

**Response of NASBA's Education Committee
to
NASBA's Draft of Education and Licensure Requirements for Certified Public
Accountants" A Discussion Regarding Degreed Candidates Sitting for the Uniform CPA
Examination with a Minimum of 120 Credit Hours (120-Hour Candidate) and Becoming
Eligible for Licensure with a Minimum of 150 Credit Hours (150-Hour Candidate) (Issued
November 2008)**

Introduction

In November 2008, NASBA issued a discussion draft (the Draft) reporting research it conducted to explore and research the implications of allowing CPA candidates to sit for the Uniform CPA Examination with a minimum of 120 credit hours. The stated impetus for the study was the increasing number of states changing their requirements to sit for the exam from 150 hours to 120 hours while still requiring 150 hours of course work for licensure (120/150 model).

The Draft states that the 120/150 educational model "raises many questions for state boards and other stakeholders." More specifically, does the testing through the CPA exam at less than 150 hours harm the public or, more positively, is this beneficial to the public.

- Does the 120/150 model ensure that boards are maintaining their public protection responsibility?
- Does this model increase the number of candidates entering the profession?
- Does this lesser education requirement for sitting for the examination provide greater opportunities for women and minorities?
- Does this model assist candidates with the costs associated with becoming a CPA?
- Is the number of candidates entering the profession a public protection issue for boards?

The Research Model and Reported Results

Generally, the research was conducted by comparing the CPA exam scores of those states that require 150 hours to sit for the exam with the exam scores of those states that require 120 hours to sit for the exam. The research found that exam takers from 150-hour states (advanced degree states) did outperform exam takers from 120-hour states (non-advanced degree states). However, the Draft reports that "no significant or meaningful difference between 120 and 150 hours states as to exam passing rates." Reported additional analysis of pass rates of the 15 states switching from 120 hours to 150 hours between 1996 through 2006 "varied insignificantly as to 120 and 150" when compared to the national average of pass rates. The exam format changed during this time period from a paper-based test to a computer-based test and the impact of this change on the results is unknown.

Based on the assertion that "significantly lower test scores for passing CPA exam candidates is an indicator of less competence and therefore more likely harm to the public," the report concludes:

We have found no direct evidence of detriment to the public interest in those states allowing candidates to sit for the CPA examination at less than 150 hours of education and later fulfilling the 150 hours for licensure.

The Education Committee's Response

The Education Committee agrees that the education requirements for accountants is an important issue and appreciates the opportunity to respond to NASBA's research. Additionally, we commend NASBA for bringing the stated issues outlined above up for discussion because of their importance.

After careful study of the Draft and the comment letters from the AICPA and a number of state boards and other stakeholders, the committee would like to put forth the following response which outlines our concerns about the reported research and makes suggestions for further research that we see as necessary to address the stated issues.

Research Data

From our understanding, the conclusions drawn in the Draft were based on comparisons conducted between aggregate pass rates of advanced degree states and non-advanced degree states. Since no data are available about how many of the examinees from the non-advanced degree states actually had more than 120 hours of course work, the results would seem to be inconclusive. That is, since there is no way of knowing how many of the exam takers in the 120-hour states actually had more than the required 120 hours of course work, the comparisons are not valid. For example, in Colorado, a 120-hour state, a straw poll indicated that approximately 30% of the exam takers did, indeed, have significant hours beyond the 120 hours required to sit for the exam. This percentage may have significantly confounded the results of these research comparisons.

Basic Assertion

The Draft's basic assertion is that "significantly lower test scores for passing CPA exam candidates is an indicator of less competence and therefore more likely harm to the public." Assuming this assertion to be valid, this research, unfortunately, does not follow from this assertion in that a comparison of pass rates does not necessarily translate into a comparison of test scores. It is conceivable that average test scores in the 150 hour states could be significantly higher than the average test scores in the 120 hour states. However, given that this is an untested assertion, the assertion would need to be validated before conclusions based on it could be acceptable.

It should be noted here that the overriding purpose of the additional education requirements were not to enable the candidate to pass the CPA exam. In fact, of the objectives outlined by Henry R. Anderson, University of Central Florida, quoted in the Draft, only one of the ten objectives (# 8) was to increase the CPA exam's pass rate.

Suggested Research

Again, the committee would like to commend NASBA on the issues it has identified and suggests that these be used as a starting point for future research. Additionally, the following research forums have been suggested by the committee based on the Draft and the comment letters received:

- Does the additional education requirement affect the CPA pass rate and/or exam scores, controlling for the number of additional hours for each candidate? In order to complete this research, actual hours completed for each candidate would need to be available. (Kentucky's State Board of Accountancy is keeping track of the hours completed. Can its model be useful? It is possible for CPAES to collect this data on a self-reporting basis.)
- What is the effect of intensive CPA review courses on the pass rates of the CPA exam?
- Is there a relationship between the number of accounting hours required by a state to sit for the exam and test scores?
- Is there a difference between 120-hour and 150-hour states test scores when the impact of the number of accounting hours is removed from the study?
- Does a correlation exist between the number of complaints to or actions taken by state boards and the educational requirements of a given state? (Montana's state board may be formally tracking this. Does it have a useful model?)
- Does a difference exist between 120-hour and 150-hour candidates in their promotion and tenure once they are in practice?
- Are more CPAs "available" in 120-hour states versus 150-hour states? Are more CPAs now available in states that have changed back to 120 hours?

OR

Are more exam candidates now available in 120-hour states versus 150-hour states? Are more exam candidates now available in 120-hour states versus 150-hour states?

- How many candidates do/do not complete the additional education requirement after passing the CPA exam? (Idaho is tracking this for its candidates. Can its model be useful?)
- What are the employers' experiences with the 120-hour candidates versus the 150-hour candidates?
- What is the public's perception of the need for 150 hours of education? (Utah's state board reports some research on this question.)
- Are candidates scheduling sitting for the exam sections close to the time they are completing the relevant classes? (Montana comments on this.) If so, could this be a reason for the insignificant difference in pass rates?
- Does a significant difference exist between candidates with additional hours in business and accounting and those with additional hours in unrelated subjects? An element here that may be explored is the make up of the unrelated courses (i.e., nursing/biology/engineering/math versus basket weaving 101).

Researchers also might look for any extant research in architecture or engineering that might be helpful in designing research. Additionally, looking into different international models might provide some insight.

Committee Recommendations

Again, the Education Committee commends NASBA for its support of the 150-hour requirement for licensure and its efforts to enhance the effectiveness of state boards of accountancy in their efforts to protect the public.

After a thorough study of the Draft and the resulting comment letters, NASBA's Education Committee recommends that NASBA pull from its website *NASBA's Draft of Education and Licensure Requirements for Certified Public Accountants "A Discussion Regarding Degreed Candidates Sitting for the Uniform CPA Examination with a Minimum of 120 Credit Hours (120-Hour Candidate) and Becoming Eligible for Licensure with a Minimum of 150 Credit Hours (150-Hour Candidate) (Issued November 2008)*. This recommendation is made based on confounding elements within the data used which render the results of the research inconclusive.

Given its findings, the committee's concern is that the Draft's conclusion that "no direct evidence of detriment to the public interest in those states allowing candidates to sit for the CPA examination at less than 150 hours of education and later fulfilling the 150 hours for licensure" may be misused or misunderstood by state legislatures when deciding educational requirements for CPA licensure.

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