

# An Examination Of The Support For Changes In CPE Regulations For Accountants

Susan B. Wessels, Meredith College, USA

## ABSTRACT

*This paper investigates the relationship between perceptions of effectiveness of mandatory continuing professional education (CPE) programs and what support, if any, there is for changes in those regulations. A survey of North Carolina Certified Public Accountants was conducted to determine which of three components of CPE effectiveness was most important and the degree of support for nine possible changes which would either increase the rigor of the regulations or relax the standards.*

**Keywords:** continuing professional education, accountants, effectiveness

## INTRODUCTION

All states require that Certified Public Accountants regularly engage in continuing professional education (CPE) as a condition for license renewal. The most common CPE requirement is an average of 40 hours of CPE per year (VanZante and Fritzsich, 2006). Mandatory CPE courses are justified as a means of protecting the public from incompetent practitioners by helping accountants maintain competency, update their knowledge, improve professional practice, provide professional growth, and enhance the image of the profession. The purpose of this study is to investigate those aspects of mandatory CPE which are most important to CPAs and what support there might be for changes in the regulations. The research questions, therefore, are:

1. Which aspects of continuing professional education are perceived as most effective by accountants?
2. Is there support for changes in CPE regulations?
3. What is the relationship between perceptions of effectiveness of continuing professional education and support for changes in CPE regulations?
4. Are there significant differences in support for changes in CPE regulations among personal and professional demographic categories?

## LITERATURE REVIEW

Previous studies of attitudes toward CPE found differing reasons for supporting mandatory CPE. An understanding of these various views about CPE forms the basis for determining which segments of the profession might support changes in the CPE regulations.

White and Buchman (1978) found that 95 percent of CPAs felt that mandatory CPE will lead to long-run improvements in the quality of accounting practice. CPAs surveyed by Flesher and French (1987) showed very high support for the value of CPE on enhancing professional knowledge, increasing an individual's marketability, and providing opportunities for professional interaction. Coffee and Beegle (1994) found 82 percent of CPAs agreed that mandatory CPE enhances the image of the profession. Nearly 71 percent of respondents said they benefited through increased professional learning and higher quality professional work. In an informal study conducted by Young (1998), accountants gave their main reasons for supporting mandatory CPE. They were:

protecting against litigation, maintaining employability; self-improvement, defining professional self-worth; broadening their career path; and networking with other accountants. Phillips (1983) reported that participants in CPE programs believed that the benefits from the social interactions and informal conversations taking place at CPE courses were at least as valuable as the formal courses. Urbano, Jahns, and Urbano (1988) also noted that supporters of mandatory CPE believe it reassures the public that professional have maintained their competency by participating in these programs.

There is much debate about whether mandatory CPE is the best alternative for maintaining or enhancing professional competency. A study by Phillips (1987) found that mandatory CPE has strong support among professional, in general, with an approval rating of at least two-thirds in favor of the concept. However, there was at least one study that showed this attitude was held less strongly by accountants (Cunningham & Hawking, 1980 as cited in Queeney & English, 1994).

There is some reason to believe that the mandatory CPE program may not be as effective as it could be. For example, current mandatory CPE laws require CPAs to participate in CPE courses, but the regulations refer mainly to attendance. Critics of mandatory CPE have claimed that these regulations are designed to “promote the appearance of accountability but [have done] little or nothing to address the underlying issues of competence” (Queeney 2000, p. 378). Only attendance is mandated. There is no accountability for the attainment of learning. Evidence that CPE courses are not always effective is captured by comments made by many CPAs who view CPE as “hours I get to keep my license.” Clyde (1998, p. 77) states that CPAs are often “confronted with the necessity to meet regulatory measurement (how many hours?), classification (was it technical or non-technical?), and appropriateness (what counts?).” The results may be that those taking CPE courses end up focusing on compliance rather than on real competency.

Clay and Clay (2000) identified several impediments to learning faced by CPAs. They noted that course formats may be unsuitable for some individuals. For instance, live presentations have the advantage of allowing professionals to interact with a discussion leader and other students, but often require a full day away from work. Increasing demands of professional practice result in an unwillingness by supervisors to send their staff to classroom CPE courses for one or two days. They do seem more inclined, however, to release them for an extra hour to do an on-line course (Stimpson, 2000). These self-study courses permit CPAs to take courses at their convenience, seven days a week, 24 hours a day (Stevens, 1999). Carlozzi (1998) quotes Lucretia Mattson, then president of the Wisconsin Institute of CPAs who stated that ... “State societies need to take advantage of new delivery mechanisms, such a tele- and video-conferencing and online programming” (p. 42). In some states, however, self-study credits is limited or not awarded on an hour-for-hour basis. While Internet and self-study courses offer lower costs and more flexibility, critics contend that they may not result in superior learning (Stimpson, 2000). These critics believe traditional CPE course yield important social benefits, such as networking (Stevens, 1999). North Carolina is an example of a state which has limited credit earned through self-study. In that state, CPAs must take at least eight hours per year that are not in a self-study format.

Another criticism of CPE regulations involves the kinds of courses that are required. VanZante and Fritsch (2006) noted that some states allow no credit for personal development courses and others limit the number of hours allowed for non-technical courses. Many states require a minimum number of technical hours in accounting and auditing. An unfortunate result is that CPAs who do not need highly technical material in their professional work are then more likely to find current CPE less effective for them.

## **RESEARCH METHODOLOGY**

The present study employed an author-constructed survey to gather information from North Carolina Certified Public Accountants about their perceptions of the effectiveness of mandatory continuing professional education and whether there is significant support for changes in the regulations.

### **Concept Clarification and Survey Construction**

The development of the survey instrument began with a literature review to clarify and identify concepts related to effectiveness of mandatory continuing professional education. Operationally, effectiveness was defined as relating to the usefulness and value of CPE programs in maintaining competency, updating knowledge, improving professional practice, providing professional growth, and enhancing professional interactions as measured by participant's responses to survey questions.

A review of the literature on the benefits of continuing professional education revealed three components of CPE effectiveness. The first component relates to the "personal benefit" that accrues to participants who engage in CPE. Based on earlier studies by Flesher & French (1987) and White & Buchanan (1978), three survey questions involved the extent to which CPE increased professional competency and individual marketability: CPE courses generally enhance or increase 1) my current knowledge base; 2) my employability; 3) my income/earnings.

The second component of CPE effectiveness is linked to gains from developing "contacts with peers and experts" through networking (Flesher & French, 1987; Young, 1998; Phillips, 1983). The present survey included two questions on effectiveness as it relates to informal learning and networking: CPE courses generally provide 4) useful networking opportunities with peers; 5) valuable contact with experts in the field.

Finally, the third component of CPE Effectiveness is connected to desires to "protect the public" from incompetent accountants or to improve the image of the profession (Coffee & Beegle, 1994; Herbold and Lange, 1989). The final three questions on the survey measured aspects of effectiveness related to public image and protection: When CPAs are required to take CPE courses, 6) it helps improve the image of the profession; 7) it helps protect the public from incompetent professionals; 8) it makes it more likely that CPAs are competent.

The eight survey items described above measured perceptions of CPE effectiveness based on Level 1 (Reaction) evaluations as described by Kirkpatrick (1998). It includes both affective and utility reactions in assessing perceptions of program effectiveness (Alliger, et al., 1997). Individual courses, per se, were not evaluated. Rather, effectiveness was based on the perceptions of the respondents about their overall experience with CPE.

The survey contained nine items describing possible changes in the regulations that might strengthen the desired goals of requiring accountants to regularly engage in continuing professional education as a condition for license renewal. Six survey items covered possible changes that would increase the rigor of CPE: 1) Limit the number of hours on "soft" topics such as personal development; 2) Limit the number of hours that can be taken by self-study; 3) Limit the number of hours that can be taken on the Internet; 4) Grant CPE credit only if a test is taken after every CPE course; 5) Require at least some hours each year in face-to-face group study; 6) Increase the required number of annual hours. Three survey items could be viewed as relaxing the regulations: 7) Allow credit for "directed reading" of professional journals; 8) Reduce the required CPE hours after completing a certain number of years of experience; 9) Allow individuals to take a competency test in lieu of taking required CPE courses.

The survey concluded with items intended to collect background information about the study participants. These personal and professional variables were used to determine whether there are significant relationships between personal and professional demographic traits [gender, years of experience, type of accounting service provided by the respondent, current position, and size of employing firm] and support for changes in CPE regulations.

### **Procedures**

The survey was sent by e-mail to 10,187 North Carolina Certified Public Accountants. There were 1,957 completed surveys returned resulting in a response rate of 19.2 percent. The respondents included 970 males (49.6 percent), 975 females (49.8 percent), and 12 respondents not choosing a gender classification. The participants' average number of years of experience in the accounting profession is 17.9 years.

A five-point Likert scale was utilized in which respondents were asked to indicate the extent to which they agreed or disagreed with the statements about the benefits of CPE courses or the degree of their support for certain changes in the CPE regulations on a scale ranging from one (strongly disagree) to five (strongly agree). Three of the items that were viewed as relaxing the regulations (allow directed reading; take a test in lieu of CPE course; reduce required hours based on experience) were reverse scored so that the higher the score, the stronger the support for increasing the rigor of CPE regulations.

**RESULTS**

The first research question investigated which aspect of continuing professional education is perceived as most effective. Table 1 reports the mean scores on the three components of effectiveness. T-tests showed that the mean score was significantly different from the neutral choice 3 ( $p < 0.0001$ ). Table 1 shows that CPE regulations are most beneficial for protecting the public and provide low personal benefit.

**Table 1: CPE Effectiveness Scores**

Effectiveness Variable	Percent Strongly Agree Or Agree	Mean (5 = Strongly Agree)	Standard Deviation
Protects the public	46.0%	3.63	.792
Contacts with peers	41.5%	3.48	.730
Personal benefit	16.0%	3.25	.649

Because the CPE Effectiveness Scores show some room for improvement, the second research question examined whether there is support for changes in CPE regulations. The respondents’ opinions on nine possible changes are reported below in Table 2.

**Table 2: Support for Changes in CPE Regulations**

Possible Change	% Strongly Agree Or Agree	Item Mean (5 = Strongly Agree)	Standard Deviation
1. Require at least some hours each year in group study	63.9%	3.48	1.083
2. Allow directed reading of professional journals	32.1%	2.77	1.116
3. Reduce CPE hours after a certain no. of years of experience	30.0%	2.76	1.126
4. Take competency test in lieu of CPE requirements	26.4%	2.67	1.037
5. Limit courses on “soft” topics (personal development)	25.9%	2.55	1.128
6. Limit courses taken by self-study	25.4%	2.61	1.073
7. Limit courses taken on the Internet	24.2%	2.63	1.030
8. Allow CPE credit only if test is taken after every CPE course	10.5%	2.12	1.030
9. Increase annual required hours	4.9%	1.95	.778

After reverse scoring the three items that would relax the CPE regulations (items 2, 3, and 4), a Support for Change Score was computed by averaging all nine items. A multiple regression analysis was performed using the three Effectiveness Scores (Protects the Public, Contacts with Peers, and Personal Benefit).

**Table 3: Multiple Regression Analysis of Support for Change**

Variable	Coefficient	Standard Error	P
Protects public	0.110	0.018	< .0001
Contacts with peers	0.087	0.019	< .0001
Personal benefits	0.047	0.022	.038

$R^2 = 0.067$ ,  $F(3, 1896) = 44.66$ ,  $p < .0001$

CPAs who find mandatory continuing professional education effective also support making the regulations more rigorous. The third research question investigated the relationship between perceptions of effectiveness of CPE and support for changes in the regulations. A multiple regression analysis was conducted using the three CPE Effectiveness Scores (Protects the Public, Contacts with Peers, and Personal Benefit) as the independent variables and each of the nine individual change items as dependent variables. As discussed below, there were several significant differences noted. In this case, significance means significantly different from zero at the .05 level.

Those who believe that CPE is effective in protecting the public are significantly more likely to support strengthening regulations by:

- Requiring some group study
- Limiting soft topics
- Limiting self study
- Increasing required CPE hours

This group was also significantly less likely to favor relaxing regulations by:

- Allowing directed reading of journals
- Taking a test in lieu of a CPE course

Those who believe CPE is effective in offering useful contacts with peers and experts are significantly more likely to support strengthening regulations by:

- Requiring some group study
- Limiting self-study
- Limiting internet courses

Those who believe CPE is effective in providing personal benefits by enhancing employability, income, or knowledge base are significantly more likely to support strengthening regulations by:

- Increasing required CPE hours

All three Effectiveness variables are significantly less likely to favor relaxing the regulations by decreasing CPE hours based on experience. Requiring a test in order to earn CPE credit was not significant for any Effectiveness variable.

The fourth research question examined whether support for changes in the CPE regulations differ among various demographic categories. A step-wise multiple regression analysis was performed using personal and professional demographic variables. Table 4 shows those demographic variables which were significant at the .05 level.

**Table 4: Multiple Regression Analysis of the Support for Change and Demographic Categories**

<b>Variable</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>P</b>
Male	0.077	0.025	.003
Partner	0.119	0.040	.003
Educator	0.200	0.102	.050
Auditing	0.200	0.045	<.0001
Government	0.126	0.067	.050
Taxation	0.120	0.030	<.0001
Small firm	-0.116	0.034	.0007

$R^2 = 0.036$ ,  $F(7,1918) = 10.27$ ,  $p < .0001$

## **DISCUSSION**

In light of the sizeable investment in time and money devoted to continuing professional education, it is important that these programs provide significant benefits to the public and the accounting profession. The results suggest that the CPE program is perceived as effective by 46 percent of the respondents in the areas of protecting the public and by nearly 42 percent in offering valuable contacts with peers and experts in the field. CPE is less effective in providing personal benefits such as enhancing income, employability, or current knowledge base. The mean scores for the effectiveness variables ranged from 3.25 to 3.63 on a 5-point scale which suggests that there is room for improvement in CPE regulations.

However, there does not seem to be much support for changing the CPE regulations. There was only one item in which a majority of respondents supported a change in regulations. Requiring at least some hours each year in group study was favored by 64 percent of participants. Those who work in audit or are partners were significantly more likely to hold this opinion than other respondents. A partner in taxation said, "CPE is a good source of networking..." However, a sizeable minority (20 percent) disagreed. Those who work in firms with less than five employees or are self-employed were more likely to disagree with the group study requirement. A respondent from a firm with less than five employees said, "It is extremely difficult to get away from work when in a small firm to take live classes."

Those CPAs who find CPE effective are significantly more likely to support making the regulations more rigorous. Those who view CPE as effective in protecting the public favor more changes than other groups. Certain demographic traits are associated with increasing the rigor of CPE: males, partners or educators, and service providers in public accounting, government, or taxation. However, those employed at small firms (five or fewer employees) and females are significantly less likely to support changes in regulations. Years of experience was not significant.

## **CONCLUSION**

The accounting profession consists of diverse practitioners who are employed in a variety of firms and organizations. As a result, "one-size-fits-all" CPE regulations may result in decreased effectiveness for some groups of accountants. One respondent from industry said, "A lot of the CPE courses address the needs of CPAs in practice and not as much for the CPAs in industry." But an accountant working in taxation noted, "Our current CPE requirements are not broken, and they don't need fixing." Any changes in CPE regulations must address the needs of those in small firms and women who find additional hours and group study requirements more burdensome than other accountants. Regulators who wish to implement changes to make mandatory continuing professional education more rigorous will be most likely to succeed if they can connect such changes to enhancing and protecting the public interest.

## **AUTHOR INFORMATION**

**Susan B. Wessels** is professor of accounting at Meredith College and is also a Certified Public Accountant.

## **REFERENCES**

1. Carlozzi, C. L. (1998, July). Learning for the future. *Journal of Accountancy* 186 (1), 42-44.
2. Clay, R. J. & Clay, J. M. (2000, May). Continuing education or mandatory hours? *The CPA Journal*. 35-37.
3. Clyde, N. J. (1998, December). CPE is broke; let's fix it. *Journal of Accountancy* 186 (6), 77-83.
4. Coffee, D. & Beegle, J. (1994 March). Mandatory continuing professional education for CPAs: Is it working? *Journal of Education for Business* 69 (4), 222-225.
5. Flesher, D. L., & French, R. G. (1987, July). The CPA and mandatory CPE. *The Woman CPA* 49 (3), 30.
6. Herbold, M. I. & Lange, G. A. (1989 Spring). New York licensed practitioners' views on the state's mandatory continuing professional education requirement. *Georgia Journal of Accounting* 10, 75-84.

7. Kirkpatrick, D. (1998). *Evaluating training programs: The four levels*. San Francisco: Berrett-Koehler Publishers.
8. Phillips, L. E. (1983). Trends in state relicensure. In M. E. Stern, (Ed.), *Power and conflict in continuing professional education*. Belmont, CA: Wadsworth Publishing Company.
9. Phillips, L. E. (1987). Is mandatory continuing education working? *Mobius* 7 (1), 57-64.
10. Queeney, D. S. & English, J. K. (1994). *Mandatory continuing education: A status report*. Columbus, OH: ERIC Clearinghouse on Adult, Career, and Vocational Education.
11. Queeney, D. S. (2000). Continuing professional education. In A.L. Wilson & E.R. Hayes (eds.), *Handbook of adult and continuing education, new edition*. San Francisco: Jossey-Bass.
12. Stevens, M. G. 1999, January). Changing the direction of CPE. *The Practical Accountant* 32 (1), 27-30.
13. Stimpson, J. (2000, May). New school of CPE thought. *The Practical Accountant* 33 (5), 42-48.
14. White, G. E. & Buchman, T. (1978). A Study of the effectiveness of the continuing education requirement for certified public accountants. *Continuum* 42 (3), 21-23.
15. Urbano, M. T., Jahns, I. R., & Urbano, R. C. (1988). What really motivates nurses to participate in mandatory professional continuing education. *Journal of Continuing Education in Nursing* 19, 38-42.
16. VanZante, Neal, R. and Fritzsich, Ralph, B. (2006). Comparing State Board of Accountancy CPE Requirements with an Emphasis on Professional Ethics Requirements. *The CPA Journal* 76 (10), 58-65.
17. Young, W. H. (1998). Systematic efforts in continuing professional education focusing on mandatory continuing professional education. In W. H. Young (Ed.), *Continuing Professional Education in Transition* (p. 129-140). Malabar, FL: Krieger Publishing Company.

**NOTES**