

The 150-hour Requirement For CPA Licensure: One Institution's Response

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ABSTRACT

Virtually all states now require candidates for the Certified Public Accountant (CPA) examination and subsequent licensure to have completed 150 semester hours of college education. The rationale behind this requirement is to improve the preparation of students entering the profession and to increase their chances of successful completion of the exam as well as ensuring a well-rounded entrant into the profession. This paper presents the findings of one institution's reaction to this challenge. Sixty-nine junior and senior accounting majors at an AACB-accredited institution were surveyed regarding how they would satisfy the requirement. The vast majority of respondents intending to become 150-hour compliant, indicated their intent to fulfill the requirement through the completion of additional coursework, primarily in the summer semesters before commencing full-time employment and to do so within four years. On-line courses were reported to be the primary means of fulfilling the requirement. Cost and convenience of acquiring the credits were the most significant determinants in completing the credit hours. The intended coursework and subject matter was primarily non-business related. The implications of the findings should be of interest to current and future students, academicians and the employing firms.

Keywords: Certified Public Accountant; Certified Public Accountant Examination; 150-Hour

INTRODUCTION

As the world has changed, so too, has the accounting profession. The requirements for obtaining the Certified Public Accountant (CPA) licensure have become more stringent. In years past, a bachelor's degree was the norm. Gradually, that has been replaced as virtually every state now requires 150 credit-hours of college study. Most states have not specified the details of curriculum structure for the 150-hour requirement (Nelson 1991; Gray & Metinko, 2010). Legislators have allowed a great deal of flexibility for academicians in structuring the 150-hour requirement. There are considerable differences regarding the subjects and courses allowable to fulfill this requirement.

The American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accounting endorsed the 150-hour provision with the intent to broaden the base of accounting education by developing both oral and written communication skills, as well as providing a better understanding of general business practices. The AICPA website, as of February of 2014, notes that over 40 states and jurisdictions require 150 credit-hours for licensure.

The needs of accounting firms and other employers of CPAs have changed over time. Businesses demand a variety of highly technical accounting services. Business methods and processes have become more complex over the years. Well educated individuals are necessary to deal with the increased regulations from federal state and local governments. Further, there has been a proliferation of new tax regulations as well as financial accounting and reporting and auditing pronouncements. Some envision that post-baccalaureate programs or additional coursework should provide a more detailed understanding and mastery of a specific area of study within the discipline. Here lies the challenge. Should the goal be to educate a better-rounded CPA or a more technically educated student?

Kranacher (2008) recommends better communication between regulators, educators and the AICPA's Board of Examiners. If practitioners want entry-level CPAs to master "soft skills" such as public speaking and writing, shouldn't those skills be tested on the exam?

Allen & Woodland (2006) and Rebele (2002) questioned the academic content for inclusion in the 150-hour requirement. Novin, Fetyko and Tucker (1997) recommend the need for more effective communication and interaction between educators and the practitioners served by accounting programs in the implementation of the 150-hour requirement.

The decline in the number of accounting baccalaureate degrees since 1990 can be explained by factors such as the decline in the relative salaries of entry-level accountants, the decline in academic preparedness of incoming freshmen and the implementation of the 150-hour requirement (Billiot et al. 2004). Similarly, Gray and Metinko (2010) conclude that the 150-hour requirement is not the only cause for the decrease in the number of people taking the CPA exam. Analyzing data from 1998 versus 2008, the researchers attributed approximately 32% of the decrease can be attributed to the jurisdictions that required only 120 hours of education in 1998, then enacted the 150-hour requirement, and finally changed to the 120/150 education model before 2008. Their findings suggest that the requirement of 150-hours does not impact the number of candidates sitting for the CPA exam. Schroeder and Franz (2004) report that the number of first-time CPA candidates increased in the year before the 150-hour requirement was implemented in a jurisdiction and then declined dramatically in the year the 150-hour was actually enacted. Jackson (2006) concluded that the 150-hour requirement resulted in increased success rates and a decline in the number of first-time takers of the exam. The increased success rate suggests improved quality of those sitting for the exam for the first time, while the decreased number of candidates results in fewer CPAs entering the profession.

Although many extant studies have investigated the preferences of regulators, legislators, academicians and practitioners, no study has specifically addressed the intents of students. The current study fills that void by examining accounting majors' intended reactions regarding the 150-hour rule.

LITERATURE REVIEW AND DEVELOPMENT OF RESEARCH QUESTIONS

Gramling & Rosman (2008) found an overall decline in CPA exam candidacy and suggest this may be associated with the additional education requirement. This decline was seen in both states that had, at the time a 150-hour rule to sit for the exam and for those that did not. However, the pass rates for those with the additional education were higher. In their study investigating the decline in the number of accounting graduates pursuing the CPA designation, Boone & Coe (2002) found that 38% of the decline is attributed to the 150-hour requirement. The other 62% remains unexplained. Their study underscores the importance of considering other factors such as "intrinsic compensation," or the lack thereof, unfavorable working conditions, to mention just a few which may account for this decline. Dresnack & Strieter (2005) studied the effectiveness of the 150-hour requirement as perceived by public practitioners, industry professionals and not-for-profit accountants as well as accountants involved in education and government and found little or no benefit from the 150-hour requirement.

Booker et al. (2010) surveyed 152 African American accounting students. They report that many students were concerned with both the opportunity and out-of-pocket costs associated with an additional year of study. The majority of respondents were of the opinion that the additional schooling would enhance the quality of CPAs and would result in better prepared CPA exam candidates. Most favored pursuing a master's degree (either MBA or MS). Those who intended to meet the 150-hour requirement with additional undergraduate education, expressed a clear interest in additional accounting and business courses. These students indicated a strong interest in earning a double-major undergraduate degree. These intentions are similar to the suggestion of Albrecht & Sack (2000) that combining accounting with another business discipline would be a popular option to meet the 150-hour requirement. Grumet (2009) suggests an even more rigid path; to require a master's degree for all future CPA candidates. In a similar study, Renner & Tanner (2001) found that an undergraduate degree with a double major in accounting and management information systems was a popular 150-hour option among accounting students. Some stakeholders prefer specifying certain required courses. For example, academics were reported to favor an inclusion of forensic and fraud auditing as vital topics for the additional coursework (Bukics, 2010).

Bernard (1996) suggests that the 150-hour requirement imposes a large opportunity cost on students and will reduce the number of accounting graduates aspiring to earn the CPA designation. Elfrink & Wodruff (2008) reported a significant decline in the number of accounting graduates intending to sit for the CPA exam despite the fact that the number of accounting graduates had not declined.

Further, previous research suggests students believe that they should receive a higher salary for the additional education required (Bierstaker et al. 2004). A number of other studies have reported on this opinion, as well (Albrecht & Sack, 2000; Donelan & Philipich, 2001; Renner & Tanner, 2001).

Job availability was reported to be the most influential factor in students' decisions to major in accounting (Nelson, I. T. et al. 2008). Their findings supported a shift from other determining factors such as monetary rewards and the opportunity for an interesting and exciting career to job availability. Weir et al. (2005) found that job performance evaluations were considerably better for holders of master's degrees than for holders of bachelor's-only degrees.

In its position paper, the New York State Society of Certified Public Accountants Quality Enhancement Policy Committee recommends that the expanded curriculum should culminate in a graduate degree. Further, they note that pre-certification education only provides a foundation of knowledge. Learning must be a lifelong endeavor. At the beginning of their careers, CPAs should have a basic understanding of, among other things, basic accounting practice and theory as well as critical thinking skills.

More students are deciding to major in accounting later in their academic careers with fewer making the decision in high school and more deciding during their sophomore year of college (Nelson et al. 2008). Nationally, students seem accepting of the 150-hour requirement. When asked how many years should be required for certification as a public accountant, more than 75% of seniors chose five years (Nelson, I. T. (2008).

Crawford (2011) surveyed practitioners and educators soliciting their preferences as to how fulfill the 150-hour requirement. Both groups favored a five-year program. However, practitioners preferred a five-year bachelor's degree in accounting while educators chose an integrated five-year bachelor/masters type of program. When asked what specific accounting courses should be included in a fifth year of study, practitioners and educators differed significantly on five courses. Practitioners were more in favor of Accounting Theory and Advanced Information Systems than were educators; Cost Accounting, Governmental Accounting and Auditing were rated higher by accounting educators than the accounting professionals (Crawford 2011). Only 46% of practitioners favored no specialization in further coursework, while 71% of educators recommended no specialization (Crawford, 2011).

This discussion above leads us to:

RQ 1: How does the 150-hour requirement affect students' career planning?

RQ 2: How does the 150-hour requirement affect students' curricular planning?

RQ 3: What factors were important in students' decisions to earn the additional credits?

RESEARCH METHODOLOGY

Junior and senior-level accounting majors at a comprehensive masters-level institution were surveyed. The institution is accredited by the AACSB for both its business and accounting programs. Participants completed the survey in class, thereby assuring a 100% participation rate.

The survey instrument was designed with consideration given to the research questions and a literature review of the evolution of accounting education including the 150-hour requirement. The items in the questionnaire were selected in a logical way. The two options available to fulfill the 150-requirement are either completing a graduate degree, or taking additional ad hoc credit hours in a non-degree granting format. Next, if the students decided the ad hoc approach, their options were: online classes any time during the year, course overloads during the

regular academic year, or live summer and intersession classes. These decisions were then formulated into the items appearing on the final version of the questionnaire.

The research instrument was pre-tested by several faculty members, undergraduate and graduate students for clarity and content. Several minor revisions were made based upon their comments.

RESEARCH FINDINGS

Sixty-nine upperclassman accounting majors participated in the study. Two-thirds (67%) were male and the remaining third (33%) female. Juniors made up 63% of the respondents, seniors 33% and certificate candidates accounted for the remaining 4%. See Table 1 for the demographic profile.

Table 1: Class Level

| Level | Female | Male | Total | Percent |
|--------------|---------------|-------------|--------------|----------------|
| Junior | 12 | 31 | 43 | 63 |
| Senior | 9 | 14 | 23 | 33 |
| Certificate | 2 | 1 | 3 | 4 |
| Total | 23 | 46 | 69 | 100% |

Females self-reported an average overall GPA of 3.44/4.0 and an accounting GPA of 3.55. Males reported an overall GPA of 3.31 and an accounting GPA of 3.39. The differences were not statistically significant.

RQ 1: How does the 150-hour requirement affect students’ career planning?

Public accounting was the prevalent destination upon graduation, with 42 respondents indicating that as their choice, followed by private accounting with 13 responses. The remaining students indicated intentions to pursue graduate education or some other endeavor. See Table 2.

Table 2: Career Aspirations

| | Female | Male | Total | Percent |
|--------------------|---------------|-------------|--------------|----------------|
| Public accounting | 16 | 26 | 42 | 60 |
| Private accounting | 4 | 9 | 13 | 19 |
| Graduate school | 3 | 3 | 6 | 9 |
| Other | 0 | 8 | 8 | 12 |
| Total | 23 | 46 | 69 | 100% |

Among those respondents with public accounting intentions, 66% desire international firms followed by regional firms (19%) and national firms (12%). Only two students (5%) selected local firms. See Table 3.

Table 3: Firm Type

| | Female | Male | Total | Percent |
|---------------|---------------|-------------|--------------|----------------|
| International | 13 | 15 | 28 | 66 |
| National | 1 | 4 | 5 | 12 |
| Regional | 1 | 6 | 7 | 17 |
| Local | 0 | 2 | 2 | 5 |
| Total | 15 | 27 | 42 | 100% |

The keen interest in international public accounting firms is not surprising, given the strong ties of the institution to that segment. The Big Four firms have a long-standing presence on campus. Historically, there has been a preference on the part of the students to enter public accounting upon graduation.

RQ 2: How does the 150-hour requirement affect students’ curricular planning?

In almost all cases, the accounting faculty encourages students to satisfy the 150-hour requirement in four years. The reason for this advice is based on feedback the accounting faculty has received from employers. Virtually all of the employing firms indicated that a master’s degree or fifth year of study would not result in higher starting salaries. It appears as though the students have heeded the faculty’s advice. Seventy-one percent of those intending to earn 150 hours plan to do so within four years. Another 24% surveyed plan on completing a fifth year master’s program, while five-percent have some other plan. See Table 4.

Table 4: Timing of Additional Credits

| | Female | Male | Total | Percent |
|---------------------|---------------|-------------|--------------|----------------|
| Within 4 years | 10 | 20 | 30 | 72 |
| Fifth year of study | 4 | 6 | 10 | 23 |
| Other | 1 | 1 | 2 | 5 |
| Total | 15 | 27 | 42 | 100% |

For those respondents intending to complete the additional credit-hours within four years, four options were considered: overloads during the semester, live summer or intersession classes and on-line delivery. The average number of credit hours necessary to be completed to reach the 150-hour requirement was 23 credit-hours. Many of the students had entered college with Advanced Placement credits. Also, students may have taken one or more four-credit courses. The on-line method of delivery was the most popular (49%) followed by live summer classes (33%), in-semester overloads (12%) and live intersession classes (6%). Within the on-line category, virtually all of the credit hours were planned to be taken at other institutions. Similarly with the live summer option, the vast majority of credit hours were planned to be taken at other institutions, as well. This finding is most likely related to the factors reported regarding RQ3. Namely, the cost at other institutions is most probably less than at the home institution. See Table 5.

Table 5: Credits Needed, Method and Location

| | Home Institution | Other Institution | Credit Hours | Percent |
|--------------|-------------------------|--------------------------|---------------------|----------------|
| On-line | 1 | 10 | 11 | 49 |
| Overload | 3 | 0 | 3 | 12 |
| Live summer | 2 | 6 | 8 | 33 |
| Intersession | 1 | 0 | 1 | 6 |
| Total | 7 | 16 | 23 | 100% |

RQ 3: What factors were important in students’ decisions to earn the additional credits?

Students who want to earn the additional credit-hours have several options available, as discussed above. Likewise, there are at least four factors influencing their completion strategy. Namely, the convenience in earning the credits is important - should they be on line, live sessions, taken during the summer or intersession? The cost of the additional coursework cannot be ignored, given that many students are already burdened with large student loans. Another factor to consider is the content of the additional courses. How important is the content of the courses? Does it matter whether or not they are business/career related, of personal interest or does rigor matter?

The findings suggest convenience is critical with the on-line options as most-preferred. On a scale of 1 to 5 with 1=not at all important and 5= extremely important convenience was rated 4.11. Cost is the next most important factor (3.81). Related to these two findings, is the method (3.40) and content (3.06). The overall sense of respondents is that the content of the coursework matters least. This finding is troublesome for several reasons. If the AICPA among others feel that a stronger technical foundation is needed, then this finding is the exact opposite. That is, it does not seem to matter to students what the content of the coursework is. Rather the mindset is simply to complete the requirement in an expedient and the cost effective manner. Second, students may not be aware of or simply disagree with the AICPA’s and others position about the more complex business world that lies ahead of them and the necessity of additional education needed to succeed.

An analysis of the data across genders indicated several significant differences. Convenience and cost were ranked statistically significantly higher by female respondents. Method of delivery was more important for males than females, while content was ranked higher by female respondents. See Table 6.

Table 6: Influencing Factors

| | Female | Male | Total |
|-----------------|---------------|-------------|--------------|
| Convenience (a) | 4.29 | 4.02 | 4.11* |
| Cost | 4.14 | 3.64 | 3.81* |
| Method (b) | 3.29 | 3.45 | 3.40 |
| Content (c) | 3.33 | 2.93 | 3.06 |

5 = Extremely important

1 = Not at all important

(a) On-line or live, summer or intersession

(b) On-line or live

(c) E.g. business/career related or personal interest

*p < .05

CONCLUDING COMMENTS

Seventy-two percent of the respondents planning to complete the 150-hour requirement intend to do so within four years. This finding is not surprising for this institution, as the accounting faculty actively encourages and supports the "ready in four" mantra.

Respondents were asked how important the following four factors were in their decision to take the additional credits: cost, convenience (on-line, or live, summer, or intersession, or overload). Convenience was reported to be the most influential followed by cost and method of delivery (on-line or live). Booker (2010) reported similar importance regarding cost. The actual course content (business or non-business-related) was rated between marginally influential to neutral. The Grumet study (2009) reported a strong preference for master's programs. The present study presents contrary findings.

It seems logical that additional educational requirements would increase the quality and add to the status of entrants into the profession. However, previous research (Crawford, 2011) suggests whether the CPA profession recognizes much value in the additional education other than to meet the mandated requirements.

Whether the general or discipline-focused curriculum is preferable is open to debate. Earlier literature supports a liberal arts approach rather than an accounting-focused education (Ferrara, 1975; Flaherty, 1979).

Additional education may influence success on passing the CPA exam. In a study of Texas and Florida candidates with a fifth year of schooling, Carpenter and Hock (2008) show that more than 60% of CPA candidates pass all or some parts of the exam, and increase from 44% under a four-year program.

The implications of the findings should be of interest to current and future students, academicians and the employing firms.

LIMITATIONS OF THE STUDY

The current study surveys only one institution's students. Often times, they are advised by the faculty to consider completing the 150 hour requirement in four years. This advice may create a biased approach on the student's part. And, replication of the study at other schools may yield significantly different results.

Given the relatively modest sample gathered from only one school, projecting the findings to other institutions should be done with caution. Of course, this external validity issue is common with small-sample studies such as this one.

Not all possible explanatory variables were included in the study. For example, long-term career aspirations and current personal situation were not considered. The self-reported intentions (as most respondents answered) are just that - intentions. The likelihood of executing these intentions is not known.

RECOMMENDATIONS FOR FUTURE RESEARCH

This study surveyed only one private institution. The sample could be expanded to include public and private institutions both large and small and accredited and non-accredited. Future projects could further explore the content of a fifth year of study. Namely, would students intend to take business coursework or explore non-business areas. A longitudinal study addressing the relationship between education and later career success is a possibility. It could attempt to discern possible relationships between a four-year and a five-year education and long-term career success.

AUTHOR INFORMATION

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