CPA Pass Rates in Texas: A 12-Year Analysis

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This research examines the CPA exam pass rates for higher education institutions in Texas. An investigation related to the top schools and AACSB accreditation is conducted as well as analyses related to public vs. private schools, area of the state where the institution is located, and University Systems. The results reflect impressive pass rates by University of Texas at Austin and Texas A&M University at College Station in terms of both number of students taking the exam and the percentage passing it. There was a significant CPA rate lead with private universities only when the two outstanding public universities were omitted from the analysis. The research also found significant differences in terms of areas of the state as well as university systems. The analysis and the findings are very important to students with CPA exam success as their academic primary goal with their university education, the educational institutions preparing the students, and society as a whole. The findings may help guide both the universities and the students to better success with the exam as well as perhaps help taxpayers and legislators know how well tax money is being spent in this area.

Keywords: CPA pass rate success, educational performance, AACSB

Introduction

Both students and institutions involved with accounting education are usually very interested in CPA exam success, because it is the necessary requirement for licensure and long-term success in the public accounting profession. While there have been many studies related to CPA exam success, the data collected for those studies came from students self-reporting their institutions. This study uses one state's CPA exam performance information as reported by the Texas State Board of Public Accountancy (TSBPA) rather than the students' self-reported information provided by National Association of State Boards of Accountancy (NASBA). Additionally, the purpose of the research is to provide descriptive analyses related to AACSB accreditation and CPA exam success as well as public vs. private school, areas of the state, and University System differences.

Research Background and Literature Review

Allen and Woodland (2006), Read, Raghunandan, and Brown (2001), Whitten and Brahmasrene (2002), and Carpenter and Hock (2008) studied CPA exam pass rates as they relate to the 150-hour requirement, but their sample was taken before the exam became computerized. They found that candidates from more selective schools, candidates with advanced degrees, and candidates located in jurisdictions with the 150-hour requirement fully in place have higher pass rates. However, they found a significant decline in average pass rates during the 150-hour transition period. They also found only weak evidence of an association between program-level pass rates and college-level or separate AACSB accounting program accreditation. This current

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study investigates CPA exam pass rates in Texas, a state that had the 150-hour requirement during the entire 12 years studied, and also examines the CPA pass rates since the exam became computerized.

Bunker and Harris (2014) examined CPA exam success rates with online degrees and also made some comparisons between AACSB accredited schools and schools without that designation. Their results indicated that students from predominantly online accounting programs significantly underperform on the CPA exam. They also found that both AACSB and traditional, non-AACSB programs had significantly better CPA exam pass rates than the predominantly online accounting programs. While they used the NASBA data, this study uses data that are compiled by the TSBPA. There is a distinction because NASBA data are based on self-reporting of the candidates, while the TSBPA reviews the candidates' transcripts to determine the school designation for each candidate.

Howell and Heshizer (2008) studied characteristics of CPAs who passed the exam on the first or second attempt as compared to three or more attempts. They found that students who graduated from an AACSB-accredited institution were significantly more likely to pass in one or two attempts. Lindsay, Tan, and Campbell (2009) studied candidate performance on just the Business Environment section of the exam and their findings related to AACSB schools also reinforced the Howell and Heshizer study. Lindquist and Smith (2013), Lopez and Specht (2009), Paul (2004), Lasch (2005), and Akers, Giacomino, Courtney, and Johnson (2014) examined the top schools' success on the computerized exam as compared to the paper-and-pencil exam and found that there were some changes in the top schools with the new exam format. Barilla, Jackson, and Mooney (2008) compared exam success rates between AACSB schools and non-accredited schools and found that schools with the extra accounting accreditation performed better than the others. Raghunandan, Read, and Brown (2003) studied the impact of the 150-hour rule and found that the higher education standard had benefits to students, the CPA firms, and the profession. Ponemon and Schick (1998) had one element that cautioned people about using a professional certification as the primary exogenous variable for assessing the effectiveness of accounting programs and a reply that argued that the CPA exam is a standardized exam that is a reliable, valid, and robust test of certain core competencies. While this current research will not replicate these studies, it will contribute to the existing literature with more reliable data and more empirical testing of the issues found in these studies.

Research Methodology

Data were collected from the TSBPA website (http://www.tsbpa.state.tx.us/) where all of the Texas candidates must get approved before taking the exam. The TSBPA reports the CPA pass rate results by university on a quarterly basis – this represents the exam testing windows. The data collection is based on the first year that the TSBPA starting publishing the results and extends for 12 years; therefore, the research window is from 2004 to 2015.

Results

Table 1 reflects a listing of the Top 10 schools in terms of CPA pass rates in Texas. While the number of candidates passing from AACSB schools is quite significant, it is interesting to note that there are two schools without AACSB accreditation and only eight AACSB schools listed in this Top 10. There is also one community college found in this CPA exam pass rate honor roll. The asterisks next to the school names indicate that these schools are AACSB schools. Six of the Top 10 schools were AACSB schools, so a complete analysis of all schools was made with the AACSB vs. non-AACSB status examined. The AACSB schools' CPA exam

performance was significantly better at the $p = 0.02$ level. For both schools working hard to attain AACSB status and the AACSB organization itself, this finding is quite helpful. It is also interesting to note that six of the Top 10 schools are private schools; however, the number of students passing the CPA exam is dominated by the public universities of University of Texas-Austin and Texas A&M University - College Station. These two schools account for 72% of the CPA exam parts taken and 74% of the CPA exam parts passed. This finding is particularly important to interested students and parents trying to make important decisions about where to attend college as well as taxpayers that are often paying the tuition bills for public higher education.

Table 1

12-Year Texas CPA Exam Pass Rate Statistics (Top 10 Schools With 10 or More Parts Taken)

No.	School	2004-2015 Totals		All years
		Taken	Passed	Passed (%)
1	Rice University[*]	12	11	91.67%
2	Tarrant Co. Community College	11	8	72.73%
3	University of Texas-Austin[*]	13,165	9,564	72.65%
4	Texas A&M - College Station[*]	15,815	11,177	70.67%
5	Baylor University[*]	5,056	3,238	64.04%
6	Southern Methodist University[*]	3,602	2,296	63.74%
7	Texas Christian University[*]	2,578	1,625	63.03%
8	Austin College	40	25	62.50%
9	Sul Ross State University	83	51	61.45%
10	Southwestern Adventist	72	43	60.00%

Note. [*] indicates that this school is AACSB school.

Table 2 provides information related to whether private schools have significantly better performances than the public schools. This information is important because the cost of a private school education is significantly higher than public schools and the 150-hour requirement can create cost pressure for the students. It is interesting to note that the public schools had almost 5 times as many candidates as the private schools, but the private schools had a slightly higher CPA exam pass rate average overall. There was no statistical difference between the categories; however, people need to be aware that there were three public schools that had 0% success with CPA exam candidates over the 12-year period while there were no private schools with this type of record.

Table 2

Public vs. Private School Comparisons (With and Without University of Texas and Texas A&M)

Type of school	Parts taken	Passed	CPA pass rates
With University of Texas and Texas A&M University			
Private	23,372	12,300	52.63%
Public	106,737	55,595	52.09%
Without University of Texas and Texas A&M University			
Private	23,372	12,300	52.63%
Public	77,757	34,854	44.82%

Since University of Texas-Austin and Texas A&M University have so many candidates, Table 2 also examines the public and private school comparisons without these two institutions. When this comparison was made, there was a significant difference (about 9%) with the private schools outperforming the public institutions. Therefore, it might be helpful to attend a private school if the options of University of Texas-Austin and Texas A&M University are not available.

The state of Texas has several distinct areas in terms of education, business environment, and basic geography. Table 3 describes pass rates in terms of area (based on Texas Regional Maps[1]) categories. There were two areas that produced a pass rate greater than 60% and they are both found in the Central Texas area. However, they are also the areas that contain both University of Texas-Austin and Texas A&M University; therefore, the significant success of these two universities may be skewing the areas' success rates. The lowest pass rates were found in the southeast region called the Coastal Bend area where the pass rate was only 34%. Again, people in this area may need to consider going to an area that has better CPA exam pass rate performance as CPA exam success is their primary goal with respect to university education.

Since the University of Texas-Austin and Texas A&M University were skewing the area results significantly, Table 3 also reflects a separate analysis of the areas with these two institutions omitted from the data. Again, Region 7 (the area with Texas A&M University - College Station) had the best results with the greater than 60% success rate still intact. This was caused by the success of Baylor University, a strong private university in the region as well. Region 8 (the area with University of Texas-Austin) dropped significantly with the omission of UT-Austin and the results were just 51% without this school in the area.

Table 3

Areas of Texas Comparisons (With and Without University of Texas and Texas A&M)

No.	Area and top school in the area	Parts taken	Passed	CPA pass rates
	With University of Texas and Texas A&M University			
1	Texas Tech	6,848	3,567	52.09%
2	Abilene Christian	3,087	1,560	50.53%
3	Tarrant County Comm. College	29,664	14,830	49.99%
4	East Texas Baptist	1,747	655	38.07%
5	Stephen F. Austin	3,608	1,454	40.30%
6	Rice	28,525	11,962	41.94%
7	Texas A&M - College Station	20,873	14,416	69.07%
8	University of Texas-Austin	15,853	10,923	68.90%
9	Trinity University	13,488	5,989	44.40%
10	Texas A&M - International	3,425	1,185	34.60%
11	Sul Ross State University	1,649	738	44.75%
12	University of Texas - El Paso	1,342	606	45.16%
	Without University of Texas and Texas A&M University			
1	Texas Tech	6,848	3,567	52.09%
2	Abilene Christian	3,087	1,560	50.53%
3	Tarrant County Comm. College	29,664	14,830	49.99%
4	East Texas Baptist	1,747	655	38.07%
5	Stephen F. Austin	3,608	1,454	40.30%
6	Rice	28,525	11,962	41.94%
7	Baylor	5,058	3,239	64.04%
8	Austin Community College	2,688	1,359	50.56%
9	Trinity University	13,488	5,989	44.40%
10	Texas A&M - International	3,425	1,185	34.60%
11	Sul Ross State University	1,649	738	44.75%
12	University of Texas - El Paso	1,342	606	45.16%

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[1] Retrieved from http://www.wow.com/texasregionalmaps.

The final analysis found in this research involves the University Systems in Texas. There are four University Systems in Texas: University of Texas, Texas A&M, University of Houston, and Texas State University System. Table 4 compares the Systems to investigate whether there might be large-scale leadership goals helping with the CPA exam pass rate success. The Texas A&M University System had the most best success rates with an overall average greater than 60% for the System. However, please note that one of their System schools had a 0% pass rate for the 10-year period. The University of Texas System also experienced a success rate of almost 55%, while the University of Houston and Texas State University Systems were somewhat comparable with each other at about 43%.

Table 4

University Systems Comparisons

University System	Parts taken	Passed	CPA pass rates
Texas A&M	20,629	12,966	62.85%
University of Texas	36,552	20,248	55.40%
Texas State University	9,659	4,270	44.21%
University of Houston	20,997	9,052	43.11%

Again, since the large numbers and excellent pass rate results can skew results, Table 5 reflects the University Systems' results with both University of Texas-Austin and Texas A&M University omitted from the data. It is interesting to note that the University of Texas System went to the first place position, but the pass rate average decreased about 10%-46% with UT-Austin omitted. The most significant change took place with the Texas A&M University System though. The System moved from the first place position to the last place position with Texas A&M University - College Station omitted and the pass rate average decreased more than 25%-37% with the omission of just one institution. These results may be useful to Regents in the Systems who are interested in overall System success rather than just individual university success with the CPA exams.

Table 5

University Systems Comparisons (Without University of Texas-Austin and Texas A&M University - College Station)

University System	Parts taken	Passed	CPA pass rates
University of Texas	23,387	10,684	45.68%
Texas State University	9,659	4,270	44.21%
University of Houston	20,997	9,052	43.11%
Texas A&M	4,814	1,789	37.14%

Concluding Remarks

This study used more reliable reporting data and examined CPA exam pass rate success over a 10-year period for educational institutions in Texas. The research findings were that there were almost as many non-AACSB institutions found in the top school honor roll, but the AACSB schools had many more candidates. While there was no significant difference between public and private school CPA pass rate performance overall, the private schools performed much better when University of Texas-Austin and Texas A&M - College Station exceptional performances were omitted from the analysis. Area of the state was also significant in terms of CPA exam success. Finally, the University System results reflected the superiority of the University of Texas A&M University System; however, the Texas A&M University System performances dropped drastically when

the Texas A&M University - College Station results were omitted from the analysis. The analysis and the findings are very important to students with CPA exam success as their academic primary goal with their university education, the educational institutions preparing the students, and society as a whole. The findings may help guide both the universities and the students to better success with the exam as well as perhaps help taxpayers and legislators know how well tax money is being spent in this area.

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