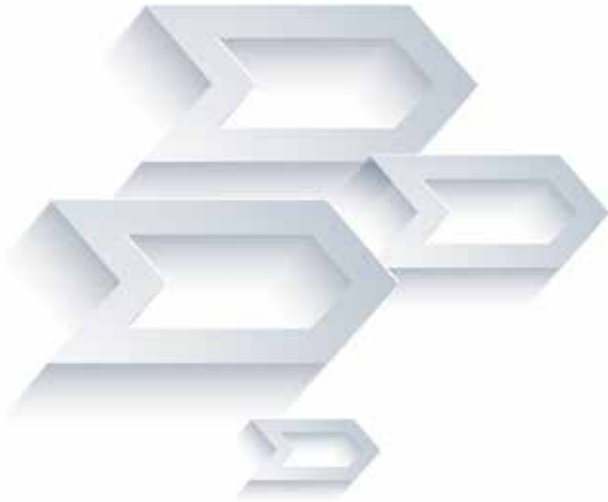


CPA CANDIDATE SUCCESS RESEARCH FINDINGS:

Implications for Accounting Education and the CPA Profession



The AICPA is committed to efforts that advance the CPA profession and help ensure a robust pipeline of future CPAs. To do so, it commissions research in multiple areas, including students and academics.

At the request of the AICPA, two academics, Greg Gaynor, Ph.D., CPA, from the University of Baltimore, and Sidney Askew, MBA, CPA, from the Borough of Manhattan Community College, conducted research on accounting programs, primarily those programs with large numbers of students sitting for, and ultimately passing, the CPA Exam. The intent of this research, known officially as CPA Candidate Success Research, was to gain insights and identify the best practices employed by institutions with high sit and pass rates. That information could be shared with, and/or leveraged by, other accounting programs to ultimately increase the overall number of accounting students sitting for, and passing, the CPA Exam.

CPA CANDIDATE SUCCESS RESEARCH FINDINGS:

Implications for Accounting Education and the CPA Profession

Their findings have implications for a multitude of stakeholders responsible for educating, mentoring and guiding individuals toward becoming CPAs — including the AICPA, which has a key objective to ensure a robust pipeline of future CPAs.

Clearly, CPA Candidate Success Research does not reside in a vacuum. There are numerous factors outside the scope of this research that affect the CPA profession's ability to attract and retain talent. Rather, this research provides insights into a series of undertakings and relationships that, when linked with other efforts and initiatives, can lead to increased sit and pass rates.

Steve Matzke
Director, Faculty & University Initiatives
American Institute of CPAs

RECOMMENDATIONS FOR COLLEGES, UNIVERSITIES AND EMPLOYERS

The following recommendations are based on the findings from the CPA Candidate Success research, as well as previous research that has offered important insights as to how various stakeholders contribute to students becoming CPAs.

Colleges and Universities

- Monitor students' sit and pass rates on the CPA Exam. The National Association of State Boards of Accountancy (NASBA) can provide institutions with customized reporting on CPA Exam sit and pass rates.
- Structure accounting programs, especially at the graduate level, so that students attain the necessary credits to take the CPA Exam and meet licensure requirements.
- Encourage students to take the exam as soon as possible after graduation. Students are more likely to complete all sections of the CPA Exam if they begin the process while enrolled or immediately following graduation.
- Promote/acknowledge students who pass the CPA Exam. This can motivate other students who will be taking the CPA Exam.
- Employ faculty who are CPAs. Research shows that having CPAs in the classroom influences students to become CPAs.
- Have a knowledgeable faculty or staff member advising students as to state requirements for the CPA Exam and licensure. Less ambiguity can affect a student's decision to become a CPA.
- Invite CPAs to speak to students. Exposure to CPAs and a grounded understanding of the role they play in society can motivate students to become CPAs.
- Promote free AICPA Student Membership. All accounting majors are eligible for free AICPA membership. Students can enroll at ThisWayToCPA.com. Students can access resources about the profession and learn of the variety of careers available to CPAs and how to navigate toward CPA licensure.
- Provide students access to accounting clubs. Research validates that accounting associations, such as Beta Alpha Psi, help create a CPA culture that influences students to become CPAs.
- Tailor curriculum toward CPA Exam content and competencies to the extent possible.

Employers

- Have a strong presence on university campuses. Opportunities to engage with students help to increase students' interest in becoming a CPA.
- Encourage new hires to take the CPA Exam. Taking the CPA Exam closer to graduation directly correlates with individuals completing the exam and seeking licensure.
- Provide competitive compensation. Ensure that starting salaries are on par with starting salaries of other business majors.
- Stress the value of the CPA throughout one's professional career.
- Provide students with positive internship experiences. The opportunity for quality internships is a motivating factor for students to become a CPA.
- Pay for CPA Exam review courses. Research shows that candidates are more likely to pass the CPA Exam if their employers offer financial incentives to take the exam.
- Provide bonuses for employees who pass the CPA Exam within a specified time.
- Encourage university programs to promote the CPA profession. Fostering a CPA culture on campus positively influences students' decision to become a CPA.
- Support employees who are studying for the exam with time off or flexibility.



THE AICPA'S PERSPECTIVE: AFFECTING THE GROWTH IN THE NUMBER OF CPAs

Taken as a whole, the research helps to inform AICPA initiatives that are designed to fill the pipeline of future CPAs.

Accounting in High School

- The AICPA is working with key stakeholders, including state CPA societies, to develop and launch an honors high school accounting course that may be accepted as college credit. Efforts include growing the existing Accounting Pilot and Bridge Program in the states where it currently exists and launching this program in new states.
- The AICPA launched and supports StartHereGoPlaces.com — a brand and website for high school accounting teachers and students. The site includes activities, such as the popular online, interactive game Bank On It®, which reinforces accounting principles and engages students in the study of accounting.
- The AICPA partners with national organizations to promote the accounting profession to high school administrators, teachers and students.

Accreditation

- The AICPA has an interest in accreditation and its role in ensuring the quality of accounting education given its impact

on the pipeline of CPAs who serve the public interest.

- One of the AICPA's roles is to assist in bridging the gap between the profession (the end users of accreditation) and accreditors and universities to ensure students have the competencies required to serve the public interest.
- To that end, the AICPA is working on accounting accreditation with AACSB, as well as other accreditors, and through its partnership with NASBA.

Accounting Ph.D. Initiatives

- The AICPA supports and provides resources for CPAs in the classroom.
- The AICPA provides funding to minority doctoral students through the Minority Doctoral Students Program.
- The AICPA Foundation is developing a new iteration of the Accounting Doctoral Scholars (ADS) Program. This program recruits CPAs to enroll in Ph.D. programs and to ultimately join the faculty at colleges and universities throughout the United States. The original ADS Program, funded by 121 firms, state CPA societies, the AICPA and others, has supported 108 newly minted and future Ph.D.s.

Campus CPA Champion Program

- The AICPA is launching a new Academic Champion Program in fall 2016 to increase the focus on creating a “CPA culture” on university campuses. The program will identify faculty at select universities to partner with the AICPA to help promote the CPA profession.
- The AICPA is working with the National Commission on Diversity and Inclusion to tailor the Academic Champion Program at colleges and universities with large, diverse student populations to increase the number of underrepresented minorities in the CPA profession.
- The AICPA is developing a volunteer toolkit, to be leveraged by Academic Champions, which will provide resources to faculty, students and professionals to ensure a closer connection with the profession in the classroom.

Diversity

- The AICPA's National Commission on Diversity and Inclusion and key stakeholders have created the diversity pipeline initiative to increase representation of underrepresented minorities in the accounting profession.
- AICPA offers undergraduate and graduate minority scholarships and fellowships for minority accounting students.
- AICPA provides opportunities, such as the Accounting Scholars Leadership Workshop, to strengthen students' professional skills and understanding of the limitless possibilities and benefits of earning the CPA credential.

CPA Examination

- A new version of the Uniform CPA Exam will be available April 1, 2017.
- Higher-order cognitive skills will be tested.
- The CPA Exam will increase from 14 to 16 hours in length.
- Testing windows will be extended by 10 days to allow candidates more flexibility to take the CPA Exam.

EXECUTIVE SUMMARY: REPORT ON THE CPA CANDIDATE SUCCESS RESEARCH PROJECT

Greg Gaynor, Ph.D., CPA | Sidney Askew, MBA, CPA

Motivation for Research Study

The CPA Exam remains a rigorous rite of passage for those entering the accounting profession. As the protection of the public remains the duty of the accounting profession, it is in the public's best interest to have a strong pipeline of CPA candidates demonstrating their proficiency by passing the CPA Exam. Concerns have been raised regarding demographic challenges facing the field of accounting. According to the AICPA, over 40% of today's CPAs will be retiring by 2020. In addition, the AICPA would like to close the gap between those graduating with accounting degrees and those sitting for the exam.

With these factors in mind, we conducted the CPA Candidate Success Research Project with the ultimate goal of finding ways to help increase CPA Exam sit and pass rates. Our study focused primarily on identifying the characteristics and techniques, or "best practices," that college and university accounting programs employ to help their students achieve

success on the exam. Identification of these best practices can help the entire population of colleges and schools improve performance on the exam.

Identification of these best practices can help the entire population of colleges and schools improve performance on the exam.

Approach of Study

For our study, we sought a collaborative effort among colleges and universities to generate useful ideas for the profession at large. There are dramatic differences among business schools in their missions, levels of resources and student characteristics. In light of these significant differences, it can be expected that students from some schools will have more success on the CPA Exam than will others. We considered it worthwhile to start our inquiry with those schools with relatively high sit and pass rates

on the exam. However, we also solicited input from schools enjoying less success to better identify challenges that such accounting departments may be facing in implementing useful initiatives related to the CPA Exam.

U.S. higher education has been under increased scrutiny in recent years, often being asked to do more with less due to reduced funding and resources. A robust discussion of the topic lies outside the scope of this paper. However, we note that many accounting programs may now be equipped with fewer full-time faculty members and resources at precisely the time that the profession is hoping to increase CPA Exam sit and pass rates.

Prospective Audience for This Study

Naturally, we hope to continue discussing our study and the contents of this report with fellow accounting educators as part of a sustained initiative to improve sit and pass rates on the exam. However, we suggest that accounting educators cannot go it alone. We believe the audience for our study also includes those outside the accounting profession, such as school administrators, accreditors and state legislators, who help determine the allocation of educational resources and funding and who may not be familiar with the issues the accounting profession faces. Alternatively, accounting industry stakeholders, such as firms, state societies and organizations, and licensing

boards may be well aware of the issues the profession faces but may be less familiar with the challenges accounting educators face in the current era of scrutiny and reduced resources for higher education. We hope our report can add to the collective dialogue among the various stakeholders in a broad effort toward the shared goal of protection of the public through improved CPA Exam sit and pass rates.

Survey Methodology

We used a survey approach to solicit best practices feedback from schools in the form of open-ended survey questions and, often, follow-up conversations on a variety of topics. In compiling our initial sample of schools to contact, we tried, to the extent possible, to avoid focusing on the exact numbers and rankings reported in NASBA's CPA Exam Performance books because of the inherent ambiguities of the data themselves. For example, the specific structure of a school's accounting program, as well as the procedures of the state in which it operates, can affect whether a given student is associated with a certain school in the performance data. Another reason not to belabor exact pass rates is that our study is meant to benefit accounting programs as a whole, as opposed to celebrating some programs at the expense of others.



Initial Survey Questions

We asked the following questions as part of an initial survey:

“For the following questions please feel free to distinguish between your graduate and undergraduate accounting programs as appropriate:

1. We are interested in hearing about any initiatives you have implemented that have been especially beneficial for students in preparation for the CPA Exam. Please discuss any unique or innovative ideas you have implemented in the following areas:

- Accounting curriculum
- Course content delivery method (online classes, hybrid classes, etc.)
- CPA review classes and/or partnerships/relationships with CPA Exam test preparation companies (Becker, Wiley, etc.)
- Any other initiatives that have contributed to student success on the CPA Exam

2. Overall, what would you consider to be the three main factors behind your accounting program’s success in developing graduates who sit for, and ultimately pass, the CPA Exam?

3. What ideas or initiatives are you exploring for future implementation to improve CPA Exam pass and sit rates?

4. What do you consider the three main obstacles/challenges you and/or other schools face in improving CPA Exam pass and sit rates? (Responses to this question will be kept anonymous.)

5. What do you believe are the main impediments/deterrents that keep accounting graduates from eventually sitting for the CPA Exam? (Responses to this question will be kept anonymous.)

6. Suppose your administration were to give your department a recurring annual payment of \$25,000 for the express purpose of improving CPA Exam sit and pass rates. How do you think the money would be best spent? (Responses to this question will be kept anonymous.)

7. What advice would you give the AICPA and other industry stakeholders with regard to their efforts to increase the number of students attempting, and ultimately passing, the CPA Exam? (Responses to this question will be kept anonymous.)

8. Any other thoughts you would like to share? (Responses to this question will be kept anonymous.)

Discussion of Key Themes

In summary, schools often cite the following factors as the primary keys to their success:

- The ability to recruit and retain great students

- The fact that these students secured jobs with firms that pay for a review class and encouraged them to take the exam
- Knowledgeable advisement of students as to state requirements for exam/licensure

It is important to note the often dramatic differences that exist among schools in attributes such as mission, budget and student characteristics.

- An accounting program structured, especially at the graduate level, to facilitate students attaining the necessary credits for the exam and possibly even beginning to take the exam while still enrolled
- The positive signal and confidence boost that current students receive when witnessing the students who went before them having success on the exam
- Some schools have also tailored their curriculum, at least to some degree, toward CPA Exam content. In select instances, schools also host and/or teach CPA review classes, in some cases awarding academic credit for the classes.

Schools suggest the following to be among the major challenges in improving sit and pass rates:

- Some students wait too long to take the exam and lose motivation.

- Accounting programs lose top students to other majors, such as finance.
- The various state rules make it tough for students who are not sure of the state in which they will reside after graduation.
- Public accounting firms are not providing the salaries/working conditions necessary to attract/retain the top students.
- We suggest that many students do not believe that it will have been worth it to take the CPA Exam if they do not eventually work in public accounting for a significant length of time. It is reasonable to suggest that, for some students, the prospect of having to take the exam helps to deter them from entering public accounting.

Important Differences Among Institutions of Higher Learning

It is important to note the often dramatic differences that exist among schools in attributes such as mission, budget and student characteristics. In light of such differences, we believe it is reasonable to expect that differences in pass rates among schools will persist even if efforts are successful in improving sit and pass rates for the entire population. As the responses in our study suggest, schools take a variety of approaches to preparing students for the CPA Exam. Ironically, some schools with high pass rates expend little effort in preparing their students specifically for the



exam. Normally in such cases, the school's strong reputation attracts top students and corporate recruiters. These students secure jobs at large accounting firms who then pay for review courses, thereby helping enable student success on the exam. Such schools may view the CPA Exam as too short-term and, instead, emphasize preparing students for what they might describe as a long-term successful accounting career. This approach works for these schools because the prestige of the school helps students secure jobs even if they have not received explicit preparation for the CPA Exam.

The increase in research output necessary to earn tenure gives tenure-track faculty less opportunity to focus on the CPA Exam.

Other schools in our sample devoted more resources to preparing their students specifically for the CPA Exam. In select instances, schools offer for-academic credit CPA review courses in their curriculum and/or require students to take the CPA Exam while still enrolled. While these initiatives may work for some schools, we note that they may not be feasible at others, especially those with smaller budgets and enrollments. Some schools

may be unable to handle the relatively large costs of administering these rigorous courses and/or may be unable to sustain the enrollment attrition that can result from imposing additional requirements on student performance.

We believe that an awareness of some of the trends facing accounting higher education will aid the effort to improve sit and pass rates for the CPA Exam. These trends have and will continue to affect schools to a varying degree. However, we suggest that the schools whose sit and pass rates are most in need of improvement may be most affected by these trends.

Challenging Trends in Higher Education

- Declining enrollments may prompt a decrease in academic standard
- The increase in non-tenure track faculty positions with relatively little job security may be associated with grade inflation and less rigorous courses
- The increase in research output necessary to earn tenure gives tenure-track faculty less opportunity to focus on the CPA Exam
- The rise of micro-credentialing

Suggestions and Recommendations for Increasing Sit/Pass Rates

Based on the feedback we have received from a variety of schools, combined with our own experiences as accounting educators, we offer the following suggestions and recommendations for various accounting stakeholders in a helpful and collaborative spirit.

- Designate a faculty member to be the main point of contact (or "Academic Champion") for CPA exam/licensure issues and questions.
- Seek increased participation from accounting firms (e.g., serving on an Advisory Board, participating in career fairs, presenting to students).
- Engage with student organizations, such as Beta Alpha Psi, the National Association of Black Accountants (NABA) and the Association of Latino Professionals for America (ALPFA).
- Offer CPA review classes on campus.
- Consider creating a practice testing computer lab and/or study room on campus.

While outside of the purview of the academy, the following are based on repeated themes and feedback:

- Consider standardizing the exam and licensure requirements across states to enhance efficiency and students' perception of the industry.
- Consider increased higher-order skills/critical-thinking testing on the CPA Exam to improve its image and perceived value. Consider adding a more "generalized" first part to the exam that may appeal to those currently choosing other credentials and may help to counter the effects of the rise in micro-credentialing.
- Consider adjusting the testing windows and application procedures to better enable students to begin the examination process while still enrolled.

Discussion

In this report, we discuss the main factors that high-pass-rate schools have cited as the key elements to their students' success on the exam. Ideally, their success could easily be replicated at other schools through the mere adoption of these procedures. However, as we have suggested, the dramatic differences among business schools in their missions, level of resources and student characteristics make this an unrealistic proposition. In much the

same way that college athletics often use divisions to group together schools with similar profiles, we suggest that it is to be expected that there will be differences in sit and pass rates among schools, even if and when the efforts to improve overall sit and pass rates prove successful.

Though we acknowledge the complexity of the issue, we are optimistic that improvement in CPA Exam sit and pass rates is possible.

Because of the differences among schools, we suggest that procedures that work for one school may not work for others. We note that the suggestions and recommendations described in this report may have already been implemented at some schools whose pass rates are still not as high as desired. Or, the accounting faculty at a given school may face significant barriers to implementation due to the constraints they face in an increasingly scrutinized higher education system. As discussed, there can often be significant disincentives for faculty, especially tenure-track, to focus their efforts and attention on the CPA

Examination and licensure process. They may receive little to no credit from their school for their considerable efforts in helping students prepare for the exam. Or, worse, they may actually receive blame for the issue of relatively low pass rates if they call attention to the problem in an effort to remedy it.

Though we acknowledge the complexity of the issue, we are optimistic that improvement in CPA Exam sit and pass rates is possible. As indicated in our recommendations, we suggest it is best achieved through the concerted efforts of various accounting stakeholders. Through this, we can tap the natural energy and enthusiasm of what we believe to be a large number of accounting educators who would prefer to focus more of their efforts on the CPA Examination process, but who are naturally reluctant to do so out of career concerns. Though we may not foresee significant changes in the higher education reward system in the near future, we believe programs such as AICPA's proposal for campus "academic champions" hold promise in their ability to empower accounting faculty to devote more efforts toward the CPA Exam.

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