

Lawrence Technological University  
College of Management

Michigan Practitioners' Perceptions  
and Impacts of the 150-Hour Rule

Presented in partial fulfillment of the requirements  
for the degree of

Doctor of Business Administration  
Concentration: International Business and Finance

Melissa L. Force



2012

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IMPACTS OF THE 150-HOUR RULE

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Melissa L. Force



2012

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## ABSTRACT

Melissa L. Force, DBA, Lawrence Technological University, Michigan 2012  
MICHIGAN PRACTITIONERS' PERCEPTIONS AND  
IMPACTS OF THE 150-HOUR RULE

On October 23, 1998, Michigan's then Governor, John Engler, signed into law Public Act 380 of 1998 requiring applicants for a Certified Public Accountant (CPA) license to possess at least 150 semester hours of college education, including a baccalaureate degree or higher degree with a concentration in accounting, at an educational institution approved by the board and one year of professional work experience. In the same year the American Institute of Certified Public Accountants voted and passed to require 150 semester credit hours of education for all new members after the year 2000.

The purpose of this study is to determine the impact of Article 7 of Public Act 299 on public accounting firms in the state of Michigan, and to determine if the 150-hour requirement has met its objectives. The following research questions will be investigated:

1. What are accounting firms' perceptions of the necessity of the 150-hour requirement?
2. What are accounting firms' perceptions of the effects of the 150-hour requirement on the preparation of entry-level accountants?
3. What are accounting firms' perceptions of the impact of the decrease in professional work experience hours required by the 150-hour requirement?
4. What are the accounting firms' perceptions of the impact of the increase in 30 undefined credit hours of education?
5. What are the effects of the 150-hour requirement on hiring practices at accounting firms?
6. How important is it for entry-level accountants to be competent in a required skill as prescribed by the AICPA?
7. How competent are entry-level accountants in the skills prescribed by the AICPA?

The target sample for this study was the entire population of registered certified public accounting firms and sole-practitioners in the state of Michigan. As of July 2010, there were 1,111 registered CPA firms in the state of Michigan. The entire population was surveyed and a response rate of 15.77% was achieved. A mixed methods of both quantitative data analyzed using statistical methods and qualitative data using thematic analysis and code development.

The conclusion of this research found that most practitioners are not in favor of the 150-hour rule, primarily the undefined additional 30 semester credit hours, and the decrease from 2 years and 4,000 hours to 1 year and 2,000 hours of professional work experience.

## MICHIGAN PRACTITIONERS' PERCEPTIONS

### DEDICATION

*"Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure. It is our light, not our darkness that most frightens us. We ask ourselves, "Who am I to be brilliant, gorgeous, talented, and fabulous?" Actually, who are you \*not\* to be? You are a child of God. You're playing small does not serve the world. There's nothing enlightened about shrinking so that other people won't feel insecure around you. We are all meant to shine, as children do. We were born to make manifest the glory of God that is within us. It's not just in some of us; it's in everyone. And as we let our own light shine, we unconsciously give other people permission to do the same. As we're liberated from our own fear, our presence automatically liberates others."*

~ Marianne Williamson

This dissertation is dedicated to my parents Stephen D. Force and Judith A. Force-Stouder (†) and to all of my parental figures, especially Dorothy L. Brubaker (†) and my best friend and sister, Tara V. Allor. I am fortunate beyond measure to have had God place all of you in my life. I thank all of you for teaching me to be a survivor and that there is no such word as can't.

To my husband Joseph C. Winchester you are a leader. I am privileged to stand by you and watch your successes unfold before you. Your love and sacrifice for our country is unsurpassed. You've taught me what commitment and sacrifice means, and this has transcended into this overwhelming task. To our miracle son Austin J. Winchester, who I pray will be a good boy, a smart teenager, and a wise man. My dear son, you have been most affected by my choice to further my education; Mom had to work when you wanted to play. I pray that as you watched me these past years, you have learned that success does not come without hard work, dedication, and commitment. Thank you both for thinking that there is nothing I can't do.

To my former mentor, boss, colleague, and friend, thank you for telling me that I can't do everything. Because of you I am stronger and more determined to continue to



## MICHIGAN PRACTITIONERS' PERCEPTIONS

strive for my professional goals and dreams. Thank you for teaching me what not to become.

To all of my past, present, and future students, thank you for the opportunity to teach you what I have learned; there is no such thing as can't. You can do anything you set your mind to. I have learned so much from each of you as I hope you have learned from me.

To my magnificent captivating creature, a 16.1 HH dark bay thoroughbred mare, with velvet ears, long mane and tail, and luminous deep black eyes that reflect the secrets of my soul, you taught me to rid-myself of the debilitating emotion of fear.

*"A great pleasure in life is doing what people say you cannot do."*

~ Walter Gagehot

## MICHIGAN PRACTITIONERS' PERCEPTIONS

### ACKNOWLEDGMENTS

*I am only one.  
But still I am one.  
I cannot do everything,  
But still I can do something;  
And because I cannot do everything  
I will refuse to do the something that I can do.*

~ Edward Everett Hale

First and foremost, thank you to The Michigan State Board of Accountancy (MSBA) for supporting the initial survey that was used to test the population's interest in the subject of the 150-hour rule and to the State of Michigan's professional society, the Michigan Association of Certified Public Accountants (MACPA), for your endorsement and financial support of that survey. Without the interest from the State and the State society, I would not have continued my research in the area of certification regulation.

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## MICHIGAN PRACTITIONERS' PERCEPTIONS

learn how to say what I mean to say and teaching me to improve my grammar skills. We all have our weakness, but once identified, they can be improved! Mr. Daniel P. O'Neal, Lieutenant Commander, US Navy (Retired); Operations Research Analyst, Department of the Air Force, thank you for a second look into my statistics and aiding in my graphing skills. Your professionalism and sense of humor made something difficult much easier. I thank each of you for your encouragement, concern, and support, simply saying, "You can do this!"

Thank you to Dr. John Floreno, D.O., Health Practitioner, and Dr. Vinay Malviya, M.D. Oncologist, for over 23 years of care. I truly believe I am here today because of the both of you and because of your expertise of my care. To Dr R. Shivdat-Nanhoe, Neurologist, thank you for your care of helping me through the last eight months of not one but two concussions.

This was not an easy task. It was a commitment and a rollercoaster ride both at the same time. Where at one point, I was excited and passionate about learning, but yet at another point, I felt I was standing in a long line of twists and turns and blocked from moving ahead by obstacles that were in front of me. As I moved further down the line, I realized I was alone in a sense, and fear began to set in. I contemplated leaving the line... several times. However, now that I have finally reached the end and it was my turn, I felt excitement, exhilaration, anticipation, and fear as I was strapped in a bare seat to watch the world continue to go by at racing speeds. When the ride finally stopped and my head snapped back into place, my first and only thought was, "Is it over?"

*It is never too late to be what you might have been.*  
~ George Elliott

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## CHAPTER 1 INTRODUCTION

*"All persons ought to endeavor to follow what is right, and not what is established."*

~ Aristotle

### 1.1 Background Theory

On October 23, 1998, Michigan's Governor, John Engler, signed into law Public Act 380 of 1998 requiring applicants for a Certified Public Accountant (CPA) license to possess "...at least 150 semester hours of college education, including a baccalaureate degree or higher degree with a concentration in accounting, at an educational institution approved by the board" ("Education Requirements," n.d.).

According to the American Institute of Certified Public Accountants (AICPA), Michigan was the 45th State to pass the "150-hour rule" (see Appendix A). The adjacent states of Illinois, Ohio, and Wisconsin had already passed the rule in 1991, 1992, and 1996, respectively. All three states made the 150-hour requirement effective on the same date, January 1, 2001. Indiana, another adjacent state, enacted the rule in 1992 but made the rule effective on January 1, 2000 (National Association of State Boards of Accountancy [NASBA], 2008).

When the law went into effect in Michigan on July 1, 2003, all other states in the immediate region had already passed similar legislation, and Michigan was one of the last States in the US to enact the rule. Several accounting professionals felt at the time of the law's signing that Governor Engler wanted to avoid making Michigan an island (Anonymous, personal communication, October 23, 1998). Currently, six jurisdictions do not have the 150-hour requirement in place: California, Colorado, Delaware, New Hampshire, Vermont and the Virgin

Islands (NASBA, 2008). Refer to Appendix A, Current Status of the 150-hour Requirement by State, for a list of all jurisdictions that have passed the 150-hour requirement along with their respective dates of enactment.

### **1.2 State of Michigan's Requirements for Licensure**

With direction from the AICPA and the National State Board of Accountancy (NASBA), each state has the option to meet the 150-hour rule within certain discretionary parameters. For example, currently 22 states, including Michigan, permit candidates to sit for the Uniform Certified Public Accountants Examination after completing 120 approved semester credit-hours but require 150 such semester credit-hours for certification. These states are AK, AZ, CT, FL, GA, HI, ID, IA, KY, MA, ME, MI, MN, MO, NC, ND, NJ, PA\*, RI, SC, VA, WA (AICPA, 2012). Thus, in Michigan an individual becomes a candidate after completing a baccalaureate degree “from an educational institution recognized by the Michigan State Board of Accountancy (MSBA)” and has completed 24 semester-hours in accounting and 24 semester-hours in business courses (Department of Licensing and Regulatory Affairs [LARA], 2011). Any remaining semester-hours needed to comply with the 150-hour rule and 1 year and 1,000 hours of professional work experience must be completed prior to professional certification as a CPA by the MSBA (LARA, 2011).

Prior to July 2003 in Michigan, a CPA was only required to possess a baccalaureate degree and to complete 2 years and 2,000 hours of professional work experience. However, this professional standard caused difficulties with reciprocity between Michigan and other states in relation to recognition of the CPA accreditation and made inter-state professional mobility

problematic for CPAs certified in Michigan. Under the new standard in effect since July 2003, the net results of the act have been three: first, a decrease of 1 year and 1,000 professional hours of experience required; second, an increase of 30 approved but unspecified semester-hours; and third, the creation of clear lines of reciprocity with other states. Most importantly, in order to be a practicing CPA, one must also be a member of the AICPA. Since 2000, AICPA membership has required a candidate to have 150 semester credit-hours of education at an accredited college or university including a bachelor's degree or the equivalent (AICPA, 2010). Since the AICPA now requires 150 semester credit-hours of approved schooling, this new requirement of the accounting profession's national body has been the driver for the enactment of the 150 hour-rule at the state level.

### 1.3 Application

The AICPA states three reasons why a traditional 4-year undergraduate degree is no longer adequate for licensure as a Certified Public Accountant (CPA):

1. Significant increases in official accounting and auditing pronouncements and the proliferation of new tax laws have expanded the knowledge base that professional practice in accounting requires.
2. Business methods have become increasingly complex. The proliferation of regulations from federal, state, and local governments requires well-educated individuals to ensure compliance. Also, improvements in technology have had a major effect on information systems design, internal control procedures, and auditing methods.

3. The staffing needs of accounting firms and other employers of CPAs are changing rapidly. With more sophisticated approaches to auditing now in use, and with the increase in business demands for a variety of highly technical accounting services and greater audit efficiency, the requirements for effective professional practice have increased sharply. The demand for a large quantity of people to perform many routine auditing tasks is rapidly diminishing (AICPA, 2011).

There has been considerable opposition to this law from concerned parties such as practitioners, educators, and legislators who are worried both about the impact of the 30 additional undefined educational credits, and the 1-year decrease in required professional work experience. Some critics view the extra 5th year of education and its associated cost and effort as an increased barrier to entry to the profession (Ciccotello, Grant, & Dickie, 2003). Thus, opponents argue that the resulting reduced supply of accountants provides an opportunity for members of the profession to extract monopoly incomes (Reeve, 1983). At the state level, this is reflected by Colorado's Department of Regulatory Agencies' (DORA) conclusion that "the 150-hour rule was an overly, restrictive entry barrier into the profession with no demonstrable public protective function" (1999, p. 42). Furthermore, in 2000, the *Rocky Mountain News* quoted Colorado's Governor as saying, "Colorado CPAs aren't suffering with only 4 years of college. It's just a way to protect current CPAs. It's just a needless expense." (as cited in Colbert & Murray, 2001, p. 190).

The reduction in work experience from 2 years to one has also raised concerns. Not all critics believe that swapping more undefined educational credits for a year of supervised professional experience is a good one. Hunton, Stone, and Wier (2005) stated that some skeptics

doubt the value of graduate business and accounting education to professional accounting success. Furthermore, from an economic standpoint, accounting firms are concerned that they may be put in the position of investing in CPA candidates whom they may lose after those candidates become certified, leaving firms with no return on investment for training the candidate (Thomas, 2008).

### 1.4 Purpose of this Research

The purpose of this study is to determine the impact of Article 7 of Public Act 299 on public accounting firms in the state of Michigan, and to determine if the 150-hour requirement has met its objectives. The following research questions will be investigated:

1. What are accounting firms' perceptions of the necessity of the 150-hour requirement?
2. What are accounting firms' perceptions of the effects of the 150-hour requirement on the preparation of entry-level accountants?
3. What are accounting firms' perceptions of the impact of the decrease in professional work experience hours required by the 150-hour requirement?
4. What are the accounting firms' perceptions of the impact of the increase in 30 undefined credit hours of education?
5. What are the effects of the 150-hour requirement on hiring practices at accounting firms?
6. How important is it for entry-level accountants to be competent in a required skill as prescribed by the AICPA?
7. How competent are entry-level accountants in the skills prescribed by the AICPA?



### ***1.4.1 The 150-hour Rule: Meeting Its Objectives***

The objective of Part I is to determine if, in fact, the long list of goals used to justify the AICPA's 150-hour rule are being met. The new AICPA requirements for licensure mandate a host of competencies that the AICPA feels an entry-level accountant ought to possess. The AICPA refers to this as the Core Competency Framework that includes three main areas: functional competencies, personal competencies, and broad business perspective competencies.

The framework focuses on skills and is not structured around traditional subject/content areas or accounting services. A skills-based curriculum is advocated, because the body of knowledge and the accounting profession are changing so rapidly. Although knowledge requirements will change with time, the core set of competencies identified by the framework will have long-term value and will support a variety of career opportunities for the future CPA. In addition, by basing entry-level competency requirements on professional models, the framework supports the concept of learning as a continuum that begins in an academic setting and continues with life-long professional education and experience. Further, by basing curriculum guidance on professional expectations, the framework aims to ease transition from student to professional. (AICPA, n.d.)

In addition to the AICPA, industry leaders are also encouraging accounting educators to decrease the widespread gap between current accounting education and the needs of industry.

Industry suggests that educators adopted an accounting curriculum that is more relevant and that

focuses on real-world situations. Specifically, they are asking educators to provide a greater emphasis on high-order cognitive skills, teamwork, use of technology, exposure to global and ethical issues, and communication skills. (Gupta & Marshall, 2010, pp. 1-2)

Table 1 cross-references AICPA's stated changes in the profession against the competencies required by the AICPA and the needs of industry. Both professional changes and industry needs justify the increased educational requirements for licensure for an entry-level accountant.

This study was conducted with specific reference to the opinions and perceptions of Michigan accounting practitioners. As the most directly affected parties, they are best able to answer questions regarding the effectiveness of the 150-hour rule as their new hires are now required to possess the AICPA's competencies as well as having experienced the changes within the profession since the rules changed. Prior to this study, Michigan practitioners had not been asked the simple question "Is the 150-hour rule meeting its objectives?" While it is true that the profession of accountancy has always required well-educated individuals, this study will examine the subjective perceptions of Michigan practitioners to determine whether the collective belief of such professionals is that the 150-hour rule engenders the competencies prescribed by the AICPA, and if the 150-hour rule has raised professional standards and improved the quality of practice, or is it an unnecessary barrier to entry into the profession.

## Michigan Practitioners' Perceptions

**Table 1 AICPA's 150-Hour Summary of Changes Within the Profession and the Competencies Required by Industry for an Entry-Level Accountant**

<i>Changes within the profession of accounting stated by the AICPA</i>	<i>Competencies required by industry for an entry-level accountant</i>
Staffing needs of accounting firms and other employers of CPAs are changing rapidly.	Emphasis on functional technical competencies most closely aligned with the value contributed by accounting professionals.
A more sophisticated approach to auditing is required.	Emphasis on personal individual attributes and values.
A greater demand for a variety of highly technical accounting services and greater audit efficiency.	Acquired broad business perspectives and skills relating to understanding of internal and external business contexts Functional Competencies. Functional competencies relate to the technical competencies, which are most closely aligned with the value contributed by accounting professionals
The requirements for effective professional practice have increased sharply.	Dedicated educators need to place a higher emphasis on high-order skills.
The demand for a large quantity of people to perform routine auditing tasks is rapidly diminishing.	Emphasis on high-order cognitive skills
Official accounting and auditing pronouncements are increasing.	Emphasis on high-order teamwork
There is proliferation of new tax law regulations from federal, state, and local governments.	Emphasis on high-order use of technology
Business methods are becoming increasingly complex.	Emphasis on high-order exposure to global and ethical issues
Improvements in technology have a major effect on information systems design, internal control procedures, and auditing methods.	Emphasis on high-order communication skills

***1.4.2 The 150-Hour Rule: Effects on Hiring Practices***

This research investigates if Michigan accounting firms and other organizations that employ a CPA have changed their hiring practices subsequent to the enactment of the 150-hour rule. The objective of this segment of the study was to determine whether employers preferred to hire entry-level accountants that had not yet met the 150-hour rule or entry-level accountants that had. In addition, the study determined if employers were offering additional compensation for those who had completed all of the requirements of the 150-hour rule. The research also examined whether employers were providing opportunities or incentives such as compensation for time spent studying, reimbursement for review courses, reimbursement of license fees, and/or other incentives for those who had not completed the requirements. Lastly, this study investigated whether there had been a change in the supply of entry-level accountants who had completed all of the 150-hour requirements (150-hour ready), and if there was greater demand for these entry-level accountants than for those who were not 150-hour ready.

***1.4.3 The 150-Hour Rule: Effects of the Decrease in Professional Work***

This research investigated employers' perceptions of how the change in the required work experience from 2 years and 2,000 hours to 1 year and 1,000 hours affected competency among entry-level-accountants.

***1.4.4 The 150-Hour Rule: Effects of the Increase in Undefined Educational Requirement***

This study segment investigated whether requiring 30 additional undefined semester credit hours improved the skills of an entry-level accountant. It identified the courses the state of Michigan requires for licensure and the courses that practitioners perceived ought to be required of entry-level accountants. As of this writing, Michigan's Department of Licensing and Regulatory Affairs (LARA), and NASBA applicants are required to complete a set of educational requirements or be currently enrolled in a baccalaureate degree program from an accredited academic institution recognized by the MSBA. The educational requirements are a) 24 semester credit-hours (or 36 quarter-hours) in accounting courses and b) 24 semester credit-hours (or 36 quarter-hours) in general business courses ("Michigan: Information," n.d.). The accounting courses must include courses in financial accounting, managerial accounting, auditing, accounting systems and controls, U.S. taxation, and governmental/fund accounting ("Michigan: Information," n.d.). The general business courses may include business law, economics, ethics, finance, management, marketing, taxation, statistics, and business policy ("Michigan: Information," n.d.).

The state of Michigan is one of 22 states that permit candidates to take the certified public accountants examination during their baccalaureate studies (at least 120 semester credit-hours should be completed or in process) and prior to completion of 150 semester-credit hours (NASBA, 2008). This is commonly referred to as a 120/150 state. A CPA license is issued only after the candidate completes all of the following requirements: a baccalaureate degree, 150 semester credit-hours of education, and 1 year and 1,000 hours of professional work experience ("Experience Requirements," n.d.).

### ***1.4.5. Research Methodology***

The goal of this research was to determine the perceptions of CPA firms located in Michigan regarding the 150-hour rule. The research methodology is mixed methods using both quantitative data analyzed using several statistical methods focusing on mean comparisons, and qualitative data, open-ended questions, that were analyzed using thematic analysis and code development.

### **1.5 Significance of This Research**

Requirements mandated by each state should ensure that a candidate is competent for an entry-level accounting position. However, there has been much debate on the requirements a CPA should possess (Hunton et al., 2005). This study examined employers' perceptions of the effects of implementing the 150-hour rule. The results reflect the professional opinions of senior members of the accounting profession in Michigan on practices now current not only in Michigan but across much of the US. As such, the study could potentially influence policy changes at the state level in Michigan and elsewhere.

Moreover, such policy changes might cause modifications to current educational and/or the professional work experience requirements for CPA licensure. This research could potentially affect the hiring practices of Michigan accounting firms, the starting salaries of entry-level accountants, and the supply of new accountants in Michigan. Finally, this research might cause colleges and universities to revisit, and potentially modify the content of their accounting programs to address weaknesses perceived by employers of CPAs trained under the new standards.

This research will add to understanding and implementation of the 150-hour rule, and generate insights from the practitioners' views of the advantages and disadvantages of the 150-hour rule. Educators may choose to reexamine their curriculums to address the needs of practitioners identified in this study, while still being governed by the state of Michigan's 150-hour rule. State officials, specifically the MSBA, may re-examine existing legislation based on findings reported here.

### **1.6 Research Assumptions and Limitations of the Study**

A number of necessary assumptions may limit the applicability of the findings in this study. The first assumption is that all accounting degrees and educational courses are equal. This assumption must be made since some colleges and universities have differing semester credit hours and pedagogies. Second, it is assumed that the curriculums of colleges and universities that offer accounting degrees meet the state requirements for certification. The MSBA has ultimate authority to determine if a candidate has met all requirements. Therefore, the assumption is made that all accounting degrees meet the minimum baccalaureate degree requirements required by the state of Michigan. Third, it is assumed that the person completing the survey has knowledge of the 150-hour rule and is either the direct supervisor of the entry-level accountant, or the human resource (HR) director, who can assess the competency of entry-level accountants.

The assumption that HR directors can assess the competency of the entry-level accountant may introduce some error into the data because HR directors rely on assessments

from the direct supervisors of entry-level accountants. The HR director also may not be an accounting professional. Finally, the study was limited to public accounting firms and sole-practitioners located within the state of Michigan. The results might not be applicable to other states with different policies, rules and regulations, or to organizations other than accounting firms.

### **1.7 Organization of This Research**

Chapter 1 of this research has presented the introduction, purpose, and significance of this research, the research assumptions, and the limitations of the study. Chapter 2 provides a literature review that includes a historical progression of the rise of the profession of accounting and research relating to the pros and cons of the 150-hour rule. Chapter 3 describes the research methodology, the survey instruments test of validity, and the sample of accounting firms surveyed in the state of Michigan. Chapter 4 presents the results of the survey on employers' perceptions of whether Article 7 is meeting its objectives, the preparedness of entry-level accountants, changes in hiring practices at CPA firms, and changes in the supply of entry-level accountants in Michigan. Chapter 5 closes with the research conclusions, policy implications, and recommendations for future studies.



## CHAPTER 2 LITERATURE REVIEW

*"Whatever lies within our power to do lies also within our power not to do."*  
~ Aristotle

This chapter provides a review of literature related to the accounting profession, professional accounting education, and the AICPA's 150-hour requirement. The chapter consists of the major studies and reports that led to the decision to implement the 150-hour requirement. The second section defines the 150-hour rule requirement and provides proponents' and opponents' views on the ruling. The chapter concludes with an analysis of two states' implementation of the 150-hour rule, and describes their experiences before, during, and after the process.

### 2.1 An Historical Perspective of the Evolution of the 150-Hour Requirement

In 1955, Chairman Donald P. Perry reported on the Work of the Commission on CPA Standards, commonly referred to as the Perry Commission. Perry stated, "...the accountant not only needs broad experience, but a breadth of education, both general and technical, which extends well beyond the traditional areas of accounting and auditing" (1955, p. 183). Perry describes the requirements, competencies, and standards needed by candidates for the profession. Perry explained, "...there is no agreement among states upon specific nature and the required amount of education and experience" (1955, p. 183), yet it was acknowledged that, "...there is greater movement between states in the accounting profession that is the case with law and medicine" (p. 184). The Perry Commission recommended postgraduate education in accounting.

The Bailey committee, which was charged to study the Perry commission, recommended that a bachelor's degree should be the educational requirement for the CPA certificate, with a postgraduate requirement being desirable as soon as feasible. The recommendations were accepted and adopted by the AICPA council in 1959 (Langenderfer, 1987, pp. 313-314).

The Bailey Committee was appointed and assigned the task of studying the outcomes of the Perry Commissions findings. The Bailey Committee's assessment agreed with the Perry Commission's advice to extend education beyond four years and have the CPA examination administered after all the course work was complete. However, the Bailey Committee stated that a graduate degree would be desirable and should be adopted as soon as feasible. Furthermore, the committee sided with the American Accounting Association's (AAA) recommendations regarding the number of semester credit hours of accounting, business, and non-business subjects. According to Lynn (1964), the AICPA adopted the recommendations of the Bailey Committee in 1959.

In 1956, John H. Zebley, Jr., President of the American Institutes of Accountants (later re-named AICPA), published "Challenges to the Accounting Profession," which discussed the proper balance between education and experience for candidates. Three years later in 1959, a study by The Carnegie Foundation titled *The Education of American Businessmen: A Study of University-College Programs in Business Administration*, commonly called the Pierson study, advocated for a liberal arts approach to education with less business courses and more general education such as the study of the social sciences, arts, and humanities (Pierson, 1959). The Pierson study criticized business schools for being mediocre and vocational (Langenderfer, 1987).

In 1959, The Ford Foundation study by Gordon and Howell (1959), *Higher Education for Business*, advocated for a broader common body of knowledge and a greater liberal arts approach to education. The study's findings argued that accounting programs were too technical and did not provide adequate education of analytical thinking. The report by Gordon and Howell recommended a 2-year MBA program for BA graduates (as cited in Langenderfer, 1987). The most significant decision resulting from the Pierson study and the Gordon & Howell report was to give MBA programs a general management focus and make the MBA the primary course of study, generally within a required 2-year curriculum (Langenderfer, 1987). Also during 1959, meetings of The AICPA Special Coordinating Committee to Study the Report of the AICPA Commission on Standards of Education and Experience for CPAs resulted in the recommendation that a post baccalaureate education was important and should be adopted as a requirement for CPA licensure (Grumet, 2006). This was approved by the AICPA governing council after it was introduced.

In 1963, the Carnegie Corporation and the AICPA commissioned a study to recommend what courses should be covered for a business degree. The 5-year study, regarded as the most extensive study of that time, resulted in the publication of *Horizons for a Profession: The Common Body of Knowledge for Certified Public Accountants* by Roy and MacNeill (1967). The study defined a body of knowledge common to all members of the profession, and its findings concluded that accountants should have a broader understanding of business in order to respond to the changing business environment, recommending that 5 years of study should be required (Roy & MacNeill, 1967). Roy and MacNeill further described accounting as a discipline unto itself and recommended that it not be considered merely a service role for management (as cited in Langenderfer, 1987). In 1968, an AAA study concurred with Roy and

MacNeill regarding the need for accounting students to possess both an undergraduate degree and a graduate degree in order to prepare for the profession of accountancy.

In 1969, the AICPA's Committee on Education and Experience Requirements for CPAs, more commonly referred to as the Beamer Committee, published a report on the topic. This study expanded the recommendations of the AICPA's 1959 study to include a 5-year course of study (150-semester credit hours) stating that it should be the formal education requirement for obtaining CPA licensure (AICPA, 1969). The study also recommended that students complete at least 5 years of education and further stated that jurisdictions adopt this 5-year requirement for licensure by the year 1975 (AICPA, 1969).

In 1975, accounting educators formed the Federation of Schools of Accountancy (FSA), and their mission was to develop a professional graduate degree in accounting. In a study conducted by the FSA Curriculum Committee, it was concluded a 150 hour requirement for accountants was recommended (as cited in Nelson, 1995). As a result, many FSA schools adopted a 5-year accounting program, which emphasized the breadth and depth of an accounting educational program (Nelson, 1995).

In 1978, The AICPA created a task force, frequently referred to as the Albers Committee, which published the *Report of the Committee on Education and Experience Requirements for CPAs Education Requirements for Entry into the Accounting Profession* (AICPA, 1988a). This report endorsed the 150-semester credit hours as the minimum educational requirement required to become a CPA candidate (AICPA, 1988a). It also recommended that the curriculum should

lead to a graduate degree; however, it did not specify any specific courses or content (AICPA, 1988a). Instead, this decision was left to the college and universities to decide.

In 1981, The AICPA, AAA, FAS, and NASBA co-sponsored the Commission on Professional Accounting Education (AICPA, 1988a). The committee strategized to aid colleges and universities to transform accounting programs traditional 4-year baccalaureate degrees to a 5-year post baccalaureate educational requirement (AICPA, 1988a). This resulted in the AICPA assuming leadership responsibility and encouraging jurisdictions to adopt the 150-hour requirement (AICPA, 1988a).

In 1986, the National Association of Accountants (NAA) recommended that 150-hour programs expand and update the professional knowledge of their programs (AAA & Committee on the Future Structure, Content and Scope of Accounting Education, 1986). Also during this year, through the creation of the Accounting Education Change Committee (AECC), the AAA's Bedford Report and members of national accounting firms endorsed the 150-hour rule and affirmed the need for significant changes to the education of future certified public accountants.

Also in 1986, the AAA's Special Committee on the Future Structure, Content, and Scope of Accounting Education initiated a study that resulted in the publication titled *Future Accounting Education: Preparing for the Expanding Profession*. This single publication served as a basis for accounting programs to meet the 150-hour requirement. The report determined that the traditional accounting education was inadequate and that this educational approach was not going to meet the demands of the changing business climate or provide students with the ability to address professional complexities that were going to be encountered in the 21st century (AAA

& Committee on the Future Structure, Content and Scope of Accounting Education, 1986). The recommendation was to alter accounting programs from a technical pedagogy to one that was more broad-based, encompassing multi-faceted business practices as well as allowing for an accounting program to be flexible in order to meet changes within the business environment (AAA & Committee on the Future Structure, Content and Scope of Accounting Education, 1986). Specifically three recommendations were stated: (a) provide for an expanded curriculum; (b) provide a greater effective education delivery process; (c) create a greater articulated structure for which the programs to be offered (AAA & Committee on the Future Structure, Content and Scope of Accounting Education, 1986). The committee purposefully made the recommendations very general and broad to encourage colleges and universities to maintain flexibility in their accounting curriculums and to permit rapid adjustments to changes in the informational needs of society (AAA & Committee on the Future Structure, Content and Scope of Accounting Education, 1986).

In 1987, the AICPA published, *Plan to Restructure Professional Standards*. AICPA members voted to approve a proposal that would require applicants for AICPA membership to possess 150 semester credit-hours of post-secondary education after the year 2000. This drastically affected higher education and accounting candidates. Colleges and universities began to address changes in the accounting curriculums to adhere to this announcement, and students began to feel the burden of completing 150-semester hours of education as opposed to an undergraduate degree usually comprised of 128 semester credit hours.

In 1988 (a), the AICPA published a revision of the Albers Report. This publication provided a chronology of AICPA Council and Board Actions on Education and Experience Requirements for CPAs citing 13 resolutions. Number 3 of the resolutions states the following:

- General Education 60-80 semester-credit hours
- Education in Business Education 35-50 Semester credit hours
- Accounting Education 25-40 semester credit hours (AICPA, 1988a).

In 1988 (a), the AICPA also approved and updated the bylaws to require all new members after the year 2000, to have 150 semester credit hours of college education. Approximately 83% of 200,000 votes were in favor of the change (AICPA, 1988a). The AICPA also published *Strategic Thrusts for the Future* in 1988 (b), which contained 12 strategies regarding the AICPA's future direction on the technological aspects of the profession. Two of the 12 strategies specifically addressed accounting education.

The following year, "Perspectives on Education: Capabilities in the Accounting Profession" (Arthur Anderson & Co. et al., 1989), commonly referred to as The Big Eight White Paper, was published by several large accounting firms. These firms represented the eight largest CPA firms at that time: Arthur Anderson & Co., Arthur Young, Coopers & Lybrand, Deloitte Haskins & Sells, Ernst & Whinney, Peat Marwick Main & Co., Price Waterhouse, and Touche Ross. In the white paper, the firms expressed their concerns regarding the quality and the number of accounting graduates available to the public accounting profession (Arthur Anderson & Co. et al., 1989). The firms concurred and supported the recommendations made by the Bedford Committee, and the recommendation of the AICPA's 150-hour education requirement.

The publication also addressed the current environment of the profession, recommendations for change, the capabilities necessary of candidates for practice, the sources from which these capabilities are derived, and the challenges for education (Arthur Anderson & Co. et al., 1989).

In 1992, the AICPA published *Academic Preparation to Become a CPA*, which updated the accounting curriculum recommendations covered in the 1978 *Report of the Committee on Education and Experience Requirements for CPAs Education Requirements for Entry into the Accounting Profession*. Two years later in 1994, The AICPA the NASBA co-published, *AICPA/NASBA Guide for Implementation of the 150-Hour Education Requirement*, which outlined a suggested model for states to follow when redesigning the curriculums to adhere to the 150-hour requirement ("AICPA and NASBA," 1995). Next, in 1999, the AICPA published, *The AICPA Core Competency Framework for Entry into the Accounting Profession*, a guide developed for accounting educators to use re-designing accounting curriculums. The publication set forth a broad business perspective stating competencies required by candidates for entry into the profession (AICPA, 1999).

*Accounting Education: Charting the Course through a Perilous Future*, by Albrecht and Sack (2000) represented the next stage in accounting scholarship. Albrecht and Sack (2000) focused on the key drivers of change in the business environment for the rationale to justify the changes to the profession of accountancy. Technology, globalization, and the concentration of market power in large pension and mutual funds all attributed in the increasing accounting standards and pronouncements that accountants were required to adhere to (Albrecht & Sack, 2000). Figure 1 taken from Albrecht and Sack (2000) summarizes the need for more education



and better prepared entry-level accountants so new professionals could be better equipped to handle the changing business environment.

The Three Key Drivers of Change in the Business Environment are:

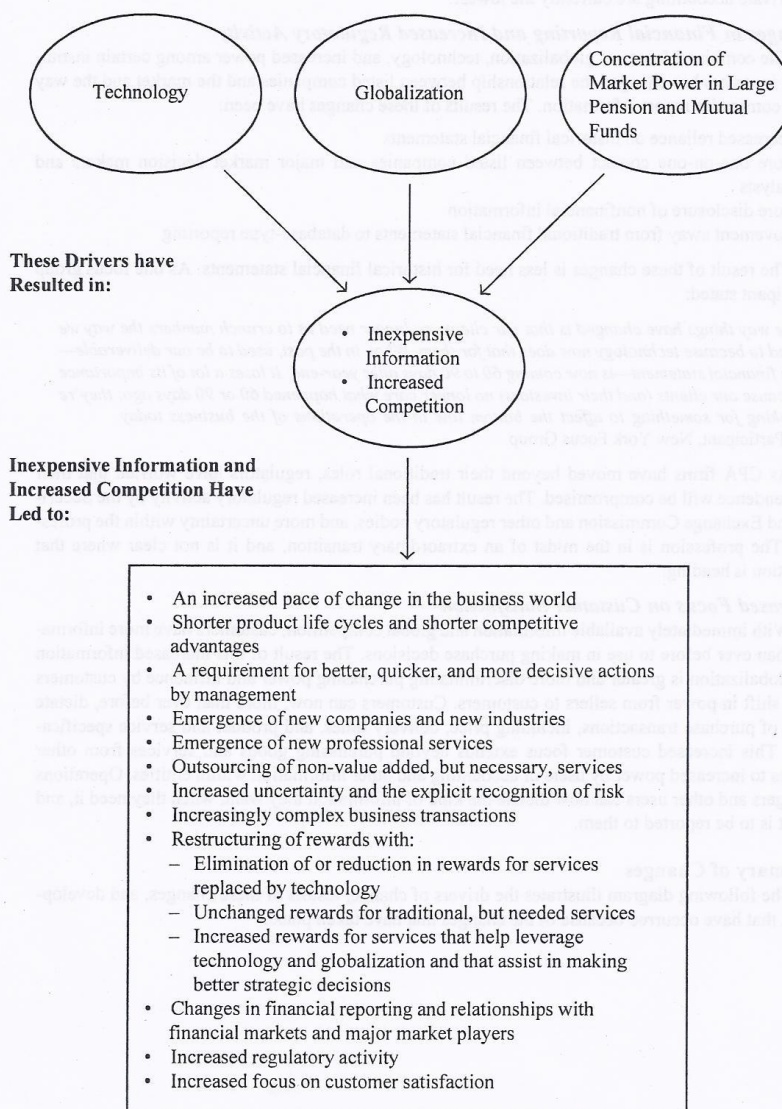


Figure 1. The Three Key Drivers of Change in the Business Environment (taken from Albrecht and Sack, 2000)

### 2.2 Literature Specific to Research

Two states encountered vastly different outcomes due to the implementation of the 150-hour rule. The states of Florida and Colorado are two examples of states that applied the same ruling, yet the legislation viewed the rule completely different. This difference in implementation can result in large differences in outcomes.

#### 2.2.1 Florida's Experience

Florida was the first State to enact the 150-hour rule (1979), effective in 1983 (Rhine & Simmons, 1991). With over 30 years of experience, Florida should be the example for every state to follow. The first major impact of the law was the number of entry-level accountants sitting for the CPA examination. No one predicted that the number of candidates sitting for the uniform CPA examination would fall from 2,306 in 1983 to a mere 12 in May, 1994 (Rhine & Simmons, 1991). The state experienced both positive and negative ramifications from this legislation. Neither practitioners nor educators adjusted for the fluctuation in the number of entrants into the profession. During the mid-1980s, when Florida was essentially alone in the implementation of the rule, Florida's practitioners requested an appeal of the requirement. The Florida Institute of Certified Public Accountants (FICPAs) held public forums and surveyed members to determine the problems associated with the 5th year (Rhine & Simmons, 1991). An overwhelmingly 80% majority approved the continuance of the 150-hour rule (Rhine & Simmons, 1991). In the end, practitioners increased the average starting salary of new hires, which also increased the billable hours to clients (Rhine & Simmons, 1991). However, firms felt

that the new hires that had the 150 hours were more productive given the increase in their education (Rhine & Simmons, 1991). Meanwhile, educators faced greater pressures from the increased demands for additional credit hours, and the specific additional courses that would be offered at the graduate or undergraduate levels (Rhine & Simmons, 1991). The entire structure of the 150-hour program was a top priority not just for accounting majors but also for non-accounting business majors who also required basic accounting courses (Rhine & Simmons, 1991).

### ***2.2.2 Colorado's Sunset Review***

Despite the AICPA's 1988 ruling requiring 150 semester credit hours plus a baccalaureate or advanced degree for membership, the state of Colorado is one state that has not enacted legislation to meet this requirement. This decision was due to strong opposition to the requirement. In fact, the *Rocky Mountain News* quoted Colorado's then governor as stating, "It's a barrier to entry" (as cited in Colbert & Murray, 2001, pp. 190).

As with all state accountancy boards, the executive director of Colorado's Department of Regulatory Agencies' (DORA) that oversees the Colorado State Board of Accountancy (CSBA) is appointed by the Governor. In 1976, Colorado became the first state to pass a sunset law. The purpose of a sunset law is to balance the need for regulation that protects the public with the effects of possible over-regulation of a particular agency or profession (Colbert & Murray, 2001). The state of Michigan is also subject to sunset reviews, but Colorado was the first state to pass a sunset law. The law automatically terminates certain regulatory agencies, boards, or

functions on specific dates. Unless the state legislature passes sunset legislation extending the life of the agency, board, or function, its affairs must conclude within 1 year.

A task force was gathered to examine the 150-hour rule identified four issues:

1. "Achieve substantial equivalency to the Uniform Accountancy Act" (Colbert & Murray, 2001, p. 186). Substantial equivalency is identified by four parts: a) completion of 150 hours of education, b) passing the Uniform CPA Exam, c) completion of 1 year of experience under the supervision of a CPA, and d) statutory authority allowing the SBA to recognize licensees from other states that meet substantial equivalency provisions."
2. "Enable the SBA authority to grant exemptions from taking the CPA exam to licensees who allowed their licenses to lapse for more than six years" (Colbert & Murray, 2001, p. 186).
3. "Enable the SBA to subpoena and examine client information when investigating allegations of misconduct by a licensee" (Colbert & Murray, 2001, p. 186).
4. "Permit non-CPA ownership of CPA firms" (Colbert & Murray, 2001, p. 186).

In 1998, the existing law in Colorado required the 150-hour requirement to be implemented by the beginning of 2002. The two significant changes were the additional educational and the decrease in professional experience time from 2 years to 1 year.

Educators wrote to the Colorado DORA recommending that the 150-hour requirement be repealed stating that the education requirement provided very little increase in accounting education, only raising accounting credits from 27 to 30, the equivalent of 1 additional 3-credit college course, and business credits from 21 to 24 semester credit hours, again an additional 3-

credit college course (Colbert & Murray, 2001). Thus, the remaining 24 credits were left to be completed in any discipline. In regards to the professional work experience, the educators suggested additional auditing experience be required for certification (Colbert & Murray, 2001).

DORA sent a mail survey to 845 licensed CPAs in the state of Colorado; 391 were returned (Colbert & Murray, 2001). Of those who responded, 80% felt that a 4-year degree was about right or stringent for an entry-level accountant. 37% felt that the education increase and decrease in professional work experience was lax (Colbert & Murray, 2001). In October of 1999, DORA issued its findings to the Colorado State Legislature and recommended that the 150-hour requirement be eliminated (Colbert & Murray, 2001).

As the legislation was making its way through the system, Colorado's governor publicly intervened stating to the Rocky Mountain News that "Colorado CPAs aren't suffering with only 4 years of college. It's just a way to protect current CPAs. It's just a needless expense" (as cited in Colbert & Murray, 2001, pp. 190-191). Colorado repealed the 150-hour requirement on February 23, 2000. The State is one of six that does not require the 150-hour rule. Refer to Appendix A for current status of the 150-hour requirement by state.

### ***2.2.3 Definition of the Objectives of the 150-Hour Rule***

AICPA voted, in 1988 (a), to require all new members after the year 2000 to have completed 150-semester hours of education. DeBerry states that "The objective of the requirement, according to the AICPA, is 'to improve the overall quality of work performed by CPAs confronted with advancing technology, and increasing complex business environment, and

society's continuing demand for accounting and assurance services” (2003, p. 26). CPAs continue to be sharply divided about the value of the 150-hour requirement, with impassioned opinions on each side. By 2003, evidence of the success or failure of the requirement in meeting its objectives was only beginning to become available (DeBerry, 2003).

### *2.2.3.1 Proponents*

According to Novin and Tucker; Bandy; Sharp and Stephens; and Hollander and Spector, the expected advantages of the 150 hours of study include better preparation of accounting students for careers in public accounting, the ability to attract better students to the profession, an enhanced image for the profession, a more well-rounded education, and higher passing rates on the CPA exam (as cited in Bierstaker, Howe & Soel, 2004). Works by Deppe et al.; Novin and Tucker; Siegel; and Siegel and Spiceland all cite higher starting salaries, attraction of better students, and better preparation of students for entry into the profession, faster advancement, higher passing rates on the CPA exam, and lower employment turnover rates as advantages of the rule (as cited in Bierstaker et al., 2004).

According to Bea Sanders, the director of academic and career development for the AICPA, the AICPA's research with students provides compelling evidence that they are not deterred from pursuing accounting degrees because of the education requirement (Sanders, 2002). An overwhelming majority of students believe that the 150-hours of education to become a CPA are fair (Sanders, 2002). Sanders further state that other studies show that a growing percentage of college freshman plan to attend graduate school, presuming to complete the 150-hours (Sanders, 2002).

### 2.2.3.2 Opponents

A CPA Group of Rhode Island spokesmen were highly critical of the AICPA and the Uniform Accountancy Act (UAA) (Krugman, 2000).

We saw the horror and disgrace the AICPA is bringing to the profession. Our common goal is not to allow the profession to destroy itself through the AICPA. It appears that Rhode Island is the only ethical state left. We are a group of practitioners that do not agree with the approach of the UAA. (Krugman, 2000, p. 1)

According to Albrecht and Sack (2000), among its critics, "the 150-hour rule is almost universally seen as a mistake." These critics view the added 5th year as a costly maneuver on the part of the profession to limit the supply of accounting professionals. Colbert and Murray (2001) conducted a cost/benefit study that concluded that the benefits from the 150-hour requirement would be minimal, while the costs would be substantial. Opponents further argue that the 150-hour rule implies that the reduced supply of accountants provides an opportunity for members of the profession to extract monopoly incomes (Reeve, 1983).

Colorado's DORA concluded that the "150-hour rule was an overly, restrictive entry barrier into the profession with no demonstrable public protective function" (Colbert & Murray, 2001, p. 189). Further, Colorado's Governor Owens took a public stance on the 150-hour rule and was quoted in Denver's *Rocky Mountain News* as saying, "Colorado CPAs aren't suffering with only 4 years of college. It's just a way to protect current CPAs. It's just a needless expense." (as cited in Colbert & Murray, 2001, pp. 190-191).



The changes within the profession of accounting as a result of the 150-hour rule are far reaching. It is not just CPA firms that are affected; it is also industry, public and private companies, and the various governmental units that employ CPAs. Relmond Van Daniker, the publisher of *The Journal of Government Financial Management*, pointed out “We must also consider that there’s likely to be fewer CPAs in the future. Recently, NASBA reported that in the first year of the computerized CPA exam, it was expected that 250,000 sections would be taken” (2005, p. 4). However, Van Daniker continues, “NASBA reported that approximately 160,000 sections were actually taken” (2005, p. 4). Thus, it can be concluded that either a) as the computerized CPA exam is now “take on demand,” candidates may take the exam later as opposed to sooner, or b) candidates are staying in school to complete the additional 30 semester credit-hours before they sit for the examination. Either way, the conclusion is that there will be a decline in the supply of entry-level accountants.

Recruitment of entry-level accountants is going to remain an issue for a number of years. Flexibility is the key for all concerned parties. For some firms, the 120/150 model may be the answer, while other firms will employ a year-round recruitment approach in order to obtain the requisite staff levels needed for their firms (Madison, 2001). Somasundaram; Cumming and Rankin; and Frieswick all assert that students feel they deserve higher salaries for the additional education required, but based on what has occurred in states with the rule in place, it is unlikely that salaries will increase (as cited in Bierstaker et al., 2004).

Although the number of states requiring 150-hours for licensure has more than doubled since 1999, starting salaries for accountants have not increased enough to compensate for the additional cost of education. A study cosponsored by the AICPA, AAA, the IMA, and the Big

Five, asked participants two important questions, which lead to the same response (Doran, 2001). The first question was "identify the most important reason why fewer qualified students choose to major in accounting today versus 5 years ago" (Doran, 2001, p. 11). The most frequent response was that starting salaries in accounting were lower than in other disciplines (Doran, 2001). The second question asked, "what is the most important action that can be made that would attract more high-quality students to the accounting profession" (Doran, 2001, p. 11). The most frequent response again was to offer higher salaries (Doran, 2001).

Practitioners, educators, and legislators have expressed considerable opposition to this law because of concerns about the impacts of the 30 additional undefined educational credits and the 1-year decrease in required professional work experience. Firms are concerned that they are investing in individuals they may lose after they become certified, leaving firms with no return on the investment in training the candidate (Thomas, 2008).

### ***2.2.4 Definition of the Undefined Educational Requirement Increase in The 150-Hour Rule***

A traditional baccalaureate degree is approximately 120 semester credit hours. The educational requirement states that candidates must possess 150 semester credit hours. The requirement of 30 additional credit hours translates into approximately 1 additional year of school.

#### *2.2.4.1 Proponents*

One argument in favor of the 150-hour rule was that future CPAs needed the additional education because of changes in accounting rules, and to enhance their understanding of the increasingly sophisticated global business environment. This encompasses a broad range of knowledge and skills needed for success in the accounting profession. According to Bandy and Sharp and Stephens, these skills, include problem-solving skills, technological skills and the ability to deal with difficult technical issues, ethical considerations, and matters of professional judgment. It was felt that these skills were not attainable within a 4-year baccalaureate education (as cited in Bierstaker et al., 2004).

### *2.2.4.2 Opponents*

There has been considerable opposition to this law from practitioners, educators, and legislators concerned about the impact of the 30 additional undefined educational credits. Accounting firms did not advocate an extended education requirement. Instead, this was a political ploy to build a higher fence around the profession and make it appear more elite (Madison, 2001).

## CHAPTER 3 RESEARCH DESIGN AND PROCEDURES

*"Whatever lies within our power to do lies also within our power not to do."*

*~ Aristotle.*

### 3.1 Research Design

The goal of this research was to determine the perceptions of CPA firms located in Michigan regarding the 150-hour rule. The research methodology is mixed methods using both quantitative data analyzed using statistical methods and qualitative, open-ended questions, using thematic analysis and code development. This chapter discusses the study's sample, response rate, instrumentation, and survey reliability testing. Demographic data for the respondents are also included.

#### 3.1.1 Purpose of This Research

The purpose of this study was to determine if the AICPA's 150-hour rule has met its objectives in the state of Michigan, and to determine the impact of Article 7 of Public Act 299, otherwise known as the 150-hour requirement, on public accounting firms in the state of Michigan.

The AICPA has stated several reasons why a traditional baccalaureate degree no longer meets the needs of the accounting profession. This study asked Michigan CPA firms to examine and respond to these statements along with additional areas of interest surrounding the 150-hour rule. This study focused on seven main areas. The first goal was to determine if CPA firms perceive the 150-hour rule as being necessary by following the rationale prescribed by the

AICPA's criterion. The second area asked about the preparedness of entry-level accountants since the implementation of the 150-hour rule. The objective of this portion of the survey was to determine if the AICPA's 150-hour rule is meeting its intentions of better preparing entry-level accountants for a profession of accountancy.

The third area focused on the effects of hiring practices on CPA firms after implementing the 150-hour rule. This research investigated if Michigan accounting firms and sole-practitioners has changed their hiring practices because of the enactment of the 150-hour rule. In addition, the study attempted to determine if employers are offering additional compensation for those individuals who have completed all of the requirements of the 150-hour rule. The research also sought to establish whether employers are providing opportunities or incentives, such as compensation time, reimbursement for review courses, and license fees, for those individuals who have not yet completed the requirements. Furthermore, this study investigated whether there have been changes in the supply and demand for entry-level accountants who have completed all of the 150-hour requirements, and for those who are not 150-hour ready.

The fourth area focused solely on the decrease in the professional work experience requirement from 2 years and 4,000 hours to 1 year and 2,000 hours. The fifth area focused on the impact (if any) CPA firms have experienced from the 30 additional undefined semester credit-hours necessary to meet the 150-hour requirement. The sixth and seventh areas of interest focused on 19 professional accounting entry-level skills. Specifically, asking Michigan CPA firms the following questions:

- How important is it for an entry-level accountant to be competent in those skills?
- How competent is the entry-level account in the skills?

- Which of the 19 skills should be included in the undefined additional 30 semester credit-hours?

The last portion of this study looks for suggestions from practitioners on ways to make the 30 extra, undefined credit-hours more useful in producing better candidates. Research Questions 1, 3, 4, 5, and 7 included open-ended questions, qualitative data, in addition to quantitative responses. These additional comments provided valuable qualitative data, enabling themes to be derived in response to a particular area. The following open-ended questions provide further insights on their perceptions of the 150-hour rule.

1. (RQ1) The necessity (or rationale) for the 150-hour rule.
2. (RQ3) The effects of the 150-hour rule on your hiring practices.
3. (RQ4) The effects of the decrease in professional work hours from 2 years and 4,000 hours to 1 year and 2,000 hours.
4. (RQ5) The effects of the additional 30 semester credit hours that is required.
5. (RQ7) Other comments.

### *3.1.1.1 Qualitative Analysis*

The qualitative data were analyzed according to the methods prescribed by Boyatzis (1998). The characteristics of a good coding system for qualitative data are:

1. A label (i.e., a name)
2. A definition of what the theme concerns (i.e., the characteristic or issue constituting the theme)

3. A description of how to know when the theme occurs (i.e., indicators on how to “flag” the theme)
4. A description of any qualifications or exclusions to the identification of the theme
5. Examples, both positive and negative, to eliminate possible confusion when looking for the theme (Boyatzis, 1998, p. 53).

In this research, the question number functions as the label. A definition of the theme refers to the actual question that was asked. Proponents and opponents are the descriptions that allow the researcher to know when a theme occurs. All of the information gathered from the practitioners is considered important and pertinent, as it constitutes the respondents' perceptions of the topics. This information provides supportive evidence to the quantitative results. To eliminate confusion, a coding system indicating the major theme is provided for each question.

The qualitative information gained from the survey instrument was analyzed using thematic analysis. The criterion for using thematic analysis with qualitative data is that the information is data-driven, coded, and anchored (Boyatzis, 1998). In this research, the information respondents provided was anchored by the features proponents, opponents, and neutrality. Anchored qualitative data have also been referred to as immersion and crystallization by Miller and Crabtree (as cited in Boyatzis, 1998). The results from the anchored responses can be further analyzed by applying descriptive statistics. The responses were transcribed in their entirety for each question asked. After being sorted by proponent or opponent, the feedback was sorted and coded by themes, similar keywords, or phrases. Since each open-ended question was different, each question had a different theme coding system.

For example, in section 4.3.1b, respondents were asked for additional comments on the necessity of the 150-hour rule. Responses were anchored by respondents being either proponents or opponents of the necessity of the 150-hour rule. There were no neutral responses in this section. Responses were then coded by the common themes they expressed: some referred to the financial costs of the 150-hour rule and were grouped together and assigned the code 'c.'

### ***3.1.2 Research Questions***

The specific research questions (RQ) of this study are as follows:

RQ1: What are accounting firms' perceptions of the necessity for the 150-hour requirement?

RQ 2: What are accounting firms' perceptions of the impact of the 150-hour requirement on the preparation of entry-level accountants?

RQ 3: What are accounting firms' perceptions of the impact of the decrease in professional work experience hours required by the 150-hour requirement?

RQ 4: What are the accounting firms' perceptions of the impact of the increase in 30 undefined credit hours of education?

RQ 5: What are the effects of the 150-hour requirement on hiring practices at accounting firms?

RQ 6: How important is it for entry-level accountants to be competent in a required skill as prescribed by the AICPA?

RQ 7: How competent are entry-level accountants in the skills prescribed by the AICPA?



### ***3.1.3 Population and Sample***

The target sample for this study was the entire population of registered certified public accounting firms and sole-practitioners in the state of Michigan. As of July 2010, there were 1,111 registered CPA firms in the state of Michigan. The registered CPA firm mailing list was purchased from the LARA, Michigan's licensing division in East Lansing, Michigan. The entire population was surveyed in order to obtain a positive and reliable response rate. Figure 2 *Research Methodology Flow of Information*, below, depicts the flow of information gathered, sorted, and analyzed throughout the survey process.

This figure shows the five main areas of research, and that they included both quantitative and qualitative data. The quantitative data were analyzed using descriptive statistics such as mean and standard deviation, and tested for significance using ANOVA and Tukey's HSD Post-Hoc test. The qualitative data were analyzed using thematic analysis by anchoring responses and coding them by the themes they expressed.

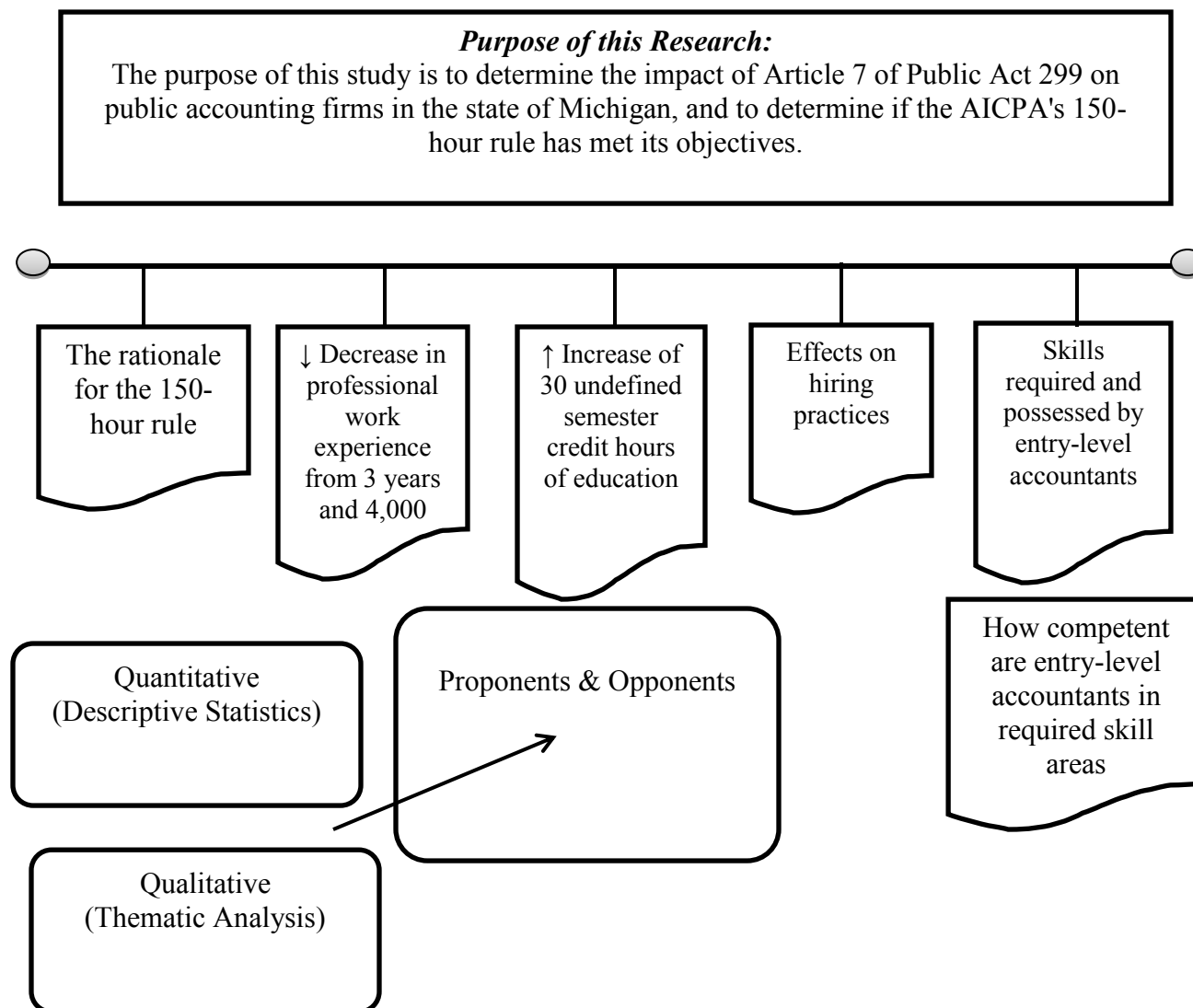


Figure 2. Research Methodology Flow of Information

### 3.1.3.1 Response rate

The total population of CPA firms located in Michigan was 1,111 registered firms. After the addresses were “cleansed” by the United States Postal Service, 1,059 viable addresses were confirmed and mailed the survey instrument located in Appendix B. Of the 1,059 surveys

mailed, 174 surveys were returned via mail or on-line using SurveyMonkey, but 7 were considered unusable. 167 useable surveys were collected either by mail or completed using the on-line survey system, Survey Monkey. The final response rate was 15.77%, with 167 usable surveys returned out of 1,059 surveys sent. Table 2 shows the response rate.

**Table 2 Response Rate**

Total population of CPA Firms in the State of Michigan	1,111
Returned due to incorrect addresses	<u>-52</u>
Cleansed addresses and amount surveyed	1,059
Surveys received via mail or Survey Monkey	174
Surveys that were incomplete, unusable, or returned by mail	<u>-7</u>
Useable surveys	167
Response rate (167 / 1,059)	15.77%

### **3.1.4 Instrumentation**

The survey instrument developed for the present research was based on a survey instrument designed by Dr. Curtis Gustafson (2004). Gustafson's research was published, in the dissertation *Public Accountants' Perceptions of the 150-hour Requirement* (2004), and his focus was on those firms that actually hired an entry-level accountant who possessed 150-semester credit hours. Further, Gustafson's sample was CPA firms located in South Dakota, Nebraska, Kansas, Montana, and Arkansas (2004). Gustafson had to expand his sample three times because there were minimal viable responses, primarily due to the enactment date of the 150-hour rule in those states, and the time lapse of actually hiring entry-level accountants that possessed the 150-hours (2004). Gustafson's final response rate was 8.5%; he received 68 completed surveys in total (2004).

Prior to the distribution of the present research survey, the entire instrument was critiqued and reviewed by the human-resource directors at two CPA firms, four practicing CPAs, two accounting educators, and nineteen members of LTU's DBA Cohort II. More importantly, the survey was reviewed and endorsed by the MSBA. In addition, the Michigan Association of Certified Public Accountants (MACPA) endorsed and supported the survey. The MACPA also promoted the survey and funded the mailing.

A preliminary survey was conducted in the last quarter of 2005 to assess if there were interest among those affected by the 150-hour rule. Since e-mail addresses were not available, a hard copy of a pre-numbered survey instrument was created with a cover and endorsement letter from the Michigan Association of Certified Public Accountants (MACPA), a letter from the researcher that included the state logo, and a statement of support from the Michigan State Board of Accountancy (MSBA). A copy of the survey instrument is located in Appendix B. Table 3 shows a time-line of the distribution of the survey, reminder postcards, website promotion, and e-mail distributions encouraging participation in the survey process. A copy of the announcement is located in Appendix C.

The vetting process for the survey prior to distribution was conducted to gather information regarding the relevance of the survey questions, duplication, ambiguity, and significance, and to ensure the questions would provide the information necessary to answer the research questions posed in Chapter 1. The survey instrument underwent an Institutional Review Board (IRB) review at Lawrence Technological University, and this candidate completed IRB certification. In addition to a formal mailing, the cover letter and reminder cards directed

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recipients to either complete the survey manually or on-line using Survey Monkey. The written survey instrument was copied in its entirety to Survey Monkey.

**Table 3 Time-Line of Survey Distribution and Promotion**

10/18/10	10/25/10	11/01/11
1st mailing of survey and survey posted using Survey Monkey. MACPA promotes survey on the front page of the website and links interested participates to electronic survey.	2nd mailing. A reminder post card was mailed to the entire population providing directions to electronic survey.	3rd mailing. A reminder post card was mailed to the entire population providing directions to electronic survey.
This posting remained on the website until 11/01/11.		

The survey had five parts, beginning with basic questions asking the firm how many entry-level accountants had been hired since July 1, 2003. It asked how many entry-level accountants possessed a Master's in Accounting or a Master's in Business Administration, and how many possessed 150-hours of education and how many did not. The survey also requested that respondents identify the number of entry-level accountants that possessed 150-hours of education, but not a graduate-level degree.

Part I asked how important it was for an entry-level accountant to be competent, and how competent the entry-level accountant was in the listed skill area. This section listed 19 skills relating to accounting education and professional abilities. This section uses a 5 point Likert

scale for each skill ranging from a score of 1, representing not important and not competent, to a score of 5, very important and very competent. There was an option for a score of 0, meaning the skill was not applicable to that position.

Part II asked six questions on the effectiveness of the additional undefined 30 semester credit-hours in the areas of broader skills, technical skills, firm success, greater understanding of accounting, business communications skills, and ethical decision-making and behavior. This section used a five point Likert scale for each of the six questions. The scale ranged from a score of 1, meaning the skill was ineffective, to a score of 5, meaning the skill was very effective.

Part III focused on 19 specific coursework areas an individual usually needs to reach 150-credit hours of education, and asked to what degree it was important that at least some of those credit-hours be completed in the stated areas. This section also used a five point Likert scale for each area of study. The scale ranged from a score of 1, meaning that the area of study was not important, to a score of 5, meaning the area of study was very important.

Part IV gathered information on demographics. This section specifically asked questions on the firm's hiring practices, in-house training programs, reimbursement for certification expenses, tuition reimbursement, bonus awards for passing the CPA examination, and the impact of the 150-hour requirement on recruiting and retention. Lastly, Part V asked for overall comments on the 150-hour requirement.

### *3.1.4.1 Survey Reliability Testing*

Cronbach's Alpha was used to test the reliability of the survey instrument by determining its internal consistency or the average correlation of the items in the survey instrument. Using Cronbach's Alpha, the higher the score, the more reliable the correlation (Cronbach, 1951). Nunnally has indicated that 0.7 is an acceptable reliability coefficient, but lower thresholds are sometimes used in the literature (as cited in Santos, 1999). While there is some debate among statisticians with some suggesting 0.7 or higher is acceptable and others recommending 0.8 as the minimum for reliability, Santos (1999) provides a good guide to follow for reliability:

- 0.90 and above shows excellent reliability;
- 0.70 to 0.90 shows high reliability;
- 0.50 to 0.70 shows moderate reliability;
- 0.50 and below shows low reliability.

The application of Cronbach's Alpha resulted in .942, and Cronbach's Alpha based on standardized items resulted in .946. Both results show the survey instrument has excellent reliability. The Statistical Package for the Social Sciences (SPSS) version 19 was used to analyze the data derived from the survey instrument. All of the responses to the survey instrument were analyzed using descriptive and nonparametric correlation models. The data analysis methodology used in this research is explained in further detail later in this chapter.

### *3.4.1.2 Validity and Reliability*

Prior to the use of the survey instrument and to test reliability, several interested parties reviewed the survey instrument. Two human resource directors from CPA firms received a copy of the survey draft. Valuable feedback was received from both. Two accounting educators, both

having a CPA designation, were also solicited for their opinion on the survey instrument. One educator possessed a Ph.D., and both educators had over 25 years of teaching experience in accounting at the undergraduate and graduate levels. Valuable feedback was received from both educators. On August 19, 2005, a draft of the survey was presented before the MSBA to solicit support, and to ask for valuable comments or additions to the survey. The board consists of nine voting members comprised of six CPAs and three public members, including one attorney. The survey was approved and supported by the board. The president of MACPA and members of their staff also reviewed the instrument. Valuable feedback was received, and the president of MACPA approved and endorsed the survey, and wrote a cover letter that was included with the survey in the hope that practitioners would be more inclined to complete the survey.

Prior to the use of the revised survey, the survey instrument was reviewed for validity by the Institutional Review Board (IRB) at Lawrence Technological University (LTU). A copy of the Disclosure/Informed Consent is located in Appendix C. In addition, as this survey was created and used by Dr. Gustafson, the survey was previously reviewed and approved by the IRB at the University of South Dakota.

### **3.2 Data Collection Methodology**

The survey was distributed using two methods. First, since a hard copy of the survey instrument was mailed to recipients with a self-addressed stamped envelope enclosed, the majority of the surveys were returned through the U.S. postal service. The second method was to make the survey available in its entirety on SurveyMonkey, and several recipients completed the survey online. The surveys were gathered and entered into an Excel workbook coding the



recipient's return by a recipient's confidential code. Second, the Likert scale questions were entered using a coding system by question group and by question number. Answered Likert scale questions were coded with a number for 0, N/A, 1, Strongly Disagree, 2, Disagree, 3, Agree, and 4, Strongly Agree and a 9 for non-responses. This process was carried out for Parts Ia, Ib, II, III, IV, for V 1-5, Very Important, Somewhat Important, Not Important, and VI 1-5, Completely Unnecessary, Unimportant, Neutral, Important, Very Important. For section VII, numeric data were entered for questions 1 through 5 for each returned survey and for each response provided. The numeric information was based on the data provided by the firms ranging in size from a sole proprietorship to mid-size and large firms. Part VIII addressed the responses to the five open ended-questions. These data were entered into a word file categorized by each question. Extreme care was taken to record the exact reply given and the exact wording. This portion was separated by the five questions asked. This process was repeated until the survey period ended.

### **3.3 Data Analysis Methodology**

A determination was made on the usability of each returned survey. For example, surveys that were returned blank were unusable. Partially completed surveys were used in their entirety, with a nine recorded for missing information. Scores of nine were not used in analyzing the data. Other surveys were returned by the U.S. Postal service as being undeliverable due to an incorrect address or lack of a forwarding address. IBM SPSS Statistics versions 18 and 19 were used to input the data for PART I – Part VI that used a Likert Scale.

The numbers of responses,  $n$ , were totaled to give the sample size for each section. Responses on the Likert scale were averaged to find their mean score,  $M$ , in order to show the general level of support for each statement, and standard deviations from the means were calculated for each question. Variances of the Likert scores in each research question were analyzed using ANOVA. Tests of statistically significant differences among mean scores were made at the 95% level ( $t$  value less than .05) using one-way ANOVA and Tukey's HSD Post-Hoc test when the ANOVA showed a significant difference among three or more means.

In research questions 6 and 7, responses were tested for correlation between perceived importance of the skills listed, and the perception of applicants' actual preparedness. A comparison of the means was used to analyze similarities and differences.

## CHAPTER 4 RESEARCH FINDINGS

### 4.1 Analysis

This chapter analyzes the demographic data for the respondents, and the quantitative and qualitative data addressing the research questions. The quantitative information derived from the survey using a Likert scale was tested using nonparametric statistics. The qualitative responses, derived from the open-ended survey questions, were coded and analyzed using thematic analysis. The qualitative responses add context and depth to the quantitative data. A select number of responses are included in this chapter; all responses to the opened-ended questions are included in Appendices C – G.

#### *4.1.1 Demographic Information*

Demographic data for the respondents and their firms are presented below. The sample for this research consisted of the entire population of 1,111 registered CPA firms in the state of Michigan. 167 useable surveys were collected either by mail or Survey Monkey, for a final response rate of 15.77%.

As shown in Figure 3 below, of the 312 entry-level accountants hired since July 1, 2003, 161 possessed a master's degree but had not completed 150-hours of education, 112 possessed a bachelor's degree with 150-hours of education, and 52 possessed both a bachelor's degree and a master's degree. Possessing a master's degree along with the required courses automatically means the candidate has 150 semester credit hours of education (see Figure 3).

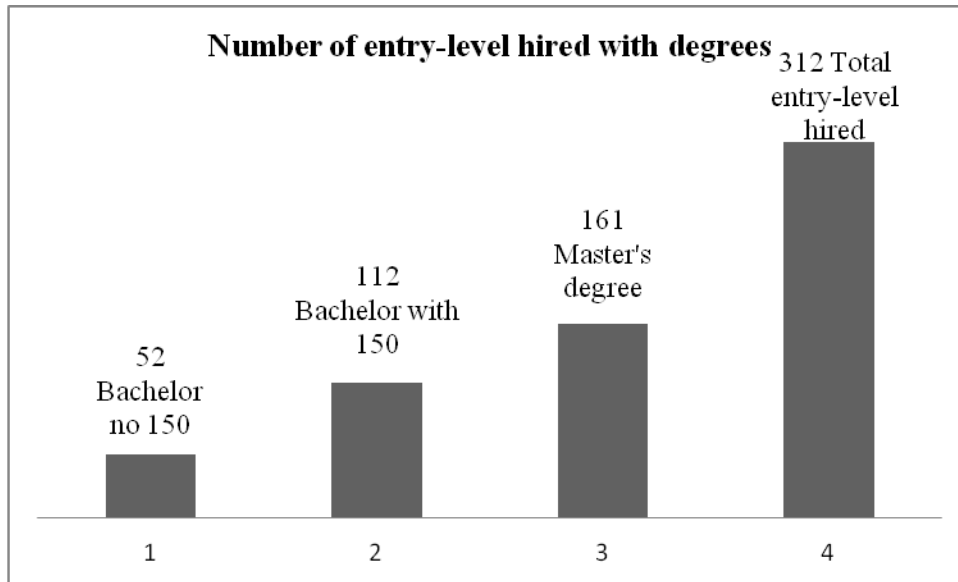


Figure 3 Number of entry-level accountants hired with degrees.

Table 4 shows that by the end of 2010, there were 1,303 employees in the  $n=167$  responding CPA firms in the state of Michigan. Of the 312 entry-level accountants with degrees hired since 2003, 235 were hired between the years 2007-2010. In 2010, 50 of these entry-level accountants were new hires, and 33 had met the 150-hour requirement a decrease of approximately 20% from previous years.

Table 4 Demographic Data Totals From Part VII of the Research Survey

Survey Questions	2007	2008	2009	2010
1 The number of employees in your firm.	1237	1262	1278	1303
2 The number of CPAs.	569	584	597	618
3 The number of accountants in your firm (non-CPAs).	378	365	378	377
4 The number of entry-level accountants hired in...	63	63	59	50
5 The number of accountants hired in question 4 who met the 150-hour rule at the time they were hired.	30	42	32	33

### ***4.1.2 Purpose of This Research***

The purpose of this study was to determine the impact of Article 7 of Public Act 299 on public accounting firms in the state of Michigan and to determine if the AICPA's 150-hour rule has met its objectives. In order to examine the impact of the 150-hour rule, several research questions were examined. The rest of this chapter analyzes the data for each research question. Each question is stated, the qualitative and quantitative results (where applicable) are reported, and the findings are discussed.

### ***4.1.3 RQ 1***

This research question asked: What are accounting firms' perceptions of the necessity of the 150-hour requirement? The analysis for this section concerns respondents' perceptions about whether the 150-hour rule is necessary and, if so, why. The quantitative data in section 4.1.3.1, look at the degree to which respondents agree with the 11 rationales for why the 150-hour rule is necessary. The quantitative data in section 4.1.3.2 discuss the open-end responses to the necessity for the 150-hour rule.

#### ***4.1.3.1 RQ 1 Quantitative Data***

Survey questions for RQ 1 sought to determine perceptions of the necessity of the 150-hour rule. Eleven questions were asked, including "is the 150-hour rule necessary?" Table 5 explores various rationales. A Likert scale including the following choices was used: 0 N/A, 1

Strongly Disagree, 2 Disagree, 3 Agree, and 4 Strongly Agree. N/A was interpreted as, “The statement is not applicable to the firm.” Table 5 displays the number of respondents, *n*; the mean score, *M*; and the standard deviation (*SD*) of the responses to the 11 rationales for the 150-hour rule.

**Table 5 RQ 1 The Necessity (or Rationale) for the 150-Hour Rule**

	<i>The 150-hour rule is necessary due to:</i>	<i>n</i>	<i>M</i>	<i>SD</i>
6	Increases in official accounting and auditing pronouncements as well as tax regulations.	163	<b>2.92</b>	0.84
3	The requirements for effective professional practice have increased sharply.	162	<b>2.84</b>	0.91
7	Improvements in technology having a major effect on information systems design, internal control procedures, and auditing methods.	160	<b>2.83</b>	0.83
5	Greater competencies are required for an entry-level accountant.	163	<b>2.81</b>	0.84
8	Business methods are becoming more increasingly complex.	163	<b>2.77</b>	0.80
2	A greater demand for a variety of highly technical accounting services, and audit sophistication and efficiency.	159	2.73	0.96
10	Overall, the 150-hour requirement has improved the abilities of entry-level accountants to perform their assignments.	153	2.45	0.91
9	Overall, the 150-hour requirement has benefited individuals through improved career opportunities.	152	2.44	0.92
4	The demand for a large quantity of people to perform routine auditing tasks is rapidly diminishing.	148	2.40	0.81
1	Changing staff needs of accounting firms and other employers.	156	2.34	0.91
11	Overall, the 150-hour requirement is of no benefit.	154	2.29	1.00

\*The bolded mean scores are statistically significant at the .05 level.

\*The results in Table 5 above show how much, on average, respondents agree with these rationales for the 150-hour rule. They are listed from highest to lowest mean score.

The mean scores range from 2.92 to 2.29, suggesting a moderate level of agreement with the necessity of the 150 hour rule. Mean scores are above disagree, 2.0, but below agree, 3.00.

The mean scores for the eleven rationales are shown in Figure 4 below.

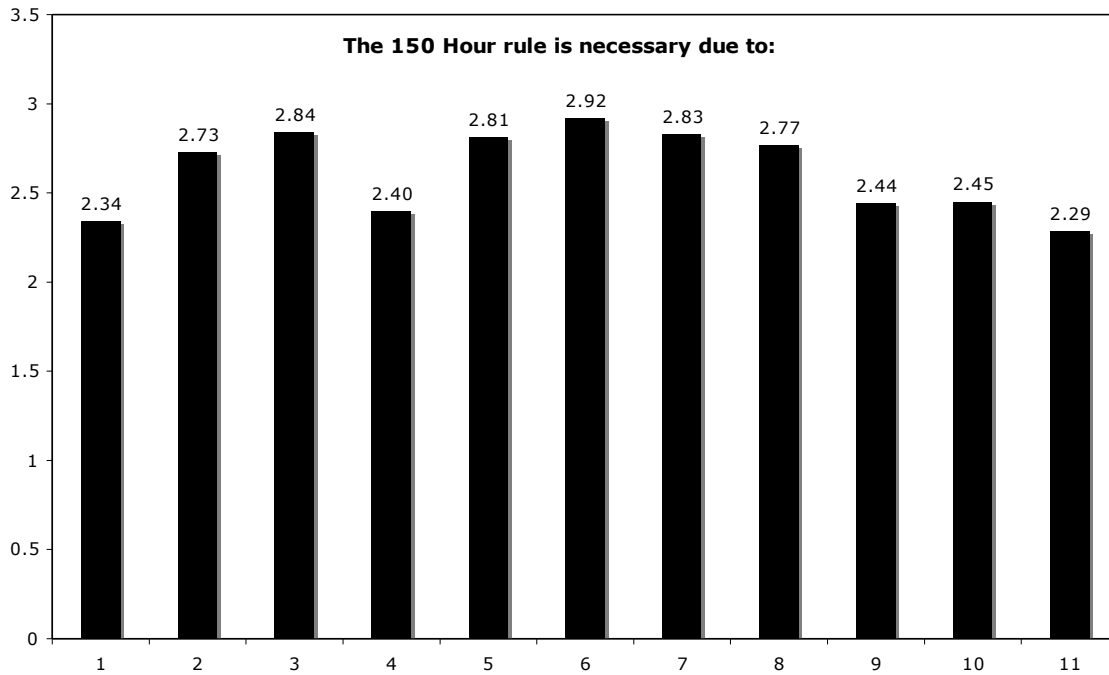


Figure 4 The Necessity (or Rationale) for the 150-hour Rule.

Table 6 below shows the ANOVA results for the responses reported in Table 5. ANOVA is useful in determining whether differences among group means are significant by comparing the variances of mean scores between groups with the variance of mean scores within groups. The null hypothesis tested is that there is no statistically significant difference in the means at the 95% level ( $p < 0.05$ ). The table includes sum of squares ( $SS$ ), degrees of freedom ( $df$ ), mean squares ( $MS$ ), as well as  $F$ ,  $P$ , and  $F$  Critical (the value of  $F$  above which the null hypothesis can be rejected) values.

Because the  $p$  value is less than .05 (also the calculated  $F$  value is significantly larger than the critical  $F$  value) the null hypothesis, that the group means are not significantly different, is rejected. Because differences are significant, a post-hoc test can be used to determine which

rationales are significantly different from the others. Table 7 shows the results from Tukey's HSD Post-Hoc test. It includes the difference between group means, and whether the difference is large enough to be significant ( $(|Ma-Mb|) - 0.32109677$ ).

**Table 6 ANOVA Summary**

Source of Variation	SS	df	MS
Between Groups	86.85076547	10	8.685076547
Within Groups	1351.101918	1722	0.784612031
<i>F</i>	<i>P-value</i>		<i>F crit</i>
11.06926252	1.67968E-18		1.836188048

**Table 7 Tukey's HSD Post-Hoc Results**

<u>Group</u>		<i>Ma-Mb</i>	$( Ma-Mb ) - 0.32109677$	<u>Group</u>		<i>Ma-Mb</i>	$( Ma-Mb ) - 0.32109677$
1	2	-0.389816159	0.068719389	7	1	0.49150641	0.17040964
	3	-0.499762583	0.178665813		2	0.101690252	-0.219406518
	4	-0.058905059	-0.262191711		3	-0.008256173	-0.312840597
	5	-0.470072361	0.148975591		4	0.432601351	0.111504581
	6	-0.580501809	0.259405039		5	0.021434049	-0.299662721
	7	-0.49150641	0.17040964		6	-0.088995399	-0.232101371
	8	-0.427127576	0.106030806		8	0.064378834	-0.256717936
	9	-0.101045884	-0.220050886		9	0.390460526	0.069363756
	10	-0.111236802	-0.209859968		10	0.380269608	0.059172838
	11	0.054029304	-0.267067466		11	0.545535714	0.224438944
2	1	0.389816159	0.068719389	8	1	0.427127576	0.106030806
	3	-0.109946424	-0.211150346		2	0.037311417	-0.283785353
	4	0.3309111	0.00981433		3	-0.072635007	-0.248461763
	5	-0.080256202	-0.240840568		4	0.368222517	0.047125747
	6	-0.19068565	-0.13041112		5	-0.042944785	-0.278151985
	7	-0.101690252	-0.219406518		6	-0.153374233	-0.167722537
	8	-0.037311417	-0.283785353		7	-0.064378834	-0.256717936
	9	0.288770275	-0.032326495		9	0.326081692	0.004984922
	10	0.278579356	-0.042517414		10	0.315890773	-0.005205997
	11	0.443845463	0.122748693		11	0.48115688	0.16006011
3	1	0.499762583	0.178665813	9	1	0.101045884	-0.220050886
	2	0.109946424	-0.211150346		2	0.288770275	-0.032326495
	4	0.440857524	0.119760754		3	-0.398716699	0.077619929
	5	0.029690222	-0.291406548		4	0.411167302	0.090070532



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	6	-0.080739226	-0.240357544		5	-0.369026477	0.047929707
	7	0.008256173	-0.312840597		6	-0.479455925	0.158359155
	8	0.072635007	-0.248461763		7	-0.390460526	0.069363756
	9	0.398716699	0.077619929		8	-0.326081692	0.004984922
	10	0.388525781	0.067429011		10	-0.010190918	-0.310905852
	11	0.553791887	0.232695117		11	0.155075188	-0.166021582
4	1	0.058905059	-0.262191711	10	1	0.111236802	-0.209859968
	2	-0.3309111	-0.240840568		2	-0.278579356	-0.042517414
	3	-0.440857524	0.119760754		3	-0.388525781	0.067429011
	5	-0.411167302	0.090070532		4	0.052331744	-0.268765026
	6	-0.52159675	0.20049998		5	-0.358835559	0.037738789
	7	-0.432601351	0.111504581		6	-0.469265007	0.148168237
	8	-0.368222517	0.047125747		7	-0.380269608	0.059172838
	9	-0.042140825	-0.278955945		8	-0.315890773	-0.005205997
	10	-0.052331744	-0.268765026		9	0.010190918	-0.310905852
	11	0.112934363	-0.208162407		11	0.165266106	-0.155830664
5	1	0.470072361	0.148975591		1	-0.054029304	-0.267067466
	2	0.080256202	-0.240840568	11	2	-0.443845463	0.122748693
	3	-0.029690222	-0.291406548		3	-0.553791887	0.232695117
	4	0.411167302	0.090070532		4	-0.112934363	-0.208162407
	6	-0.110429448	-0.210667322		5	-0.524101665	0.203004895
	7	-0.021434049	-0.299662721		6	-0.634531113	0.313434343
	8	0.042944785	-0.278151985		7	-0.545535714	0.224438944
	9	0.369026477	0.047929707		8	-0.48115688	0.16006011
	10	0.358835559	0.037738789		9	-0.155075188	-0.166021582
	11	0.524101665	0.203004895		10	-0.165266106	-0.155830664
6	1	0.580501809	0.259405039				
	2	0.19068565	-0.13041112				
	3	0.080739226	-0.240357544				
	4	0.52159675	0.20049998				
	5	0.110429448	-0.210667322				
	7	0.088995399	-0.232101371				
	8	0.153374233	-0.167722537				
	9	0.479455925	0.158359155				
	10	0.469265007	0.148168237				
	11	0.634531113	0.313434343				

By comparing group means, it is possible to determine which groups have significantly different means from one another and therefore which factors respondents believed better explained the rationale for the 150-hour rule's necessity. The four groups with the highest mean scores from Table 5, 6, 3, 7, and 5, all had mean scores that were significantly higher than the

five questions with the lowest means, 11, 1, 4, 9, and 10. Questions 8 and 2 had mean scores that were significantly higher than questions 1, 4, and 11 only.

4.1.3.2 RQ 1 Qualitative Data

This section of the survey instrument is made up of open-ended questions that allow respondents to comment on their perceptions of the necessity (or rationale) for the 150-hour rule. The total response rate was  $n=59$ . The responses were first separated into statements that support the necessity of the 150-hour rule (proponents:  $n_p=19$ ) and statements that were opposed to the 150-hour rule (opponents  $n_o=40$ ). There were no neutral statements in this section. The responses were then coded by similar identifying keywords, phrases, and themes. Table 8 lists the total response rates, proponents, opponents, and the statements categorized by the coding system.

**Table 8 Q1: Response Rates and Coding System**

P = Proponents $n_p=19$ $19/59= 32\%$		O = Opponents $n_o=40$ $40/59= 67\%$		Total response rate $n=59$ $59/59= 100\%$	
a.	Positive statement	$n=19$	e.	Prof work requirement	$n=10$
b.	Negative statement	$n=12$	f.	Education (courses, knowledge)	$n=7$
c.	Financial, costs	$n=3$	g.	Alternative suggestion (i.e., internship)	$n=2$
d.	Supply	$n=1$	h.	General statement	$n=5$

The referencing code represents the themes (a-h) and whether the statement was positive or negative (proponents = p or opponent = o) respectively. Table 9 lists eleven random comments selected from the opponent and proponent statements. The entire listing of comments is included in Appendix C.

**Table 9 Q1: Comments Regarding the Necessity (or Rationale) for the 150-Hour Rule**

Ref. Code	Comment
a p	Shows commitment.
a p	Candidates are more knowledgeable about tax & accounting.
a p	Continuing education of accountants is a necessity, hence the requirement made sense.
a p	Our world and business climate is much too complex not to require the additional 150 hours.
a p	To upgrade the CPA profession to the same status as lawyers and doctors.
b o	Barrier to entry.
b o	Outside pressure to conform to other states.
b o	More government hoopla provides very little evidence that people are better prepared for a CPA career.
b o	The 150-hour rule was simply a knee-jerk attempt to enhance the image of the CPA following the disgrace the CPA profession found itself in after Enron.
d o	I feel most CPAs voted to increase their wages by limiting future CPAs and teaching facilities encouraged this to fill their classrooms (I voted against it).
g o	A <i>mandatory internship</i> would be more beneficial to both firms and candidates rather than more credit hours.

The majority, 67% of the comments, were not in favor of the rationale for the 150-hour rule, though the reasons varied. Some respondents commented that they were dubious about the reasons for adopting the mandatory 150-hour rule. Others felt that the practice improves the reputation of the profession as a whole, regardless of motivation.

A popular suggestion for an alternative to the 150-hour rule was internships. Internships are a valuable way for students to gain “on-the-job-training,” often while still being able to attend night classes. Additionally, the hours worked would count towards the required professional work experience of 1 year or 2,000 hours. Other professions, such as medical doctors, require internships, and law degrees emphasize the importance of “clerking” between semesters. It is suggested here that an internship be required as part of the undefined additional

30-semester credit hours. This option would help prepare entry-level accountants for their first year assignments, as they would gain relevant experience by completing an internship.

### *4.1.3.3 RQ 1 Discussion*

In general, there was not a great deal of support for the rationales for the necessity of the 150-hour rule. The qualitative section showed that most respondents did not agree with the reasons for the necessity of the 150-hour rule. Average Likert scores from the quantitative section were less than 3 for all 11 rationales. Some rationales, though, did receive significantly higher mean scores than others. Rationales 6 (increases in official accounting and auditing pronouncements as well as tax regulations); 3 (the requirements for effective professional practice have increased sharply); 7 (improvements in technology having a major effect on information systems design, internal control procedures, and auditing methods); and 5 (greater competencies are required for an entry-level accountant) received significantly more support than did rationales 11 (overall, the 150-hour requirement is of no benefit); 1 (changing staff needs of accounting firms and other employers.); 4 (the demand for a large quantity of people to perform routine auditing tasks is rapidly diminishing); 9 (overall, the 150-hour requirement has benefited individuals through improved career opportunities); and 10 (overall, the 150-hour requirement has improved the abilities of entry-level accountants to perform their assignments).

This shows that though the majority of comments from the qualitative section of RQ1 were not in favor of the 150-hour rule, there was little support (mean score of 2.29) in the quantitative data; suggesting that the 150-hour rule had no value (rationale 11). Results suggest that, though the demands placed on entry-level accountants are increasing, respondents do not

consider those increased demands sufficient to make the 150-hour rule necessary. While the 150-hour rule is of some benefit to accounting firms, respondents do not perceive it as necessary.

### **4.1.4 RQ 2**

The second research question asked: What are accounting firms' perceptions of the 150-hour requirement on the preparation of entry-level accountants? The AICPA states several reasons why a traditional Baccalaureate degree is no longer meeting the needs of the profession. Section 4.1.4.1 reviews the degree to which respondents agree with statements made by the AICPA to justify the 150-hour rule. There is no qualitative part of RQ 2. Section 4.1.4.2 discusses the implications of the results from RQ 2.

#### *4.1.4.1 RQ 2 Quantitative Data*

Research questions for RQ 2 consisted of six questions regarding success in preparing entry-level accountants. Specifically, RQ 2 asked if the 150-hour rule is successful in preparing entry-level accountants to have broader technical skills and business communication skills, to be successful on the job, to act ethically, and to make ethical decisions. It also asked if the rule provides for a greater understanding of accounting. A Likert scale that included the following choices, 0 N/A, 1 Strongly Disagree, 2 Disagree, 3 Agree, and 4 Strongly Agree, was used. N/A was interpreted as, "The statement is not applicable to the firm."

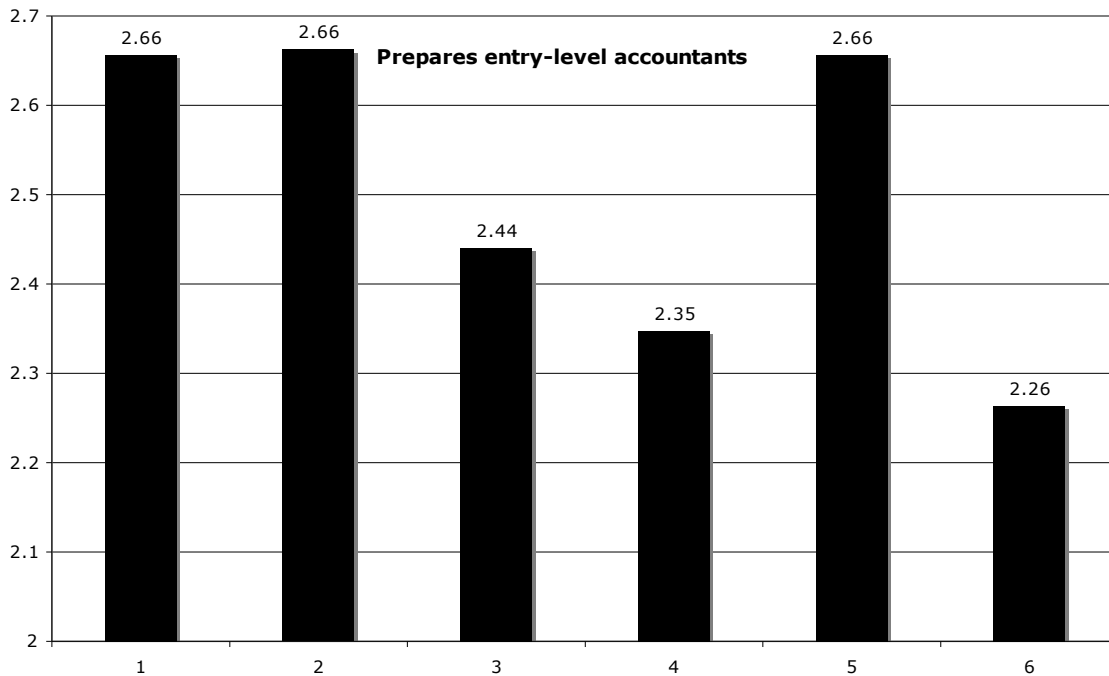
Table 10 displays the number of respondents,  $n$ ; the mean score,  $M$ ; and the standard deviation,  $SD$ , of the responses to the six areas the 150-hour rule is intended to help prepare

entry-level accountants. The table shows that respondents are split with mean scores about halfway between agreeing and disagreeing that the 150-hour rule helps prepare entry-level accountants in these six areas.

**Table 10 Successful in Preparing Entry-Level Accountants**

The 150-hour rule is successful in preparing entry-level accountants:	N	M	SD
2 With better technical skills.	160	<b>2.66</b>	0.75
1 With broader skills.	160	<b>2.66</b>	0.78
5 With a greater understanding of accounting.	157	<b>2.66</b>	0.77
3 With business communication skills.	159	2.44	0.77
6 For ethical decision making and behavior.	142	2.35	0.76
4 To be successful in our firm.	152	2.26	0.83

Figure 5 shows the means of the 150-hour rule being successful in preparing entry-level accountants.



**Figure 5 The 150-Hour Rule is Successful in Preparing Entry-Level Accountants**

ANOVA results for the responses are reported in Table 11. The null hypothesis is that there is no difference in the mean scores for the six areas. The table includes sum of squares (*SS*), degrees of freedom (*df*), and mean squares (*MS*), as well as *F*, *P*, and *F Critical* (the value of *F* above which the null hypothesis can be rejected) values.

**Table 11 ANOVA Results RQ 2**

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>
Between Groups	24.24902126	5	4.849804251
Within Groups	557.9232069	923	0.60446718
<i>F</i>	<i>P-value</i>		<i>F crit</i>
8.023271426	2.0355E-07		2.223801004

Because the p value is less than .05, the null hypothesis, that the group means are not significantly different, is rejected. A post-hoc test determined where the significant differences lie. Table 12 shows results from Tukey's HSD Post-Hoc test. This table includes the difference between group means, and whether the difference is large enough to be significant ( $(|Ma - Mb| - 0.237297345)$ ).

Table 12 shows that skills 1 (broader skills), 2 (better technical skills), and 5 (greater understanding of accounting) received mean scores that were significantly higher than the mean scores of skills 4 (to be successful in our firm) and 6 (ethical decision-making). Clearly respondents agree with some of the AICPA's justifications more than others suggesting that the 150-hour rule prepares students more in some areas than in others. It appears that the 150-hour rule is not as successful in preparing students with the business skills that are necessary to succeed in professional practice as it is in preparing students with technical and broader accounting skills.

Table 12 Tukey's HSD Post-Hoc Results

Group		( <i>Ma - Mb</i> )	( <i> Ma - Mb </i> ) - <b>0.237297345</b>	Group		( <i>Ma - Mb</i> )	( <i> Ma - Mb </i> ) - <b>0.237297345</b>
1	2	-0.00625	-0.23493008	4	1	-0.30873227	0.06755219
	3	0.215998428	-0.025181652		2	-0.31498227	0.07380219
	4	0.30873227	0.06755219		3	0.092733842	-0.148446238
	5	0.000199045	-0.240981035		5	0.308533225	0.067353145
	6	0.393092105	0.151912025		6	0.084359836	-0.156820244
2	1	0.00625	-0.23493008	5	1	0.000199045	-0.240981035
	3	0.222248428	-0.018931652		2	0.006449045	-0.234731035
	4	0.31498227	0.07380219		3	0.215799383	-0.025380697
	5	0.006449045	-0.234731035		4	0.308533225	0.067353145
	6	-4.925657895	4.684477815		6	0.392893061	0.151712981
3	1	-0.215998428	-0.025181652	6	1	0.393092105	0.151912025
	2	-0.222248428	-0.018931652		2	0.399342105	0.158162025
	4	0.092733842	-0.148446238		3	0.177093678	-0.064086402
	5	-0.215799383	-0.025380697		4	0.084359836	-0.156820244
	6	0.177093678	-0.064086402		5	0.392893061	0.151712981

4.1.4.2 RQ 2 Discussion

Recipients seem to agree that the 150-hour rule is successful in preparing entry-level accountants with certain skill sets, and that it equips them with a better understanding of accounting. Practitioners do not totally agree, however, that the 150-hour rule helps entry-level accountants meet the objectives of the AICPA's Core Competency Framework outlined in Chapter 3, specifically in the three main areas of functional competencies, personal competencies, and broad business perspective competencies, which aim at the "ease of transition



from student to professional” (AICPA, n.d.). Recipients responded that they agree, somewhat, with the AICPA that the 150-hour rule successfully prepares entry-level accountants with technical and broader skills, and also provides entry-level accountants with a greater understanding of accounting. However, there is less support for the suggestion that the 150-hour rule helps prepare entry-level accountants to succeed in a business environment.

### **4.1.5 RQ 3**

The third research question addressed perceptions of the impact of the 150-hour rule on hiring practices. The next section investigates the impact the 150-hour rule has on hiring entry-level accountants. Section 4.1.5.1 determines support for five statements about the requirement’s impacts on hiring practices. Section 4.1.5.2 asks open-ended questions, allowing for further comment on how respondents perceive the 150-hour rule has impacted hiring. Section 4.1.5.3 discusses both qualitative and quantitative results and their implications.

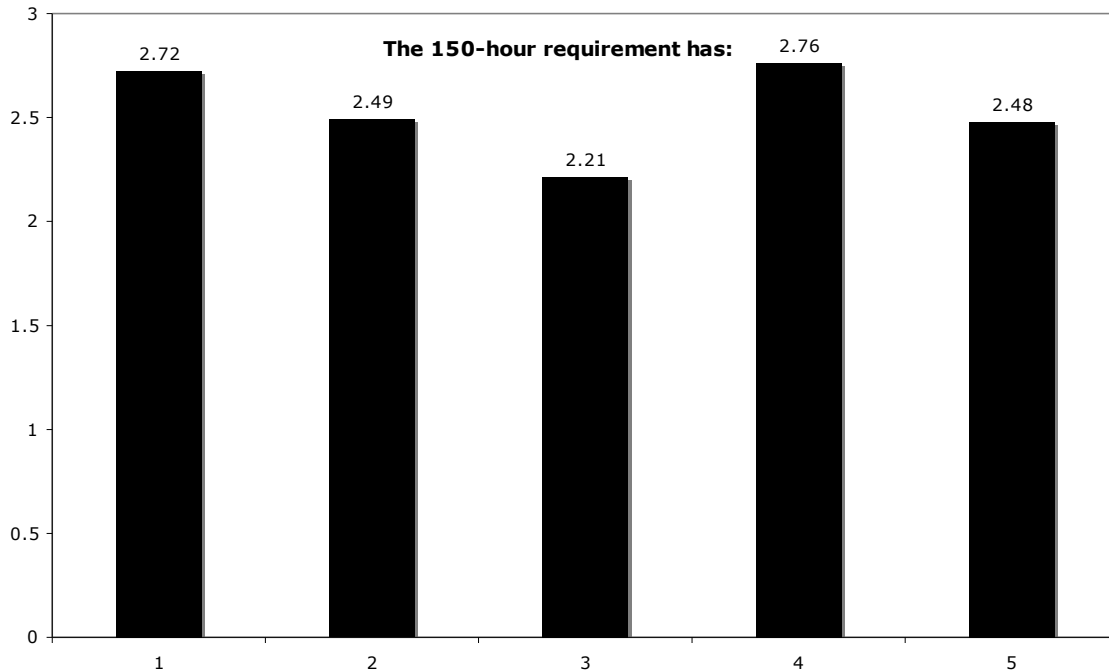
#### *4.1.5.1 RQ 3 Quantitative Data*

RQ 3 specifically asked participants what are the effects of the 150-hour rule requirement on hiring practices at accounting firms. A Likert scale, which included the choices 0 N/A, 1 Strongly Disagree, 2 Disagree, 3 Agree, and 4 Strongly Agree, was used. N/A was interpreted as, “The statement is not applicable to the firm.” Five statements were listed in the survey and these statements are reproduced in which displays the number of respondent’s,  $n$ ; means,  $M$ ; and  $SD$  for the statements using a Likert scale. The five statements are listed in Table 15. Statement 4, the 150-hour rule has increased the compensation of entry-level accountants, and statement 1, the

150-hour rule has created a barrier into the profession, received the highest mean scores. Figure 6 displays the mean scores graphically.

**Table 13 The 150-Hour Rule: Effects on Hiring Practices**

The 150-hour requirement has:		<i>n</i>	<i>M</i>	<i>SD</i>
4	Has increased the compensation of entry level accountants	146	<b>2.76</b>	0.75
1	Created a barrier of entry into the profession	156	<b>2.72</b>	0.77
2	Not improved the quality of candidates	149	2.49	0.72
5	Our firm prefers to recruit entry level accountants with the 150-hour requirement already met	111	2.48	0.64
3	Has not affected the supply of qualified candidates	150	2.21	0.82



**Figure 6 The 150-Hour Requirement has Affected Hiring**

An ANOVA test was used to test the null hypothesis, that there is no difference in the mean scores. Table 14 includes sum of squares (*SS*), degrees of freedom (*df*), mean squares

(*MS*), as well as *F*, *P*, and *F Critical* (the value of *F* above which the null hypothesis can be rejected) values.

**Table 14 ANOVA Results RQ 3**

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>
Between Groups	29.1916105	4	7.297902626
Within Groups	383.8589513	707	0.542940525
<i>F</i>	<i>P-value</i>		<i>F crit</i>
13.44144025	1.45291E-10		2.384529768

Because the p value is less than .05, the null hypothesis that the group means are not significantly different is rejected. A post-hoc test determined which statements are significantly different from others. Table 15 shows the results from Tukey's HSD Post-Hoc test. It includes the difference between group means, and whether the difference is large enough to be significant ( $(|Ma - Mb|) - 0.238346314$ ).

Table 15 shows that statement 4 (has increased the compensation of entry level accountants) has a mean score that was significantly higher than the mean score of statements 3 (has not affected the supply of qualified candidates), 5 (our firm prefers to recruit entry level accountants with the 150-hour requirement already met), and 2 (not improved the quality of candidates); statement 1 (created a barrier of entry into the profession) had a mean score significantly higher than 3 and 5; and statement 2 (not improved the quality of candidates) had a mean score significantly higher than question 3. These results show that respondents agree somewhat that the 150-hour rule has increased the compensation of entry-level accountants, and that it has created a barrier to entering the accounting profession. Clearly, these two findings are

not unrelated. These statements received the highest mean scores that were, significantly higher than the mean scores for at least two of the other statements.

**Table 15 Tukey's HSD Post-Hoc Results**

Groups		$(Ma - Mb)$	$( Ma - Mb ) - 0.238346314$
1	2	0.234426088	-0.003920225
	3	0.511025641	0.272679327
	4	-0.035914998	-0.202431315
	5	0.246881497	0.008535183
2	1	-0.234426088	0.038253239
	3	0.276599553	0.038253239
	4	-0.270341087	0.031994773
	5	0.012455408	-0.225890905
3	1	-0.246881497	0.008535183
	2	-0.276599553	0.038253239
	4	-0.546940639	0.308594326
	5	-0.264144144	0.02579783
4	1	-0.246881497	0.008535183
	2	0.270341087	0.031994773
	3	0.546940639	0.308594326
	5	0.282796495	0.044450181
5	1	-0.246881497	0.008535183
	2	-0.012455408	-0.225890905
	3	0.264144144	0.02579783
	4	-0.282796495	0.044450181

These two statements could suggest that the billable hours have increased due to fewer people entering the profession as a result of the 150-hour rule. In other words, there could be more responsibilities with fewer human resources or it could imply that wages have increased to compensate entry-level accountants with more education hours. However, the results also suggest that many of the respondents feel the 150-hour requirement has not improved the quality of candidates, and that there is little preference for hiring entry-level accountants who have met the 150-hour requirement.

### 4.1.5.2 RQ 3 Qualitative Data

The open-ended question relevant to RQ 3 asked for additional comments on the effects of the 150-hour rule on hiring practices. The total response rate was  $n=53$ . The responses were first separated into statements that were made in favor of the 150-hour rule in regards to hiring practices (proponents), which was ( $n_p=7$ ); statements made that were opposed to the 150-hour rule in regards to hiring practices (opponents), which was ( $n_o=17$ ); or statements that were neutral, which was ( $n_n=29$ ). The fact that there were more than twice as many statements opposed to the 150-hour rule as there were in favor of it shows that there is a more negative perception of the rule. However, the majority of respondents appeared neutral. The responses were coded by similar identifying keywords, phrases, or themes. Refer to Table 16 for the total responses, total response rate, proponents, opponents, and statements categorized by the coding system.

The codes represent the themes (a-h), and whether the statement was positive or negative (proponents = p or opponent = o). Over half (55%) of the respondents stated the rule had no noticeable effect on hiring practices 32% stated it had negative impacts and 13% stated it had a positive effects on hiring practices. Table 16 lists ten random comments selected from the opponent and proponent statements. The entire listing of comments is included in Appendix D.

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**Table 16 Response Rates and Coding System Comments on the Effects of the 150-Hour Rule on Your Hiring Practices.**

P = Proponents $n_p=36$ 7/53= <b>13%</b>		O = Opponents $n_o=17$ 17/53= <b>32%</b>		N=Neutral $n_n=29$ 29/53 = <b>55%</b>		Total response rate $n=53$ 53/53= <b>100%</b>	
a.	None or No effect. This is interpreted as, "There has been no effect of the 150-hour rule on hiring practices."	$n=29$	e.	Supply of candidates	$n=5$		
b.	N/A This is interpreted as, "The statement is not applicable to the firm."	$n=4$	f.	Negative costs incurred	$n=2$		
c.	Required This is interpreted as, "It is a required that the entry-level candidate possess the 150-hours before hiring."	$n=2$	g.	Prohibitive, prevents	$n=2$		
d.	Other. Includes higher expectations, better candidates, seeking qualified and experienced individuals.	$n=5$	h.	Less competent candidates, unqualified	$n=2$		

Twenty-nine recipients signaled that the 150-hour rule had no effect on hiring practices. Four chose N/A as an answer. This was interpreted as, "The statement is not applicable to the firm." Taken together, this comprised 62% of respondents who commented that the 150-hour rule does not affect the hiring practices of Michigan accounting firms.

**Table 17 Comments on the Effects of the 150-Hour Rule on Your Hiring Practices**

Ref. Code	Comment
a n	None - I hire when necessary.
a n	None - we will continue to hire the best fit for our job openings.
a n	N/A Small firm. However if larger and not at the end of my career - important for hiring someone that could become a CPA quicker.
c p	Immediately adopted 150-hour requirement for new hires.
d p	Higher expectations from new hire.
e o	The number of students looking to enter the CPA profession decreased. Students could get into other careers/professions without the extra hours.
e o	Fewer applicants and higher wages offset by applicants with better skills.
e o	May have pushed some good candidates away from the accounting profession.
f o	I feel the 150 hour requirement just added to the initial hiring cost.
g o	Prevents accountants from getting certified who have only a bachelor's degree.

### *4.1.5.3 RQ 3 Discussion*

The quantitative data reveal a somewhat different outcome than the qualitative data. The Likert scale statements (quantitative) produced scores suggesting that the 150-hour rule has affected the hiring practices in mostly negative ways, while the open-ended questions yielded approximately 62% statements that there is no effect of the 150-hour rule on hiring practices. Together they suggest that the impact of the 150-hour rule on hiring practices is neutral to negative, which is not a favorable assessment of the rule.

### *4.1.6 RQ 4*

The fourth research question addressed the effects of the decrease in the professional work experience requirement. The 150-hour rule has decreased the professional work experience requirement from 2 years and 4,000 hours to 1 year and 2,000 hours. This is a significant change to the requirements for entry-level accountants. Section 4.1.6.1 looks at the quantitative data on this question. Section 4.1.6.2 examines the qualitative data, and section 4.1.6.3 discusses the results.

#### *4.1.6.1 RQ 4 Quantitative Data*

Participants were asked the degree to which they agreed with the following four statements, using a Likert scale with the following choices: 0 N/A, 1 Strongly Disagree, 2 Disagree, 3 Agree, and 4 Strongly Agree. N/A was interpreted as; “The statement is not

applicable to the firm.” The four statements are listed in Table 18. Table 18 displays the number of respondent’s  $n$ , mean score  $M$ , and SD for the responses to the statements.

Scores range from less than 2 for statement 1 to almost 3 for statement 3. Figure 7 graphically depicts the range of scores for the four statements from Table 18. To determine whether differences between group means are significant, a one-way ANOVA was run to test the null hypothesis. Results are given below in Table 19, which includes sum of squares ( $SS$ ), degrees of freedom ( $df$ ), mean squares ( $MS$ ), as well as  $F$ ,  $P$ , and  $F$  Critical (the value of  $F$  above which the null hypothesis can be rejected) values.

**Table 18 The Decrease in Professional Work Experience**

	The 150-hour rule requirement has:	$n$	$M$	$SD$
3	Are <i>not enough hours</i> to prepare the entry-level accountant for professional practice (real-world accounting procedures and develop professional judgment)	144	<b>2.97</b>	1.72
4	Has affected our ability to retain new hires, because new hires need only 1 year of work experience for the CPA designation and they move to industry positions.	142	2.39	1.55
2	The new hires have added more value to the firm/company during the 1st year because they are better prepared for 1st year assignments.	152	2	1.41
1	Has required less on-the-job training supervision of new hires during their 1st year of employment.	102	1.86	1.36



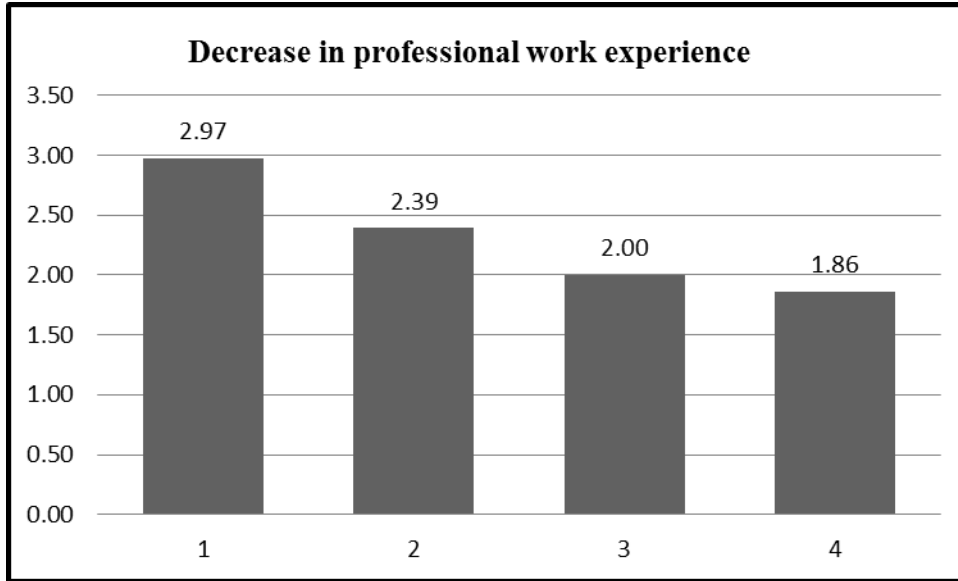


Figure 7 The Decrease in Professional Work experience

Table 19 ANOVA Summary

Source of Variation	SS	df	MS
Between Groups	108.9822297	3	36.32740989
Within Groups	270.371474	536	0.504424392
<i>F</i>	<i>P-value</i>		<i>F crit</i>
72.01755204	3.80108E-39		2.621532938

Because the p value is less than .05, the null hypothesis, that the group means are not significantly different is rejected. Because differences are significant, a post-hoc test was used to determine which factors differed from the others. Table 20 shows results from Tukey's HSD Post-Hoc test. It includes the difference between group means, and whether the difference is large enough to be significant ( $(|Ma - Mb) - 0.221890026$ ).

**Table 20 Tukey's HSD Post-Hoc Results**

<b>Groups</b>		<b>(Ma - Mb)</b>	<b>( Ma - Mb ) - 0.221890026</b>
1	2	-0.138888889	-0.083001137
	3	-1.105994152	0.884104126
	4	-0.531045752	0.309155726
2	1	0.138888889	-0.083001137
	3	-0.967105263	0.745215238
	4	-0.392156863	0.170266837
3	1	1.105994152	0.884104126
	2	0.967105263	0.745215238
	4	0.5749484	0.353058375
4	1	0.531045752	0.309155726
	2	0.392156863	0.170266837
	3	-0.5749484	0.353058375

Table 20 shows that factor 3 (*not enough hours to prepare the entry-level accountant for professional practice*) has a significantly higher mean score than all the other factors. Statement 4 (*has affected our ability to retain new hires*) received a mean score that was significantly higher than statements 1 (*has required less on-the-job training supervision of new hires during their 1st year of employment*) and 2 (*the new hires have added more value to the firm/company during the 1st year*) only. Statement 2 did not score a significantly higher average than statement 1.

#### 4.1.6.2 RQ 4 Qualitative Data

The open-ended component of RQ 4 asked for additional comments on the effects of the decrease in professional work hours from 2 years and 4,000 hours to 1 year and 2,000 hours. The total response was n=68. The responses were first separated into statements that were either made in favor of the change (proponents) or against the change (opponents). The responses were coded by similar identifying keywords, phrases, or themes. Refer to Table 21 for the total

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responses, proponents, opponents, neutral, and the statements categorized by the coding system.

The entire listing of comments is included in Appendix E.

**Table 21 Responses and Coding System Comments on the Effects of the Decrease in Professional Work Hours From 2 Years 4,000 Hours to 1 Year and 2,000 Hours**

P = Proponents $n_p=3$ $3/68= 4\%$		O = Opponents $n_o=55$ $39/68= 57\%$		N=Neutral $n_n=26$ $26/68 = 38\%$		Total response rate $n=68$ $68/68= 100\%$	
a.	None or No effect. This is interpreted as, "There has been no effect of the 150-hour rule on hiring practices." N/A This is interpreted as, "The statement is not applicable to the firm."	$n=26$	e.	Experience. Which includes any statements made in regard to the decrease in experience	$n=12$		
b.	Detriment, negative, mistake, etc. This is interpreted as the respondent is against the change from 4,000 hours to 2,000 hours.	$n=15$	f.	Less qualified, less competent, or not prepared. Includes any statement in regards to the candidate being less qualified because of the decrease in professional work hours.	$n=8$		
c.	Classwork. Which includes any statements made in regards to the increase in coursework	$n=15$	g.	Other: Interpreted as leaving the profession early, decrease in supply, and additional training is needed, costs	$n=4$		
d.	Other. Includes higher expectations, better candidates, seeking qualified and experienced individuals.	$n=5$	h.	Agree with the change	$n=3$		

The referencing code represents the themes (a-h), and whether the statement was positive, negative, or neutral (proponents = p, opponent = o or neutral=n) respectively. From Table 21, 57% of respondents commented that they were opposed for one reason or another to the decrease in the requirement for professional work experience that is part of the 150-hour rule; 38% commented that there had been no significant impact as a result of the change, and 4% responded that they supported the decrease. Table 22 lists 11 random comments from both opponents and proponents. The entire listing of comments is included in Appendix E.

**Table 22 Additional Comments on the Effects of the Decrease in Professional Work Hours From 2 Years 4,000 Hours to 1 Year and 2,000 Hours**

Ref. Code	Comment
a o	None. The challenging part for hires is finding the time to study for and the cost to pay for classes to take the exam.
a n	No material effect.
a n	No effect.
a n	N/A
b o	Big detriment. Nobody is qualified to be a CPA with only 1 year experience.
b o	This is a mistake; knowledge only starts to kick in year 2.
c o	The extra year of experience was worth far more than an extra year of school in equipping a person to do their job as a CPA.
d o	2 years is needed to give sufficient real-world experience.
d o	CPA's (new) have less experience, and are not ready to work unsupervised
e o	Reduction of work experience has permitted licensing of less qualified accountants.
g p	Good given using related courses

#### 4.1.6.3 RQ 4 Discussion

While 4% of respondents commented that they supported the decrease in required professional work experience, with some commenting that the increased classroom time is beneficial to entry-level accountants, the majority of practitioners who responded were either opposed to the change or neutral toward it. Clearly, decreasing the requirement for professional work experience by half is not a popular aspect of the 150-hour rule among accounting professionals. This could be a further reason to implement an internship program as suggested earlier in this chapter. Results from section 4.1.6.1 confirm that respondents feel the decrease in required work experience has been more harmful than beneficial. Based on the data, it can be concluded that respondents do not feel the new requirement allows enough time to prepare candidates for professional practice, nor do respondents believe that entry-level accountants require less supervision.

### **4.1.7 RQ 5**

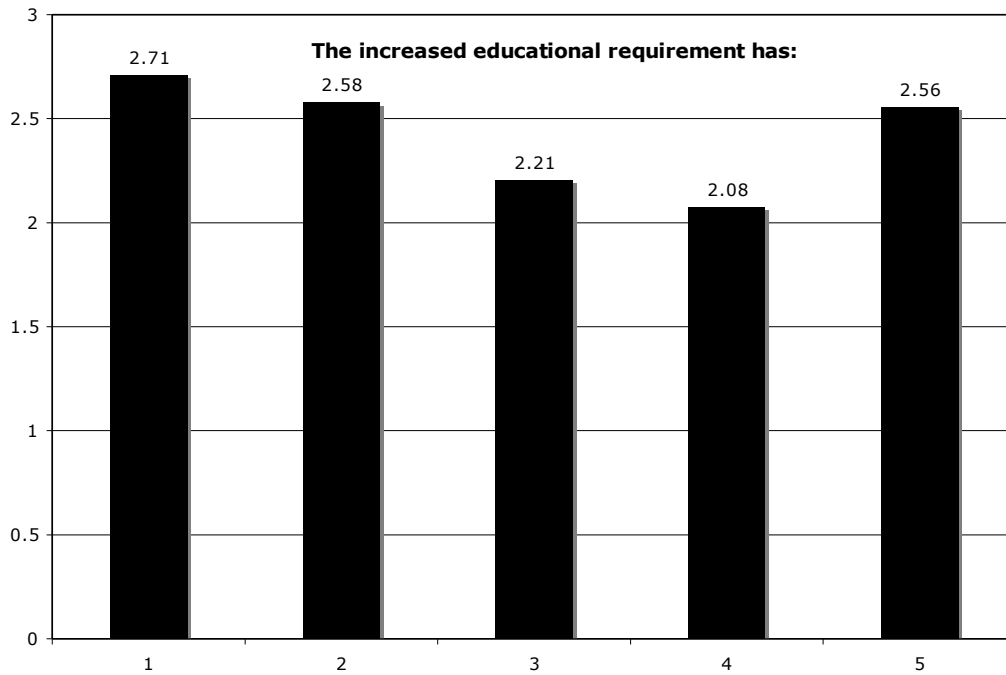
The fifth research question examined the effects of the increase in the undefined educational requirement included in the 150-hour rule. The 150-hour rule has increased the number of semester credit hours from 120 hours for a traditional bachelor's degree to 150-semester credit hours of education. This increase of 30 additional undefined semester credit hours can be completed at the undergraduate or graduate level. RQ 5 asks both qualitative and quantitative questions about practitioners' perceptions of the increase. Section 4.1.7.1 analyzes the quantitative data, section 4.1.7.2 analyzes the qualitative data, and section 4.1.7.3 discusses the results.

#### *4.1.7.1 RQ 5 Quantitative Data*

Using a Likert scale, participants were asked to rate their agreement with the five statements listed in table 23 below on the impacts of the increase in undefined education hours. Statement 1, the increase in additional-semester-credit-hours has not changed the preparedness of the entry-level accountant, received the highest mean score of 2.71. Statement 4, the 150-hour rule has negatively impacted our retention, received the lowest mean score of 2.08. These results indicate that respondents do not feel the additional semester-credit-hours have significantly impacted the profession. Figure 8 shows the mean scores.

**Table 23 The 150-Hour Rule: Effects of the Increase in Undefined Educational Requirement**

<i>The increase in additional semester credit-hours:</i>		<i>n</i>	<i>M</i>	<i>SD</i>
1	Has not changed the preparedness of the entry-level accountant for professional practice (real-world accounting practices).	152	<b>2.71</b>	0.73
2	Has improved the image of professional accountancy because of greater standards.	151	<b>2.58</b>	0.73
5	Our firm prefers to hire candidates who have already completed the additional 30 semester credit-hours.	108	2.56	0.73
3	Has negatively affected our firm due to tuition reimbursement costs.	78	2.21	0.69
4	Has negatively impacted our retention due to new-hires staying in school longer as opposed to entering the profession.	93	2.08	0.63



**Figure 8 Increase of 30 Additional Semester Credit-Hours**

A one-way ANOVA was used to test the null hypothesis that there is no difference in the impacts of the additional credit hours. The results are given in Table 24 below. These results

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include sum of squares (*SS*), degrees of freedom (*df*), mean squares (*MS*), as well as *F*, *P*, and *F Critical* (the value of *F* above which the null hypothesis can be rejected) values.

**Table 24 ANOVA Results RQ 5**

Source of Variation	SS	df	MS
Between Groups	31.21455825	4	7.803639562
Within Groups	289.9950637	577	0.502591098
<i>F</i>	<i>P-value</i>		<i>F crit</i>
15.52681611	4.50951E-12		2.387378304

Because the p value is less than .05, the null hypothesis is rejected. A post-hoc test was used to determine which impacts differed from the others. Table 25, below, shows the results from Tukey's HSD Post-Hoc test, and whether the difference is large enough to be significant ( $(|Ma - Mb|) - 0.253640272$ ).

**Table 25 Tukey's HSD Post-Hoc Results**

Groups		$(Ma - Mb)$	$( Ma - Mb ) - 0.253640272$
1	2	0.134367375	-0.119272897
	3	0.505398111	0.251757838
	4	0.635257499	0.381617226
	5	0.15497076	-0.098669512
2	1	-0.134367375	-0.119272897
	3	0.371030735	0.117390463
	4	0.500890123	0.247249851
	5	0.020603385	-0.233036887
3	1	-0.505398111	0.251757838
	2	-0.371030735	0.117390463
	4	0.129859388	-0.123780884
	5	-0.35042735	0.096787078
4	1	-0.635257499	0.381617226
	2	-0.500890123	0.247249851
	3	-0.129859388	-0.123780884
	5	-0.480286738	0.226646466

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5	1	-0.15497076	-0.098669512
	2	-0.020603385	-0.233036887
	3	0.35042735	0.096787078
	4	0.480286738	0.226646466

Statement 1 (has not changed the preparedness of the entry-level accountant for professional practice, (“real-world” accounting practices), statement 2 (has improved the image of professional accountancy because of greater standards), and statement 5 (our firm prefers to hire candidates who have already completed the additional 30 semester credit-hours) had mean scores that were significantly higher than the mean scores of statement 4 (has negatively impacted our retention due to new-hires staying in school longer as opposed to entering the profession), and statement 3 (has negatively affected our firm due to tuition reimbursement costs). The results show that firms believe requiring an additional 30 semester credit hours has not changed the preparedness of the entry-level accountant for professional practice (real-world accounting practices). However, firms do believe the 30 additional semester credit hours have improved the image of professional accountancy.

### 4.1.7.2 RQ 5 Qualitative Data

This section asked for additional comments on the effects of the additional 30 semester credits hours that are required for the 150-hour rule. The total response was  $n=54$ . The responses were first separated into statements that were either made in favor of the 150-hour rule (proponents),  $n_p=12$ , or statements made that were opposed to the 150-hour rule (opponents),  $n_o=35$ . Neutral statement were  $n_n=7$ . The responses were coded by similar identifying keywords, phrases, or themes. Refer to Table 26 for the total responses, response rates,



proponents, opponents, and the statements categorized by the coding system. The entire listing of comments is included in Appendix F.

The results show that firm's feel requiring an additional 30 semester credit hours has not changed the preparedness of the entry-level accountant for professional practice (real-world accounting practices). However, firms do feel the additional education requirement has improved the image of professional accountancy because of greater standards. These findings mirror those from quantitative analysis. Further comments were made that the increased education requirement is not beneficial as the credits are not defined, and there is no curriculum to ensure that the extra credit hours consist of courses that help prepare students for the accounting profession. Table 27 presents the comments made by firms on the effects of the additional educational requirement contained in the 150-hour rule. The entire listing of comments is listed in Appendix F.

**Table 26 Q4 The Effects of the Additional 30 Semester Credits Hours That are Required for the 150-Hour Rule**

P = Proponents $n_p=12$ $12/54=22\%$		O = Opponents $n_o=35$ $35/54= 54\%$		N=Neutral $n_n=7$ $7/54 = 13\%$		Total response rate $n=54$ $54/54= 100\%$	
a.	None, No effect or No material effect. This is interpreted as, "There has been no effect of the additional 30 semester credit hours." N/A. "The statement is not applicable to the firm."	$n=9$	e.	Less qualified, less competent, or not prepared. Experience. Includes any statements made in regard to the decrease in experience.	$n=1$		
b.	Detriment, negative, mistake, etc. This is interpreted as the respondent is against the increase in course work.	$n=5$	f.	Costs of the 5th year are excessive, work and passing the exam is important. Additional cost to firm and employee.	$n=15$		
c.	Better prepared. Which includes any statements made in regard to the increase in coursework	$n=10$	g.	Course work is not defined	$n=12$		

## Michigan Practitioners' Perceptions

d.	Decreases the supply of students	n=2	h.	
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### 4.1.7.3 RQ 5 Discussion

Based on the qualitative data collected through open-ended questions, support for the 30 extra credit hours required as part of the 150-hour rule was low. There were 35 comments from firms opposed to the educational requirement in comparison to only 12 positive comments. However, when examining the quantitative data, the positive statements 1, 2, and 5 had significantly higher mean scores than the negative statements 3 and 4. Based on the quantitative data, it seems that practitioners felt the requirement helps improve the image of the industry and produces more well-rounded accounting candidates (Tables 23 and 27).

**Table 27 The Effects of the Additional 30 Semester Credits Hours that are Required for the 150-Hour Rule**

Ref. Code	Comment
a n	None.
c p	Better prepared individuals to take the exam.
c p	Graduates are better-rounded.
c p	This would increase competency
c p	Keeps individual informed about changes in accounting and tax practices.
f o	Keeps good people from entering public accounting.
f o	Some added technical learning offset against higher costs for schooling and limiting applicants and people going into accounting.
f o	Very expensive and time consuming.
f o	Waste of time and money.
f o	Extra money for Universities.
f o	Our hires have had to go back and obtain the additional 30 hours. This is an extra cost for us and them.
g o	There is no real curriculum for the extra 30 hours.
g o	Not beneficial because courses can be general - should be accounting, auditing and tax courses.
g o	Undefined.

### 4.1.8 RQs 6 & 7

The sixth research question addressed the importance of competency in AICPA required skills, and the seventh research question addressed the competency of entry-level accountants in these same skills. Because the results from RQs 6 and 7 are interrelated, both questions are included in this section. Responses from the survey for RQs 6 and 7 are grouped together in Table 28. The data are presented, and then the correlation between the most important competencies and the competencies of entry-level accountants is presented. The last section examines the courses employers want included in the 30 additional credit-hours required by the 150-hour rule.

### *4.1.8.1 RQs 6 & 7 Quantitative Data*

Quantitative data for RQs 6, 7, and 6a are presented in Table 28. For RQs 6, 7, and 6a below, the ratio of participants to variables ranges from a minimum of 7.8 to 1 (149/19) to a maximum of 8.6 to 1 (163/19). In all cases, these exceed the minimum sample size requirement of 5 to 1 for sample size requirement. Table 28 includes questions 6, 7, and 6a; total responses,  $n$ ; mean score,  $M$ ; and  $SD$ . A Likert scale was used, and the same 19 skills were listed for RQs 6, 7, and 6a. For RQ 6 and 6a, the Likert scale choices ranged from 1 = Not Important to 3 = Somewhat Important to 5 = Very Important. For RQ 7, the Likert scale choices range from 1 = Incompetent to 3 = Somewhat Competent to 5 = Very Competent. The information from Table 28 is reproduced in graphic form in Figure 9.

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Table 28 Research Questions 6 & 7

Skill Area	Ranked by means	RQ 6 How important is it for an entry-level accountant to be competent in the skill listed below?			Ranked by means	RQ 7 How competent is the entry-level accountant in the skill listed below?			Ranked by means	RQ 6a Of the additional 30 semester credit-hours, how important is each of the following course areas?		
		N	M	SD		N	M	SD		N	M	SD
Written Communications	4	163	<b>4.37</b>	.79	8	150	<b>3.05</b>	.75	2	163	<b>4.10</b>	.82
Oral Communications	2	163	<b>4.45</b>	.68	6	150	<b>3.20</b>	.77	3	162	<b>4.01</b>	.77
General Business Knowledge		163	3.84	.85	9	149	2.99	.77		163	3.74	.71
Financial Accounting	8	163	<b>4.08</b>	.77	4	150	<b>3.31</b>	.75	5	160	<b>3.82</b>	.77
Managerial and Cost Accounting		163	3.12	.94	d	151	2.77	.68		160	3.34	.77
Not-for-Profit Accounting		163	2.95	.96	b	149	2.51	.81		162	3.10	.85
Federal - Taxation - Personal		163	3.97	.95		151	2.92	.81		163	3.95	.84
Federal - Taxation - Corporate		163	3.97	.92	e	150	2.86	.86		163	3.97	.82
Auditing		163	3.44	1.10		151	2.91	.74		161	3.68	.83
Spread sheeting	7	163	<b>4.17</b>	.87	1	151	<b>3.67</b>	.83	7	162	<b>3.73</b>	1.01
Word Processing	9	163	<b>4.01</b>	.94	2	151	<b>3.60</b>	.85	9	162	<b>3.54</b>	1.06
Accounting Information Systems		163	3.70	.89		151	3.11	.84		160	3.64	.92
Interpersonal Communications	5	163	<b>4.26</b>	.76	7	150	<b>3.11</b>	.76	6	161	<b>3.81</b>	.90
Analytical & Critical Thinking	3	163	<b>4.41</b>	.71		151	<b>2.94</b>	.83	1	162	<b>4.24</b>	.74
Teamwork	6	163	<b>4.22</b>	.88	5	151	<b>3.30</b>	.84	8	158	<b>3.68</b>	.98
Ethics	1	164	<b>4.49</b>	.82	3	150	<b>3.38</b>	.86	4	162	<b>4.00</b>	.89
Legal and Regulatory Knowledge		161	3.44	.96	c	150	2.69	.80		160	3.40	.88
Cultural Awareness		163	3.28	.97		150	3.04	.74		161	3.07	.91
Accounting Research		162	3.52	.98	a	151	1.83	.90		160	3.54	.88

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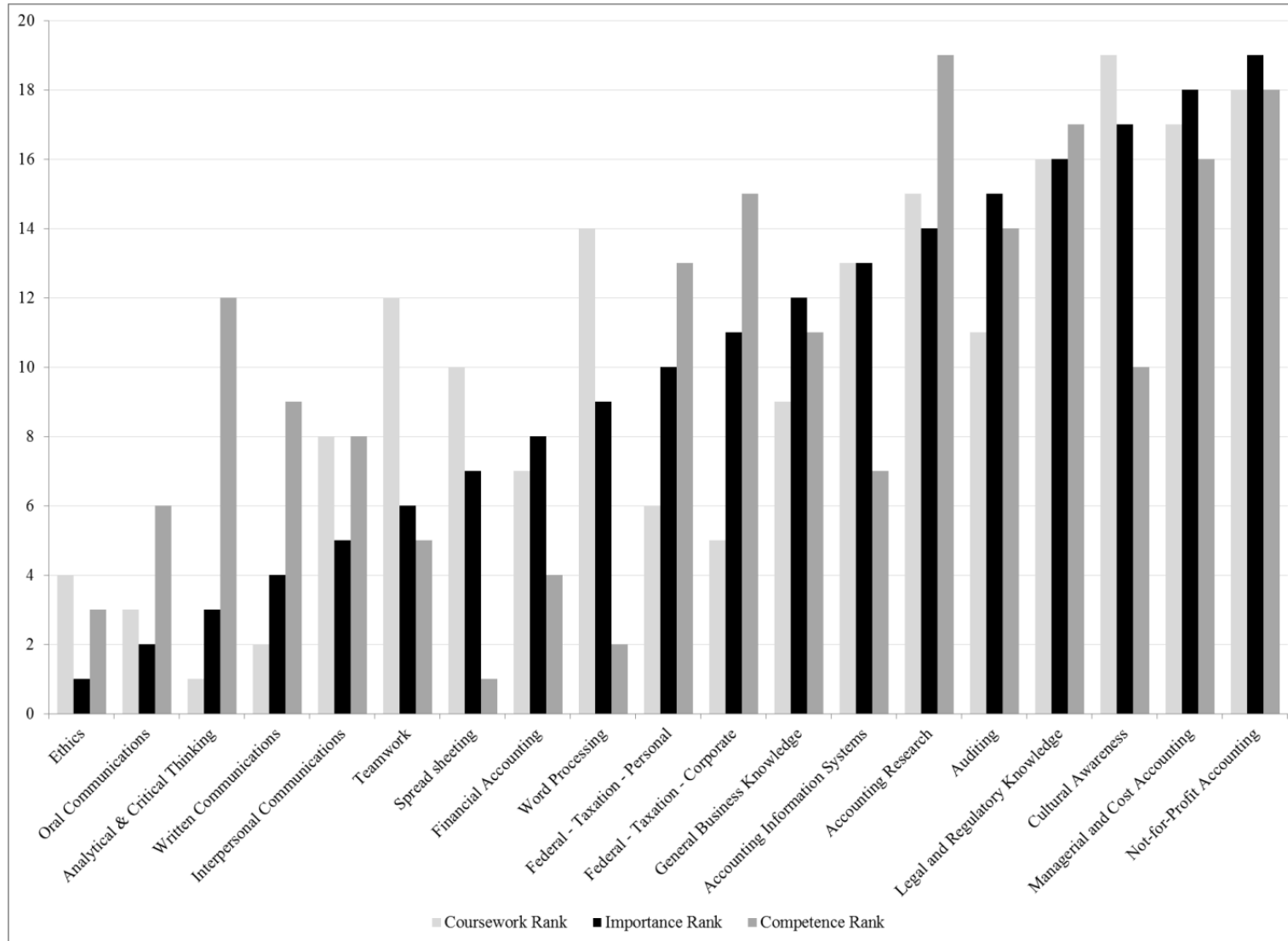


Figure 9 Skill Areas



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**Table 29 Summary of the Ranking of the Means**

Skill Area	Coursework Rank	Importance Rank	Competence Rank
Analytical & Critical Thinking	1	3	12
Written Communications	2	4	9
Oral Communications	3	2	6
Ethics	4	1	3
Federal - Taxation - Corporate	5	11	15
Federal - Taxation - Personal	6	10	13
Financial Accounting	7	8	4
Interpersonal Communications	8	5	8
General Business Knowledge	9	12	11
Spread sheeting	10	7	1
Auditing	11	15	14
Teamwork	12	6	5
Accounting Information Systems	13	13	7
Word Processing	14	9	2
Accounting Research	15	14	19
Legal and Regulatory Knowledge	16	16	17
Managerial and Cost Accounting	17	18	16
Not-for-Profit Accounting	18	19	18
Cultural Awareness	19	17	10

### *4.1.8.2 Relationship between RQ 6 and RQ 7*

The purpose of the correlation is to compare the competence of entry-level accountants (RQ 7) with the skills considered most important by accounting practitioners (RQ 6), and to determine the effectiveness of the 30 extra credit-hours in preparing candidates in these fields (RQ 6a). Table 28 and Table 29 compare mean scores from RQ 6, how important is it for candidates to be competent in these skill areas, and RQ 7, how competent are candidates in these areas. The tables list the questions, skill areas, and mean scores. Of this data, several scores were very significant, the highest positive correlations being for Analytical & Critical Thinking, Written and Oral Communications, Ethics, and Federal Taxation both Corporate and Personal.

There is almost a perfect correlation between those skills that practitioners find important for an entry-level accountant to be competent in and how competent the entry-level accountant is in those areas. This is demonstrated in Table 29. Conversely, the weak correlation between important skill areas and candidates' perceived competence suggests that entry-level accounting candidates are not being prepared sufficiently in the areas industry practitioners consider most important. These areas include Not-for-Profit Accounting, Managerial and Cost Accounting, Cultural Awareness, Legal and Regulatory Knowledge, and Auditing. These skills received the lowest mean scores. This can be interpreted as meaning that these skills are less important or that candidates are less prepared in these areas.

### *4.1.8.3 RQ 6a: Of the 30 Extra Credit-Hours, How Important is Each Skill Area*

Question 6a asked how important it would be to cover each of the skill areas in the 30 extra credit-hours required by the 150-hour rule. The mean scores on the Likert scale of the skill areas' importance are listed in Table 29 above. In Table 30 below, the skills have been ranked based on their mean scores and numbered 1 through 19 based on the relative importance of teaching that skill in coursework as part of the additional 30 semester credit-hours. Table 30 is a summary of the ranking of the means, and Figure 9 is a bar graph illustrating the ranking.

Results from Table 30 suggest that part of the 30 additional credit-hours should be spent improving students' competence in some of the skill areas practitioners consider most important. According to accounting parishioners, analytical and critical thinking as well as corporate and personal federal taxation are skill areas where candidates could be better prepared. Conversely,



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the skills such as spread sheeting, word processing, ethics, financial accounting, and teamwork are skills that practitioners believe entry-level accountants adequately possess. The skills with the lowest rankings, cultural awareness, not-for-profit accounting, managerial or cost accounting, and legal and regulatory knowledge are skill areas that are both of least importance for an entry level accountant and skill areas that practitioners consider the additional 30 semester credit-hours need not cover. In addition, these are also skills that entry-level accountants tend to be the least competent in. Figure 9 displays the same data in graphic form. General comments is included in Appendix G.

**Table 30 Summary of the Ranking of the Means**

Skill Area	Coursework Rank	Importance Rank	Competence Rank
Analytical & Critical Thinking	1	3	12
Written Communications	2	4	9
Oral Communications	3	2	6
Ethics	4	1	3
Federal - Taxation - Corporate	5	11	15
Federal - Taxation - Personal	6	10	13
Financial Accounting	7	8	4
Interpersonal Communications	8	5	8
General Business Knowledge	9	12	11
Spread sheeting	10	7	1
Auditing	11	15	14
Teamwork	12	6	5
Accounting Information Systems	13	13	7
Word Processing	14	9	2
Accounting Research	15	14	19
Legal and Regulatory Knowledge	16	16	17
Managerial and Cost Accounting	17	18	16
Not-for-Profit Accounting	18	19	18
Cultural Awareness	19	17	10

## CHAPTER 5 CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

The purpose of this research was to determine the impact of Article 7 of Public Act 299 on public accounting firms in the state of Michigan and to determine if the 150-hour requirement has met its objectives. According to the AICPA, the 150-hour rule became necessary for three reasons:

1. Significant increases in official accounting and auditing pronouncements and the proliferation of new tax laws have expanded the knowledge base required for professional practice in accounting
2. Business methods have become increasingly complex. The proliferation of regulations from federal, state, and local governments requires well-educated individuals to ensure compliance. Also, improvements in technology have had a major effect on information systems design, internal control procedures, and auditing methods.
3. The staffing needs of accounting firms and other employers of CPAs are changing rapidly... the requirements for effective professional practice have increased sharply. The demand for a large quantity of people to perform many routine auditing tasks is rapidly diminishing. (AICPA, 2011)

To test whether the 150-hour rule has in fact met its objectives and to determine its impact on the profession, research questions covering seven critical areas were sent to 1,059 accounting firms in the state of Michigan. Of these 1,059 firms, 181 responded. The findings for each research question are summarized below, followed by recommendations for policy and practice. This dissertation concludes with suggestions for future research.

### 5.1 Summary of Findings

1. What are accounting firms' perceptions of the necessity of the 150-hour requirement?

Respondents agreed somewhat with the AICPA's assertion that candidates must be better prepared than in the past to meet the more complex accounting requirements, particularly in the areas of auditing and tax regulations. (Mean scores range from 2.92 to 2.29). Respondents also indicated that increased education was of some value. However, 67% of the comments from the qualitative portion of RQ 1 were not in favor of the necessity of the 150-hour rule. Statements such as; "More government hoopla provides very little evidence that people are better prepared for a CPA Career.", "A knee-jerk reaction...", "A mandatory internship would be more beneficial..." Thus, while the quantitative data indicate that the 150-hour rule is of some benefit to accounting firms, the qualitative data show that respondents do not perceive it as necessary. Therefore, although it would appear there is a recognized need to better prepare future accountants, and the 150 hour rule is seen to have some value by accounting professionals, the 150-hour rule is not considered necessary to meet these needs.

2. What are accounting firms' perceptions of the effects of the 150-hour requirement on preparation of entry-level accountants?

Some respondents felt that as more is being asked of entry-level accountants, better technical skills, broader skill-sets, and a better understanding of accounting (Mean scores 2.66) obtained from the required 150-hour rule are important. However, many respondents did not

agree that the 150-hour rule helps entry-level accountants meet the objectives of the AICPA's Core Competency Framework as outlined in Chapter 3. Specifically, respondents found entry-level accountants lacking in the three main areas of functional competencies, personal competencies, and broad business perspective competencies. It can be concluded from this and from the quantitative data collected for RQ 3, which asked for perspectives on the impact of the reduction of required professional work experience, that at least part of the reason why entry-level accountants lack the necessary business competencies is that they do not spend enough time in a professional accounting environment as part of their accounting education. More than half of respondents stated that one year and 2,000 hours are not enough to prepare the entry-level accountant for professional practice. This statement received a score (2.97 on the Likert Scale, Table 18), that was significantly higher than the mean scores of the three other areas in this section. From RQ 3, Statement 4, the 150-hour rule has increased the compensation of entry-level accountants, and statement 1, the 150-hour rule has created a barrier into the profession, resulted in the highest mean scores. The fact that there were more than twice as many statements opposed to the 150-hour rule as there were in favor of it shows that there is a more negative perception of the rule.

3. What are accounting firms' perceptions of the impact of the decrease in professional work experience hours required by the 150-hour requirement? And
5. What are the effects of the 150-hour rule requirement on hiring practices at accounting firms?

From RQ 3, Statement 4, the 150-hour rule has increased the compensation of entry-level accountants, and statement 1, the 150-hour rule has created a barrier into the profession, resulted in the highest mean scores. The fact that there were more than twice as many statements opposed to the 150-hour rule as there were in favor of it shows that there is a more negative perception of the rule. However, the majority of respondents appeared neutral. As in RQ 1, the quantitative data revealed a somewhat different attitude than the qualitative data. The quantitative, Likert scale statements produced scores suggesting that the 150-hour rule has affected the hiring practices in mostly negative ways, while the open-ended questions yielded approximately 5% of statements that asserted the 150-hour rule has no effect on hiring practices. Together, the data suggest that the impact of the 150-hour rule on hiring practices is neutral to negative, which is not a favorable assessment of the rule. However, more than half of respondents stated that one year and 2,000 hours are not enough hours to prepare the entry-level accountant for professional practice. This statement received a score (2.97 on the Likert Scale, Table 18), that was significantly higher than the mean scores of the three other areas in this section. The 150-hour rule has decreased the professional work experience requirement from 2 years and 4,000 hours to 1 year and 2,000 hours. Table 20 shows that factor 3 (not enough hours to prepare the entry-level accountant for professional practice) has a significantly higher mean score than all the other factors. Statement 4 (has affected our ability to retain new hires) received a mean score that was significantly higher than statements 1 (has required less on-the-job training supervision of new hires during their 1st year of employment) and 2 (the new hires have added more value to the firm/company during the 1st year) only. Statement 2 did not score a significantly higher average than statement 1. The open-ended component of RQ 4 asked for

additional comments on the effects of the decrease in professional work hours from 2 years and 4,000 hours to 1 year and 2,000 hours.

From Table 21, 57% of respondents commented that they were opposed for one reason or another to the decrease in the requirement for professional work experience that is part of the 150-hour rule; 38% commented that there had been no significant impact as a result of the change, and 4% responded that they supported the decrease. While 4% of respondents commented that they supported the decrease in required professional work experience, with some commenting that the increased classroom time is beneficial to entry-level accountants, the majority of practitioners who responded were either opposed to the change or neutral toward it. Clearly, decreasing the requirement for professional work experience by half is not a popular aspect of the 150-hour rule among accounting professionals. This could be a further reason to implement an internship program as suggested earlier. Results from section 4.1.6.1 confirm that respondents feel the decrease in required work experience has been more harmful than beneficial. Based on the data, it can be concluded that respondents do not feel the new requirement allows enough time to prepare candidates for professional practice, nor do respondents believe that entry-level accountants require less supervision.

4. What are the accounting firms' perceptions of the impact of the increase in 30 undefined credit hours of education?

The fourth research question examined the effects of the increase in the undefined educational requirement included in the 150-hour rule. The 150-hour rule has increased the number of semester credit hours from 120 hours for a traditional bachelor's degree to 150-

semester credit hours of education. This increase of 30 additional undefined semester credit hours can be completed at the undergraduate or graduate level.

Statement 1, the increase in additional semester credit hours has not changed the preparedness of the entry-level accountant, received the highest mean score of 2.71. Statement 4, the 150-hour rule has negatively impacted our retention, received the lowest mean score of 2.08. These results indicate that respondents do not feel the additional semester credit hours have significantly impacted the profession.

The results show that firm's feel requiring an additional 30 semester credit hours has not changed the preparedness of the entry-level accountant for professional practice (real-world accounting practices). However, firms do feel the additional education requirement has improved the image of professional accountancy because of greater standards. These findings mirror those from the quantitative analysis. Further comments were made that the increased education requirement is not beneficial as the credits are not defined, and there is no curriculum to ensure that the extra credit hours consist of courses that help prepare students for the accounting profession. Table 27 presents the comments made by firms on the effects of the additional educational requirement contained in the 150-hour rule.

Based on the qualitative data collected through open-ended questions, support for the 30 extra credit hours required as part of the 150-hour rule was low. There were 35 comments from firms opposed to the educational requirement in comparison to only 12 positive comments. However, when examining the quantitative data, the positive statements 1, 2, and 5 had

significantly higher mean scores than negative statements 3 and 4 “Big detriment...,” This is a big mistake...,” and “The extra year of experience was worth far more than an extra year of schooling...” Based on the quantitative data, it seems that practitioners felt the requirement helps improve the image of the industry and produces more well-rounded accounting candidates (Tables 23 and 27).

6. How important is it for entry-level accountants to be competent in a required skill as prescribed by the AICPA? And

7. How competent are entry-level accountants in the skills prescribed by the AICPA?

What can be learned from questions 6 and 7? “Question 6 asks “How important is it for an entry-level accountant *to be competent* in the skill listed. The responses indicated that they should be competent in Ethics, Oral Communications, Analytical Thinking, Written Communications and Interpersonal skills. These skills have means over 4.00, which mean employers feel entry-level accountants should be competent in these areas. Research Question 7 asks “*How competent is* the entry-level accountant in the skill listed.” The results show that entry-level accountants are competent in the areas of Spread Sheeting, Word Processing, Ethics, Financial Accounting, and Teamwork. The lowest competence skills are: Accounting Research, Not-for-profit-Accounting, Legal and Regulatory Knowledge, Managerial and Cost Accounting, and Federal Taxation. This would indicate that either the entry-level accountant is not competent in these areas or that the areas are of less importance. Research Question 6a asks, “Of the additional 30 semester credit-hours, how important is each of the following course areas?” Recall from the literature that the NASBA and the AICPA are silent in this area. Instead, the



decision is left to each State to determine how to make up these thirty additional semester credit hours. The skills with the highest mean scores are: Analytical Thinking, Written Communications, Oral Communications, Ethics, Financial Accounting, and Interpersonal skills. This is the same result as question 6 “How important is it for an entry-level accountant *to be competent* in the skill.” Thus, the additional thirty semester credit hours should be made up of these skills.

### 5.2 Recommendations for Policy and Practice

It can be concluded that some regulatory change is necessary in order to better prepare accounting students for the new demands placed on entry-level accountants. That the 150-hour rule successfully addresses these issues, and prepares students to be successful in the professional accounting environment, however, is less clear. Section 4.1.8.2 examined the relationship between the preparedness of entry-level accountants in different areas, and the areas considered most important by practitioners. Surprisingly little correlation was found (Table 28). In some of the areas considered quite important, such as analytical and critical thinking and personal taxation, perceptions were that entry-level accountants were not sufficiently prepared.

Furthermore, the AICPA rationale that the 150-hour rule is necessary because it helps accommodate changing staffing needs of employers of CPAs is dubious. Responses from section 4.1.5, which asked about impacts on hiring practices as a result of the 150-hour rule, indicated that the increases in compensation, and the additional barriers to entry into the profession, were more significant than the additional value the 150-hour requirement created for

the companies (Table 13; Table 16). Similarly, results from section 4.1.6 indicated that the negative impacts of the reduced work requirement, which is part of the 150-hour rule, on the preparedness of entry-level accountants is more significant than the benefit to the firm from the extra education hours (Table 18; Table 21)

Given the correlation between skills considered most important by practitioners and perceived preparedness of entry-level accountants, it is clear that greater communication between the AICPA and industry professionals is necessary. On the whole, Article 7 of Public Act 299 was not well received by the surveyed practitioners. Though many felt the legislation helped to improve the image of the accounting profession, and agreed that better-rounded candidates were required to meet demands facing entry-level accountants, few felt that the 150-hour rule significantly improved the quality or preparedness of accounting candidates and placed little additional value on hiring candidates who had completed the 150-hour rule (Tables 13, 23). Data from section 4.1.6 indicated that, even if the 30 additional semester credit hours required by the 150-hour rule are successful in preparing students, the impact of the reduced work requirement on preparing entry-level accountants for professional practice is more significant than any benefits the better educated candidates bring to the company (Table 18; Table 21). Alternative suggestions made in the qualitative segments of the survey supported two options that could help resolve perceived shortcomings of the 150-hour rule: establishing a curriculum for at least some of the extra 30 undefined education hours; and creating some type of internship program.

While many respondents claimed that their firms looked favorably on candidates with a broader knowledge base from the 30 extra hours of education, the same respondents also perceived that entry-level accountants were weak in some skill areas considered quite important. A compromise to satisfy both the need for well-rounded candidates, and competency in the most important skill areas needed by entry level accountants might be to require that half of the 30 extra credit-hours be made up of courses focusing on more specialized skills such as taxation.

An internship program to ease the transition to a business environment would likely resolve the perceived lack of competence in functional and broad business competencies, including business communication (Table 10) and knowledge (Table 28). Internship programs should also help to alleviate the perception that entry-level accountants do not have enough professional work experience as part of the 1 year, 2,000 hours required by Article 7 of Act 299 (Table 18). For this to be a viable option, greater communication between schools, the AICPA, and accounting firms where candidates would be interning would be required.

Within this research, it was noted that there was extensive displeasure among accounting professionals regarding the work requirement change from 2 years and 4000 hours to 1 year and 2000 hours. It is highly recommended that this be further reviewed. Practitioners strenuously voiced their opinion that 1 year and 2000 hours is not enough time to adequately prepare the entry-level accountant for the profession. A suggestion is that internships could be required in addition to the 1 year, 2000 hour work experience.

### 5.3 Recommendation for Practitioners

Practitioners play a vital role in the process of preparing entry-level accountants for their future careers. Internships allow candidates to “test the waters” of the profession while practitioners acquire much needed help during busy tax seasons. Offering internships of differing lengths is crucial to student schedules. However, internships during tax season, running from January through May, and summer, running from June through September, permit students to attend school and take just a single semester off. This can be beneficial as students who are interning are not distracted by the need to juggle the demands of both school and an internship simultaneously.

Accounting and business advisory council groups are an important place where practitioners can voice their views, perceptions, and needs regarding changes to the profession. Colleges and universities often closely monitor the attitudes of these groups. Most if not all colleges and universities have accounting or business advisory councils affiliated with the institution to help direct their accounting programs to fulfill the needs of the institution, the students, and the business community. By being active participants in these groups, practitioners have more influence on the direction of accounting programs.

In addition, the Michigan State Board of Accountancy (MSBA) has quarterly council meetings, which are open to the public. Located in Okemos, Michigan, practitioners can voice their opinions on educational and work experience matters. The Michigan Association of

Certified Public Accountants (MACPA) has numerous conferences encouraging practitioners to discuss not only accounting practices but also education, work experience, and reform. This is the primary means of communication for practitioners encouraged by the MSBA and the MACPA.

### **5.4 Recommendation for Educators**

It is clear that the requirement of 30 additional semester credit-hours is vague at best. Through this dissertation, valuable feedback has been provided that has the potential to impact curriculum development and design affecting these 30 additional credit hours. There are various ways in which the additional 30 semester credit-hours can be offered. They can be delivered aside from a traditional Master's in Business Administration (MBA). A Master's of Accountancy (MA) could be developed for those institutions that do not offer one, or a certificate in accountancy could also be offered. The primary focus would be in the areas outlined by the responses to RQ 6a. These responses, shown in Table 30, suggest that part of the 30 additional credit-hours should be spent improving students' competence in the skill areas practitioners consider most important, analytical and critical thinking as well as corporate and personal federal taxation. Conversely, skills such as spread sheeting, word processing, ethics, financial accounting, and teamwork are skills that practitioners believe entry-level accountants already possess; therefore, these areas would not need as much emphasis as a part of the 30 additional semester credit-hours. The skills with the lowest rankings, cultural awareness, not-for-profit accounting, managerial or cost accounting, and legal and regulatory knowledge are skills that are of least importance for an entry level accountant, and that practitioners believe need not be

included in the additional 30 semester credit-hours. It is interesting that these are also skills that entry level accountants tend to be the least competent in according to practitioners. This may mean that practitioners expect this knowledge to be learned through work at the firm.

### 5.5 Recommendations for Future Research

As a result of this study, the following recommendations can be made for further study:

1. The results of this study, based on the perceptions of accounting professionals, should be tested against empirical data on the number and characteristics new hires of entry-level accountants, compensation, and the courses included in the mandated additional 30 credit hours.
2. Additional research should be conducted to confirm the results of this study concerning employers' perceptions of the impacts of the 150-hour rule.
3. Replications of this study or similar studies should be conducted in other states.
4. Replications of this study or similar studies should be conducted with other public accounting firms and private industries.
5. Further study of the 150-hour rule in regards to better preparedness for the certified public accountants examination is needed.
6. Further study in the area of the decrease in professional work requirement is recommended.
7. Further study in the area of the increase in the 30 additional credit hours, and what it should be comprised of would be beneficial to the accounting profession.

Appendix A

Current Status of the 150-Hour Requirement by State

Jurisdictions that have passed the 150-hour education requirement

AICPA State Regulation and Legislation: July 10, 2008

State Enacted	Effective	State	Enacted	Effective
Alabama	1989	Nevada	1993	1/1/2001
Alaska	1991	*New Hampshire		
Arizona	1999	New Jersey	1995	7/2/2000
Arkansas	1990	New Mexico	1999	7/1/2004
*California		New York	1998	8/1/2009
*Colorado		North Carolina	1997	1/1/2001
Connecticut	1992	North Dakota	1993	1/1/2000
*Delaware		Ohio	1992	1/1/2000
District of Columbia	1995	Oklahoma	1998	7/1/2003
Florida	1979	Oregon	1997	1/1/2000
Georgia	1991	Pennsylvania	2008	1/1/2012
Guam	1994	Puerto Rico	1994	1/1/2000
Hawaii	1997	Rhode Island	1992	7/1/1999
Idaho	1993	South Carolina	1991	7/1/1997
Illinois	1991	South Dakota	1992	1/1/1998
Indiana	1992	Tennessee	1987	4/14/93
Iowa	1992	Texas	1989	8/31/97
Kansas	1990	Utah	1981	7/1/1994
Kentucky	1990	*Vermont		
Louisiana	1990	*Virgin Islands		
Maine	1997	Virginia	1999	7/1/2006
Maryland	1993	Washington	1995	7/1/2000
Massachusetts	1998	West Virginia	1989	2/15/2000
Michigan	1998	Wisconsin	1996	1/1/2001
Minnesota	2000	Wyoming	1993	1/1/2000
Mississippi	1990			
Missouri	1993			
Montana	1989			
Nebraska	1991			

\*Six jurisdictions do \*not\* have the 150-hour requirement in place: California, Colorado, Delaware, New Hampshire, Vermont, and Virgin Islands.  
 22 states allow candidates to sit at 120 hours, but require 150 for certification. They are: AK, AZ, CT, FL, GA, HI, ID, IA, KY, MA, ME, MI, MN, MO, NC, ND, NJ, PA, RI, SC, VA, WA

*\*Pennsylvania is still an optional 150-hour state, but legislation passed in 2008 will require 150-hours for licensure beginning in 2012.*

[http://www.aicpa.org/BecomeACPA/Licensure/DownloadableDocuments/150\\_Hour\\_Education\\_Requirement.pdf](http://www.aicpa.org/BecomeACPA/Licensure/DownloadableDocuments/150_Hour_Education_Requirement.pdf)  
 title of second appendix

**Appendix B**

**Survey Instrument Cover Letter & Survey**

Dear Michigan CPA firm or sole practitioner,

In the last quarter of 2005 you *may or may not* have participated in a survey regarding Michigan's 150-hour rule. Parts of this survey contain the same questions asked at that time. I am continuing my research in this area to further gather information regarding your perceptions on Michigan's 150-hour rule. By this time we should have a greater understanding and knowledge of how the 150-hour rule has affected Michigan's profession of accounting. This research is important for a variety of reasons. First and foremost, this is my doctoral dissertation. Second, the results may or may not have an effect on how the Michigan State Board of Accountancy (MSBOA) decides how to comply with the American Institute of Certified Public Accountants (AICPA) mandated requirement of a CPA being *required* to possess 150 semester credit-hours of education for membership. Lastly, the results may further guide Colleges and Universities to continue to revisit their curriculums in order to meet State requirements and educated future accountants that will be a valuable asset to the profession. I hope you decide to take few minutes and complete this survey. As a practitioner your voice should be heard.

My most sincere gratitude,

*Melissa L. Force*

Melissa L. Force, ABD



## Michigan Practitioners' Perceptions

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### Dear Michigan CPA firm or sole practitioner:

I am a doctorate student at Lawrence Technological University located in Southfield, Michigan. I am currently writing my dissertation on the impacts of the 150-hour rule, passed in July 2003, which changed the licensing requirements for a CPA certificate. As a licensed Certified Public accounting firm or sole practitioner in the State of Michigan, you are affected by the 150-hour rule that mandated changes in education and professional work experience.

- **Education.** 150 semester credit-hours of college education.
- **Work Experience.** 1 year and 2,000 hours of qualifying experience.

The specific purposes of this research are to assess the rationale for these changes; the impacts on the preparation and supply of entry-level accountants, hiring practices, compensation, and to identify the most valuable coursework to be included in the additional required 30 semester credit-hours of education that is required.

• **Confidentiality.** Your responses will be strictly confidential only summary data will be included in the study. Neither you personally nor your firm's name will be identified in the study. The survey includes an identification number for *mailing purposes only* so that your firm's name will be checked off when your survey is returned. This coding system will be destroyed when the study is completed. Completing this survey is completely voluntary and there is no compensation given to participants.

• **Who should complete this survey?** The most qualified person to complete this survey is someone who supervises new-hires for entry-level staff positions. If this person is unavailable then the next person would be the Human Resource Director or the equivalent.

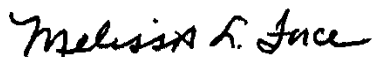
• **Due Date.** Returning this questionnaire will help the success of this study. Please return the completed survey on or before **Monday, November 1, 2010.** You can also complete this survey using Survey Monkey located at [http://www.surveymonkey.com/M\\_Force\\_Michigan\\_150\\_hour\\_rule](http://www.surveymonkey.com/M_Force_Michigan_150_hour_rule)

• **Time.** The survey should take approximately 15 minutes to complete.

If you have any questions about the survey, wish to discuss the results, or would like a copy of the final report, please contact me directly.

***Thank you for taking the time to provide this important information.***

***Sincerely,***



**Melissa L. Force, MSPA**  
Doctorate of Business Administration Candidate  
Lawrence Technological University  
forcem@macomb.edu

### **DISCLOSURE/INFORMED CONSENT:**

My name is Melissa L. Force. This questionnaire is for a research paper I am doing for school. It will ask you questions about Article 7 of Michigan Public Act 299, referred to as the "150-hour rule."

Completing this survey is completely voluntary. There is no right or wrong answers. You may stop at any time. All answers will remain completely anonymous. You do not have to answer any questions that make you feel uncomfortable.

An analysis of the results and an explanation of the study will be available in the Lawrence Technological University, School of Management Building, and Dean of the DBA program after December 31, 2010. If you have any questions about this research, you can contact me Melissa L. Force, forcem@macomb.edu.

This research project has been approved by the Institutional Review Board at Lawrence Technological University.

By completing this survey I agree to participate in the Michigan practitioners' perceptions and impacts of the 150-hour rule survey being conducted by Melissa L. Force, doctoral student at Lawrence Technological University. I understand the specific purposes of this research are to assess the rationale for these changes; the impacts on the preparation and supply of entry-level accountants, hiring practices, compensation, and to identify the most valuable coursework to be included in the additional required 30 semester credit-hours of education that is required.

As part of my participation in this study, I understand that I will provide my perceptions of the 150-hour rule and answer all questions to the best of my ability. My part of the study involves my personal time commitment of approximately 15 minutes, no compensation will be received and further that I will inform the researcher of any changes in my contact information. I understand that I may not receive any direct benefit from my participation in this study.

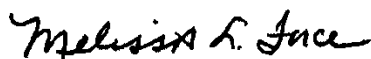
I understand my participation is completely voluntary and that I may withdraw at any time from this study. I also understand that some people may find it troubling to participate in some or all of the research activities required and I may decline to participate in any portions with which I feel uncomfortable.

I understand that my name or identity will not be used in reports or presentations of the findings of this research. The information provided to the researchers will be kept confidential with the exception of the following, which must be reported under Michigan law.

1. (Suspected cases of child or elder abuse)
2. (Information that individuals intend to harm themselves or others)

I have read and understand this information and agree to participate in this study. I will be offered a copy of this form to keep (simply print this page).

Investigator's Signature:



Melissa L. Force  
Date: 10/18/2010

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## Michigan Practitioners' Perceptions

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For questions or concerns about the research, please contact (Melissa L. Force 1.586.419.7266). For concerns about your treatment as a research participant, please contact the Institutional Review Board (IRB) at Lawrence Technological University, IRB@ltu.edu



## Michigan practitioners' perceptions and impacts of the 150-hour rule

The AICPA requires 150 semester credit-hours of education, 1 year and 2,000 hours of professional work experience, and successful completion of the uniform certified public accountants examination in order to become a member of the AICPA, and to obtain a Certified Public Accountants license in the State of Michigan. This is commonly referred to as the "150-hour rule."

*Whether you have or have not hired an entry-level accountant since July 1, 2003 please complete the survey as your perceptions are very important to this research.*

- \_\_\_\_\_ How many entry-level accountants have you hired since July 1, 2003?  
 \_\_\_\_\_ How many possessed a Bachelor's degree but **not** 150-hours of education?  
 \_\_\_\_\_ How many possessed a Bachelor's degree **with** 150-hours of education?  
 \_\_\_\_\_ How many possessed a Bachelor's degree **and** a Master's Degree?

### Part Ia.

#### *The 150-hour rule: the necessity (or rationale) for the 150-hour rule*

*Please indicate (circle) the extent to which you agree with the following statements.*

<i>The 150-hour rule is necessary due to:</i>		<i>N/A</i>	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Agree</i>	<i>Strongly Agree</i>
1	Changing staff needs of accounting firms and other employers.	0	1	2	3	4
2	A greater demand for a variety of highly technical accounting services, and audit sophistication and efficiency.	0	1	2	3	4
3	The requirements for effective professional practice have increased sharply.	0	1	2	3	4
4	The demand for a large quantity of people to perform routine auditing tasks is rapidly diminishing.	0	1	2	3	4
5	Greater competencies are required for an entry-level accountant.	0	1	2	3	4
6	Increases in official accounting and auditing pronouncements as well as tax regulations.	0	1	2	3	4
7	Improvements in technology having a major effect on information systems design, internal control procedures, and auditing methods.	0	1	2	3	4
8	Business methods are becoming more increasingly complex.	0	1	2	3	4
9	Overall, the 150-hour requirement has benefited individuals through improved career opportunities.	0	1	2	3	4
10	Overall, the 150-hour requirement has improved the abilities of entry-level accountants to perform their assignments.	0	1	2	3	4
11	Overall, the 150-hour requirement is of no benefit.	0	1	2	3	4

**Part Ib.**

***The 150-hour rule: the necessity (or rationale) for the 150-hour rule***

*The AICPA states several reasons why a traditional Baccalaureate degree is no longer meeting the needs of the profession. Please indicate (circle) the extent to which you agree with the following statements made by the AICPA to justify the 150-hour rule.*

	<b><i>The 150-hour rule is successful in preparing entry-level accountants:</i></b>	<i>N/A</i>	<b><i>Strongly Disagree</i></b>	<b><i>Disagree</i></b>	<b><i>Agree</i></b>	<b><i>Strongly Agree</i></b>
1	With <u>broader skills</u> .	0	1	2	3	4
2	With better <u>technical skills</u> .	0	1	2	3	4
3	With <u>business communication skills</u> .	0	1	2	3	4
4	To be <u>successful in our firm</u> .	0	1	2	3	4
5	With a <u>greater understanding of accounting</u> .	0	1	2	3	4
6	For <u>ethical decision making and behavior</u> .	0	1	2	3	4

**Part II.**

***The 150-hour rule: effects on hiring practices***

*Please indicate (circle) the extent to which you agree with the following statements.*

	<b><i>The 150-hour requirement has:</i></b>	<i>N/A</i>	<b><i>Strongly Disagree</i></b>	<b><i>Disagree</i></b>	<b><i>Agree</i></b>	<b><i>Strongly Agree</i></b>
1	Created a barrier of entry into the profession.	0	1	2	3	4
2	Not improved the <u>quality of candidates</u> .	0	1	2	3	4
3	Has not affected the <u>supply of qualified candidates</u> .	0	1	2	3	4
4	Has increased the compensation of entry-level accountants.	0	1	2	3	4
5	Our firm prefers to recruit entry-level accountants <u>with</u> the 150-hour requirement already met.	0	1	2	3	4

**Part III.**

***The 150-hour rule: effects of the decrease in professional work experience requirement***

*In the State of Michigan, the 150-hour requirement reduces the requirement of professional work experience from 2 years and 4,000 hours to 1 year and 2,000 hours. Given this change please indicate (circle) the extent to which you agree with the following statements.*

	<b><i>The decrease in professional work experience:</i></b>	<i>N/A</i>	<b><i>Strongly Disagree</i></b>	<b><i>Disagree</i></b>	<b><i>Agree</i></b>	<b><i>Strongly Agree</i></b>
1	Has required less on-the-job training supervision of new hires during their 1st year of employment.	0	1	2	3	4
2	The new hires have added more value to the firm/company during the 1st year because they are better prepared for 1st year assignments.	0	1	2	3	4
3	Are <u>not enough hours</u> to prepare the entry-level accountant for professional practice (real-world accounting procedures and develop professional judgment)	0	1	2	3	4
4	Has affected our ability to retain new hires, because new hires need only 1 year of work experience for the CPA designation and they move to industry positions.	0	1	2	3	4

**Part IV.**

***The 150-hour Rule: effects of the increase in undefined educational requirement***  
 For the purpose of the next three sections, please consider only the additional 30 semester credit-hours needed to meet this requirement. Please indicate (circle) the extent to which you agree with the following statements.

<b><i>The increase in additional semester credit-hours:</i></b>		<b><i>N/A</i></b>	<b><i>Strongly Disagree</i></b>	<b><i>Disagree</i></b>	<b><i>Agree</i></b>	<b><i>Strongly Agree</i></b>
1	Has not changed the preparedness of the entry-level accountant for professional practice (real-world accounting practices).	0	1	2	3	4
2	Has improved the image of professional accountancy because of greater standards.	0	1	2	3	4
3	Has negatively affected our firm due to tuition reimbursement costs.	0	1	2	3	4
4	Has negatively impacted our retention due to new-hires staying in school longer as opposed to entering the profession.	0	1	2	3	4
5	Our firm prefers to hire candidates who have already completed the additional 30 semester credit-hours.	0	1	2	3	4

**Part V.**

***Skills required of and possessed by entry-level accountants***

Please indicate (circle) the extent to which you agree with the following statements.

<b><i>How important is it for an entry-level accountant to be competent in the skill listed below?</i></b>						<b><i>How competent is the entry-level accountant in the skill listed below?</i></b>				
<b><i>Not Important</i></b>	<b><i>Somewhat Important</i></b>	<b><i>Somewhat Important</i></b>	<b><i>Very Important</i></b>	<b><i>Very Important</i></b>	<b><i>Skill Area</i></b>	<b><i>Incompetent</i></b>	<b><i>Somewhat Competent</i></b>	<b><i>Somewhat Competent</i></b>	<b><i>Very Competent</i></b>	<b><i>Very Competent</i></b>
1	2	3	4	5	Written Communications	1	2	3	4	5
1	2	3	4	5	Oral Communications	1	2	3	4	5
1	2	3	4	5	General Business Knowledge	1	2	3	4	5
1	2	3	4	5	Financial Accounting	1	2	3	4	5
1	2	3	4	5	Managerial and Cost Accounting	1	2	3	4	5
1	2	3	4	5	Not-for-Profit Accounting	1	2	3	4	5
1	2	3	4	5	Federal - Taxation - Personal	1	2	3	4	5
1	2	3	4	5	Federal - Taxation - Corporate	1	2	3	4	5
1	2	3	4	5	Auditing	1	2	3	4	5
1	2	3	4	5	Spread sheeting	1	2	3	4	5
1	2	3	4	5	Word Processing	1	2	3	4	5
1	2	3	4	5	Accounting Information Systems	1	2	3	4	5
1	2	3	4	5	Interpersonal Communications	1	2	3	4	5
1	2	3	4	5	Analytical & Critical Thinking	1	2	3	4	5
1	2	3	4	5	Teamwork	1	2	3	4	5
1	2	3	4	5	Ethics	1	2	3	4	5
1	2	3	4	5	Legal and Regulatory Knowledge	1	2	3	4	5
1	2	3	4	5	Cultural Awareness	1	2	3	4	5
1	2	3	4	5	Accounting Research	1	2	3	4	5

## Michigan Practitioners' Perceptions

### Part VI.

#### *Coursework used to meet the 150-hour requirement*

*Please indicate (circle) to what degree you feel it is important that at least some of the additional 30 semester credit-hours be taken in each of the following course areas.*

<b>Course area:</b>	<b>Completely Unnecessary</b>	<b>Unimportant</b>	<b>Neutral</b>	<b>Important</b>	<b>Very Important</b>
Written Communications	1	2	3	4	5
Oral Communications	1	2	3	4	5
General Business Knowledge	1	2	3	4	5
Financial Accounting	1	2	3	4	5
Managerial and Cost Accounting	1	2	3	4	5
Not-for-Profit Accounting	1	2	3	4	5
Federal - Taxation - Personal	1	2	3	4	5
Federal - Taxation - Corporate	1	2	3	4	5
Auditing	1	2	3	4	5
Spread sheeting	1	2	3	4	5
Word Processing	1	2	3	4	5
Accounting Information Systems	1	2	3	4	5
Interpersonal Communications	1	2	3	4	5
Analytical & Critical Thinking	1	2	3	4	5
Teamwork	1	2	3	4	5
Ethics	1	2	3	4	5
Legal and Regulatory Knowledge	1	2	3	4	5
Cultural Awareness	1	2	3	4	5
Accounting Research	1	2	3	4	5

### Part VII.

#### *Demographic information*

<i>Please provide the following data for each year 2007-2010.</i>		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
1	The number of employees in your firm.				
2	The number of CPAs.				
3	The number of accountants in your firm (non-CPAs).				
4	The number of entry-level accountants hired in.				
5	The number of accountants hired in question 4 who met the 150-hour rule at the time they were hired.				



**Part VIII.**

***Additional Comments***

*Please provide any additional comments you would like to share concerning:*

***The necessity (or rationale) for the 150-hour rule:*** \_\_\_\_\_

***The effects of the 150-hour rule on your hiring practices:*** \_\_\_\_\_

***The effects of the decrease in professional work hours from 2 years 4,000 hours to 1 year and 2,000 hours:*** \_\_\_\_\_

***The effects of the additional 30 semester credits hours that are required:*** \_\_\_\_\_

***Other comments:*** \_\_\_\_\_

***Thank you for your time!***

*May I contact you for further discussion and/or seek further comments in regards to your responses to this survey? If yes, please provide the following:*

Contact/Firm Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

5480 Corporate Drive, Suite 200  
PO Box 5068

Troy, MI 48007-5068

The Michigan Association of

**MACPA**  
Certified Public Accountants

[www.michcpa.org](http://www.michcpa.org)

Dear Michigan CPA Firm or Sole Practitioner:

At the beginning of the month you were sent a survey that is investigating a study of Michigan accounting firms' perceptions of entry-level accountants' competence and the 150-hour educational requirement. The short title is the **M. Force competency survey**.

This is a reminder that your feedback is important and will aid in the success of this research. If you have not returned your survey please do so as soon as possible. If you have misplaced the survey or wish to complete it online please visit the **MACPA** website at <http://www.michcpa.org> for a link to the online survey.

If you have completed the survey, thank you for your participation!

Sincerely,

*Peggy A. Dzierzawski*

Peggy A. Dzierzawski, CAE

*Melissa L. Force*

Melissa L. Force, MSPA

Appendix C

Qualitative responses to open-ended question 1: Addition comments on the necessity (or rational) for the 150-hour rule

Ref. Code	Comment
a P	Shows commitment.
a P	Great idea!
a P	Think it's a good idea.
a P	Very important for medium & larger practices.
a P	Candidates are more knowledgeable about tax & accounting.
a P	Continuing education of accountants is a necessity, hence the requirement made sense.
a P	Our world and business climate is much too complex not to require the additional 150 hours.
a P	I agree with the rationale of a 150-hour requirement for those students who plan to become CPAs.
a P	Need to succeed in public accounting since Enron and collapse of Arthur Andersen.
a P	To upgrade the CPA profession to the same status as lawyers and doctors.
a P	It is necessary because there are too many unqualified CPA's in the profession.
a P	CPA's are perceived by the general public to be on the same level of education as attorneys and doctors.
a P	There are so many aspects of accounting that a CPA has to be knowledgeable; it makes it a necessity for the additional training. I believe the individual would benefit greatly in the long-run and be up to speed quicker with the additional education.
a P	Very important to increase gap between bookkeepers, tax preparers and CPA's. CPA should be prepared to handle higher-end things and should focus on that.
a P	Very necessary and <i>work requirement (2 years of experience) should not have been changed.</i>
a P	I don't think the 150-hour is a bad idea but right now <i>students can take any classes they want to fulfill the additional hours so it becomes pointless.</i>
a P	Good idea however the <i>classes are not defined and hence not really beneficial.</i>
a P	Would be ok <i>if the hours applied toward the profession.</i>
a P	The 150 hours provides higher qualifies (qualified individuals) <i>but the 2 years of experience is more valuable.</i>
b o	Not necessary.
b o	Not necessary.
b o	Barrier to entry.
b o	Not required in a small firm.
b o	I am not in favor of it.
b o	If it is for more formal accounting, it's unnecessary.
b o	Outside pressure to conform to other states.
b o	Stupidest rule accountants have enacted, provides zero real-work benefits at a huge cost to student.
b o	More government hoopla provides very little evidence that people are better prepared for a CPA career.
b o	The 150 hour rule was simply a knee-jerk attempt to enhance the image of the CPA following the disgrace the CPA profession found itself in after Enron.
b o	I'm not against it, but in my practice, it has not benefited my firm or clients.
b o	Probably not necessary. On the job training provides more necessary skills.

## Michigan Practitioners' Perceptions

c	o	I think it is totally a waste of time and money for the kids.
c	o	I feel the 150 rule is very detrimental as it relates to adding new professionals from the lower and middle economic classes of our society. With resources to fund an education as tight as they are, how do people from these communities fund an extra year of college (unless they have an academic scholarship which may not be typical from these communities)?
c	o	Done correctly I see it as a way to get a more detailed background of education to accounting graduates. On the other hand, it could be education fit into a traditional 4-year degree. It adds additional cost to what are becoming ridiculous education costs.
d	o	I feel most CPAs voted to increase their wages by limiting future CPAs and teaching facilities encouraged this to fill their classrooms (I voted against it).
e	o	Not a necessity <u>more work experience is better.</u>
e	o	<u>Bring back the 2-year work requirement.</u>
e	o	The profession went backwards. We <u>should have increased the experience requirement.</u>
e	o	<u>We preferred the experience requirement.</u> 150 hours isn't producing better graduates.
e	o	<u>Work experience is more important than the 30 hours.</u> We have hired individual with advanced degrees who could not do the work or understand basic accounting.
e	o	I don't find it necessary. To me <u>work is more important than textbook learning.</u>
e	o	I believe that <u>additional work experience in a real life setting is more important than 30 additional hours.</u>
e	o	I feel that the employee receives <u>better training on-the-job as opposed to in the classroom.</u>
e	o	Needs less academics, <u>more experience.</u>
e	o	Taking away practical experience and replacing with academic is wrong. <u>Class work cannot provide the benefits of experience.</u>
f	o	I would like to see a little more structure to the additional 30 hours because right now <u>the credits can be from any field of study</u> (or just get rid of the requirement).
f	o	<u>Needs to be in area of relevance.</u> Some who needed to meet the requirement could do so with PHY ED classes.
f	o	(Students) are <u>not necessarily taking classes directly related to the profession to fulfill 150-semester credit hours.</u>
f	o	If someone actually takes classes in taxation, finance, MBA, etc., it can greatly develop them. However, I am seeing some people <u>taking filler classes just to get their hours.</u>
f	o	The 150 hour rule is ridiculous due to the fact that <u>there is no requirement that the courses be related to business curriculum.</u> I have heard of cases where candidates have taken golf, tennis, etc.
f	o	Not needed - students are not better able to handle responsibilities. If there are <u>additional credits they should be in such areas as public speaking, writing, problem solving, etc.</u>
f	o	I don't see a compelling reason for the requirement. To survive in public practice, a person will develop skills necessary to advance and will continue to learn over the course of years. <u>These additional course hours can't replace what you learn from peers and clients.</u>
g	o	A <u>mandatory internship</u> would be more beneficial to both, the firms and candidates rather than more credit hours.
g	o	It would be better to <u>require internships</u> than the additional hours.
h	o	More responsibilities required.
h	o	I would agree if they would make the CPA exam easier.
h	o	The world is more complex = accounting, auditing & tax follow.
h	o	Yes, tax law, accounting, auditing are all more specialized.

## Michigan Practitioners' Perceptions

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h	o	I feel that our profession deserves the serious recruit who would want to put in the 150-hours so as to contribute some real knowledge and value to our assignments.
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Appendix D

**Qualitative Responses to Open-Ended Question 2: Addition Comments on the Effects of the 150-Hour Rule on the Hiring Practices**

***Q2: Comments on the effects of the 150-hour rule on your hiring practices:***

Ref. Code	Comment
a n	None
a n	None
a n	None
a n	None
a n	None
a n	None
a n	None
a n	None
a n	None
a n	None
a n	None
a n	None - I hire when necessary.
a n	None - we will continue to hire the best fit for our job openings.
a n	None as I am a sole practitioner.
a n	None. Have not hired an entry-level person since 1988
a n	N/A.
a n	N/A.
a n	N/A no new hires.
a n	N/A Small firm. However if larger and not at the end of my career - important for hiring someone that could become a CPA quicker.
a n	Not applicable as we are a very small firm and have not hired any CPA or potential CPA candidates.
a n	No effect, I am a very small firm. The AICPA asserts new hires of 150-hours have better ethical decision making. How can this be true when 150-hours there are NO requirement for ethics??? The only education changes I see are for more hours in accounting.
a n	No effect; small firm.
a n	No effect on our small firm.
a n	No effect. I don't hire new grads.
a n	No observations.
a n	Does not.
a n	Not much.
a n	Small firm, not a factor.
b p	The 150-hour rule has not actually affected our hiring practices because we do not perform any audits.
a n	Do not know.
c p	Required.
c p	Immediately adopted 150-hour requirement for new hires.
d p	We still look for qualified and experienced people.
d p	Higher expectations from new hire.
d p	Better Candidates.
d p	I was more concerned with hiring individuals with a few years of experience.
Ref. Code	Comment
a p	None

## Michigan Practitioners' Perceptions

a	p	None
a	p	None
a	p	None
a	p	None
a	p	None
a	p	None
a	p	None
a	p	None
a	p	None
a	p	None
a	p	None - I hire when necessary.
a	p	None - we will continue to hire the best fit for our job openings.
a	p	None as I am a sole practitioner.
a	p	None. Have not hired an entry-level person since 1988
a	p	N/A.
a	p	N/A.
a	p	N/A no new hires.
a	p	N/A Small firm. However if larger and not at the end of my career - important for hiring someone that could become a CPA quicker.
a	p	Not applicable as we are a very small firm and have not hired any CPA or potential CPA candidates.
a	p	No effect, I am a very small firm. The AICPA asserts new hires of 150-hours have better ethical decision making. How can this be true when 150-hours there are NO requirement for ethics??? The only education changes I see are for more hours in accounting.
a	p	No effect; small firm.
a	p	No effect on our small firm.
a	p	No effect. I don't hire new grads.
a	p	No observations.
a	p	Does not.
b	p	Not much.
b	p	Small firm, not a factor.
b	p	The 150-hour rule has not actually affected our hiring practices because we do not perform any audits.
b	p	Do not know.
c	p	Required.
c	p	Immediately adopted 150-hour requirement for new hires.
d	p	We still look for qualified and experienced people.
d	p	Higher expectations from new hire.
d	p	Better Candidates.
d	p	I was more concerned with hiring individuals with a few years of experience.
d	p	I believe CPA's need 5+ years before they hit their grove. Only 1 year doesn't make a CPA.
a	o	No effect, not necessary.
b	o	We are small firms that have had individuals who do not sit for the test or want to become a CPA.
b	o	We are too small to be able to afford or consider a 150-hour graduate.
b	o	Although completion of the 150 is nice it's rarely a determining factor in hiring a candidate.

## Michigan Practitioners' Perceptions

d	o	We ask the question during an interview.
d	o	The CPA designation is more valuable in practice than a "150 hour degree".... just my opinion.
e	o	Reduced the supply of candidates.
e	o	Smaller pool of candidates.
e	o	The number of students looking to enter the CPA profession decreased. Students could get into other careers/professions without the extra hours.
e	o	Fewer applicants and higher wages offset by applicants with better skills.
e	o	May have pushed some good candidates away from the accounting profession.
f	o	I feel the 150 hour requirement just <i>added to the initial hiring cost.</i>
f	o	Always have to pay tuition assistance.
g	o	We only hire potential CPA's so it is prohibitive to those who completed school years ago.
g	o	Prevents accountants from getting certified who have only a bachelor's degree.
h	o	Less competent CPA's.
h	o	We are seeing Masters in taxation graduates that are unqualified in taxes.



Appendix E

Qualitative Responses to Open-Ended Question 3: Addition Comments on the Effects of the Decrease in Professional Work Hours From 2 Years and 4,000 Hours to 1 Year and 2,000 Hours

Q3: Additional comments on the effects of the decrease in professional work hours from 2 years 4,000 hours to 1 year and 2,000 hours:

Ref. Code	Comment
a n	None.
a n	None.
a n	None.
a n	None.
a n	None.
a n	None.
a p	None. The challenging part for hires is finding the time to study for and the cost to pay for classes to take the exam.
a p	No material effect.
a p	No effect.
a p	N/A
a o	This has had very little effect as most of our new hires are entry-level and stay long term
b o	<u>Big detriment.</u> Nobody is qualified to be a CPA with only 1 year of experience.
b o	<u>Negative.</u> Would prefer to see more work experience.
b o	<u>Not good! Not ready for outside world.</u>
b o	<u>This is a mistake;</u> knowledge only starts to kick in year 2.
b o	Less 'real world' experience for certification; <u>not a good thing</u> in my opinion.
b o	<u>A very, very poor decision</u> designed to only benefit the staff "churn & burn" big firms - the same firms who started this mess with World Com & Enron, etc.
b o	I am not in favor of it. 1 year is not enough experience.
b o	<u>Not enough</u> "on-the-job" training. Need at least 18 months of experience.
b o	(2 years of experience) <u>should not have been changed.</u>
b o	Should be 4,000 hours.
b o	I think that the professional work hours should be changed back to the 3 years, 4,000 hours. An individual will learn more far more practical experience in the first 3 years in a CPA firm.
b o	I believe that in order to become a CPA, the more supervised training the better. I think it should <u>remain at 2 years.</u> Since we do not hire CPA's at this time, it would not affect our practice.
b o	I would have preferred that <u>4,000 hours remain</u> the requirement for all CPA's just like you have to be an intern in the medical profession. Your experience much more in 2 years over 1 year.
b o	We believe it takes 1 full year to get it and 1 full year to begin to excel at it.
b o	Has not affected me BUT new hires coming in <u>need a lot of on the job training</u> that no amount of book learning can provide.
c o	I am okay with the reduction from 4,000 hours to 2,000 hours, <u>but I still believe that 2 years of experience is appropriate.</u> Real-life learning is much different than textbook learning, and I don't believe that an extra year of schooling is an adequate replacement for on-the-job experience.
c o	See above. (From Q1 response). Taking away practical experience and replacing with academic is wrong. <u>Class work cannot provide the benefits of experience.</u>
c o	<u>Experience is better than classroom,</u> so not sure this is a good thing.

## Michigan Practitioners' Perceptions

c	o	Book smarts are important. Practical work experience is more important.
c	o	<i>I prefer the 2-year rule.</i> I believe more necessary skills are not learned in school.
c	o	The <i>extra year of experience was worth far more than an extra year of school</i> in equipping a person to do their job as a CPA.
c	o	<i>"Hands on experience," is the best; book smart is secondary.</i>
c	o	The <i>work experience is more important than the extra schooling/credits.</i>
c	o	Candidates <i>need more "real life" experience, not necessarily book knowledge.</i>
c	o	<i>Experience is more important than school.</i>
c	o	<i>On the job experience of greater value to smaller firm than education.</i>
c	o	Experience <i>on the job will beat any classroom</i> effort in the past or future.
c	o	As noted above I feel <i>practical experience is better than theory.</i>
c	o	No amount of classroom training can prepare a CPA candidate for real world experience.
c	o	I think if the students had a cohesive program of classes to take for additional hours it might be helpful but <i>without any actual requirements for the classes the experience is definitely preferable.</i>
d	o	I think <i>professional experience</i> is important to be a successful CPA.
d	o	Less on the job training. <i>This is where a lot of experience is obtained.</i>
d	o	Practical <i>real world work experience cannot be learned in 1 year</i> - even in 2 years of experience the individual is not fully trained.
d	o	Entry-level accountants <i>need more experience</i> ; I had 10 years in Business Accounting before beginning work in CPA firm.
d	o	<i>2 years is needed</i> to give sufficient real-world experience.
d	o	<i>Disagree with this.</i> I feel more work time was better
d	o	CPA's (new) <i>have less experience, and are not ready to work unsupervised</i>
d	o	<i>Less on hands &amp; real world experience.</i>
d	o	<i>Not enough work experience,</i> makes it too easy to become a CPA.
d	o	Not good. Entry-level accountants <i>need time in the field you become expert.</i>
d	o	Accountants and CPA's <i>need the work experience.</i>
d	o	Entry-level people still have to be taught how to do anything. So the <i>2 years remains very important.</i> They learn only the basics in the 1st year.
e	o	<i>Experience is the best teacher.</i> Reduced experience means less qualified accountants leaving public for private accounting.
e	o	<i>Less competent</i> CPA's.
e	o	Reduction of work experience has permitted licensing of <i>less qualified accountants.</i>
e	o	Newly licensed practitioners will <i>lack in the necessary skills</i> to our profession especially in auditing
e	o	<i>Less experience means some client is getting less qualified</i> assistance
e	o	<i>Experience is a direct benefit.</i> Experience helps the individual to better use his knowledge.
e	o	<i>Less experience,</i> but allows me to train our way.
e	o	This will <i>leave them more unprepared</i> than before
f	o	We had one employee leave earlier
f	o	<i>Leave for jobs more quickly from our small firm.</i> More training & rehire costs.
f	o	Additional training.
f	o	Less certified public accountants
g	p	Better for new career, I would have liked it.
g	p	Ok
g	p	Good given using related courses.

**Appendix F**

**Qualitative Responses to Open-Ended Question 4: Addition Comments on the Effects of the Additional 30 Semester Credit Hours that are Required**

***Q4: The effects of the additional 30 semester credits hours that are required for the 150-hour rule:***

Ref. Code	Comment
a n	None.
a n	None.
a n	None.
a n	None.
a n	None.
a n	N/A.
a n	No opinion.
a p	Required.
a p	In our firm hiring experience, the 30 extra hours has not been a benefit.
b o	Does not necessarily make for a better qualified entry-level accountant.
b o	Causes candidates to not enter profession.
b o	Barrier to entry - fewer accountants.
b o	This is a benefit only if a student can add an internship as part of the credit hours.
b o	Post Enron serious commitments only.
c p	Better prepared individuals to take the exam.
c p	Graduates are better-rounded.
c p	Better prepared employees.
c p	Creates a better candidate most of the time.
c p	This would increase competency
c p	Should help with the knowledge base.
c p	Keeps individual informed about changes in accounting and tax practices.
c p	Improved results of audits and analytical work.
c p	It improves the theoretical skills, but I'd rather have the experience requirement back.
c p	I feel they only make accounting graduates more prepared and marketable.
d o	See 2 above. (Repeated here) The number of students looking to enter the CPA profession decreased. Students could get into other careers/professions without the extra hours.
d o	It seems to be difficult to find entry-level CPA candidates
e o	Delay of practical experience.
f o	It has increased the additional time required for an individual to obtain CPA license but most applicants have already met the requirements.
f o	Keeps good people from entering public accounting.
f o	The effects are higher wages and shortage of candidates for a period of time.
f o	Some added technical learning offset against higher costs for schooling and limiting applicants and people going into accounting.
f o	Delays graduates becoming CPA's
f o	A benefit to the school through additional education cost.
f o	Good for college general fund; bad for students.
f o	Very expensive and time consuming.
f o	Waste of time and money.
f o	Extra money for Universities.
f o	Increases indebtedness of graduates.
f o	1. It prices the recruiting graduate above. 2. There is one doubt in my mind that the

## Michigan Practitioners' Perceptions

		candidate graduates with more skills.
f	o	Additional knowledge for graduates, but at a cost that may ultimately get paid by the employer. However in this economy, the graduate will take the financial hit.
f	o	Our hires have had to go back and obtain the additional 30 hours. This is an extra cost for us and them.
f	o	Opportunity costs associated with adding another 30 hours is problematic. When the peers of my 3 college age sons can get right into the market after 120 hours, what's their incentive to do another 30 hours? It's not like accountants can bank on a six digit salary like Physicians going through medical school once they get practicing.
g	o	More emphasis should be spent on improving oral and written communication skills as well as critical thinking.
g	o	I feel that written and verbal communication skills, along with ethics, should be a key component of the total 150-hour educational requirement.
g	o	There is no real curriculum for the extra 30 hours.
g	o	Not beneficial because courses can be general - should be accounting, auditing and tax courses.
g	o	My experience is the kids take classes that are not relevant.
g	o	Need to be specialized like tax.
g	o	Again unless they are pertinent classes, it appears it does not make sense other than the college.
g	o	I am finding a lot of the candidates interviewed for a CPA with 2-5 years were very qualified with masters in tax, finance, MBA etc. However I also had a candidate that was taking eastern & western religions.
g	o	Undefined.
g	o	Not as helpful as they could be because no structured curriculum is required.
g	o	It indicates you need a master's degree to become a CPA.
g	o	I understand they do not need to be in accounting - they should.

**Appendix G**  
**Qualitative Responses to Open-Ended Question 5: Other Comments**

***Q5: Other comments in regards to the 150-hour rule:***

Ref. Code	Comment
a n	None
a n	I was not sure that our limited knowledge and experience with rule was beneficial.
a n	We have not hired any entry-level so my comments are based upon perceptions only
a p	Starting pay for 150-hour degree accountant with 3.5 + is \$52k and steady pay increases after wards if they are dedicated and efficient
a n	It is here, we are working with it. Not a significant issue anymore
a n	I now have a small practice focused on financial planning and investment management. I did spend over 20 years with Arthur Andersen and headed up the recruiting of entry level personnel for several years.
a n	I am a sole practitioner with a bookkeeper assistant (part-time). I have had no hires of 150 hour students
a n	We are 70% tax 30% bookkeeping & payroll. No one could get their CPA through me, as we do no auditing or reviews
b p	I support the 150-hour rule. I received my undergraduate degree a number of years ago and had to go back to school at night to get the extra hours. I found that I was much better prepared for the exam
b p	The accountant obtains a Master's Degree after working here about 5 years (Work plus school in the evenings).
c p	I have a non-traditional consulting practice. Anything that increases competency and image of CPA's while decreasing supply is beneficial to my practice.
c p	We are going to be hiring an intern this winter so we are going to be learning about how well prepared students are.
c p	I suspect that adding 1 more year to the education has reduced the number of candidates, and this reduces the supply of CPA's which helps CPA's increase fees.
c o	I think that the rule was put into effect without enough forethought and planning
c o	The 150-hour rule is a fiasco and should be eliminated
c o	We hire them with the 150 requirement done only because they are then complete with schooling. They are no more competent at that point
d o	The 150-hour rule is a good idea. The execution is lacking. Students are still graduating without being able to use Excel, look up information in books, etc
d o	I always thought that the 150 hour rule was a poor substitute for experience, and I still do
d o	Bring back the 2-year work requirement
d o	Regardless of the credit hours required there is still a lot of on-the-job training for new accountants
d o	Many are overly optimistic on their "book" knowledge vs. harsh reality and client play back games
d o	I feel you should drop the 30 credit hours and go back to the 4,000 hours of work experience. I also feel that supervising CPA should sign off on specific abilities for the candidates. i.e. tax, audit, compilations, etc.
d o	I do not know why taxation was not more of a focus with all of the hours, new hires need to be taught a very complex topic (tax) and they know nothing
d o	If the 150 rule is in place - it should be in related fields
d o	We want the profession to require professional education to perform accounting and tax

## Michigan Practitioners' Perceptions

d	o	You cannot teach common sense nor force someone to apply what they have learned
d	o	Basket weaving seems to even count toward it
d	o	Why not a Master's? The 150 is only 6-10 hours short of one
d	o	I feel that 5 years of schooling discriminates against students of moderate means
d	o	I see too many African American kids discouraged from going this route once they realized that this will take another year of resources and another year away from the job market to basically have your first degree (even though I know many will try to roll into 2 degrees but this is not a given).
e	o	A semester internship is vastly more valuable than 15 additional semester hours in the classroom
f	o	If more requirements were really beneficial; then we'd have the best of everything because we have the most requirements and regulations. Switching from writing to printing is not a sign of anything other than someone thinks you can read printing easier. Said you asked for my comments - I gave them to you. If I seem a bit on edge - I am. I do have a possible solution... Thought: Gain Christ - Enjoy Life.

### **Definitions of Terms and Acronyms**

The following definitions and acronyms will be used throughout this study. The definitions are made by this researcher unless otherwise cited.

**American Accounting Association (AAA):** The American Accounting Association promotes worldwide excellence in accounting education, research and practice. Founded in 1916 as the American Association of University Instructors in Accounting, its present name was adopted in 1936. The Association is a voluntary organization of persons interested in accounting education and research (AAA, 2009)

**American Institute of Certified Public Accountants (AICPA):** The national, professional organization for all Certified Public Accountants.

**Association of Collegiate Business Schools and Programs (ACBSP):**

**Baccalaureate Degree Concentration in Accounting:** Consists of a total 24 semester credit hours of accounting principles, financial accounting, managerial accounting including cost accounting, accounting systems and controls, United States federal taxation, governmental/fund accounting, Auditing, and 24 semester hours of general business subjects (MSBOA, 2009b).

**Certified Public Accountant (CPA):** A public accountant who has met the requirements to practice within one's State.

Michigan Association of Certified Public Accountants (MACPA): The State of Michigan's professional organization for all Certified Public Accountants.

National Association of State Boards of Accountancy (NASBA): This national association's mission is to enhance the effectiveness of state boards of accountancy. NASBA promulgates no laws. Its committees develop model statutes and rules; however, it is the state legislatures and accountancy boards that do the final drafting and implementing of the laws that regulate the practice of public accountancy (NASBA, 2009).

Preparedness and Competence: Although this researcher has been unable to locate a definition of competency within the literature gathered thus far, this term is defined here as "One who possess sound technical ability, strong communication skills, the ability to explain complex processes, and being of good moral character."

The Michigan State Board of Accountancy (MSBOA): The Michigan Board of Accountancy is responsible for the certification and licensure of certified public accountants and public accounting firms under Article 7 of Public Act 299 of 1980, as amended (MSBOA, 2009a).

State of Michigan Requirements Application for Licensure: A Baccalaureate Degree including a concentration in accounting and are required to have completed 150 semester hours of college education. 30 semester hours must be in accounting subjects, including not more than 6 semester hours of taxation; and 39 semester hours must be in general business subjects, including a minimum of 3 semester hours, but not more than 12 semester hours,



in at least 5 of the following areas: business law, economics, ethics, finance, management, marketing, taxation, statistics, and business policy. Or a Master's degree in accounting, or Master of Business Administration (MBA) that includes not less than 12 semester hours of graduate level accounting (MSBOA, 2009b).

**Uniform Certified Public Accountant Examination (CPA Exam):** The Uniform CPA Examination is the examination that individuals must pass in order to qualify for licensure as Certified Public Accountants in any of the 55 U.S. jurisdictions (the 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, and the Commonwealth of Northern Mariana Islands) (The Uniform CPA Examination, 2009).

**Uniform Accountancy Act (UAA):** Created by a joint NASBA/AICPA committee, The Act advances the goal of uniformity. In addition, the Act's provisions protect the public interest and promote high professional standards (AICPA, 2009d). Uniform Accountancy Act is a model accountancy act developed by the AICPA and the NASBA. It is intended to serve as the basis for legislation implemented by the individual states. One objective of the UAA is to enable CPAs to more freely practice across jurisdictions.

**150-hour Rule:** 150 semester credit-hours of collegiate study and 1 year and 1,000 hours of professional work experience.

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