

## Fall 2007 LDC Exam Results --Financial Accounting

This brief report describes how well fall 2007 BUS 302L students performed on their *first* take of the financial accounting exam. These results offer some insight into which of the top ten concepts junior-level business students find most difficult.

Roughly 1,007 students enrolled in BUS 302L during the fall 2007 semester. Table 1 contains the top ten concepts for financial accounting. Table 2 provides a breakdown of the LDC exam by topic number and level of question difficulty.

Table 1. Top Ten Concepts in Financial Accounting

Topic Number	Financial Accounting Concept
1	Define and articulate the three basic financial statements.
2	Identify the usefulness and relevance of the three basic financial statements.
3	Know the basic concepts underlying financial reporting (e.g. consistency, verifiability . . .).
4	Know how to record and read a simple business transaction relative to the basic accounting equation.
5	Compute cash flow and GAAP income on a set of transactions.
6	Know the different measurement concepts or valuation basis for Assets, Liabilities, Owners equity and Income.
7	Compute the time value of money.
8	Understand the timing of revenue and expense recognition.
9	Define and compute liquidity, solvency, and profitability ratios.
10	Define and calculate depreciation and amortization.

The third and fourth columns in Table 2 indicate the number of student responses and the percentage of responses that were correct. For example, row one shows that students answered 169 questions on topic 1 with a level one difficulty *and* that 72.4 percent of those answers were correct.<sup>1</sup>

The level of question difficulty is determined by the accounting faculty who developed the exam questions. Only three topics (1, 2, and 7) have more than one level of difficulty. As expected, Table 2 shows a lower percentage of correct responses for the more difficult questions (with the exception of topic 7).

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<sup>1</sup> Recall that each LDC exam has 16 questions and only 10 topics. Thus, it is possible for the number of student responses to be greater than the number of students who took an LDC exam.

Table 2. LDC Financial Accounting Results by Topic and Question Difficulty

Topic Number	Question Difficulty	Number of Student Responses	Correct Answers (percent)
1	1	169	72.4
1	2	1,459	62.0
2	1	202	61.2
2	2	1,426	59.9
3	2	814	56.8
4	2	814	48.1
5	2	814	37.1
6	2	1,628	35.2
7	1	155	50.1
7	2	1,473	57.9
8	2	814	53.1
9	2	1,628	43.3
10	2	1,628	51.6

Since seven of the ten topics provide only one level of question difficulty, the LDC exam results are displayed by topic only in Table 3.

Overall student performance is fairly poor on the financial accounting exam. For example, the percentage of correct answers by topic range from a high of only 63.1 to a low of 35.2.

Table 3 indicates that student performance is highest on topics 1 and 2 where they correctly answered more than 60 percent of the questions. Students appear to have the greatest difficulty on topics 5 and 6 where they answered less than 38 percent of the questions correctly.

A p chart was used to investigate whether the percentage of correct answers differs significantly among the topics. The results are shown on the following page in Figure 1. The p chart reveals that 51.0 percent of all questions on the financial accounting exam are answered correctly. However, topics 1, 2, 3, and 7 are significantly above this overall percentage, while topics 5, 6, and 9 are significantly below it. Topics 4, 8, and 10 vary from the overall percentage but the differences are not statistically significant.

If the LDC exam questions are a fair indicator of student knowledge, then lower-division financial accounting instructors may need to devote more time to topics 5, 6, and 9.

Table 3. LDC Financial Accounting Results by Topic Only

Topic Number	Number of Student Responses	Correct Answers (percent)
1	1,628	63.1
2	1,628	60.0
3	814	56.8
4	814	48.1
5	814	37.1
6	1,628	35.2
7	1,628	57.1
8	814	53.1
9	1,628	43.3
10	1,628	51.6

Figure 1. P Chart of the Percentage of Correct Answers by Topic

