

# Cheat Sheet for Certified Public Accountant (CPA)

## CPA Cheat Sheet

### 1. Financial Accounting and Reporting (FAR)

#### 1.1. Financial Statements

- **Balance Sheet:**  $\text{Assets} = \text{Liabilities} + \text{Equity}$
- **Income Statement:**  $\text{Revenue} - \text{Expenses} = \text{Net Income}$
- **Statement of Cash Flows:** Operating + Investing + Financing Activities
- **Statement of Equity:** Changes in Equity Accounts

#### 1.2. Revenue Recognition

- **Revenue Recognition Principle:** Revenue is recognized when earned and realizable.
- **Five-Step Model:** Identify the contract, identify performance obligations, determine transaction price, allocate price to obligations, recognize revenue.

#### 1.3. Inventory

- **Costing Methods:** FIFO, LIFO, Weighted Average
- **Lower of Cost or Market (LCM):** Inventory is valued at the lower of cost or market value.

#### 1.4. Long-Lived Assets

- **Depreciation Methods:** Straight-line, Double-Declining Balance, Units of Production
- **Impairment:** Test for impairment if carrying amount > recoverable amount.

#### 1.5. Leases

- **Operating Lease:** Off-balance sheet financing.
- **Capital Lease:** Treated as an asset and liability on the balance sheet.

### 2. Auditing and Attestation (AUD)

#### 2.1. Audit Process

- **Planning:** Understand the client, assess risks, develop audit strategy.
- **Execution:** Perform tests of controls and substantive procedures.

- **Reporting:** Issue an audit report based on findings.

## 2.2. Audit Evidence

- **Types:** Physical examination, confirmation, analytical procedures, inquiry.
- **Sufficiency and Appropriateness:** Ensure evidence is sufficient and appropriate to support conclusions.

## 2.3. Internal Controls

- **Components:** Control environment, risk assessment, control activities, information and communication, monitoring.
- **COSO Framework:** Common framework for designing, implementing, and evaluating internal controls.

## 2.4. Audit Reports

- **Unmodified Opinion:** Financial statements are presented fairly.
- **Modified Opinion:** Qualified, adverse, or disclaimer based on audit findings.

# 3. Regulation (REG)

## 3.1. Federal Taxation

- **Taxable Income:**  $\text{Gross income} - \text{Deductions} = \text{Taxable income}$ .
- **Deductions:** Standard deduction, itemized deductions, business expenses.
- **Tax Credits:** Direct reduction of tax liability (e.g., child tax credit).

## 3.2. Business Law

- **Contracts:** Offer, acceptance, consideration, intent to be legally bound.
- **Agency:** Principal-agent relationship, duties and liabilities.
- **Uniform Commercial Code (UCC):** Governs sales and leases of goods.

## 3.3. Professional Responsibilities

- **Code of Professional Conduct:** Ethical standards for CPAs.
- **Confidentiality:** Protect client information.
- **Independence:** Maintain objectivity and integrity in practice.

# 4. Business Environment and Concepts (BEC)

## 4.1. Economics

- **Supply and Demand:** Relationship between price and quantity.

- **Market Structures:** Perfect competition, monopoly, oligopoly, monopolistic competition.
- **GDP:** Consumption + Investment + Government Spending + (Exports - Imports).

#### 4.2. Financial Management

- **Capital Budgeting:** NPV, IRR, Payback Period, Discounted Payback Period.
- **Cost of Capital:** Weighted Average Cost of Capital (WACC).
- **Working Capital Management:** Managing current assets and liabilities.

#### 4.3. Information Technology

- **ERP Systems:** Integrate business processes (e.g., SAP, Oracle).
- **Cybersecurity:** Protecting data and systems from threats.
- **Data Analytics:** Use of data to make informed decisions.

#### 4.4. Operations Management

- **Process Analysis:** Value stream mapping, process improvement.
- **Lean Management:** Eliminate waste, improve efficiency.
- **Quality Control:** Six Sigma, Total Quality Management (TQM).

### 5. Tips and Tricks

#### 5.1. Exam Strategies

- **Time Management:** Allocate time per question, use the entire time available.
- **Practice Questions:** Regularly practice with sample questions and simulations.
- **Review Mistakes:** Understand why you got a question wrong and learn from it.

#### 5.2. Study Techniques

- **Active Learning:** Summarize, teach others, and apply concepts.
- **Flashcards:** Use flashcards for key terms and concepts.
- **Study Groups:** Collaborate with peers to discuss and reinforce learning.

#### 5.3. Test Day Preparation

- **Sleep:** Get a good night's sleep before the exam.
- **Nutrition:** Eat a balanced meal to maintain energy levels.
- **Arrival:** Arrive early to the testing center to avoid stress.

## 6. Resources

### 6.1. Recommended Books

- **"Wiley CPAexcel Exam Review"**: Comprehensive study guide.
- **"Gleim CPA Review"**: Detailed explanations and practice questions.

### 6.2. Online Courses

- **CPA Review Courses**: Becker, Roger, Surgent, Yaeger.
- **YouTube Channels**: AICPA, CPA Review, Accounting Insights.

This cheat sheet provides a comprehensive overview of key concepts, tips, and resources for the CPA exam. Use it as a quick reference to reinforce your understanding and prepare effectively. Good luck!

By Ahmed Baheeg Khorshid