

**JAPANESE BUSINESS SCHOOLS AS *SENMON GAKKŌ*,  
WITH SPECIAL REFERENCE TO THE U.S. CPA EXAMINATION**

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In April 2001, the Japanese accounting system officially adopted the International Accounting Standards, which greatly resemble U.S. standards. This long-anticipated change, along with the rapid globalization of business transactions in Japan over the last decade, increased the value of the American Certified Public Accountant (CPA) designation in Japan, hereafter called U.S. CPA, and prompted aspiring Japanese accountants to take the U.S. CPA examination instead of, or in addition to, the much more difficult Japanese CPA exam. As a result, Japanese applicants for the CPA examinations in such states and territories as Alaska, Hawaii, and Guam have far outnumbered American applicants in recent years.

Unlike Japanese CPA designations, which are nationally administered, their American counterparts are administered by individual states. Although the exam questions and dates are the same throughout the U.S., qualifications for taking the CPA examination, as well as those for certification and licensing, vary considerably among states.

Moreover, unlike Japanese examinations, which can be taken by all aspirants irrespective of their educational background, CPA examinations in the U.S. are typically open only to those who have earned at least a bachelor's degree and a considerable number of course credits in accounting and business. Some states are more demanding than others. As a result, in the U.S., it is primarily colleges and universities that provide essential preparations needed for the CPA examination.

On the other hand, the Japanese specialist training schools, not colleges and universities called *daigaku* but rather *senmon gakkō*, provide education and training for a variety of accountants, including *zeirishi* (licensed Tax Accountants or Enrolled Agents) and *konin-kaikeishi* (Certified Public Accountants). These schools are attended not only by fresh high school graduates, but also by *daigaku* students (which is called "double schooling") and other adults. It is said that over the years these schools have produced more than 90% of all CPAs in Japan.

Ironically, American examination boards do not recognize *senmon gakkō* course credits towards the qualification to sit the CPA examination. Another irony is that although the U.S. CPA administrators recognize course

credits from Japanese universities, the latter cannot flexibly offer accounting and business courses to meet the general public demand.

In these circumstances, some accountant training centers or schools legally operate as business corporations, rather than educational institutions, and have begun to spring up and establish ties with U.S. universities, offering their courses in Japan which count toward the qualification to sit the CPA examination. To meet the competition, traditional accounting schools operating as *senmon gakkō* have been forced to follow suit. Linking with the American universities enables students to accumulate enough credit hours as quickly as possible to qualify for the U.S. CPA examination. It would not be surprising to find some questionable practices (e.g., the replacement of English with Japanese as a teaching language, fewer class-contact hours, and simpler test questions).

This paper contends that better approaches should be followed to address the issues of the U.S. CPA examination for the Japanese. The most logical and practical approach is to have *senmon gakkō* credits counted as collegiate credits by American examination boards. A second logical but less practical approach would be to encourage Japanese universities and junior colleges to process student admissions and course offerings on a quarterly or semester basis. Other approaches involve some structural reforms of the Japanese education system.

The paper will discuss the characteristics of the Japanese education system in the above context; delineate the Japanese *senmon gakkō* with special attention to business schools; elaborate on issues surrounding the U.S. CPA examination for Japanese applicants; and explore solutions and policy implications.

### **Japanese Educational System and Its Characteristics: A Review**

The present Japanese education system, which was installed after the end of World War II on the basis of recommendations by American experts, is called the “6-3-3-4 system.” The numbers signify 6 years of elementary school, 3 years of middle school (lower secondary education), 3 years of high school (upper secondary education), and 4 years of university (*daigaku*), in which the first nine years are compulsory. In addition to educational institutions that correspond to the 6-3-3-4, other schools exist, which include nursery schools, kindergartens, specialist training schools (*senshū gakkō* and *senmon gakkō*), 2-year junior colleges (*tanki daigaku*), graduate schools, and other miscellaneous schools, including those which are

operated as a business for profit. It should be noted that larger firms and organizations typically provide extensive in-house education and training programs to their employees.

Although high school education is not compulsory, nearly all middle school graduates enter high school (e.g., 96% in 2000), and more than 90% of high school entrants complete their education. Of high school graduates, approximately 50% (e.g., 49% in 2000) enter a 4-year university (40%) or junior college (9%), and approximately 20% (e.g., 21% in 2000) enter a specialized training school.

Despite the historical background of adopting American recommendations, the Japanese education system differs from the U.S. system in many ways. Some of the Japanese characteristics linked directly or indirectly to the theme of this paper are discussed below.

First, Japan's highly competitive entrance examinations, given every spring, determine who can enter which college or university. No other period of examination or admission exists. Since their success in a career, as well as social prestige, is significantly influenced by the university they graduate from, many ambitious high school graduates study one or more years, typically at preparatory schools called *yobiko*, aiming for a top-level university instead of entering into what they consider a mediocre institution. For this reason, the Japanese education system is sometimes called the 6-3-3-X-4 system.

Second, to enter a prestigious university, students must study at a first-class high school. Since high school education is not compulsory, which school students can enter is determined by an entrance exam. As a result, pressures and incentives for academic excellence, which already begin at the elementary school level, become increasingly strong during the middle school period (7-9<sup>th</sup> grades). For this reason, additional schools for study purposes (afternoons, evenings, and holidays), generally called *juku*, are prevalent all over Japan.

Third, the number of annual K-12 school days is significantly larger in Japan than in the U.S. The rule of thumb has been 240 days per year in Japan and 180 days per year in the U.S., causing a difference of 60 days per grade or 720 days for grades 1-12 (i.e.,  $60 \times 12 = 720$ ). These figures mean that the average Japanese high school graduate has studied four more years than the average American high school graduate ( $720/180=4$ ). It is reasonable to say, without even referring to the amount of homework and International Education Assessment (IEA) findings on comparative

competency in mathematics and science, that the average Japanese high school graduate has the educational background of an American student at the end of the college sophomore year in basic subjects such as mathematics, national language, foreign language, and natural and social sciences.

Fourth, the Japanese system of higher education provides less choice and flexibility to students than the American system. Japanese *daigakusei* (college and university students) must declare their major field of study at the time of their admission application and cannot easily alter the field after matriculation. It is nearly impossible for students to transfer from one *daigaku* to another of equal quality. For example, if a student majoring in psychology changes his or her mind and wishes to study accounting or engineering, opportunities are very limited. Moreover, a typical collegiate course lasts for an academic year, not a semester or a quarter, requiring a greater degree of commitment.

Fifth, although tradition has changed substantially, there is a division of function between universities and specialist training schools. The former are expected to teach theories and principles, and the latter are to teach practical market-oriented skills. Thus, qualifications in many fields earned at colleges and universities in the United States are typically acquired at *senmon gakkō* in Japan.

Sixth, Japanese laws and regulations governing education administration provide far less flexibility to *senmon gakkō*, *tanki daigaku*, and *daigaku*. It is extremely difficult for a *senmon gakkō* to acquire the status of *daigaku* or to merge with a 2-year or 4-year college. Similarly, it is very difficult for *daigaku* or *tanki daigaku* to admit students a few times out of the year and offer courses on a semester or quarterly basis.

Finally, English education in Japan is unbalanced. Typically, Japanese students learn English 4 to 5 hours per week in middle school and in high school. After six years of study, and some more in college, they still can hardly converse in English. Although the imbalance has been steadily reduced, the Japanese education system still emphasizes written communication, particularly reading comprehension, over oral communication. It is quite possible that many Japanese who can read Shakespeare or pass the U.S. CPA examination can barely hold a simple English conversation.

### ***Senmon Gakkō* in Japan**

Some books have been published and many articles have been written in the U.S. about the Japanese education system. These publications typically cover all or part of the 6-3-3-4 system, that is, education in

elementary schools, junior high schools, senior high schools, and universities. They seldom discuss the significant component of the Japanese system, namely the post-secondary education provided by *senshū gakkō* and *senmon gakkō*. A brief explanation is given below. Both *senshū gakkō* and *senmon gakkō* are translated here as “specialist training schools.” They are close to the American connotation of “technical colleges” and “professional schools,” definitely better than that of “vocational schools” and “technical schools” in terms of student background and level of instruction.

*Senshū gakkō* may offer three types of programs; namely, (1) *ippan katei* (general program – open to anyone), (2) *senmon katei* (specialist program – open to high school or better diploma holders), and (3) *koto katei* (designed as the second half of a 4-year program for middle school graduates). Those that offer the *senmon katei* are called *senmon gakkō*. In 2000, there were 3,551 *senshū gakkō*, of which 3,003 were *senmon gakkō*. Of the *senmon gakkō*, 88.7% (2,665) were private institutions and the rest were public. The number of students enrolled at *senmon gakkō* was 637,308, and of that 313,718 were first-year students.

As mentioned earlier, 21% of high school graduates entered *senmon gakkō* in 2000, as compared with 40% who entered *daigaku* and 9% who entered *tanki daigaku*. In general, the academic background of high school graduates who enter *senmon gakkō* is weaker than that of the graduates who move on to *daigaku*. However, as *senmon gakkō* students study harder and pick up practical and marketable skills, their certification is said to be as good as a bachelor’s degree in many fields. Their rate of landing a job upon graduation is consistently higher than a university or junior college graduate. Some *senmon gakkō* guarantee employment to all of their students who complete their designated program.

*Senmon gakkō* offers education and training programs of a one- to three-year duration. Two years is typical, and one year is fairly common. If a student attends the school for two years, receives at least 1700 hours of instruction, and successfully completes the program requirements, he or she is awarded the degree of *senmon-shi* (“specialist” or “technical associate”). Under the latest educational reform implemented in 1999, the *senmon-shi* is also allowed to transfer to a university or junior college. In 1999, 473 *senmon-shi* transferred to universities; 458 of them, or 97%, moved to private institutions. In 2000, 1,005 *senmon-shi* transferred to universities; 985 of them, or 98%, moved to private institutions. These numbers suggest that such transfers are not simple and easy.

*Senmon gakkō* are allowed to offer programs in the following eight areas: medical care (21.9%), engineering (20.4%), culture and arts (17.0%), health (13.5%), business (11.1%), education and social welfare (9.7%), fashion and life science (5.9%), and agriculture (0.5%). The numbers in parentheses indicate the proportion of the 3,003 new students in 2000.

Each area is further broken down into many fields. For instance, the area of business (*shōgyō jitsumu*) includes bookkeeping, CPA accounting, *zeirishi* (Enrolled Agent) accounting, *shihō-shoshi* (Judicial Scrivener), finance, real estate, insurance, international trade, computer information systems, business English, office management, hotel administration, and the like. Similarly, the area of engineering includes aircraft maintenance, electronics and electrical engineering, architecture and civil engineering, industrial design, computer technology, telecommunications equipment and service, automotive inspection, and so on.

It should be noted that *senmon gakkō* are attended not just by high school graduates. They are also attended by university students and graduates to acquire or upgrade marketable skills. The term “double schooling” is used in Japan when a student at a *senmon gakkō* attends another educational institution, typically a university, at the same time. On the other hand, the quality of students and the level of instruction vary greatly, but they are generally considered to be excellent by American standards, owing largely to the solid background in basic education (e.g., mathematics and language) possessed by Japanese high school graduates.

### **CPA Examinations and Japanese Accounting *Senmon Gakkō***

The CPA examination in Japan, like other prestigious examinations in the country (e.g., Diplomatic Service), is uniformly administered by the central government. It can be taken by any aspiring applicants, including high school dropouts.

The examination consists of three stages. The first test covers Japanese language, mathematics, foreign language (English), and composition. Those applicants who have at least two years of college education are excused from taking the first test. The second test, which constitutes the core of the system, is administered to those who have passed or are excused from the first test. This second test consists of short-answer and essay questions covering four areas: accounting (including bookkeeping, financial reporting, cost accounting, and auditing), business law, and two selections from business administration, economics, and civil law. The

applicants must pass all four areas at the same time. In 1999, a total of 10,265 took the second test and 786 of them passed, signifying a passing rate of 7.7% or 1 out of 13. The third test, which consists of written and oral parts, is given to those who passed the second test and completed the required work experience. The passing rate for this stage is said to be higher than 50%.

University students and graduates who took accounting and related business courses have some advantage over those who majored in literature, philosophy, psychology, etc., and also over those who only have high school education. The subject matter that is learned at their university is largely theoretical and substantially different from what is given on the CPA examination. The normal strategy for all applicants is to take courses at a *senmon gakkō* or any other preparatory school specializing in accounting and business.

The U.S. CPA examination, on the other hand, has the following characteristics: it is given twice a year and the questions are uniform throughout the U.S. The examination covers four areas: (1) financial accounting and reporting, (2) accounting and reporting, (3) business law and professional responsibilities, and (4) auditing. At least 70% of the questions in each category are multiple-choice. Any other objective questions and the remaining parts are short essays. No listening comprehension or oral communication testing is incorporated. A score of 75% or higher signifies passing for each category, and approximately 33% of the applicants pass each category.

Individual states make critical decisions on who will be qualified to take the CPA examination, to receive a certificate, and to hold a license for practice in their respective state. It should also be noted that most states allow partial passing (e.g., two out of the four areas) of the examination as well as the re-taking of failed areas, providing a second opportunity.

Japanese applicants who take the U.S. CPA examination are primarily interested in getting a CPA designation and using it in Japan. They have very limited interest in getting a certificate, and almost no interest at all in getting a license. Accordingly, they tend to choose those states which require the least qualifications for taking and passing the examination, paying little attention to requirements for certification and licensing.

Most states require a bachelor's degree, and a certain minimum number of collegiate credit hours in accounting and business courses as a qualification to sit for the exam. A few states make exceptions. Popular states or territories among Japanese applicants include Maine, Delaware,

California, Hawaii, Illinois, Alaska, Vermont, Montana, and Guam. For example, Hawaii, Illinois, and Montana require a bachelor's degree and 150 credit hours, including 24 in accounting and 24 in business. Maine and Alaska require a bachelor's degree, but the former requires no accounting or business course credits and the latter requires only 15 accounting credits and no business credits. Delaware and Vermont demand only an associate's degree or equivalent, but the former requires 21 accounting credits and the latter requires 30 credits of accounting and business combined.

Japanese business operations became increasingly globalized in the 1990s and as information about the U.S. CPA examination spread in Japan, thousands of accountants and prospective accountants became interested in taking the American examination. Many would rather take the U.S. CPA than the Japanese CPA. This development presented serious problems to Japanese accounting *senmon gakkō*, which were geared to prepare their students for the CPA and other designations in Japan. What seriously affected *senmon gakkō* was that the accounting and business courses they offered were not recognized as credit requirements by American states to sit the CPA examination. This was due to the fact that *senmon gakkō* were not classified as *daigaku* or *tanki daigaku*.

On the other hand, the situation presented great opportunities for some entrepreneurs. Several new accounting and business schools specializing in the U.S. CPA and related American designations (e.g., Certified Financial Analyst, Enrolled Agent, and Certified Management Accountant), have sprung up over the last few years. They are organized as *kabushiki kaisha* (corporation), not as *senmon gakkō*, to escape from the stringent regulations governing the establishment and administration of the latter. By contracting with universities in the U.S., they offer American collegiate credit courses in accounting and business, which would be recognized by American CPA examination boards. Examples include Anjo International, which is affiliated with Montana State University at Billings, the U.S. Education Network, which is affiliated with California State University at Haywood, and the Toranomom Accounting School affiliated with the University of Guam.

Having lost many of their CPA-track students to such corporate-form schools, *senmon gakkō* have recently begun to fight back. The most prominent case is O-hara Boki Gakkō (translated as "O-hara School of Business"), which is by far the largest accounting school in Japan that has reportedly produced more than 75% of all Japanese CPAs in the past. The

school has recently entered into an agreement with San Jose State University to offer the latter's business and accounting courses in Japan. Still, *senmon gakkō* like O-hara face an uphill battle in competing with new schools.

Finally, from a third party's standpoint, there is a serious concern about accounting and business courses offered in Japan. If the primary purpose of these courses is to let the students earn enough American college credits as quickly as possible, then they may not be taught in the way accreditation organizations desire. Questionable practices may be incorporated, including the use of Japanese rather than English as a teaching language, the reduction of contact hours, and the provision of easygoing tests and/or grading policies to pass the courses. It is both entertaining and annoying to find on websites many comical confessions by Japanese applicants for the U.S. CPA examination stating how they can hardly converse in English at American airports, hotels, and shopping centers.

### **Conclusions: Policy Implications**

As mentioned earlier, educational reform introduced in 1999 allowed the *senmon-shi* to transfer to a university or junior college and have his or her credits at the *senmon gakkō* be accepted by the host institution. This is definitely a welcome step in the right direction, namely universal access to higher education. It also opens up a route for those *senmon gakkō* students who aspire to take the U.S. CPA examination and may have their *senmon gakkō* credits readily accepted by CPA boards in American states.

This reform, however, is not likely to be a major force. First, most *senmon-shi* would probably not be interested in transferring to a junior college, as they have already completed school work equivalent to junior college education. Second, even if they are eager to move up to a decent university, the latter may not accept such transfer students.

A better approach would be to undertake more fundamental reforms, so that a *senmon gakkō* could move up to the status of a university with relative ease and/or merge with a university or junior college. In particular, the merger of *senmon gakkō* and *tanki daigaku* should be a very simple administrative process. The integrated institution should look like many of the community colleges in the U.S. Another approach would be to encourage Japanese universities to process student admissions throughout the year and offer evening courses on a quarter or semester basis.

Given the time-honored practice of admitting students through a once-a-year entrance examination and maintaining specialization among various types and levels of schools, this idea may sound impractical and outrageous. However, the time seems ripe for the move, and as an increasing

number of *daigaku* and *tanki daigaku* cannot fill their enrollment quota because of the *shoshika* (the trend of fewer children per couple), the concepts of lifelong education and of universal access to education have gained momentum. At the same time, the temporary employment of faculty and staff has become easier with the weakening of the lifelong employment system.

In the meantime, Japanese accounting and business *senmon gakkō* should appeal to relevant U.S. organizations, particularly the American Institute of Certified Public Accountants (AICPA), systematically and logically to have their course credits accepted for the CPA examination. The appeal should stress the difference between Japanese and U.S. educational systems, particularly the basic educational background of Japanese high school graduates and the advanced level of instruction at *senmon gakkō*. Such an appeal has a good chance to succeed because American organizations are generally responsive to any rational and thoughtful idea.