

7-1987

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Recommended Citation

Flesher, Tonya K.; Flesher, Dale L.; and French, George Richard (1987) "CPA and Mandatory CPE," *Woman C.P.A.*: Vol. 49 : Iss. 3 , Article 8.

Available at: <https://egrove.olemiss.edu/wcpa/vol49/iss3/8>

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The CPA and Mandatory CPE

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By Dale L. Flesher and George Richard French

The role of the Certified Public Accountant has evolved in recent years in response to changes in the diversity and complexity of services offered by the accounting profession. As a result of these changes, the profession has been criticized for not requiring its members to maintain a level of knowledge commensurate with their professional stature. One response to this criticism has been the imposition of continuing professional education (CPE) requirements for most CPAs. Presently, there are only four states that do not require CPE in one form or another: New Jersey, Virginia, West Virginia and Wisconsin [Pavlock, 1986]. If one considers the CPE requirements of the AICPA division for CPA firms along with that of state-mandated education, there are only a relatively small percentage of CPAs in public practice who are not subject to mandatory requirements. That percentage will be even lower if the AICPA membership approves the CPE requirements that have been adopted by the AICPA Council as part of the proposed professional standards. For AICPA members in public practice, the proposed standards require that 120 hours of CPE must be completed in a three-year period.

CPE is necessary to keep the practitioner aware of current developments in the accounting profession and the business environment. However, maintaining the level of specific knowledge and expertise required of CPAs has become increasingly difficult because of the great amount of time required to absorb such information. Pavlock [1986] dis-

cusses three primary reasons for the necessity of mandatory CPE. He feels mandatory CPE serves the general public interest, systematically maintains professional competence, and enforces attendance at CPE programs, discouraging procrastination by the CPA. Benefits to be derived from attendance at CPE programs by accountants include:

- CPE participants bring back to their work additional knowledge, fresh insights, new connections, and a sense of enthusiasm for applying the information.
- Firms and organizations benefit from heightened understanding and energy levels exhibited by staff members returning to the job.
- The users of accounting services benefit from CPE because they are assured that practitioners embrace current know-how.
- There is favorable appearance created for the profession when its members comply with the mandates of state licensing boards.

This concern for technical competence and proficiency is not limited to practitioners in public accounting. As management accountants direct their energies toward their daily responsibilities, it is easy to lose expertise in areas not closely related to those activities. Therefore, the complex and dynamic nature of accounting makes CPE a top priority for management accountants [Redmer, 1982]. According to Redmer, for the management accountant, CPE results in the following benefits: 1) the attainment of tech-

nical competence and proficiency in his or her area of expertise, 2) the saving of valuable time through the use of formal presentations, and 3) the interaction of accounting professionals with similar interests. The National Association of Accountants (NAA) and the Institute of Certified Management Accountants (ICMA) strongly support CPE programs. In fact, the ICMA requires individuals completing the CMA examination to maintain their professional competency through a 90-hour, three-year continuing education requirement, which is similar to the CPE requirements of state societies of CPAs. The AICPA has recognized the need for CPE for its members who are not in public practice, and these members will be required to complete 90 hours of CPE over a three-year period if the proposed professional standards are approved later this year.

Purpose of the Study

The purpose of this study was to determine the effectiveness of CPE programs as reported by CPAs in public practice. To obtain this information, a questionnaire was distributed to 200 Mississippi CPAs. Mississippi was selected since its CPE requirements for CPAs in public practice are identical to those proposed by the AICPA.

Although the sample of CPAs for the study was selected at random, those located in another state or with educational positions were excluded. The out-of-state CPAs were excluded because the requirements in other states might not be identical with that proposed by the AICPA. CPAs in the field of education were excluded because of the diverse nature of the CPE obtained by these individuals that may not be representative of normal activities in the area.

The CPE requirements enacted by the state legislature in Mississippi and enforced by the Mississippi State Board of Public Accounting [1983, p. 16] stipulate that "each licensee shall participate in at least one hundred and twenty hours of CPE every three years with a minimum of twenty hours during each twelve-month period ending on June 30 each year." The requirements do not apply to individuals not engaged in public practice unless those indi-

viduals, in addition to their basic employment, engage to any degree in public practice. Licensees are required to maintain records of CPE in which they have participated.

Results of the Questionnaire

The questionnaire included several questions of an informational nature and concerned the respondent's job, the nature of CPE previously taken, and whether reimbursement is obtained for CPE courses. There were 33 public practitioners, 14 industrial accountants, five governmental accountants, and two unidentified individuals who responded to the questionnaire. The position levels reported by the respondents within their organizations were as follows: Staff Accountants (5), Supervisors/Managers/Seniors (18), Controllers/Partners/Vice Presidents (28), other (3). Thus, the sample was predominantly comprised of CPAs who were working in a public accounting firm, and most had achieved high-level positions within their organization. The average amount of CPE taken by the respondents in the previous 12 months was 51 hours. Thirty-three of those CPE hours were taken within the state of Mississippi, and 18 hours were taken outside of the state. Slightly more than 23 percent of the CPE hours obtained were in-house programs with the remaining credits obtained in external seminars and other external sources. For 74 percent of the respondents, CPE was reimbursed by the employer.

The remaining portion of the questionnaire concerned the effectiveness of CPE and the general administration of the CPE program. The specific statements and the mean and standard deviation for the responses to the statements are presented in Table 1. Respondents were asked to use the scale: 1 = strongly agree, 2 = agree, 3 = disagree, and 4 = strongly disagree. The mean scores ranged from 1.741 in question two to 2.925 for question 12. This is a relatively narrow range of means for the questions and indicates that, on average, the CPAs did not strongly disagree with any of the items in the survey.

In item one, the CPA was required to comment on the overall quality of CPE programs and their ability to enhance professional knowledge. Ap-

TABLE 1
Effectiveness and General Administration
Of A Mandatory CPE Program

Statement	Mean	Std. Dev.
1. The overall quality of CPE programs offered in Mississippi is sufficient to enhance professional knowledge.	2.077	.652
2. I have been able to apply information learned at CPE programs on my current job.	1.741	.620
3. I have enhanced my promotional opportunities within my organization because of information obtained at CPE programs.	2.383	.768
4. I have enhanced my marketability in the job market because of information learned at CPE programs.	2.235	.651
5. Attendance at CPE programs has provided opportunities for employment outside my organization.	2.720	.730
6. The level of instruction at CPE programs is satisfactory:		
In-house seminars and self study	2.075	.616
External seminars and self study	2.061	.626
7. Required CPE credits can be obtained at reasonable cost.	2.115	.646
8. CPE programs in Mississippi are sufficient to meet the needs in my area of specialization.	2.413	.617
9. CPE seminars provide CPAs an opportunity for educational interaction with fellow professionals.	1.759	.547
10. External CPE seminars provide CPAs an opportunity for client development.	2.647	.716
11. The primary purpose of attending CPE programs is to fulfill the mandatory requirements.	2.509	.823
12. A CPA should be required to pass an exam at the end of a CPE program to receive credit.	2.925	.730
13. The State Board of Accountancy should actively monitor and approve all CPE programs to insure quality presentations.	1.981	.789

proximately 86 percent of the responding CPAs agreed that the quality of the programs was sufficient. (This result supports a survey of CPAs concerning the CPE program in California [Berton, 1983] where 76 percent of the respondents expressed satisfaction with CPE under the current requirements.) Additionally, in their response to item two, many of the respondents (74%) reported that they have been able to apply information learned at the CPE programs to their current job.

The enhancement of promotional opportunities within the CPA's present employment, increased marketability in the job market, and employment opportunities afforded the CPA outside of his or her present employer due to participation in CPE programs were all addressed. Fifty-three percent of the respondents perceived enhancements in their promotional opportunities within their present organization, and 69 percent reported that they had improved their marketability in the job market because of such participation. Despite the perception of increased marketability, only 28 percent reported additional opportunities for employment outside of their organization directly as a result of their CPE efforts.

In items nine and ten, the CPAs were requested to express an opinion regarding the opportunity provided in CPE seminars for educational interaction with fellow professionals and the opportunity for client development, respectively. The CPAs overwhelmingly (94%) considered attendance at a CPE program as an opportunity for educational interaction with fellow professionals. Client development was not regarded as a major factor in attending CPE programs as 63 percent of the CPAs did not perceive any benefits in this area.

There were two items that addressed administrative aspects of the CPE program in Mississippi. These items dealt with the responsibility of the Mississippi State Board of Accountancy to actively monitor the various CPE programs in the state and whether CPAs should be required to illustrate their proficiency in using newly acquired information by passing an exam upon completion of a course. Approximately 82 percent of the respondents agreed

that the State Board should monitor the CPE programs to insure quality presentations. However, only 26 percent of the respondents agreed that participants should pass an exam at the end of a CPE program to receive credit. This is an interesting and expected response to these items. The CPAs are willing to submit the CPE programs to scrutiny but unwilling to undergo a similar appraisal.

It is also interesting to note that while a high percentage of CPAs expressed satisfaction with the quality of CPE programs, approximately one-half (51%) of the respondents agreed that the primary purpose for attending CPE programs was to fulfill the mandatory CPE requirements established for practicing CPAs in the state. Prior literature may be correct in stating that without mandatory requirements, CPAs may not participate in CPE programs at a level necessary to maintain their professional stature [Pavlock, 1986].

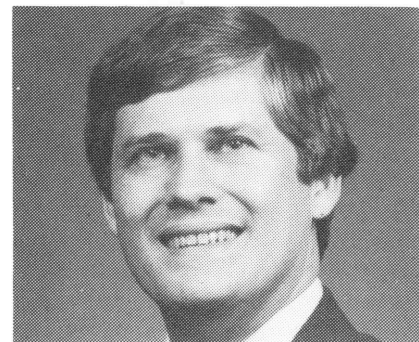
Conclusion

The survey respondents had substantial experience regarding CPE programs. Generally, they were satisfied with the overall quality of the programs. Attendance at the CPE programs resulted in external employment opportunities for only one-fourth of the responding CPAs, but the majority of the individuals still feel that the experience has increased their marketability in the job market. The CPAs overwhelmingly agreed that CPE provided an opportunity for professional interaction. In spite of the many benefits cited by the responding CPAs, they were unwilling to be tested over the material in order to receive credit, and approximately one-half of the sample indicated that the primary purpose of attending CPE programs was to fulfill mandatory requirements.

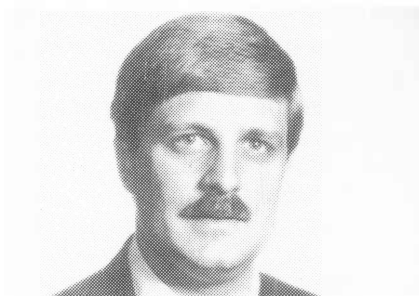
In conclusion, it seems that there is a need for mandatory CPE requirements. Although the respondents to this study were enthusiastic about the benefits derived from CPE programs, they also admitted that they would not have participated were it not for the state law. This indicates that the AICPA, the individual state boards, and the Institute of Certified Management Accountants were correct in making CPE mandatory rather than merely voluntary. Ω

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