

BUSINESS GUIDE

The CPA of the Future Is a Strategic Advisor



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The CPA of the Future Is a Strategic Advisor

Future—and current—accountants, get ready: the CPA Exam is changing, reflecting a rapid evolution of the profession as a whole. With many traditional CPA tasks ripe for automation, accountants are now seeking expertise in technology, data sciences and strategy.

As evidence of this shift, the American Institute of Certified Public Accountants (AICPA) is implementing modifications to the CPA Exam that will take effect in July 2021, with further changes to come in 2024. While the test's content has always been dynamic and subject to regular updates, these particular changes are notable for their focus on technology. They reflect what the institute expects the future role of the CPA to look like.

For experienced CPAs, this shift represents an opportunity. This business guide will cover the future of your role and tips for keeping up-to-date in this fast-changing field.

Summary of 2021 CPA Exam Changes

Early in 2020, the AICPA announced upcoming changes to its CPA Exam Blueprint, which outlines exam content by area, group and topic, along with score weighting. To inform these changes, the AICPA conducted research on the state of the profession and gathered commentary from CPA firms and individual accountants across the country.

For more on the CPA Exam changes, listen to an [interview with Jenn Bukowski](#), CPA and senior technical manager of test development at the AICPA.

The CPA Exam has four sections:

- Auditing and Attestation (AUD)
- Business Environment and Concepts (BEC)
- Financial Accounting and Reporting (FAR)
- Regulation (REG)

The majority of the changes are to the AUD and BEC sections. The major themes of the changes, according to the AICPA, are:

1. Understanding of business processes from inception to completion, including automated aspects, risk identification and internal control mapping.
2. The need for a digital and data-driven mindset and the use of data analytics.

3. Increased reliance on System and Organization Controls for Service Organizations: Internal Control Over Financial Reporting (SOC 1) reports.

Additionally, the AICPA will remove some topics that aren't considered necessary for newly-licensed CPAs (nICPAs) to know, most notably the differences between the U.S. Generally Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS).

2021 Changes to the CPA Exam

Exam Section	Change
AUD	More testing of “business processes and transactions that run through them,” including IT systems, IT controls and manual controls.
AUD	More tasks on the completeness and accuracy of data to be used as audit evidence.
AUD	A new section on audit data analytics and automated tools.
AUD	Tests on the differences between SOC 1 and SOC 2 reports and these reports' effects on controls and the testing of controls.
BEC	New content on businesses processes and transaction-level risks and controls, including technology that facilitates them.
BEC	More focus on data governance and relationships; how to extract and transform data.
BEC	More questions on SOC 1 reports from the entity's view, including the period covered and complementary user entity controls.
FAR	Removal of questions on differences between IFRS and US GAAP.
FAR	Removal of questions on defined benefit pension plans and derivative journal entries.
REG	Removal of questions on the alternative minimum tax, estate taxation and trusts.

Source: CPA Exam Blueprint, published Oct. 23, 2020

The Continuing CPA Exam Evolution

Changes to the CPA exam won't stop in 2021. Already, the AICPA has begun its "CPA Evolution" project in a joint effort with the National Association of State Boards of Accountancy (NASBA). The project involves implementing a new CPA licensure model and then launching a new CPA Exam—yes, a completely revamped exam apart from the changes to be introduced in 2021.

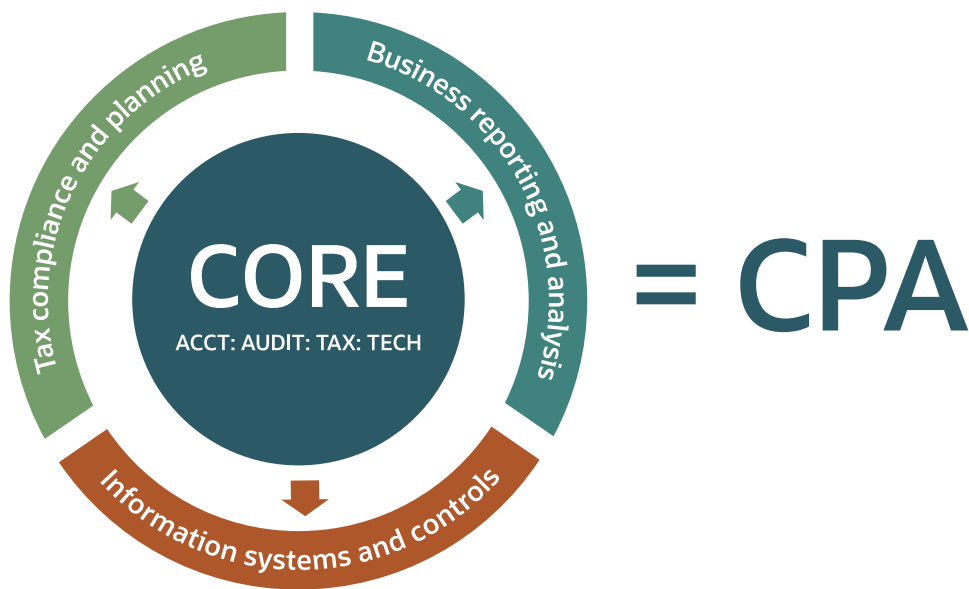
The new licensure will follow a "core + discipline" model. On that CPA Exam—again, not to come for several years from now—the test will cover three core sections: accounting, auditing and tax. They'll also test in a fourth discipline, which test takers will be able to choose:

- Business reporting and analysis
- Information systems and controls
- Tax compliance and planning

AICPA estimates that an overview of these future changes will be released in January 2023, and the entirely new CPA Exam will launch in January 2024.

The Accounting Profession's Reaction to CPA Exam Changes

The accounting profession has evolved greatly since its ancient origins, particularly during the Renaissance with the publications of Luca Pacioli. In a sense, it's approaching another renaissance—albeit more niche in nature—which the 2021 CPA





The 2019 AICPA Practice Analysis

Provides research conducted by the AICPA in 2019 that delves into the state of the profession, specifically the knowledge and skills most relevant to the work.



AICPA Practice Analysis respondents and comments

Contains the list of respondents to the AICPA's exposure draft on the proposed changes to the CPA Exam. It also contains the full text of the comments received.



AICPA CPA Exam Blueprint

Outlines the CPA Exam and the minimum level of knowledge and skills a CPA candidate must have to qualify for initial licensure.



Overview of the CPA Evolution project by the AICPA and NASBA

Summarizes the CPA Evolution initiative that will go live in 2024, including the new model for licensure and the new CPA Exam.

CPA Exam Resources

Learn more about the 2021 CPA Exam changes and the CPA Evolution project:

Exam changes reflect. Overall, the accounting world says it's about time.

"If you think about it, this progression took place years ago...when the large firms went to paperless audits," said Ken Koskay, Vice President and Head of Global Sales and Business Development at Becker, an accounting education company. "And the current CPA Exam [doesn't reflect that]. So, in many ways, I think we're a little bit behind the eight ball as a profession. But the good news is we're catching up very quickly."

Michael Parrinello, CPA and Partner at The Bonadio Group, concurs.

"I think the [2021] change in the CPA Exam is an acknowledgement of the shift in the profession," he said. "Technology has driven us to operate

differently, think about operating differently and plan for the next five years differently. I think the CPA Exam itself represents some of the critical thinking and skill sets that people in a professional, data-driven world will ultimately need, [which] is a net positive for us."

The exam's evolution will also "eventually raise the overall quality of the CPA credential across the board by not only equipping new licensees with a more relevant skill set but also, and perhaps more importantly, raising the business community's awareness and expectations of what a CPA can do," said Colin Smith, an independent CPA and founder of the CPA Exam Maven site.

Elevating the CPA credential is critical right now. CPA firms' hiring of accounting graduates

decreased from 43,252 in 2014 to 30,903 in 2018, a decline of about 30%, according to research by the AICPA. And the percentage of Fortune 1000 CFOs who are CPAs fell to 36% in 2019 to an all-time low, the Wall Street Journal reported.

“I noticed in working with our largest global customers that their hiring began to change roughly five years ago,” said Koskay. “Many of those firms are hiring fewer true accounting graduates. Instead, they’re hiring accounting, data sciences and IT graduates. All of those work on audits because you need that technology acumen to be able to apply AI; you need [data sciences proficiency] to apply data analytics to big data and harness large data sets. Ultimately, those skillsets are not always found in accounting graduates.”

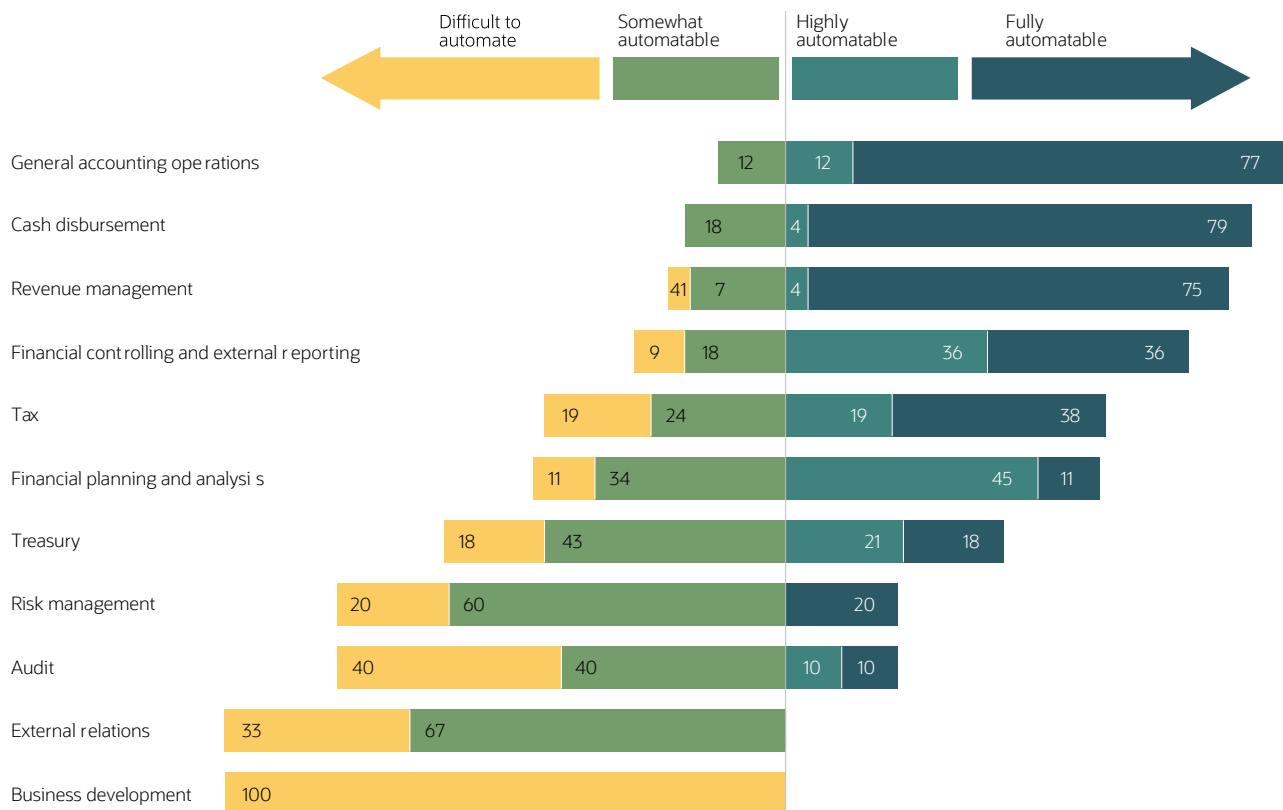
Needed Skills for the “CPA of the Future”

If you search “changing role of the CFO,” you’ll get an overwhelming amount of results touting CFOs’ new responsibilities in technology, strategy and leadership. The CPA role is similarly changing from number-cruncher to strategic thinker. In order for CPAs to continue delivering value in the age of technology, they must become *insights-focused strategic advisors*.

For years, technology and automation have nipped at the accounting and auditing profession’s proverbial heels. Let’s play a little game: Do you need a CPA to do the following tasks?

- Bank reconciliations
- Auditing expense submissions

Activities that can be automated using demonstrated technologies, %¹



¹Proportion of tasks. Figures may not sum to 100%, because of rounding.
Source: McKinsey & Company

- Invoice categorization
- Data entry
- Verifying and processing invoices
- Fraud detection

If you answered “no” to all of the above, then you’re correct. CPAs’ value is transitioning—and will continue to shift for the foreseeable future—to the insights, judgment and business acumen they can bring to the table.

As compliance engagements decline due to the rise of automation and AI, many CPAs are finding success serving their clients in this advisory capacity—a trend that ballooned during the pandemic. In an October 2020 survey by the Thomson Reuters Institute, 95% of tax professionals said they believe their clients want business advisory services. Many noted they were already in a de facto business advisor role due to the pandemic. CPAs found themselves guiding clients through the complicated process of getting financial relief, shedding light on the Paycheck Protection Program and Employee Retention Credit. They also helped clients navigate payroll issues like workers compensation insurance, unemployment insurance and payroll taxes as employees worked remotely, sometimes in different states.

“As a CPA, you truly are that trusted advisor,” said Koskay. “There’s a level of conservatism and levelheadedness [among CPAs] that can create that trust factor.”

That need for a trusted advisor with a very particular set of skills will likely persist. And research suggests several of those “future CPA skills” are already in high demand.

Strategic Thinking

As technology takes over the manual, repetitive activities that used to be common for CPAs, clients desire strategic thinking and insights from these professionals.

“Clients in general [are] looking to you less for the answer and more for the possibility,” said Parrinello. “What are alternative possibilities, a range of solutions or opportunities that we as accountants glean from their financial information?”

Instead of being mired in numbers, CPAs are now expected—and will increasingly be expected—to have a broader strategic vision, offering high-level advice and critical thinking relevant to today’s economy, particularly as businesses pursue recovery, growth and expansion.

Data Adeptness

The CPA Exam’s shift toward data-driven mindsets and data analytics reflects the demand in the marketplace. Many businesses are looking for CPAs capable of using data analytics for practices like continuous monitoring and auditing. And forget about data samples. Now, technology-powered CPAs are often expected to analyze full data sets vs. auditing only samples. The results: higher-quality audit evidence, fewer repetitive tasks and better correlation of audit tasks to risks and assertions.

This focus on strategic interpretation of data means that firms will look for entry-level CPAs that can do higher-level work formerly reserved for more senior accountants.

“I think [entry-level skills] are going to revolve around data analytics and data analysis, because it’s not like the way we used to do audits and tax work,” said Koskay. “Technology will do most of the rote tasks that were once done by entry-level professionals. They will now need to be able to apply the software applications and interpret the

results. That type of work used to be done [only] by more senior-level professionals.”

These data skills inform the aforementioned strategic thinking. Effective data analysis—particularly through data exploration, data visualization and predictive modeling—during an engagement can allow CPAs to provide actionable intelligence and advice to their clients.

Ability to Partner With Technology

Technology can be a valuable partner to CPAs. Clients want to see more of that partnership from their accounting firms—and not just from the Big Four. Smaller firms with smaller clients have already started using more technology tools and are looking for CPAs able to use them.

“Even though smaller firms might not be on the leading edge of technology, they still use technology extensively,” said Koskay. “They need their staff to be able to understand these tools and implement them. For instance, a regional or community bank, which a mid-tier or smaller [accounting] firm could [work with], can have pretty large datasets. And so [software tools are] almost ubiquitous.”

Many of The Bonadio Group’s small to mid-sized clients pushed digital advancements in the past year, Parrinello said. Now, the task is to use the new tools while still delivering the service element.

“It’s not just embracing and implementing technology,” he added. “It’s, ‘How are we going to use technology as accounting professionals to help translate trends and opportunities in our clients’ businesses?’ and ‘How is technology going to allow me to better deliver to those who consume my service?’”

CPAs who partner with technology effectively will find themselves freed of traditional, repetitive tasks like data entry and bank reconciliations and afforded time for differentiating, value-added activities like interpreting recommendations from cognitive tools, evaluating analytics and providing clients with decision-making insights. In other words, CPAs will identify opportunities for growth or proactively recommend course corrections so businesses can forestall problems. And their firms will continue to evolve from compliance-focused accounting firms to problem-solving consulting and advisory firms. Koskay said he envisions a specific emphasis on technology consulting.



Soft Skills

Technology can't yet replace the expertise and awareness of client needs which comes from personal interaction.

"I think those people in our firm who can connect—and not just maintain relationships but develop relationships, partnerships and pieces of the business—tend to be more successful," said Parrinnello. "I think to the extent that we can foster more human interaction, the better off we will be maintaining relevance."

As CPAs take on their advisory role, communication and relationship-building capabilities are crucial. CPAs will increasingly need to explain data to clients, help clients understand the numbers and expound their interpretations.

"I think data and technology are the big skills needed, but also the ability to communicate well, which is not something you always think about when you talk about an accounting major," said Koskay. "The ability to communicate and present well is critical across both written and verbal platforms."

Specialized Knowledge and Skills

Considering the expanding skills and knowledge required of CPAs—and the CPA Exam's incorporation of those "disciplines" for candidates to choose from in 2024—Koskay said he sees specialization as a trend.

"If you think about what we're doing now in the CPA profession, it's about taking on more concentrated skills," he added. "I think what's going to be necessary in terms of skill sets is, instead of going a mile wide and an inch deep, you're going to need to go an inch wide and a mile deep. That's where firms are going."

Accordingly, Becker has started to create content in more specialized areas, he said.

Upskilling Resources for CPAs

- **AICPA:** The AICPA provides webcasts, courses, research publications, credentials and exams. It also hosts [virtual and on-site conferences](#) in conjunction with the Chartered Institute of Management Accountants.
- **Becker:** An exam preparation company, Becker also offers a continuing education repository—with subscription or ad hoc pricing—for CPAs wishing to earn CPE credit and learn more about the profession.
- **Checkpoint Learning:** Run by Thomson Reuters, Checkpoint Learning offers live events and on-demand courses for individuals and teams.
- **NASBA:** NASBA's site offers news, publications and meetings and events information. It also hosts a [registry of approved CPE courses](#).
- **LinkedIn Learning:** The video learning platform offers training in accounting skills, software and other technologies.
- **Udemy:** The massive course provider, which many companies use to upskill their workforces, offers a variety of accounting-related courses, notably in [data analytics](#) and [data visualization](#).

Continuing CPA Education

Koskay made it clear: The CPA profession will not survive without upskilling. This carries implications for CPAs that are already practicing.

“As a freelance consultant, my success will ultimately come down to the number of problems I can solve for my clients,” said CPA Exam Maven’s Smith. “For example, if I can handle all of the accounting for a major acquisition and help my client merge their accounting information systems together, I know I’ll be in much higher demand in the marketplace than if I were only able to handle the accounting side of things.”

Smith is currently honing his data analytics and visualization skills, as well as practicing with various business intelligence software tools. With the massive amounts of data available to organizations, he said he already sees huge demand for these skills and expects that demand to grow.

Professional education firms like Becker are responding too. When Koskay started at Becker nearly five years ago, the firm had around 125 continuing education courses. Now, it has over 700 due to demand for upskilling resources, especially in the realms of specialized technology and soft skills.

Not all upskilling has to be formal. For example, Parrinello recommends that seasoned CPAs team up with new ones on the job—and thereby pick up the younger generation’s technology skills. The Bonadio Group does this via a pseudo-buddy system on projects.

“Where I see a benefit is when [seasoned and new CPAs] work side-by-side,” said Parrinello. “Someone who [has been a CPA longer] can bring the more conceptual business accounting mindset, and the younger professional can show them the tools available today. That can help them more efficiently, and maybe more precisely, execute on client service.”

The Bottom Line

The idea of changing the accounting profession to keep it viable may be intimidating, but it’s also exciting. The future CPA won’t be bogged down by repetitive, manual tasks. Instead, they will focus on strategy and bring even deeper value to their clients.

The CPA Exam is changing to reflect this, and experienced CPAs are upskilling in response to this. And for the accounting profession as a whole, this is more renaissance than doomsday. Despite their varied backgrounds, our sources reached consensus on these shifts: They represent an opportunity.



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