

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

I would like to thank Committee Chair Manning, Vice Chair Dean, Ranking Member Lepore-Hagan and the rest of the Committee members for providing me this opportunity to express my views on HB 442. My name is Albert Nagy and I am a Professor and the Chair of the Kramer School of Accountancy at John Carroll University. I have been a professor at JCU for over 20 years, and I have been a licensed CPA in the state of Ohio since 1994. I would like to state that the opinions and views I express today are my own, and not necessarily those of the School of Accountancy at John Carroll University or any other organization.

The proposed HB 442 to lessen the educational requirements to sit for the CPA exam will interrupt the long term play for increased accounting education in the state of Ohio. Consistent with the ever-increasing complexity of today's business environment, the body of information and related skill set needed by a newly licensed CPA continues to grow.

Compared with 1980,

- there are three times as many pages in the Internal Revenue Code,
- four times as many accounting standards, and
- five times as many auditing standards (Tysiac 2020).

In addition, the automation of simple tasks previously performed by newly licensed CPAs has resulted in entry-level CPAs' performing deeper critical thinking and more advanced problem solving skills and professional judgment than in the past (Tysiac 2020).

The CPA exam has evolved along with this ever changing business environment by expanding coverage of some key areas. The future of the exam is currently undergoing significant change. Twice in the past six months major articles published in the professionals' journal of record, the Journal of Accountancy, describe explicit information on the planning process regarding the exam (Journal of Accountancy 2019; Tysiac 2020). [I would be happy to supply copies of these articles to the Committee].

The articles discuss emerging areas in the exam that include,

- scenarios to test higher order skills,
- to align employer-expected competencies and
- increased real-time ability of CPAs to conduct predictive and prescriptive services in information systems, data analytics, financial reporting, and advanced tax planning and compliance.

Such skill development and learning may not be completely addressed by those with 120 hours of education Thus, raising a risk of higher failure rates on the examination.

Using publicly available data from the National Association of State Boards of Accountancy (NASBA) CPA Examination publications, a regression analysis shows a highly significant

difference in CPA exam pass rates for first time sitters between 150 hour and 120 hour states, with the 150 hour states performing at a higher level of success. The regression model was estimated using CPA exam pass rates for all 50 states and the District of Columbia for the past four years (2015-2018). This result confirms the findings of previous research that finds 150 hour jurisdictions outperform 120 hour jurisdictions on the CPA exam. Specifically, a 2017 study performed by Soileau, Usrey, and Webb provides evidence that 150 hour jurisdictions outperform 120 hour jurisdictions, and that provisional jurisdictions (which Ohio currently is) outperform both 150 and 120 jurisdictions. Another study by Briggs and He from 2012 provides evidence that 150 hour jurisdictions outperform 120 hour jurisdictions.

This proposal was developed unilaterally by our profession's state organization and despite inferences to the contrary was not given careful consideration by way of due process. There was minimal to no input from key stakeholder groups, including accounting academics and accounting practitioners. Changing the law at this time would not be a responsible step toward achieving a well-educated CPA profession to serve the Ohio economy. I strongly urge the Commerce and Labor Committee to not support this proposal.

Please note that these comments reflect only the highlights of many key points made in a 4 page written statement of opposition signed by 11 accounting professors who hold important program administration positions at many of the leading institutions throughout the state of Ohio. That statement, along with data used in the previously mentioned statistical analysis and the other prior research mentioned in my statement today, can be provided upon request. I would like to once again thank the Committee for their time and consideration on this important issue.

References

- Briggs, G., and L. He. 2012. The 150 credit-hour requirement and CPA examination pass rates – a four year study. *Accounting Education* 21(1): 97-108.
- Journal of Accountancy. 2019. CPA exam topics undergoing change for the digital age. *Journal of Accountancy* 228(5): 1-5.
- Soileau, J., S. Usrey, and T. Webb. 2017. Sitting requirements and the CPA exam. *Issues in Accounting Education* 32(1): 1-15.
- Tysiac, K. 2020. A future-focused path for CPA licensure. *Journal of Accountancy* 229(2): 1-3.