Comparison of AACSB Accounting Accredited and AACSB Business Accredited Institutions Using the CPA Examination as a Post-Curriculum Assessment

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AACSB International is a leading accrediting organization for business schools that also provides separate accreditation for accounting programs. Using CPA Examination results from 2011 and 2012 as a post-curriculum assessment, this study examined whether students who attended academic institutions that have separately AACSB-accredited accounting programs performed better on the CPA Examination than students who attended AACSB-accredited business schools that do not have separate accounting accreditation. Results indicate that CPA Exam candidates who have degrees from schools with separately AACSB-accredited accounting programs achieve higher overall pass rates and higher average exam scores than CPA Exam candidates from AACSB-accredited business schools that do not have separate accounting accreditation.

INTRODUCTION

Colleges and universities often seek accreditation from independent organizations as a measure and a declaration of the quality of the program and/or institution. Typically, accrediting organizations require that accredited institutions review and improve their programs in order to maintain their accreditation. The Association to Advance Collegiate Schools of Business (AACSB) International is a leading accrediting organization for schools of business. According to its website, AACSB accreditation represents the highest standard of achievement for business schools worldwide with less than five percent of the world's 13,000 business programs having earned AACSB accreditation (AACSB 2013). AACSB-accredited schools produce graduates that are both highly skilled and more desirable to employers than do non-accredited schools (AACSB 2013). In addition to providing business-school accreditation, the AACSB provides separate accreditation for accounting programs. Previously, rigid standards restricted separate accounting accreditation, but more flexible standards were developed by the AACSB, resulting in rapid growth in the number of AACSB-accredited institutions seeking separate accounting accreditation.
accreditation. In 1982, a total of 18 accounting programs were separately accredited. Today, there are over 160 accredited accounting programs in the United States alone.

While AACSB accreditation is not the sole determinant of a school’s success and does not guarantee that a school will meet all of its goals, AACSB accreditation can serve as a framework and provide processes that increase the likelihood of a school meeting its goals. Using CPA Examination results for 2011 and 2012 as a post-curriculum assessment, this study examined whether business schools that had separate AACSB accounting accreditation better prepared candidates for the CPA Exam than did business schools that were AACSB accredited in business only. Results indicate that CPA Exam candidates who have degrees from schools with separately AACSB-accredited accounting programs achieve higher overall pass rates and higher average exam scores than CPA Exam candidates from AACSB-accredited business schools that do not have separate accounting accreditation. These results suggest that business schools that have separate AACSB accounting accreditation attract better quality students and/or better prepare their students for the CPA Exam than business schools that do not have separate AACSB accounting accreditation.

BACKGROUND AND LITERATURE REVIEW

AACSB Accreditation

AACSB International was founded in 1916 to accredit schools of business. The first accreditations took place in 1919. AACSB accreditation provides both a framework and processes that increase the likelihood of a school meeting its goals and the needs of students, faculty, employers, and other constituents; it is a general baseline of quality that encourages innovation and continuous improvement (Romero 2008). As of June 2013, there were 672 member institutions from nearly 50 countries and territories that held AACSB accreditation (AACSB 2013). AACSB accreditation standards are used as a basis to evaluate a business school’s mission, operations, faculty qualifications and contributions, assuring students and parents that the business school is providing a top-quality education (AACSB 2013). In addition, AACSB accreditation provides benefits to the faculties and staffs of accredited schools by attracting higher quality students, providing greater research opportunities, and allowing for global recognition (AACSB 2013). Once accredited, member institutions must go through an evaluation process to maintain their membership status, typically once every five years.

In conjunction with the American Institute of Certified Public Accountants (AICPA), the American Accounting Association (AAA), the National Association of Accountants (NAA), and the Financial Executives Institute (FEI), the AACSB developed a separate set of accreditation standards for accounting programs in 1980 (Pastore 1989). During this standards-development process, the Federated Schools of Accountancy, General Accounting Office, and representatives from national public accounting firms also advised the AACSB (Pastore 1989). According to the AACSB, accounting accreditation was established to promote the development of accounting education programs that produce high-quality graduates (AACSB 2007). Only AACSB accredited business schools can apply for separate accounting accreditation, which focuses solely on a school’s accounting program. The AACSB accreditation process for accounting programs is similar to the process for AACSB accreditation of business schools. To maintain accredited status, member institutions that earn separate accounting accreditation also must go through an evaluation process every five years and demonstrate continued adherence to the AACSB’s standards. As of April 2013, there were 496 member institutions in the United States that held AACSB business school accreditation and 163 of those member institutions maintained separate accounting accreditation (AACSB 2013).

Benefits and Challenges of AACSB Accreditation

Prior research has shown that separate AACSB accounting accreditation provides positive benefits to member institutions in both the competitive markets for quality students and the placement of graduates (Posey and Parker 1989). Recruiters evaluated students graduating from AACSB-accredited accounting programs more positively than those graduating from non-AACSB-accredited accounting programs.
Separate accounting accreditation positively impacts accounting programs in several other ways, including that institutions: (a) advisory boards become more involved; (b) promotion-and-tenure guidelines and annual faculty-evaluation methods get examined; (c) accounting units receive better guidance and a sense of direction; and (d) curriculum is improved (Gaharan et al. 2007). Furthermore, separate AACSB accounting accreditation attracts better qualified students and faculty to accounting programs (Gaharan et al. 2007).

Achieving and maintaining separate AACSB accounting accreditation poses many challenges to accounting programs, about which numerous faculty and administrators have raised concerns. Some faculty members believe the benefits that accrue to the accounting programs and/or institutions that have separate accounting accreditation do not justify the associated costs (Gaharan et al. 2007). Contrary to the positive impact seen by programs and/or institutions, existing faculty have received little individual benefit from any increased funding (Gaharan et al. 2007). This occurs despite the fact that the faculty must bear most of the burden of achieving accreditation through increased intellectual contributions, involvement in activities to improve the program, and increased service efforts. These factors can lead to decreased morale and motivation, and, in some cases, faculty turnover (Gaharan et al. 2007).

In the early years of separate accounting accreditation, the accreditation standards were quite rigid (Gaharan et al. 2007). After complaints about the standards, the AACSB developed more flexible standards that encourage accounting departments to develop innovative programs (Gaharan et al. 2007). Pastore (1989) discussed the need to improve the accreditation process and noted at the time that more accounting programs needed to seek separate accounting accreditation in order for it to become generally acceptable.

**The Uniform CPA Examination**

The Certified Public Accountant (CPA) designation is one of the most recognized professional credentials in the business world. Among other requirements, CPAs are required to pass the Uniform CPA Examination. Marts et al. (1988) conducted one of the first studies that used a post-curriculum assessment of the efficacy of AACSB-accredited accounting programs. Marts et al. (1988) used the CPA exam and compared candidates from AACSB-accounting accredited programs, candidates from non-AACSB accredited programs and candidates from AACSB-accredited programs with business accreditation only. Using data from the 1985 and 1986 CPA Exams, Marts et al. (1988) found that graduates from AACSB-accredited accounting programs performed significantly better on the CPA Exam than did graduates from schools that were not AACSB accredited. However, they did not find that graduates from separately AACSB-accredited accounting programs performed significantly better on the CPA Exam than did graduates from business-only AACSB-accredited schools. In 2008, Barilla and Jackson replicated and extended the Marts et al. (1988) study using updated data and new techniques. Using CPA exam data from May 1985 through November 2003, Barilla and Jackson (2008) confirmed Marts et al. (1988), finding that AACSB-accounting-program accreditation contributed to increased success rates of first-time CPA-Exam candidates (Barilla and Jackson 2008).

**CPA Examination Changes**

In April 2004, the AICPA dramatically changed the accounting profession’s licensing process with the launch of the computer-based CPA Exam. While the most notable change in the CPA Exam was the transition from a paper-and-pencil exam to a computer-based exam, the AICPA also made significant revisions to the CPA exam, including amended content, changes in the format and delivery of the exam, and the addition of a new component called “simulations”. In addition, administration of the CPA Exam was updated with expanded testing opportunities and increased flexibility. Exam candidates now have more opportunities per year to take the Exam and are no longer required to take all four sections at one time. Pre-1994, the CPA Exam was given over a three-day period semiannually in May and November at limited specified testing locations and totaled 19.5 hours. Furthermore: (a) first-time CPA-Exam candidates had to take all sections during the testing period; (b) candidates had to pass at least two sections with a score of 75; and (c) receive at least a score of 50 on all exam sections taken in a given
exam cycle in order to keep any sections that had been passed with a 75. In May 1994, the CPA Exam was shortened to 15.5 hours given over two days, still semiannually in May and November. With the computer-based format, eligible candidates can now schedule any or all sections in the first two months of each quarter, throughout the year. Within broad constraints, candidates are able to choose the date, time, and test center most convenient for them.

Beginning in January 2011, other major changes were made to the CPA Exam. The AUD section was reduced by 30 minutes, while the BEC section was increased by 30 minutes to accommodate the addition of constructed response essays. The constructed response essays were removed from the other three sections of the Exam. Six to seven shorter task-based simulation problems replaced the longer simulations in REG, AUD and FAR. For the first time, candidates were responsible for knowing international standards. The current research contributes to the literature by using data since the 2011 CPA Exam changes – CPA Exam results for 2011 and 2012 – to examine whether differences exist between business schools that are separately AACSB accredited in accounting and schools that are AACSB accredited in business only.

RESEARCH METHODOLOGY AND RESULTS

Since 1985, the National Association of State Boards of Accountancy (NASBA) has gathered data on the CPA Exam. NASBA offers uniform CPA Examination candidate performance reports, with the participation of exam candidates and state boards of accountancy. As a result of the voluntary nature of some of the data sought, some results are incomplete or unavailable. This research study used NASBA data for the CPA Exam from 2011 and 2012. Earlier data was not used due to the exam changes that occurred in January 2011.

Data were collected for AACSB-accredited business schools and for AACSB-accredited business schools with separate accounting accreditation in the United States. Data were collected by institution (undergraduate and graduate degrees) for all testing events, which includes first-time test takers and repeat candidates (Appendix A from the uniform CPA Examination candidate performance report). The overall pass rate and the average score were collected for each available AACSB-accredited institution and were used as the dependent variables in this study. The list, compiled from data obtained from the AACSB website and current as of April 2013, contained 496 member institutions that had AACSB business-only accreditation and 163 member institutions that had separate AACSB accounting accreditation. However, data were not available for 24 member institutions for 2012 or for 26 member institutions for 2011. Accordingly, the final sample for 2012 included a total of 472 AACSB-accredited institutions, 311 institutions with business-only accreditation and 161 institutions with separate accounting accreditation. The final sample for 2011 included a total of 470 AACSB-accredited institutions, 309 institutions with business-only accreditation and 161 institutions with separate accounting accreditation.

Using t-tests assuming unequal variances, this study compared the two AACSB-accredited groups on overall pass rates and average scores on the CPA Exam for 2011 and 2012. See Table 1 for results. For the 2012 CPA Exam, the overall pass rates and average scores for candidates from AACSB-accredited accounting programs were 55.3% and 73.9, respectively. Contrast that to the 2012 overall pass rates and average scores for candidates from institutions that were AACSB-accredited in business only: 50.3% and 72.2, respectively. Results for both dependent variables are significant at p-value < 0.001. For the 2011 CPA Exam, the overall pass rates and average scores for candidates from AACSB-accredited accounting programs were 51.4% and 72.8, respectively. Contrast that to the 2011 overall pass rates and average scores for candidates from institutions that were AACSB-accredited in business only: 46.2% and 71.0, respectively. Again, results for both dependent variables are significant at p-value < 0.001. Results indicate that higher CPA Exam pass rates and higher average CPA Exam scores are associated with a student’s having attended institutions that have separate AACSB accounting accreditation. It is noteworthy that on average, schools that have separate AACSB accounting accreditation are larger
schools that produce roughly twice as many CPA Exam candidates than the average business-only AACSB-accredited schools.

TABLE 1

<table>
<thead>
<tr>
<th>Category</th>
<th>2012 CPA Exam Results</th>
<th>2011 CPA Exam Results</th>
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<tbody>
<tr>
<td></td>
<td>AACSB Accreditation Type</td>
<td>AACSB Accreditation Type</td>
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<tr>
<td></td>
<td>Business Only</td>
<td>Accounting</td>
</tr>
<tr>
<td>Number of Schools</td>
<td>311</td>
<td>161</td>
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<tr>
<td>Total Exam Candidates</td>
<td>27,084</td>
<td>28,754</td>
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<tr>
<td>Average Candidates Per School</td>
<td>87.1</td>
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<tr>
<td>Total Exam Sections</td>
<td>71,416</td>
<td>78,053</td>
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<tr>
<td>Overall Pass Rate – (All Candidates, All Testing Events)</td>
<td>50.3%</td>
<td>55.3%</td>
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<tr>
<td>Average Score</td>
<td>72.2</td>
<td>73.9</td>
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<tr>
<td>P-value of t-test on Avg. Score</td>
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<td>&lt; 0.001</td>
</tr>
<tr>
<td>P-value of t-test on Pass Rate</td>
<td>&lt; 0.001</td>
<td>&lt; 0.001</td>
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</tbody>
</table>

Data collected from NASBA 2011 and 2012 CPA Examination Candidate Performance books.

Additionally, the overall pass rates and average scores for all candidates and all sections of the 2012 CPA exam were 48.9% and 71.7, respectively. In 2011, the overall pass rates and average scores for all candidates and all sections of the CPA exam were 45.5% and 70.6, respectively. These numbers drop significantly if all AACSB-accredited schools included in this study are removed from the totals. In 2012, the overall pass rates and average scores for all candidates and all sections of the CPA exam for non-AACSB-accredited schools were 42.7% and 69.5, respectively. In 2011, the overall pass rates and average scores for all candidates and all sections of the CPA exam for non-AACSB-accredited schools were 40.1% and 68.5, respectively. Again, using t-tests assuming unequal variances, non-AACSB-accredited schools were compared to AACSB-accredited business schools on overall pass rate and average score on the CPA Exam for 2011 and 2012. Results for both years and for both dependent variables are significant at p-value < 0.001.
CONCLUSIONS AND COMMENTS

Achieving and maintaining the requirements for separate AACSB accounting accreditation is a challenge for accounting programs that requires a substantial commitment from the faculty and administration. Gaharan et al. (2007) noted that the accreditation process has a major impact on accounting programs, requiring numerous adjustments, increased funding, increased expectations of faculty performance, improvements to the curriculum, and increased focus on the university’s mission. They also noted that the existing faculty received very little benefit from any increased funding, although they must bear most of the burden of achieving accreditation through increased intellectual contributions, involvement in activities to improve the program, and increased service efforts. These factors can lead to decreased morale and motivation, and, in some cases, faculty turnover.

The decision for an accounting program at an AACSB-accredited business school to seek separate accounting accreditation is a challenging one for program administrators. Results from this research study indicates that CPA exam candidates from AACSB-accredited business schools with separate accounting accreditation achieved higher overall pass rates and higher average scores for 2012 and 2011 compared to CPA exam candidates from schools with AACSB business-only accreditation. These results suggest that AACSB accredited schools with separate accounting accreditation are attracting better quality students and/or better preparing their students for the CPA exam. However, correlation is not necessarily causation, and CPA exam results are just one measure of an accounting program’s success. Other post-curriculum assessment tools are necessary to show the benefit of that accreditation. Each accounting program must perform a cost/benefit analysis to determine what is best for their program.

REFERENCES