

Date: December 5, 2020

To: McKenzie Uxley, (*Note: I have copied you on this email with a request to add the version addressed to Senator McColley, TCWC Chair, to the record. Thank you.*)
Legislative Aide, **Office of State Senator Robert McColley**
The Ohio Senate, 133rd General Assembly

From: Thomas G. Calderon, Ph.D., a private citizen of Ohio

Subject: ***A VOICE IN OPPOSITION TO HB 442***

This memo was previously sent to members of the senate. It is now being addressed specifically to members of the ***Transportation, Commerce and Workforce Committee***. I would be grateful if the Committee adds this memo, which documents my written testimony in opposition to HB 442, to the record. Please note that the views expressed in this memo are my own and do not represent the opinion or the position of any organization with which I am affiliated.

HB 442, which effectively seeks to lessen the educational requirements to sit for the CPA exam, will likely have an adverse effect on both student success and economic competitiveness in the State of Ohio.

Through our continuous improvement efforts, accounting professors have learned that the typical undergraduate degree in accounting is not sufficient to satisfy the complicated educational background needed to pass the CPA exam. Deficiencies often include critical thinking, writing ability and depth and breadth of technical knowledge and skills. The rapid pace of change in capital markets, computer technology, auditing 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, accounting or taxation. The AICPA/NASBA ***CPA Evolution*** project will change the exam effective **January 2024** (<https://www.evolutionofcpa.org/>) and since it will impact both the scope of the exam and the depth at which testing occurs, it will further accentuate the challenges that students have had on the CPA exam. While the impact will be significant, most current students are unaware of the scope and potential impact of the ***CPA Evolution*** project.

In my experience, students with only an undergraduate degree are the most unprepared and are most likely to fail the exam. I have seen several cases where pass rates for students with only an undergraduate degree hover around 40% while pass rates for students who are better prepared reach 65% and 80%. In fact, available peer reviewed research on the matter is consistent with my experience (Soileau et al. 2017; Menk et al. 2017; Nagle et al. 2018; Rau et al. 2018). 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 (Boone et al. 2006; Raghunandan et al. 2003).

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, makes it clear that the more time a graduate spends repeating the exam, the more likely it is that the graduate will never pass the exam (Franklin & Myers 2016). Graduates with only an undergraduate degree are often the most challenged. Further, progress in the profession is severely hindered when students fail to pass the exam. 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 (Hood 2018). Those 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 (Hood 2018).

Two of my brightest ***minority students*** illustrate the challenge for entry-level professionals with only an undergraduate degree. Both were 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 students are the last to pass the exam (if they

do) and first to experience significant career disruptions. 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.

Summary

The proposed legislation will adversely affect the success of Ohio accounting graduates and it will likely not contribute to economic competitiveness (Gaynor et al. 2019). Further, the CPA serves a significant public interest role in the modern economy. Lowering the education level to 120 hours to sit is clearly unwise, especially when one considers that the content for the 30 hours beyond 120 lacks sufficient specification. Graduates with only 120 hours tend to engage in a ‘race to the bottom’ taking ad hoc-irregular credits when it is now clear that a more complex exam is coming in January 2024 and capital market and business risks are more challenging than ever.

About Thomas G. Calderon



My name is Thomas Calderon and I wrote this note as a private citizen. The views expressed in this memo do not represent the opinions or positions of any of the institutions mentioned in this bio. 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/ OSCPA 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.

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