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The Debate Over the 150 Credit Requirement

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The Debate Over the 150 Credit Requirement

Amy Wong

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Evaluation of the 150 Hour Requirement

Amy Wong

ABSTRACT: In 1983, Florida adopted a 150 credit hour rule in order for a CPA candidate to sit for the CPA exam. In 1989, the AICPA voted to recommend that all states follow Florida's lead to adopt the 150-hour rule (Carpenter and Hock 2009). The events that led to the Sarbanes-Oxley Act of 2002 raise the question of just how helpful those extra credits are in improving the knowledge of accounting professionals in their field. A previous study has shown that the 150-hour requirement does not affect pass rates (Allen and Woodland 2006). Another study has shown that when there was an increase in the pass rate after the 150 hour credit requirement was implemented, the number of people actually passing decreased, which implied that the increased requirement left less people taking the exam (Gramling and Rosman 2009). This study attempts to replicate some of the findings in Gramling and Rosman about students' knowledge of the 150-hour rule, and to extend that study to further explore students' perspectives and opinions about the additional educational requirement.

INTRODUCTION

Gramling and Rosman (2009) examined three questions: whether the implementation of the 150-hour requirement created an increase in the number of candidates, whether there was an association between the 150-hour requirement and pass rates, and whether the 150-hour requirement was associated with more or fewer candidates passing the CPA Exam. The study was done by looking at statistical evidence created by a previous study by Allen and Woodland (2006). Similar to Gramling and Rosman's study, my study uses a questionnaire distributed to undergraduate accounting students. My study focuses on what undergraduate accounting students know about the CPA requirements, how they intend on completing those requirements, and how they view the extra education requirements. The invitation to participate in the study was sent to all students who have declared accounting as their major in the School of Business at the University at Albany (SUNY). Originally, two questionnaires were distributed, separating graduate students and undergraduate students. Due to a low response rate for the Graduate

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Questionnaire of fifteen responses, I decided to exclude those responses. In the Undergraduate Questionnaire, 116 students participated which included 13 sophomores (11.21%), 62 juniors (53.45%), 40 seniors (34.48%), and 1 graduate student who mistakenly took this questionnaire. Of the 116 respondents, 61 (52.59%) were female and 55 (47.41%) were male.

Respondents were asked if they intend on taking the CPA exam and if so, when they intend on taking it. They were then asked questions that revealed their awareness about the CPA exam requirements for sitting and licensing. These questions were asked to compare the percentage of people who intend on taking the CPA exam with the percentage of people who answered the questions about the requirements correctly. To go further in depth about this correlation, respondents were also asked where they obtained their information about the CPA exam. This reveals how or why people may have wrong information about what they need to complete the requirements.

New York State Certified Public Accounting Licensure Requirements

There are various requirements in New York State that an individual must complete to be licensed as a CPA. For licensing, a candidate has multiple options to complete the education requirements. One option is a candidate can complete an accounting program that qualifies as licensure-qualifying by the New York State Education Department. Another option is for a candidate to obtain 150 credits by completing an accounting program that has Association to Advance Collegiate Schools of Business (AACSB) credentials which may include the receipt of a Master's degree in accounting. Other options include completing a program that the Education Department deems equivalent to a registered program after review of a candidate's official

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transcripts or serving fifteen years in public accounting as deemed acceptable to the State Board for Public Accountancy (NYS Public Accountancy).

If a candidate pursues the option of obtaining 150 credits, within those 150 credits, 33 hours in accounting must be completed with a minimum of one course in each of the following: financial accounting and reporting, cost or managerial accounting, taxation, and auditing and attestation services. Thirty-six credits of the 150 credits must be general business electives. Business or accounting communications, ethics and professional responsibility, and accounting research must be integrated into the course load as well. To simply sit for the CPA exam, candidates only need to have completed 120 credits and complete one course in each of the four areas disclosed above (NYS Public Accountancy).

This paper focuses on how an individual's intent to take the CPA exam may affect her knowledge of what she knows about the CPA exam, as well as how the source of a candidate's information affects the accuracy of the information. This paper also shows students' views about the increase in education requirements and their perspectives about how valuable employers view Accounting Masters degrees. Analysis of these topics is done based on statistical evidence generated from the questionnaire that was distributed and completed by the undergraduate accounting students at the University at Albany.

The next section compares the results generated by Gramling and Rosman's study with the results obtained from my questionnaire. The questionnaire first asked students about their knowledge of CPA licensure. After that, questions inquired about respondents' future intentions in their education and careers. Lastly, questions revealing how respondents feel about the value of the extra education are discussed.

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CONFUSION OVER CPA REQUIREMENTS

In the study completed by Gramling and Rosman, a survey of accounting juniors in Connecticut was taken about their awareness of CPA requirements in their state in an attempt to reveal the lack of concern students had about the additional requirements. Table 1, which is directly taken from the Gramling and Rosman study, reveal the questions that were asked of those students along with the percent rate of accuracy.

I included the questions utilized in their study for a comparison in accuracy rates about CPA requirements between Gramling and Rosman's study and my study. Because my study was conducted at the University at Albany in Albany, New York, students were asked about their knowledge about CPA requirements in New York State. I used the questions in Gramling and Rosman's study as a basis, but slightly altered each question. Table 2, shown in the Appendix, reveals how each question was asked along with the number of respondents and percentage of students for each option. The bolded option represents the correct answer choice. Similar to Gramling and Rosman's study, all respondents who participated in my study have reached a point in their academic career where they should be aware of CPA requirements. All students participating are students who have declared accounting as their major and are already admitted to the School of Business at the University at Albany.

Table 1 shows that when asked how many hours of education are needed to sit for the CPA exam, 35.9% of the respondents answered correctly while Table 2 shows that 48.28% answered correctly. Table 2 also reveals that 49.14% responded incorrectly with an answer of 150 credits. A potential reason for this misconception may be that the University at Albany's accounting requirements website incorrectly states that the credit requirements is, in fact, 150 credits. When asked about the total hours of education required to be certified after passing the

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CPA, 53.2% of students answered correctly in the study completed by Gramling and Rosman while 87.83% responded correctly in the study performed at the University at Albany. Various reasons could explain this data. Higher accuracy rates could be the result of better communication or a better grapevine among faculty and students. One potential explanation is that the Accounting Department at the University at Albany does a better job of communicating the information to students, either in the classroom, in student organizations, or in career services.

When asked how many education hours in accounting are required to be licensed as a CPA, only 9.0% of participants in Gramling and Rosman's study responded correctly while 31.03% of respondents in the Albany study answered correctly. This further demonstrates that the specific qualifications of how many accounting credits are required are not emphasized to students. It shows that students generally know more about the overall education requirements than the breakdown of it.

In Gramling and Rosman's study, 75.6% of participants correctly responded that students do not need a graduate degree to fulfill the 150 hour requirement in Connecticut while in the Albany study, only 30.17% answered correctly. This shows a misunderstanding of how students can fulfill their education requirements. This may be the result of a frequent track taken by accounting students to go for their Master's degree in order to reach 150 credits. One reason for this may be because many colleges and universities do not offer an opportunity to take extra accounting credits outside of the basic accounting curriculum to fulfill the extra requirements. At the University at Albany, the 24 credits specifically required to graduate with an accounting degree are the only courses in accounting offered at the undergraduate level. There are no elective classes in accounting to take, making it impossible to earn the extra accounting credits

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without enrolling in a Master's program unless a student finds another undergraduate school that offers different accounting courses.

To try to explain the misconceptions that many students have about fulfilling CPA requirements, respondents were asked where they obtain the information they know about the CPA exam. Four options were provided: 16 respondents (7.24%) claimed they obtained information from the New York State Public Accountancy website, 79 respondents (35.75%) claimed they obtained their information from word of mouth from other students, 44 respondents (19.91%) claimed that they obtained their information from current or potential employers and recruiters, and the final 82 respondents (37.10%) claimed that they learned information from the University at Albany staff and faculty or through materials provided by the University. The 79 students that chose 'word of mouth from other students' may provide a strong potential explanation of the large inaccuracy for many of the questions asked about CPA requirements. Word of mouth does not necessarily correlate to inaccurate information but if a few individuals have incorrect knowledge, they can easily spread it to others without knowing they have inaccurate information. The highest response rate which came from the choice, 'UAlbany staff and faculty or materials provided by the University' can imply that enthused students are asking their professors and staff about their knowledge of the CPA requirements or certain classes are incorporating this knowledge into the curriculum. These are just a couple of explanations although this question provides many possible reasons as to how individuals responded to questions regarding CPA licensure requirements.

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Education and Career

In the questionnaire distributed to accounting students at the University at Albany, participants were asked if they intended on attending graduate school. Results showed that 90.52% of participants (105 students) do intend on attending graduate school while 9.48% of participants (11 students) do not. The students who answered no to attending graduate school could be pursuing the 150 credit requirement through extra undergraduate accounting courses or they might not intend on reaching 150 credits at all. Respondents were also asked if they intend on attending graduate school at the University at Albany; results showed that 63.79% (74 students) intend on attending the University at Albany while 36.21% (42 students) do not. This question was put in the questionnaire mostly to show more details about the population of students that participated in the study. Students were also asked if they intend on taking the CPA exam. Out of the 116 respondents, 107 (93.04%) replied Yes while 8 (6.96%) replied No. This question strongly reveals that the majority of respondents do intend on taking the CPA exam. Being that only eight people replied negatively to taking the CPA exam while eleven people responded negatively to graduate school, there is an inference that the other three are finding a way to reach 150 credits by means other than graduate school. A negative response to this question may help explain the inaccurate responses resulting from the questionnaire about accounting requirements. There is a possibility that students who do not intend on taking the CPA exam do not know or look into what is required to do so.

Besides being asked if they intended on taking the CPA exam, respondents were also asked when they intend on taking it if they answered positively to the previous question. Out of the total respondents, 27 respondents (23.68%) replied that they intend on taking it shortly after completing undergraduate studies. 39 respondents (34.21%) chose 'as a graduate student,' 41

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respondents (35.96%) said ‘shortly after completing graduate studies,’ and 7 respondents (6.14%) claim that they intend on taking it a few years down the line. This could imply different career goals as well as different perspectives about how important graduate studies are in successfully completing the CPA exam. The 27 respondents that intend on taking the CPA exam shortly after, may believe that after completing their undergraduate studies, they are ready and qualified to begin taking parts of the CPA exam. The 39 people who intend on taking the CPA exam in graduate school may believe that they are most prepared as they learn the material presented in graduate studies or that they believe the time during graduate studies is just the most convenient time to sit for the exam. The three answers with the highest results (students who intend on taking the CPA exam shortly after completing undergraduate studies, as a graduate student, or shortly after completing graduate studies) may imply that these individuals may be the ones aiming at working in public accounting, where obtaining a CPA licensure is strongly encouraged. The 7 respondents who replied saying they intend on taking the CPA exam a few years down the line may be pursuing accounting careers where obtaining a CPA licensure is not vital for promotions or hiring.

To provide more clarification to the previous argument, respondents were also asked where they intend on working. 77 individuals (66.36%) responded that they want to work in public accounting, 23 individuals (19.83%) responded that they intend on working in private accounting, 6 individuals (5.17%) responded that they intend on working in a government position, and 10 individuals (8.62%) responded they want to work in a job outside of accounting. The fact that a majority of respondents want to work in public accounting shows a potential correlation to the majority of respondents having an intent of obtaining their CPA licensure. The results also show that 29 students do not intend on working in public accounting, yet still plan on

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taking the CPA exam. This could mean that they want to receive their CPA licensure in hopes of owning their firm one day.

Besides having a picture of the general careers that respondents intend on pursuing, I also wanted to provide a picture of exactly which field of accounting respondents wanted to pursue. Out of the total 116 respondents, 53 individuals (45.69%) chose auditing, 23 individuals (19.83%) chose tax, 27 individuals (23.28%) responded advisory (such as management, consulting, forensic accounting, etc.) and 13 individuals (11.21%) responded with Other. This question was primarily put in to provide a better picture of the respondents' intentions. Fields in auditing and tax for many public accounting companies such as the Big Four push obtaining CPA licensure but the push in the advisory field is not as strong since not all advisory jobs necessarily demand obtaining CPA licensure.

Value of Additional Education

Respondents were also asked how valuable they think the Accounting Masters degree is to prospective employers. They were asked to choose on a scale from (1) to (5), where (1) represents poor and (5) represents strong. Two people (1.72%) responded to the question with (1), 4 people (3.45%) responded with (2), 12 people (10.34%) responded with (3), 47 people (40.52%) responded with (4) and the remaining 51 people (43.97%) responded with a (5). The results show that the majority of respondents view the Master's degree as valuable to prospective employers. The high response rates in choices (4) and (5) show a potential correlation to the high response rates in the people who intend on obtaining their CPA licensure. The fact that the majority of respondents believe that the Master's degree is valuable to prospective employers may mean that

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some students who pursue the Master's degree do it because it makes them more attractive to recruiters.

Finally, respondents were asked if they felt that a candidate who has obtained 120 credits of education would be just as qualified to take the CPA exam as someone who has completed 150 credits. A minority of 45 people (39.13%) answered Yes while 70 people (60.87%) answered No. This shows that a majority of people do believe that attending graduate school and obtaining a Master's degree, or taking extra courses in accounting does aid in successfully obtaining a CPA license. Originally, this question was also asked in the questionnaire distributed to graduate students to give a more qualified response. Graduate students, who are in process of earning the extra thirty credit hours, could have provided a more qualified response being that they are currently learning the exact material taught in graduate studies. Because undergraduate students are the only respondents discussed in this research study, this question provides more of an opinion from maybe a less qualified perspective. The minority of people who believe that individuals who have completed 120 credits in accounting are just as qualified as individuals who have completed 150 credits clearly show that they feel the material they learned when obtaining a Bachelor's degree is enough to make them qualified.

Conclusion

Over the last twenty years, the additional education requirement for CPA licensure has been very controversial. Many accounting students have protested the idea of an extra year in school to pursue the career they desire. The inaccuracies of students in providing the answers to questions about CPA licensure knowledge in both the Gramling and Rosman study and my study completed at the University at Albany reveal that there

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is still much confusion about what is necessary for students to obtain their CPA license. The high positive response rate for how valuable respondents believe the Master's degree in Accounting is to prospective employers as well as the high negative response rate to candidates with only 120 credits completed being as qualified as candidates with 150 credits, reveals that there is some perceived merit to the additional requirement. The majority of students do believe that the extra educational requirement is valuable, whether it be to employers or to pass the CPA exam. Unlike previous studies, my study is based on personal experiences of undergraduate accounting students. The results of this study show that although many students are currently misinformed about what is specifically necessary for CPA licensure, many students do feel that the additional education requirement in accounting will benefit them.

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Appendix

TABLE 1
Survey of Accounting Juniors on Awareness Issues

<u>Question</u>	<u>% Correct</u>
1. How many total semester hours of education do you need in Connecticut to sit for the CPA exam? (120 is the correct answer)	35.9%
2. How many semester hours of education in accounting do you need in Connecticut to sit for the CPA exam? (24 is the correct answer)	9.6%
3. How many total semester hours of education do you need in Connecticut to be licensed once you have passed the CPA exam? (150 is the correct answer)	53.2%
4. How many semester hours of education in accounting do you need in Connecticut to be licensed once you have passed the CPA exam? (36 is the correct answer)	9.0%
5. Do you need a graduate degree to fulfill the 150-hour education requirement in Connecticut? Yes or No? (No is the correct answer)	75.6%

(Gramling and Rosman, 2009)

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TABLE 2

Question 1

How many total semester hours of education do you think you need in New York State to sit for the CPA exam?

<u>Options</u>	<u># of Respondents</u>	<u>% of Respondents</u>
120 credits	56	48.28%
130 credits	3	2.59%
150 credits	57	49.14%

Question 2

How many semester hours of education in accounting do you think you need in New York State to sit for the CPA exam?

<u>Options</u>	<u># of Respondents</u>	<u>% of Respondents</u>
21 credits	38	33.33%
33 credits	28	24.56%
36 credits	48	42.11%

Question 3

How many total semester hours of education do you think you need in New York to be licensed once you have taken the CPA exam?

<u>Options</u>	<u># of Respondents</u>	<u>% of Respondents</u>
120 credits	12	10.43%
130 credits	2	1.74%
150 credits	101	87.83%

Question 4

How many semester hours of education in accounting do you think you need in New York to be licensed once you have passed the CPA exam?

<u>Options</u>	<u># of Respondents</u>	<u>% of Respondents</u>
21 credits	16	13.79%
33 credits	36	31.03%
36 credits	64	55.17%

Question 5

From your knowledge, can undergraduate students reach the 150 credit requirement without going to graduate school?

<u>Options</u>	<u># of Respondents</u>	<u>% of Respondents</u>
Yes	61	52.59%
No	35	30.17%
I don't know.	20	17.24%

Note: Correct answers are indicated in bold. Question 2 erroneously did not provide a correct answer and was therefore, not included in my analysis.

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Questionnaire

Question 1

What academic status do you hold?

Freshman	0	0.00%
Sophomore	13	11.21%
Junior	62	53.45%
Senior	40	34.48%
Graduate Student	1	0.86%

HNGLN_165661

Question 2

What is your gender?

Female	61	52.59%
Male	55	47.41%

HNGLQ_615151

Question 3

Do you intend on taking the CPA exam?

Yes	107	93.04%
No	8	6.96%

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Question 4

How many total semester hours of education do you think you need in New York to sit for the CPA exam?

120 credits	56	48.28%
130 credits	3	2.59%
150 credits	57	49.14%

Question 5

How many semester hours of education in accounting do you think you need in New York to sit for the CPA exam?

21 credits	38	33.33%
33 credits	28	24.56%
36 credits	48	42.11%

IHNKML_c01ea6

Question 6

How many total semester hours of education do you think you need in New York to be licensed once you have the CPA exam?

120 credits	12	10.43%
130 credits	2	1.74%
150 credits	101	87.83%

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Question 7

How many semester hours of education **in accounting** do you think you need in New York to be licensed once you have passed the CPA exam?

21 credits	16	13.79%
33 hours	36	31.03%
36 hours	64	55.17%

IHINGKC_27a68b

Question 8

From your knowledge, can undergraduate students reach the 150 credit requirement without going to graduate school?

Yes	61	52.59%
No	35	30.17%
I don't know.	20	17.24%

IHINGKN_591717!

Question 9

Where did you obtain the information you know about the CPA exam? (Check all that apply)

New York State Public Accountancy (http://www.op.nysed.gov/prof/cpa/)	16	7.24%
Word of mouth from other students	79	35.75%
Current/Potential employers Recruiters	44	19.91%
UAlbany staff & faculty or materials provided by the University	82	37.10%

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Question 10

Do you intend on attending graduate school?

Yes	105	90.52%
No	11	9.48%

IHINGKK_297d03

Question 11

Do you intend on attending Graduate school at the University at Albany?

Yes	74	63.79%
No	42	36.21%

IHINGKH_b07452

Question 12

On a scale from 1-5 (1 being poor and 5 being strong), how valuable do you think prospective employers view the Accounting Master's degree?

1	2	1.72%
2	4	3.45%
3	12	10.34%
4	47	40.52%
5	51	43.97%

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Question 13

Do you feel a candidate who has obtained 120 credits of education would be just as qualified to take the CPA Exam as someone who completed 150 credits?

Yes	45	39.13%
No	70	60.87%

Question 14

If you intend on taking the CPA Exam, when do you intend on taking it?

Shortly after completing Undergraduate Studies	27	23.68%
As a Graduate Student	39	34.21%
Shortly after completing Graduate Studies	41	35.96%
A few years down the line of your career	7	6.14%

#NGLB_1fe02dt

Question 15

Where do you intend on working?

Public Accounting	77	66.38%
Private Accounting	23	19.83%
Government	6	5.17%
A job outside of accounting	10	8.62%

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Question 16

Which focus of accounting are you pursuing?

Auditing	53	45.69%
Tax	23	19.83%
Advisory (Such as management consulting forensic accounting etc.)	27	23.28%
Other	13	11.21%

I\NKGJ_5e7a33