

Approved Thomas F. Walker
Date 1-6-90

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Thomas F. Walker at
Chairperson

9:00 a.m./p.m. on Thursday, February 1, 1990 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Avis Swartzman - Revisor
Carolyn Rampey - Legislative Research
Jackie Breymeyer - Committee Secretary

Conferees appearing before the committee:

T. C. Anderson - Executive Director, Kansas Society of Certified Public Accountants

Charles Clinkenbeard, CPA, Topeka - retired partner of Berberick, Trahan & Co.

Mike Beatty, CPA, Salina - managing partner, Kennedy & Coe

James Deskins, CPA, Wichita - Director of the School of Accountancy at The Wichita State University

Lyle Weinert, CPA, Winfield - Assistant Professor of Business, Southwestern College

Leon Logan, CPA, Kansas - Vice Chair, State Board of Accountancy; partner in the firm of Logan, Schmidt & Associates

Sally Thompson - National Association of State Board of Accountants
CPA, Topeka, Kansas Society of Certified Public Accountant

The Chairman called the meeting to order and stated the minutes would stand approved at the end of the meeting if there were no corrections or additions. He stated the agenda for the day's meeting was HB 2660 Certified public accountants.

T. C. Anderson, Executive Director, Kansas Society of Certified Public Accountants, appeared first on the agenda. He said he had chatted with the Revisor about a possible amendment to the bill. He did not give testimony, but was present to introduce Mr. Charles Clinkenbeard.

Charles Clinkenbeard, CPA, Topeka, retired partner of Berberick, Trahan & Co., appeared next on the agenda to address the bill. HB 2660 will require candidates sitting for the CPA examination after June 30, 1997, to have successfully completed 150 hours of course work. This includes a baccalaureate degree with a concentration in accounting. A mail ballot on the 150 hour question was taken in 1988, with approximately 1,584 voting yes and 342 no. With this mandate, the society appointed a task force with recommendations on how to implement the proposal. Mr. Clinkenbeard cited a number of reasons that additional education is needed. The financial arena is becoming more complex. Men and women are making the critical business decisions and handling new challenges. People at all levels of business, commerce, industry and government are turning to CPA's for assistance in handling these problems and challenges. It is necessary that education standards be the highest for entry into the certified public accountant profession. (See Attachment 1)

Mr. Clinkenbeard answered several questions from committee members regarding certificates, licenses and reciprocity of accounting requirements. One of the decisions to be made if the bill passes would be to decide where the additional hours would go in the specific fields of learning.

Mike Beatty, CPA, Salina, managing partner, Kennedy & Coe was next to address the bill.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION,
room 522-S Statehouse, at 9:00 a.m./p.m. on Thursday, February 1, 1990

Mr. Beatty stated that he would try not to be redundant. He commented that the knowledge needed to be competent in accountant has greatly expanded in recent years. More depth is needed. Computers are playing a greater role in the profession. He stated that firms can use paraprofessionals to do different types of work. Mr. Beatty defined paraprofessional as less than college; non-degreed. More hours will mean more money for a competent recruited person who will be focusing on more technical and sophisticated programs. The final result to the public will be less hours billed for a job done efficiently and more quickly. A poll taken on this issue resulted in 2500 people voting for the additional hours. This was approximately 50% private firms and 50% industry. (Attachment 2)

James Deskins, CPA, Wichita, Director of the School of Accountancy at The Wichita State University, spoke briefly. Mr. Deskins had an attachment entitled "An Illustrative Program". It showed the semester hours in each course that added to the total 150 hour education program. (Attachment 3) He directed the committee's attention to line 37 of the bill and the line following which contained the 'concentration in accounting' language. The additional hours would be divided between accounting, business and economics. He stated the student would not have to acquire a Masters degree. Many people would be doing post baccalaureate work. Many professions see more hours because their work is simply more complex.

Lyle Weinert, CPA, Winfield, Assistant Professor of Business, Southwestern College spoke next to the bill. He stated the Kansas Independent Colleges Accounting Educators support in principle the 150-hour education requirement. It is not a question of small versus large college. The smaller colleges will need time to gear up for the additional program requirements. The additional hours will make for better employees and business performance in the future. The original concern was with the 1995 date and not having enough time to respond, so the date was changed to 1997 at the request of the independent colleges. Mr. Weinert would like to see a broader based approach of what these additional hours would entail. He would like to see more general requirements. While supporting the additional hour requirement in principle, at the same time the independent colleges would like to be very active in having their voices heard.*

The comment was made to Mr. Weinert that if the bill were passed, he really would not have any say in what would be required because the board would set the qualifications.

Mr. Weinert stated that the group of 15 independents was the fourth largest group to take the CPA exam. There are 10,000 students total and come behind the big three institutions of Kansas State University, Kansas University and Wichita State University. (Attachment 4)

Leon Logan, CPA, Kansas, Vice-Chair, State Board of Accountancy, addressed the bill. He stated the advantages and disadvantages of the additional requirement. (Attachment 5)

The advantages included more accounting background, more productivity, more prestige and more competent employees. Disadvantages would be increased starting salaries for small firms and the potential for fewer students entering accounting programs.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION,
room 522-S Statehouse, at 9:00 a.m./p.m. on Thursday, February 1, 1990

Sally Thompson, CPA, Topeka, Kansas Society of Certified Public Accountants asked to speak to the bill. She stated that she has worked with boards, examinations and many statistics with respect to accounting. She said the accounting examination is constantly being updated. It is longer than a law examination. New principles in the field are constantly being incorporated. These include major changes and trends in our society. More composition is being incorporated. The students must know how to write as well as the technical information involved.

The pass rate on the stringent examination runs 10% to 14% the first time the test is taken. It can be taken as many times as the student would like to try. As the students gain additional information, the pass rate goes up to 26% to 30%. Additional education does make a difference.

This made for several comments from committee members regarding the curriculum in the schools today. Questions were asked regarding what could be done to improve the test statistics.

Initial cost of the test is \$125.00, with additional testing \$100.00.

The Chairman closed the hearing on HB 2660.

There was no time left for final action on bills.

The Chairman adjourned the meeting at 10:30 a.m.

Additional testimony by Robert N. Kelly was received and labeled (Attachment 6) The testimony stated no opposition to the legislation as drafted.

*Mr. Weinert's testimony received and labeled (Attachment 7)



**Kansas Society of
Certified Public Accountants**

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FOUNDED OCTOBER 17, 1932

Testimony on HB 2660

Presented to the

House Committee on Governmental Organizations

by

Charles Clinkenbeard, CPA, Topeka

Chair of the Kansas Society of CPAs

150-Hour Education Requirement Task Force

February 1, 1990

ATTACHMENT 1
GOVERNMENTAL ORGANIZATION COMM
2/1/90

Thank you Chairman Walker.

Members of the Committee, I'm Charles Clinkenbeard, CPA, of Topeka, and I have chaired the Kansas Society of CPA's 150-Hour Task Force for the past two years.

In addition to those who are going to testify later, several other members of the Task Force are with us today. Sally Thompson, CPA, Topeka; John Rich, CPA, Emporia State University and Buzz Stark, CPA, Kansas State University.

I appreciate the opportunity to appear before you today in support of HB 2660 which would require candidates sitting for the CPA Examination after June 30, 1997, to have successfully completed 150 hours of course work, which includes a baccalaureate degree and a concentration in accounting. Currently the requirements to sit for the CPA Examination in Kansas is a baccalaureate degree with a concentration in accounting.

At the outset, let me emphasize the 150-Hour education requirement does not mean students must have a master's degree to sit for the CPA Exam; it would require a baccalaureate degree plus additional semester hours of college level course work. Students, however, would not be precluded from working towards a master's degree if they so desired.

In 1988 the American Institute of CPAs conducted a mail ballot in Kansas on the 150-Hour question. The response from Kansas CPAs was overwhelmingly in favor of the concept. Some 1,584 voted "yes" and only 342 said "no". With this mandate from the profession the Kansas Society appointed our Task Force on 150-Hours and you have before you our recommendation on how to implement this proposal.

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Although the increased education requirement is new to Kansas it is a concept which has long been under consideration and review by the accounting profession.

CPAs first recognized the need for a five-year study program in 1959. The policy was reviewed in 1969, 1978, 1981 and 1983. With each review came recommendations that a five-year program for accountants is not only desirable, but necessary to continue to produce qualified accountants.

A number of states have passed legislation and now have the 150-Hour education requirement in effect, or set to go into effect by the year 2000. These states provide 18 percent of all candidates who sit for the CPA Exam. They include Alabama, Florida, Hawaii, Utah, Tennessee and just recently, West Virginia, Montana and Texas.

While the fifth year of college may be considered a hardship on students, it is not without its rewards. In Florida, where the 150-Hour requirement has been in effect since 1984, starting salaries have increased as have fifth-year scholarships. But more importantly, in my opinion, the success rate for those sitting for the CPA Examination for the first time has increased from 10 to 14 percent (1981-1983) to 32 to almost 35 percent (1984-1987).

The financial arena is becoming more complex with each passing day. Men and women at all levels of business, commerce, industry and government must deal with these complexities. They are turning to certified public accountants for assistance in handling these new challenges and in making critical business decisions. But prospective CPAs need more education to master the growing scope of knowledge needed to practice tomorrow's accounting. Therefore, it is necessary that education standards for entrance into the accounting profession be the highest.

This proposal has the support of the American Institute of Certified Public Accountants (AICPA), The National Association of State Boards of Accountancy (NASBA), the American Accounting Association (AAA) and the Federation of Schools of Accountancy (FSA). In Kansas the concept has been endorsed in principle by the State Board of Accountancy, Kansas Society of CPAs, the accounting departments of the Regents Institutions; Washburn University and many independent colleges.

There are a number of reasons that an increase in the education requirement is needed. Each has a positive impact on the general public and other members of the profession are here today to discuss them with you.

Thank you Mr. Chairman and I'd be happy to stand for questions. However, it may be best to wait until all have made their presentations.

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R. BARTON FARMER, PRINCIPAL

RALPH E. REITZ, C.P.A. (RETIRED)
JOHN W. POOS, C.P.A. (RETIRED)
E. T. SHEA, C.P.A. (RETIRED)
L. M. MERTZ, C.P.A. (RETIRED)
PAUL A. MOTT, C.P.A. (RETIRED)

Good morning ladies and gentlemen, my name is Mike Beatty, I am a certified public accountant with the firm of Kennedy and Coe.

In 1988, Kennedy and Coe endorsed and urged its staff to vote to require all new AICPA members beginning in the year 2000 to have 150 hours of education. The reason for supporting an additional year of study is simple - the knowledge needed to be competent in accounting has greatly expanded within the last 30 to 40 years to the point that a traditional four year education does not adequately cover all the necessary material. We believe that a CPA should have a well-rounded education including courses in liberal arts, communications, business law, business ethics, auditing, computers and of course, accounting.

As a CPA working with the public, I have experienced a great deal of change within the accounting profession. The advancement of the computer and the integration of computers into virtually every aspect of business, as well as changes in tax law have transformed the CPA profession from simply "crunching numbers" to producing complicated financial statements which are being used by an ever increasing business audience.

The new accounting graduates today must go through additional training once they are hired and are generally closely supervised for at least the first two years of work. In addition, only a small percentage of those four year college graduates who take the CPA exam for the first time pass the entire exam, while those with an additional year of schooling tend to perform much better.

I am not here to tell you there will not be costs associated with an increased educational requirement. The accounting profession will incur some of those costs. The year this requirement would go into effect there will be a shortage of new accounting recruits and once the requirement is in place, firms will probably see an increase in starting salaries. On the other hand, we, the CPA profession, will have more competent recruits who we will not have to train in the basics. We could instead focus our training on more technical, sophisticated programs. The new recruits will more than likely be more efficient and have a greater dedication to the accounting profession.

Some have said that with this new 150 hour education requirement CPAs will price themselves out of the market. Some people say we already have. On the other hand, some firms are beginning to hire paraprofessionals to do much of the work of first and second year accounting recruits, and this can be expanded. Firms can depend more on computers and with a more educated accounting professional will come greater efficiency. All of these will help keep costs down and continue to allow people to afford CPAs.

ATTACHMENT 2
GOVERNMENTAL ORGANIZATION
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Finally, the costs and benefits to the public. Those who hire CPAs will see some increase in the dollars per hour billed, but the same benefits to the CPA firms will also be benefits to the public. The better educated the individual who is working on your taxes or auditing report, the more efficient his or her work, the less supervision he or she will need and the more quickly the work will get done, thus less hours billed. In addition, the public is receiving a better quality product, which they will be able to rely on for accuracy.

As the chairman of the Accounting Advisory Council of the University of Kansas, I can say that our group, composed of both public and private accountants from large and small firms support the 150 Hour Requirement and have already begun work on implementation planning at KU. We hope you'll agree and support H.B. 2660.

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An Illustrative Program

	<u>Semester hours</u>
<u>General education</u>	60-80
Ethics	
Communication	
Behavioral sciences	
Economics	
Elementary accounting	
Computers	
Mathematics and statistics	
Other general education (for example, history, philosophy, literature, languages, arts, humanities, and sciences)	
Electives	
 <u>Education in business administration</u>	 35-50
Economics (theory and monetary system)	
Legal and social environment of business	
Business law	
Marketing	
Finance	
Organization, group, and individual behavior	
Quantitative applications in business	
Communication skills	
Business ethics	
Electives	
 <u>Accounting education</u>¹⁰	 25-40
<u>Financial accounting</u>	
Financial accounting theory	
Applied financial accounting problems	
<u>Managerial accounting</u>	
Accounting for decision making	
Cost determination and analysis	
Management accounting controls	
<u>Taxes</u>	
Tax theory	
Tax problems	
<u>Auditing</u>	
Audit theory and practice	
The computer in auditing	
Audit problems and case studies	
<u>Information systems</u>	
<u>Professional ethics and responsibilities</u>	
<u>Internships and cooperative programs</u>	
<u>Electives</u>	
Total education program	150

¹⁰ Elementary accounting is included in General Education; schools with AACSB accounting accreditation should refer to the required accounting hours specified in the curriculum standards.

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ATTACHMENT 3
GOVERNMENTAL ORGANIZATION
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FROM:

*"EDUCATION REQUIREMENTS FOR ENTRY INTO THE
ACCOUNTING PROFESSION: A STATEMENT OF AICPA
POLICIES, SECOND EDITION, REVISED," AMERICAN
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, 1988*

KANSAS INDEPENDENT COLLEGES ACCOUNTING EDUCATORS

The members of the Kansas Independent Colleges Accounting Educators unanimously adopted the following resolutions on November 15, 1989:

1. We support in principle the 150-hour education requirement for certified public accountants, including the requirement of a baccalaureate degree.
2. We support delaying the implementation date of the 150-hour education requirement until June 30, 1997.
3. In lieu of the specific course requirements as originally stated by the KSCPA 150-hour task force in proposed regulations 74-2-7 and 74-4-6, we support adoption of regulations that follow the general curriculum model as specified in the Education Requirements for Entry Into the Accounting Profession, February, 1988. By doing this, we feel Kansas will:
 - a. Adhere to the intent of the original AICPA 150-hour educational requirements, and which are supported by Dr. A. Tom Nelson, chairperson of the AICPA National 150-Hour Educational Requirements Committee;
 - b. Facilitate reciprocity for CPAs between Kansas and other states while putting Kansas more into the mainstream;
 - c. Allow for breadth of the skill areas identified by the AICPA as essential; and
 - d. Accommodate a variety of educational institutions.
4. Upon passage of the 150-hour educational requirement by the Kansas legislature, we support establishing an advisory board that will facilitate the preparation of regulations for those taking the certified public accountant examination, and that Kansas colleges and universities be equitably represented on this board.

ATTACHMENT 4
GOVERNMENTAL ORGANIZATION
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BETHEL COLLEGE

Gladys Graber

BETHANY COLLEGE

Joyce Kelly
Barbara Rytych

FRIENDS UNIVERSITY

Ron Ryan

MCPHERSON COLLEGE

Norman Hope
David O'Dell

MID-AMERICA NAZARENE COLLEGE

Dave Wegley

OTTAWA UNIVERSITY

Dick Andrews

ST. MARY OF THE PLAINS

Terry Banta
Don Trent

SOUTHWESTERN COLLEGE

Lyle Weinert

STERLING COLLEGE

Kathy Glynn
Charlie Nickell

TABOR COLLEGE

Jerry Hinerman

LOGAN

SCHMIDT &

ASSOCIATES, P.A.

Certified Public Accountants

THE 150 HOUR REQUIREMENT AND ITS EFFECT ON SMALL CPA FIRMS

ADVANTAGES:

- I. The additional education will provide firms with people who have more accounting background and who can understand the objectives of an engagement and complete the engagement faster and more efficiently.
- II. New employees who have the additional education will require less training and will be able to become "productive" faster than those without it.
- III. The additional education will give the profession more "prestige" and as a result will attract more of the top students who now may view the accounting profession as something less than that of Doctors, Lawyers, Architects, and others who have the additional educational requirements.
- IV. The long range effect is going to be positive for small firms because it will provide us with more competent employees who will be able to perform with less training and supervision.

DISADVANTAGES:

- VI. Starting salaries for new graduates will increase not only for small firms, but also for large firms. This should be offset to some extent by savings in training and supervision.
- VII. There may be fewer students entering the accounting programs with the intent of becoming CPA's because of the increased education requirement. If this were to happen, it would have an adverse effect on small firms because the large firms would be able to offer higher salaries than small firms and would diminish the number of potential employees.

Leon C. Logan, CPA

ATTACHMENT 5
GOVERNMENTAL ORGANIZATION
2/1/90



KANSAS INDEPENDENT COLLEGE ASSOCIATION

Capitol Federal Building, Room 515, Topeka, Kansas 66603

Telephone (913) 235-9877

ROBERT N. KELLY, *Executive Director*

January 29, 1990

The Honorable Tom Walker
The State House
Topeka, Kansas 66612

Dear Tom:

I have to be in D.C. on February 2 when your committee holds hearings on HB 2660. We do not oppose the legislation as drafted because the Kansas Society of CPAs has been extremely cooperative in extending the effective date of the law in order to give us sufficient time to accommodate to the 150 credit-hour requirement. Naturally, such a requirement will add to our educational costs, but we do not want to appear as obstructionist if such increased requirements are deemed educationally necessary.

Sincerely,

Robert N. Kelly
Executive Director

RNK:mt

cc: Dale Sprague
T. C. Anderson

ATTACHMENT 6
GOVERNMENTAL ORGANIZATION
2/1/90

**Kansas House of Representatives
Governmental Organizations Committee
The Honorable Thomas F. Walker, Chairman**

**Testimony of Lyle Weinert on behalf of the
Kansas Independent Colleges Accounting Educators
February 1, 1990**

Thank you, Mister Chairman, for the opportunity to speak before this committee this morning. My name is Lyle Weinert, I am assistant professor of business for Southwestern College, Winfield, Kansas, and a certified public accountant. I also am here today representing the Kansas Independent Colleges Accounting Educators.

The Kansas Independent Colleges Accounting Educators consist of accounting educators from the four-year independent colleges here in Kansas. More specifically, our membership consists of the Kansas four-year colleges other than the regents universities and Washburn University. Our group met for the first time in November, 1989 on the Friends University campus in Wichita to discuss common experiences and needs. Ten of the fifteen independent colleges were represented at this meeting. A list of those college along with those attending is attached to the hand-out I have provided to you. While several issues were discussed, the main issue discussed at this meeting was the proposed 150-hour requirement for taking the CPA examination.

First, our group supports the 150-hour requirement in principle. We feel this requirement is one that will become more common throughout the country in the years ahead and it is important that our state stay abreast of the changes in the accounting profession. We did have concern with the initial draft of this legislation, which contained a June 30, 1995, implementation date. We felt this date did not allow enough time to change accounting programs and was thus inadequate for all four-year colleges in the state, not just the independent colleges. Based on a motion made by our members at the November

meeting of the Kansas Society of CPAs, the implementation date was changed to June 30, 1997.

While the 150-hour requirement will affect the independent colleges differently from the regents universities and Washburn University, we do not feel this is a big-school versus small-school issue. However, we do have several concerns regarding the implementation of the proposed legislation. First, we are adamantly opposed to any attempt to incorporate a graduate degree into the requirements for the CPA examination. House Bill No. 2660 does not include any such requirement. There is also disagreement between CPAs in the state regarding what to do with the additional hours. Some seek to require the added hours in additional accounting and business courses. The Kansas Independent College Accounting Educators seek a broader use of these hours, which in turn will allow students to pursue a broader-based education that falls more under the concept of a liberal arts education. We feel this meets more closely the original intent of the 150-hour proposal, that being to provide CPAs with a broader educational background rather than training students to be better accounting technicians.

Upon passage of this legislation, the independent colleges will implement the 150-hour requirement in different ways. I anticipate my college, Southwestern College and some of the other independent colleges will encourage their accounting students to pursue four-year degrees followed elsewhere by the completion of a graduate degree.

Other independent colleges will most likely make some additions to their curricula, and may even add a fifth year to their programs. Still others may initiate their own graduate business programs.

Regarding the 150-hour requirement, it is our understanding that the Kansas legislature is charged with writing the statutes while the Kansas Board of Accountancy is charged with writing the actual regulations for those taking the CPA examination. Once this legislation is adopted, the Kansas Independent Colleges Accounting Educators plan to work closely with both the Board of Accountancy and with the Kansas Society of CPAs, in its role as an advisory group, in developing regulations that meet the needs of the state, the profession, and our schools.

In closing, I reiterate the Kansas Independent Colleges Accounting Educators support, in principle, for the 150-hour requirement for taking the CPA examination. We also support regulations that allow a broad approach toward specific course requirements and will work toward this.

Thank you for your time and I am open to any questions the committee may have.