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## **The Computer-Based CPA Exam**

### **Implementation Concerns in New York State and Recommendations for Improvement**

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## **The New York State Society of CPAs**

### **Examination of the Computer-Based CPA Exam**

By The CPA Exam Task Force

Robert Kawa, Chair

The New York State Society of CPAs (the Society) assembled the CPA Exam Task in October 2005 in response to the accounting profession's growing concern about the new computer-based test (CBT) CPA Exam. The Task Force addressed CBT issues including exam scoring, cost, registration, sites, and computer hardware and software issues. The following recommendations represent the Society's official position with regard to the exam.

The Task Force surveyed 617 recent CPA exam candidates on the aforementioned areas. It also responded to an AICPA Focus Group to Study Several New Computer-Based Uniform CPA Diagnostic Score Reports, and met with Daniel Dustin, Executive Secretary of the New York State Board for Public Accountancy, to voice its concerns.

### **Scoring**

Of all the concerns about the CBT, the way the exam is scored in New York State is easily the most troubling. Test grades are reported to candidates only on a pass/fail basis, and candidates do not receive numerical scores on individual sections. This may be okay for candidates who pass the test, but what about the significant number who fail? National pass rates for the CPA exam in 2004 were about 42% per section – lower than pass rates for lawyers, architects, and engineers on their respective exams. In other words, after earning a college degree and weeks (or more) of exam-specific studying that might include a review course, approximately 60% of the candidates taking the CPA exam in New York State fail, and receive little guidance indicating where they fell short.

Survey results confirm that grade reporting is a primary concern among exam candidates. Over 90% of responding candidates said New York State should give a numerical grade rather than report only on a pass/fail basis. The Society wholeheartedly endorses this necessity and hopes the New York State Board for Public Accountancy (the Board) will begin reporting numerical scores as soon as possible.

The argument against numerical grades seems to be that diagnostic reports allow candidates to better ascertain their areas of weakness. In the survey, however, almost 80% of candidates said the diagnostics were either “not very helpful” or “not helpful at all.” In addition, 79% of candidates said the reporting of scores on a pass/fail basis impeded their ability to determine their performance on the exam, and 88% said a numerical grade would have helped them decide when to take that failed part again.

What is most frustrating about this situation is that the exam is not pass/fail in other jurisdictions. New York State is currently the only jurisdiction that reports strictly on a pass/fail basis. The Society sees no reason why a candidate cannot be given a numerical grade and would even consider adopting Michigan’s grade reporting policy, where numerical grades are given only to failing candidates.

While the Society applauds the AICPA’s decision to improve the exam’s diagnostic reports, it without qualification supports a change in New York’s grading policies from pass/fail to numerical grades. In a profession where transparency has been heightened and disclosure scrutinized, it is ironic that CPA exam administrators do not disclose numerical grades to our candidates. This disclosure would allow candidates to perform better and strengthen our profession with more qualified individuals.

## **Cost**

The Society is very concerned about the rising costs of the exam. The Task Force’s survey showed that exam fees delayed almost half of the CPA exam candidates surveyed either

“very much” or “somewhat” in applying to take the exam. One of the most significant costs of the exam is New York State’s licensing fee, which candidates must pay upfront, before even passing the exam. This licensing fee policy was originally implemented to help the state raise revenues, but it is unfair to exam candidates. Why should a candidate be charged a “licensing fee” for a license he or she may never receive? Candidates should only be charged the licensing fee after they have passed the exam. This may also allow candidates who have passed the exam to have their licensing fee reimbursed by an employer.

Because the relationship between the AICPA and the exam’s administrator, Prometric, is contractual by nature, the Society recognizes that it can have no direct impact on exam costs. But considering New York State’s upfront licensing fee and the exam’s constantly rising costs, the Society calls on the AICPA, Prometric, and the Board to better monitor exam costs and refrain from increasing them in the future unless absolutely necessary.

## **Registration**

In light of a number of complaints regarding a delayed notice-to-sit (NTS), the Society believes the New York State Education Department (SED) and Prometric need to improve communications with candidates. In addition, in order to accelerate the registration process and avoid unnecessary delays, students graduating in May should be allowed to register for the exam earlier. Presently, May graduates are not allowed to begin this process while still in school. As a result, after waiting until the end of May to begin the application process and then approximately 3 to 4 months for an NTS, some candidates are only eligible to sit for the exam in October or November and perhaps not even until January. The time a candidate must wait for an NTS is expected to be shortened somewhat now that New York State has changed its transcript review process, but there will still be too much of a lag for candidates who cannot at least apply for an NTS in the last semester of college.

## **Exam Sites**

Exam sites have, for the most part, been conducive to test-taking. There have, however, been many complaints of noise from non-professional test takers (PSAT, SAT, etc.). The Task Force recommends that Prometric consider allocating specific times when only CPA exam candidates are allowed to enter testing sites or to at least not schedule professional exams – in particular the CPA exam – when high school students are taking tests.

## **Computer Hardware and Software Issues**

In the survey, 23% of candidates surveyed said they had computer hardware-related problems when they took the exam and over 50% of these candidates said the problem was either “very significant” or “somewhat significant”. The Society therefore recommends that – in the event of any major computer hardware or software problem – all agencies involved, including Prometric and the SED, develop contingency plans to enable a candidate whose exam has been unfairly interrupted to complete any unfinished portion with as little undue hardship as possible. This includes cost, registration for a new exam, and adequate time to complete any unfinished parts. The Society recognizes that some testing sites have created contingency plans, but these plans are generally inadequate. In addition, many administrators monitoring the exams do not seem to be up-to-speed on contingency plan procedures.

## **Conclusion**

The Society would be happy to discuss these issues with the Board and looks forward to improving the administrative aspects of the CPA Exam, reducing barriers for candidates who plan to take the exam, and encouraging more successful exam performance from CPA candidates. The Society believes this important mission will serve to better both the public interest and the future of the CPA profession.