

Take Less—



And Earn More



Based on recent changes, undergraduate accounting students can pass the CMA exam before graduation and the CPA exam within six months after graduation using this nine-step streamlined process. This plan is ideal for accounting majors who take additional courses in finance.

By Joseph M. Hargadon, CMA, CPA, and Lori R. Fuller, CPA

When we wrote our original article outlining a 10-step streamlined process for accounting students to take one part at a time and pass both the Certified Public Accountant (CPA) and Certified Management Accountant (CMA®) exams within one year after graduation (see “Take Two!” in the April 2007 issue of *Strategic Finance*), we couldn’t help but wonder how long it would take for our recommended strategy to need updating. Given the ever-changing accounting profession, we knew it would be only a matter of time before these two long-standing, highly regarded professional certification exams would make changes. Such changes assure that future CPAs and CMAs are well-equipped to succeed in a dynamic, complex, global business environment. That time is now!

Much like the Financial Accounting Standards Board (FASB), which continually updates, revises, modifies, and/or rescinds financial reporting standards, the Institute of Certified Management Accountants (ICMA®), the certification division of the Institute of Management Accountants (IMA®), and the American Institute of Certified Public Accountants (AICPA) continually review the content specifications and testing approaches of the CMA and CPA exams, respectively. Both organizations aspire to achieve and maintain a rigorous professional examination and certification process to keep pace with the increased expectations and expanded roles being placed on today’s accounting and financial professionals. And both recently made important changes to their exams.

Key Changes

In this article we modify our original 10-step strategy to incorporate the key changes in the structure, format, and content of the CMA and CPA examinations. The key changes to the CMA exam include:

- ◆ Reducing the exam from four parts to two parts and
- ◆ Shifting the content coverage to more relevant topics for aspiring chief financial officers (CFOs).

These changes are effective May 1, 2010.

The key changes in the CPA exam relate to the specific content and skills coverage, including International Financial Reporting Standards (IFRS), within the current four-section format. Section time allocations will be adjusted, but the total testing time for the four sections won’t change. These changes are effective January 1, 2011.

In our original article, we acknowledged (and still do) the following factors from our own experiences as

accounting professionals:

- ◆ The Certified Public Accountant designation is undoubtedly the most widely recognized credential associated with accountants. When someone learns you’re an accountant, they almost invariably ask, “Are you a CPA?”
- ◆ Today more accounting students seek advice about careers outside public accounting. When these students hear about the demands and long work hours during “busy season,” they think twice about a career in public accounting. We attribute this interest in alternative career paths in part to students’ desire to obtain a better work/life balance.

Although we understand the apprehension students may have about a career in public accounting, we continue to encourage them to earn the CPA designation. We

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remind them about the recognition, respect, and prestige the CPA credential affords in both public practice and private industry. Further, we strongly advise our accounting students to distinguish themselves and thus become more marketable to prospective employers. One way to achieve distinction is to earn both the CMA and CPA credentials.

Accounting certification in general—and dual accounting certification in particular—also pays off quite well financially. In the June 2009 issue of *Strategic Finance*, David Schroeder and Karl Reichardt analyze the results of their most recent salary survey of IMA members. They report that individuals who hold some form of professional certification (i.e., CPA and/or CMA) earn more, on average, than their noncertified counterparts. This finding remained statistically significant across age categories and gender. Specifically, respondents holding both the

CPA and CMA designations reported a greater average annual salary (\$125,094) than those holding only one credential: CPA (\$110,095) or CMA (\$105,667). Respondents who held neither designation reported an average yearly salary of \$85,155. It's clear that achieving the distinction of dual certification translates into higher average compensation.

Our new nine-step streamlined approach is designed to show students (and accounting educators) that dual certification is very attainable. Specifically, we outline a method for students to efficiently prepare for both exams at the time they're in the best position to do so—while they're still students. We limit our discussion of dual certification to the CPA and CMA exams for several reasons:

- ◆ Both permit candidates to take one section (part) at a time.



- ◆ Both are computer-based and use Prometric testing sites. Thus, the mode of assessment is very similar.
- ◆ Both exams allow for flexible scheduling (see testing windows in Table 1, Panel B).
- ◆ Both do *not* require qualifying work experience to *sit* for the exam. Both *do* require qualifying work experience to earn the designation.
- ◆ Both are strongly endorsed inside and outside their respective industries.

Education Requirements of the Exam

Although the CPA exam is uniform across all jurisdictions, each state board mandates the specific education 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 and obtaining qualified

work experience doesn't lead to licensure in a state as obtaining the CPA does.

In most jurisdictions, the state board requires a candidate to have 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 most cases candidates may still sit for the exam after completing their undergraduate degree, provided they've completed the required 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 exam. The education requirement that *ultimately* must be fulfilled to earn the CMA designation is a bachelor's degree, in any area, from an accredited college or university. Students may sit for the exam before they complete their degree, provided they're registered for at least six credits per semester during the academic year. The ICMA requires candidates to have fulfilled the education requirements within seven years after completing the CMA exam but not before sitting for the exam.

Aside from the number of parts, content areas tested, and the type of work experience required to earn certification, there's one major difference in the education requirements to sit for the CPA and CMA exams that we want to reemphasize. CPA candidates must complete at least their bachelor's degree to sit for the CPA exam. Thus, CPA candidates can't concurrently sit for the exam while they are undergraduate students. CMA candidates don't have to complete their degree to be eligible to sit for that exam. Accordingly, CMA candidates can sit for the CMA exam while they are still undergraduates. This factor enables a student to streamline the process to efficiently prepare for both exams.

The Nine-Step Approach

Table 1, Panel A summarizes the new content areas to be tested on each exam. The ICMA no longer waives any parts of the CMA exam for candidates who have already passed the CPA exam. Therefore, to earn both designations, a candidate must pass a total of *six* parts. Prior to the restructuring, it was seven parts.

We recommend our nine-step plan to 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 next and apply to a student candidate who's a *typical undergraduate accounting major*

Table 1: Comparison of CMA and CPA Exams

PANEL A: TOPIC AREAS	
CMA EXAM Effective May 1, 2010	CPA EXAM (listed alphabetically by section) Effective January 1, 2011
<p>Part 1: Financial Planning, Performance and Control</p> <p>Planning, Budgeting, Forecasting (30%)</p> <ul style="list-style-type: none"> Includes budgeting concepts, flexible budgeting, forecasting techniques, and business planning and analysis. <p>Performance Management (25%)</p> <ul style="list-style-type: none"> Includes variance analysis, transfer pricing, profitability analysis, and balanced scorecard. <p>Cost Management (25%)</p> <ul style="list-style-type: none"> Includes activity-based costing, process costing, cost behavior, overhead allocations, operational efficiency, and business process improvement. <p>Internal Controls (15%)</p> <ul style="list-style-type: none"> Includes risk assessment and risk management, internal controls, COSO, role of the internal auditor, and systems controls and security measures. <p>Professional Ethics (5%)</p> <ul style="list-style-type: none"> Includes ethical considerations for management accounting and financial management professionals. <p>Part 2: Financial Decision Making</p> <p>Financial Statement Analysis (25%)</p> <ul style="list-style-type: none"> Includes ratio analysis and analytical issues in financial accounting, including impact of foreign operations, IFRS, fair value, and cash flow reconciliation. <p>Corporate Finance (25%)</p> <ul style="list-style-type: none"> Includes risk and return, financial instruments, cost of capital, managing current assets, raising capital, M&A, and international finance, including exchange rates. <p>Decision Analysis and Risk Management (25%)</p> <ul style="list-style-type: none"> Includes C-V-P (cost, volume, profit) analysis, marginal analysis, pricing, and risk assessment, including ERM. <p>Investment Decisions (20%)</p> <ul style="list-style-type: none"> Includes the capital budgeting process, DCF analysis, ranking and risk assessment of capital projects, and valuation. <p>Professional Ethics (5%)</p> <ul style="list-style-type: none"> Includes ethical considerations for the organization. 	<p>Auditing and Attestation (AUD)</p> <p>Engagement Acceptance/Understanding Assignment (12%-16%)</p> <p>Understanding Entity & Environment (including internal controls) (16%-20%)</p> <p>Performing Audit Procedures/Evaluating Evidence (16%-20%)</p> <p>Evaluation, Communication & Reporting Audit Findings (16%-20%)</p> <p>Accounting & Review Services Engagements (12%-16%)</p> <p>Professional Responsibilities (16%-20%)</p> <p>Business Environment and Concepts (BEC)</p> <p>Corporate Governance (16%-20%)</p> <p>Economic Concepts & Analysis (16%-20%)</p> <p>Financial Management (19%-23%)</p> <p>Information Systems & Communications (15%-19%)</p> <p>Strategic Planning (10%-14%)</p> <p>Operations Management (12%-16%)</p> <p>Financial Accounting and Reporting (FAR)</p> <p>Conceptual Framework/Standards & Standard Setting/Financial Statement Presentation (17%-23%)</p> <p>Financial Statement Accounts/Specific Transactions and Events: Recognition, Measurement, Valuation, Calculation, Presentation, and Disclosures (54%-66%)</p> <p>Government Accounting and Reporting (8%-12%)</p> <p>Nongovernmental Not-for-Profit Accounting and Reporting (8%-12%)</p> <p>Regulation (REG)</p> <p>Ethics, Professional & Legal Responsibility (15%-19%)</p> <p>Business Law (17%-21%)</p> <p>Federal Tax Process, Procedures, Accounting, & Planning (11%-15%)</p> <p>Federal Taxation of Property Transactions (12%-16%)</p> <p>Federal Taxation—Individual (13%-19%)</p> <p>Federal Taxation—Entities (18%-24%)</p>
PANEL B: TESTING PERIODS	
CMA	CPA
All parts are offered daily except Sundays and holidays.	Exam is available five days a week.
1. Both parts are offered in three testing windows: <ul style="list-style-type: none"> January-February May-June September-October 	1. Each year contains four testing windows: <ul style="list-style-type: none"> January-February April-May July-August October-November
2. One or both parts may be taken in any window in any order.	2. One or more parts may be taken during any window in any order.
3. Prometric testing center used.	3. Prometric testing center used.

attending a college/university that has a two-semester academic year. Accordingly, the student candidate will:

- ◆ Complete 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.
- ◆ Take one exam part at a time to keep the workload manageable and increase the chance for success on that particular part.
- ◆ Strongly consider a *minor* in finance or take additional finance credits.

The CMA exam has increased emphasis on the application, analysis, synthesis, and evaluation of advanced finance topics. Thus, a student who pursues a minor in finance or at least takes additional credits beyond the traditional required corporate finance course will be better prepared for this exam. Granted these are essential skills for both exams, but they are particularly relevant for the two parts of the new CMA exam where all concepts are now tested up to an advanced level (Level C). The levels tested on the CMA exam range from introductory knowledge (Level A), to application and analysis (Level B), to a detailed comprehension of and ability to synthesize the essentials of a topic, evaluate them, and make recommendations (Level C). Level C topic areas may also contain requirements at Levels A or B. Since most undergraduate accounting curricula build in free electives, taking additional coursework in finance should be feasible. These additional finance credits can also help toward meeting the previously mentioned 150-credit-hour requirement for the CPA exam.

Our updated plan is outlined next and summarized in Table 2:

1. Over the course of the junior-year semesters, a student completes the intermediate accounting sequence (usually two courses), corporate finance, an information systems course, operations management, and, if possible, a finance elective. Here we presume that most accounting majors will have completed coursework in economics, quantitative methods (statistics), and business ethics by the end of their junior year. The new CMA exam presumes that a candidate has knowledge in economics and basic statistics. (Note: The Business Environment and Concepts (BEC) section of the CPA exam specifically tests economic concepts.) The total coursework covers the majority of the topics tested in 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: Financial Decision Making. 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 cost/advanced managerial accounting, auditing, and the undergraduate *business capstone* course, if available. Typically, the capstone course requires application and integration skills to be used to examine strategic financial planning and performance issues, which are invaluable in preparing for Part 1 of the CMA exam: Financial Planning, Performance and Control. If such a course isn't required or available, the student should look for a case course in finance (elective). Courses using a case-study approach usually require high levels of integration and application. At this point, the student has completed three years of college in an accounting program and should have a solid foundation in most of the topics tested in this section.

4. Over the winter break (January), the student uses the CMA program materials to study for Part 1 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.

Notes:

A. If successful up to this point, the student will have completed the CMA exam before graduation in May or June. This is quite an accomplishment and should serve as further motivation to pursue the CPA exam. It's also a big confidence builder since the student now knows he or she can pass a rigorous professional examination.

B. Although the total amount of study time needed to pass these two parts varies by candidate, based on our prescribed timing of the coursework, most of the topics covered in the courses taken are quickly reviewed and reinforced with the CMA program materials. As a result, we expect the total study time to be less than what it would be if students waited to take these two parts until after graduation.

5. During the second semester of the senior year, the student should schedule tax, business law, and advanced financial accounting courses. If this isn't possible, the student should take the advanced and/or tax course in the

Table 2: The 9-Step Plan for Preparing for the CMA and CPA Exams While Still an Undergraduate

Step Time Period	Preparation Strategy	Exam Parts and Timing
1 Junior Year (September to May/June)	<ul style="list-style-type: none"> Over course of junior year, complete intermediate accounting, corporate finance, operations management courses, and finance elective 	
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"> Complete cost/advanced managerial accounting course If available, complete undergraduate business capstone course and/or case course in finance Possibly take first tax course here and auditing course Use CMA program materials to study for Part 1: CMA 	
4 Senior Year (Winter Break)	<ul style="list-style-type: none"> Use CMA program materials and intensively prepare for Part 1: CMA 	Part 1: CMA Late January or early February*
5 Senior Year (January-May)	<ul style="list-style-type: none"> Complete tax course(s), business law, 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 (October/November)	<ul style="list-style-type: none"> Use CPA program materials for AUD and FAR Study intensively in September and early October 	CPA: AUD in late October CPA: FAR in late November **

*After Step 4, if successful, the candidate has completed the CMA examination prior to graduation.

**After Step 9, if successful, the candidate has completed the CPA examination.

Exam Parts:

CMA Exam

Part 1: CMA: Financial Planning, Performance & Control

Part 2: CMA: Financial Decision Making

CPA Exam

AUD: Auditing and Attestation

BEC: Business Environment and Concepts

FAR: Financial Accounting and Reporting

REG: Regulation

first semester of their senior year. Ideally, he or she 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 an undergraduate degree in May (and the CMA exam completed) and relaxes one to two weeks.

7. In June, the candidate uses the CPA program materials to prepare for the Business Environment and Concepts section of the CPA exam. Because the candidate has recently studied for the CMA exam, the preparation time for BEC is considerably shorter. Planning, operations management, information systems, and financial management (representing 56%-72% of the BEC section) were covered when preparing for 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 Regulation (REG) section. If the candidate completes the tax course(s) and business law course in the last semester, as we advised, 85%-90% of the content tested on the REG section will be relatively fresh, reducing the amount of study time needed. The candidate now takes the REG section at the end of August.

9. Up to this point, the recommended steps have been challenging. But now the real test of a candidate's dedication, motivation, and commitment is at hand, particularly if he or she is starting a full-time job in the fall after graduation. To capitalize on completing the auditing and advanced financial accounting courses in the senior year, the candidate should use September and early October to prepare for the Auditing and Attestation (AUD) and Financial Accounting and Reporting (FAR) sections of the CPA exam *simultaneously*.

Candidates gain synergy when studying for AUD 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 AUD in late October and FAR in late November. This strategy affords the candidate an additional month to review FAR. The timing is also desirable because it's before calendar year-end corporate closings and the public accounting "busy season." If successful, the May accounting graduate will com-

plete both exams by late November, six months after graduation.

Let's Get Started

We recognize that this nine-step plan is extremely ambitious and may not appeal to all accounting students. But it's a viable choice for those who are highly motivated and dedicated (e.g., honors students), and it may attract students who are planning to go straight through to graduate school. Students majoring in accounting and taking additional coursework in finance are ideal candidates. By taking one section at a time, either in school or shortly thereafter, candidates capitalize on the timing of their coursework, their test-taking ability, and their experience, so they increase their probability of success.

Academic institutions should 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. If the institution underwrites the exam cost for the student, its investment would have a triple future "payoff" or return on this investment. First, improved success rates on professional exams are evidence for undergraduate accounting programs with outcome-based assessment criteria. Second, students will remember this goodwill, and they will endorse the accounting program to others. Finally, students successfully following this plan have passed the CMA exam before they start their employment (or graduate studies), which makes them more valuable to their employer. That, in turn, leads to higher demand for the institution's accounting graduates! **SF**

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.

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