Examination of the attribution of blame for accounting errors under the proposed 2024 CPA examination structure

Laura Jean Kaufmann
University of Northern Iowa
EXAMINATION OF THE ATTRIBUTION OF BLAME FOR ACCOUNTING ERRORS
UNDER THE PROPOSED 2024 CPA EXAMINATION STRUCTURE

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Laura Jean Kaufmann
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Date

Joseph Ugrin, Honors Thesis Advisor, Accounting

Date

Jessica Moon, Director, University Honors Program
EXAMINATION OF THE ATTRIBUTION OF BLAME FOR ACCOUNTING ERRORS UNDER THE PROPOSED 2024 CPA EXAMINATION STRUCTURE

To adapt to the changing business environment, the accounting profession has proposed and ratified a significant change in the Certified Public Accountant (CPA) exam and licensing structure. The change is expected to be implemented in January 2024. The new exam will consist of two parts, a ‘core’ exam focusing on foundational elements of accounting, auditing, tax, and technology, and ‘expert’ exams in three sub-discipline areas: tax, technology, and assurance. Candidates are allowed to take one of the expert exams. Upon passing the core and one of the expert exams, a candidate is eligible to become a CPA, and eligible to practice in any of the three focus areas. This study tests if the new exam and licensing structure potentially increases CPAs professional liability when the CPA makes an error performing a service in a sub-discipline that they have not been tested on. An experiment tests and finds that when a CPA makes a large error performing a service in a sub-discipline the CPA has not passed the expert exam, potential jurors assign more blame. The results show there will be unintended consequences of the new exam format on the accounting profession.

Introduction

In summer 2019, the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) revealed a new proposal for the certification exam for Certified Public Accountants (CPA). The new model is designed to help adapt CPA professionals to today’s business environment that requires higher-order skill in areas like technology that did not exist when the old model of the exam was created. The newly proposed CPA exam model would require that candidates take a general ‘core’ exam and one of
three specialty exams in either: 1) tax compliance and planning (tax); 2) information systems and controls (technology); 3) business analysis and reporting (assurance) (Figure 1). Individuals that pass the general exam and one of the specialty exams are eligible to become a CPA and practice in any area including tax, technology/consulting, or assurance. With the votes coming in from both the AICPA Council and NASBA’s board, the new exam model will be pursued and potentially launched in January 2024 (Coffey, 2020). The new licensure model will require educators, students, and the accounting profession to change current practices and continue to adapt to the changing profession.

Source: evolutionofcpa.org

Figure 1. 2024 CPA Exam Structure

However, with the new licensure model moving forward, there still are concerns around the validity of the CPA credential earned under the new model and potential for litigation against individuals that perform services in a sub-discipline that they have not been tested on. It is
conjectured that the new format will increase the potential for malpractice litigation against public accountants that perform services in an area they have not been tested on, even if the accountant provides other evidence of expertise in the area. Currently, accounting firms spend large sums of money on malpractice insurance, settlements, or malpractice cases in the courtroom (Lowe & Pany, 1993). Thus, any increase in the potential for litigation is a threat to the livelihood of the profession. By identifying the potential for litigation change under the new exam, CPAs will be able to formulate a plan and create practices to decrease the probability of malpractice.

In the current CPA examination model, candidates are required to pass four sections that include Financial Accounting and Reporting, Auditing and Attestation, Regulation, and Business Environment and Concepts that result in a total of sixteen testing hours over an eighteen month period. The new test launching in January 2024 will still test on all the core knowledge needed for the accounting profession, but in a different format. According to the Evolution of CPA, the exam will still maintain sixteen hours of testing and a total of four sections that will include the chosen discipline. However, the length of each section is yet to be determined and will likely differ from the current model of being split evenly between each testing section. Changing the testing model will require large changes to CPA review materials and the coursework of accounting students in order to meet the needs of the changing industry.

Through examining the path model of blame and current literature available regarding malpractice liability and accounting litigation, an understanding of the attribution of blame is established. It is proposed that practicing in a focus area in which a CPA has not taken the expert exam will be a risky proposition as the exam sends a signal to others that the CPA is not an expert in that particular area; practicing in an area in which a CPA does not have expertise would
result in more legal liability as failing to take and passing the expert exam sends a signal to the marketplace that the CPA is unqualified. Practicing in an area in which a CPA is unqualified could make the CPA appear to be more negligent if an error occurs. As a result, potential judges or jurors evaluating a liability claim for a CPA, may attribute more blame.

To analyze the implications of the new exam structure on the legal liability of CPAs of blame for accounting errors, an experiment was conducted to understand the attribution of blame that juries award to accountants when the accountants practice in an area outside of their expertise, as signaled by passing the expert exam. The experiment was administered in the context of a tax return that was prepared erroneously. The findings show that when a CPA makes an error on a tax return, potential jurors assign more blame, but only for a large error, with the severity of the punishment increasing with the size of the error. The findings and conclusions will help the accounting profession understand the potential monetary and professional risk behind implementing the new CPA licensure.

**Literature Review**

*Dependent Variable - Blame*

In the practice of accounting, there are multiple ways that CPAs encounter risk from providing services. When the economy is in a downturn and businesses are stressed, blame commonly shifts towards accountants who provided inaccurate tax advice or completed an audit with an unqualified opinion on a business that has a downturn (Russell, 2019). Claims can turn into large lawsuits, and settlements create risk for CPA firms and the partners that run them. Since 2009, the Big Four accounting firms have faced disciplinary action from the Public Company Accounting Oversight Board (PCAOB) on nearly 3.5% of the audits they have
performed (Haldevang, 2019). However, since the introduction of the PCAOB 16 years ago, they have only issued 6.5 million dollars in fines when this amount could have been 1.6 billion dollars, suggesting that the profession and U.S. regulators are hesitant about punishing their industry (Johnson, 2019).

On the other hand, the Financial Reporting Council (FRC), the PCAOB’s counterpart in the United Kingdom, has greater resources than the PCAOB and is less selective in the cases they investigate. As a result, the FRC hands out more fines. The FRC fined Big Four firms a total of 39.5 million dollars in 2018 alone (Haldevang, 2019). The value of fines implemented by the FRC has risen by 44 percent in the last year and are expected to continue this trend in the coming years (Thomson Reuters, 2019). CPA firms face potential disciplinary actions from regulators worldwide, with the cost and associated risk predicted to continue to increase in the future. However, the total amount of fines from regulators pales in comparison to the amount of damages CPA firms have and can be subject to in civil court proceedings.

With most audits now being based on risk assessment, most of the blame for audit failures falls onto individual auditors and their lack of ability to properly analyze and interpret financial statements (Pethly & Fremgen, 2001). However, with audits being risk-based, auditors are also faced with a higher volume of infrequent, complicated transactions that increase the overall audit risk. Material accounting mistakes that have resulted in a US public company restatement have increased to sixty-five within the first six months of 2018. In comparison, there were sixty the entire year prior (Ryan, 2018). As the accounting profession is highly regulated and reviewed by oversight boards, the International Forum of Independent Regulators (IFIR) found problems in forty percent of a total of 918 audits of different public companies within
2017 (Ryan, 2018). With more problems and misstatements occurring than ever, the general public has concern and has turned to blame someone, often falling on the auditors.

When an audit goes bad, and the responsible firm endures a trial, the severity of fines and disciplinary actions lay within the hands of jurors. One problem in most accounting malpractice cases is that jurors do not comprehend all accounting procedures and are often not interested in all the details. However, they are still tasked with deciding where blame for the faulty audit lands (Genevie, 1995). Furthermore, accountants have only been held accountable to their clients previously. However, CPAs can now be sued by their clients and intended third-party users of financial statements that were audited (Garcia-Linares, n.d.). A study that included jurors and auditors showed that jurors believed auditors should be the public watchdog and actively search for fraud. Auditors disagreed (Lowe & Pany, 1993). Jurors expected auditors to find negligence during an audit, but the accountants with the professional training believed that negligence was not present (Lowe & Pany, 1993). Jurors believe that accountants have a moral duty to be knowledgeable and dig to find accurate details below the surface (Genevie, 1995). Overall, jurors have higher, unrealistic expectations of the accounting and auditing function, especially when malpractice cases appear in court (Lowe & Pany, 1993). Unless there becomes a way to address the expectation gap between what the general public expects from an audit and what an audit is capable of actually delivering, firms’ reputations and individual auditors' work will continue to be soured by the blame attributed towards them (Ryan, 2018). To avoid the possibility of extensive fines and punishments, CPAs must not portray themselves as an expert in an unfamiliar area, as accountants are held to a higher standard than most professionals (Garcia-Linares, n.d.).

**Independent Variable - Exam**
The current CPA exam consists of four separate sections that include Audit and Attestation, Financial Accounting and Reporting, Regulation, and Business Environment and Concepts. Candidates are allowed eighteen months to complete and pass all portions of the exam. Once candidates complete the test sections and satisfy the experience requirement, they can officially obtain a CPA license. One potential problem with the current testing model is that as Bill Reeb, chair of the AICPA, noted, “there are three times as many pages in the Internal Revenue Code, four times as many accounting standards and five times as many auditing standards as there were in 1980. As our body of knowledge has expanded, we’ve stretched the exam and curriculum to cover more and more material, but that approach isn’t sustainable” (McCabe, 2019, para.6). The purpose of the new CPA exam model is to solve this problem and adapt to the changing skills and competencies that the accounting profession is requiring (NASBA & AICPA, n.d.). The new exam would include a core exam consisting of baseline knowledge in accounting, auditing, tax, and technology. Each candidate would be required to complete the core exam. Candidates would also be required to complete one discipline exam that goes deeper into specific skills and knowledge. As mentioned, the three discipline exams are in tax compliance and planning, business reporting and analysis, or information systems and controls. The new structure reflects the reality of practice, where CPAs need a more in-depth knowledge of one of the discipline areas. After completing the core and discipline exams, candidates receive full licensure with the same rights and privileges of any other CPA (NASBA & AICPA, n.d.). They are not restricted to practicing in the area in which they tested. However, ethical requirements state that it is only acceptable for CPAs to undertake and complete professional services in areas they are competent (NASBA & AICPA, n.d.). CPAs must have the appropriate technical qualifications needed to perform professional services they provide. A CPA
is required to prove his or her expertise, which is often achieved by taking the professional examination and completing the experience hours.

**The Path Model of Blame**

The Path Model of Blame established by Malle, Guglielmo, and Monroe in 2014 is used to establish a baseline understanding of the attribution of blame to accountants. The Path Model of Blame (below) helps to analyze the rationale behind subjects offering grounds for why the accountant deserves the blame. The cognitive system is highly sensitive to negative events, which can be applied to the negative outcome that results from accounting malpractice. This model of theory blame attempts to identify if the “agent had an obligation to prevent the negative event (e.g., due to role, relationship, or context) and to what extent the agent had the capacity to prevent the negative event (both the cognitive capacity to foresee the event and the physical capacity to actually prevent it)” (Malle et al., 2014, p. 9). Similarly, this model also explores that “people in higher positions of a social hierarchy are subject to stronger obligations for preventing negative outcomes and are blamed more for those outcomes when they occur,” connecting directly to the professional field of CPAs and the responsibility that comes with that designation (Malle et al., 2014, p. 9).
Based on the Path Model of Blame, someone that has cognitive capacity or foreseeability to stop an event from happening is the basis for negligence and can be attributed to receive more blame than a person who could not foresee the event (Malle et al., 2014). The theory also considers the alternative options that were available for a person to take to prevent the event from occurring (Malle et al., 2014). The new CPA exam presents the opportunity to focus in one subject area and become an expert in that topic. Upon passing an expert portion of the exam, an
accountant should have exceptional knowledge in an area, which should result in fewer errors and a better work product. An accountant that fails to take the expert exam and develop appropriate expertise in a practice area has not exhausted available options to prevent errors from occurring. It is foreseeable that without adequate expert knowledge, an accountant that has not passed the new exam model will not lack the capacity to stop some errors from happening. As a result of failing to take all steps to reduce potential errors and showing competence through taking the expert exam, accountants receive more blame when they make an error in a sub-discipline in which they have not taken the test compared when they have taken the test. Thus, the hypothesis states:

\[ \text{Hypothesis: Jurors will attribute more blame when an accountant has made an error on an engagement in a practice area where he/she has not taken an expert exam in the new exam format versus a situation where the accountant has taken the exam.} \]

**Research Methodology**

To obtain data that examines blame given to accountants by jurors, an experiment was conducted using a survey instrument that was distributed through social media. Table 1 below describes the variables measured by the instrument.

**Procedure**

All participants answered basic demographic questions and were randomly assigned to one scenario in which they analyzed liability and severity of an accountant’s particular actions. The different scenarios included:
1. Taking the specialized examination in taxation and committing a large error on a tax return
2. Taking the specialized examination in taxation and committing a small error on a tax return
3. Taking the specialized examination in an area other than taxation and committing a large error on a tax return
4. Taking the specialized examination in an area other than taxation and committing a small error on a tax return

After being presented with a scenario, the survey stated that the accountant should be held liable for the error and respondents were asked whether they strongly disagree, disagree, neither agree or disagree, agree, or strongly agree with the liability of the accountant. Next, they were asked how severely the accountant should be penalized with not penalized at all, lightly, moderately, and severely being the choices for responses. Within each scenario, concept check questions ensured that the respondent understood whether the accountant took the specialization exam and what size of error the accountant committed.

In addition to the scenarios, the survey included general questions about whether the accountant was considered an expert in taxation, who is ultimately responsible for the tax return, and whether or not the respondent has experience in the accounting or law field. Furthermore, two specific questions directly targeted whether the general public thinks accountants should practice in a field that they have not taken the expert examination in and the degree of liability that would be assigned to them. The survey is presented in Appendix A.
Table 1 – Variables and Measures

<table>
<thead>
<tr>
<th>Manipulated Independent Variables</th>
<th>Variable</th>
<th>Measurement and Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXAM</td>
<td>Manipulated item scored (0) if the CPA did not pass the expert tax exam; or (1) if the CPA passed the tax expert exam.</td>
<td></td>
</tr>
<tr>
<td>ERRORSIZE</td>
<td>Manipulated item scored (0) for a small error or (1) for a large error.</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable</td>
<td>LIABLE</td>
<td>Potential jurors’ determination of whether the CPA in the scenario is liable scored from (1) strongly disagree; to (5) strongly agree.</td>
</tr>
<tr>
<td>SEVERITY</td>
<td>Potential jurors’ determination of the severity of the penalty for the CPA in the scenario scored from (0) not penalized at all; to (5) severely.</td>
<td></td>
</tr>
<tr>
<td>Participant Characteristics</td>
<td>AGE</td>
<td>18-20 (1); 21-29 (2); 30-39 (3); 40-49 (4); 50-59 (5); 60-69 (6); 70-79 (7); 80+ (8)</td>
</tr>
<tr>
<td>GENDER</td>
<td>Male (0); Female (1)</td>
<td></td>
</tr>
<tr>
<td>ETHNICITY</td>
<td>White (1); Black (2); American Indian (3); Asian (4); Hawaiian or Pacific Islander (5); Other (6)</td>
<td></td>
</tr>
<tr>
<td>EDUCATION</td>
<td>Some high school (1); High school degree or GED (2); Trade school (3); Some college (4); Associate degree (5); Bachelor degree (6); Graduate degree (7)</td>
<td></td>
</tr>
<tr>
<td>INCOME</td>
<td>&lt; $25,000 (1); $25,000 - $50,000 (2); $50,000 - $100,000 (3); $100,000 - $200,000 (4); &gt; $200,000 (5)</td>
<td></td>
</tr>
<tr>
<td>RELIGIOSITY</td>
<td>Do not attend church (0); Attend church (1)</td>
<td></td>
</tr>
</tbody>
</table>

Sample Selection

From all of the responses received, data were categorized and sorted to help identify the sample group. The survey was posted on Facebook by both the principal investigator and the advisor’s wife. The study was approved by the Institutional Review Board at University of Northern Iowa. In order to ensure that the sample group met qualifications to be a juror, questions included whether the respondent was a registered voter and their age. Anyone that is above the age of eighteen and is a registered voter can be selected to be on a jury. However, people with relevant occupational expertise, like lawyers and law enforcement, were excluded.
from the population as they would most likely be removed during jury selection because of their prior background and potential influence on the rest of the jury (Diamond et al., 2014). Similarly, each scenario had concept check questions to ensure respondents were understanding what was being asked. Any responses to the concept check questions that did not align with the specific scenario were not used for analysis. In total, there are sixty-two respondents in the sample group.

The sample consists of a wide range of ages, slightly more males than females, primarily white with some college education or more, a wide range of incomes, and slightly more are churchgoing than not. To ensure there is randomization of demographics within the sample across each of the scenarios, a Chi-Square test, as seen in Table 2, was performed to measure the differences in counts of demographic identifiers for each treatment condition. There appears to be no significant difference in the make-up of participants within each treatment based on demographics. This suggests that systematic bias based on participant demographics is unlikely. Demographic data is presented in Table 2.
Results

To test how participants attributed blame and liability, the sample was broken down into four categories including: did not take the exam and a small error, did not take the exam and a large error, took the exam and a small error, and took the exam and a large error. The sample size
in each category was 16, 15, 16, and 15 respectively. These numbers are large enough to establish statistical significance within the study. Table 3 presents the descriptive statistics for participants responses to the dependent variable assessing liability. Figure 2 displays the means graphically. The mean for liability represents potential jurors’ determination of whether the CPA in the scenario is liable to be scored from (1) strongly disagree; to (5) strongly agree. The results show that the mean for did not take the exam and a large error (mean = 4.333) is higher than the other three treatment conditions (means = 3.400, 3.500, 3.938) respectively. In addition, there is a much larger difference between the means for LIABLE when the error size is large versus a small sized error.
When looking at the ANOVA results for LIABLE, shows there is an interaction between taking the exam and error size. This is demonstrated by statistical significance of p=.025 with EXAM x ERRORSIZE variable.

TABLE 3 Descriptive Statistics – LIABLE

<table>
<thead>
<tr>
<th>Expert Exam</th>
<th>Error Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
</tr>
<tr>
<td>Did not pass</td>
<td>3.500</td>
</tr>
<tr>
<td></td>
<td>(0.293)</td>
</tr>
<tr>
<td></td>
<td>[16]</td>
</tr>
<tr>
<td>Passed</td>
<td>3.938</td>
</tr>
<tr>
<td></td>
<td>(0.293)</td>
</tr>
<tr>
<td></td>
<td>[16]</td>
</tr>
</tbody>
</table>

* Means represent potential jurors’ determination of whether the CPA in the scenario is liable scored from (1) strongly disagree, to (5) strongly agree.

FIGURE 1 Mean Differences – LIABLE

When looking at the ANOVA results for LIABLE, shows there is an interaction between taking the exam and error size. This is demonstrated by statistical significance of p=.025 with EXAM x ERRORSIZE variable.
The other variable used to assess liability is, SEVERITY (e.g. how severely any penalties should be levied). The mean for severity represents potential jurors’ determination of the severity of the penalty for the CPA in the scenario scored from (0) not penalized at all; to (3) severely. Table 5 presents the means for each treatment and Figure 3 presents the means graphically. Both not passing and passing the test means increased when the error size increased. However, passing the exam had a larger increase in the mean when error size increased by a total of 0.542 instead of 0.283 without passing the exam.
The ANOVA results for SEVERITY show there is a significant effect for size of the error. This is demonstrated by statistical significance of p=.018 for ERRORSIZE. This can be seen in Table 6 below.

**TABLE 5 Descriptive Statistics – SEVERITY**

<table>
<thead>
<tr>
<th>Expert Exam</th>
<th>Error Size</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
<td>Large</td>
<td></td>
</tr>
<tr>
<td>Did not pass</td>
<td>1.250</td>
<td>1.533</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.167)</td>
<td>(0.172)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[16]</td>
<td>[15]</td>
<td></td>
</tr>
<tr>
<td>Passed</td>
<td>1.125</td>
<td>1.667</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.167)</td>
<td>(0.172)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[16]</td>
<td>[15]</td>
<td></td>
</tr>
</tbody>
</table>

* Means represent potential jurors’ determination of the severity of the penalty for the CPA in the scenario scored from (0) not penalized at all, to (3) severely.

![Severity Graph](image)

**FIGURE 2 Mean Differences – SEVERITY**

The ANOVA results for SEVERITY show there is a significant effect for size of the error. This is demonstrated by statistical significance of p=.018 for ERRORSIZE. This can be seen in Table 6 below.
In sampling potential jurors and testing their feelings about a CPA’s liability in certain scenarios, it is apparent that taking an expert exam and error size influence jurors’ decisions. As shown in Table 4, the mean for LIABLE is significantly higher for not taking the expert exam and performing a large error. A CPA would be found more liable in this situation. Although the new exam format will still allow CPAs to practice in areas that they do not take the expert exam in, there is a possibility of more liability if there is a large error. If a CPA does not take the expert exam, jurors will not see the CPA as an expert, regardless of his or her credentials. This finding supports the hypothesis.

With the new format, there becomes an unintended consequence of having more blame and liability placed on CPAs than the current exam. This has the potential to increase litigation claims, especially if a CPA is practicing outside of the expert exam that he or she passed. Although CPAs are certified in all areas, they will need to be more careful practicing in the areas that they did not take the expert exam in and find alternative mechanisms for reducing liability. When examining severity of malpractice, the results were not as contrasting as liability, but they

**TABLE 6 ANOVA Results – SEVERITY**

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>2.893b</td>
<td>3</td>
<td>.964</td>
<td>2.166</td>
<td>.102</td>
</tr>
<tr>
<td>Intercept</td>
<td>120.312</td>
<td>1</td>
<td>120.312</td>
<td>270.294</td>
<td>.000</td>
</tr>
<tr>
<td>EXAM</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.001</td>
<td>.980</td>
</tr>
<tr>
<td>ERRORSIZE</td>
<td>2.635</td>
<td>1</td>
<td>2.635</td>
<td>5.919</td>
<td>.018</td>
</tr>
<tr>
<td>EXAM * ERRORSIZE</td>
<td>.258</td>
<td>1</td>
<td>.258</td>
<td>.380</td>
<td>.449</td>
</tr>
<tr>
<td>Error</td>
<td>25.817</td>
<td>58</td>
<td>.445</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>148.000</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>28.710</td>
<td>61</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* R Squared = .101 (Adjusted R Squared = .054)
**Dependent Variable: SEVERITY (0 Not Penalized, 3 Penalized Severely)

Discussion

In sampling potential jurors and testing their feelings about a CPA’s liability in certain scenarios, it is apparent that taking an expert exam and error size influence jurors’ decisions. As shown in Table 4, the mean for LIABLE is significantly higher for not taking the expert exam and performing a large error. A CPA would be found more liable in this situation. Although the new exam format will still allow CPAs to practice in areas that they do not take the expert exam in, there is a possibility of more liability if there is a large error. If a CPA does not take the expert exam, jurors will not see the CPA as an expert, regardless of his or her credentials. This finding supports the hypothesis.

With the new format, there becomes an unintended consequence of having more blame and liability placed on CPAs than the current exam. This has the potential to increase litigation claims, especially if a CPA is practicing outside of the expert exam that he or she passed. Although CPAs are certified in all areas, they will need to be more careful practicing in the areas that they did not take the expert exam in and find alternative mechanisms for reducing liability. When examining severity of malpractice, the results were not as contrasting as liability, but they
still provide insight into the potential litigation with the new exam format. The severity of the fine increases for both taking the exam and not taking the exam as the size of the error increases. In addition, taking the expert exam increases at a higher rate with error size than not taking the exam. If a CPA were to take the expert exam, the severity of the punishment for an error increases when the size of the error increases. This is logical and is not much different from current circumstances with the exam.

When looking at the potential consequences of implementing the new exam format, it is important to look at both the attribution of liability and the severity of punishments to predict the future outcomes of malpractice and litigation. If a CPA was to take the expert examination in the field of audit but practice in the field of tax, he or she needs to be aware that potential jurors are more likely to attribute liability when there is a large error size than if he or she would have taken the tax expert examination. It appears the severity of the punishment is less affected by taking the exam and merely a function of the error size.

These findings are important to the accounting profession as changing the basis of the exam can bring new challenges. Future CPAs that will be licensed under the new exam format need to be aware of the potential consequences that can come from practicing in an area that is different from the one they were tested on. Although accountants will still be able to practice in all areas, individuals and firms will need to evaluate the potential risks and outcomes that might come from malpractice based on the expert examinations passed. Employers will need to be aware of the expert examination passed by each one of their CPAs in order to better understand the risks that they might face. For CPAs working in small firms, the potential risk of increased liability has the potential to lead small firms to only allow CPAs to work in the expert portion passed. In addition to employers needing to know, candidates preparing for the test will
potentially need to decide the area they want to specialize in for the rest of their careers.

Although CPAs will be able to practice in any sub-discipline regardless of which expert exam they take, taking or not taking the exam has potential legal consequences.

**Summary and Conclusions**

The CPA profession has continued to evolve over the years to adapt to the changing business environment. In order to keep up with the changing profession, the AICPA and NASBA have determined it is necessary to change the format of the current CPA exam. This change will take effect in January 2024. Candidates will now have to pass one core section and will have the choice of an area of specialization. No matter what specialization exam is taken and passed, a CPA can practice in any area. However, changing the test has created the potential to bring about increased litigation and blame as CPAs will now have an exam that signals expertise, or lack thereof, in different areas. Going forward, CPAs and firms will need to be mindful of the expert examination and the areas that they choose to practice in, as shown by the increase in litigation and blame demonstrated in the study. Although the AICPA and the NASBA are trying to keep up with the changing profession and business needs of clients, they have created an unintended consequence that has the potential to increase litigation in the accounting profession.
Bibliography


Appendix A

Recruitment Email (Facebook Post)

We are conducting a survey of people about how blame is attributed in a professional setting based on the professional examination certifications of Certified Public Accountants. To be eligible for the survey, you must be a registered voter. The survey takes less than 10 minutes and it can be done online. There will be no compensation for the survey. If you have questions about the study, please contact the lead researcher, Laura Kaufmann at kaufmlab@uni.edu or the faculty advisor, Joseph Ugrin at joseph.ugrin@uni.edu. If you have questions about the rights of research participants, contact the IRB Chair at todd.evans@uni.edu. Click on the link if interested: https://uni.co1.qualtrics.com/jfe/form/SV_5pdNCNqY7O2SiA5

Consent Form

We are conducting a research study at the University of Northern Iowa about how people feel about the work performed by Certified Public Accountants. This study involves completing a survey which will take less than 10 minutes.

The study is voluntary and you can choose not to answer some or all of the questions, or you may opt out at any time. The study risks are minimal, except for a minor inconvenience of time. There will be no compensation for your time, and there are no direct benefits to you, but we believe the study will help society to better understand how people feel about work performed by professionals.

This survey is confidential to the extent possible. While we will not request information that can link your responses to you. Because the survey is on the Internet, we cannot guarantee that the data will not be intercepted by others, although this seems unlikely. However, we will ask for some demographic information (e.g., age, race, gender, socio-economic status, etc.). Your individual results will not be shared outside the research setting. We may also use the data again later in other research studies, and may share the de-identified datasets with other researchers interested in the topic. Grouped results may be published in research articles and presentations.

If you have questions about the study, please contact the lead researcher Laura Kaufmann at kaufmlab@uni.edu or the faculty advisor, Joseph Ugrin at joseph.ugrin@uni.edu. If you have questions about the rights of research participants, contact the IRB Chair at todd.evans@uni.edu.

If you voluntarily consent to participating in this survey, click “Yes” below. If not, you may simply close your browser. Your consent form will not be linked with your survey responses.
I voluntarily consent to participation in this survey: (Check the box)

**Questionnaire**

**Demographics:**

Are you a registered voter? (Mark One)

Yes___    No___

Which category below includes your age? (Circle One)

18-20  
21-29  
30-39  
40-49  
50-59  
60-69  
70-79  
80+

Which best describes your race? (Circle One)

White/Caucasian  
Black or African-American  
American Indian or Alaskan Native  
Asian  
Native Hawaiian or other Pacific Islander  
Other (Please specify)

What is your gender? (Circle One)

Female  
Male  
Other (Please specify)

What is the highest level of education you have completed or the highest degree you have received? (Circle One)

Some high school  
High school degree or equivalent (GED)  
Trade school
Some college but no degree
Associate degree
Bachelor degree
Graduate degree
Doctorate degree or higher

If you have a college degree, what was your primary major? (please input) _________________

Which of the following best describes your employment status? (Circle One)
   Employed part time
   Employed full time
   Unemployed
   Retired

What is your annual household income? (Circle One)
   Less than $25,000
   $25,000-$50,000
   $50,000-$100,000
   $100,000-$200,000
   $200,000+

What is your occupation? (Please Input) _____________________________

Do you attend church? (Mark One)
   Yes___     No___

Scenarios:

Scenario 1 (took test & large error): Consider the following scenario: Taylor, a practicing Certified Public Accountant (CPA), took the CPA exam that consists of one exam testing for broad knowledge and one exam of a candidate’s choosing that specializes in a certain area of accounting. Taylor took the specialization exam in the field of taxation. In filing a tax return for a separate business entity, Taylor made a large error.

Taylor should be held liable. (Mark One)
   (1) Strongly Disagree
   (2) Disagree
   (3) Neutral
   (4) Agree
How severe should Taylor be penalized? (Mark One)
(1) Not Penalized at All
(2) Lightly
(3) Moderately
(4) Severely

Scenario 2 (didn’t take test & large error): Consider the following scenario: Taylor, a practicing Certified Public Accountant (CPA), took the CPA exam that consists of one exam testing for broad knowledge and one exam of a candidate’s choosing that specializes in a certain area of accounting. Taylor took the specialization exam in the field of auditing, not taxation. In filing a tax return for a separate business entity, Taylor made a large error.

Taylor should be held liable. (Mark One)
(1) Strongly Disagree
(2) Disagree
(3) Neutral
(4) Agree
(5) Strongly Agree

How severe should Taylor be penalized? (Mark One)
(1) Not Penalized at All
(2) Lightly
(3) Moderately
(4) Severely

Scenario 3 (took test & small error): Consider the following scenario: Taylor, a practicing Certified Public Accountant (CPA), took the CPA exam that consists of one exam testing for broad knowledge and one exam of a candidate’s choosing that specializes in a certain area of accounting. Taylor took the specialization exam in the field of taxation. In filing a tax return for a separate business entity, Taylor made a small error.

Taylor should be held liable. (Mark One)
(1) Strongly Disagree
(2) Disagree
(3) Neutral
(4) Agree
(5) Strongly Agree
How severe should Taylor be penalized? (Mark One)
   (1) Not Penalized at All
   (2) Lightly
   (3) Moderately
   (4) Severely

Scenario 4 (didn’t take test & small error): Consider the following scenario: Taylor, a practicing Certified Public Accountant (CPA), took the CPA exam that consists of one exam testing for broad knowledge and one exam of a candidate’s choosing that specializes in a certain area of accounting. Taylor took the specialization exam in the field of auditing, not taxation. In filing a tax return for a separate business entity, Taylor made a small error.

Taylor should be held liable. (Mark One)
   (1) Strongly Disagree
   (2) Disagree
   (3) Neutral
   (4) Agree
   (5) Strongly Agree

How severe should Taylor be penalized? (Mark One)
   (1) Not Penalized at All
   (2) Lightly
   (3) Moderately
   (4) Severely

Manipulation Check questions given with each scenario:

Did Taylor take a specialization exam for the area of taxation? (Mark One)
   Yes___      No___

Did Taylor make a large or a small error? (Mark One)
   Yes___      No___

Other Questions:

Would you consider Taylor to be an expert in Taxation? (Mark One)
   Yes___      No___
Who is ultimately responsible for the tax return? (Mark One)

Taylor___ The Business Entity___

Have you used an accountant to prepare your personal or business taxes? (Mark One)

Yes___ No___

Have you ever had a bad experience with an accountant that has performed services for you? (Mark One)

Yes___ No___

An accountant has a professional responsibility to ensure his or her work is complete and accurate.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

An accountant should ‘not’ practice in an area that he or she has ‘not’ taken an expert exam.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

Do you think an accountant should be subject to more or less liability if he or she has only passed a basic exam in an area he or she practices and not an expert exam? (Mark One)

More Liable___ Less Liable___

Do you have any education in the field of accounting or tax? (Mark One)

Yes___ No___

Do you have any work experience in the field of accounting or tax? (Mark One)
Yes___  No___

Do you have any education in the field of law or law enforcement? (Mark One)

Yes___  No___

Do you have any work experience in the field of law or law enforcement? (Mark One)

Yes___  No___