

TESTIMONY IN OPPOSITION TO HB 442 – TO AMEND SECTIONS 4701.06 AND 4701.17
OF THE REVISED CODE TO MODIFY THE REQUIREMENTS TO OBTAIN A CERTIFIED
PUBLIC ACCOUNTANT CERTIFICATE

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I would like to thank the Committee for providing me the opportunity to express my views on HB 442. My name is Thomas Calderon. I am a past president of the American Accounting Association (AAA) Ohio Region, a past president of the AAA's Teaching, Learning & Curriculum Section, a past president of the Akron Chapter of the Institute of Management Accountants, the 2005 recipient of the AAA Ohio/ OSCP A Outstanding Ohio Accounting Educator, and served for 13 years as Chair of the George W. Daverio School of Accountancy at The University of Akron. I continue to work on the faculty of the University of Akron and also serve as Editor of *Advances in Accounting Education*. I have interacted with thousands of students, employers, regulators and policymakers in the State of Ohio and beyond.

HB 442, which effectively seeks to lessen the educational requirements to sit for the CPA exam, will have a highly significant impact on the success of Ohio accounting graduates, but not in the direction the sponsor, the Committee or the House might assume. **It will hinder student success.**

For the purpose of this testimony, I define student success as

- (1) successfully completing the prerequisite educational requirements to (a) function effectively in the accounting profession and (b) pass the mandatory certification exam to become a licensed professional accountant in the State of Ohio
- (2) progressing and becoming upwardly mobile in the profession
- (3) contributing to one's community and to the broader society.

I address each of the above dimensions of student success in the context of the accounting profession and the proposed legislation.

Functioning effectively in the accounting profession

Administrators and faculty of university accounting programs work diligently with the with leaders in the accounting profession and industry to assure that the curriculum is always current and relevant. Accredited accounting programs must do so in order to demonstrate that they are continuously improving and satisfy the minimum quality requirements of our accreditation agency, **AACSB-International**. Through this continuous improvement process, we have learned that the typical undergraduate degree in accounting is not sufficient to satisfy the complex needs of the market and the complicated educational background to pass the CPA exam. Typical deficiencies include critical thinking, writing ability and depth and breadth of knowledge and skills. The rapid pace of change in capital markets, business, supply chain, computer technology and accounting processes are among the drivers of those deficiencies. Thus, successful graduates normally complete a minor, a second major, or a graduate degree in business or taxation.

Passing the mandatory certification exam

The CPA exam reflects much of the complexities that we have seen in the business and economic environment. Indeed, there is another major wave of change in progress¹ (*the CPA Evolution Project*) as I write this note. Students who are not adequately prepared do not pass the exam, and the odds will be further complicated as the CPA exam evolves. In my experience, students with only an undergraduate degree are the most unprepared and are most likely to fail the exam. As a matter of fact, I have seen several cases where pass rates for students with only an undergraduate degree hover around 40% while pass rates for students with graduate degrees reach 65% and 80%. In fact, available peer reviewed research on the matter is consistent with my experience.^{2,3,4,5} Further, we have known since 2003 that CPA exam candidates in jurisdictions with 150-hour requirements to sit the exam have significantly higher average pass rates than their counterparts.^{6,7}

Failing to pass the CPA exam in a timely manner can have highly disruptive consequences for a career in public accounting. My experience as well as the available peer reviewed research make it clear that the longer a student takes to sit and pass the exam, the more likely it is that the graduate will never pass the exam.⁸ Graduates with only an undergraduate degree are often the most challenged. Graduates who fail to pass the exam in a timely manner will not progress satisfactorily in their respective firms and will often be counseled to find alternative employment.⁹ Most public accounting firms that have recruited my students expect them to pass the CPA exam within one year of employment and entry-level recruits are offered a handsome bonus for doing so.¹⁰

Progressing and becoming upwardly mobile in the profession

Many accounting programs prepare students to become successful accounting professionals and leaders. Firms expect entry-level recruits to sit and pass the exam immediately after they become eligible and they must do so prior to progressing to the manager level. Professional accounting careers are often disrupted or drastically altered by failure to pass the CPA exam in a timely manner. While the formula for success varies and there is no single formula that guarantees success in the profession, my experience informs me that the students who are most likely to be victims of a shortened career are those who do not possess the critical thinking skills and the breadth and depth of knowledge to pass the CPA exams or function in public accounting. In general, those most adversely affected hold only an undergraduate degree. Two of my brightest minority students are examples. They were both highly recruited in public accounting immediately after completing undergraduate degrees. Both failed to complete the CPA exam in a timely manner, and both ended with major career disruptions. In general, inadequately prepared

¹ <https://blog.aicpa.org/2020/01/our-proposal-to-evolve-cpa-licensure.html#sthash.MrUOs4y5.dpbs>

² Soileau, J. S., S. C. Usrey, and T. Z. Webb. 2017. Sitting Requirements and the CPA Exam. *Issues in Accounting Education* 32 (1):1-15.

³ Menk, K. B., B. M. Nagle, and S. E. Rau. 2017. Does Earning a Graduate Degree Impact CPA Exam Performance? *Academy of Business Research Journal* 1:27-42.

⁴ Nagle, B. M., K. B. Menk, and S. E. Rau. 2018. Which accounting program characteristics contribute to CPA exam success? A study of institutional factors and graduate education. *Journal of Accounting Education* 45:20-31.

⁵ Rau, S. E., B. M. Nagle, and K. B. Menk. 2019. CPA Exam Performance. *CPA Journal* 89 (9):42-47.

⁶ Boone, J., J. Legoria, D. L. Seifert, and W. W. Stammerjohan. 2006. The associations among accounting program attributes, 150-hour status, and CPA exam pass rates. *Journal of Accounting Education* 24 (4):202-215.

⁷ Raghunandan, K., J. R. William, and D. B. Clifford. 2003. The 150-hour rule: does it improve CPA exam performance? *Managerial Auditing Journal* 18 (1):31-38.

⁸ Franklin, M. A., and J. K. Myers. 2016. ENHANCING CPA EXAM PASS RATES FOR SECOND CAREER STUDENTS. *Journal of Business & Educational Leadership* 6 (1):27-36.

⁹ Hood, D. 2018. Help them take the CPA Exam. *Accountingtoday.com* (10/01/2018).

¹⁰ <https://www.accountingtoday.com/news/help-them-take-the-cpa-exam>

students are the last to pass the exam (if they do) and first to experience significant career disruptions.

Contributing to one's community and to the broader society

Graduates who wish to pursue a career in public accounting and do not pass the CPA exam in a timely manner are often saddled with that burden. While failure is often a driver of innovation and change, the initial pressure of working to pass the exam has often limited the capacity of my students to contribute to their respective communities beyond their direct employment. My concern here is that the propensity to be civically engaged may be adversely affected if we challenge graduates who are fundamentally unprepared for a goal that may be less achievable.

Summary

The proposed legislation will adversely affect the success of Ohio accounting graduates and will likely not contribute to economic competitiveness. High economic activity will attract high performing accounting professionals to the state, but lower standards for CPA exam eligibility may draw exam takers from other states who will likely be disappointed exam takers.¹¹

¹¹ Gaynor, G., P. Korb, D. Gerlowski, and T. Zhang. 2019. An alternate state in mind: the effect of CPA exam credit-hour requirements and economic competitiveness on state-level exam candidate pools and pass rates. *Accounting Education* 28 (6):621-641.