



Kentucky Society
Certified Public Accountants

November 1, 2008

Mr. David A. Costello, CPA, President and CEO
National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700
Nashville, TN 37219-2417

Re: Comments Regarding 120 Credit Hour Option to Sit for the CPA Exam with Mandatory 150 Credit Hour License Eligibility

Dear Mr. Costello:

Kentucky is one of the states to adopt the 120 credit hour option for the CPA exam. Actually, in Kentucky our law permits candidates to sit for the exam only after they have completed their bachelor's degree. While in place only two years, our experience with this model has been very positive. Kentucky's exam candidates and pass rates continue to rise.

In a 13-state analysis conducted by the Indiana Society of CPAs, we see that we are well ahead of the average growth rate as we build back from a 69% decline in exam candidates after the computer based testing system went into effect. At the end of 2007, the region was still down 15%, while Kentucky is down only 9% from our 2003 level.

In Kentucky, a state with serious economic challenges and one of the lowest per-capita expenditures in education, students often must juggle work and other family priorities with sporadic course work, particularly when scholarship assistance ends after four years. According to the Kentucky Council on Post Secondary Education, college tuition rates are now 30% of the average household income. While the *KyCPA Board of Directors is strongly committed to the 150 credit hour licensing requirement* for CPA certification, offering the early exam option for students can have many advantages.

For many years, Kentucky universities were not giving the CPA certificate adequate deference in their accounting programs. In fact, the low CPA exam pass rates of graduates from our largest public university, the University of Kentucky, hovered around 18% while similar institutions were seeing pass rates over 50%. Meetings in 2005 with the dean of the Gatton School of Business uncovered the fact that almost no emphasis was being placed on the CPA certification. Once Kentucky legislation was passed to allow students to sit prior to 150 hours, the University moved to integrate CPA Exam review course material into the accounting curriculum.

UK is not the only university energized by the change. In our experience, accounting professors are again taking an interest in the CPA exam, and are re-engaged in the exam preparation process with their students. Under the 150 credit hour requirement we found that some students would lose touch with accounting educators once they left undergraduate programs to work, pursue an MBA or complete 150 hours of coursework unrelated to accounting. By allowing students to sit for the Exam with their bachelor's degree, they can do so under the guidance and supervision of accounting educators. This is one reason we believe the pass rates are rising.

As you know, staff recruitment and retention of work-ready accountants is the major issue facing CPA firms around the country, and Kentucky is no different. A KyCPA membership survey, completed in May, 2008, confirmed that recruitment is the number-one challenge facing CPA firms in this state. By offering the bachelor's

degree option to sit for the CPA Exam, Kentucky has made a positive effort toward helping firms deal with this looming talent shortage. Students who have already studied for the exam will be up-to-date in their education (and, in turn they will be better candidates).

Moreover, candidates who are hired with the exam behind them will save firms hundreds of man-hours in study time, the hefty cost of review courses, and the added expense of the Prometric fee, AICPA fee, and State Board of Accountancy fee. As you know, firms are usually saddled with these large investments of time and money. Multiply all of these costs against a new crop of candidates each year and you can understand how the early exam option is a real service to Society members, here and in other states where the early exam is allowed.

Bachelor's degree requirements are usually higher than 120 hours. According to the Kentucky State Board of Accountancy, Kentucky's early exam candidates usually have between 120 and 135 hours completed by the time they apply. Of the 1406 candidates approved to sit for the exam between July 2006 and October 2008, 204 took advantage of the early exam option.

It is our belief that once all sections of the exam are passed, students have far more incentive to continue their studies and are more likely to complete the last 30 hours of course work for licensure. They become invested in the profession. Without it, many leave school and too easily abandon their plans to become CPAs as competing priorities take hold.

As the Kentucky model only offers the "*option*" to sit with a bachelor's degree, we see no harm in allowing students who are ready, willing and able to take advantage of the opportunity. The arbitrary nature of *when* the exam is taken cannot undermine the fact that the candidates who pass all four parts will have mastered a high level of accounting knowledge, in a broad spectrum of areas. The argument that this option is the first step toward elimination of the 150 credit hour licensing requirement does not stand the test of logic. Kentucky is firmly committed to the 150 hour licensing rule, as is most every other state with the bachelor's degree/120 hour option.

The benefits to the accounting students, the educational system, the pass rates, employers, and state societies far outweigh the risk. We sincerely hope that NASBA and the AICPA will consider the many benefits of this early exam option and continue to allow this option to be offered wherever State Boards of Accountancy see the need.

Sincerely,



Alan Long, CPA, President
Kentucky Society of CPAs

Cc: Denny Reigel, AICPA
Barry Melancon, AICPA
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