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### Getting Them There: Removing Barriers to the CPA License

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## Getting Them There: Removing Barriers to the CPA License

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# Getting Them There: Removing Barriers to the CPA License

Michelle Freeman, Ed.D., CPA and Mark Steadman, Ph.D., CPA

An intelligent student chooses to major in accounting. She persists through graduation with a double major in accounting and math and meets the 150-hour minimum education requirement. She takes her first job with a local CPA firm, yet she NEVER SITS FOR THE CPA EXAM. This is a growing trend in the accounting field, and it leaves those of us already in the profession to ask the question, "WHY?"

According to TSCPA and based on the 2015 Trends in the Supply of Accounting Graduates and Demand for Public Accounting Recruits report, enrollments in undergraduate and graduate accounting programs are both increasing, and at record numbers (Accounting Enrollments 2015). However, there is a "slight widening of the gap between the number of students who are graduating with accounting degrees and the number of candidates sitting for the CPA Exam" (Accounting Enrollments 2015). This statistic is concerning. According to NASBA CEO and President Ken Bishop, "The U.S. CPA credential, both for individuals and firms, is the highest bar for quality, credibility and ethics" (2015). He further states that the profession needs a "wake up call to those who are either unaware of or apathetic to changes on the horizon" (2015).

The gap is certainly not due to the lack of job opportunities for CPAs. TSCPA reports that according to the Bureau of Labor Statistics 2014-2015 Occupational Outlook Handbook, "Employment of accountants and auditors is expected to grow 13 percent from 2012 to 2022, representing an additional 166,700 jobs [nationally]" (Accounting Enrollments, 2015). Furthermore, in Tennessee alone, the "Tennessee Department of Labor and Workforce Development anticipates 840 job openings in accounting and auditing on average per year for the next five years, and growth rather than replacement is the cause of more than 55 percent of these openings" (Bundy, 2015). However, since 2010, "fewer than 500 candidates each year have passed the CPA exam in Tennessee," causing a shortfall of about 350 new Tennessee CPAs per year (Bundy, 2015).

The AICPA suggests that the two most obvious blockades to the CPA license are the time and money it takes to sit for the exam (Pitter, 2015). Other deterrents include when students are recruited directly out of college by companies instead of public accounting firms, and also when international students graduate and return to their country of origin (Accounting Enrollments, 2015). Our research shows there are other contributing factors as well. Although this is a national trend, our study focuses specifically on students in Tennessee who either have never taken the

exam or have yet to complete the exam. We further propose some suggestions as to how Tennessee educators and employers might help change this trend.

## Research

The authors distributed a survey to the CPA partners of 15 CPA firms in Tennessee. These partners further distributed the survey to their employees who had not yet passed all parts of the CPA exam. These employees completed the survey via SurveyMonkey. The data was divided into results from students who had NEVER TAKEN the exam (32 respondents) and those who HAD TAKEN parts of the exam without finishing or passing the exam yet (68 respondents). The results of the survey offered some insight about the factors affecting these non-licensed employees regarding the CPA exam.

- Educational Requirement: Of the employees who had NEVER TAKEN the CPA exam, only about 34 percent had met the 150-hour education requirement. In addition (and more alarming) was the fact that only 48 percent of respondents planned to obtain the hours to meet that requirement. This data would seem to indicate that the additional hours required to sit for the exam play a major factor for some graduates who do not take the exam.

Most of us have witnessed this scenario, where students are awarded their undergraduate degree and go to work in public accounting. Their intention is to go to school at night to obtain the additional hours required to sit for the exam. However, this becomes harder to accomplish as family issues and long work hours increase. Also, after the years it takes to complete the 150 hours going to school part-time, their knowledge of undergraduate accounting material has faded, and they fail at their first attempt on the exam. Discouraged, they do not attempt the exam again.

- Length of employment: 80 percent of those who HAD TAKEN the exam did so for the first time after working for less than a year. Of the employees who had NEVER TAKEN the exam, half of them had worked at their current firm for more than two years. This data indicates that the longer an individual works for a company before taking the exam, the less likely they are to take it.

- Area of practice: Almost half of the respondents who had NEVER TAKEN the exam indicated that they work in areas such as bookkeeping, IT risk management and assurance, or small business services, while the other half work in audit and tax. Several of the respondents who had NEVER TAKEN the exam also stated that there is no need to do so based on their area of work. Logically, 84 percent of the respondents who HAD TAKEN the CPA exam work in audit or tax. This fact would further indicate that those who work in audit or tax find it more beneficial to pursue their license than those who work outside the audit and tax fields.

- Cost: Over half of the respondents stated that they had NEVER TAKEN the exam due to the cost of the review materials or the cost of the exam.
- Time: About 45 percent of respondents who had NEVER TAKEN the exam stated that they did not have time to study due to family issues or workloads. Of those respondents who HAD TAKEN parts of the exam, 43 percent were not aware of the 200-day grace period that would have allowed them to take the exam before the education requirement was fully met. Only 23 percent had taken advantage of the grace period, while 34 percent knew about it yet chose not to take advantage of it.
- Career plan: Surprisingly, 72 percent of the respondents who had NEVER TAKEN the exam stated that public accounting was indeed their career plan. Approximately the same number of respondents who HAD TAKEN the exam, 74 percent, also planned to make public accounting their career plan.
- Employer incentives: All of the employers offer incentives such as a bonus for passing the exam, paying for the cost of the exam and providing review materials. Approximately 20 percent of the respondents said their employer encouraged them to take the exam, while only 8 percent stated that they got time off to study for the exam.
- First job: This variable seemed to play less of a role whether an individual took the exam; however, a difference between the respondents did occur. Of those who had NEVER TAKEN the exam, 25 percent stated that this was not their first job, while 36 percent of those who HAD TAKEN the exam stated that this was not their first job. One observation is that those who had worked in a previous job were more likely to sit for the exam than those who had not.
- Size of the firm: This variable did not seem to play a large role in the decision to sit for the exam or not. Approximately 88 percent of those who had NEVER TAKEN the exam and 88 percent of those who HAD TAKEN the exam worked for larger firms with 50 or more people. Accordingly, 12 percent of both data sets worked for small firms of 50 people or less.

As a result, our research on these Tennessee non-CPAs seems to indicate that the education requirement, length of employment, area of practice, cost, time and job opportunities prior to first full-time job placement seem to be the biggest drivers of the decreasing trend in graduates who sit for the CPA exam.

#### Accounting Educator Response

So how can Tennessee educators address these impediments to the CPA license without lowering the standard? Of the drivers identified above, educators can have the biggest impact on four of those factors: the 150-hour requirement, cost, time and preliminary job opportunities like

internships. Accounting educators can do a better job of educating students on the importance of following through with the education requirement prior to beginning employment. They can address the time impediment by better informing students of the 200-day grace period so that students sit for the exam before they are so pushed for time after graduation when working and juggling family issues. Educators can also address the cost issue by including a CPA review course within their education requirements for the degree. Also, encouraging students to do an internship prior to beginning work fulltime can further expose students to the opportunities that the certification can do for their career mobility.

AICPA research supports the idea that college academic programs which "stress the importance of the CPA and on-campus employer recruiting both increase students' interest in becoming a CPA" (Accounting Enrollments, 2015). The authors believe that first identifying the best and the brightest is very heavily laid on accounting professors, who have the best opportunity to evaluate student ability in their very first accounting principles courses. These professors witness some students' natural talent for the skills involved in the profession, as well as the persistence it takes. However, this work does not stop with identifying potential CPA candidates. Professors should work harder to educate individuals on the almost limitless opportunities within the field that occur with the CPA certification. Class activities and assignments on the distinct career fields available might increase the motivation to pursue the CPA license.

Educators can also promote the career and certification at a much younger student age. According to Amy Pitter, increasing interest in the CPA field begins with early exposure (2015). Her article indicated that students who had family members or close friends in the field were more likely to consider the major (2015). She suggests that volunteering with programs such as the Boys and Girls Club to present financial literacy information and education could help to expose students at younger ages to the field as a possibility for them (2015). As a volunteer for Junior Achievement, one of the authors has found it interesting to assist young students to distinguish between wants and needs, and then to help them understand how they will fund those needs through their chosen occupations and budgets.

Also, TSCPA has introduced programs where educators go to area high schools and discuss the field. TSCPA has also introduced the Discover Accounting Program, where high school students go to college campuses and hear accounting professors and CPA professionals discuss the advantages of the field. Although data does not indicate that recruiting accounting majors is a problem, perhaps there should be a greater emphasis during recruiting on the importance of the additional education required and the benefits of the certification after the degree. If they enter college with the CPA certification as the end goal, it might make a difference in their approach to course work and goals. Perhaps college educators do not do enough to teach students that the license can be their ticket to success in many more fields than accounting.

Our study also suggested that time and cost are impediments to the CPA exam and subsequent licensure. How can educators address this? According to our data, 43 percent of employees who HAD TAKEN the exam were not aware of the ability to take the exam prior to completing the 150-hour requirement. Students would obviously have more time to study for and take the exam

than individuals who are already in the workplace. Educators need to do a much better job of advising their students of this option, and perhaps even consider introducing a course in their accounting program where students take practice exams and study for the exam for a grade. Several colleges and universities in Tennessee currently have courses of this nature in place in their masters of accountancy programs. Students who take these courses can often use passed CPA sections as a part of their grade for the course. This motivates them to take the exam earlier and provides them college credit toward their degree, so their money does double time for them in studying for the exam and obtaining their degree. Study courses after college can get expensive.

On a further note, as the CPA exam changes in 2017, academic programs need to be on the cutting edge of preparing the next generation for these changes in order to ensure their success.

### Workplace/Employer Response

Of the factors identified from our research above, employers can directly impact the length of employment before taking the exam, as well as the factors of cost and time to study. AI CPA research states that after graduation, the "single greatest influence on sitting for the CPA exam is support from their employer to pursue their license, including time off to study and financial compensation" (Accounting Enrollments, 2015). According to Michael Cohn in Accounting Today, the AICPA has noted that "the communication from managing partners and the senior partners in the firm is directly connected to the number of candidates who have the ability to sit for the exam and have the motivation to do so" (2015 October). Since time and money are impediments to taking and passing the exam, employers need to consider how they can ease both. They might find it beneficial to consider providing them time off to study and/ or scholarships to pay for the exam and study material costs.

We would suggest that study time off should be paid because it is an investment in not only the future of the employee, but also the firm. This should build loyalty from employees toward their employer for their investment in them. Coincidentally, this approach fits perfectly with data on the Millennial generation now entering and currently filling the job market. According to the website Techtarget, Millennials are very loyal to employers who are loyal to them, and they crave the availability of training and development opportunities (Millennial Generation 2015). While Baby Boomers were more focused on "competitive wages and benefits, and opportunities for advancement and compensation," Millennials state that flexibility, balance, and consistent learning and training opportunities are their motivators (Cohn, 2015 August). Time off to study and/or in-house study opportunities would fulfill this need of many Millennials.

The CPA profession is an ideal profession for millennials. The research has shown that they are less about their paycheck and more about their environment, and they "crave new experiences in the workplace" (Blanchette, 2015). They want to be challenged because they tend to get bored quickly (Blanchette, 2015). This characteristic makes constant investment in training and learning necessary for this generation. Blanchette captures them with the following description, "I will

give you my intelligence, my time, my commitment, my capacity, but you have to be committed to my development and to my learning" (2015). CPA firms who implement clear goals and career paths - including explaining the importance of the certification - help the individual's value as well as the firm's. This change of approach could help with turnover in public accounting firms, which is a major concern and a major cost.

Firm leaders must realize that the new generation of employees entering the profession are dramatically different than they are. The philosophies of "that's how we did it," "nobody handed me anything" and "that's how it's always been done" will not work moving forward. This generation is more likely to leave the firm (and the profession) if they are not satisfied with their work environment.

According to AICPA President and CEO Barry Melancon, CPA, CGMA, "It is critical that we're producing enough CPAs to replace the retiring Baby Boomers and that the profession is continuing to meet the everchanging needs of the U.S. capital markets" (2015). The CPA license is better for the individual as far as mobility and advancement. The CPA license of a firm's employees is also valuable to the firm. Melancon says, "For 128 years, our profession has staked its reputation on quality services delivered by competent and knowledgeable professionals (2015)." We would contend that this quality is enhanced and stamped with the CPA designation of a firm's employees. Both educators and employers need to help individuals understand the benefits of the certification and help them be persistent through the barriers to it.

In his September 2015 President's Memo "I Am Concerned," NASBA President and CEO Ken L. Bishop noted the number of new CPAs "neither fills the void created by the retiring CPAs nor the increased need for new talent in the robust accounting profession." We all have the responsibility to act in order to continue the long tradition of the CPA profession. Our reputation and legacy depend on it.

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