



Texas State Board of Public Accountancy

333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

November 25, 2008

Lisa Axisa, Director
ERB and Special Initiatives
NASBA
150 North Fourth Ave., Ste 700
Nashville, TN 37219

REVISED

Dear Ms. Axisa:

The Texas State Board of Public Accountancy considered the NASBA draft report of the 120/150 Education and Licensure Requirements for CPAs at its July 24, 2008, meeting. Discussion centered on the impact a change from the 150-hour education requirement to a reduced 120-hour requirement to be eligible for the CPA exam could have on the public, the profession, colleges and universities, and regulators. The following list outlines the Board's concerns and reasons we do not support this change.

Public Protection

1. Candidates with 120 hours may be less prepared to meet the needs of employers and clients.
2. Overall, it is believed that the additional education makes for a better qualified CPA, which in turn does a better job of protecting the public.
3. Currently exam candidates with 150 hours of education are creating a problem by holding out as "accountants" before they are certified. Students who earn a bachelor's or master's degree with a major in accounting believe that they may call themselves "accountants." "Accountants" and "auditors" are protected terms in the Texas statute and reserved for only CPAs. By enlarging the pool of exam candidates who are eligible to take the CPA exam with 120 hours of college credit, we would create an even greater problem of public protection.

Employers and the Profession

4. The requirement of 120 hours to test and 150 for certification sets a trap for students who complete the exam, begin jobs, and do not have the time to return to school and take rigorous courses to complete the additional 30 hours.
5. Accounting firms who hire candidates with 120 hours may find that their clients do not get the level of service and expertise that an employee with 150 hours might offer.
6. While large accounting firms may provide the needed supervision to manage its employees with 120 hours, the smaller firms may not have the personnel to provide adequate supervision.

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7. Accounting firms have expectations of the knowledge, skills, and abilities that entry level employees must have. With 120 hours, the expectations must be lowered, thereby causing a need for additional training and management.
8. In Texas, the large accounting firms hire only candidates with 150 hours. The firm wants the new hire to be ready to work and not balance work with the need to complete additional education to meet certification requirements.

Students and Universities

9. Students who have completed 150 hours perform better on the CPA exam and it is more likely that they will pass the exam quicker than students with 120 hours of education.
10. The status of a professional designation in accounting demands additional college coursework beyond the baccalaureate degree just as other professions require advanced education.
11. Through the years the volume of accounting knowledge has increased. To afford students opportunities to study the increased material and become better prepared to handle the rigorous demands of the profession, students should be afforded the opportunities to study this material without the demands of the workplace.
12. The CPA designation is both prestigious and learned, thereby requiring – and suggesting – college work beyond the baccalaureate level.
13. When the education requirement was increased from 120 to 150 hours, the work experience was decreased from 2 years to 1 year.
14. The requirement for 150 hours rather than 120 hours suggests that a higher level of cognitive learning compensates for an additional year of apprenticeship.
15. A change from 150 to 120 hours has a potential impact for universities. Students may not return to the same institution to complete the additional 30 hours. Students may not see the need to complete graduate-level accounting programs – MPA, PPA, etc., resulting in a financial impact on universities.
16. If the education requirement is reduced from 150 to 120, an argument can be made for reducing the Texas education requirement to 57 hours, which accounts for the accounting, business, and ethics hours required by the Board.

Regulators

17. A change from 150 to 120 hours would require legislative action, and the Legislature could make other unnecessary and undesirable changes that could impact CPAs and the profession in the process.
18. The report does not address the eligibility period. Does a shorter eligibility period, such as the 90-day requirement in Texas, increase the number of candidates applying to take the exam?
19. From an international perspective, the US has touted that CPAs in this country have better educations because they have 150 hours whereas some countries allow for a similar

November 25, 2008
Lisa Axisa – NASBA
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designation with just 3 years of college credit. If the education requirement is reduced to 120, it could jeopardize Mutual Recognition Agreements with other countries.

The report does not provide data on the number of candidates with 120 hours who took the exam, who passed the exam, and who went back and completed the additional 30 hours for certification. Additional research in these areas is suggested.

The Board is aware that several boards of accountancy have reduced their education requirement to take the CPA exam for various reasons. Based on the reasons cited, it is the Texas Board's opinion that the 150 hours of college credit should be maintained for both examination and certification.

Yours truly,
Texas State Board of Public Accountancy



William Treacy
Executive Director