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The 150-Hour Requirement: How CPA Firms Plan to Adapt

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(While much has been written about the need for and importance of the 150-hour requirement, very little work has been published on the firms' plans in adapting to the new requirements. This excellent article—a slightly edited version of one that appeared in the summer 1989 issue of The Ohio CPA Journal—addresses this issue. Drs. Acton and Davidson are on the faculty of Alfred University in Alfred, New York. The article is reprinted with permission from The Ohio CPA Journal, a publication of the Ohio Society of CPAs.)

For years accounting educators and practitioners have proposed education beyond the traditional four-year accounting degree. The need for additional educational requirements as well as states' legislative experience with a 150-hour requirement have been identified and discussed extensively in the literature.¹ There has been little discussion, though, of how CPA firms will adapt to and how new employees in public accounting will acquire the additional 30 hours of collegiate level education.

In the case of Florida, 150-hour legislation changed recruiting practices during the first five years. Many baccalaureate degree holders were hired by CPA firms due to an inadequate supply of 150-hour accounting graduates. To continue in public accounting, however, these employees were obligated to complete additional formal education, either on a part-time basis while still in the work force or on a full-time basis as permitted by their firms. The alternative courses of action available to these employees were to remain as paraprofessionals or leave public accounting. CPA firms thus had to consider whether to subsidize these employees to obtain the additional education required to attain professional status.

This article examines, by means of responses to a questionnaire, how CPA firms in New York State would expect to cope with a 150-hour requirement to sit for the CPA examination, during and after the transition period. The transition period is the time period from the effective date of such requirement until CPA firms would be able to satisfy their demand for entry-level employees who already meet the 150-hour requirement. Florida's experience indicates that there will not be enough 150-hour accounting

graduates to satisfy the related demand of CPA firms for a period of perhaps one to five years.

Survey

A questionnaire was used to obtain information about how CPA firms will adapt to a 150-hour education requirement. The questionnaire was sent to the personnel director or recruiting partner at each of 164 New York firms, ranging by number of professionals, from sole practitioners to international firms with up to 2,559 professionals. Responses were received from 90 firms, for a 55% response rate. This high response rate, plus conversations with practitioners, indicated that many CPA firms had given serious consideration to the issues addressed in the questionnaire. For the purpose of analysis, the firms were categorized into three groups on the basis of firm size (see Table 1).

Educational Assistance

The surveyed personnel directors and recruiting partners were asked to indicate the level of assistance currently provided by their firms to professional employees who wish to pursue additional education and whether the assistance

was unrestricted (i.e., available to all) or restricted (i.e., limited to some employees). The levels of assistance were 1) tuition assistance for part-time study, 2) release time for part-time study, 3) unpaid leaves for full-time study and 4) paid leaves for full-time study.

Table 2 shows that, in the unrestricted category, not more than 10% of the firms provided tuition assistance and/or release time for part-time study and unpaid leaves of absence for full-time study. No firms provided paid leaves of absence. The small and medium firms provided the greatest level of educational support available to all employees; the large firms provided no unrestricted educational assistance.

Restricted assistance, which was available to some but not all employees, was provided by the firms more frequently than unrestricted assistance.

(continued on page 2)

Three More States Approve 150-Hour Legislation

Three more states have passed legislation to require 150 hours of education for CPA candidates. They are Kansas (effective in 1997), Kentucky (2000), and Mississippi (1995). The governors of all three states have signed the legislation into law. Also, Utah, which has the 150-hour requirement in effect, amended its law to conform the language with that recommended by the AICPA.

This brings to eleven the number of states that have passed the 150-hour requirement. These states comprise nearly 20% of the candidates who take the Uniform CPA Examination.

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Moreover, restricted assistance was offered more frequently as firm size

part-time study and unpaid leaves for full-time study. No firms expect to provide paid leaves of absence for full-time study. More large firms expect to provide tuition assistance and release

study was essentially the same among all firm groups. For the other three levels of assistance, there were significant differences among the groups. The medium firms have the highest percentage for tuition assistance (47%) and unpaid leaves for full-time study (47%), and the large firms have the highest percentage of paid leaves of absence (25%).

A comparison of the percentages shown in Tables 2 and 3 suggests that, relative to their current levels of assistance, the large firms expect to drastically reduce all levels of restricted assistance in the first year of a 150-hour requirement and to increase unrestricted assistance in the form of tuition assistance for part-time study, release time for part-time study and unpaid leaves for part-time study. The medium firms expect to increase

TABLE 1
Personnel Directors and Recruiting Partners Surveyed By Firm Size

Group	Size	Number Surveyed	Percentage of Firms in Directories	Percentage of Professionals in Directories	Response Rate
Small firms	1-40	118	70%	10%	57%
Medium firms	41-510	37	25	25	51
Large firms	511-2559	9	5	65	44
Totals		164	100%	100%	

increased. For example, from 4% to 19% of the small firms provided at least one of the four levels of assistance, whereas 50% to 75% of the large firms provided these same assistance levels. In addition, there was a weak, negative correlation within the firms between a particular level of unrestricted assistance and the same assistance on a restricted basis. Firms that provided tuition assistance for part-time study on an unrestricted basis, for instance, typically did not offer tuition assistance for part-time study on a restrictive basis.

The respondents also were asked to assume that, in the first year of a 150-hour requirement, there would not be enough 150-credit hour accounting graduates to satisfy their entry-level demands. They then were asked, "What assistance do you expect your firm to provide to accounting bachelor degree holders...who wish to reach the 150-credit hour level?"

Table 3 shows that, regarding unrestricted assistance, the assistance most frequently expected to be given by all firm groups was release time for

time for part-time study and unpaid leaves of absence for full-time study than small and medium firms. Also, as firm size increases, so does the percentage of firms expecting to provide the assistance level. The larger firms' percentages are higher than those of

TABLE 2
Percentage of Firms Currently Providing Educational Assistance

Type of Assistance	Firm Group		
	Small	Medium	Large
Unrestricted			
Tuition/Part-Time Study	10%	5%	0%
Release Time/Part-Time Study	9	10	0
Unpaid Leave/Full-Time Study*	10	5	0
Paid Leave/Full-Time Study	0	0	0
Restricted			
Tuition/Part-Time Study*	19	47	75
Release Time/Part-Time Study*	13	26	75
Unpaid Leave/Full-Time Study	16	21	50
Paid Leave/Full-Time Study*	4	11	50

* The percentage differences among the firm groups for this type of educational assistance are statistically significant at the .05 level.

medium firms and medium firms' percentages are higher than those of small firms.

In the area of restricted assistance, the percentage of firms expecting to provide release time for part-time

unrestricted assistance through release time for part-time study and unpaid leaves of absence for full-time study and restricted assistance in the form of unpaid and paid leaves for full-time study. The small firms expect to increase unrestricted release time for part-time study and unpaid leaves of absence for full-time study; in the restricted category, they expect to increase tuition assistance for part-time study and release time for part-time study.

These data also suggest that new employees entering public accounting during the transition period without 150 hours of collegiate education can expect, in general, greater availability of unrestricted assistance with larger firms. The greater the firm size, the

TABLE 3
Percentage of Firms Expecting to Provide Educational Assistance after 150-hour Legislation

Type of Assistance	Firm Group		
	Small	Medium	Large
Unrestricted			
Tuition/Part-Time Study*	10%	5%	50%
Release Time/Part-Time Study	19	26	50
Unpaid Leave/Full-Time Study	13	21	50
Paid Leave/Full-Time Study	0	0	0
Restricted			
Tuition/Part-Time Study*	22	47	0
Release Time/Part-Time Study	28	26	25
Unpaid Leave/Full-Time Study*	16	47	0
Paid Leave/Full-Time Study*	3	21	25

* The percentage differences among the firm groups for this type of educational assistance are statistically significant at the .05 level.

The 1990 Supply and Demand Report

The twentieth edition of *The Supply of Accounting Graduates and the Demand For Public Accounting Recruits* will be published in May, 1990. The survey has been expanded and enhanced, providing more comprehensive information in a more readable format. Additionally, the revised format of the report will include graphics.

For the 1990 edition of the report, the AICPA surveyed over 14,000 public accounting firms and over 770 schools. A different method of estimating for nonrespondents—regression analysis—was employed in this year's survey. The overall response rate for the public accounting firms was 35% and the overall response rate for schools in the survey was 61%. The AICPA is grateful to all of those firms and schools that participated in the survey.

Copies of the report will be available for distribution in late May, 1990. Designated individuals in every accounting department will automatically receive a copy of the survey; additional copies may be requested from Marylou Walsh at (212) 575-6357.

Williams Receives 1990 Outstanding Accounting Educator Award

At the AICPA Council meeting on May 23, the 1990 AICPA Outstanding Accounting Educator Award will be presented to Doyle Z. Williams, KPMG Peat Marwick Professor of Accounting at the University of Southern California. The award is presented annually in recognition of the invaluable contributions of accounting educators to the profession.

Doyle Williams epitomizes the qualities of an outstanding accounting educator, as evidenced by his influence as a teacher, his commitment to quality, and his leadership role in academic and professional accounting organizations.



C.S. Layman

Dr. Williams served as founding dean of USC's School of Accountancy from 1978-87. He currently serves as chairman of the American Accounting Association's Accounting Education Change Commission, as a member of the AICPA Board of Directors and as a member of the advisory boards for three schools of accounting.

Dr. Williams' achievements as a teacher have been widely acknowledged. He has also been an active participant in AICPA activities, serving as Vice President, as a member of Council, and on numerous committees, subcommittees and task forces. He is a former President of the American Accounting Association, the Administrators of Accounting Programs Group, the Federation of Schools of Accountancy, and numerous other organizations.

Nominees for the AICPA Outstanding Accounting Educator are submitted by the State CPA Societies. For 1990, 29 state societies participated in the program.

AACSB Accredits 12 More Programs

At its recent annual meeting, the AACSB Accreditation Council approved the recommendations of the Accounting Accreditation Committee to accredit an additional twelve programs at eight schools, and to reaffirm programs at two schools. Accounting programs are accredited in three types: (A) bachelor's programs, (B) MBA programs with an emphasis in accounting, and (C) Masters of Accounting programs.

The schools approved this year are:

- Ball State University (A)
- Bradley University (reaffirmation of A)
- East Tennessee University (A, C)
- Loyola College in Maryland (A)
- University of Minnesota (A)
- University of New Orleans (C, with reaffirmation of A)
- University of Texas at Austin (A, C)
- University of Wisconsin at Madison (A, B, C)
- Wright State University (A)

This brings to 85 the number of schools, and to 154 the number of programs with accounting accreditation.

AICPA Awards \$90,950 In Doctoral Dissertation Grants

Through its Grants-In-Aid Program for Doctoral Dissertations in Accounting, the AICPA awarded a total of \$90,950 in 1990 to nine Ph.D. candidates.

The 1990 recipients are:

Cindy A. Copp, CPA, University of Florida, \$10,200, "The Differential Effects of the Timing of the Tax Payments and Expectations on the Framing of Income and Expense Tax Reporting Decisions."

David M. Cottrell, CPA, Ohio State University, \$10,200, "Financial Statement Precision and Audit Materiality: An Experimental Markets Investigation."

Andrew D. Cuccia, CPA, University of Florida, \$10,200, "An Examination of the Effort and Aggressiveness of Professional Tax Preparers: The Effects of Economic Sanctions and Role Perceptions."

Charles Elliot Davis, CPA, University of North Carolina at Chapel Hill, \$10,200, "The Effects of Auditor Expertise and Memory Organization on Problem Identification and Hypothesis Generation."

Leslie G. Eldenburg, CPA, University of Washington, \$10,200, "The Value of Information in a Cost Containment Environment: An Analysis of the Indirect Agency Relationship Between Hospitals and Physicians."

Edwin R. Etter, CPA, Ohio State University, \$10,200, "Accounting Diversity as a Barrier to International Investment."

David P. Mest, CPA, University of Texas at Austin, \$9,350, "An Empirical Examination of the Relationship Between Capital Expenditures and Changes in Sales and Profitability."

Cynthia C. Vines, CPA, University of Southern California, \$10,200, "An Empirical Investigation of Corporate Tax Shifting Under Varying Regulatory Regimes."

William F. Yancey, CPA, University of Texas at Austin, \$10,200, "Capital Gains Tax Reform and the Demand for Risky Investments."

All the recipients are CPAs and all had worked in public accounting and/or industry prior to returning to school to earn their Ph.D.'s. All intend to teach accounting at the university level upon completing their degrees.

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greater the likelihood they will receive unrestricted educational assistance. Moreover, the most likely forms of unrestricted assistance available to them will be release time for part-time study and unpaid leaves for full-time study. New employees entering public accounting with small and medium size firms can expect more restricted educational assistance, at all four levels of assistance.

Other Issues

Retention. Three-fourths (75%) of the large firms said they would require new employees to meet the 150-hour requirement to remain with their

TABLE 4
Ranking of Post-Baccalaureate Subjects

Subject	Overall Mean	Firm Group		
		Small	Med.	Large
Communication Skills	1.773	1.80	1.81 [†]	1.25
Technical Skills*	1.822	1.69	2.13	2.50
General Business	2.072	2.13	1.88	2.25

*The mean value differences among the firm groups for this subject area are statistically significant at the .05 level.

firms. Only 15% and 11% of the small firms and medium firms, respectively, indicated that 150 hours would be necessary to remain with their firms.

Recruiting. Currently among all firms, regardless of size, on average about 96% of their new hires have only a bachelor's degree. After the transition period all size firms expect to fill about one-third of their entry-level positions with bachelor's degree holders and to provide these new hires with educational assistance to attain the 150-hour level. Further, most of the large firms would require 150 hours in order to remain with the firms, whereas, in most cases, the small and medium firms would not require 150 hours to remain with the firm. This supports the conjecture that a paraprofessional class is more likely to

develop in small and medium sized firms.

In-House Education. Seventy-five percent of the large firms indicated they have considered in-house education taught by their own professionals to assist new recruits to attain the 150 hours. By comparison, this option has been considered by only 36% of the medium firms and 18% of the small firms. Although this would require approval of a state board of accountancy, it is conceivable that such approval would be granted, at least during the transition period.

Composition of Additional Education. The respondents were asked to indicate, on a three-point scale with one being the highest, the importance of the following areas as a part of the additional credit hours necessary to achieve the 150-hour level: technical skills, communication skills, general business and other. As shown in Table 4, communications skills received the highest ranking, followed by technical skills and general business. The small firms, however, gave technical skills the highest ranking, whereas the medium and large firms gave communications skills the highest ranking. There was no item in the other category that was mentioned frequently by the respondents.

Expected Benefits. When asked to identify potential expected benefits and costs of a 150-hour requirement, the firms uniformly stated that the greatest expected benefit was improved overall quality of those entering the public accounting profession, followed by improved performance on the CPA exam and improved retention in public accounting.

Support for 150 Hours. The 150-credit hour requirement was supported by 78% of the recruiting partners and personnel directors. This support, however, varied among the firm groups. The requirement was supported by all of the large firms, 88% of the medium firms and 74% of the small firms.

Conclusions

This study examined how New York State CPA firms expect to adapt, during and after the transition period, to a requirement that would require 150 hours to sit for the CPA examination. The results indicate that the surveyed firms expect to provide unrestricted assistance to help their entry-level employees meet the 150-hour requirement, mostly in the form of release time for part-time study and unpaid leaves for full-time study. Paid leaves of absence for full-time study, however, will not be available on an unrestricted basis. Further, the likelihood of receiving assistance will increase as firm size increases. In addition, unrestricted assistance will be provided by larger firms more frequently than restricted assistance, whereas restricted assistance will be offered by small and medium sized firms more frequently than unrestricted assistance. Finally, a class of paraprofessionals consisting of those who do not attain the 150-hour level is more likely to develop in small and medium sized firms than in larger firms, which would require 150 hours in order to remain with the firm. These are among the more significant results of this study. Hopefully, they will be useful to CPA firms in planning their responses to a 150-hour requirement to sit for the CPA examination.

FOOTNOTE

¹ See, for example, American Institute of CPAs Commission on Professional Accounting Education, *A Postbaccalaureate Education Requirement for the CPA Profession* (New York: AICPA, 1983); Henry R. Anderson, "The 150-Hour Requirement: Florida's Experience," *The CPA Journal*, July 1988, pp. 56-62; Larry Deppe, Don R. Hansen and Stan Jenne, "The 150-Hour Educational Requirement: The History and Message of the Utah Experience," *Accounting Horizons*, June 1988, pp. 53-57; Robert H. Mills, "Views on Educational and Experience Requirements," *Journal of Accountancy*, October 1985, pp. 106-114; and Robert H. Mills, "Post-Baccalaureate Education of CPAs: Educational Capacity and Perceived Academic Quality of Accounting Students," *Accounting Horizons*, June 1987, pp. 49-58.