

RECENT DEVELOPMENTS IN ACCOUNTING EDUCATION AND THE FUTURE OF THE AICPA 150-HOUR REQUIREMENT

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The globalization of businesses, the increasing complexities of business transactions, and advances in information technology that are facilitating electronic commerce and communication are challenging the relevance and usefulness of traditional accounting education. This paper deals with recent changes in accounting education needed to prepare accounting students to face the challenges of the 21st Century. In addition, this paper investigates the future of the AICPA 150-hour requirement, with emphasis on California.

INTRODUCTION

With the tremendous growth of international competition, computer technology, and social values, a substantial reorientation of educational programs becomes necessary to assure that accounting education meets the changing needs of professional practice. If the accounting profession is to respond positively to these developments and to users' demand for more information, it needs to have broadly educated professionals who are not only technically knowledgeable, but who have the analytical abilities and the international education needed to meet the challenges of a global environment.

To highlight recent developments in accounting education, focus is placed on the U.S.'s attempts to improve accounting education and prepare students, its future professionals, for the challenges of the 21st Century.

DEVELOPMENTS IN ACCOUNTING EDUCATION IN THE UNITED STATES

The American Accounting Association's (AAA) 1986 Bedford Committee (Bedford, et al., 1986) and the reports of the follow-up committees have stimulated interest and pinpointed the gaps and problems with accounting education in the U.S. These committees recognized that the current content of professional accounting education, which has remained substantially the same over the last sixty years, was generally inadequate for future accounting professionals. These committees recognized that a growing gap existed between what accountants practice and what accounting educators teach. They also recognized that accountants have been challenged to provide information for different purposes, which has forced them to extend their knowledge and skills progressively to include a grasp of the economic and social environment in which an organization operates.

Business practitioners and educators alike see the need for more education to meet the growing challenges of the business world that students will be facing when they graduate.

The Bedford Committee viewed accounting education as a broad economic information development and distribution process, and that the aim of education should be to develop the students' capacities for analysis, synthesis, problem-solving, and communication. The Committee concluded that the objectives of courses and programs should be designed to help students learn to think, and to be creative. In addition, the Committee emphasized the need for universities to maintain flexibility in accounting education programs and to permit rapid adjustment to changes in the information needs of society. Finally, the Committee suggested five years or more of university education, and deferring specialized accounting courses until near the end of this period.

In 1969, the American Institute of Certified Public Accountants' (AICPA) Beamer Committee recognized the need to increase the educational requirement to five years. The AICPA Council approved the recommendation of the Beamer Committee and concluded that "educational programs must be flexible and adaptive, and this is best achieved by entrusting their specific content to the academic community." In February 1988, the AICPA required all those applying for membership, starting in the year 2001, to have completed at least 150 hours of higher education.

In its June 1992 publication entitled "Academic Preparation to Become a Certified Public Accountant," (AICPA, 1992) the AICPA decided to require: (1) a minimum of 60 hours for the general education component of the program; (2) a maximum of 50 hours for business-related subjects; and (3) no more than 40 hours of a 150-hour program devoted to accounting topics beyond elementary accounting. As of this writing, legislative bodies and state boards of accountancy in forty-nine jurisdictions in the U.S. have adopted the 150-hour program. The AICPA has suggested that the respective state boards of accountancy be allowed to designate what constitutes acceptable accounting courses. Different universities have developed and applied their own versions of the program (AlHashim and Lim, 1997). The overriding question that needs to be answered is what type of business curriculum is needed to prepare practitioners (students) to face the challenges of the global environment? In addition, the changes suggested by the AICPA, AAA and other professional organizations related to objective question formats in 1992, adding the writing skills and restructuring the CPA exam in 1994, requiring 150 semester units in 2001, and finally changing the testing process to Computer-Based Testing in November, 2003 create the need for more advising of students desiring to prepare themselves for accounting careers (Ramsey and Kinnison, 1991).

The hope is that students learn how to use financial statements and financial data, rather than merely focusing on learning the debits and credits needed to prepare these statements. The new accounting curriculum should focus on broad-based general education, rather than on technical knowledge by preparing students to be able to become professional accountants, not already be professional accountants at the time of entry into the profession. Thus, the accounting experience should complement the academic preparation for students to become professionals.

THE CHALLENGES OF THE GLOBAL ENVIRONMENT

Powerful economic and technological forces over the last few decades have forced national markets to expand beyond their borders seeking more capital resources than those locally available. Local governments and regulatory bodies have made this possible by adopting policies facilitating cross-border capital financing. Thus, the internationalization of capital markets, coupled with continuous attempts by major stock exchanges [New York, Tokyo, International (London), Frankfurt, Amsterdam, and Paris] to harmonize their listings and filing requirements, have created

an urgent need for international dimensions in accounting education and practice. In addition, increasing international trade of products, services, technology, and expertise, as well as growing foreign investment have become the driving forces of internationalization. As a result of these international business developments, the professional accounting, business, and financial communities have had to pay greater attention to international business activities.

In response to the ever-changing international business environment, the Education Committee of the International Federation of Accountants (IFAC) released in June 1994 a Discussion Paper entitled "2000 and Beyond: A Strategic Framework for Prequalification Education in the Accounting Profession for the Year 2000 and Beyond" (IFAC, 1994). The traditional approach of including increasingly technical material was rejected by this committee in favor of a general approach focusing on learning to learn. Memorization of rules and regulations and the mere accumulation of knowledge should not be the goal of learning to learn. The latter emphasizes the need to understand both the underlying concepts and standards, and the ability to apply them and adapt them in a variety of situations. Learning to learn involves developing skills, knowledge, and professional orientation that help students learn more effectively, and to use these learning strategies to continue to learn throughout their lifetime as new knowledge and skills are required. The Committee emphasized the need to develop accounting courses that focus on basic concepts and their application in real-world environments, and the relevant international and ethical issues.

In response to more than two-thirds of accounting graduates choosing careers in the corporate world, the U.S. Institute of Management Accountants (IMA) and the U.S. Financial Executives Institute (FEI) commissioned a study that was published in 1994 on "What Corporate America Wants in Entry-Level Accountants." This study surveyed 2,700 corporate executives from a broad cross-section of industries and concluded that American universities are doing a less than adequate job of preparing students for entry-level work in management accounting. A joint IMA/FEI position statement issued at the 1994 American Accounting Association (AAA) Annual Meeting in New York concluded that "university accounting programs must be restructured to respond to the needs of the corporate customer."

As cited earlier, the AICPA requirement for the new curriculum by the year 2001 is composed of at least 150 semester credit hours of general education (40%), business administration (33%), and accounting education (27%). As to the general education requirement, the AICPA considered the importance of globalization as follows:

Our society is so intertwined with the rest of the world that an understanding of the multinational dimension is essential for the educated person. Included here are social, philosophical, political and environmental, as well as economic, issues.

On the education in business administration, the AICPA stated the following:

Like business ethics, multinational issues should be part of the fabric of the various business disciplines. An awareness of our global economy is essential to understanding the business and accounting environment.

Finally, on accounting education, the AICPA considered the following:

The international aspects of accounting should be addressed throughout the accounting portion of the curriculum. As is the case for the various business disciplines, an understanding of the impact of multinational business activity on accounting and on CPAs is necessary.

The need for international dimensions in accounting education and practice was recognized by the AICPA in every one of three components of its proposed common body of knowledge for certified public accountants in the United States.

THE CALIFORNIA 150-HOUR EDUCATIONAL REQUIREMENT

In January 2000, the California Board of Accountancy approved revisions to the Accountancy Act and Regulations, which implemented the education and experience requirements of the Uniformed Accountancy Act. The most significant aspect of these revisions was to bring California into “substantial equivalency” with 48 other jurisdictions by requiring 150 semester hours (units) of education for licensure. On January 1, 2002 a new law became effective in California, which provided applicants with two options:

Pathway 1, which is similar to the current examination requirements in California (a baccalaureate degree, 24 semester units in accounting subjects, 24 semester units in business-related subjects, passage of the CPA examination, and two years of general accounting experience)

Pathway 2, which is similar to requirements of many other states and the Uniform Accountancy Act (a baccalaureate degree, 24 semester units in accounting subjects, 24 semester units in business-related subjects, passage of the CPA examination, 150 semester units, and one year of general accounting experience)

THE NEED FOR THE 150-HOUR REQUIREMENT

How necessary is the 150-semester-hour requirement? Proponents of the 150-hour requirement have cited the need for accounting graduates to possess more technical and accounting knowledge while maintaining a broad liberal arts education. They have also pointed out that additional education is justified because, unlike the legal and medical fields, the accounting profession permits students to receive their training all at the undergraduate level. On the other side of the question, opponents of the 150-hour requirement have advanced arguments that are directed less to the accountant’s preparation and more to other issues.

The summary that follows describes some of the arguments against the 150-hour requirement and rebuttals to these arguments (Nelson, 1997).

Opponents	Proponents
Limits competition and is motivated by protectionism.	Enrollments have been declining over the years. The AICPA and accounting profession have expended significant resources to attract more students into accounting programs.
Will result in the number of accounting majors declining and loss of faculty positions.	Enrollments have not declined as a result of the 150-hour requirement. Nor is the number of applicants for the CPA exam a measure of the number of accounting majors.

Opponents	Proponents
<p>Students will migrate from small colleges and universities to those that offer Master's degrees.</p>	<p>Only 25% of accounting graduates become CPAs and would find the 150-hour requirement relevant. The additional hours are not required to be at the graduate level or in accounting. At some large universities, 60% of business students are transfers. Prepping students to transfer to graduate accounting programs is no different than to law and medical schools.</p>
<p>The cost to students (opportunity cost) will increase due to an additional year of college.</p>	<p>Public accounting firms hire only one-fourth of accounting graduates. More than half obtain positions in industry and government. Students are already taking more than 120 units and pursuing graduate degrees. If there is a marginal cost, it is low.</p>
<p>The society at large will bear the financial burden of increased costs of accounting services due to higher personnel costs from hiring students that are more educated.</p>	<p>There is no evidence of increased costs to society. With better educated staff members, CPA firms will be able to achieve greater efficiency and keep costs down.</p>
<p>The short-term demand to accommodate more students will weaken the quality of accounting education due to larger class sizes and shortage of experienced faculty.</p>	<p>Capacity studies by states where the 150-hour requirement has been adopted and by the Federation of Schools of Accountancy have found that sufficient capacity exists in most universities to meet the expected student demand.</p>
<p>The problem of attracting minority students to the accounting profession will worsen.</p>	<p>The accounting profession requires the least amount of pre-entry education. Law (7 years) and medicine (8 years) require more years of education and have a higher percentage of minorities than accounting. There appears to be a positive correlation between the percentage of minority professionals and the length of the education requirement. The primary problem in attracting minorities into accounting lies with negative stereotypes and severe image problems. Question: Would anyone propose reducing the number of years doctors go to school in order to attract more minorities into medicine?</p>

Opponents	Proponents
<p>Poor minority and non-traditional female students will be hurt due to the cost of an additional year of college.</p>	<p>This is a legitimate concern, but substantial student financial aid is available for economically disadvantaged students. If students are not able to remain in school for the additional hours, they can graduate with a four-year degree and obtain the additional required units while working.</p>

Several issues are not addressed in this summary. One is the question of whether the 150-hour requirement accomplishes its goal of better preparing the accounting graduate for a career in accounting. It should be noted that the language in the California legislation does not identify the subject matter of the courses that the students are required to take in reaching 150 hours as long as their undergraduate degree contains 24 semester units of upper-division accounting courses and 24 units of business-related courses. Most, if not all, accredited accounting and business programs contain this requirement. Does this mean that students may potentially fulfill the remaining units needed to satisfy the 150-hour requirement with non-accounting and business courses? The answer is yes. In fact, this is quite consistent with another goal of the 150-hour requirement – “to broaden the accountants’ university education, not to further narrow it with more accounting courses” (Nelson, 1998).

However, what is important is the content of these courses, not merely the number of units. As was mentioned in the Bedford Committee report, the aim of education should be to develop the students’ capacities for analysis, synthesis, problem-solving, and communication. In addition, the objectives of courses and programs should be designed to help students learn to learn, to think, and to be creative.

A related issue that is only tangentially raised in the summary above concerns the actual number of additional units students would take in order to satisfy the 150-hour requirement. Although a traditional degree most often requires the completion of 120 semester units, most students graduate with many more units than this. What appears on the surface as a requirement for the completion of an additional 30 units or another year in college is, in fact, substantially much less. In at least one CPA exam given in California, it was reported that the average number of semester units taken by candidates sitting for the exam was 147 (The Board of Accountancy, 2000).

In a survey conducted in several auditing and advanced financial accounting classes at California State University, Northridge (CSUN) over a two-semester period, 167 senior accounting students were asked in a survey to identify how they would satisfy the 150-hour requirement. The students were also requested to record how many units they expected to have earned by the time they graduated. The students identified what subjects they would select or graduate degree they would pursue if 22 units and 9 units remained to satisfy the 150-hour requirement. The survey instrument explained to the students that none of the additional units were required to be in accounting or business. The results of the survey revealed that obtaining a graduate degree was the first choice of 42.4 percent of the students if 22 units remained to be completed and 18.1 percent if 9 units remained to be completed. At 22 units, accounting courses represented 30.2 percent of the selections, followed by Finance (15.6%), Information Systems (13.7%), and Business Law (13.4%). When the number of units was reduced to 9, accounting courses increased to 46.6 percent of the

selections, followed by Finance (15.3%), Information Systems (11.3%), and Business Law (10.7%). Table 1 summarizes the results.

TABLE 1

Undergraduate courses selected to satisfy the 150-hour requirement.

	22 units	9 units
Business Courses:		
Accounting	30.2%	46.6%
Finance	15.6%	15.3%
Information Systems	13.7%	11.3%
Business Law	13.4%	10.7%
Economics	04.2%	03.4%
Management	04.2%	01.9%
Marketing	02.3%	01.6%
Management Science	01.4%	01.2%

The average number of units that students expected to earn by the time they graduated was 143.7. This total was much higher than had previously been estimated, but is consistent with the results reported from the CPA exam cited earlier. In addition, 28.1 percent of the students expected to graduate with 150 units or more and another 25.1 percent of the students expected to need 10 units or less to satisfy the 150-hour requirement. At 22 units, 90.7 percent of the selections were accounting and business courses, which increased slightly to 93.3 percent at 9 units. These results can be summarized as follows:

- Students graduate with units substantially in excess of what is required for a baccalaureate degree.
- The fewer the number of units needed to satisfy the 150-hour requirement, the higher the probability that these units will be accounting courses.
- A substantial number of students either already satisfy the 150-hour requirement (28.1%) at the time they graduate or are within 10 units of doing so (25.1%).
- For those students electing to satisfy the 150-hour requirement by taking undergraduate courses, over 90 percent of the selections will be accounting and business courses regardless of how many units the students have remaining.
- Very few students will satisfy the 150-hour requirement only with courses such as art and music.

The need to protect the general public, the profession, the client, and the accounting student is persuasive. Students benefit from the additional education, which better prepares them for careers in accounting. However, the form this additional education takes is still debatable.

In a study (Albrecht and Sack, 2000) sponsored by the AICPA, IMA, Big 5 accounting firms, and the AAA, it was found that a fundamental power shift from providers to consumers is taking place in all segments of the economy. This monograph, assessing educator and practitioner views of the challenges that face accounting education at the dawn of this new century, concluded that to remain competitive, academic institutions need to adopt a customer focus. The authors observed that “[g]iven the changes taking place in the profession, the 150-hour rule is almost universally seen [by educators and practitioners] as a mistake. It is seen largely as a rule that both increases opportunity costs and forces students to specialize at a time when they should not specialize.” Another observation was that “[w]hile ... [a] traditional program may create a good accountant, the business world has told us that they want a good businessperson.”

INTERNATIONAL PERSPECTIVE

Many attempts have been made by educators outside the U.S. to incorporate the 150-hour requirement in different countries. For example, in keeping with this spirit, the Permanent Committee for Accounting Departments of Universities Within the Gulf Cooperation Council (GCC, 1981) proposed the following general framework for accounting curricula within the GCC in 1994 (El-Azma, 1994):

Percentage	
General Education Requirement	35%-55%
General Business Requirement	25%-40%
Major Field Requirement	20%-30%

This general framework for the accounting curricula was consistent with the recommendations of the AICPA, including the need for international dimensions in accounting curricula. What is important is the content of the accounting curriculum, and how well it relates to the needs of the local environment. There are enough differences between the environmental forces (social, cultural, legal, political and economic factors) in the U.S. and those of the Gulf region to justify differences in designing accounting curricula. Therefore, care needs to be taken so that the designer of the GCC accounting curricula does not imitate what is being done outside the GCC region, but attempts to adapt what is being borrowed to fit the environment of that region.

CONCLUSION

The tremendous growth in international business transactions has generated an urgent need for coordination and control of the activities of international investors on a global basis. These investors serve as the bridges that link different economies. If the accounting profession is to respond positively to these developments and to users' demand for more information, it needs to have broadly educated professionals who are not only technically knowledgeable, but have the analytical abilities and the international education needed to meet the challenges of the global

environment. The question remains as to how relevant the 150 hours has been to the changes in this environment.

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