

Testimony on HB 2512 – February 1, 2016

To: Members of the House Commerce, Labor and Economic Development

My name is Mary MacBain. As the President & CEO for the Kansas Society of CPAs, allow me to present the findings from data collected through surveys; research completed by the National Association of State Boards of Accountancy; academic research from Dr. Martin J. Coe and academic research published in the Journal of Finance and Accountancy.

Data on Surveys of the Membership

Quick Survey on Timing of Taking the CPA Examination

January 2011

The question, “Should the Kansas Statute regarding the education requirement to sit of the CPA Examination be changed so that one can sit for the examination while enrolled in the final semester of completing the 150 hours?” was posed through an online survey to KSCPA all members on January 4, 2011.

Of the 650 responses, 559 or 86% replied, “Yes,” to the question; 91 or 14% replied, “No.”

Education Requirement for CPA Examination in Kansas

October 2014

On October 12, 2014, the KSCPA again surveyed the membership. This time, requesting responses to the following statement: The Kansas Statute – K.S.A. 1-302a Education requirement for admission to examination – should be modified to allow CPA Candidates in Kansas admission to the CPA Examination 60 days prior to completing the 150 hour education requirement.

Of the 574 responses, 426 or 74% either strongly agreed or agreed with the statement; 134 or 23% either disagreed or strongly disagreed with the statement.

Student, CPA-Candidate and New CPA Survey Regarding Early Access to the CPA Examination

January 2016

The KSCPA created a specific survey for Kansas accounting and finance students, CPA-candidates and new CPA members in January of 2016 following the introduction of a bill to the House Commerce Committee allowing candidates to sit for the CPA exam 60 days prior to completing the 150 hour educational requirement. The survey was also made available to Kansas college and university accounting and finance educators. Following detailed information about the requirements and the

proposed changes, the survey asked, “Do you support legislation allowing candidates to begin sitting for the CPA Examination 60 days prior to completing the 150 semester hour requirement?”

Of the 45 student, CPA-candidate and new CPA responses, 39 or 87% responded, “Yes,” to the survey question; 3 or 7% responded, “No;” and 3 or 7% were, “Undecided.”

Of the 15 faculty responses, 6 or 40% responded, “Yes;” 6 or 40% responded, “No;” and 3 or 20% responded, “Undecided,” to the survey question.

Research Conducted by the National Association of State Boards of Accountancy

In November of 2008, the National Association of State Boards of Accountancy (NASBA) published 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). The purpose of the paper explores and researches the topic and issues surrounding allowing candidates to begin sitting for the CPA exam after completing 120 hours of the 150 hour educational requirement for licensure.

At the date of publication, 22 state boards allowed candidates to sit for the examination prior to completing 150 hours. Currently, out of the 55 jurisdictions, 34 (including Puerto Rico and the U.S. Virgin Islands) allow candidates to sit for the CPA Examination prior to completing the 150 hour requirement.

The research examined the history of the 150 hour requirement; analyzed the current educational requirements; constructed a 120/150 hour license model including benefits to allowing candidates to sit at 120 hours; and examined the statistical implications of passing rates on the CPA Examination. Based on the data, *the authors concluded there is no significant or meaningful difference between 120 and 150 hour states as to exam passing rates.* They state, “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.”

NASBA’s Mission: Enhance the effectiveness and advance the common interests of the Boards of Accountancy.

Academic Research Published in the Journal of Finance and Accountancy

In September of 2014, The Relationship between 150 Credit Hours, Accounting Credit Hours and CPA Pass Rates (Haen, Spielbauer-Vandenberg, Bloniarz & Diestler) was published in the *Journal of Finance and Accountancy*. The purpose of their study was to discover if there was a relationship between CPA Exam pass rates and the number of required accounting credits and if this relationship was consistent

between jurisdictions requiring 150 credits to sit for the exam versus those requiring 150 credits for licensure.

The authors collected data since 2012 on each jurisdiction's requirement to sit for the CPA Examination, the number of accounting hours required by each jurisdiction and CPA Exam pass rates. Results indicated there was little to no association between the presence or absence of the 150 hour requirement to sit for the examination and overall pass rates, even when taking into account the number of accounting hours required. In summary, there was no positive effect on overall exam pass rates for states with the 150 hour requirement as compared to states with early access.

Academic Research by Dr. Martin J. Coe, Professor of Accounting, Western Illinois University

"Intention to Sit for the CPA Examination," was investigated by Professor Martin J. Coe of Western Illinois University. His study found predictors for taking the examination were: being able to take the Examination after 120 hours of education; attractiveness of passing the examination, including its benefit in getting a job; social support from wife, family or friends; access to a role model such as a local CPA; and recognizing the CPA has a portable career skill set. Dr. Coe said cost factors were not found to be associated with a student's intention to sit for the Uniform CPA Examination.

In a correspondence with the KSCPA regarding his study, Dr. Coe stated, "I do not think being able to sit for the examination 60 days prior to earning the 150 hours would cause students to stop focusing on their coursework because they would be focusing on the CPA exam. In Illinois, candidates who apply for the examination will be granted provisional approval of in-progress courses taken at domestic institutions. Candidates granted provisional approval shall be allowed 120 days from the date of taking the first section of the examination to provide evidence that all requirements have been completed. However, students must complete all courses within 120 days after taking the first examination section of the computer-based examination or grades for all examination sections authorized with provisional approval will be voided. Thus, students still have an incentive to focus on the in-progress courses. In addition, most students who are pursuing the CPA credential also are focused on achieving a high grade point average. Thus, students still have an incentive to focus on the in-progress courses to achieve a high grade point average."