

# Performance Of An Accountancy School In Certified Public Accountant Licensure Examinations In The Philippines

Romer C. Castillo

Batangas State University, Batangas City, Philippines  
[romercastillo@rocketmail.com](mailto:romercastillo@rocketmail.com)

**Abstract:** The study aims to present a trend analysis on the Certified Public Accountant (CPA) licensure examination performance of an accountancy school in the Philippines and compare this performance with those of other schools. The research method used is mostly quantitative, in which statistical tables and graphs were utilized as tools in the analysis. The data used in the analysis were taken from the website of a government agency in-charge of professional examinations. The schools considered for comparison were selected purposively: three competitor private schools in the city or nearby city, three state universities in the same region and three top performing schools in the country. Results show that the performance of the subject accountancy school in the CPA licensure examination was declining continuously in the past five years. Although it had still considerably good performances annually as evidenced by higher passing percentage compared to national passing percentage, the difference on the passing rates was also decreasing yearly. As compared to its competitor schools in the locality, its performance was best in 2012 but poorest in 2016. Among the four state universities in the region, it was ranked first in 2012 and second from 2013 to 2016. However, it was the only school among the ten schools considered here for trend analysis and comparison that had a continuous decline from 2012 to 2016. Further, the gap between its passing percentage and those of top performing schools was escalating yearly. It is suggested that the subject school should look for corrective measures to perform better in next examinations, retake the lead in the locality and region, and be at par with top performing accountancy schools in the country.

**Keywords:** accountancy, accounting education, certified public accountant (CPA), licensure examination

## 1. Introduction

Educational institutions are expected to prepare students for employment and for practice of profession [1]. As such, personality formation of a professional or specialist capable of creative thinking, self-development and innovation is an important mission of higher education [2]. The employability of graduates is also a major issue in higher education and the enhancement of employment prospect is the main reason why students invest in college education [3]. In the shift from input-based to outcomes-based higher education, there is a need to specify the learning outcomes that successful graduates should know and be able to do [4]. One academic program that prepares students both for employment and practice of profession is the accountancy or accounting education. However, before one can be gainfully employed in the accounting field or practice the profession as an accountant, there is a need to get a license through passing the licensure examination for certified public accountants. This examination is viewed as the ultimate test of competency and the mark of quality for all aspiring accountants [5]. As business methods and processes become more complex and with the proliferation of new tax regulations, financial accounting reports and auditing statements, businesses necessitate a variety of highly technical accounting services requiring well-educated individuals to deal with the increased government regulations [6]. The accounting profession truly plays a very important role in the world that is moving towards global market economies with investments and operations crossing borders [7]. The Philippine government duly recognizes the importance of accountants in nation building and hence, it develops and nurtures competent and well-rounded professional accountants through licensure examinations and regulatory measures [8]. The primary goal of accounting education in the Philippines is to produce competent

professional accountants capable of making contributions to the profession and society in which they work. It needs to provide a foundation of professional knowledge, skills and values for students for them to identify problems and apply appropriate ethical solutions in the future as professional accountants [7]. The practice of accountancy in the Philippines includes practice in public accountancy of those skilled and knowledgeable in accounting to render professional services as certified public accountant such as audit or verification of financial transaction and accounting records; preparation or certification for clients of reports of audit, balance sheet and other financial or accounting schedules, exhibits and statements; design, installation and revision of accounting system; preparation of income tax returns related to accounting procedures; representing clients before government agencies on tax and other accounting matters or rendering professional assistance; and recording and presenting financial facts or data. It also includes practice in commerce and industry of one involved in decision making requiring professional accounting knowledge or employment as certified public accountant; practice in education or academe as teacher of accounting, auditing, management advisory services, finance, business law, taxation and other technically related subjects; and practice in government as employee where civil service eligibility as certified public accountant is a requirement. All applicants for registration for the practice of accountancy are required to undergo a licensure examination to be given by the Board of Accountancy. The applicant must be a Filipino citizen; of good moral character; a holder of the degree of Bachelor of Science in Accountancy (BSA) conferred by a government-recognized educational institution; and has not been convicted of any criminal offense involving moral turpitude [8]. The curriculum for the BSA program puts emphasis on a professional accounting study that is long and

intensive enough to permit students to gain the professional knowledge required for professional competence. The professional accounting education consists of accounting, finance and related knowledge; organizational and business knowledge; and information technology knowledge and competencies. Preparing students for the certified public accountant (CPA) licensure examination is a subsidiary objective which should blend with the primary goal of preparing students for a successful long-term professional accounting career. After completion of the program and passing the CPA licensure examination, the graduates can pursue a career in any of the four major fields of accountancy: public practice, commerce and industry, government, and education [7]. The Professional Regulation Commission (PRC) is the agency established by the Philippine government to secure the nation of a trustworthy and progressive system of developing professionals with personal integrity, globally competitive, and committed to serve the nation and the community. It is responsible for the administration, implementation and enforcement of regulatory policies on the regulation and licensing of various professions [9]. Under the PRC is the Board of Accountancy that is responsible for the regulation and licensing of CPAs in the Philippines. The licensure examination for CPA covers the following subjects: Theory of Accounts, Business Law and Taxation, Management Services, Auditing Theory, Auditing Problems, Practical Accounting Problems I, and Practical Accounting Problems II. To be qualified as having passed the licensure examination for accountants, a candidate must obtain a general average of 75%, with no grades lower than 65% in any given subject [8]. Quite recently, the coverage of the CPA licensure examination had been revised to rationalize and integrate related subjects for better comprehension and more effective application of the theory into practice [10]. The revisions are as follows: reducing the number of subjects from seven to six, merging Auditing Theory and Auditing Problems into Auditing, distributing the topics in Theory of Accounts, Practical Accounting Problems I and Practical Accounting Problems II to Financial Accounting and Reporting and Advanced Financial Accounting and Reporting, segregating Business Law and Taxation into Taxation and Regulatory Framework for Business Transactions, and renaming Management Services by Management Accounting Services. The revised six subjects in the CPA licensure examinations are now Financial Accounting and Reporting, Advanced Financial Accounting and Reporting, Management Accounting Services, Auditing, Taxation, and Regulatory Framework for Business Transactions [5]. Graduates of professional accounting school or program in the Philippines should be capable of working effectively as entry level professional accountants and should have the capacity for growth to positions of increased responsibility. The total effectiveness of a school or program is to be evaluated in terms of the success of its graduates in obtaining employment and in advancing in their career as professional accountants. In addition, graduates of the BSA program should be capable of passing the CPA licensure examinations. Poor performance of the graduates in ten CPA licensure examinations within a period of five years could lead to the gradual phase-out and eventual closure of the school's accountancy program in accordance with the policies and procedures of the Commission on Higher Education (CHED) [7]. The quality of education of a school

or institution is based on a variety of performance measures which include graduation rates, degrees awarded, production and certification, academic progress of students and many more [11]. Accounting programs, as well, employ multiple measures to assess students' learning and evaluate the education provided [12]. Most of these measures are based on data gathered internally by reporting institution but in academic programs where external certification or professional examination is required, institutions include the exam pass rate as a success measure [11]. The accounting curriculum of most higher education institutions, however, is not geared towards preparing students solely for licensure examination; instead it provides an accounting education that prepares students for diverse careers [11]. It is unlikely that an adequate measure of the quality of accounting education is by the success of the graduates in the CPA licensure examination; nevertheless many believed that it is a good approximation [12]. Many institutions used the results of CPA licensure examination in claiming the quality of their accounting programs [12] – [15]. The traditional view of the CPA designation is that it denotes evidence of competency in the accounting practice [16]; CPA designation has been the hallmark of the accounting profession [17]. Moreover, Philippine higher educational institutions offering academic programs with licensure examinations must have good performance in such examinations; otherwise, offering of such program may be ordered to halt. In case of BSA program, poor performance of the graduates in ten CPA Board Examinations within a period of five years could lead to the gradual phase-out and eventual closure of the school's accountancy program in accordance with CHED's policies and procedures [7]. It is therefore a must for every institution offering accountancy program to monitor and evaluate its performances in the CPA licensure examinations. The present study is a quantitative analysis on the five-year performance in the CPA licensure examination of an accountancy school in the Philippines. It aims to present the performance trend of the subject accountancy school and compare such performance with the performances of competitor schools in the locality, of the schools with the same category in the region, and of the top accountancy schools in the country. It may also serve as baseline study for further and more specific analyses of the BSA graduates' performance in CPA licensure examinations.

## 2. Methods

This study is a quantitative trend analysis on the performance of an accountancy school in the Certified Public Accountant licensure examination in the Philippines. The five-year performance of the school from 2012 to 2016 was considered for this analysis. The performance of the subject school, which is a state university, was also compared to those of nine other selected accountancy schools in the Philippines. The nine schools considered for comparison were selected purposively. Three selected schools are the three leading private higher education institutions in the same city as the subject school or in the nearby city. The three other selected schools are three state universities in the region who had CPA licensure examinees for the past five years. And the last three are the top 3 performing schools in CPA licensure examinations for the period covered in the study. The data used in this study were taken from the website of the

Professional Regulation Commission, the government agency in-charge of the all professional examinations in the Philippines. The data were presented in tables and statistical graphs were also constructed through the use of Microsoft Office Excel program and utilized as aids in the analysis.

### 3. Results and Discussions

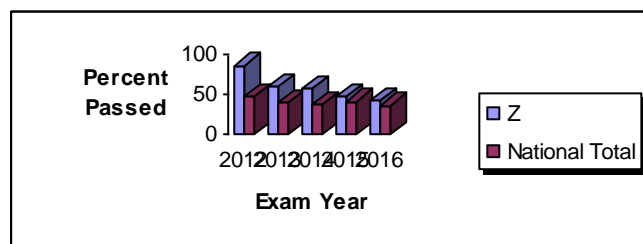
The CPA licensure examination in the Philippines is conducted twice a year in the months of May and October. In this study, however, only the October examinations were subjected to analysis since the regular annual graduates of most accountancy schools take the CPA exam during this month. Table 1 presents the performance in terms of passing percentage of selected accountancy schools for the past five years including the five-year total and the national passing

percentage. The number in parenthesis is the total number of examinees for the specified school and exam year. School Z is the subject school; schools A, B and C are the competitor private schools in the locality; schools D, E and F are the schools with the same category as school Z in the region with CPA examinees in the last five years; and schools G, H and I are the top performing accountancy schools in CPA examination in the Philippines. One measure of the school's licensure examination performance is by comparing its passing percentage with the national passing percentage. If the school's passing percentage is higher than the national passing percentage, then the school is said to be performing well.

**Table 1: Passing Percentage and Number of Examinees in CPA Licensure Examinations of Selected Philippine Accountancy Schools in the Past Five Years**

School	2012	2013	2014	2015	2016	Five-Year Total
Z	86.21% (29)	60.98% (41)	57.38% (61)	46.94% (49)	42.67% (75)	54.90% (255)
A	59.26% (54)	25.76% (66)	33.33% (66)	22.73% (22)	43.14% (51)	37.84% (259)
B	66.67% (15)	83.33% (18)	50% (4)	55.17% (29)	64% (25)	64.83% (91)
C	78.26% (46)	60.94% (64)	57.61% (92)	61.54% (117)	57.26% (117)	61.24% (436)
D	72.22% (18)	66.67% (21)	71.43% (28)	55.74% (61)	70.45% (44)	65.12% (172)
E	61.19% (67)	32.53% (83)	26.73% (101)	38% (100)	19.05% (126)	32.91% (477)
F	8.33% (24)	17.14% (35)	16.67% (30)	23.26% (43)	12.77% (47)	16.20% (179)
G	100% (94)	98.81% (84)	100% (90)	98.70% (77)	100% (69)	99.52% (414)
H	93.09% (405)	89.65% (367)	67.53% (77)	95.29% (382)	90.72% (388)	91.05% (1619)
I	100% (48)	92.86% (56)	90.48% (42)	90.11% (91)	88.66% (97)	91.62% (334)
Natio-nal Total	47.98% (9987 from 407 schools)	40.84% (10396 from 398 schools)	37.02% (11137 from 423 schools)	41.06% (13317 from 437 schools)	36.48% (14390 from 462 schools)	40.32% (59227)

Comparing the passing percentage of subject school Z with the national passing percentage, it is evident that school Z performed well in the past five years. School Z had a passing percentage which is 80% above the national passing percentage in 2012, 49% above the national passing percentage in 2013, 55% above the national passing percentage in 2014, 14% above the national passing percentage in 2015, and 17% above the national passing percentage in 2016. For the five-year total, the passing percentage of school Z is 36% above the national passing percentage. The disparity between school Z's passing percentage and the national passing percentage can be clearly seen in Figure 1.



**Figure 1: Comparing School Z's Passing Percentage and the National Passing Percentage from 2012 to 2016**

However, it is also noticeable from Table 1 and as shown in Figure 2 that there was a continuous decline of school Z's passing percentage from 2012 to 2016 while the national passing percentage is almost uniform in the past five years. It is also evident that the best performance in the past five years of school Z was 86.21% in 2012 and the worst was 42.67% in 2016 with a difference of 43.54% or a drop of more than 50% while the national passing percentage has a range of only 11.5% or a drop of 24% from 2012 to 2016. The

discrepancy between school Z's passing percentage and the national passing percentage also significantly decreased from a difference of 38.23% in 2012 to only 6.19% in 2016. Figure 2 also clearly shows the performance trend or passing percentage of school Z alongside with the national total.

same city and nearby city. The performances of four accountancy schools, which are considered competitors in terms of recruiting the best students in the locality for enrolment, were also ranked. The number in parenthesis given in Table 2 is the rank of a school in the specified exam year.

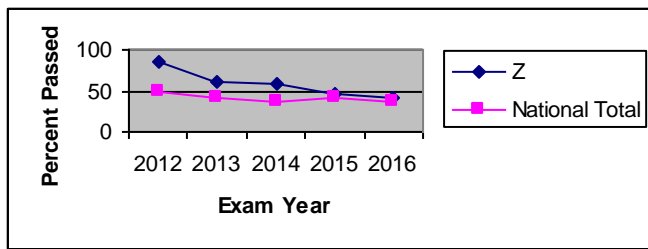


Figure 2: Comparing the Five-Year Performance Trend of School Z with the National Total

In Table 2, the yearly and five-year total passing percentage of subject school Z, which is a public or state university, were compared with the passing percentage of competitor schools A, B and C, which are private universities in the

Table 2: Comparing and Ranking the Performances of Subject School Z and Nearby Competitor Schools

School	2012	2013	2014	2015	2016	Five-Year Total
Z	86.21% (1)	60.98% (2)	57.38% (2)	46.94% (3)	42.67% (4)	54.90% (3)
A	59.26% (4)	25.76% (4)	33.33% (4)	22.73% (4)	43.14% (3)	37.84% (4)
B	66.67% (3)	83.33% (1)	50% (3)	55.17% (2)	64% (1)	64.83% (1)
C	78.26% (2)	60.94% (3)	57.61% (1)	61.54% (1)	57.26% (2)	61.24% (2)

It is very evident from Table 2 that the subject school Z started as the best performer in 2012 among the four competing schools in the locality but ended as the poorest performer in the 2016 examination. School B on the other hand, which is only rank 3 in 2012, became the top performing among the four neighboring schools in 2016 and in the five-year total. From Figure 3, it can be seen further that only school Z has a continuous decline of passing percentage from 2012 to 2016.

universities located in the same region as school Z. The performances of these four state universities offering accountancy programs in the region were also ranked. The number in parenthesis given in Table 3 is the rank of a school in the specified exam year.

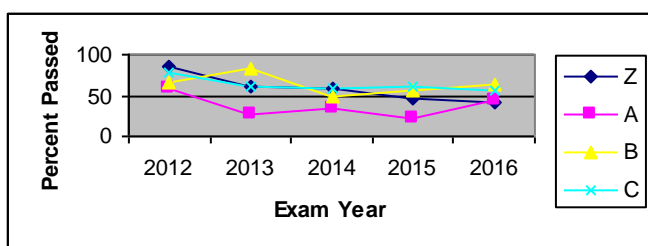


Figure 3: Performance Trends of School Z and Its Competitor Schools in the Locality

In Table 3, the yearly and five-year total passing percentage of subject school Z were compared with the passing percentage of schools D, E and F, which are also state

Table 3: Comparing and Ranking the Performances of Subject School Z and Schools with the Same Category in the Region

School	2012	2013	2014	2015	2016	Five-Year Total
Z	86.21% (1)	60.98% (2)	57.38% (2)	46.94% (3)	42.67% (4)	54.90% (3)
A	59.26% (4)	25.76% (4)	33.33% (4)	22.73% (4)	43.14% (3)	37.84% (4)
B	66.67% (3)	83.33% (1)	50% (3)	55.17% (2)	64% (1)	64.83% (1)
C	78.26% (2)	60.94% (3)	57.61% (1)	61.54% (1)	57.26% (2)	61.24% (2)



Z	86.21% (1)	60.98% (2)	57.38% (2)	46.94% (2)	42.67% (2)	54.90% (2)
D	72.22% (2)	66.67% (1)	71.43% (1)	55.74% (1)	70.45% (1)	65.12% (1)
E	61.19% (3)	32.53% (3)	26.73% (3)	38% (3)	19.05% (3)	32.91% (3)
F	8.33% (4)	17.14% (4)	16.67% (4)	23.26% (4)	12.77% (4)	16.20% (4)

As shown in Table 3, the subject school Z was the 2012 CPA licensure examination best performer among the four state universities in the region that have examinees in the last five years. But in 2013 until 2016, school Z was only second to its closest rival school D, which was on top among the state universities in the last four years and in the five-year overall standing in the region. Further, it is evident that in 2012 school Z's passing percentage is 19% above school D's passing percentage but this was overturned in 2016 where school D's passing percentage is an overwhelming 65% above school Z's passing percentage. In addition, Figure 3 shows that although school Z has still far better performance than two other state universities in the region throughout the five-year period, it is again the only school among the four that has registered a continuous decline of passing percentage from 2012 to 2016.

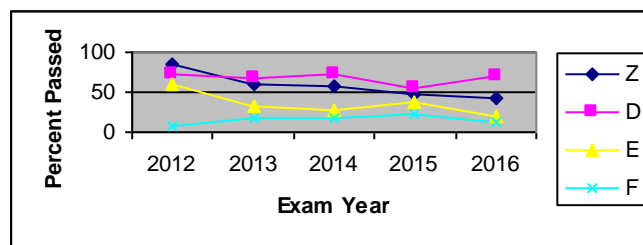


Figure 4: Performance Trends of School Z and Schools with the Same Category (State University) in the Region

Table 4 has the yearly and five-year total passing percentage of subject school Z compared with the passing percentage of schools G, H and I, which are the top three performing accountancy schools in the CPA licensure examination in the Philippines. As per PRC Resolution 2010-547, series of 2010, the top performing schools in CPA licensure examinations from 2012 to 2016 are those with 50 or more examinees and at least 80% passing percentage [18]. The performances of the four schools included here were also ranked and the number in parenthesis given in the table is the rank of a school in the specified exam year.

Table 4: Comparing and Ranking the Performances of Subject School Z and the Top Performing Accountancy Schools in the Country

School	2012	2013	2014	2015	2016	Five-Year Total
Z	86.21% (4)	60.98% (4)	57.38% (4)	46.94% (4)	42.67% (4)	54.90% (4)
G	100% (1)	98.81% (1)	100% (1)	98.70% (1)	100% (1)	99.52% (1)
H	93.09% (3)	89.65% (3)	67.53% (3)	95.29% (2)	90.72% (2)	91.05% (3)
I	100% (2)	92.86% (2)	90.48% (2)	90.11% (3)	88.66% (3)	91.62% (2)

For the past five years, school G is the best performing school in the CPA licensure examination with a passing percentage of 98.7% to 100%. School Z, although with a passing percentage of 86.21% in 2012, was not awarded as a top performing school because it had only 29 examinees. School H only missed to be listed as a top performing school in 2014 with just 67.53% and School I was not also considered as top performing school in 2012 and 2014 due to less than 50 examinees. There are other few schools that were awarded as top performing schools in the last five years but only the top 3 schools in overall or five-year total were included in Table 4 for analysis and comparison with the performance of subject school Z. It has to be noted that school Z's passing percentage in 2012 is just 8% below the passing percentage of rank 3 school. However, in 2016, school Z's passing percentage is 108% below the passing percentage of rank 3. The increasing gap between the passing percentage of school Z and the passing percentage of the top

performing schools from 2012 to 2016 can be clearly observed in Figure 5.

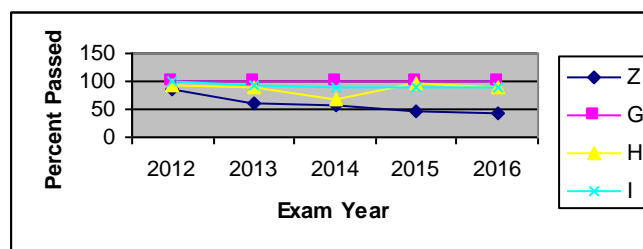


Figure 5: Performance Trends of School Z and the Top Performing Accountancy Schools in the Country

#### 4. Conclusions

The annual performances in the Certified Public Accountant licensure examination of the subject accountancy school were still considerably good since the school's passing percentage is always higher than the national passing percentage in the past five years. However, the continuous decline of the school's performance and the narrowing gap of its passing percentage from the national passing percentage may cause an alarm. In addition, the performances of the competitor private schools in the locality had also overtaken the performance of the subject school, which is a state university. Moreover, the subject school's closest rival state university in the region had also taken the lead in CPA licensure examination performance and such lead is rising. This is aside from the fact that the passing percentage of the top performing accountancy schools in the country is now way above the passing percentage of the subject school. Remedial measures are therefore necessary if the subject accountancy school wants to retake the lead in the locality and in the region and to be at par with the top performing schools in the Philippines. Further analyses on the CPA licensure performance of the subject school should be seriously considered. Future studies should include the determination of specific factors that lead to the declining performance and how such may be corrected.

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#### Author Profile



**Dr. Romer C. Castillo** received his PhD degree in Education major in Mathematics from University of

Batangas in 2017. He has also earned B.S. and M.S. degrees in Mathematics, respectively, from Batangas State University in 1994 and from University of Batangas in 2010. He was a former Municipal Information Officer of Bauan, Batangas and started his academic career only in 2008 as mathematics instructor at Batangas State University, where he is still connected up to present as assistant professor of mathematics, statistics and research, both in the undergraduate and graduate divisions of the College of Accountancy, Business, Economics and International Hospitality Management.