

A STUDY OF ACCOUNTING STUDENTS' PERCEPTION OF CHANGES IN REQUIREMENTS FOR CERTIFIED PUBLIC ACCOUNTANT (CPA) LICENSURE IN NEW YORK STATE

Buchholz, Alexander K. *
Brooklyn College of the City University of New York
Department of Accountancy

Kass, Frimette
Brooklyn College of the City University of New York
Department of Accountancy

* Corresponding author

The authors wish to thank Prof. Hershey Freidman for his sage advice. Any errors are our own.

ABSTRACT

Changes in New York State's requirements for obtaining a CPA license have brought change to many accountancy departments. This study questioned how students planned to meet the 150-hour (credit) requirement for CPA licensure. In addition, this study addressed the question of how students planned to obtain the one year experience requirement. The results showed that most students plan to go to graduate school. Many students will also have 150 credits when completing their accounting studies and will not have need for additional education. Furthermore, the students surveyed took a departure from the traditional approach of public accounting, or more specifically audit, as satisfying the one year experience requirement towards licensure.

BACKGROUND

The expression "here come the auditors" has been heard at least once if people are or were auditors in public practice. However, what if this expression is replaced with, "hey... what happened to those auditors?" Both these statements reflect this study into the recent changes for CPA licensure in New York State. "On January 27, 2009, Governor David A. Paterson signed into law a sweeping reform to the law regulating the CPA profession in the state of New York" ("The Long Arm of the Law: The Regulatory Reach of New York's Accountancy Reform," 2009). This new law provides for a variety of changes to New York State Licensed CPAs including:

1. *Defining the scope of services covered for the practice of public accountancy in New York State.* The essence of subdivision three of Section 7401 of the New York State

Education Department's Public Accountancy Law expands the scope of practice to beyond attest and/or compilation services to "services including, but not limited to, accounting, management advisory, financial advisory, and tax."

2. ***Expanding the registration of CPA's.*** This now includes any New York State licensed CPA using those skills and competencies in areas such as public accounting, private industry, government, non-profit, or academe.
3. ***Continuing Professional Education requirements (CPE).*** All CPA's are now required to obtain forty hours of CPE in general studies or twenty-four hours in a concentrated area such as accounting, auditing, taxation, or industry specific. These requirements need to be completed by active status members by December 31st of each year.
4. ***Experience requirements.*** Acceptable experience in the practice of public accountancy is limited to experience in providing accounting services or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills under the supervision of a certified public accountant licensed in the United States or a public accountant licensed in New York.

Acceptable experience in the practice of public accountancy can be earned through employment in public practice, government, private industry or an educational institution. If the experience was earned more than 10 years after an applicant passed the CPA exam, a license will not be issued until the applicant completes a satisfactory amount of continuing professional education, as is deemed appropriate by the State Board for Public Accountancy. (New York State Society of Certified Public Accountants, 2009, p.11)

It is the experience requirements of this new law which serves as one focus for this study. Prior to the passage of this new law, the experience requirement was achieved by the candidate demonstrating the application of generally accepted accounting principles and generally accepted auditing standards in the practice of public accountancy for a minimum of two years unless a graduate degree was obtained, in which case the period was reduced to one. This has now been reduced to only one year of full-time employment for those candidates completing the 150-hour requirement after August 1, 2009. Those candidates completing 120-hours prior to August 1, 2009 must still work full-time for two years. However, by allowing CPA candidates these more diverse choices, has New York State possibly created the "opportunity" for there to be a lack of potential candidates in the audit and attestation function?

Traditionally, the audit and attestation functions have been considered a challenging proposition for most candidates. It involves a great deal of stress, long working hours, travel out of one's immediate work region, even extending out of state and out of country. In many cases, it proves to be a thankless job whereby most clients are happy to see the auditors leave knowing they won't be back for another year. In addition, the audit field is frequently besieged in the newspapers with reports of various accounting and audit scandals. Given these facts, coupled with the new changes in experience requirements, one can easily understand why anyone would not want to apply for a staff auditor position. However, the job is vital in order to provide "reasonable assurance that the financial statements are free from material misstatement" (language from a standard audit report letter). After considering these challenges facing the general audit working environment, a possible concern is created regarding the new accountancy law impacting

students' decisions to go into public accounting. Cynthia Krom, accounting professor and former chair of the New York State Society of CPA's Higher Education Committee commented that:

Many [students] have indicated [that] they will still try to obtain the auditing experience necessary to do attestation—a more traditional approach. A few, however, are really excited to have other career paths that still permit them to become licensed as a CPA in New York. They feel less obligated to tread water at a big accounting firm when what they really want to do is work in industry or... do taxes." (New York State Society of Certified Public Accountants, 2009, p.11).

Even some potential employers are recommending that students not start their careers in public accounting. According to a recent study, "when asked what area of specialization they would recommend for newly minted graduates, the majority of CFOs (60 percent) said general accounting ("Think Small," 2010)."

By the very definition of an accounting entry, there must always be an offsetting credit for each debit made. While the new Accountancy Reform Law has made enormous strides to regulate the profession and bring more consistency, the question now arises of whether or not it will have an impact and create a potential shortfall in the recruitment of potential auditors?

PROBLEM STATEMENT

With the advent of the 150 credit rule many colleges expanded or initiated masters' programs in accounting. Some colleges expanded their undergraduate accounting programs to require 150 credits. Still, others gave students the option to add a second major to their undergraduate education and graduate with 150 credits. The colleges expected these programs to grow significantly after July 31, 2009, the date upon which the 150-hour rule became effective. Anecdotal evidence, however, suggests that this has not happened.

Therefore, the following questions are posed: Where have all the accounting students gone or where are they going? How do they expect to complete the 150-hour requirement? In what field of accounting do they expect to complete their one year of full-time experience requirement? What are the long term student career goals?

RESEARCH QUESTIONS

The research poses the following questions:

- Q1: What are the students' plans for meeting the 150-hour requirement?
- Q2: In what field of accounting does the student expect to work during their one-year of full-time experience requirement?
- Q3: In what field of accounting does the student expect to work for the remainder of their career?

Due to the fact that this research is exploratory in nature, we have not formed any hypotheses.

RESEARCH METHODS

This research uses the survey research method. A survey instrument was prepared using the methods described by Dillman and Salant (Dillman, 2000; Salant & Dillman, 1994). During the first summer 2010 semester, the survey instrument was piloted in two sections of *Auditing Concepts and Accounting Research*. This class was chosen since a majority of the enrollees are graduating seniors. Based on the pilot study, some of the questions, regarding choice of practice area, were changed from open ended questions to Likert Scale type questions.

The revised questionnaire was then administered to one section of *Auditing Concepts and Accounting Research* during the second summer semester and all five sections of this course that were offered in the fall 2010 semester.

RESULTS

The data collected was treated and analyzed using the SPSS statistical software package. Descriptive statistics follow.

1. **Demographics.** 85 students participated in the survey consisting of 49 male and 36 female students. The mean age of these students was 25.99 years ($SD=5.391$). The age was bimodal at 22 and 24. Only forty-three students (50.6%) reported that English is their native language with the remainder having English as a second language. This was not an unexpected finding as anecdotal evidence in classrooms suggests that a preponderance of students are not natives. Once, in a class of thirty students, nineteen students reported that English was not their mother tongue.

The mean Grade Point Average (GPA) of these students is 3.144 ($n=82$, $SD=.5631$). It should be noted that GPA was self-reported. The mean number of credits completed to date was 125.11 ($n=81$, $SD=19.995$). The dispersion of credits completed is very interesting. There was a minimum of 78 and a maximum of 180.

2. **CPA examination and other professional licensure.** Eighty students (94.1%) reported that they plan to take the Uniform CPA Examination. Thirty-three students (38.8%) indicated that they plan to take the CPA examination after completing 120 credits but before completing 150 credits. Forty eight students (56.5%) indicated that they plan to take the examination after completing 150 credits.

Students responded to their plans to obtain licensure other than the CPA license. Ten (11.8%) said they plan to take the Certified Management Accountant (CMA) examination; seven (8.2%) plan to take the Certified Forensic Examiner (CFE) examination; eight (9.4%) plan to take the Certified Internal Auditor (CIA) examination; seven (8.2%) plan to obtain some type of licensure from the Securities and Exchange Commission (SEC); three (3.5%) plan to obtain licensure related to insurance product sales; and eight (9.4%) expect to obtain some other type of professional licensure.

These findings are somewhat surprising. Anecdotal evidences suggest that there is a heightened interest in fraud and forensic accounting. Faculty, particularly during audit classes, are bombarded with questions related to forensics.

3. **Choices for completing the 150 hour (credit) requirement.** Students also responded as to how they would complete their 150 credit requirement. Unfortunately the results from this question are not entirely usable. The question was structured so that the student should have chosen only one of the choices. To our chagrin, some students chose more than one option and some did not choose any option. The results we did get are found in Table 1.

Even though the largest plurality intend to go to graduate school, only five (5.9%) had taken the GMATs. Forty-three (50.6%) did not answer the question.

Students also responded as to their preferences for times and places of learning. Within the City University of New York (CUNY) system, and academe in general, there is much debate about the value of on-line learning. Also, many schools are experiencing capacity issues. One way to deal with this issue is creative scheduling. Table 2 is a representation of the response to the question on the students' learning preferences.

Students overwhelmingly prefer night classes. Web-enhanced study is only 'most preferred' by 17.6% (n=15) of the students. Two methods of study were equally 'least preferred' by students: early morning classes and on-line learning (n=32, 37.6%).

Students were also asked how many graduate schools they planned to apply to. The results are presented in Table 3.

4. **Career Preferences.** Three questions were posed to students regarding their career preferences: type of entity, expected practice area at their first job (to satisfy the CPA licensure requirements), and their overall preferred career practice area. We provided a list of choices and asked them to rank the choices by preference. Table 4 is a presentation of their type of entity preference.

We similarly asked students which practice area they expected to work in at their first job. This is a significant question in the new era. Until the change in law, CPA candidates were required to work substantially in audit or financial statement preparation to meet the licensure requirements in New York. The New York State Board of Accountancy has since expanded the definition of the practice of accounting and now candidates are permitted to gain their experience in many different practice areas. Table 5 is a presentation of responses to questions about expected practice areas at their first job for satisfaction of the full-time work experience requirements for CPA licensure.

Students were also asked what practice area they would like to work as their long term career. Table 6 is a summary of their responses.

RELATIONSHIPS

We did not form any hypotheses for this study. Still, we thought it would be interesting to explore various relationships bases on anecdotal evidence and our analysis of student responses.

1. **Plans for taking the CPA examination.** Our first research question asked about when the students plan to take the CPA examination. We regressed certain demographic variables against the various options for taking the CPA examination and plans for graduate school. The results appear in Table 7. None of the regression models was significant. However, the number of credits completed to date stands out. This is the one variable that has any significance on when a student plans to take the exam or whether they are planning to attend graduate school.
2. **Expected first practice area for fulfillment of licensure requirement.** We asked which practice area they expected to work in upon completion of studies. We

regressed certain demographic data against the various choices. The results are presented in Table 8.

When regressing demographic data against the practice area that students expected to work in initially none of the regression models was significant. However, the number of credits was significantly correlated with an expectation of working in tax. Additionally, gender was significantly correlated with an expectation of working in forensics, with women more likely to anticipate working on forensics.

3. **Desired career practice area.** The students were surveyed which practice area they desired to work in for the balance of their career. We regressed certain demographic data against the various choices. The results are presented in Table 9.

CONCLUSION AND SUMMARY

The purpose of this study was to determine how students planned to meet the 150 credit requirement for CPA licensure and their plans for meeting the full-time experience requirement. Additionally, students were surveyed to as to their long-term career goals.

This study revealed that most students plan to go to graduate school to obtain the additional credits beyond the 120 required for a bachelors' degree. However, enrollments in the graduate program in accounting are down. Further study is needed to determine why enrollments in the graduate program are down when most students expect to go to graduate school. Students may be going to other graduate programs or there may be a lag between receiving the bachelors' degree and starting graduate school.

The second most popular choice for completing the 150 credit requirement is that additional schooling is not needed since the students will have 150 or more credits when they complete their accounting program. Anecdotal evidence suggests that this is because Brooklyn College has many students that have transferred from other schools and may already have a first bachelors' degree. Credits from prior schooling, that have not been accepted for transfer to Brooklyn College, may still be accepted by the New York State Board of Accountancy for satisfying the 150-credit requirement.

Most students reported an expectation of working in forensic accounting as their first job (fulfilling the experience requirement) as well their long-term career choice. We believe this is not unexpected but also somewhat unrealistic. Forensics has become an enticing practice area since it is still relatively new and is constantly developing. Students believe that it is very exciting, which it can be. However, it has been our academic experience that most forensic accountants started out as auditors and then used their audit skills as a basis for their forensic skills.

This study had started answering some questions about accounting students post-graduate learning and career choices. More study is needed to determine the motivations for their choice. However, the study shown thus far does seem to demonstrate a potential decline in future auditors if students now have a variety of choices for satisfying their one year experience requirement.

REFERENCES

Dillman, D. A. (2000) *Mail and internet surveys: The tailored design method*. New York: John Wiley & Sons, Inc., 464.

New York State Education Department's Public Accountancy Law, Article 149. §7401.

New York State Society of Certified Public Accountants (2009, November 15). CPA Licensing Requirements in New York State: What Every Student Should Know. *The Trusted Professional*, 11.

The Long Arm of the Law: The Regulatory Reach of New York's Accountancy Reform. (2009) *The CPA Journal*, 79(10), 16-22.

Think Small: CFOs Recommend Accounting Grads Start Their Careers at Smaller Companies. (June 2010). Retrieved July 6, 2010, from <http://accounting.smartpros.com/x69454.xml>

Salant, P., & Dillman, D. A. (1994) *How to conduct your own survey*. John Wiley & Sons, Inc., 232.

Table 1: Choices for completing the 150 hour requirement

<u>Education option</u>	<u>n</u>	<u>% of 85</u>
Plans for graduate study	33	38.8
No further education	21	24.7
150 undergraduate credits without second major	10	11.8
150 undergraduate credits with second major	19	22.4
Will have 150 undergraduate credits when completing this major	22	25.9
Total	<u>105</u>	<u>123.6*</u>

*Some students checked more than one choice.

Table 2: Preferred learning methods*

	<u>Does Not Want</u>	<u>Low Preference</u>	<u>Mid Preference</u>	<u>Some Preference</u>	<u>Most Preferred</u>
Night school	10 (11.8%)	8 (9.4%)	6 (7.1%)	21 (24.7%)	30 (35.3%)
Short intense terms	13 (15.3%)	11 (12.9%)	21 (24.7%)	15 (17.6%)	14 (16.5%)
Early morning classes	32 (37.5%)	14 (16.5%)	12 (14.1%)	5 (5.9%)	10 (11.8%)
On-line study	32 (37.6%)	8 (9.4%)	14 (16.5%)	8 (9.4%)	12 (14.1%)
Web enhanced	5 (5.9%)	6 (7.1%)	22 (25.9%)	27 (31.8%)	15 (17.6%)
Executive style study	21 (24.7%)	17 (20.0%)	12 (14.1%)	10 (11.8%)	13 (15.3%)

*May not total to 100% because of missing responses.

Table 3: Number of graduate schools being applied to

<u># of schools</u>	<u>Frequency</u>	<u>Percent</u>
1	8	9.4
2	6	7.1
3	9	10.6
4	3	3.5
5	5	5.9
10	<u>1</u>	<u>1.2</u>
Sub-Total	32	37.6
Missing	<u>53</u>	<u>62.4</u>
Total	<u>85</u>	<u>100.00</u>

Table 4: Type of Entity

	<u>Large Firm</u>	<u>Medium Firm</u>	<u>Small Firm</u>	<u>Government</u>	<u>Industry</u>
Does not want to	22 (25.9%)	14 (16.5%)	15 (17.6%)	17 (20%)	12 (14.1%)
Little expectation	11 (12.9%)	21 (24.7%)	8 (9.4%)	7 (8.2%)	13 (15.3%)
Middle expectation	13 (15.3%)	15 (17.6%)	19 (29.2%)	10 (11.8%)	6 (7.1%)
Some expectation	6 (7.1%)	15 (17.6%)	8 (9.4%)	12 (14.1%)	21 (24.7%)
Highest expectation	14 (16.5%)	6 (7.1%)	14 (16.5%)	18 (21.2%)	14 (16.5%)
Sub-total	66	71	64	64	66
Missing	19	14	21	21	19
Total	85	85	85	85	85

Table 5: Expected area of practice at their first job

	<u>Audit</u>	<u>General Accounting</u>	<u>Tax</u>	<u>Financial Planning</u>	<u>Consulting</u>	<u>Forensics</u>	<u>Other</u>
No expectation	18 (21.2%)	27 (31.8%)	14 (16.5%)	3 (3.5%)	2 (2.4%)	4 (4.7%)	1 (1.2%)
Level 1 expectation	10 (11.8%)	12 (14.1%)	17 (20%)	6 (7.1%)	4 (4.7%)	3 (3.5%)	1 (1.2%)
Level 2 expectation	9 (10.6%)	12 (14.1%)	10 (11.8%)	17 (20%)	4 (4.7%)	7 (8.2%)	1 (1.2%)
Level 3 expectation	14 (16.5%)	5 (5.9%)	5 (5.9%)	22 (25.9%)	14 (16.5%)	7 (8.2%)	1 (1.2%)
Level 4 expectation	5 (5.9%)	4 (4.7%)	9 (10.6%)	5 (5.9%)	22 (25.9%)	18 (21.2%)	2 (2.4%)
Level 5 expectation	4 (4.7%)	5 (5.9%)	5 (5.9%)	13 (15.3%)	13 (15.3%)	22 (25.9%)	2 (2.4%)
Level 6 expectation	4 (4.7%)	5 (5.9%)	3 (3.5%)	1 (1.2%)	5 (5.9%)	3 (3.5%)	16 (18.8%)
Highest expectation	6 (7.1%)	7 (8.2%)	8 (9.4%)	1 (1.2%)	2 (2.4%)	3 (3.5%)	2 (2.4%)
Sub-total	70	77	71	68	66	67	25
Missing	15	8	14	17	19	18	60
Total	85	85	85	85	85	85	85

Table 6: Long term career desires

	<u>Audit</u>	<u>General Accounting</u>	<u>Tax</u>	<u>Financial Planning</u>	<u>Consulting</u>	<u>Forensics</u>	<u>Other</u>
No expectation	18 (21.2%)	22 (25.9%)	12 (14.1%)	6 (7.1%)	5 (5.9%)	7 (8.2%)	3 (3.5%)
Level 2 expectation	9 (10.6%)	8 (9.4%)	10 (11.8%)	12 (14.1%)	7 (8.2%)	7 (8.2%)	5 (5.9%)
Level 3 expectation	8 (9.4%)	13 (15.3%)	12 (14.1%)	9 (10.6%)	9 (10.6%)	3 (3.5%)	0
Level 4 expectation	11 (12.9%)	5 (5.9%)	8 (9.4%)	13 (15.3%)	13 (15.3%)	10 (11.8%)	1 (1.2%)
Level 5 expectation	12 (14.1%)	7 (8.2%)	9 (10.6%)	12 (14.1%)	13 (15.3%)	10 (11.8%)	1 (1.2%)
Level 6 expectation	6 (7.1%)	3 (3.5%)	4 (4.7%)	13 (15.3%)	16 (18.8%)	23 (27.2%)	1 (1.2%)
Level 7 expectation	4 (4.7%)	7 (8.2%)	8 (9.4%)	2 (2.4%)	1 (1.2%)	4 (4.7%)	15 (17.6%)
Highest expectation	4 (4.7%)	8 (9.4%)	8 (9.4%)	0	5 (5.9%)	3 (3.5%)	0
Sub-total	72	73	71	67	69	67	26
Missing	13	12	14	18	16	18	59
Total	85	85	85	85	85	85	85

Table 7: Plans for taking the CPA examination

	Plan to take CPA exam	CPA exam between 120 and 150 credits	CPA exam after 150	Plans for graduate study
Constant	.535 (2.064)*	1.435 (2.665)**	-.405 (-.755)	1.305 (2.347)*
Gender	-.098 (-1.725)	.026 (.226)	-.054 (-.461)	-.113 (-.934)
Age	-.001 (-.221)	.009 (.226)	-.011 (-1.015)	-.004 (-.345)
English	.006 (.115)	-.012 (-.110)	.031 (.279)	-.050 (-.431)
Credits	.002 (1.647)	-.009 (-3.284)**	.009 (3.090)**	-.008 (-2.661)**
GPA	.060 (1.228)	-.032 (-3.284)	.064 (.633)	.083 (.791)
N	79	74	74	73
Adjusted R ²	.038	.083	.079	.038

* p<.05; **p<.01; ***p<.001

Table 8: Predictors of expected initial practice area

	Audit	General Accounting	Tax	Financial Planning	Consulting	Forensics	Other Practice Area
Constant	7.183 (2.665)**	5.621 (2.006)*	4.953 (1.778)	3.385 (1.744)	2.842 (1.548)	3.930 (1.907)	-1.467 (-.319)
Gender	.230 (.364)	.787 (1.314)	-.358 (-.573)	.471 (1.079)	-.252 (-.598)	-1.167 (-2.475)*	-.166 (-.216)
Age	-.011 (-.183)	-.021 (-.320)	.127 (1.509)	.052 (.912)	.087 (1.601)	-.013 (-.215)	-.150 (-1.681)
English	-.756 (-1.272)	-.916 (-1.598)	.337 (.562)	.044 (.108)	.294 (.748)	-.268 (-.612)	-.057 (-.072)
Credits	-.012 (-.763)	.001 (.099)	-.034 (-2.013)*	-.004 (-.331)	.009 (.761)	.001 (.079)	.043 (2.098)
GPA	-.480 (-.993)	-.619 (-1.253)	-.032 (-.065)	-.148 (-.439)	-.392 (-1.208)	.541 (1.482)	1.835 (1.7680)
N	64	71	65	63	60	61	22
Adjusted R ²	.015	.024	.014	-.044	.050	.045	.188

* p<.05; **p<.01; ***p,<.001

Table 9: Desired career practice area

	Audit	General Accounting	Tax	Financial Planning	Consulting	Forensics	Other Practice Area
Constant	6.126 (2.338)*	6.717 (2.287)	8.095 (2.857)**	.937 (.415)	-1.006 (-.464)	3.547 (1.445)	2.194 (.379)
Gender	.568 (.953)	.438 (.662)	-.399 (-.617)	.572 (1.086)	.695 (1.356)	-.191 (-.333)	-1.022 (-.976)
Age	-.027 (-.503)	-.046 (-.593)	.025 (.315)	.034 (.557)	.125 (2.264)*	.017 (.253)	-.236 (-1.898)
English	-.077 (-.133)	-.220 (-.346)	.704 (1.132)	.073 (.146)	-.049 (-.101)	-.437 (-.808)	-1.492 (-1.405)
Credits	.004 (.242)	.003 (.199)	-.028 (-1.669)	.013 (.932)	.019 (1.508)	.005 (.330)	.026 (.894)
GPA	-.783 (-1.674)	-.790 (-1.466)	-.394 (-.782)	.052 (.130)	-.089 (-.225)	.108 (.247)	1.999 (1.631)
N	66	67	65	61	63	61	23
Adjusted R ²	-.021	-.034	.030	-.040	.083	-.067	.139

* p<.05; **p<.01; ***p<.001