

NASBA's Education Committee Doings



2012 REGIONAL MEETINGS

PHILADELPHIA, PA, JUNE 13 – 15

PANELISTS: *KAREN FORREST TURNER, PH.D., CPA, MODERATOR*
DALE L. FLESHER, PH.D., CPA, KATE MOONEY, PH.D., CPA

ANCHORAGE, AK, JUNE 27 – 29

PANELISTS: *KAREN FORREST TURNER, PH.D., CPA, MODERATOR*
DALE L. FLESHER, PH.D., CPA, KERRY MARRER, CPA

2012's Projects



- Annual Research Grant Awards
- Monitoring Jurisdictional Education Rules
- University and College Accreditation
- Data Warehouse

2012's Research Awards



- **Global Accountancy Education Recognition Study 2012**
- **Best Practices in the Delivery of Online Accounting Education: An Evaluation of Learning Analytics**
- **The Influence of Professional Integrity and Client Advocacy on Reporting Decisions**

2011's Research Awards



- The Successful CPA in a Rapidly Changing Global Economy: Technology Skills and Managing in a Virtual Setting
- Determinants Factor for the Dearth of Minority CPAs
- Are CPAs Complying with the Spirit of the 150 Hour Requirement?

Are Students Complying with the Spirit of the 150 Hour Requirement?



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The Background



- Variety in state requirements
- Most undergraduate degrees require about 120 semester credit hours
- Most jurisdictions don't specify content for the additional 30 credits
- Hypothesis: Students use irrelevant, easy coursework to meet the 150 hour requirement

The Methodology



- Hand gathered data from transcripts from a time period immediately after Minnesota required 150 hours for certification
 - 444 students from Summer, 2006 through Summer 2011
- Classified the credits above 120 as relevant, irrelevant, or credits that were taken unintentionally
 - Relevant = business, accounting, core competencies
 - Irrelevant = other (underwater basket weaving)
 - Unintentional = taken prior to admit to major

Results and Implications



➤ Results

- 75% had transfer credits, average of 34
- 70% had 150 credits, or more at graduation
- 45% of those with 150, had either another major or a minor
- Those with 150 averaged 24 unintentional credits and 3 irrelevant credits

➤ Implications

- Students are meeting the 150 hour requirement are doing it with mostly unintentional credits
- Students aren't choosing the easy, irrelevant courses to meet the 150 hour requirement
- Specifying content for the additional 30 credits could impose costs on students to meet those requirements

Determinant Factors for the Dearth of Minority CPAs



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PROBLEM



- Minorities constitute 35% of the present U.S. population according to 2010 U.S. census numbers.
- According to a 2004 study by AICPA, there are only 12% Asian/Pacific Islanders, 8% Hispanics or Latinos and 3% African Americans with the CPA credential (CPA Examination Summit, 2007).

IMPORTANCE OF THE STUDY



- Accounting firms need diverse work force to serve diverse client base.
 - ✦ Minority-owned businesses account for 21/3% of all non-farm U.S. businesses (U.S. Census, 2007).
- A diverse work force is necessary in the global market place.
- Without the CPA certification, minority accountants are not able to enjoy the social and economic benefits that come with the designation.
- Extant empirical investigation of the problem is scant.

PURPOSE OF THE STUDY



- To conduct an empirical investigation of the possible factors associated with the dearth of minority CPAs i.e. African American and Hispanic CPAs.

- To answer the following research questions:
 - a. **What are the determinant factors associated with the dearth of African American CPAs?**
 - b. **What are the determinant factors associated with the dearth of Hispanic CPAs?**

HISTORY



- In 1969, the AICPA established The Minority Initiatives Committee (MIC).
- In the same year, the National Association of Black Accountants (NABA) was established in New York City by nine African-American accountants (including one of the co-authors of this study).
 - ✦ Since then it has Awarded more than \$8 million in scholarship funds to deserving students.

HISTORY



- In 1972, the first national Latino professional association in the U.S.: the American Association of Hispanic Certified Public Accountants (AAHCPA later named ALPFA) was established by Hispanic CPAs.
 - ✦ With 18,000 in membership, it is the largest national minority-based organization (Building Leaders, 2012).

- In 1994, the KPMG Foundation under the leadership of Bernie Milano started the PhD Project in order to increase the diversity of business school faculty.
 - ✦ 1994 - 293 minority business faculty members.
 - ✦ 2012 - >1000 minority business faculty members.

METHODOLOGY



- An online questionnaire was developed and distributed to NABA and ALPFA membership. It included questions related to:
 - Availability of role models
 - CPA certification
 - Type of schools attended
 - Different routes used to fulfill the 150-hour requirement
 - Statements that probe respondents' perception about the benefits of the designation

METHODOLOGY



- A total of 965 responses (NABA= 653; ALPFA=312)
- Data analysis was conducted on accountants
 - ✦ African American accountants 624
 - ✦ Hispanic accountants 196
 - Total research population 820**
- The following statistical analyses were conducted:
 - ✦ Descriptive
 - ✦ Principal Component Analysis
 - ✦ Logistic Regression
 - ✦ Significance

RESULTS – African Americans



Significant Results:

- Female African American accountants are less likely to be CPAs than males.
- African American accountants who can afford all three exam costs (i.e. registration, exam section, and CPA review) are more likely to become CPAs than those who can not afford any the expenses.
- Having Ph.D. professors was associated with the likelihood of becoming a CPA (Less so if professor is a CPA).
- There is a significant association between the likelihood of becoming a CPA and having either a CPA or just an accountant family member.
- A significant association between attending private HBCU school and the likelihood of becoming a CPA.


RESULTS – African Americans



Logistic Regression Results:

- There is a significant association between the likelihood of becoming a CPA and positive perceptions involving occupational incentives i.e. job requirement and employer incentives.
- African American accountants who perceive that the CPA exam is expensive, difficult, and time consuming are less likely to become CPAs. (i.e., ATTITUDE makes a difference).


RESULTS - Hispanics



Significant Results:

- Female Hispanic accountants are less likely to be CPAs than Hispanic males.
- Hispanic accountants who afford all three exam costs i.e. registration, exam section as well as CPA review, are more likely to become CPAs than Hispanic accountants who do not afford any of the expenses.
- Having a CPA review in the graduate program was significantly associated with becoming a CPA.
- There is an association between the likelihood of becoming a CPA and having a CPA family member.

RESULTS - Hispanics



Logistic Regression Results:

- There is a significant association between the likelihood of becoming a CPA and positive perceptions involving occupational incentives i.e. job requirement and employer incentives.
- Hispanic accountants who perceive that the CPA exam is expensive, difficult and time consuming are less likely to become CPAs.
- Hispanic accountants who perceive that the CPA exam has no value are less likely to become CPAs.


RESULTS - Comparison



t-statistics Results:

- Female accountants, more than male accountants, perceive that the CPA exam is difficult, expensive, and the preparation takes too much time.
- African American female accountants, more than African American male accountants, perceive that the CPA exam is difficult, expensive, and the preparation takes too much time.

RESULTS - Comparison



t-statistics Results:

- Hispanic female accountants, more than Hispanic male accountants, perceive that the CPA guarantees prestige.
- Hispanic female accountants, more than Hispanic male accountants, perceive that employer incentive is a motivational factor to sit for the CPA exam.

RECOMMENDATIONS



- **Exam costs affordability** - Organizations such as NABA and ALPFA as well as other accounting firms and institutions, may be able to alleviate the financial problems of new graduates through exam scholarships based on the level of commitment of the particular student as measured by accounting GPA and level of professional participation.

- **Occupational incentives: i.e., Firm Support**
 - Include certification as a measure in employee evaluation and aggressively monitor progress.
 - Assign a CPA mentor for all new hires who are not already a CPA.
 - Offer to pay for CPA review courses and fees to sit for the exam the first time.
 - Give candidates time off to study and sit for the exam.
 - Provide a bonus or pay increase, and other recognition, if an employee becomes a CPA within a defined time period.

RECOMMENDATIONS - ROLE MODELS



- To increase visibility of minority CPAs, Hispanic and African American accounting organizations must make their members aware of their responsibility in terms of encouraging other accountant family members.
- Colleges must reach out to the business community to get internship opportunities for students. Working around other certified accounting professionals during the undergraduate program would enhance the motivation to become one.
- Student organizations such as Beta Alpha Psi and accounting clubs could be instrumental in making the profession visible by inviting minority accounting professionals as speakers.

SUMMARY: WHAT WE FOUND



- EMPLOYERS COULD HELP
- ECONOMIC STATUS MORE IMPORTANT THAN MINORITY STATUS
- ATTITUDE IS IMPORTANT
- CPA REVIEW COURSES ARE IMPORTANT
- PRESTIGE AND MONEY ARE MOTIVATORS
- ROLE MODELS ARE GOOD

WHAT WE DIDN'T FIND



- **150-HOUR LAW IS NOT AT FAULT**
- **REGULATORS ARE NOT AT FAULT (EXCEPT FOR COSTS)**



Questions