Helping Accounting Graduates Kill Two Birds With One Stone: An Education Designed For Success

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HELPING ACCOUNTING GRADUATES  
KILL TWO BIRDS  
WITH ONE STONE: AN EDUCATION  
DESIGNED FOR SUCCESS  

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ABSTRACT

Accounting educators have long debated the role that accounting programs should play in preparing students for professional examinations. Much of this debate has focused on preparation for the CPA Examination compared to preparation for a successful accounting career. The increased length of accounting education programs and recent revisions of both the CPA and CMA Examination provide accounting educators with the unique opportunity to offer accounting education programs that help graduates achieve successful accounting careers while focusing their efforts on successful completion of these examinations.

The article’s theme is that preparation for the CPA and CMA examinations is consistent with the goal of improving accounting students’ chances for successful accounting careers. The article concludes that students who intend to pursue professional accounting careers should be encouraged to pursue course work consistent with both the CPA and CMA professional certification programs - allowing them to "kill two birds with one stone."

I. INTRODUCTION

Accounting educators receive mixed messages about the importance of professional examinations to accounting education. The Accounting Education Change Commission (1990, 4) stated "accounting programs should not focus primarily on preparation for professional examinations." However, student performance on the Uniform CPA Examination is constantly monitored by State Boards of Accountancy, state legislatures, alumni organizations, and others with interests in and influence on higher education.

Accounting faculty have long debated the role that accounting programs should play in preparing students for professional examinations. Much of this debate has focused on preparation for the CPA (Certified Public Accountant) Examination versus
preparation for successful accounting careers. Increased emphasis on the length of accounting education programs due to the 150-hour movement and recent revisions of both the CPA Examination (effective April 2004) and the CMA (Certified Management Accountant) Examination (effective July 2004) provide accounting educators with the unique opportunity to design accounting education programs that help students achieve successful accounting careers while focusing their efforts on successful completion of these examinations.

The purpose of this article is to encourage accounting educators to consider ways of improving their students’ chances for successful accounting careers. The article’s theme is that preparation for the CPA and CMA examinations is consistent with this goal. The article begins with brief descriptions of the new CPA and CMA examinations. Then, discussion turns to the relevance of these examinations for successful career opportunities. Next, implications for accounting educators are offered. Sources of detailed information about the new examinations are then identified. Concluding remarks suggest that the CPA and CMA Examinations are complementary, rather than competitive alternatives.

II. THE NEW CPA EXAMINATION

Effective in April 2004, a new computerized CPA Examination was offered at Prometric testing centers nationwide. In addition to testing new material, the new CPA Examination allows for testing of critical skills in a realistic setting through the use of “simulations.” The focus of the CPA examination is "on the knowledge and skills that new CPAs in public accounting need to have early in their careers to protect the public" (AICPA, May 1993, p. 2). The AICPA (2002) reaffirmed this emphasis on entry-level skills. The Board of Examiners of the American Institute of Certified Public Accountants (AICPA) provides content specifications of the CPA examination in order to "alert accounting educators about the knowledge and skills candidates will need to prepare for the practice of public accounting" (AICPA, May 1993, p. 1).

The CPA Examination now consists of 80% multiple-choice questions on each of its four parts. The remaining 20% of each part consists of “simulations.” However, the new Business Environment & Concepts (BEC) section will be 100% multiple-choice questions until “simulations” are developed. Most of the subject matter contained in the BEC section had not been previously tested. New subject matter tests the candidate’s understanding of economic concepts, information technology, and general business measurement. This new material was added because of a growing recognition that an understanding of the business environment is a key factor in applying the audit risk model.
The AICPA describes simulations as an assessment of knowledge and skills in a context approximating that found on the job. Some of these simulations involve research activity, such as searching authoritative literature and the Internal Revenue Code. Other simulations require candidates to access work papers or other published materials. The simulations require candidates to have basic computer skills, knowledge of common spreadsheet and word processing functions, the ability to use a financial calculator or a spreadsheet to perform standard financial calculations, and the ability to use electronic tools such as databases (AICPA, 2002).

III. THE NEW CMA EXAMINATION

Effective in July 2004, a new CMA examination was offered at more than 400 testing centers throughout the world. The content of the CMA exam was reorganized and minimally updated to reflect relevant business practices. Employers who actively support and encourage employee participation in the CMA program recognize that the CMA Examination tests knowledge and skills that are required for successful professional careers.

The majority of examination content requires candidates to demonstrate their analytical, synthesis, and evaluation skills. To this end, examination content specifications include the “level” of coverage as follows: (A) skills of knowledge and comprehension, (B) skills of application and analysis as well as knowledge and comprehension, and (C) skills of synthesis and evaluation in addition to the first four skills identified in B. Level A topics represent just over 10% of examination time while over half of examination time requires candidates to demonstrate Level C skills.

The CMA Examination was revised to group skills and abilities that a managerial finance or accounting professional uses in analyzing, managing, and evaluating business solutions, rather than reflecting the academic silos in which the skills are initially learned (IMA, 2004). Three of the four parts of the new Examination consists of objective format questions. The fourth part consists of business-oriented essays and problems. CMA candidates are required to complete the first three parts before sitting for the new “capstone” examination part. According to the IMA (2004) the new Part Four facilitates more effective testing of higher-level skills of evaluation, critical thinking, and judgment. All of the topics in the first three examination parts may be included in the new Part Four (requiring application of knowledge to business-oriented situations) while organization management, organization communication, behavior issues, and ethics is exclusive to Part Four.
Individuals who are CPAs are exempt from the new Part One (Business Analysis). Thus, accounting graduates who earn the CPA designation may earn the CMA designation by passing the remaining three parts.

IV. RELEVANCE OF CPA AND CMA EXAMS TO PROFESSIONAL ACCOUNTING CAREERS

A major concern of most graduates of many educational programs is successful completion of relevant examinations that allow them to become recognized professionals in their fields. For example, graduates of law schools aspire to pass the Bar Examination and individuals who have completed dietetic internship programs desire to become recognized as Registered Dietitians. Likewise, most accounting graduates wish to become Certified Public Accountants and/or attain other accounting credentials. Furthermore, because both the CPA and CMA Examinations are now designed to test the skills and knowledge required for on-the-job success, the relevance of an education that focuses on acquisition of these skills and knowledge should be obvious.

As part of its push toward the 150-hour education requirement, the AICPA encourages CPA candidates to take courses to help improve their analytical and communication skills - the very skills that are also most important for successful completion of the CMA Examination. In fact, subject matter tested on the CMA examination has always been extremely relevant to individuals who wish to pursue both public accounting and managerial accounting careers.

“Perspectives on Education for Success in the Accounting Profession” (Big 8 Accounting Firms White Paper, 1989) voiced major concerns about the preparation of individuals entering the work force. Following the lead of this “white paper,” the Accounting Education Change Commission's Position Statement Number One, Objectives of Accounting Education (AECC, 1990) identified skills that accounting graduates must possess to become successful professionals. The AICPA (1992) offered its Academic Preparation to Become a Certified Public Accountant. Then, What Corporate America Wants in Entry-Level Accountants (a joint research project of the IMA and Financial Executives International, 1994) as well as its sequel, Counting More, Counting Less (IMA Research Project, 1999) identified knowledge, skills, and abilities necessary for future success by entry-level accountants. All of these publications, as well as others, generally reflect the skills and knowledge required for all types of successful accounting careers.

Academic Preparation breaks down the relevant subject matter into three categories: general education, education in business administration, and accounting
education. Topics in the "general education" category include ethics, globalization, communication, behavioral sciences, macroeconomics, microeconomics, and mathematics and statistics. In the "education in business administration" category, the AICPA identifies additional topics such as legal and social environment, finance, quantitative applications, and total-quality management. The CMA examination includes all of these topics. In "accounting education," additional subjects include financial accounting, managerial accounting, taxes, auditing, and information systems. Except for federal taxation, which receives substantial coverage on the CPA Examination, the CMA Examination adequately covers each of these topics, and, as should be expected, coverage of managerial accounting and information systems is extensive.

V. IMPLICATIONS FOR ACCOUNTING EDUCATION

Accounting faculty should be cognizant of the requirements for passing both the CPA and CMA Examinations when making curriculum and individual course decisions because these examinations together represent the subject matter that will be important to students in their entry-level positions and throughout their professional careers. If educators considered only the CPA Examination, the extremely limited amount of examination time devoted to managerial accounting might tempt some to consider reducing the number of courses devoted to this subject. But, the importance of managerial accounting topics extends far beyond the needs of an entry-level CPA. Too, managerial accounting courses often include (or could include) much of the “new” CPA Examination material such as planning and budgeting, some of the financial management, and some economic concepts. The inclusion of “information technology” in the new BEC section of the CPA Examination as well as the CMA Examination’s coverage of information systems should encourage faculty to consider adding more coverage of accounting information systems to their curriculum.

Some faculty may believe that inclusion of “other” material may reduce their control over their students’ CPA and CMA Examination success. While reduced control may be of some concern, much of the new material can be incorporated into accounting courses as indicated above for the managerial accounting subject matter. For the remaining material, accounting faculty should become familiar with the specific requirements of both the CPA and CMA Examinations and encourage other faculty (those teaching economics and finance, for example) to incorporate appropriate coverage in their courses.

Each accounting faculty member should be cognizant of CPA and CMA Examination coverage of subject matter included in the courses they regularly teach and should, whenever possible, assure that adequate coverage of the material is incorporated
into their courses. Likewise, faculty should become familiar with, and incorporate to the extent possible, specific assignments and examinations that require students to utilize the computer and research skills that they will need to pass the Examinations and to be adequately prepared for the requirements of their entry-level accounting and future positions.

One interesting aspect of the new CPA Examination is the utilization of “testlets” that require students to complete and close one “testlet” before opening another and does not allow students to return to completed “testlets.” The prior CPA Exam allowed students to return to all parts of the exam section. Thus, CPA candidates now are required to manage their time much differently. Perhaps faculty could assist their students by experimenting with segmented examinations. For example, students could be required to submit their answers to part of an examination before beginning the next part.

In the next part of this article, sources of information about the CPA and CMA Examinations and other resources available to faculty are briefly discussed. Suffice it to say that while most accounting educators agree that professional examination content should not be overly emphasized, accounting faculty should be knowledgeable of the content of and changes in the CPA and CMA Examinations and should consider the content and changes when making curriculum and course decisions.

VI. SOURCES OF INFORMATION

The best source of unbiased, useful information about the CPA Examination is the AICPA’s website, www.cpa-exam.org. This website contains details about the CPA Examinations, frequently-asked-questions, CPA Examination Alerts, links to other useful web sites, and a host of other valuable information. The AICPA web site also contains a tutorial that “explains the design and operation of the computerized-based test (CBT) and reviews the types of questions and responses it involves” (Babuin 2003, 11). The CPA Examination tutorial contains five sections including exam information, common tools used, how to respond to multiple-choice items, explanations of the simulations, and how to search electronic research databases.

Another useful AICPA website is available at www.aicpa-eca.org. This Educational Competency Assessment (ECA) website provides a resource that helps accounting educators integrate the skills-based competencies needed by entry-level accounting professionals. The competencies, defined within the AICPA’s Core Competency Framework Project, have been derived from academic and professional competency models and have been widely endorsed within the academic community.
The IMA website (www.imanet.org) provides a great deal of information about the newly revised CMA examination. In addition to the “announcement of the revised CMA program,” there are sections for frequently asked questions, detailed comparisons of the current and revised CMA programs, and learning outcomes statements for the revised program.

In “It’s time for a new curriculum!” (2003), Keith Russell and Carl Smith expressed grave concern about academic preparation of today’s accounting students. They stated that “the idea of achieving a better, broader understanding of the business environment is alien to most accounting graduates. Too many faculties dismiss economics, marketing, management, and ethics, for example, as nonessential components of a successful accounting student model” (p. 48). In this article, the authors provided an alternative 150-hour curriculum designed to promote discussion about curriculum development and change. Later, at the 2004 annual meeting of the Institute of Management Accountants, Professors Russell and Smith presented their suggestions during a session entitled “IMA Curriculum Model.” The presenters encouraged the consideration of the CMA Examination content when making curriculum decisions. Because Carl Smith became the IMA Chair effective July 1, 2005, more details about the IMA curriculum model should be forthcoming soon.

VII. CONCLUDING REMARKS

While the CPA is uniformly and widely accepted as “the” major professional accounting credential, obtaining knowledge consistent with pursuit of the CMA designation will benefit all accounting graduates throughout their careers regardless of their particular career paths. The most recent results of the annual IMA salary survey should further encourage accounting students to pursue these professional credentials. The 2004 salary survey shows that individuals with either the CMA or CPA designation earn substantially more than those with no certification. The average salary of CMAs is slightly more than that of CPAs, and individuals who hold both certifications enjoy substantially higher salaries than those with just one certification (Schroeder & Reichardt, 2005).

Students who intend to pursue professional accounting careers should be encouraged to pursue course work consistent with both the CPA and CMA professional certification programs because “individuals who successfully complete both programs solidify their broad business competence and strategic financial mastery, thus positioning themselves as operations-focused “value creators” and decision makers within their organizations (IMA, 2004). Because most states now require students to take a minimum of 150 hours to sit for the CPA Examination, the additional hours could
easily include subject matter tested on the CMA Examination - allowing these students to "kill two birds with one stone."

REFERENCES


