

Domain 4 of 4

B

Overview

BEC covers corporate governance, economic concepts, financial management, information technology, and operations management. It consists of 62 multiple-choice questions (50%) and 4 task-based simulations (35%) and 3 written communication tasks (15%) in 4 hours.

BEC is the only CPA section with written communication tasks, which require you to write a business memo or letter in response to a scenario.

Corporate Governance

- Board of directors: fiduciary duties (duty of care, duty of loyalty), audit committee
- Sarbanes-Oxley Act (SOX): CEO/CFO certification, internal control reporting, audit committee independence
- COSO framework: enterprise risk management (ERM), internal control
- Ethics: AICPA Code of Professional Conduct, independence rules, conflicts of interest
- Enterprise risk management: identifying, assessing, and responding to organizational risks

■ **Exam Tip:** SOX Section 302: CEO and CFO must certify financial statements. SOX Section 404: management must assess internal controls over financial reporting, and auditors must attest to that assessment for accelerated filers.

Financial Management

- Capital budgeting: NPV, IRR, payback period, profitability index
- Cost of capital: $WACC = (E/V \times Re) + (D/V \times Rd \times (1-T))$
- Working capital management: cash conversion cycle, receivables, inventory, payables
- Capital structure: Modigliani-Miller theorem, optimal capital structure, leverage
- Valuation: DCF, comparable company analysis, precedent transactions
- Derivatives: options (calls/puts), futures, forwards, swaps — hedging strategies

Information Technology

- IT governance: COBIT framework, IT controls, IT risk management
- Database management: relational databases, SQL, data warehousing, data mining
- Systems development: SDLC (System Development Life Cycle), agile development
- Cybersecurity: encryption, firewalls, access controls, disaster recovery
- Cloud computing: SaaS, PaaS, IaaS; risks and controls in cloud environments
- Blockchain: distributed ledger, smart contracts, cryptocurrency implications

■ **Exam Tip:** For written communication tasks, use a clear business memo format: To, From, Date, Subject. State your conclusion in the first paragraph, support it in the body, and summarize in the closing.