

R E S P O N S I B I L I T I E S & L E A D E R S H I P
education

The 150-Hour Requirement: Perceived Impact on Quality and Image of the Profession

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The 150-hour requirement remains one of the most studied and discussed topics in accounting education. Papers calling for an advanced degree in accountancy can be traced back to the 1880s, but only within the past 20 years have most states legislated such a requirement, and many requirements remain to be implemented. Yet the question remains: Is the additional education having the positive impact on the profession that was predicted?

The authors conducted a survey regarding the 150-hour requirement's effects on the quality of education, the image of the profession, and the value of the fifth year to firms and the profession. The results suggest that the jury is still out on whether some of the anticipated effects of the requirement have been achieved. Whether the 150-hour requirement is a net positive or a net negative may never be completely settled. But the requirement continues to demand more from potential CPA candidates, and it remains among the most important developments in the profession during the past 50 years.

Survey Instrument and Sample

A questionnaire was sent to a random sample of CPAs, composed of AICPA members in nine states (Alabama, Kansas, Louisiana, Mississippi, Montana, South Carolina, Tennessee, Texas, and Utah) that began requiring a 150-hour degree between 1993 and 1997. This time period was chosen because the 150-hour law was still new, but respondents would have had enough time to form opinions on it. (A different portion of the results of this survey was reported in "The Effectiveness of the 150-Hour Requirement," published in the April 2005 *CPA Journal*.)



Respondents came from CPA firms (40%), industry (40%), and other categories (not-for-profit, education, government, and retirees: 20%). There were no statistically significant differences between the three sets of respondents, so they will be discussed as a group.

Analysis and Findings

The survey results indicate, perhaps not surprisingly, that many CPAs' opinions about the 150-hour requirements are different from what was anticipated when the requirement was initially developed and proposed.

Exhibit 1 presents the results of a series of questions regarding educational benefits of the requirement. The data suggest that

respondents did not generally find benefits in educational quality from the 150-hour requirement. Only about one-quarter to one-third agreed or strongly agreed with the statements asserting significant improvements in the depth or breadth of education from the requirement. Generally, 35% to 45% of respondents disagreed or strongly disagreed that the requirements had significantly improved accounting education. The remaining one-quarter to one-third were neutral. As a whole, the data suggest that practitioners are not seeing significant benefits from the additional year of education in terms of both accounting and nonaccounting topics.

Exhibit 2 examines the effects the requirement may have had on individu-

als pursuing accounting careers. The most positive response was that 57% of respondents agreed or strongly agreed that the 150-hour requirement will result in their commanding significantly higher salaries. At the other extreme, only 17.5% agreed or strongly agreed that the requirement resulted in enhanced and improved career opportunities. Together, this suggests that new practitioners can be paid more for doing the same level of work. Some may worry, however, that uninteresting or unchallenging work is turning individuals away from accounting.

The results of the other items are less clear, with around one-third of respondents agreeing or strongly agreeing, another third disagreeing or strongly disagreeing, and the remaining one-third to one-quarter of respondents being neutral. These results suggest that the impact of the 150-hour requirement on individual opportunities is still undetermined.

Each item in Exhibit 2 is an important factor for attracting talented individuals to the profession. Except for the expectation of higher salaries, the questions of individual opportunity offer mixed results. It may simply be that the profession collectively is as yet unable to change the type of work done or the somewhat rigid structure for advancement to higher-level positions.

The data in Exhibit 3, about organizational issues and perceptions of the profession, do not suggest that the 150-hour requirement has had the expected positive effects. Only about 21% of respondents agreed or strongly agreed that the requirement has resulted in better-qualified people being attracted to the profession, while 59% disagreed or strongly disagreed. A similar result was seen for the question of whether the requirement has been beneficial to the respondents' organizations. Half of the respondents disagreed or strongly disagreed that the requirement has

improved the overall image of professional accountants, a fundamental justification and expectation when the 150-hour movement began in earnest. Another anticipated result, that the requirement would reduce training staff costs, is also belied by the data. Only 12% agreed or strongly agreed with the statement. Additionally, more than 40% of respondents reported difficulty with hiring sufficient entry-level staff immediately after the requirement was implemented in their state. Significant proportions of respondents were neutral on each of these questions, indicating that more time and experience might change the results. Overall, the data in Exhibit 3 do not suggest any overwhelming positive attributes for the profession or the requirement.

The following summary question was also asked of survey participants: "Overall, do you believe the 150-hour requirement is better for the accounting profession than allowing four-year graduates to become CPAs?"

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Sixty-four percent said no. In other words, about two-thirds of practitioner-respondents did not agree that the requirement was better than the traditional four-year model.

Anticipated Benefits

Whether the 150-hour requirement has achieved anything other than adding costs for students pursuing certification is debat-

able. Tracing the history of the requirement, it is clear that many observers anticipated benefits for companies, the profession, advancement opportunities for graduates, and society as a whole. Yet it remains unclear whether any of these constituencies have realized the benefits, or whether the benefits have been significant. □

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EXHIBIT 1 Quality of 150-Hour Education

Issue: The 150-hour requirement has:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Significantly improved the quality of accounting education as determined by more in-depth coverage of accounting topic materials.	19.1%	25.3%	23.0%	28.7%	3.9%
Significantly improved the quality of accounting education as determined by more breadth of coverage of accounting topic materials.	19.7	19.7	24.6	33.2	2.8
Significantly improved the quality of accounting education as determined by more in-depth coverage of nonaccounting topic materials.	18.5	17.4	39.3	23.0	1.8
Significantly improved the quality of accounting education as determined by more breadth of coverage of nonaccounting topic materials.	16.9	18.5	32.6	27.0	5.0

EXHIBIT 2 Opportunity Issues for the Individual

Issue:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Accountants who have completed the 150-hour requirement have more upward mobility.	8.4%	28.4%	29.6%	30.2%	3.4%
Overall, the 150-hour requirement benefited individuals through enhanced and improved career opportunities.	27.1	31.1	24.3	15.8	1.7
Accountants who have completed the 150-hour requirement command significantly higher salaries.	5.1	14.0	23.6	48.3	9.0
Accountants who have completed the 150-hour requirement will achieve significantly higher aggregate income levels during their working lifetimes.	7.9	27.4	34.3	25.3	5.1
Accountants who have completed the 150-hour requirement are offered more interesting/challenging assignments earlier in their careers.	8.5	37.7	25.8	25.8	2.2
Accountants who have fulfilled the 150-hour requirement have a wider variety of career options.	9.5	20.8	31.5	31.5	6.7

EXHIBIT 3
Organizational Issues and Perceptions of the Profession

Issue	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The 150-hour requirement has resulted in better-qualified people being attracted to professional accounting positions in your state.	25.8%	33.2%	19.7%	19.1%	2.2%
The 150-hour requirement has significantly improved the overall image of professional accountants in your state.	21.4	28.6	26.4	19.7	3.9
Since its implementation, the 150-hour requirement has been beneficial to business organizations in general.	16.9	32.0	25.3	22.5	3.3
Since its implementation, the 150-hour requirement has been beneficial specifically to my organization.	25.3	31.5	24.7	14.0	4.5
Our firm had difficulty hiring a sufficient number of entry-level CPAs immediately after the new 150-hour requirement was implemented.	2.8	14.6	42.1	24.2	16.3
Your overall organizational cost of training entry-level accounting hires has decreased as a result of the 150-hour requirement.	19.7	33.7	34.3	10.6	1.7

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