

# **Does The Path To Completion Of 150 Credit Hours Affect CPA Exam Pass Rates?**

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## **Abstract**

This study examines how the path to completion of 150 credit hours (150-hour requirement) affects CPA exam pass rates by focusing on degree requirements for specific higher education institutions in the State of Wisconsin. The institutions in the study (a total of five) fall into two categories; colleges offering only bachelor's degrees in accounting and those that offer master's degrees in accounting. Accounting majors at three schools offering only bachelor's degrees in accounting were surveyed in order to gather information concerning how and in what topic areas students obtain additional credits beyond their bachelor's degree. Curriculum information from the two master's degree programs was collected from the institutions' websites. Significant differences exist between how the students at the colleges fulfill the 150-hour requirement. The differences in CPA exam pass rates were also found to be significant, but further analysis showed little if any association between college attended and overall pass rates. Therefore, the composition of the additional hours obtained beyond a bachelor's degree was not found to be a significant predictor of CPA exam pass rates.

## **Introduction**

In 1979 Florida became the first state to pass 150-hour legislation, which took effect in 1983. By 2012, 54 states and jurisdictions had passed legislation that requires 150 credit hours of education for CPA licensure. The AICPA (2012) promotes three reasons for the 150-hour requirement: improved quality of work, increased technical competence and a complete education. In today's business world, CPAs no longer just "crunch numbers." They are responsible for much more; CPAs "...need to effectively communicate complex information, think critically to advise our employers in key business decisions, and understand constantly changing technology" (WICPA, n.d.). With that being said, the 150-hour requirement appears necessary and important for licensure.

A number of jurisdictions, including Wisconsin, also require that the 150 credit hours be completed (or be close to completed) before sitting for the CPA exam. While numerous previous studies have compared CPA exam pass rates in jurisdictions that do and do not require the 150 credit hours to sit for the CPA exam, few studies have researched if CPA exam pass rates are affected by how the 150 credit hours are obtained. The studies that have looked at the “how” have primarily looked at the affect master’s degrees have on CPA exam pass rates. This study extends this line of research by taking a closer look at the specific classes taken in order to obtain additional credit hours beyond a bachelor’s degree in accounting.

In order to determine if a particular path to completion of the 150-hour requirement is more beneficial for aspiring accountants, this study investigates variances in overall CPA exam pass rates between various types of institutions. This research is driven by the National Association of State Boards of Accountancy’s (NASBA) Education committee’s suggestion for research to detect any differences between accounting majors who complete the 150-hour requirement through additional business courses, compared to those who take unrelated general studies courses (NASBA’s Education Committee, n.d.). Since the CPA exam is seen as a test of technical competence and increased technical competence has been promoted as one justification for the 150-hour requirement, overall CPA exam pass rates is a logical area to investigate to determine if there are any differences.

### **Literature Review**

In recent years, the 150-hour requirement has been a popular issue of debate. Discussions are centered on whether the 150-hour requirement should be necessary to sit for the CPA exam or only licensure and its affect on the accounting profession, including CPA exam pass rates. In particular, a number of studies helped focus the research described in this paper.

Gary P. Briggs and Lerong He (2012) researched whether the 150-hour requirement has improved CPA exam pass rates. They gathered CPA exam pass rates from NASBA from the period of 2004 to 2007 for each section: financial accounting and reporting (FAR), auditing and attestation (AUD), regulation (REG), business environment and concepts (BEC). The data was also divided between jurisdictions that require 150 credit hours to sit for the exam and those that do not.

The study found that jurisdictions requiring 150 credit hours to sit for the CPA exam did have significantly higher pass rates in the areas of AUD and REG, but not in the areas of FAR or BEC. These results were reported for both overall pass rates and first-time candidate pass rates. The authors suggest that these seemingly conflicting results should be further studied by investigating the specific educational requirements (types of additional courses) of jurisdictions and their impact on CPA exam pass rates.

Raghuandan, Read and Brown (2003) also researched the effect the 150-hour requirement has on CPA exam performance. The data used in the study was collected by NASBA during the period of 1996 through 1998. Besides pass rates, the study looked at demographic data collected by NASBA such as: SAT scores, number of accounting credit hours, number of college credit hours, if the student took a CPA review course and the name of their academic institution. All data analyzed pertained to first-time test takers.

This study found that 20.5% of students with 150 credit hours or more of college education passed all four parts of the exam on the first try compared to 12.9% of students with less than 130 credit hours. The study reports that after controlling for the number of accounting credit hours, SAT scores and enrollment in review courses, candidates with 150 credit hours or more of education are more likely to pass the CPA exam on the first try.

Jackson (2006) also found that first-time candidates in jurisdictions that have implemented the 150-hour requirement have a higher probability of passing all sections taken. First-time candidates from May 1985 through November 2001 were reviewed and those from jurisdictions with the 150-hour requirement implemented passed all four parts 22.97 percent of the time versus a 16.6 percent success rate in jurisdictions without the 150-hour requirement.

The report titled “The 150-Hour Requirement and the Number of CPA Exam Candidates, Pass Rates, and the Number Passing” by Arthur Allen and Angela M. Woodland (2006) is also related to this current research. In their report, Allen and Woodland investigated the effects of the implementation of the 150-hour requirement. The pair posed three questions to answer by the end of their study: “After controlling for changes in the number of accounting graduates, is implementation of the 150-hour requirement associated with an increase or a decrease in the number of candidates?”, “Is the 150-hour requirement associated with more or fewer candidates passing relative to the number of accounting graduates?”, and “Is implementation of the 150-hour requirement associated with an increase in pass rates?” Their research in regard to pass rates is particularly pertinent to this study.

Allen and Woodland’s research determined that there was little to no evidence of increased overall pass rates associated with the 150-hour requirement. However, the pass rates for first-time candidates showed a significant increase of 3%. The authors note this is not a three percentage point increase but a percentage increase. The example provided is that a state with 20% pass rate before the 150-hour requirement could now be expected to have a 20.6% pass rate.

Boone et al. (2006) researched the effect of the 150-hour requirement on CPA exam pass rates while also considering specific accounting program characteristics. First time exam candidates from 1998 or 1999 from 520 schools were included in the study. They found that first-time candidates from more selective schools, with advanced degrees, and from schools in jurisdictions with the 150-hour requirement fully implemented had higher average pass rates.

The continued debate about the proper implementation of the 150-hour requirement is also illustrated by a 2008 draft report by NASBA. The report compared two situations: first, completing the 150-hour requirement to sit for the CPA exam, and second, completing 120 hours in order to sit for the exam and completing the remaining 30 credit-hours for licensure. The article looked at this issue from many angles including any effect on CPA exam pass rates. The movement by many states to change the 150-hour requirement to be for licensure only versus a requirement to sit for the exam drove the decision to issue the draft report.

Data collected from 2004–2007 showed a definite link between advanced degrees and higher first time pass rates in all areas of the test. However, there was no significant difference in the pass rates in the states that allow students to sit for the exam after only completing 120 hours versus those states that require all 150 hours be completed. The draft report notes that even though a student sits for the exam in a state that only requires 120 hours to sit for the exam this does not mean that additional credits have not already been earned toward the 150 hours that is required for licensure.

NASBA’s results and analysis have been met with controversy. NASBA’s own Education Committee has issued a response to the report which calls for its removal from NASBA’s website (the draft report is still available on the website as of the end of 2013) over concern that it could be used as justification to repeal the 150- requirement entirely in some states. It is clear that the 150-hour requirement whether for licensure or as a requisite to sit for the CPA exam is still a topic of heated debate.

### **Hypothesis**

This current study adds to the literature about the 150-hour requirement by focusing on what types of courses are taken to obtain the additional credits beyond a bachelor’s degree in order to become eligible to sit for the CPA exam in the State of Wisconsin. This study investigates whether there are differences in how the additional credits are obtained and if there is a related association with overall CPA exam pass rates.

Previous studies have found a link between obtaining an advanced degree and increased first time pass rates. The graduate programs reviewed in this study offer mainly accounting and business courses. It is possible that these

additional accounting and business courses at least partially contribute to higher pass rates. The graduate degree itself may be inconsequential.

Lindsay, Tan and Campbell (2009) reached a similar conclusion when reviewing pass rates for the Business Environment and Concepts section of the CPA exam. They found that more required hours of cost or managerial accounting courses at any level were positively associated with increased pass rates for the section.

Therefore, the hypothesis proposed is:

*Hypothesis: Completion of additional accounting and business courses versus general education courses whether at the graduate or undergraduate level will have a significant positive association with overall CPA exam pass rates.*

## **Method**

### ***How Additional Credits are Obtained in Wisconsin***

Wisconsin students can begin to take sections of the CPA exam within 60 days of obtaining 150 credit hours. Candidates must obtain 24 hours in accounting beyond the introductory level and 24 hours in other business courses. Most programs offering a bachelor's degree in accounting cover these parameters. There are no specific requirements in which areas the additional credits beyond a bachelor's degree must be obtained. The purpose of this study is to determine whether or not taking accounting or business courses versus general education courses contribute to higher overall pass rates on the CPA exam.

To gain an understanding as to how students are obtaining the required additional credit hours, five colleges were studied which fell into two categories; colleges offering only bachelor's degrees in accounting and colleges with master's programs in accounting. All of the colleges are located within the State of Wisconsin. One of the schools offering only a bachelor's degree is a small liberal arts college with a student population of approximately 2,200. All of the other schools in the study are public institutions with student populations that range from about 7,000 to 20,000 students.

Information pertaining to the two master's degree programs was collected from the institutions' websites. Both programs are fairly consistent as to the content of required coursework. Each program is comprised of a total of thirty unit credits, ten three-credit courses. All of the compulsory coursework within one of the programs is entirely driven by the relative institution; there are no electives within the program. This program consists of three courses supporting the REG section of the CPA exam, five courses supporting the FAR section, and two courses supporting the AUD section. The other Master's program curriculum consists of seven required courses (21 credits) with the remaining credits fulfilled from a list of approved accounting electives. Within the required coursework two courses support REG, four courses support FAR, and one course supports AUD. The approved electives include two supporting FAR, three supporting AUD and eighteen supporting BEC. Thus while the content varies slightly between the two programs both program's curriculum is entirely accounting related.

A survey of current accounting majors that intend to sit for the CPA exam was conducted at the three schools offering only bachelor's degrees in accounting. The survey instrument is presented in the Appendix. The survey required students to categorize the classes they have taken and are planning to take as additional credits to fulfill the 150-hour requirement. The survey divided courses into the following categories: accounting, business, economics, communications, ethics, physical education or other. The comments on the surveys indicate that "other" credits came from a wide range of topics including foreign languages, music, art and pre-law courses.

The analysis revealed that each respective bachelor's program displayed its own trends in additional coursework. However, out of the survey's seven possible categories, only two (business and physical education) had statistically significant differences between the three schools and are reported in Tables 1 and 2.

In regard to the amount of additional credits taken through business courses, according to the Kruskal-Wallis Test with alpha of .05, there is a significant difference among the three groups ( $p < .001$ ). Further analysis using the Mann-Whitney Test with an alpha of .05 indicates there is a significant difference between the students in Program One and Program Two ( $p = .003$ ) and a significant difference between Program One and Program Three students ( $p < .001$ ). A significant difference was not detected between Program Two and Three students ( $p > .30$ ).

The Kruskal-Wallis Test with alpha of .05 was performed for the number of credits obtained through physical education courses and there is a significant difference among the three groups ( $p < .001$ ). Further analysis using the Mann-Whitney Test with alpha of .05 indicates there is a significant difference between the students in Program One and Program Two ( $p < .001$ ) and a significant difference between Program 1 and Program 3 students ( $p < .001$ ). The results of the Mann-Whitney Test do not indicate a significant difference between Program Two and Program Three students ( $p > .25$ ).

### ***CPA Exam Pass Rates***

In Table 3 the overall CPA Exam pass rates for the five programs are reported. The information includes all candidates who reported attending a particular institution no matter the jurisdiction they sat for the exam. These pass rates are displayed according to the total number of sections attempted by each school's candidates, divided into sections passed and sections failed. Percentage passed was calculated in order to produce a universal number comparable by all five institutions. These numbers are a compilation of pass rates for the respective programs from 2005 through 2012. This information was obtained from the records of NASBA. In Table 3, Program One, Two and Three only offer bachelor's degrees in accounting while Program Four and Five offer master's degrees in accounting.

While Chi-square analysis with alpha of .05 does show a significant relationship between program attended and pass rates ( $p = .0094$ ), further analysis using Cramer's V Coefficient (.035) shows little if any association. Cramer's V Coefficient was also run on various subsets of the programs (e.g. all programs except Program One; Programs One, Two and Three only; Program One and Program Five only, etc.) but the Cramer's V Coefficient was never found to exceed .035.

Pass rates for the time period 2005 through 2012 were also broken down by exam section and are presented in Tables 4 – 7. The design of the tables are identical to that of Table 3 which was described previously. Chi-square analysis with alpha of .05 was conducted for each section. A significant relationship was found between program attended and pass rates for BEC ( $p = .0040$ ) and FAR ( $p = .0039$ ), but not for AUD ( $p = .1598$ ) and REG ( $p = .8022$ ). Once again the Cramer's V Coefficient (AUD = .047, BEC = .076, FAR = .077, REG = .025) for each exam section shows little if any association. Cramer's V Coefficient was rerun on each section of the exam for various subsets of the programs. Within the FAR section, the subset of Program 1 versus Program 5 reported the largest Cramer's V Coefficient of .090, which still indicates a weak association. Therefore, there is little evidence to support that college attended is a significant predictor of CPA exam pass rates.

At Program Two, Three, Four and Five students take more accounting and business courses than at Program One. In spite of this, college attended was not found to be a significant predictor of CPA exam pass rates so the hypothesis is not supported. Support for the hypothesis was not found even when obtaining the additional credits is structured (master's degree versus bachelor's degree plus additional credits).

### **Discussion and Conclusions**

In the State of Wisconsin, CPA exam candidates must obtain 150 credit hours within 60 days of sitting for the exam. Depending on the institution attended, this is between 22 and 30 hours beyond what is required to obtain a bachelor's degree. These additional hours can be obtained through a master's degree program or through additional

courses at the undergraduate level. It is up to each candidate what route to take and what topic areas the additional courses cover.

This study reviewed how students obtain their additional hours beyond a bachelor's degree at five separate institutions within Wisconsin. Two of the institutions offer master's degrees in accounting and the other three offer only bachelor's degrees in accounting. It was found that the additional hours beyond a bachelor's degree at the master's degree programs all support study of the topics covered by various sections of the CPA exam. At the institutions offering only bachelor's degrees in accounting, each institution displayed its own trend in the topics covered in the additional hours taken. Two programs reported significantly more hours of business courses and one program reported significantly more hours of physical education courses.

Program One is the smallest school so the difference may be an indication that fewer elective business courses are available than at the other schools. The pronounced number of physical education courses taken at Program One may be the result of the cost structure at the college. A full-time student pays the same tuition rate whether they take 16 (the normal load) or 18 credits a semester. Most of the two credit courses offered at Program One are in the physical education area.

The study found a significant relationship between CPA exam pass rates and institution attended. However, upon further analysis institution attended was found to be a poor predictor of overall CPA exam pass rates in spite of the fact that students at Program Two, Three, Four and Five take more accounting and business courses than students at Program One. Therefore, this study did not find evidence to suggest that the composition of the additional hours obtained beyond a bachelor's degree is a significant predictor of CPA exam pass rates.

This result may be partially due to the year-to-year variability in overall CPA pass rates for institutions. For example, during the time period 2005-2011 Program One had an average overall pass rate of 54.39% which is the highest among the three bachelor's degree programs in this study. The results from the 2012 exam for Program One were substantially lower which resulted in it having the lowest average for the period 2005-2012 reported in this study. Fluctuations such as this make it difficult to find one variable that is a significant predictor of overall CPA exam pass rates.

### **Limitations and Future Research**

Generalizing the results of this study must be done with caution due to its limitations. The sample size of the survey of the bachelor's degree only institutions (both number of participants and number of institutions) is small. The surveys were completed during class time in order to obtain a minimum number of responses, but perhaps an on-line survey of a broader pool of students and institutions may have led to different results.

Additionally, other factors such as GPA, SAT scores, age and gender might affect the results of this study. Controlling for these factors might lead to different results. Also, while the composition of the additional credits obtained beyond a bachelor's degree was not found by itself to be a significant predictor of CPA exam pass rates, perhaps when other factors are controlled it may be found to be a contributing factor. Future research should pursue these avenues.

Furthermore, the consideration of average exam scores versus pass rates as done in this study may lead to different conclusions. It is possible that the average exam scores of students may be affected by the composition of the additional credits taken beyond a bachelor's degree. Future research should pursue this topic.

It is also recognized that a candidate attending an institution that offers a master's degree in accounting may choose to graduate with a bachelor's degree and obtain additional credits through other avenues. Additionally, candidates that reported attending an institution that only offers a bachelor's degree in accounting may have obtained graduate level credits elsewhere.

Finally, it should be recognized that some institutions historically report significantly higher CPA exam pass rates. For example, in the State of the Wisconsin, the University of Wisconsin – Madison typically reports one of the highest pass rates in the country. It was excluded from this research so more comparable schools could be studied.

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**Appendix**

**Survey About Extra Credits Taken Beyond a Bachelor’s Degree to be Eligible to Sit for the CPA Exam**

1. Gender
 

	M	F		
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2. Year in College
 

	Freshman	Sophomore	Junior	Senior
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3. GPA in Major
 

	4.00 – 3.50	3.49 – 3.00	2.99 – 2.50	Below 2.49
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4. Overall GPA
 

	4.00 – 3.50	3.49 – 3.00	2.99 – 2.50	Below 2.49
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5. Please indicate the category that most accurately reflects your current career goals upon graduation.
 

Public Accounting	Industry	Government
Not-for-profit	Other	Not Sure
  
6. Please indicate whether you plan to sit for the CPA exam
 

Yes	No	Not Sure
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If Yes or Not Sure please proceed to Question 7. If No, your survey is complete. Thank you for your participation.
  
7. Please indicate whether you plan on taking a CPA exam review course.
 

Yes	No	Not Sure
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**Questions 8 – 12 are on the Next Page!**

**Survey About Extra Credits Taken Beyond a Bachelor’s Degree to be Eligible to Sit for the CPA Exam (continued)**

8. Please indicate the number of credits you have obtained or anticipate obtaining to reach the 150 credits necessary to be eligible to sit for the CPA exam.

	Additional Credits				
	>30-20	19-15	14-10	9-5	4-0
Accounting courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ethics courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical Education courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Please indicate how many additional credits were obtained through Advanced Placement tests taken before college, and if applicable, in which areas.

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10. If applicable, please indicate the area you expect to obtain a graduate degree in before sitting for the CPA exam.

Accounting                      Business                      Management                      Other \_\_\_\_\_  
 (please indicate)

11. If applicable, please indicate the area you expect to obtain an additional major (besides accounting) in before sitting for the CPA exam.

Business Administration                      Finance                      Economics                      Other \_\_\_\_\_  
 (please indicate)

12. If applicable, please indicate the area you expect to obtain a minor in before sitting for the CPA exam.

Business Administration                      Finance                      Economics                      Other \_\_\_\_\_  
 (please indicate)

**Thank You for Your Participation!**

**Table 1***Students Indicating Additional Credits Obtained or Expected to be Obtained in Business Courses*

	Additional Credits Obtained or Expected to be Obtained					Total Students Responding
	0-4	5-9	10-14	15-19	20-30+	
Program One	19	13	3	0	2	37
Program Two	3	6	1	4	3	17
Program Three	5	8	8	8	11	40

**Table 2***Students Indicating Additional Credits Obtained or Expected to be Obtained in Physical Education Courses*

	Additional Credits Obtained or Expected to be Obtained					
	0-4	5-9	10-14	15-19	20-30+	Total
Program One	15	18	4	0	0	37
Program Two	17	0	0	0	0	17
Program Three	37	3	0	0	0	40

**Table 3**  
*Overall CPA Exam Pass Rates 2005-2012 – All Sections*

	Number of Sections	Sections Passed	Sections Failed	Percent Passed
Program One	495	256	239	51.72%
Program Two	1,006	527	479	52.39%
Program Three	1,213	665	548	54.82%
Program Four	3,894	2,195	1,699	56.37%
Program Five	4,219	2,423	1,796	57.43%
Totals	10,827	6,066	4,761	56.03%

**Table 4**  
*Overall CPA Exam Pass Rates 2005-2012 – AUD*

	Number of Sections	Sections Passed	Sections Failed	Percent Passed
Program One	120	63	57	52.50%
Program Two	257	129	128	50.19%
Program Three	336	157	179	46.73%
Program Four	1,032	552	480	53.49%
Program Five	1,181	581	600	49.20%
Totals	2,926	1,482	1,444	50.65%

**Table 5**  
*Overall CPA Exam Pass Rates 2005-2012 – BEC*

	Number of Sections	Sections Passed	Sections Failed	Percent Passed
Program One	129	69	60	53.49%
Program Two	252	137	115	54.37%
Program Three	293	179	114	61.09%
Program Four	963	562	401	58.36%
Program Five	1,004	648	356	64.54%
Totals	2,641	1,595	1,046	60.39%

**Table 6**  
*Overall CPA Exam Pass Rates 2005-2012 – FAR*

	Number of Sections	Sections Passed	Sections Failed	Percent Passed
Program One	132	62	70	46.97%
Program Two	247	127	120	51.42%
Program Three	287	156	131	54.36%
Program Four	918	536	382	58.39%
Program Five	993	603	390	60.73%
Totals	2,577	1,484	1,093	57.59%

**Table 7**  
*Overall CPA Exam Pass Rates 2005-2012 – REG*

	Number of Sections	Sections Passed	Sections Failed	Percent Passed
Program One	114	62	52	54.39%
Program Two	250	134	116	53.60%
Program Three	297	173	124	58.25%
Program Four	981	545	436	55.56%
Program Five	1,041	591	450	56.77%
Totals	2,683	1,505	1,178	56.09%