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Education: The CPA Certificate: What Does It Represent?

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An individual who has been awarded a CPA certificate from one of the jurisdictions granting them in the United States is presumed to be a competent public accountant who can perform accounting services at a professional level. Confidence in people possessing the CPA certificate forms the cornerstone of the public accounting profession.

But what does the designation, CPA, truly represent? It would seem that certain standards of education, experience, and examination would have to be met and that these standards would be somewhat uniform throughout the country before any of the jurisdictions granted a CPA certificate. Such is not the case. Except for the Uniform CPA Examination that is prepared by the American Institute of Certified Public Accountants' Board of Examiners and graded by the AICPA's Advisory Grading Service, there is little agreement among the various jurisdictions concerning both the level or type of education that should be required to receive the certificate, and after the certificate has been awarded, the continuing education that would be needed to keep it.

Besides education, the jurisdictions also differ widely on the kinds and number of years of experience that are needed before a person can receive a CPA certificate. This situation exists in spite of the efforts of the AICPA to provide guidelines to the various licensing bodies concerning (1) the standard for education, and experience that must be met before an individual can be awarded a CPA certificate; (2) and the continuing education requirement needed to maintain a professional level of competence after the certificate has been received. The purpose of this paper is to determine the acceptance of the AICPA guidelines by examining the accountability laws of the fifty states, the District of Columbia, Puerto Rico and the Virgin Islands that were in force in June, 1978, and comparing them to the proposed AICPA standards.

AICPA Model Accountancy Bill

In May 1970, the Council of the AICPA formally accepted the conclusions of the Beamer Committee and included them in the Model Accountancy Bill that it proposed should be enacted by every CPA licensing jurisdiction in the United States. Chief among the standards proposed in this Bill were those of education and experience to obtain the certificate. In the Bill, the minimum

Education

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level of education that a candidate must have is a college degree plus thirty additional hours of graduate study and the program of study must include an accounting concentration or its equivalent. The exact specifics of this educational program are not listed in the Bill; however, the AICPA endorses the conclusions contained in the Beamer Committee report that the common body of knowledge for the accounting profession is correctly stated in *Horizons For A Profession*, and that five years of college study would be needed to obtain this knowledge.

In 1969 when the five-year educational requirement was first proposed, many jurisdictions did not have a four-year college degree as the minimum standard for CPA candidates. Recognizing that a problem might exist in those areas by adopting the five-year requirement outright, the Model Accountancy Bill provides for a five-year transitional period during which the minimum educational level is to be an undergraduate degree with an accounting concentration or its equivalent. In addition, during this interim, one year of experience is also required. Once this period expires, there is to be no experience requirement.

The Beamer Committee proposed the elimination of the experience requirement for many reasons. The one that they considered to be the most important was the conclusion that uniform

standards could not be set nor policed effectively. In addition it was found that most of the violators of the Rules of Professional Conduct were CPA's with many years of experience and little formal education. In light of these facts, the committee did not think that work experience should be a part of the criteria to be met for receiving a CPA certificate. The Council of the AICPA accepted this conclusion and included it in the Model Accountancy Bill approved in May, 1970.

The Bill approved in 1970 was amended at a later date and a continuing education clause was added. This requirement stated that in order for a CPA to receive a permit to practice, that individual must produce evidence that the continuing education requirement described by the State Board of Accountancy has been met. Although the Council of the AICPA did not include a specific description of the continuing education program, it did provide some guidelines. The Council suggested that the minimum amount of time spent by a CPA should be 120 hours or 15 days of acceptable study in the three-year period just prior to registration.

The purpose of this amendment to the Bill is to help ensure that CPA's maintain their level of competency. Because the accounting profession is in a constant state of development, it would be impossible for a person to maintain a professional status without continuing

TABLE I
Summary of the Minimum Educational Standards for
the United States, Puerto Rico, the Virgin Islands
and the District of Columbia in 1970 and 1978

Education Level	1970	1978	Per Cent	
			Inc. (Dec.)	Inc. (Dec.)
Less Than College Degree	33	18	(15)	(45.5)
College Degree	5	12	7	140.0
Accounting Degree	15	23	8	53.3
Graduate Study	0	0	—	—
Total	53	53	—	—

education. Thus, it was decided that a continuing education requirement was needed.

Current Education Standard

Eight years after the AICPA proposed in the Model Accountancy Bill that one year of graduate study be the lowest acceptable education standard for the CPA certificate, no American jurisdiction had enacted this requirement. And the range in minimum education requirements is still as diverse in 1979 as it was in 1970. In Table I the minimum education levels are summarized for both 1970 and 1978. Eighteen statutes, a decline of fifteen

from the 1970 total, still permitted an individual to receive a CPA certificate with less than a college degree and twelve required a college degree but did not demand an accounting concentration. Only twenty-three jurisdictions, an increase of 53.3 percent over the 1970 number, now demanded the transitional standard of a four-year bachelor's degree in accounting.

Though none of the CPA licensing laws contained the five-year standard as of June, 1978, two states have adopted it for the future, and the New York State Board of Public Accountancy is actively seeking the enactment of the five-year

requirement. After December 31, 1978, anyone seeking to become a CPA in Hawaii must have one year of graduate study in accounting while the same education standard is to become effective in 1988 in Colorado. These changes, although reflecting some progress toward the upgrading of the minimum educational criteria, still leave the standards far short of the goal set by the AICPA.

Current Experience Requirements

Beside the minimum education standards, many statutes allow more than one level of education with the experience requirement fluctuating direct-

TABLE II
Summary of the Requirement for Experience
at the Various Levels of Education for the
United States, the Virgin Islands, Puerto Rico,
and the District of Columbia at the end of June, 1978

Education Level	Total Listed	Experience	
		Yes	Required No
Less Than College Degree	18	18	0
College Degree	22	20	2
Accounting Degree	40	34	6
Graduate Study	24	20	4
Total	104	92	12

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ly in proportion to the level of education. In Table II the need for experience at the various levels of education is summarized for the fifty states, the Virgin Islands, Puerto Rico, and the District of Columbia. In many cases, the statutes prescribe different education standards and corresponding experience requirements. Where more than one education standard was mentioned, the experience needed to satisfy the criteria increased as the demand for education was lowered.

Of the eighteen jurisdictions requiring less than a college degree, the experience needed to be certified ranges from two to fifteen years. With a bachelor's degree, the experience standard varies from zero to four years, while with a master's degree, the years required ranges from zero to two. Thus while allowing less than what the AICPA had proposed in the Model Bill for the education standard, many jurisdictions still recognize the value of higher academic study to the accountant.

With regard to the elimination of the experience standard, forty-one of the accountability acts studied still demand

that the CPA candidate have some qualifying experience at every level of education. Of this group, eleven meet the transitional goal of four years of higher education and one year of experience recommended by the AICPA with nine of them requiring that the degree be in accounting.

Of the twelve laws that allow education to meet the combined educational and experience requirement, two demand only a bachelor's degree, six insist that the degree have an accounting concentration, and four require graduate study. As a result eight of the twelve accountability laws meet neither the interim nor the final recommendations with only four meeting the final proposal of the AICPA.

Continuing Education Requirements in 1978

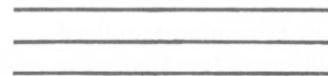
The AICPA proposed that practicing CPA's be required to maintain their professional status through continuing education that was to consist of a total of 120 hours of classroom study over a three-year period. Twenty-four states have enacted continuing education requirements into their statutes but not all of them have required forty hours per year. Nineteen of the acts now contain the recommended number of hours, but the hours of continuing education required by those not following the AICPA guideline go as low as twenty hours per year.

Summary and Conclusions

Although there has been an effort by the governing council of the AICPA to create uniform standards for the awarding of the CPA certificate and the maintenance of professional quality through continuing education, this uniformity has not been achieved. Not one of the three major proposals (five years of education and no experience to receive the CPA certificate after having passed the CPA exam, and 120 hours of continuing education every three years to maintain the permit to practice) have been accepted and put into law by a majority of the licensing jurisdictions studied. It would appear that the goal of having one set of requirements that would be identical throughout the United States is unattainable through the present approach of allowing jurisdictions to pass laws on an individual basis. Perhaps legislation is truly needed at the national level to alleviate the inconsistency of standards. ■

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