

Are M.B.A. Students a Good Proxy for Nonprofessional Investors?

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We investigate a key assumption underlying much of the experimental research in financial accounting that graduate business students are a good proxy for nonprofessional investors. To conduct our investigation, we categorize recent experimental studies in financial accounting, based on the relative level of integrative complexity inherent in each study’s task. We then conduct experiments using two tasks, one that is relatively low in integrative complexity and one that is relatively high in integrative complexity, and compare the responses of two groups of M.B.A. students and nonprofessional investors.

Our results suggest that using M.B.A. students as a proxy for nonprofessional investors is a valid methodological choice, provided researchers give careful consideration to aligning a task’s integrative complexity with the appropriate level of M.B.A. student. M.B.A. students who have completed their core M.B.A. courses and are enrolled in or have completed a financial statement analysis course are a good proxy for nonprofessional investors in tasks that are relatively low in integrative complexity. Though less definitive, the majority of our tests also suggest that these students are a good proxy for nonprofessional investors in tasks that are relatively high in integrative complexity. However, care must be taken when using students in the first-year core financial accounting course. In tasks that are relatively low in integrative complexity, these students perform similarly to nonprofessional investors except when they are asked to make an investment decision. In tasks that are relatively high in integrative complexity, these students acquire information similarly to nonprofessional investors, but they do not appear to integrate the information in a similar manner.

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