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Report of the Committee on Continuing Education, April 7, 1971

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American Institute of Certified Public Accountants

Report of the

Committee on Continuing Education

April 7, 1971

In 1969 the committee was appointed and charged with examining the desirability of making continuing education a formal requirement of the profession and studying ways such a requirement might be implemented.

We have worked diligently on this assignment for a year and one-half and have consulted with Council members, state boards of accountancy and other leaders of the profession. While we envision that the profession will develop more rigorous steps in the future, we believe it is now time for the profession to acknowledge that each member of the profession has an obligation to continue his education throughout his career.

After careful consideration of the various alternatives, the committee concludes that the individual states, as a part of their legal responsibility for licensing and controlling the practice of public accounting, are at present the only instrumentalities that can effectively impose and enforce a requirement.

We therefore recommend that Council adopt the following resolution:

Whereas, the explosion of knowledge and the increasing complexity of practice make it essential that certified public accountants continue to develop their competence, and

Whereas, the public interest requires that certified public accountants provide competent service in all areas of their practice, and,

Whereas, formal programs of continuing education provide certified public accountants with the opportunity to maintain and improve their competence,

Therefore be it resolved that the Council of the American Institute of Certified Public Accountants urges each of the several states to institute a requirement, by legislation or regulation as may be appropriate, that certified public accountants demonstrate that they are continuing their professional education as a condition precedent to the reregistration, renewal of permit to practice, or other validation of a CPA's designation.

Further be it resolved that the National Association of State Boards of Accountancy be asked to consider this resolution with a view to lending its support.

Further be it resolved that in the interest of uniformity the Council urges each of the several states to adopt the guidelines attached hereto.

Definition of Continuing Education

At our first meeting we defined continuing education for the purpose of our assignment, as "formal programs of learning which contribute directly to the professional competence of an individual after he has become a CPA."

In arriving at this definition, we recognized that many kinds of activity contribute to one's development but concluded that those which are purely cultural and do not directly relate to improving professional competence should be excluded from the definition.

We further differentiate between formal programs and informal learning. While recognizing that we learn much in informal ways, the very diversity of potential learning experiences precludes any systematic method of evaluation.

Finally, we distinguished between formal educational activity which precedes certification and is preparation for the profession and that which follows certification, i.e., continuing education.

The Need for Continuing Education

One of the most dramatic phenomena of our times is the explosion of knowledge. It has been estimated that man's knowledge doubled between the year 1900 and 1950 and that it will double again by 1975. Some have suggested that it will double every five years or less. In the face of this phenomenon, CPAs, like those in other kinds of activity, must continue to learn. Simply put, continuing education is the alternative to obsolescence.

In Jack Carey's words, "CPAs are part of a dynamic, vibrant society whose standards of living, of education, of culture and of ethics are steadily rising." The right of a CPA to professional status in this "vibrant society" rests in the knowledge, skill and experience with which he serves his clients and society. We are unanimous in our recognition that substantial continuing education is necessary merely to maintain the competence one had at the moment of certification.

Why "Continuing Education" Should be Required

The profession would have no cause for concern if evidence indicated that almost all members of the profession were voluntarily continuing their education. Unfortunately, such evidence as is available is not encouraging.

It is currently estimated that there are approximately 110,000 CPAs in the United States. Of this number, approximately 75,000 are members of the American Institute and/or of the state societies. During the fiscal year ended August 31, 1970 just over 23,000 participants were enrolled in AICPA developed continuing education programs. Adjusting for an estimate of multiple registrations and for attendance by non-certified staff members, we conclude that approximately 15,000 different CPAs or about 20% of the Institute membership (14% of the total CPAs) participated in the program. If an equal number of CPAs pursued their continuing education in training programs developed by their firms or other organizations or engaged in meaningful self study,

it is still painfully apparent that a majority of CPAs are not active participants in continuing education.

We conclude that, in the public interest and the self interest of the profession, action must be taken to require continuing education of all CPAs.

What Continuing Education is Needed?

Clearly, the continuing education we are concerned with is that which contributed directly to the professional competence of the CPA. But, because the field of accounting is so broad, no single pattern of continuing education is appropriate for all CPAs. Nonetheless, there is some kind of continuing education that will maintain and improve the competence of each, and the individual CPA should determine for himself the subject matter appropriate to his needs. Formal continuing education requirements should therefore be drawn broadly and implemented liberally.

How Should the Requirement be Imposed?

Philosophically, all CPAs need continuing education, but the organization of the accounting profession makes it difficult, if not impossible, to apply a philosophically justifiable requirement to all who are CPAs. While the objective should be to make the requirement applicable to as many CPAs as possible, it is of first importance that those eligible to practice public accounting, where the public interest is involved to the highest degree, pursue continuing education.

We considered a variety of methods of imposing a continuing education requirement, no one of which is ideal. State regulation seems to have significant advantages over the alternatives because it would apply directly to those holding the right to practice public accounting.

State Legislation or Regulation

The recommended method is that each of the several states, by regulation or statute, impose a requirement for continuing education as a part of its licensing procedure. Iowa, the first state to do so, was able to accomplish this by State Board regulation. Several other states are planning amendment of their laws or regulations for this purpose. In Iowa, and presumably in the other states planning for a requirement, continuing education is being established as a condition for reregistration.

As of February 1, 1970, 39 jurisdictions do require reregistration annually, nine register biennially, and five have no reregistration requirement. If these five, and all other jurisdictions were able to impose the requirement, it would be possible to reach all CPAs entitled to practice public accounting. We are aware that the amendment of state laws is a slow and difficult process, and that the likelihood of achieving complete uniformity is slight.

Notwithstanding this, we believe that the advantages of applying the requirement to all who are entitled to practice public accounting (whether or not they do so) justify recommending this method; and we hope that the guidelines provided in this report will lead to a reasonable degree of uniformity.

AICPA Membership Requirement

Were the continuing education requirement made a condition of continuing membership in the Institute, the desirable uniformity would be achieved. The amendment of Institute membership requirements would be easier and faster than the amendment of the accountancy acts of the states. It would be a public demonstration that the profession is able to set and maintain high standards -- an affirmative act of leadership within the profession.

The defects of this proposal are that it would not reach the more than 30,000 CPAs who are not members of the Institute; and it might result in a loss of members if an attempt were made to impose it on all the present members.

We concluded that the primary efforts should be directed to reregistration or relicensing rather than to continuing membership.

Code of Ethics Requirement

The American Dental Association, in its Code of Professional Ethics, states that every member "has an obligation to freshen his knowledge and skill through all his professional life." The effect of the AICPA amending its code of professional ethics for this purpose would be similar in some respects to that of adopting a requirement as a condition of membership in that the applicant affirms that he will abide by the By-Laws and the Code of Ethics. It would be uniform, could be adopted within a reasonable period of time, and would be an affirmative act of leadership. While the Code of Ethics

as the sole mechanism for requiring continuing education would be inadequate, the code should include a requirement regarding continuing education, and we recommend that the Ethics Committee consider this in the Code restatement now underway.

State Society Membership or Code of Ethics Requirement

Each of the state societies might adopt a continuing education requirement as a condition of membership. This would perhaps be better received than would the requirement imposed by the Institute, but, as in the case of an Institute requirement, it would not reach non-members and it might result in a loss of membership. It might also result in a lack of uniformity.

State Societies might well impose a Code of Ethics requirement similar to that proposed for the AICPA.

Guidelines

In the light of our recommendation that the continuing education requirement be established through state legislation or regulation, and considering the desirability of uniformity of requirements among the states, we submit the following guidelines which the states are urged to adopt.

I. Basic Requirement

- A. In the three-year period immediately preceding reregistration, the applicant must have completed 120 hours of acceptable continuing education.
 1. Measurement is in full hours only (a fifty minute period equals one hour).
 2. Only class hours or the equivalent (and not hours devoted to preparation) are counted.
 3. Service as lecturer or discussion leader will be included to the extent that it contributes to his professional competence (repetitious presentations should not be counted).
- B. The effective date of the requirement should be three years after its adoption. With respect to any individual, the regulation should become effective on the effective date of the requirement or three years after his initial registration, whichever is later.
- C. The Board of Accountancy should have authority to make exceptions for reasons of health, military service, retirement, etc.

II. Programs Which Qualify

- A. The overriding consideration in determining whether a specific program qualifies is that it should be a "formal program of learning which contributes directly to the professional competence of an individual after he has been licensed to practice public accounting."
- B. Formal programs requiring class attendance should qualify only if:
 1. an outline is prepared in advance and preserved
 2. the program is at least one hour (fifty minute periods) in length
 3. the program is conducted by a qualified instructor
 4. a record of registration or attendance is maintained.
- C. The following are deemed to qualify provided the above are met:
 1. Professional development programs of the AICPA and the state societies.
 2. Technical sessions at meetings of AICPA, state societies and chapters.

3. University or college courses
 - (a) Credit courses - each semester hour credit shall equal 15 hours toward the requirement. A quarter hour credit shall equal 10 hours.
 - (b) Non-credit short courses
 4. Formal organized in-firm educational programs
 5. Programs in other organizations (accounting, industrial, professional, etc.)
- D. Formal correspondence or other individual study programs which require registration and provide evidence of satisfactory completion will qualify with the amount of credit to be determined by the Board of Accountancy.

III. Controls and Reporting

- A. The candidate should provide a signed statement of the continuing education in which he has participated showing:
 1. Sponsoring organization
 2. Location of course
 3. Title and/or description of content
 4. Dates attended
 5. Hours claimed

Respectfully submitted,

Committee on Continuing Education
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