

# **AACSB Standards: Assessment of a Finance Program**

**Nell S. Gullett, The University of Tennessee at Martin**  
**Arnold L. Redman, The University of Tennessee at Martin**

## **ABSTRACT**

*The Association to Advance Collegiate Schools of Business (AACSB) standards for continuous program improvement require the development of a program assessment process. In collaboration with students and employers of graduates, the faculty developed six learning goals for the graduates of our College which support both the College and campus mission statements. One of our goals is for graduates to demonstrate competence in their respective majors. In this paper, we describe the development and current status of our process for assessing the competence of undergraduate students majoring in finance. Additionally, we discuss changes in pedagogy that have resulted from the assessment of our graduates.*

## **INTRODUCTION**

The accreditation standards of the Association to Advance Collegiate Schools of Business (AACSB) International are designed to result in the continuous improvement of the business program. Collaboration among students, employers of graduates, administrators, and faculty across all business disciplines is required to maximize the benefits and success of the process. At The University of Tennessee at Martin, all of the stakeholders named have contributed and participated in the College of Business and Global Affairs assessment program.

The faculty developed six learning goals for the graduates of our College. The goals support both the College and campus mission statements. One of our goals is for graduates to demonstrate competence in their respective majors. In this paper, we describe the development and current status of our process for assessing the competence of undergraduate students majoring in finance. Additionally, we discuss changes in pedagogy that have resulted from our assessment of our graduates.

## **LITERATURE REVIEW**

The AACSB standards adopted in 2003 focus on continuous program improvement and assurance of learning, and schools of business are accountable for student learning. Since the adoption of the current standards, accredited business programs and business programs seeking accreditation have responded by fleshing out the standards with actual practices.

Black and Duhon (2003) discuss the effective use of the Educational Testing Service's Major Field Test in Business for assessment of business programs. Additionally, suggestions for the use of assessment results for improving student performance are offered.

Ammons and Mills (2005) describe a process for assessing the ability of students to integrate their academic knowledge from across the business disciplines. Zhu and McFarland (2005) present a conceptual model that includes both program assessment and use of assessment results for the continuous improvement of business programs. Their model includes two necessary elements: (1) degree program learning goals and (2) measures of learning accomplishments.

Papers by Martell (2007) and Pringle and Michel (2007) provide survey results of current practices as business programs develop assessment processes to meet the assurance of learning standards. Martell finds that undergraduate programs have achieved more progress than MBA programs. Pringle and Michel's results reveal the "work in progress" nature of assessment program development. More recently, Gardiner, Corbitt, and Adams (2010) provide specific guidance on how to go about meeting the requirements.

The literature describing assessment processes used within specific business disciplines or majors is fairly limited. Nicholson, Barnett, and Dasher (2005) conducted a survey to identify the methods of assessment used by marketing programs. Of the 137 responses, 72 percent (or 99 respondents) indicated an assessment beyond the evaluation of student performance within courses occurred in marketing programs. However, 65 percent of the respondents indicate assessment data is collected from students only. Sampson and Betters-Read (2008) provide comprehensive models for review and assessment of marketing programs.

The assessment of student performance in a specific accounting course is described by Daigle, Hayes, and Hughes (2007). Multiple direct and indirect measures are used to determine student proficiency in an introductory Accounting Information Systems course.

However, a discussion of the assessment of outcomes has not appeared in the financial education literature. The principal contribution of our paper is the presentation of a discussion of the process our finance faculty has followed. The process we have applied may be useful in guiding other finance faculties in the designing their assessment programs.

## **PURPOSE**

This paper describes the evolution of the process in place to assess the finance program at The University of Tennessee at Martin (UTM). Additionally, we will discuss our efforts to close the loop which were triggered by our analysis of assessment outcomes. Finally, we will share plans for improving and completing the process in the future.

## **FINANCE PROGRAM ASSESSMENT DEVELOPMENT**

The faculty of the College of Business and Global Affairs at UTM worked throughout 2006 and identified the following six BSBA expected outcomes for graduates.

1. Demonstrate an understanding of the global aspects of business.
2. Demonstrate an understanding of the ethical aspects of business.
3. Demonstrate competence in appropriate technology in business.
4. Demonstrate effective verbal and written communication skills.
5. Demonstrate an understanding of the business core.

## 6. Demonstrate competence in their major.

Procedures for assessing outcomes one through five were developed by the College Assessment Committee with approval by the College faculty. The Assessment Committee requested that faculty members within each discipline design the processes for assessing the “competence in the major” outcome for each of the six majors (accounting, economics, finance, information systems, management, and marketing).

All faculty disciplines decided to assess the competence of their majors through an exit exam administered to seniors during the semester of graduation. All faculty disciplines were unable to identify appropriate external standardized exams for this purpose; therefore, exit exams were developed internally by the faculty in the discipline for each of the six majors. The finance faculty determined that the exit exam for finance majors should include the topic coverage of the four finance courses in the major (Intermediate Managerial Finance, Investment Analysis, International Finance, Financial Markets and Institutions). One faculty member volunteered to write the exam. He has five years of professional experience with the Chartered Financial Analyst Institute and was involved in CFA exam development. Resources used to develop the finance exit exam included course descriptions, syllabi, and textbook test banks for the four required finance courses. The exam consists of 50 multiple choice questions, and each question was tagged to a specific required finance course with a fairly equal distribution of questions to each of the four courses. Approximately one third of the questions require calculations in order to arrive at the correct response. Finance faculty members did not review the exam at this time. It was first administered during the spring 2007 semester.

Finance faculty met during the spring 2008 semester to discuss the results for spring 2007, summer 2007, and fall 2007. For spring 2007, 17 students took the exam and averaged 46 percent. For summer 2007, four students took the exam and averaged 56 percent. For fall 2007, 27 students took the exam and averaged 49 percent. Finance faculty resisted the impulse to revise the exit exam at this time without further information. Faculty learned students were not aware they were allowed to use their financial calculators. Effective spring 2008, students were instructed to bring their financial calculators. Also, a formula page was included with the exam.

The exit exam administration procedure for all business majors was also revised at this time. Prior to fall 2008, each major exit exam was scheduled independently on a week-day during the second half of the semester. All graduating seniors were required to take the exam. Invariably, some students always had legitimate conflicts with the date and time. Effective fall 2008, all seniors in business take the exit exams for their majors as part of the capstone course, Business Policy. This course is required for all business majors, and only graduating seniors are allowed to enroll. The course credit hours were increased from 3 to 4 hours to accommodate the added testing component. Prior to fall 2008, there were no consequences as a result of the student’s exit exam results. Effective fall 2008, the student earns bonus points for the Business Policy course if his or her score was above the median for the discipline. The bonus points are awarded on a graduated scale -- more points for higher scores.

During the fall 2008 semester, the finance faculty members again analyzed the exam results. Overall, scores did not improve when students were instructed to use financial calculators and formula pages were provided. Results for each administration were provided by question and by required course. Additionally, cumulative results by question and course were also provided. All test questions missed by more than half of all students who had taken the exam were identified. Gaps were discovered in topic coverage in the four required finance courses. For example, an in-depth discussion of dividends was not covered in any of the four

required courses. Additionally, some questions were incorrectly tagged to courses that did not cover the material addressed by the questions.

## **CLOSING THE LOOP**

Through a series of meetings throughout 2008-09, finance faculty members defined the finance major's body of knowledge, a complete list of topics the required finance courses in the finance major should cover. Next, the topics were assigned to one or more of the four required courses to insure no gaps in topic coverage. Finally, two levels of topic coverage were defined – Familiar and Proficient. If the goal is to familiarize students with a particular topic, the coverage will be general and introductory. Topic coverage for proficiency will require more class time and will be more detailed and in-depth. For example, two of the topic areas included in the body of knowledge are: (1) Divisional or Project Costs of Capital and (2) Capital Asset Pricing Model. Both topics are covered in our Intermediate Managerial Finance course. The goal is for students majoring in finance to be familiar with the concept of Divisional or Project Costs of Capital, but proficiency is desired with the Capital Asset Pricing Model.

During 2009-10, the course descriptions and syllabi for the four required courses were revised to reflect the changes in the topic coverage. The university catalog will reflect the new course descriptions effective fall 2010.

## **COMPLETING THE PROCESS**

The average composite score for all students who have taken the exam since spring 2007 is 47 percent. Effective fall 2010, the required finance courses will reflect the revised course descriptions and topic coverage. It is hoped future exam results will improve. Additionally, the finance faculty will review the exit exam questions during the 2010-2011 academic year to determine if revisions are needed. First, we will insure that each exam question addresses a topic actually covered in at least one required course. Second, we will insure that majority of exit exam questions address topics the finance faculty members have indicated the student should be proficient in. Additionally, the wording of questions will be changed for clarity as needed. Finally, questions will be correctly tagged to required courses, and the questions will be distributed equally across the four required courses.

At the beginning of this process in 2006, there was skepticism regarding the “assessment” and “continuous improvement” requirements. Some felt these were the hoops one must jump through to achieve AACSB accreditation. The members of UTM's finance faculty have not changed since 2006, but our attitudes regarding assessment and continuous improvement have. At this point in the process, all finance faculty members agree the complete review and program overhaul has been an eye-opening and beneficial undertaking, both for our students and for us.

## **CONCLUSION**

The finance major at UTM is a more cohesive program today as a result of the assessment efforts which began in 2006. Our process consisted of the following steps:

1. developed exit exam,
2. administered exit exam over several semesters,
3. analyzed exam results,

4. defined the 'body of knowledge' or topic coverage for the major,
5. matched topics to required finance courses, and
6. revised finance course descriptions and syllabi.

During the 2010-11 academic year, the finance exit exam questions will be revised to complete this assessment cycle.

The good news is, we did the right things. The bad news is, the job is not finished. As the term "continuous improvement" implies, the job will never be finished. In order to offer a finance program that is current, there will be an ongoing need to evaluate the body of knowledge to determine if and when changes in topic coverage are merited. In order to do so, routine input from graduates, employers of graduates, and graduate programs regarding appropriate topic coverage in the finance major will be needed. When changes are made in the body of knowledge, course descriptions and syllabi will require revision to close the loop.

Exam results will be analyzed periodically. In addition to a review of overall exam results, specific question results will also be reviewed to identify topics students continue to struggle with. Instructors of the courses that cover these topics may use this information to revise methods of presenting the material.

"Continuous improvement" does not apply to just the finance program. It should also apply to the finance program assessment process. The finance faculty members must also seek to improve the methods for assessing the program. For example, collecting information from graduates, employers of graduates, and graduate programs regarding topic coverage had been done on an informal, ad hoc basis. Although this has yielded good information, a more formalized process should be developed and implemented to improve the assessment process.

An area in the finance program assessment process that has not yet been finalized is the exit exam benchmark. What result indicates program success? Other disciplines have identified an average exit exam score as a benchmark. For example, a faculty discipline might choose 70 percent as the benchmark score. Cohort average scores higher than the benchmark score of 70 percent represent success. The finance faculty has discussed establishing two benchmarks. First, an exit exam score benchmark would be determined. Additionally, a benchmark percentage of the student cohort meeting or exceeding the exit exam score benchmark would serve as a second metric of program success.

Possible future program changes we are considering as a consequence of our program assessment and strategic plan is to refine the choice of accounting courses required in our major. Currently, finance majors must take 3 hours beyond accounting principles and choose a course from a short list of courses (intermediate financial accounting, managerial accounting, and personal taxation). We are considering requiring our majors to take intermediate accounting because of the feedback from our business advisors and past performance in accounting segment of the exit exam. The motivation has been to strengthen the accounting background of our majors to make them more competitive in the job market. We are also considering requiring an upper division contracts course (taught under business law) to give our majors exposure to contracts, agency law, and basic legal concepts that the accounting majors now receive. As part of the current strategic planning process being undertaken by the accounting faculty, we will consider requiring finance majors to take an introductory course in accounting information systems that will emphasize database programs (Access) and spreadsheet applications (Excel). We are also in the process of evaluating the addition of an Excel applications course to our program and some form of a capstone course for our majors. These actions will move our finance program into closer alignment with the accounting program and strengthen the

accounting and spreadsheet preparation that employers have come to require. As a result of the work the finance faculty members have done, we have united the program assessment process and the longer-term strategic planning process our College of Business has undertaken as part of AACSB accreditation.

Finally, it is also worth noting that the Tennessee Higher Education Commission has recently announced plans to overhaul its funding formula. Currently, funding for institutions of higher education in Tennessee is input based or enrollment driven. Future funding would be determined through an output-based model, and appropriate output measures must be identified. Graduation rates and retentions rates have been suggested, but academic program exit exam results might also be included as appropriate outcome measures.

## REFERENCES

Ammons, Janice L. and Sherry K. Mills (2005), "Course-Embedded Assessment for Evaluating Cross-Functional Integration and Improving the Teaching-Learning Process," *Issues in Accounting Education*, 20 (February), 1-19.

Black, H. Tyrone and David L. Duhon (2003), Evaluating and Improving Student Achievement in Business Programs: The Effective Use of Standardized Assessment Tests," *Journal of Education for Business*, 79 (November/December), 90-98.

Daigle, Ronald J., David C. Hayes, and K. E. Hughes (2007), "Assessing Student Learning Outcomes in the Introductory Accounting Information Systems Course Using the AICPA's Core Competency Framework," *Journal of Information Systems*, 21 (Spring), 149-169.

Gardiner, Lorraine R., Gail Corbitt, and Steven J. Adams (2010), "Program Assessment: Getting to a Practical How-To Model," *Journal of Education for Business*, 85 (January/February), 139-144.

Martell, Kathryn (2007), "Assessing Student Learning: Are Business Schools Making the Grade?" *Journal of Education for Business*, 82 (March/April), 189-195.

Nicholson, Carolyn Y, Stephen T. Barnett, and Paul E. Dasher (2005), "Curriculum Assessment in Marketing Programs: Current Status and Examination of AACSB Core Standards at the Program Level," *Marketing Education Review*, 15 (Summer), 13-26.

Pringle, Charles and Mitri Michel (2007), "Assessment Practices in AACSB-Accredited Business Schools," *Journal of Education for Business*, 82 (March/April), 202-211.

Pritchard, Robert E., Gregory C. Potter, and Michael S. Saccucci (2004), "The Selection of a Business Major: Elements Influencing Student Choice and Implications for Outcomes Assessment," *Journal of Education for Business*, 79 (January/February), 152-156.

Sampson, Susan D. and Bonita L. Betters-Read (2008), "Assurance of Learning and Outcomes Assessment: A Case Study of Assessment of a Marketing Curriculum," *Marketing Education Review*, 18 (Fall), 25-36.

Zhu, Faye X. and Daniel McFarland (2005), "Towards Assurance of Learning in Business Programs: Components and Measurements," *The Journal of the American Academy of Business*, 7 (September), 69-72.