

Certified Public Accountant's

Perceptions Of The 150-hour Educational Requirement

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INTRODUCTION

Recently, many licensing jurisdictions in the United States have imposed the 150-hour educational requirement for accounting students. The number of credit hours is higher than what was traditionally required and causes CPA candidates to complete an additional year of formal education in order to be eligible to take the CPA examination (AICPA, 2003a). According to the literature, the mandate was enacted to improve the quality of work performed by entry-level CPAs as well as provide them with a well-rounded education (AICPA, 2003b).

In states where the 150-hour rule has been enacted, pass rates on the CPA exam have improved modestly; however, there has

been a significant reduction in the number of candidates (Shafer, Kunkel, and Hansen, 2003). Recently, there has been much discussion regarding the 150-hour rule and its impact on the profession of accounting. In addition to improving pass rates, has the new ruling positively impacted the work performance of new accountants? Are entry-level accountants better prepared to begin working? Do accountants falling under the 150-hour requirement have more insight into other business fields than their counterparts?

While these are important questions surrounding the original intent of the ruling by AICPA (AICPA, 2003b), much of the literature on the 150-hour rule focuses on CPA passage rates (Antenucci and Heal, 1999; De Berry, 2003; Read, Raghunadan, and Brown, 2001; Shafer, Kunkel, and Hansen, 2003). Only one article located specifically addressed competency of accountants hired after the 150-hour requirement (De Berry, 2003). It served as a building block for this project.

The objective of this survey is to examine current perceptions of CPAs regarding effects of the 150-hour requirement on overall quality of new accountants. This was achieved by gathering responses from CPAs across the United States via an electronic survey. The paragraphs that follow will describe, in detail, the design, implementation, and results from the survey.

Survey Design

After reviewing the aforementioned literature, six core statements were developed to assess CPAs' perceptions of the 150-hour requirement and its effect on entry-

level accountants. An electronic survey was sent out in an effort to generate an acceptable response rate, eliminate expenses that arise from a mail survey, and allow for quicker turn around time on responses. While De Berry's (2003) survey on this topic acted as a model for the study, it could not be replicated due to its length. The decision to utilize only six statements was made to keep response time at a minimum and hopefully improve the rate of return.

The six statements were set up in a table, with response categories

ranging from "strongly agree" to "strongly disagree" for each statement. The statements were generated from knowledge gained through reading the literature and did not come directly from previously published surveys. The statements and access accountants' perceptions of the 150-hour rule are listed in the table that follows. In addition to the statements, demographic information was also collected. Respondents were asked to provide information regarding their state of employment, primary

TABLE 1: PERCEPTION STATEMENTS FROM SURVEY

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The 150-hour requirement has improved the overall quality of work performed by CPAs.					
Accountants hired after the 150-hour rule took effect are more qualified than previous entry-level accountants.					
The 150-hour requirement produces better-rounded CPAs.					
Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.					
The 150-hour requirement plays a vital part in producing entry-level CPAs with sound professional judgement and ethics.					
Accountants falling under the 150-hour rule have more insight into other business fields than their counterparts.					

practice, and if education was completed after the 150-hour rule went into effect. It was thought that this information would be useful in determining if differences in opinion existed with regard to these categories. Overall, the survey contained ten questions and took approximately ten minutes to complete. The entire survey is included as Appendix A.

Survey Implementation

The survey was formatted and added to an email, which contained the cover letter and solicited feedback. Potential respondents were asked to hit "reply" and indicate their responses by marking an "X" by the appropriate answer.

The survey was sent only to CPAs practicing in states where the 150-hour rule is in effect (AICPA, 2003c). Email addresses of eligible participants were obtained from the National Society of Accountants web

site. While all accountants may not belong to this society, it was a sample that could be accessed conveniently. Over an eight-week period, the survey was emailed to 1627 persons.

Survey Results

Response Rate.

Of the 1627 surveys emailed, 98 responses were received. However, only 85 of these were considered complete and useable, for a net response rate of five percent. In 13 incomplete responses many included comments on their perception of the ruling. These comments were often insightful and will be addressed later in the discussion.

Demographic Data.

Responses were received from 30 states and the District of Columbia, with Pennsylvania, Texas, Ohio, West Virginia, Florida, and Maryland all having at least five respondents.

Accountants from Pennsylvania had the highest response rate, with 13 total responses (15.3%). Texas followed with seven (8.2%) responses. CPAs from Ohio, Florida and West Virginia all contributed six (7.1%) responses. Fourteen states only had one respondent.

Other demographic information may be obtained in the tables 2-4 that follow. Generally, the majority of those

responding were males (74.1%) who were employed in public practice (80.0%). Few (7.1%) completed their educational requirements after the 150-hour rule went into effect.

Perceptions of Accountants.

In order to assess the accountants' opinions regarding the 150-hour rule, all of the responses were input into a statistical software package, SPSS version 11.0. Frequency tables were completed for each of the six

Table 2. Leadership Models and Parameters

GENDER	TOTAL NO. OF RESPONSES	PERCENTAGE
Male	63	74.1%
Female	22	25.9%
Totals	85	100.0%

Table 3: Survey Respondent Characteristics by Practice Setting

WORK SECTOR	TOTAL NO. OF RESPONSES	PERCENTAGE
Private Industry	11	12.9%
Public Practice	68	80.0%
Higher Education	3	3.5%
Government	2	2.4%
Other	1	1.2%
Totals	85	100.0%

Table 4: Survey Respondent Characteristics by Completion of 150 Hours

EDUCATIONAL REQUIREMENT POST 150-HOUR RULE	TOTAL NO. OF RESPONSES	PERCENTAGE
Yes	6	7.1%
No	79	92.9%
Totals	85	100.0%

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Table 5: Frequency Table of CPA Perceptions of 150-hour Rule

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The 150-hour requirement has improved the overall quality of work performed by CPAs.	7 (8.2%)	14 (16.5%)	20 (23.5%)	24 (28.2%)	20 (23.5%)
Accountants hired after the 150-hour rule took effect are more qualified than previous entry-level accountants.	5 (5.9%)	11 (12.9%)	26 (30.6%)	22 (25.9%)	21 (24.7%)
The 150-hour requirement produces better-rounded CPAs.	5 (5.9%)	24 (28.2%)	20 (23.5%)	19 (22.4%)	17 (20.0%)
Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.	1 (1.2%)	9 (10.6%)	23 (27.1%)	30 (35.3%)	22 (25.9%)
The 150-hour requirement plays a vital part in producing entry-level CPAs with sound professional judgement and ethics.	3 (3.5%)	12 (14.1%)	22 (25.0%)	26 (30.6%)	22 (25.9%)
Accountants falling under the 150-hour rule have more insight into other business fields than their counterparts.	2 (2.4%)	17 (20.0%)	19 (22.4%)	27 (31.8%)	20 (23.5%)

statements. The responses are listed in Table 5, which follows.

After frequency tables were compiled, descriptive statistics were run for responses to the six statements. To achieve this, each response five points scale was used where "strongly agree" was assigned

number '5' and strongly disagree was '1'. The mean and standard deviation for each of the statements is included in Table 6, utilizing the entire sample of 85.

At a glance, the data in the frequency tables reveal that for each statement there were more "disagree" and

"strongly disagree" responses than "agree" or "strongly agree". However, the data below suggests that the average score for each statement is approximately 3.5, with standard deviations around one. Responses from accountants ranged from "strongly agree" to "strongly disagree".

Table 6: Descriptive Statistics

	MEAN	STANDARD DEVIATION
The 150-hour requirement has improved the overall quality of work performed by CPAs.	3.42	1.248
Accountants hired after the 150-hour rule took effect are more qualified than previous entry-level accountants.	3.51	1.171
The 150-hour requirement produces better-rounded CPAs	3.22	1.228
Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.	3.74	1.002
Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.	3.61	1.124
The 150-hour requirement plays a vital part in producing entry-level CPAs with sound professional judgment and ethics.	3.54	1.129
Accountants falling under the 150-hour rule have more insight into other business fields than their counterparts.		

disagree" and all response categories were represented for each statement.

After reviewing perceptions of the entire group, an attempt was made to see if differences in opinion exist between males and females, place of employment, and whether or not the mandate personally affected the respondent. However, most of the accountants who responded worked in public practice and were not affected by the 150-hour rule. Therefore, gender was the only appropriate demographic for comparison.

To do this, mean and standard deviation for males and females were generated for each statement. There appeared to be differences in these means, so an independent samples t-test was run. The test showed that

there was a significant difference between male and female perceptions on the first three statements. The females tended to have lower scores or "agree" more with the statements. The tables below show the mean scores and standard deviations when grouped by gender.

In addition to the survey responses, a number of CPAs provided written comments about their perceptions of the 150-hour requirement. Several of their written comments are provided to share insight and demonstrate the passion that exists about this rule and its effect on the accounting profession.

One CPA stated, "I think the 150 hour requirement is worthless. I strongly support continuing education and letting people get into the workplace

where the real education begins." Another CPA wrote, "I have always maintained that 120 hours is enough, provided the requirements would be more hours in accounting and auditing related subjects and fewer elective, 'non-accounting related' subjects. Many students can't afford the extra year in college..." Finally, a third CPA acknowledged, "The issue is a sensitive one. Mandating an additional year of school will drive up the cost of entry level accounting positions and will place an economic burden on the small accounting firms. The added cost in hiring will not necessarily mean better-qualified employees. The overall effect of this measure will limit an already declining entry into the accounting profession."

Table 7: Descriptive Statistics for Males

		STANDARD DEVIATION
The 150-hour requirement has improved the overall quality of work performed by CPAs.	3.67	1.244
Accountants hired after the 150-hour rule took effect are more qualified than previous entry-level accountants.	3.75	1.135
The 150-hour requirement produces better-rounded CPAs Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.	3.43	1.228
Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.	3.84	1.066
The 150-hour requirement plays a vital part in producing entry-level CPAs with sound professional judgement and ethics.	3.71	1.142
Accountants falling under the 150-hour rule have more insight into other business fields than their counterparts.	3.67	1.136

Table 8: Descriptive Statistics for Females

		STANDARD DEVIATION
The 150-hour requirement has improved the overall quality of work performed by CPAs.		.985
Accountants hired after the 150-hour rule took effect are more qualified than previous entry-level accountants.		1.006
The 150-hour requirement produces better-rounded CPAs Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.		1.049
Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.		.739
The 150-hour requirement plays a vital part in producing entry-level CPAs with sound professional judgement and ethics.		1.041
Accountants falling under the 150-hour rule have more insight into other business fields than their counterparts.		1.053

CONCLUSION

CPAs continue to have conflicting views about the merit of the 150-hour requirement and the effect on entry-level accountants. Survey responses varied greatly across all statements with each response category being represented. Unfortunately, due to the nature of the demographic data, no direct comparisons could be made between place of employment, state of practice or if they were personally affected by the requirement. The responses and opinions in the survey tend towards the thought that 150 hour rule has not helped in any significant manner to produce better quality of entry-level accountants. The 150-hour requirement has become effective in 25 licensing jurisdictions since 2000 while it will become effective in five other states at a future date (AICPA, 2002). Because this requirement is relatively new in many jurisdictions, time and experience should provide more answers. Additional research is also needed to determine if the intended objectives of the requirement are being met or if the accounting profession is going to have to search for other means to achieve them.

REFERENCES

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Appendix A

1. According to the AICPA, the objective of the 150-hour requirement is "improve the overall quality of work performed by CPAs confronted with advancing technology, an increasingly complex business environment, and society's continuing demand for accounting and assurance services."

Given the prior information, to what extent do you agree with the statements that follow? (Please place an "X" under the appropriate response for each statement.)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The 150-hour requirement has improved the overall quality of work performed by CPAs.					
Accountants hired after the 150-hour rule took effect are more qualified than previous entry-level accountants.					
The 150-hour requirement produces better-rounded CPAs.					
Accountants hired after the 150-hour rule was implemented are more productive than they would have been otherwise.					
The 150-hour requirement plays a vital part in producing entry-level CPAs with sound professional judgment and ethics.					
Accountants falling under the 150-hour rule have more insight into other business fields than their counterparts.					

2. What is your gender?

- Male
- Female

3. Which best describes your type of employment?

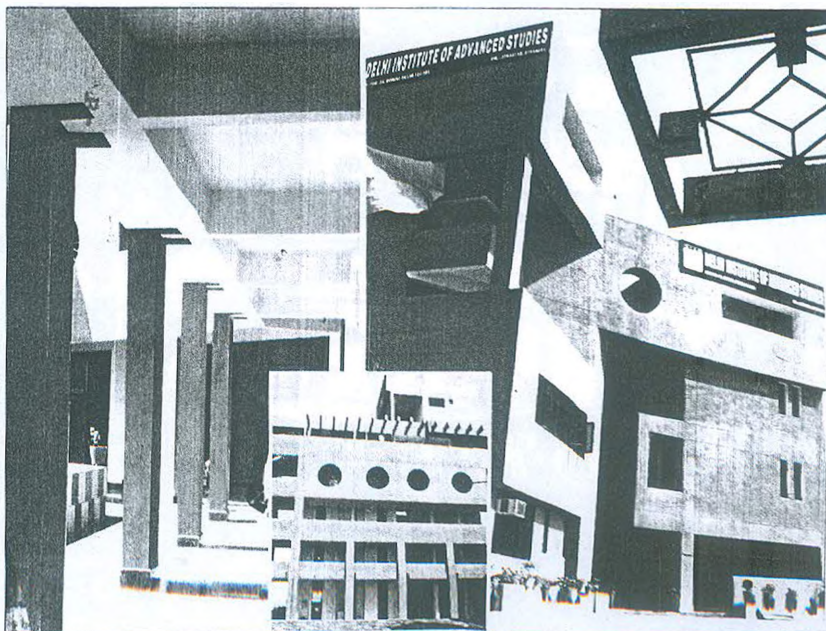
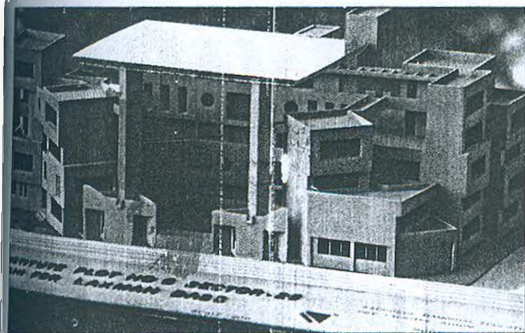
- Public Practice
- Education
- Other
- Industry
- Government

4. Did you complete your educational requirements after the 150-hour requirement went into effect?

- Yes
- No

This completes the survey. Thank you for your time and consideration!

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