

Accountancy Project Advisory Panel
September 16, 2009
Meeting Summary

The California Research Bureau (CRB) was asked by the Senate to explore the policy options before the state to improve licensing standards for Certified Public Accountants (CPAs). To identify licensing issues of concern regarding the accounting profession, CRB assembled an informal advisory panel which met three times over the summer of 2009. Participants welcomed the chance to gather in one place and discuss the profession's differing opinions on licensing in California and nationwide. CRB tracked discussions as participants consolidated and defined their points of view. The panel members, with CRB's guidance, agreed on three key themes concerning California's licensing standards for CPAs:

- ✓ Fortifying consumer protection
- ✓ Enhancing commerce
- ✓ Leveling the playing field to ensure underrepresented Californians have access to licensure

During this third and final panel meeting, participants continued their discussion on leveling the playing field.

Governmental oversight of professions has a direct impact on the number of individuals who may qualify to sit for the CPA licensure examination in their state. In previous years, states such as California have permitted candidates to sit for CPA licensure if they completed 120 semester hours and two years of experience. Based on language suggested in the Uniform Accountancy Act (UAA), most states have adopted a single licensing standard of 150 semester hours of education and one year experience. California is considering doing the same.

While additional semester hours could lead to greater consumer protection and consumer confidence, they might also result in discouraging some students from pursuing CPA licensure, leading to a shift in the number and descriptive attributes of CPA entering the profession. The potential benefits gained by raising the minimum education standard should be carefully weighed against the higher barrier to entry into the profession.

Discussion focused around these topics:

- *Requiring additional credit hours for CPA licensure could discourage people who have been historically underrepresented in the profession, such as minorities and candidates from economically-disadvantaged areas.* It is an economic axiom that changes to the educational requirement for licensure will always result in a shift in the number of people willing to become licensure candidates. Participants discussed whether such a shift constitutes a significant barrier to entry into the profession. The shift in numbers of candidates might be less about being discouraged from pursuing licensure, and more to do with students simply weighing opportunity costs, deciding instead to pursue jobs in other professions. If a significant number of students passed up the opportunity to go

into the accounting profession after the 150-hour pathway was adopted, offering scholarships or other incentives could mitigate the problem and increase the number of CPA candidates from targeted demographic groups.

- *Additional credit hours for CPA licensure without a standard academic curriculum could be seen as a nonsubstantive change.* The original 120-hour pathway required accountancy and business courses, but the language of the UAA does not require accountancy or business courses in the additional 30 hours. Some participants felt that, because of this, completing an additional 30 hours becomes an obligation with no practical purpose – a “hollow 30.” Other participants argued that meeting the additional hours would open the door to taking courses in ethics or an area of concentration, such as agribusiness, entertainment, or international trade. As such, candidates would have the opportunity to become more competitive in the marketplace. Though draft language of the UAA does not call for the additional 30 hours to include particular subjects, many states have exercised their prerogative to include academic requirements.
- *Quantitative research is needed to support claims of the effects the 150-hour pathway has on CPA candidates, consumers, and the industry as a whole.* Advocates in favor of the 150-hour pathway predicted favorable outcomes for the accounting profession. Some participants asserted that another year in college would enhance the maturity level of licensure candidates. Opponents, however, stated there is no discernable difference in maturity level between 120-hour and 150-hour candidates, especially as the experience requirement for licensure would also be a factor in gaining maturity. The CRB could find no data that lent credence to either assertion. Panel participants also discussed the future of the accounting profession, including the likelihood that the profession will grow more complex in future years and will therefore require a higher minimum standard of education. The panel speculated that this might be an opportunity for the state, through the Board of Accountancy, to conduct quantitative research.

Over the course of three meetings, CRB conferred with stakeholders in the accounting profession concerning a new minimum standard for California’s licensure qualifications for the CPA profession. The role of the advisory panel was to assist CRB in identifying and articulating key questions of concern. Participants helped CRB identify three fundamental themes for licensure of CPAs and for assessing the merits of amending licensure requirements. While panel members provided anecdotal evidence and theoretical problems surrounding the issue, CRB found little data with which to test the competing claims. The CBA reports that a higher percentage of California CPA licensure candidates chose the 150-hour pathway than in previous years, but this is a decision based on market trends and does not inherently imply a need for legislation. Before the state updates the educational requirement for CPA licensure, more data is needed.