



WHO'S ? TAKING THE CPA EXAM

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HOW ARE THEY DOING?

By Robert A. Gruber, CPA, Ph.D., CMA

THE GOOD OLD DAYS

The National Association of State Boards of Accountancy (NASBA) recently published its annual report, Candidate Performance on the Uniform CPA Examination: Reports and Commentary on the 2006 CPA Examinations. The report shows the performance of candidates taking the CPA Exam in 2006, the most recent year available.

It is probably a good idea to remind ourselves what the CPA Exam looked like before April 2004 and what it looks like today. These differences are summarized in **TABLE 1**.

Additionally, knowing the following terms and concepts are important for understanding NASBA's Annual Report.

- **Sections:** One of the four areas tested on the CPA Exam (i.e., AUD, REG, FAR, and BEC). "Sections" used to be called "parts" of the CPA Exam.
- **Events:** Attempts by a candidate to take a section of the CPA Exam. Therefore, it might take a candidate "three events to pass a section of the CPA Exam." In

the past, a candidate might need "three attempts to pass a particular part of the CPA Exam."

- **First-Time (FT) Candidates:** Candidates are classified as FT the first time they take a given section of the CPA Exam. Prior to April 2004, a candidate was considered FT only when they took their first "part" of the CPA Exam.
- **Repeat (RE) Candidates:** Candidates are now classified as RE for a given section of the CPA Exam on the second (or third, etc.) time they take that particular section. Therefore, the same candidate can be RE for one section of the CPA Exam and FT for another section within the same calendar year.

TABLE 1

PRIOR TO APRIL 2004

CPA Exam administered twice a year, generally in the second week of May and November

Paper and pencil format

Four parts tested on the CPA Exam: Auditing (AUD), Law and Professional Responsibilities (LPR), Accounting and Reporting (ARE), and Financial Accounting and Reporting (FARE)

Total testing time: 15.5 hours

Minimum passing score: 75

APRIL 2004 - PRESENT

CPA Exam administered continuously for two-months each quarter (i.e., January and February are 'testing' months, but March is not; April and May are 'testing' months, but June is not; etc.)

Computerized format

Four sections tested on the CPA Exam: Auditing and Attestation (AUD), Regulation (REG), Financial Accounting and Reporting (FAR), and Business Environment and Concepts (BEC)

Total testing time: 14 hours

Minimum passing score: 75

TABLE 2

	Number of candidates	
	2005	2006
FT candidate	18,790	21,893
FT/RE candidate	8,158	11,165
RE candidate	34,936	36,201
Total	61,884	69,259

CHARACTERISTICS OF THE CPA CANDIDATES

TABLE 2 shows the number of unique candidates taking at least one section of the CPA Exam in 2005 and 2006. Specifically, there were 11.9 percent more candidates in 2006 than 2005. However, these numbers are difficult to compare to the pre 2004 totals because of the different ways the CPA Exams were administered. But NASBA believes the reactionary decline between 2000 and 2004 reversed itself in 2005 and 2006 (i.e., the number of candidates taking the CPA Exam in 2006) and is comparable to those taking the Exam before the change to the computerized, on-demand format.

TABLE 3 shows the number of testing events in 2006. Clearly a significant number of candidates “took the same sections more than once, or retook sections that they had failed in either 2004 or 2005, or both” (NASBA, p.4). For example, 74.3 percent (138,099/185,758) of the sections taken in 2006 were by RE candidates, which is slightly higher than the number

of unique candidates who were RE (68.4 percent, Table 2). It is also important to note that the average number of candidates per testing window (i.e., January/February, April/May, etc.) has increased from 14,838 in 2004 to 15,471 and 17,314 in 2005 and 2006, respectively. Likewise, the average number of events per testing period has increased from 33,867 in 2004 to 40,982 and 46,439 in 2005 and 2006, respectively.

TABLE 4 shows the (a) educational background, (b) number taking and passing all sections, and (c) percent passing all four sections in 2006. Candidates with advanced de-grees (i.e., master and doctoral) perform significantly better than candidates with just bachelor’s degrees. In Wisconsin, the percent passing all sections was 40.1 percent, (a) 37.8 percent for candidates with bachelor’s degrees and (b) 52.0 percent for candidates with graduate degrees.

Candidate	Number of FAR events attempted	Number of AUD events attempted	Number of REG events attempted	Number of BEC events attempted	Total number of events attempted
FT	11,036	11,902	10,635	14,086	47,659
FT/RE	9,740	11,216	10,789	11,757	43,502
RE	22,865	23,127	24,516	24,089	94,597
Total	43,641	46,245	45,940	49,932	185,758

TABLE 3





TABLE 4

Degree	Number of Candidates	Number taking all sections	Number passing all sections	Percent passing all sections
Bachelor's	46,373	8,657	3,002	34.7
Master's	11,611	2,269	975	43.0
Doctoral	150	25	12	48.0
Other	10,882	2,217	897	40.5
Total	69,016*	13,168	4,886	37.1

*This total does not equal the total from Table 1 due to candidate reporting errors and/or omissions, which is a significant concern of NASBA.

TABLE 5

NATIONAL PASSING PERCENTAGE FOR ALL CANDIDATES BY SECTION

Section	1994-2001	2002	2003	2004	2005	2006
FAR (FARE)	28.6	27.6	29.4	36.8	43.2	44.6
AUD (AUD)	31.9	33.4	32.9	39.6	43.7	44.2
REG (ARE)	29.6	30.7	31.9	34.9	40.7	42.4
BEC (LPR)	33.1	34.8	35.4	43.0	44.2	43.8

NUMBER OF SECTIONS PASSED						
0	48.0	47.5	47.5	55.9	40.9	40.3
1				23.4	27.4	25.8
2	28.4	28.9	28.9	9.7	16.2	17.4
3				4.9	8.1	9.4
4	23.6	23.6	24.6	6.1	7.4	7.1

PERFORMANCE BY CPA CANDIDATES

TABLE 5 presents an historical overview of the passing rates on the four parts or sections between 1994 and 2006. Remember that 1994–2003 was still “pencil-and-paper” CPA Exams, even though 2002–2003 is considered a transition period (i.e., CPA candidates knew the changes were coming in 2004). Since 2004, the CPA Exam has been “computerized and on-demand.”

There are two interesting conclusions that can be drawn from Table 5. First, the passing rate on each of the four sections of the CPA Exam has increased since the computerized, on-demand format was

implemented. For example, the passing rate on the Auditing section before 2004 was approximately 32.5 percent. However, by 2006, it had increased to 44.2 percent.

Secondly, the number of candidates passing no sections has steadily decreased from 48.0 percent before 2001 to 40.3 percent in 2006. This would normally be good news except the passing rate for all four sections decreased from 23.6 percent before 2004 to 7.1 percent in 2006. Thus, the divide and conquer strategy appears to be working for individual sections of the CPA Exam. But fewer candidates are taking all four sections within a calendar year and

TABLE 6

Section	Wisconsin	National
FAR	53.3	44.6
AUD	47.4	44.2
REG	49.1	42.4
BEC	54.6	43.8
All	44.0	38.7
Some	24.0	21.0
None	32.0	40.3



even fewer are passing them on their first attempts.

TABLE 6 compares the national passing rates for each section with Wisconsin passing rates. In all cases, Wisconsin candidates are above the national averages. In addition, Wisconsin candidates are more likely to pass all or some of the sections (68.0 percent versus 59.7 percent).

TABLE 7 lists the honor roll states for 2004, 2005 and 2006. Honor roll states are those whose “FT candidates have achieved passing scores on every section at a rate higher than the national average.” Wisconsin has a long-standing tradition of being named an honor roll state. As a matter of fact, no one at the WICPA can remember Wisconsin not receiving this honor.

Increasing the interest in the accounting profession remains a high priority for the AICPA, WICPA and most colleges and universities. Thus, it is important for us to understand the unique features of the new CPA Exam and the characteristics of those taking the exam. While it is good to recognize the continued success of Wisconsin’s candidates, care must be taken to preach to the choir and emphasize a thorough and serious review strategy for taking the CPA Exam, including taking as many sections as close to graduation as possible.

NOTE: The information and quotations contained in this article has been taken from Candidate Performance on the Uniform CPA Examination: Reports and Commentary on the 2006 CPA Examinations (National Association of the State Boards of Accountancy, Inc.(NASBA); Nashville, Tenn.; 2007). ● ● ●

ROBERT A. GRUBER, PH.D., CPA, CMA is accounting department chair at the University of Wisconsin–Whitewater. He can be reached at 262-472-5463 or gruberr@uww.edu.

TABLE 7

SUCCESS RANKING BY STATE: FIRST-TIME CANDIDATES PASSING ALL SECTIONS

2004

Rank	State	Percent
1	Utah	42.9
2	Iowa	38.9
3	Georgia	38.6
4	Missouri	37.0
5	Illinois	35.3
6	No. Carolina	34.9
7	Kansas	34.5
8	Oregon	32.5
9	Texas	32.0
9	Wisconsin	32.0

2005

Rank	State	Percent
1	No. Dakota	63.6
2	Iowa	53.7
3	Georgia	49.9
4	Texas	49.4
5	Utah	47.4
6	Wisconsin	47.2
7	Oregon	46.1
8	Missouri	44.6
9	No. Carolina	43.6
10	Illinois	43.5

2006

Rank	State	Percent
1	Utah	58.0
2	Texas	54.3
3	So. Dakota	53.9
4	Iowa	51.9
5	Wyoming	50.0
6	No. Dakota	48.3
7	Nebraska	47.1
8	Maryland	46.1
9	Massachusetts	45.6
10	Georgia	45.3
20	Wisconsin	39.9

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