

The 150-Hour Education Requirement

Accounting Practitioners' Views

By Larry A. Deppe

In 1983, the AICPA's Commission on Professional Accounting Education released its report, *A Post-Baccalaureate Education Requirement for the CPA Profession*. Along with its recommendation for a postbaccalaureate education requirement for the CPA profession, this report also encouraged legislative intervention by the AICPA and state professional associations as appropriate and necessary to the establishment of such education. Since this report was issued, 40 states have adopted the 150-hour requirement. This discussion utilizes Utah, which adopted the 150-hour law in 1981, as a case study of the requirement and its implementation. Though it primarily focuses on one state, policymakers, educators, and CPAs in other jurisdictions can compare this case study with their own experiences.

Survey Overview

The author mailed a survey in order to gather data from CPAs licensed by Utah. It attempted to answer the following questions:

- Do practicing CPAs support the state's CPA Licensing Act (<http://www.dopl.utah.gov/licensing/accountancy.html>)?
- What are the opinions of practicing CPAs regarding the mode of delivery of the fifth year of education, the appropriate degree to be awarded upon completion of the fifth year, and the content of the fifth-year curriculum?
- What are the opinions of practicing CPAs regarding the requirements for initial licensure as a CPA?
- Is support of the act by practicing CPAs based upon their own experience in the workplace?
- Is support of the act by practicing CPAs based upon their own levels of education?
- Does the CPA's type of firm, number of years of experience, or degrees attained influ-



ence the choice of courses these practitioners would include in the fifth-year curriculum?

By asking CPAs to answer these questions, the survey aimed to measure the support for the act among practitioners, the basis for support of the act, and suggestions for the fifth-year curriculum.

Do Utah CPAs Support the Act?

Four measures of respondents' support of the act were utilized in the survey. Respondents were asked whether they concurred with the requirement of an additional 30 semester hours of education beyond a baccalaureate degree, as well as whether they

perceived the additional education requirement to be beneficial to the accounting profession, to the state of Utah itself, and to their own individual employers. With respect to the first question, respondents supported the additional 30 hours: 77% either agreed (33.56%) or strongly agreed (42.91%) with this requirement.

Respondents also thought that the 30-semester hour education requirement has benefitted the profession [78% agreed (40.41%) or strongly agreed (38.01%)], the state [(64.04% agreed (31.85%) or strongly agreed (32.19%)], and their firm or company [60.48% agreed (29.90%) or

strongly agreed (30.58%). Given how long the law has been in effect, many respondents might have been speaking from personal experience, as well as their own observations on the benefits to their firms, companies, the profession, and the state.

Although there is evidence of strong support among Utah CPAs, respondents did have some reservations. Their responses indicate concern that the additional education has increased the average starting salary of professional accountants [48.09% agreed (34.60%) or strongly agreed (13.49%)]. Interestingly, 33.56% felt “neutral” about the effect of additional education on salaries; this could indicate that one-third of the respondents have not risen to a level that would allow them access to such information.

Interpreting the survey results as positive or negative depends upon one’s perspective. Ideally, higher salary levels attract more qualified candidates, such that both the employee and the employer benefit. On the other hand, in the case of public accounting firms, a candidate might have a perfect 4.0 GPA, but might lack the interpersonal skills needed to recruit new clients and build the practice. Employers are left to determine whether the increased cost of the additional education exceeds its benefits.

Respondents were not as enthusiastic about the effect of the additional 30 hours on the rate of advancement (promotions): 36% agreed or strongly agreed that the additional hours increased the rate of advancement. (Interestingly, 39% of respondents were neutral.) Other research has supported the conclusion that the additional education might not speed the rate of advancement (e.g., Larry A. Deppe, Jay M. Smith, James D. Stice, “The Debate over Post-Baccalaureate Education: One University’s Experiences,” *Issues in Accounting Education*, Spring 1992).

With respect to the recruiting and retention of professional accountants, 35% of respondents did not agree that they have improved as a result of the requirement for an additional 30 hours, and 50% remained neutral. But any effect of the additional education on recruiting and retention might be masked by the strength of the job market for accountants in recent years, which could encourage prospective employees to demand higher starting salaries and current employees to be more willing to change employers to increase their current salaries.

Overall, the results of the survey suggest that Utah CPAs support the 150-hour requirement, despite concerns about higher salaries and skepticism about advancement and retention.

Delivery and Degree

A significant issue related to the 150-hour requirement is the delivery of coursework and the degree awarded upon completion. For example, should a candidate for licensure be required to complete undergraduate courses with 30 semester hours of credit, but not be awarded a degree? Rather than undergraduate courses,

in accounting were also tested. Only total years of experience in accounting and the option of requiring undergraduate courses not necessarily resulting in the awarding of a degree resulted in any significant relationship. This might indicate that, as respondents progressed through their careers, the courses they took or the degree they received (or did not receive) became less and less relevant.

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should the candidate be required to complete graduate courses with 30 semester hours of credit but without a degree? Should the candidate complete a formal graduate program resulting in a graduate degree in accounting (not an MBA)? Or should the candidate complete a formal graduate program that does result in an MBA? Is it necessary to deliver the coursework through a formal graduate program? Or is it sufficient for the candidate to complete undergraduate or graduate courses without admittance to a formal program?

Overall, respondents preferred graduate-level courses resulting in a master’s degree in accounting (58% agreed or strongly agreed). Not surprisingly, respondents holding a master’s degree in accounting strongly supported it, whereas those holding MBA degrees supported the awarding of the MBA degree and felt that the master’s degree in accounting is not the course for fulfilling the 150-hour requirement.

The relationships between the type of degree, years of experience in public accounting, and total years of experience

between the respondents’ professional experience (i.e., total years of experience in accounting) and the type of courses and degree was reported.

Curriculum

This study also sought respondents’ opinions regarding coursework. It is not surprising that respondents favored financial accounting (91% agreed or strongly agreed), auditing (85% agreed or strongly agreed), managerial accounting (74% agreed or strongly agreed), and information systems (74% agreed or strongly agree) courses, which significantly contribute to the body of knowledge needed by an independent auditor. Respondents also viewed coursework in taxation as important (81% agreed or strongly agreed). Independent auditors must have a working knowledge of taxation in order to prepare the annual tax accrual of a for-profit client, as well as to ensure that the proper amounts are recorded for any and all tax-related items for both profit and nonprofit entities.

Respondents thought that coursework in finance is important (47% agreed; 29% were neutral). This is unsurprising, given that the number and types of complex transactions and financial instruments have grown dramatically in recent years. Respondents might be noting that, although many CPAs begin their careers in public accounting (specifically auditing), they often move to positions in management for a wide variety of entities. Respondents might also see the need for training in financial valuations, particularly determining fair values for accounting purposes.

Those with more experience continue to have their reservations about the need for the additional education.

This study also examined the relationship between coursework and degrees held, years of experience in public accounting, and total years of experience. Respondents holding a master's degree in accounting seemed surprisingly lukewarm toward coursework in financial and managerial accounting, as compared to auditing and taxation, which they supported enthusiastically. Of the remaining courses listed in the survey, only economics held much appeal for those with a master's degree in accounting. Most surprising was their lack of support for courses in information systems—a subject that is vital to the conduct of an independent audit.

Respondents holding an MBA degree appeared to have an interest in courses in information systems, quantitative methods, organizational behavior-strategy, production management, marketing, and logistics. Interestingly, MBA holders had a slightly higher level of interest in economics coursework than those holding a master's degree in accounting.

The study's results suggest that the breadth of coursework that interests MBA holders is not found among those holding a master's degree in accounting. Although MBA programs designed to train students to be professional managers do result in broader courses, it seems strange that many holders of a master's degree do not see the need for more breadth in the coursework required to earn a graduate degree in accounting. This is surprising, given that the CPA exam now places more emphasis on many of the areas covered by the courses listed on the survey but considered to be outside the accounting discipline.

The content of the CPA exam is based, in part, upon the efforts of the AICPA to seek the opinions of accounting practitioners. The expansion of its content to courses outside the realm of traditional accounting suggests that practitioners surveyed by the AICPA believed that broader coursework was necessary. Many respondents to this author's survey, however, did not voice the need for more breadth in their knowledge of business generally.

Experience in public accounting exhibited a negative relationship with all of the courses listed. For certain courses (e.g., financial accounting, managerial accounting, finance, economics, organizational behavior-strategy), respondents had stronger negative feelings. The relationship between total experience in accounting and the courses listed showed similar results to experience in public accounting, with the exception of organization behavior-strategy, for which there was a positive (but weak) relationship between the total experience respondents had working in accounting and their interest in organization behavior-strategy.

Testing for any relationship between the type of firm respondents worked for and the curriculum items listed in the survey resulted in only one significant relationship: those working in industry felt strongly that courses in organizational behavior-strategy were important.

Additional Data Testing

As mentioned earlier, the survey utilized four measures of respondents' support of the act. Respondents were not only asked whether they concurred with the requirement of an additional 30 semester hours of education beyond a baccalaureate degree, but also whether they perceived the addi-

tional education requirement to be beneficial to the accounting profession, to the state of Utah itself, and to their own individual employers. Additional analysis of the data was modeled using these four measures of support. Tests determined whether respondents' level of education, years in public accounting, and total experience affected their level of support. These tests were run twice, adding the type of employer to the model.

The models possessed limited predictive power, but did reveal that two factors play a role in explaining respondents' support: the degree that respondents hold (a master's degree in accounting) and total years of accounting experience. This is true for all four measures of support of the 150-hour requirement. Whereas the level of education was positively related to support of the 150-hour requirement, the total years of experience were negatively related. This might suggest that the large numbers of graduates who have obtained a master's degree in accounting since the passage of the legislation are the principal drivers in supporting the law, whereas those with more experience continue to have their reservations about the need for the additional education.

The relationships for the model using "the additional 30 semester hours are beneficial to the respondent's employer" as a measure of support were the same for the respondents' education and total experience as those in the models for the other three measures of support; however, experience in public accounting was positively related to this measure of support, suggesting that respondents in public accounting might see the additional education as enhancing the perception of their firms.

Testing was expanded to include the type of firm in which respondents were employed, but this did not measurably change the results of the analysis.

Experience Requirements for Licensure

Much debate has occurred regarding the nature of accounting experience required for licensure as a CPA. The following approaches to the experience requirement have been suggested:

■ The requirements for initial licensure as a CPA should include one year of general accounting experience requiring the use of accounting, attest, management advisory, financial advisory, tax, or consulting

skills in government, industry, academia, or public accounting, so long as the experience is verified by a licensee.

■ The requirements for initial licensure as a CPA should include one year of experience in public accounting, including 300 hours of auditing experience.

■ The requirements for initial licensure as a CPA should permit additional practice experience (e.g., one extra year) as an alternative to formal college/university education in fulfilling the requirement for an additional 30 hours of education beyond the baccalaureate degree.

■ The requirements for initial licensure as a CPA should allow continuing professional education as an alternative to formal college education in fulfilling the requirement for an additional 30 hours of education beyond the baccalaureate degree.

Respondents viewed the first option—the current policy in Utah—very favorably (75% agreed or strongly agreed with this approach). The second option did not fare quite as well; 47% of respondents agreed or strongly agreed with this approach, whereas 37% disagreed or strongly disagreed with this approach and 14% were neutral. For the third option, 54% disagreed or strongly disagreed whereas 33% supported the approach and 12% were neutral. As indicated earlier, Utah previously allowed this approach along with the first option, but moved away from it at the urg-

ing of the profession and the state agency charged with maintaining the records related to CPA licensure. The fourth option was seen as least desirable, with 70% of respondents disagreeing or strongly disagreeing with continuing professional education as a means of fulfilling the additional 30-hour requirement.

A Changing World

This article has described one state's experience in implementing the 150-hour education requirement for licensure as a CPA and the support for the legislation among practitioners nearly 30 years later. It provides evidence that Utah CPAs do support the CPA Licensing Act, and that this support is based primarily on the respondent's education level. The study also provides evidence that respondents prefer the master's degree in accounting as the required degree to be awarded upon completion of 30 additional semester hours as required by law. In addition, it shows not only that the 150-hour requirement can be implemented and maintained, but that it will also be supported by the professionals who are required to comply with it.

For readers who might be skeptical about the need for the 150-hour requirement consider the following list of reasons offered by the AICPA for adopting this requirement:

■ Significant increases in official accounting and auditing pronouncements and the

proliferation of new tax laws have expanded the required knowledge base.

■ Business methods have become increasingly complex. The proliferation of regulations from federal, state, and local governments makes ensuring compliance more complicated. In addition, improvements in technology have had a major effect on information systems design, internal control procedures, and auditing methods.

■ The staffing needs of accounting firms and other employers of CPAs are changing rapidly. With more sophisticated approaches to auditing 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.

It has been said that the only constant in life is change. Our world is changing, and future CPAs must possess the knowledge and skills needed in order to meet the challenges that these changes will surely bring about. □

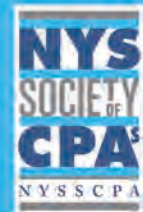
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