

TESTIMONY OF THE KANSAS SOCIETY OF CPAs on HB 2512
March 3, 2016

TO: Members of the Senate Committee on Commerce, Senator Julia Lynn, Chair

PRESENTED BY: M. Aron Dunn, CPA, Chair, KSCPA Advocacy Task Force

On behalf of the members of the KSCPA, we express support for House Bill 2512 which amends K.S.A. 1-302a to allow CPA candidates the opportunity to sit for the CPA exam 60 days prior to completing the 150-hour educational requirement. Currently, students must wait until the 150 hours are completed prior to taking the first section of the CPA examination (there are four sections).

The need for a change in the Kansas statute regarding sitting for the CPA examination first came to our attention in 2011 when faculty from the University of Kansas expressed a concern that the majority of their students were sitting for the examination through other jurisdictions that allow access to the CPA examination prior to completing the 150 hours required for licensure. Currently, 41 states and jurisdictions allow students to sit for the examination prior to completing the 150 hours.

Over the last several years, the KSCPA conducted surveys, discussed the issue with practitioners, educators, members of the Board of Accountancy and students, tracked other states and jurisdictions making a change, and reviewed research supported by the National Association of State Boards of Accountancy. Because an overwhelming majority across the board felt this change is needed and research concluded that there is no negative impact to student performance, the KSCPA leadership came to the conclusion that it is in the best interest of the State of Kansas to allow this option for students.

We do not propose nor support any changes to the requirement for CPA licensure, including 150 hours of education, one year of experience under a licensed CPA, and passage of an ethics examination.

Research:

The Kansas Society of CPAs conducted three surveys between 2011 and 2016. Two surveys of KSCPA members in public accounting, business and industry, government, and education were conducted and one survey of accounting and finance students, CPA-candidates and newly licensed CPAs. The overall purpose of each survey was to provide education about the issue and to determine individual support of early access to the CPA Examination.

The data from these surveys indicate the majority of survey respondents 87% (students); 74% and 87% (members) support allowing candidates to begin sitting for the CPA Examination 60 days prior to completing the 150 hour requirement. (Please see attached survey results.)

In addition to data from KSCPA surveys, we looked at research conducted by the National Association of State Boards of Accountancy (NASBA) – the association serving the 55 jurisdictions of accountancy across the country and territories, research by Professor Dr. Martin J. Coe of Western Illinois University, and research published in the Journal of Finance and Accountancy, all examining the impact of early access.

√ Authors of the NASBA paper 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.”¹

√ Dr. Martin J. Coe, Professor of Accountancy at Western Illinois University, and recipient of the Illinois CPA Society 2015 Outstanding Educator Award, completed a study supported by NASBA² entitled “Intention to Sit for the CPA Examination.” As reported in the NASBA “State Board Report” in July 2015, among the most significant predictors for taking the CPA examination, such as job benefit and access to the CPA role model, being able to sit after completing 120 hours of the 150-hour requirement was a significant predictor for taking the examination. In addition, cost factors were not found to be associated with a student’s intention to sit for the Uniform CPA Examination.

In response to an email from the KSCPA regarding his experience with students focusing on the coursework, Dr. Coe wrote, “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.”

√ Authors of the article published in the Journal of Finance and Accountancy found no positive effect on overall exam pass rates for states with the 150 hour requirement as compared to states with early access.³

√ The Maryland state legislature passed legislation to allow early access to the examination in October 2012. A report reviewing examination applications and results during 2005-2012 from the Maryland Board of Accountancy stated, “the 27.6% increase in applications from FY 2011 to FY2012 can be partially attributable to the change to the 120 exam/150 license concept.”⁴

Summary:

These reports and surveys indicate students want the option to begin sitting for the examination while completing their coursework at a time and place where they have access to a wide range of resources and are typically still in the “academic mindset,” whereby they can better prepare for the exam. This gives students the opportunity to participate in either review courses or study groups with peers who may already be study partners, boosting morale and desire to prepare. Because demanding careers and family obligations creep in after graduation, it becomes progressively more difficult for individuals to adequately prepare for the exam. Students generally complete coursework required for successful completion of the CPA examination within the 120 hour framework. They finish their 150 hours with 30 hours of electives by either achieving a Masters in Accounting, MBA, or similar degree with the goal of enhanced professional and technical skills.

The KSCPA and its members firmly believe that a strong education base is important in all of the CPA candidates and therefore continue to support the 150 hour educational requirement currently in the law. This bill does not change that requirement; rather, it simply allows CPA candidates the option to begin taking sections of the CPA exam 60 days prior to meeting the 150 educational requirement and are still required to meet this and other requirements, including experience, prior to being eligible to apply for a permit to practice as a CPA in Kansas. Kansas must maintain substantial equivalency in its education and experience requirements to allow CPAs mobility to work in other jurisdictions without

notifying that jurisdiction or paying a fee. This statute change, therefore, does not affect the Kansas statute related to mobility nor would the KSCPA support such a change.

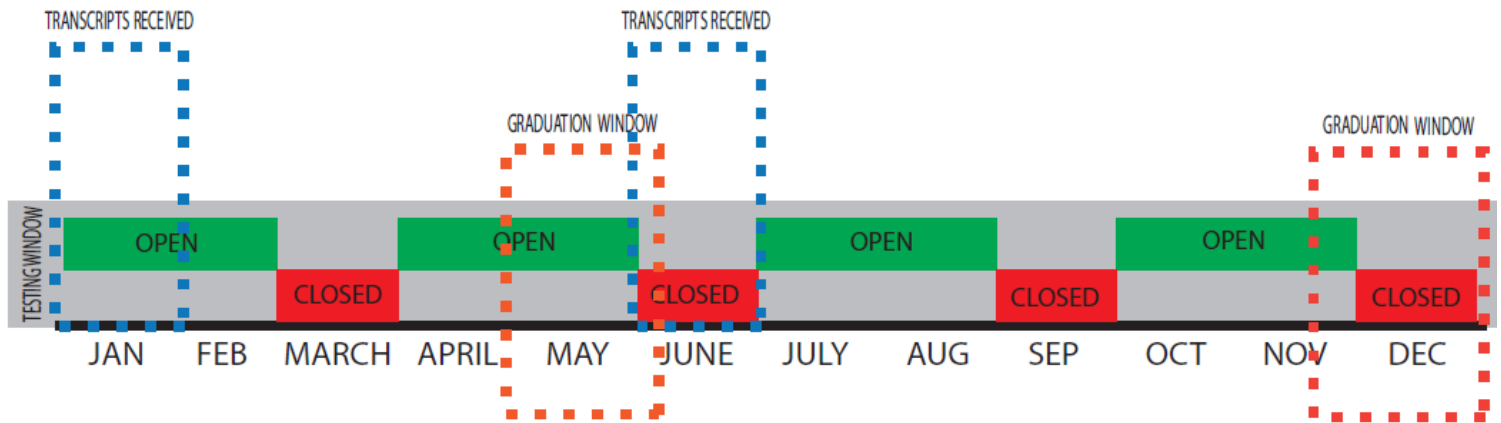
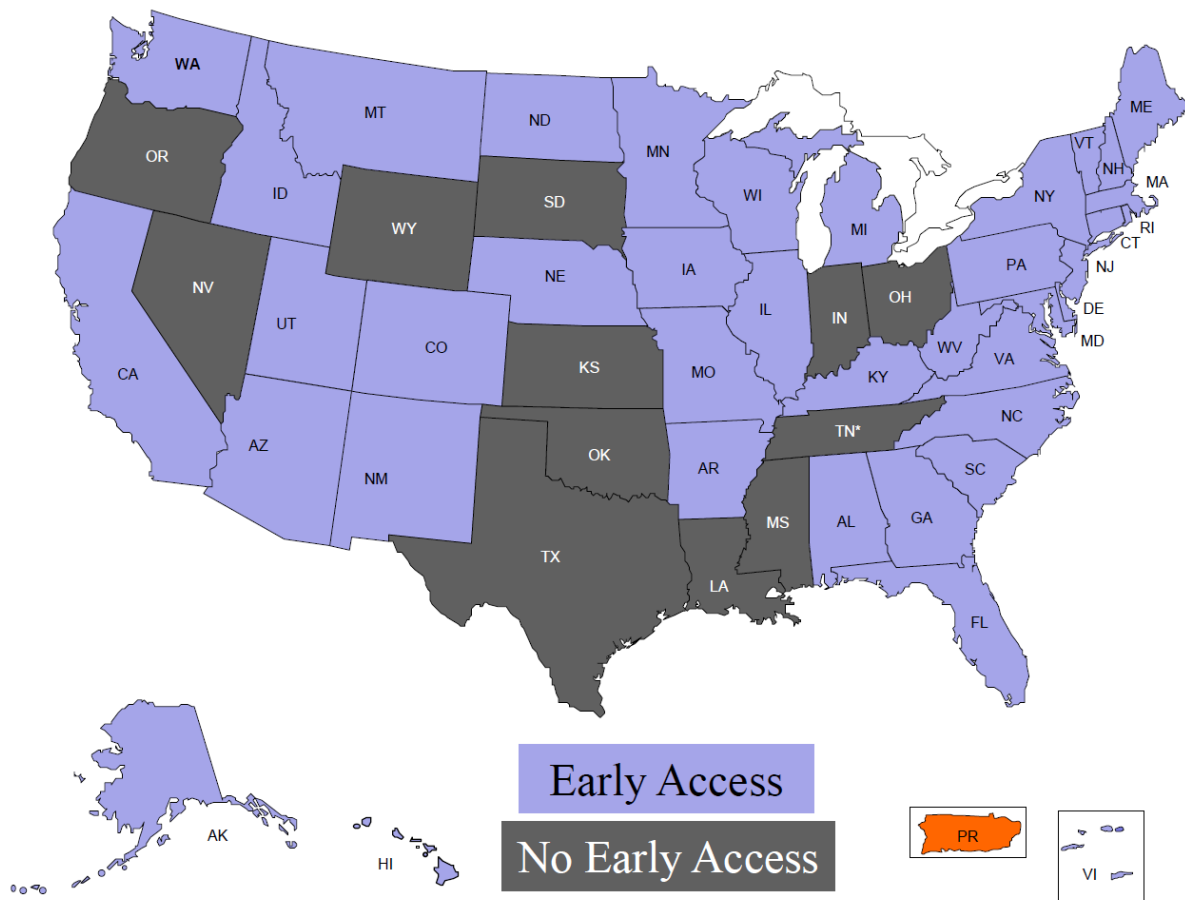
The KSCPA reached out to current members, CPA firms in the state, business and industry concerns, government and educators to weigh in on the issue of early access. Please direct your attention to the attached letters of support received from educators, students, CPAs working in and employing CPAs in Kansas, and KSCPA board members.

Finally, based on the KSCPA survey data, the research conducted by NASBA and academic research on the impact of early access, the support received from educators, students, firms, businesses, our leadership and members, the KSCPA is confident early access to the CPA Examination is supported by the majority of your constituents and will positively impact the future of the profession in the state of Kansas.

Respectfully submitted,

M. Aron Dunn, CPA

1. National Association of State Boards of Accountancy, November 2008, page 21: 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.*
2. <https://www.nasba.org/blog/2015/07/21/research-on-candidates-characteristics/>
3. *Journal of Finance and Accountancy*, Haen, Spielbauer-Vandenberg, Bloniarz & Diestler, September 2014: The Relationship between 150 Credit Hours, Accounting Credit Hours and CPA Pass Rates.
4. Report of the Maryland Board of Public Accountancy: CPA Examination Application Process, August 1, 2012.
5. Map: 36 jurisdictions allow early access after 120 hours; 6 jurisdictions allow early access prior to completion of 150 hours; remainder of the 55 jurisdictions do not allow early access.



- Under current law, students must provide proof of completing the 150 hour requirement to be eligible to sit for the CPA Exam.
- According to Kansas college and university Registrars, transcript processing could take up to six weeks.
- HB 2512 would provide students the opportunity to sit 60 days prior to completing the 150 hr requirement.

For example, if HB 2512 is passed, a student graduating May 1st, would be eligible to sit during the April/May window.

If HB 2512 is not passed, a student would have to postpone sitting for the Exam until the July/Aug window.

March 3, 2016

Senator Julia Lynn
Chair, Senate Commerce Committee
Kansas Senate
State of Kansas Capitol Office Room 445-S
Topeka, KS 66612

Dear Senator Lynn,

The Kansas Society of Certified Public Accountants (KSCPA) introduced legislation on Thursday, January 14, 2016 amending **K.S.A. 1-302a**, to allow students to begin taking sections of the CPA exam 60-days prior to completion of the required 150 semester hours. **Please note that this change does not affect the 150 semester-hour, experience, or other requirements for licensure and I would not support a change to these requirements.**

The purpose of this letter is to register my support of the 60-day access to the CPA exam prior to completion of 150 semester hour requirement for the following reasons:

- 1) Reports indicate that students want the flexibility to take the exam while in school where they have access to a wide range of resources. They are typically in the academic mindset needed to prepare for an exam as difficult as the CPA examination. Going through a review course with peers who may already be study partners can boost morale and perpetuate progress toward completing the exams early. Kansas needs CPAs to serve our organizations and firms and the CPA maximizes an individual's marketability and ability to command a higher salary. Because demanding careers and family obligations following school make it more difficult to adequately prepare, some individuals delay taking the exam and then discover the CPA is required for advancement.
- 2) Required content needed to sit for the CPA examination is typically completed within approximately 120 semester hours. The additional 30 hours to meet the 150-hour educational requirement consists of 30 elective hours or the student can pursue a Masters of Accounting (MAcc).
- 3) The majority of jurisdictions allow students to begin taking the examination prior to completion of 150 hours (including Nebraska, Missouri, North Dakota, Colorado and Illinois), and several do not have a residency requirement. The majority of our graduates from KU have taken the examination through another jurisdiction. We lose data related to Kansas students who pass the examination through another jurisdiction, but more important, those who wish to work in Kansas are forced to apply for reciprocity and to pay a substantial fee.
- 4) KU and KSU have or are planning to change their traditional programs to accommodate their students, modifying the semester end date or shortening the time needed to complete the curriculum. This puts students attending other Kansas colleges and universities at a disadvantage because firms and organizations seek graduates who have passed part or the entire exam.

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I agree with the legislation proposed by the Kansas Society of CPAs that allows candidates to take the exam 60-days prior to completing their 150 semester hour educational requirements, which is the current law.

Sincerely yours,

SWINDOLL, JANZEN, HAWK & LOYD, LLC

A handwritten signature in blue ink that reads "Kyle Hawk". The signature is written in a cursive style with a large initial "K" and a distinct "H".

Kyle Hawk, CPA



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Chair, Senate Commerce Committee
Kansas Senate
State of Kansas Capitol Office Room 445-S
Topeka, KS 66612

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- 2) Required content needed to sit for the CPA examination is typically completed within approximately 120 semester hours. The additional 30 hours to meet the 150-hour educational requirement consists of 30 elective hours or the student can pursue a Masters of Accounting (MAcc).
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I agree with the legislation proposed by the Kansas Society of CPAs that allows candidates to take the exam 60-days prior to completing their 150 semester hour educational requirements, which is the current law.

Sincerely yours,

Michelle R. Crow, CPA