

# The Effectiveness of the 150-Hour Requirement

By William H. Dresnack and Jeffrey C. Strieter

In 1988, the AICPA membership voted overwhelmingly to require increased education of all new members after 2000. The 150-hour requirement, as it is known, has since been adopted by most states. Today, only four states (California, Delaware, New Hampshire, and Vermont) do not have in place laws or regulations requiring applicants to take the CPA exam with at least 150 hours of college or university course work. Some states' laws or regulations have not yet become effective (for example, New York's will not take effect until August 1, 2009). Recent corporate scandals, such as Enron, Tyco, and WorldCom, that were at least in part precipitated by major lapses in accounting judgment, dramatically illustrate the importance of mandating appropriate requirements to practice public accountancy.

Despite its growing importance to accounting education and the accounting profession, critical aspects of the 150-hour requirement have received insufficient attention. Many continue to question whether the costs of the requirement to students outweigh the potential benefits to employers. For example, Colorado has indefinitely suspended implementation of its 150-hour requirement due to the perceived lack of clear benefits. There also remains the question of what effect the major accounting scandals of the past several years will have on long-term student recruitment into the profession.

### Survey

An extensive survey was sent to AICPA members in Alabama, Kansas, Louisiana, Mississippi, Montana, South

Carolina, Tennessee, Texas, and Utah. These nine states began requiring a 150-hour degree between 1993 and 1997. The sample consisted of CPAs in public practice (40%), industry (40%), and not-for-profit, education, government, and retirement (20%).

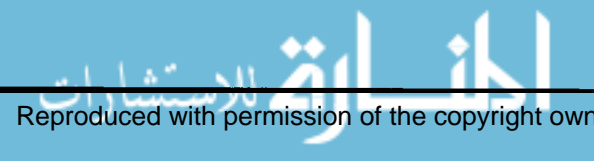
### Analysis and Findings

*Exhibit 1* addresses questions of entry-level accountants' capabilities. The data suggest that respondents found little or no benefit from the 150-hour

requirement. In the most positive response, only 32.6% of respondents agreed or strongly agreed that 150-hour accountants are better able to analyze complex accounting problems. Fifty-nine percent of respondents disagreed or strongly disagreed that the 150-hour graduates needed less on-the-job supervision during their first two years of employment. This is surprising in light of the expectation that the requirement would result in more job-ready new hires because of the additional educa-

**EXHIBIT 1**  
 Practitioner Perceptions of Entry-level Capabilities and Skills

When compared with bachelor's degree graduates, the 150-hour graduates:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Are better able to analyze complex accounting problems.	12.9%	33.7%	20.8%	27.0%	5.6%
Have better analytical skills.	10.7%	33.7%	25.8%	25.3%	4.5%
Have better perceptual skills.	10.7%	32.6%	32.0%	18.5%	6.2%
Are better prepared to serve your company or clients in broader ways.	15.9%	30.1%	24.5%	21.0%	8.5%
Require less on-the-job supervision during their first two years of employment.	21.3%	37.6%	25.9%	12.4%	2.8%
Are more valuable to your company during their first two years.	18.5%	33.7%	20.2%	22.5%	5.1%
Are better able to interact with peers and professional colleagues.	12.4%	30.3%	30.4%	23.0%	3.9%
Have better written communication skills.	13.5%	28.1%	27.5%	29.2%	1.7%
Have better oral communication skills.	11.8%	29.2%	33.1%	25.3%	0.6%



tion. More than half of respondents (52.2%) did not believe new accountants were more valuable in their first two years on the job than their 120-hour predecessors, yet these students are required to invest substantially more time and money earning their degrees.

*Exhibit 2* addresses human resources issues. The data suggest that the 150-hour requirement has not been an overwhelming success. Only 14% of respondents indicated that the 150-hour graduates' increased abilities have made firms more efficient; only 18.5% found any improved efficiency in training resources. The last two questions suggest what may be a profound problem with the requirement: 71.3% of respondents indicate that the requirement has decreased the number of qualified job applicants, and

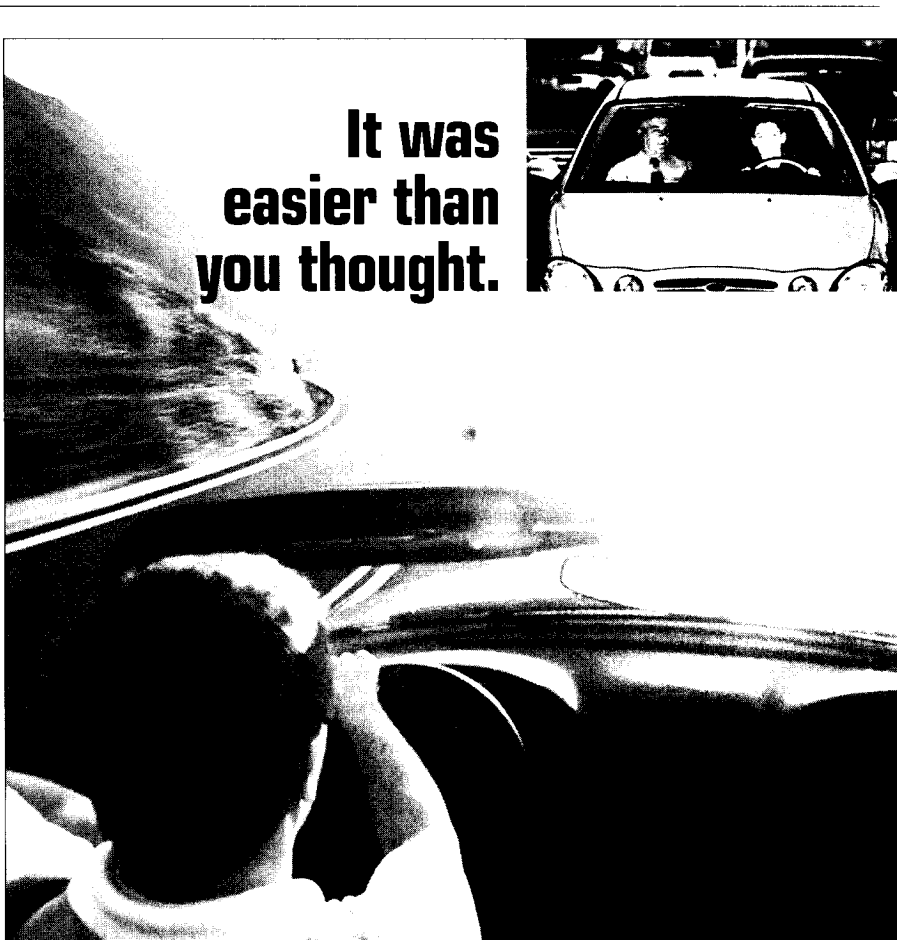
150-hour requirement. Approximately 21% indicated that four years of college was not adequate for entry-level accounting work, and 68% agreed or strongly agreed that four years was adequate preparation. Similarly, only 28.1% thought that the fifth year made graduates more valuable as entry-level accountants. Combined, these data sug-

gest that roughly three-quarters of CPAs do not see the 150-hour requirement as an improvement. And only about one-third of respondents (33.7%) agreed or strongly agreed that the 150-hour requirement improved the image of professional accountants, one of the stated goals of the increased educational requirement.

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42.2% that the requirement has caused a decrease in the number of qualified minority applicants. The accounting profession has had an historical shortage of qualified minority practitioners, and the 150-hour requirement does not appear to be helping.

*Exhibit 3* provides information on the value of the fifth year as perceived by CPA firms and industry employers. The results of these questions are again somewhat inconsistent with expectations and the original stated objectives of the



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Exhibit 4 provides data on the responses to summary questions. These questions were designed to give respondents the opportunity to indicate that the requirement was beneficial from a "big picture" standpoint even if not on the more specific questions. The results still suggest that the respondents did not recognize that overall value existed. Only 17.5% of respondents agreed or strongly agreed that the requirement improved graduates' career opportunities; 58.2% disagreed. The same percentage (17.5%) agreed or strongly agreed that the requirement improved graduates' ability to perform their job assignments, but an even greater percentage (62.7%) disagreed with this statement. This is a clear indication that the requirement is not achieving at least some of its associated expectations.

#### Implications

The 150-hour requirement is the most significant change in accounting education in the past fifty years. The evidence presented here suggests that the enormous amount of time and other resources invested in modifying states' laws to implement the new requirements may not meet a cost-benefit analysis. The data presented here are at least partial evidence that the 150-hour requirement may not be accomplishing what was originally intended: improving the entry-level capabilities of college accounting graduates as well as the public image of the accounting profession. Perhaps other initiatives, such as the new computer-based CPA exam, will succeed where the 150-hour requirement has not. Minimally, continued examination of the effectiveness of the requirement in improving the skills and knowledge of new hires is needed, and regulators should continue to monitor the laws to ensure they serve their purpose. □

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### EXHIBIT 2 Human Resources Issues

Issue	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Due to the increased abilities of the 150-hour graduates, your firm has been able to do more work with the same number of employees or hire fewer employees.	24.2%	36.5%	25.3%	11.2%	2.8%
The new requirements have enabled your firm to use its training resources more efficiently.	11.2%	39.3%	31.0%	16.3%	2.2%
The 150-hour requirement has decreased the number of job applicants.	2.2%	5.6%	20.9%	42.1%	29.2%
The 150-hour requirement has decreased the number of minority job applicants.	2.8%	6.7%	48.3%	24.2%	18.0%

### EXHIBIT 3 The Value of the Fifth Year to CPA Firms and Employers in Industry

Question/Issue	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Four years of college education adequately prepares graduates for entry-level accountant assignments.	2.8%	18.0%	11.2%	51.1%	16.9%
The fifth year of college has made graduates more valuable as entry-level accountants.	18.0%	34.8%	19.1%	23.0%	5.1%
The fifth year of college has improved the image of professional accountants in comparison with other professions, such as law or medicine.	15.1%	31.5%	19.7%	26.4%	7.3%

### EXHIBIT 4 Summarized Overall Practitioner Perceptions

Question/Issue	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Overall, the 150-hour requirement has benefited individuals through improved career opportunities.	27.1%	31.1%	24.3%	15.8%	1.7%
Overall, the 150-hour requirement has improved the ability of recent accounting hires to perform their job assignments.	32.8%	29.9%	19.8%	15.2%	2.3%