,094 ●	3,569
Benefits	6,329	8,985 ●	2,656
Sales & marketing			
Services	5,900	12,565 ●	6,665
Marketing collateral	500	1,963 ●	1,463
Technology	8,000	9,035 ●	1,035
Legal & professional	12,000	6,587 ●	(5,413)
Occupancy	3,000	2,490 ●	(510)
Other office G&A	2,500	83 ●	(2,417)
Interest expense	5,000	4,305 ●	(695)
Amortization	1,600	1,609 ●	9
<u>Total expenses</u>	<u>\$ 130,107</u>	<u>136,118 ●</u>	<u>6,011</u>

Financial Statement Fluctuations and Ratios



Representative Task (Analysis): Interpret financial statement fluctuations and ratios.

Ratio Analysis

Ratio analysis entails reviewing a company's liquidity, activity, leverage, profitability, and coverage ratios. Detecting important economic connections between different ratios is crucial in making economic decisions; the ratios alone are just statistics regarding a company's performance.

A company can compare its financial ratios internally over different time periods, with competitor ratios, or in relation to industry averages to benchmark performance. This comparison provides insight that management can use to determine the company's strategy going forward. The ratios are also used by investors and lenders in assessing the company's health.

Ratio Analysis Limitations

Companies use ratios to analyze and assess financial performance or position. Although ratio analysis may provide useful insight, it also comes with limitations:

- **Heterogeneity in operation:** If the company's divisions individually operate in distinct industries, then combining performance may oversimplify data at an aggregate level and not provide insight into divisional performance
- **Inconsistent interpretation of results:** Different ratios may provide conflicting interpretations of performance for the same company. For example, one ratio can suggest improving liquidity, whereas another ratio can suggest worsening liquidity
- **Need for judgment:** Companies must determine whether ratios are reliable in the context of industry and company history. Ratios are statistical measures with no inherent value and alone are incomplete; it is the company's interpretation that creates insight
- **Different accounting standards:** Differences in accounting methods or standards limit the comparability of ratios across companies. For example, one company may use FIFO inventory reporting, whereas another company uses LIFO inventory reporting

Effects of Changes on Ratios

It's important to understand how changes to financial statement accounts can impact ratios.

- The **numerator** has a **direct relationship** with the ratio; increases to the numerator result in an increased ratio
- The **denominator** has an **inverse relationship** with the ratio; increases to the denominator result in a decreased ratio
- If the numerator and the denominator are both impacted by a change, the impact to the ratio may not be easy to determine; substitute numbers into the ratio to see the impact of the change in this instance

Effect of Mathematical Changes on Financial Ratios		
↑ Increase numerator	↑ Increase ratio	Direct relationship
↓ Decrease numerator	↓ Decrease ratio	
↑ Increase denominator	↓ Decrease ratio	Inverse relationship
↓ Decrease denominator	↑ Increase ratio	



The following information pertains to Ali Corp. as of and for the year ended December 31, Year 1:

Liabilities	\$60,000
Stockholders' equity	\$500,000
Net income	\$30,000
Shares of common stock issued and outstanding	10,000