



Take Two!

Accounting students can take one part at a time and pass both the CPA and CMA exams within one year after graduation with this 10-step streamlined process.

BY JOSEPH M. HARGADON, CMA, CPA, AND LORI R. FULLER, CPA

When someone learns you are in the accounting profession, invariably the next question almost always seems to be, “Are you a CPA?” The designation of Certified Public Accountant is undoubtedly the most widely recognized credential associated with accountants. We, like most of our accounting colleagues at other educational institutions, strongly encourage our students to become CPAs. Because of the accounting scandals in recent years and the passage of the Sarbanes-Oxley Act (SOX), the demand for quality accounting services and qualified accountants has increased. Accounting certification is one key measure of expertise, professionalism, and quality.

Accounting certification also pays off quite well financially. In the most recent salary survey of members of the Institute of Management Accountants (IMA®), published in the June 2006 issue of *Strategic Finance*, Karl Reichardt and David Schroeder reported a significant difference in earnings power with certification. Individuals who hold the CPA and/or CMA® (Certified Management Accountant) designation earn more, on average, than their non-certified counterparts. This finding remained statistically significant across age range and gender. Also, respondents holding *both* the CPA and CMA certifications reported greater average annual salary (\$104,547) than those holding only one credential: CPA (\$103,287) or CMA (\$97,509). Respondents who had *neither* certification reported an average yearly salary of \$76,316.

Given the escalating challenge of balancing a career in public accounting with personal and family commitments and expectations, we find more students requesting advice about career paths and options outside the public accounting sector. While acknowledging the validity of student concerns regarding a public accounting career, we continue to remind our students of the recognition and respect afforded the CPA credential both in public practice and private industry. Further, we strongly encourage them to make themselves more marketable to employers within both fields. One way to accomplish this goal is to pursue dual accounting certification.

By earning both the CPA and CMA credentials, a candidate signals to the market his/her deep commitment to professionalism and ethics, advanced motivation and dedication to continuing professional education, and a broad expertise in accounting and related business topics. Furthermore, as we just mentioned, it translates into higher average annual compensation.

So what's the best way for students to seek certification? We'll outline a 10-step streamlined approach that accounting educators can recommend to students to encourage them to pursue both the CPA and CMA credentials. Specifically, we describe a method for students to efficiently prepare for both exams at the time that they are in the best position to do so—while they are still students. We limit our discussion to the CPA and CMA exams for several reasons:

- ◆ Both permit candidates to take one section at a time, and each exam contains four sections.
- ◆ Both are computer-based and use Prometric testing sites. Thus, the mode of assessment is very similar.
- ◆ The testing windows under both exams allow flexible scheduling (see Table 1, Panel B).

- ◆ Both are strongly endorsed inside and outside their respective industries.
- ◆ Passing the CPA exam is acknowledged by the Institute of Certified Management Accountants (ICMA®) as satisfying one of its certification requirements. (The ICMA, which is part of IMA, is the professional organization that awards the CMA and CFM® (Certified Financial Manager) designations.)

EDUCATIONAL REQUIREMENTS OF THE EXAMS

At present, the state boards of accountancy and the ICMA don't require candidates to have relevant work experience to sit for the CPA and CMA exams, respectively. Although the CPA exam is uniform across all jurisdictions, each state board mandates the specific educational requirements needed to be eligible to sit for the exam. The CMA is an international designation, and the ICMA establishes the requirements needed to sit for the CMA exam. Passing the CMA exam does not lead to licensure in a state as the CPA does.

In most jurisdictions, the state board requires at least a bachelor's degree to sit for the CPA exam. Although the majority of states have adopted a 150-hour credit requirement (i.e., the equivalent of a master's degree) to obtain the CPA *license*, in many cases candidates may still sit for the exam after completing their undergraduate degree, provided they've completed the requisite number of accounting and other business-related credits. The ICMA does *not* specify any number of accounting and/or business credits to sit for the CMA examination. The educational requirements that *ultimately* must be fulfilled to earn the CMA designation are:

- ◆ Hold a bachelor's degree, in any area, from an accredited college or university.
or
- ◆ Pass the U.S. CPA examination or hold another professional qualification that is comparable to the CPA, CMA, CFM, etc.
or
- ◆ Achieve a score in the 50th percentile or higher on the Graduate Management Admissions Test (GMAT) or the Graduate Record Examination (GRE).

Furthermore, the ICMA requires that the education requirements be fulfilled within seven years of completing the CMA examination. They are not required to be completed at the time the candidate sits for the CMA exam.

The major difference (aside from the content areas tested on each exam and the type of work experience

Table 1

PANEL A: A COMPARISON OF CMA AND CPA EXAM TOPIC AREAS

CMA Exam	CPA Exam (Listed Alphabetically by Section)
<p>Part 1: Business Analysis</p> <p>Business Economics (25%)</p> <p>Global Business (20%)</p> <p>Internal Controls (15%)</p> <p>Quantitative Methods (15%)</p> <p>Financial Statement Analysis (25%)</p>	<p>Auditing and Attestation (AA)</p> <p>Planning the Engagement (22%–28%)</p> <p>Obtaining and Documenting Evidence (32%–38%)</p> <p>Internal Controls (12%–18%)</p> <p>Review Procedures (8%–12%)</p> <p>Reporting (12%–18%)</p>
<p>Part 2: Management Accounting & Reporting</p> <p>Budget Preparation (15%)</p> <p>Cost Management (25%)</p> <p>Information Management (15%)</p> <p>Performance Measurement (20%)</p> <p>External Financial Reporting (25%)</p>	<p>Business Environments and Concepts (BEC)</p> <p>Business Structure (17%–23%)</p> <p>Economics (8%–12%)</p> <p>Financial Management (17%–23%)</p> <p>Information Technology (22%–28%)</p> <p>Planning and Measurement (22%–28%)</p>
<p>Part 3: Strategic Management</p> <p>Strategic Planning (15%)</p> <p>Strategic Marketing (15%)</p> <p>Corporate Finance (25%)</p> <p>Decision Analysis (25%)</p> <p>Investment Decisions (20%)</p>	<p>Financial Accounting & Reporting (FAR)</p> <p>Financial Recognition Measurement & Valuation in Conformity with GAAP (71%–89%)</p> <p>Governmental Entities (8%–12%)</p> <p>Nongovernmental Not-for-Profits (8%–12%)</p>
<p>Part 4: Business Applications</p> <p>All topics from Parts 1, 2, and 3, plus:</p> <p>Organization Management</p> <p>Organization Communication</p> <p>Behavioral Issues</p> <p>Ethical Considerations</p>	<p>Regulation (REG)</p> <p>Ethics/Professional Responsibility (15%–20%)</p> <p>Business Law (20%–25%)</p> <p>Federal Tax Procedures, Accounting Issues, and Federal Taxation of Property Transactions (8%–12%)</p> <p>Federal Taxation—Individual (12%–18%)</p> <p>Federal Taxation—Entities (22%–28%)</p>

PANEL B: TESTING PERIODS

CMA	CPA
<p>All parts are offered daily except Sundays and holidays.</p> <p>1. Parts 1, 2, and 3 are offered in three testing windows:</p> <ul style="list-style-type: none"> • January–February • May–June • September–October <p>2. Part 4 can be taken only after completion of Parts 1, 2, and 3 and is available only in April, August, and December.</p> <p>3. Prometric testing center used.</p>	<p>Exam is available five days a week.</p> <p>1. Each year contains four testing windows:</p> <ul style="list-style-type: none"> • April–May • July–August • October–November • January–February <p>2. One or more parts may be taken during any window and in any order.</p> <p>3. Prometric testing center used.</p>

required to earn the certification) in the *educational* requirements to sit for the CPA and CMA exams is that CPA candidates must earn at least their bachelor's degree to sit for the CPA exam. CMA candidates need not earn their degree to be eligible to sit for that exam. Accordingly, CMA candidates can sit for the CMA exam while they are still an undergraduate student. Generally, CPA candidates can't sit as undergraduate students. This factor streamlines the process of efficiently preparing for both exams.

THE 10-STEP APPROACH

Table 1, Panel A summarizes the content areas tested on each exam. It's important to note that the ICMA recognizes that successful completion of the CPA examination (U.S.) clearly demonstrates a candidate's competence and knowledge in the area of business analysis (Part 1 of the CMA exam). Accordingly, the ICMA Board of Regents grants such candidates credit for Part 1. Therefore, a candidate who decides to prepare for both exams should strive to complete the CPA examination first because this reduces the total number of parts needed to be completed to earn both designations from eight to seven.

We recommend our 10-step plan to our students who are serious about obtaining professional certification but who may or may not end up pursuing a career in public accounting. Our recommendations are based on the assumptions detailed below and are applied to a student candidate who is a *typical undergraduate accounting major* attending a college/university that has a *two-semester* academic year. Accordingly, the student candidate will:

- ◆ Begin the CMA exam while still a student.
- ◆ Use some form of CMA and CPA preparation program and materials (such as a review course, software, etc.) in addition to their coursework.
- ◆ Complete the CPA examination first and, as a result, be awarded credit for Part 1 of the CMA examination.
- ◆ Take one exam part at a time to keep the workload manageable and increase the chances for success on that particular part.

The plan is outlined next, summarized in Table 2:

1. Over the course of the junior year semesters, the student completes the intermediate accounting sequence (usually two courses), a cost/managerial accounting course, and an information systems course. Here we assume that most accounting majors will have completed coursework in economics, finance, and quantitative methods (statistics) by the end of their junior year. The

totality of this coursework covers most of the topics tested on Part 2 of the CMA exam and is invaluable in preparing for this part of the exam.

2. In May and June, once the second semester of the junior year is complete, the student uses the CMA program materials to prepare intensively for Part 2 of the CMA exam: "Management Accounting and Reporting." The student should take this part of the exam in late May or June and recharge in the months of July and August.

3. During the first semester of the senior year, the student completes the undergraduate *business capstone* course, if available. Such a course typically involves strategic management issues and requires integration and application of various business disciplines (such as marketing, finance, economics, etc.), which are valuable in preparing for Part 3 of the CMA exam: "Strategic Management." If such a course isn't required or available, the student should rely heavily on the CMA program materials. But given that the student has already completed three years of school in a business program, they most likely will show a "solid grounding" in many topics in this section.

4. Over the winter break (January) the student uses the CMA program materials to study for Part 3 of the CMA exam, planning to sit for this section in late January or early February of the spring semester. We recommend this timing because it's early in the spring semester and very likely before major course assignments are due.

5. During the *second* semester of the senior year, the student should schedule tax, auditing, and advanced financial accounting courses. If this isn't possible, they should take the advanced and/or tax course in the *first* semester of their senior year. Ideally, they should take two tax courses, one that covers individual taxation and one that covers business entities. If available, one tax course could be taken per semester.

6. The student/candidate graduates with their undergraduate degree in May and relaxes one to two weeks.

7. In June, the candidate uses the CMA and CPA program materials to prepare for the Regulation (REG) and Business Environment and Concepts (BEC) sections of the CPA exam. Because the candidate has already studied for Parts 2 and 3 of the CMA exam, the preparation time for

Table 2: The 10-Step Plan for Preparing for the CMA and CPA Exams While Still an Undergraduate

STEP	TIME PERIOD	PREPARATION STRATEGY	EXAM PARTS TO TAKE AND TIMING
1	Junior Year (September to May/June)	<ul style="list-style-type: none"> Over course of junior year, complete intermediate accounting, cost/managerial accounting, and information systems course. 	
2	Junior Year (May-June)	<ul style="list-style-type: none"> Use CMA program materials to study for Part 2: CMA. 	Part 2: CMA End of May or June
3	Senior Year (September-December)	<ul style="list-style-type: none"> If available, complete undergraduate business capstone course. Possibly take first tax course here. Use CMA program materials to study for Part 3: CMA. 	
4	Senior Year (Winter Break)	<ul style="list-style-type: none"> Use CMA program materials and intensively prepare for Part 3: CMA. 	Part 3: CMA Late January or Early February
5	Senior Year (January-May)	<ul style="list-style-type: none"> Complete tax course(s), auditing, and advanced accounting courses. 	
6	Graduate with undergraduate degree (May)	<ul style="list-style-type: none"> Take 1-2 weeks off after graduation in May. 	
7	Post-Undergraduate (June)	<ul style="list-style-type: none"> Use CPA program material to prepare for BEC and REG sections of CPA exam. 	
8	Post-Undergraduate (July-August)	<ul style="list-style-type: none"> Finish preparation for BEC section. Start and finish preparation for REG section. 	CPA: BEC in Early July CPA: REG in late August
9	Post-Undergraduate (November)	<ul style="list-style-type: none"> Use CPA program materials for AA and FAR. Study intensively in September and early October. 	CPA: AA in late October CPA: FAR in late November*
10	Post-Undergraduate (January-March)	<ul style="list-style-type: none"> Use January and early February to prepare for Part 4: CMA. 	Part 4: CMA in April

* After Step 9, if successful, the candidate has completed the CPA examination and is granted credit for Part 1: CMA.

Symbols:

CPA: Certified Public Accountant

BEC: Business Environment and Concepts (CPA exam)

AA: Auditing and Attestation (CPA exam)

Part 1 CMA: Business Analysis

Part 3 CMA: Strategic Management

CMA: Certified Management Accountant

REG: Regulation (CPA exam)

FAR: Financial Accounting and Reporting (CPA exam)

Part 2 CMA: Management Accounting and Reporting

Part 4 CMA: Business Applications

BEC is considerably shortened since the areas of planning and measurement, financial management, and information technology (representing 61%-79% of the BEC section) were covered in Parts 2 and 3 of the CMA exam. The candidate schedules the BEC exam section in early July.

8. For the remainder of July and the beginning of August, the candidate uses the CPA program material for the REG section. If the candidate completes their tax course(s) and auditing course in the last semester as we advised, 75%-80% of the content tested on the REG section will be relatively fresh in their mind, reducing the

amount of study time needed. The candidate now takes the REG section at the end of August.

Notes:

A. If successful up to this point, by the end of August the candidate will have graduated and passed the following parts: CMA: Parts 2 and 3, CPA: BEC and REG

B. For students who graduate in May and pursue only the CPA exam, the first exam window is July-August. From our experience, it isn't common for students to complete all four sections of the CPA exam within this two-month window. We believe our approach is more manageable and more likely to increase the total parts completed by August.

C. Obviously, the amount of total study time needed to pass these four parts varies by candidate. But because of the overlap in topic coverage and the timing of the relevant coursework taken, we expect the total study time to be less than what is needed if these four parts aren't taken until after graduation.

9. Although these steps have been challenging so far, the real test of the candidate's dedication, motivation, and commitment comes next, particularly if they start their career with a full-time job in the fall after graduation. To capitalize on the fact that the candidate completed the auditing course (and possibly the advanced financial accounting course) in their last semester, they should use September and early October to prepare for the Auditing and Attestation (AA) and Financial Accounting and Reporting (FAR) sections of the CPA exam *simultaneously*. There is synergy gained when studying for AA and FAR together since audit issues such as analytical procedures involve ratio analysis and an understanding of financial statement preparation (GAAP), which are both tested in FAR. The candidate schedules AA in late October and FAR in late November. This strategy affords the candidate an additional month to review FAR. The candidate rests during December.

Note:

If successful up to this point, the candidate will have completed the entire CPA exam, which automatically gives them credit for Part 1 of the CMA exam and now allows them to take Part 4 of the CMA exam.

10. Having completed seven of the eight combined total sections, most candidates will have significant confidence and momentum at this point. Part 4 of the CMA exam, "Business Applications," effectively encompasses most of the areas previously studied. In this section the

concepts consist of business-oriented essays and problems and are tested at a higher level. Using the CMA program material from January through March (before "busy season" really gets heavy) the candidate prepares for Part 4 and takes this section in April (recall from Table 1, Panel B that this part is only offered in April, August, and December). If successful, the May accounting graduate will complete both exams by April, less than one year after graduation!

LET'S GET STARTED

We recognize that this 10-step plan is extremely ambitious and may not appeal to all students. But it's a viable choice for those who are highly motivated and dedicated (e.g., honors students) and may attract students planning to go straight through to graduate school. What's most important is that candidates are more likely to increase their success since they are taking only one section at a time while as a student or shortly after graduation, so they capitalize on their test-taking ability and experience.

Academic institutions should also consider providing incentive to their "best and brightest" by offering to underwrite the exam costs. For example, the CMA exam offers a substantial discount for students who take the exam. This institutional support could "pay off" in that improved success rates on the exam are often cited as outcome-based assessment criteria for undergraduate accounting programs. ■

Note to accounting educators and students: For more information about the CMA exam, visit www.imanet.org, and for more information about the CPA exam, visit www.cpa-exam.org.

Joseph M. Hargadon, Ph.D., CMA, CPA, is an associate professor of accounting at Widener University in Chester, Pa. You can reach him at (610) 499-4280 or jmhargadon@widener.edu.

Lori R. Fuller, Ph.D., CPA, is an associate professor of accounting at West Chester University. You can reach her at (610) 436-2236 or lfuller@wcupa.edu.