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Continuing Professional Education for CPAs Not in Public Practice

Effect on the Profession

Kathleen E. Sinning and Hans J. Dykxhoorn

Introduction

In response to continued criticism of the public accounting profession, the AICPA has made a renewed effort to improve the image and quality of services provided by its members. On January 12, 1988, the AICPA adopted a new *Code of Professional Conduct and Bylaws*. Included in the bylaws was a continuing professional education requirement for AICPA members not in public practice. This provision, effective in the 1990 calendar year, requires AICPA members not in public practice and not retired to complete 60 hours of CPE over a three-year period with a minimum of ten hours in any given year. In 1993, the CPE requirement will increase to 90 hours over three years with a minimum of 15 hours in each year. This requirement will be deemed fulfilled if a member complies with a state licensing or state society membership CPE requirement "provided such a requirement is for an average of thirty hours per year, at a minimum, and provided the member submits a statement of compliance with such a requirement showing completion of at least ten hours each year." [AICPA, 1988]

The purpose of this paper is to report the results of a study designed to determine (1) how this recently enacted continuing professional education (CPE) requirement for CPAs not in public practice might affect future membership in the American Institute of Certified Public Accountants (AICPA) and (2) if practicing and non-practicing members of the AICPA view CPE for non-practicing members differently.

The new CPE provision is the result of a referendum which included proposals to adopt a membership requirement of continuing professional education for members in public practice and a requirement of CPE for members not in public practice. Seventy percent of all AICPA members voted on the proposals in late 1987. Of those members who cast their ballots, 90% voted in favor of adopting the CPE requirement for members in practice and 74% voted in favor of adopting the CPE requirement for members not in practice [CPA Letter, 1988].

The AICPA's new CPE requirement will not result in a

A significant loss in membership of the AICPA could reduce the Institute's influence and the profession's lobbying power in the fight to maintain self-regulation.

major new commitment of time or effort for most members in public practice since 48 states have already instituted a CPE requirement for practicing CPAs. Only a few states, however, require continuing professional education for non-practicing members. Therefore, members not in practice may be facing a considerable new investment of time and funds in CPE. Since 48.5% of all AICPA members are not in public practice [AICPA, 1984], a question arises about whether this new rule will have an adverse effect on the size and growth of the AICPA membership.

The public accounting profession is under mounting threat of government regulation. A significant loss in membership of the AICPA could reduce the Institute's influence and the profession's lobbying power in the fight to maintain self-regulation. A loss of membership could also put a financial burden on the AICPA if the current level of services is to be maintained. Therefore, one of the objectives of this study was to determine how the new CPE requirement might affect future membership in the Institute.

The questionnaire solicited background information from the respondents and included questions concerning whether they were in public practice, the extent of continuing professional education courses taken in the past, and reimbursement of CPE course fees. Respondents who indicated they were not in public practice were asked the likelihood of dropping their AICPA membership as the result of the adoption of the CPE requirement.

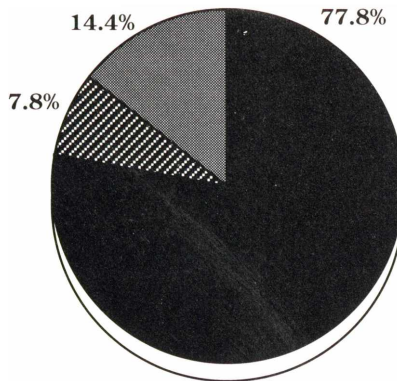
Table 1

Differences in Perceptions of CPAs in Public Practice and CPAs Not in Public Practice About the Adoption of a CPE Requirement for Non-Practicing CPAs

Non-practicing CPAs should be required to take CPE to be members of the AICPA

CPAs in Public Practice

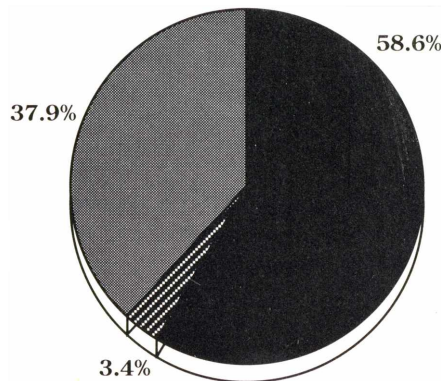
1. Strongly agree, agree, mildly agree.	77.8%
2. Not sure.	7.8%
3. Mildly disagree, disagree, strongly disagree.	14.4%
	100.0%



**Differences in responses were significant at the 0.05 level using the Chi square test.

CPAs not in Public Practice

1. Strongly agree, agree, mildly agree.	58.6%
2. Not sure.	3.4%
3. Mildly disagree, disagree, strongly disagree.	37.9%
	100.0%



Respondents who indicated they were not in public practice were asked the likelihood of dropping their AICPA membership as the result of the adoption of the CPE requirement.

The questionnaire also included a number of statements relating to the CPE requirement for members not in public practice. The respondents were asked to indicate to what extent they agreed or disagreed with each of the statements using a scale of "1" (strongly agree) to "7" (strongly disagree). When the results were compiled, a Chi Square test was used to determine if differences in the responses of members in public practice and members not in public practice were so great that the hypothesis of no differences between the two groups should be rejected.

Survey Results

As shown in Table 1, 77.8% of members in public practice and 58.6% of members not in public practice favored requiring CPE for non-practicing members. Overall, 68.4% of the respondents (121) were in favor of the CPE requirement for CPAs not in public practice. This was less than the 74% of voting AICPA members who favored the proposal.

As indicated in Table 2, when non-practicing CPAs were asked the likelihood of their dropping their AICPA membership if the proposal were adopted, only 48.8% indicated it would not be at all probable for them to drop AICPA membership because of the CPE requirement. Over 27% of the respondents indicated it was probable, very probable, or definite that they would drop membership due to the CPE requirement, and 23.3% thought it was somewhat probable they would drop AICPA membership. Thus, it seems that the AICPA could face a significant loss in membership of non-practicing CPAs once the CPE requirement takes effect.

Although it is impossible to predict how many members will actually

Table 2

Probability of CPAs Not in Public Practice Dropping AICPA Membership Because of the CPE Requirement

	<u>%</u>
Not at all probable	48.8%
Somewhat probable	23.3%
Probable	8.1%
Very probable	16.3%
Definitely would drop membership	3.5%
TOTAL	100.0%

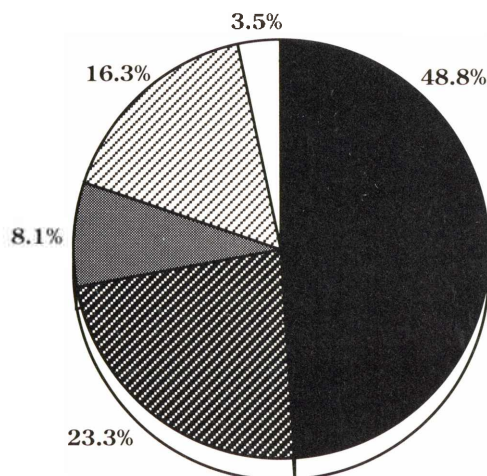


Table 3**Effect of Potential Membership Loss on Perceptions of a CPE Requirement for Non-Practicing CPAs**

The proposed 30 hours per year of CPE for non-practicing CPAs should be adopted even if it results in an AICPA membership drop of:

Membership Drop	CPAs in Public Practice			CPAs not in Public Practice			Significant Differences
	1* %	2* %	3* %	1* %	2* %	3* %	
10% drop	74.0	7.8	18.2	56.8	9.5	33.8	
20% drop	73.8	8.8	17.5	47.4	11.8	40.8	**
30% drop	63.2	17.1	19.7	29.3	16.0	54.7	**
40% drop	44.0	28.0	28.0	21.6	13.5	64.9	**
50% drop	42.7	26.8	30.5	23.4	7.8	68.8	**

*Actual responses fell into several categories and are collapsed into three categories in this table as follows:

1. Strongly agree, agree, mildly agree.
2. Not sure.
3. Mildly disagree, disagree, strongly disagree.

**Differences in responses were significant at the 0.05 level using the Chi square test.

drop their membership as a result of the new provision, an estimate can be made using the following assumptions:

- 20% will drop who indicated "somewhat probable"
- 50% will drop who indicated "probable"
- 75% will drop who indicated "very probable"
- 100% will drop who indicated "definitely drop."

Using these assumptions, it is

estimated that approximately 25% of the members not in public practice may drop their AICPA membership. Considering that 48.5% of all AICPA members are non-practicing CPAs, there could be a drop in total membership of 11.9% or approximately 31,000 members.

Over 60% of the NPPM indicated that they were fully reimbursed for CPE courses while 5.8% received partial reimbursement and 33.7% were not reimbursed at all. To test

whether or not reimbursement for CPE courses affected the non-practicing members' assessment of their probability of dropping AICPA membership, the responses of those who were 100% reimbursed and those who were not reimbursed were compared. No statistically significant differences were found in the responses. Therefore, it appears that the cost of continuing professional education did not affect the respondents' perceptions of whether or not they would drop their AICPA membership.

To determine whether a potential drop in AICPA membership would affect views of the CPE requirement, respondents were asked to consider various reductions in the Institute's total membership. As shown in Table 3, a hypothetical 10% reduction in membership did not significantly change the respondents' views about whether the CPE requirement should be adopted. Seventy-four percent of PPM and 56.8% of NPPM still agreed that there should be a CPE requirement even if it resulted in a 10% drop in AICPA membership. Therefore, it appears that both members in and out of public practice are willing to accept a 10% drop in membership as a result of the new requirement.

A much higher percentage of PPM

Table 4**Comparison of Responses of CPAs in Public Practice with Responses of CPAs not in Public Practice Concerning the Extent of CPE for AICPA Members not in Public Practice**

	CPAs in Public Practice			CPAs not in Public Practice			Significant Differences
	1* %	2* %	3* %	1* %	2* %	3* %	
1. The non-practicing CPA's CPE requirements should be the same as for practicing CPAs	52.3	8.9	38.9	28.7	3.4	67.8	**
2. The proposed 30 hours of CPA for non-practicing CPAs per year is the right amount	44.4	21.1	34.4	39.1	17.2	43.7	
3. The CPE requirements for non-practicing CPAs should cover only accounting related studies	27.8	16.7	55.6	16.3	11.6	72.1	
4. The CPE requirements for non-practicing CPAs should allow for studies in the field in which the non-practicing CPA is now working	77.8	8.9	13.3	90.7	1.2	8.1	**

*Actual responses fell into several categories and are collapsed into three categories in this table as follows:

1. Strongly agree, agree, mildly agree.
2. Not sure.
3. Mildly disagree, disagree, strongly disagree.

**Differences in responses were significant at the 0.05 level using the Chi square test.

than NPPM agreed with requiring CPE regardless of the effect that it might have on AICPA membership. A majority of members in public practice disagreed with the requirement only when it would reduce membership by 40% or more. Members not in public practice disagreed with requiring CPE if it resulted in a drop of membership of 20% or more.

When the respondents were asked if the CPE requirements should be the same for NPPM and PPM, 52.3% of the members in public practice indicated that the requirements should be the same while only 28.7% of the members not in public practice believed that they should be the same.

As shown in Table 4, only 44.4% of PPM and 39.1% of NPPM agreed that 30 hours of CPE was the right amount for members not in public practice. When respondents were asked to indicate whether the CPE requirement should permit only accounting-related studies, a majority of both PPM (55.6%) and NPPM (72.1%) indicated that it should not require only accounting-related courses.

A majority of both groups favored permitting non-practicing members to complete CPE in their current field of employment. Over 77% of the PPM and 90.7% of the NPPM were in favor of CPE in the member's field of employment.

Conclusions

The results of this survey indicate that the establishment of a CPE requirement will cause non-practicing members to reexamine the value of their membership. The new continuing professional education requirement for non-practicing CPAs could result in a significant loss of members who are not in public practice, perhaps as many as 31,000 of them.

Time may be a factor in the decision to drop AICPA membership. Nearly 59% of the respondents will have to either begin taking CPE or increase the number of hours of CPE that they currently complete. The results suggest, however, that reimbursement of CPE course fees is not a statistically significant factor concerning the likelihood of dropping AICPA membership. The

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results also show that 90.7% of the non-practicing members favor permitting members to complete CPE in their current field of employment.

The AICPA should be aware when planning the future direction of the continuing education program that it has two separate constituencies to consider. The results of the study indicate that the views of the PPM and NPPM concerning CPE for non-practicing members are significantly different. Members in public practice believe that the CPE requirements should be the same for them and members not in public practice. Members not in public practice disagree.

Most practicing members are apparently not concerned that the CPE requirement could result in a significant reduction in membership, a reduction that would come exclusively from CPAs not in public practice. Over 63% of the members in practice would still favor CPE for non-practicing members even if it resulted in a 30% drop in AICPA membership. A majority of members not in public practice disagreed with the requirement if it resulted in a drop in membership of 20% or more.

Those who seek strength in numbers and want to retain non-practicing CPAs as members of the Institute may suggest that the AICPA take steps to lessen the expected drop in membership by providing more services designed specifically for members not in public practice. Many members not in public practice believe that AICPA activities are geared toward members in public practice. In a recent AICPA survey, industry members suggested a number of services that the AICPA could provide for them including "more industry-related articles in the

Journal of Accountancy, a national job exchange, more technical education courses for industry members, and publications that would enhance their management skills." [Journal of Accountancy, 1988]

The AICPA's Industry Committee, a group which represents the views of industry members, has been involved in the Institute's efforts to restructure professional standards since 1986. If this committee is successful in advocating other types of services attractive to members not in public practice, it may tend to reduce the expected drop in membership.

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