

# MORAVIAN UNIVERSITY

State Board of Accountancy  
c/o Board Counsel  
P.O. Box 69523  
Harrisburg, PA 17106-9523

April 1, 2023

Ladies and Gentlemen:

By way of introduction, I am a CPA (NJ license #10799) and an assistant professor of accounting practice at the Moravian University School of Business and Economics ("Moravian") in Bethlehem PA. I come to academia after a long career in public accounting and as a financial executive for both publicly and privately owned organizations. It is of great concern to me that the number of students majoring in accounting continues to decrease not only at Moravian but at other universities. The accounting profession competes with other professions and career opportunities for talented students. Unfortunately, we have not been successful in this contest in recent years. Many students opt for careers in areas such as information technology and computer science.

I believe we must evaluate the possibility that the 150 credit hour requirement ("150 hour rule") creates a barrier to entry into the profession. The implicit purpose of the 150 hour rule was to improve the quality of service to clients by providing more educated practitioners. It appears this objective has not been achieved. In fact, the recent research (which I will discuss later) indicates this artificial barrier to entry has reduced the level of higher quality personnel entering the profession. My own observation is the 150 hour rule has also had a disproportionate impact on members of lower income groups that can't afford what is in essence a fifth year of college. The American Institute of Certified Public Accountants disputes this particular claim.<sup>1</sup>

My responsibilities this year at Moravian include curriculum development. As such I have keenly watched developments in the accounting profession in New Jersey and in other states such as Minnesota. The latter is considering alternatives to the 150 credit rule such as increasing the experience requirement in lieu of the educational requirement. As I know you are aware, the NJ State Board of Accountancy has approved colleges granting up to 30 college credits for a Work for Credit program.<sup>2</sup> In essence, New Jersey will allow a student to complete the 150 hour rule with 30 credits

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<sup>1</sup> *150 hour requirement for obtaining a CPA license*. AICPA. (n.d.). Retrieved March 15, 2023, from <https://us.aicpa.org/becomeacpa/licensure/requirements>

<sup>2</sup> See minutes of the NJ State Board of Accountancy Meeting held on May 19, 2022, published online at: <https://www.njconsumeraffairs.gov/acc/Minutes/accountancy-minutes-051922.pdf>

earned from a co-op program. The student will receive experiential education with the added benefit of the co-op employer defraying at least a portion of the tuition for the additional college credits.

There are many studies that have called into question the utility of the 150 hour requirement. Some of these include:

- A University of Utah study conducted by Stephenson and Meehan and published in January 2020 as a working paper, provisionally found “...evidence that the 150-hour education requirement acts as a barrier to entry and suggests that the additional educational requirement does not enhance candidate quality, though the latter finding should be treated with caution because of potential issues arising from using aggregated data.”<sup>3</sup>
- The cost of the additional thirty credits of college coursework can be prohibitively expensive. Many students will attempt to complete a Masters of Accountancy degree. Blake Oliver, writing in a recent issue of *Accounting Today*, estimated the cost of this education to be in excess of \$100,000. He further states:

...there is no evidence to suggest that an additional year of education leads to more qualified CPAs or better-prepared CPAs for working in accounting firms. All available evidence indicates that it makes no difference. This is what makes the 150-hour rule particularly frustrating: It incurs a cost without providing any benefits.<sup>4</sup>

He calculates the annual cost for all students in masters of accounting classes to exceed \$2 billion, a staggering sum even if there were discernible benefits from the 150 hour rule. Given that cost, many students will attempt less expensive solutions by taking classes at the local community college, taking additional classes as undergraduates where there is a fixed cost per semester, CLEP exams, etc. Even in those situations, however, the cost is still enormous. Oliver notes the largest component of the total estimated cost is the opportunity cost of losing one year's wages, estimated by him to be approximately \$60,000. Few struggling students can afford that.

- Another study published in 2022 in the *Journal of Accounting Research* by John Manuel Barrios found the impact of the 150 credit hour rule does precisely the

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<sup>3</sup> Stephenson, F., & Meehan, B. (2021, June 16). *The CPA, occupational licensing, and Credit hours*. The CGO. Retrieved March 15, 2023, from <https://www.thecgo.org/research/reducing-a-barrier-to-entry-the-120-150-cpa-licensing-rule/#:~:text=In%201983%2C%20Florida%20became%20the,adopted%20the%20150%2Dhour%20rule.>

<sup>4</sup> Oliver, B. (2023, March 2). *The cost of the 150-hour rule: \$2 Billion*. *Accounting Today*. Retrieved March 15, 2023, from [https://www.accountingtoday.com/opinion/the-cost-of-the-150-hour-rule-2-billion?position=editorial\\_4&campaignname=ACT+Daily-03032023&utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=V2.ACT.Daily.20210503%2B%27-%27%2B03032023&bt\\_ee=tqJnB5Eb6R9YXy6PIJSQczHWHXx6p0%2FUL9LomHargbr3gxKAqV7%2BrkTou%2BjwH2A&bt\\_ts=1677841311055](https://www.accountingtoday.com/opinion/the-cost-of-the-150-hour-rule-2-billion?position=editorial_4&campaignname=ACT+Daily-03032023&utm_source=newsletter&utm_medium=email&utm_campaign=V2.ACT.Daily.20210503%2B%27-%27%2B03032023&bt_ee=tqJnB5Eb6R9YXy6PIJSQczHWHXx6p0%2FUL9LomHargbr3gxKAqV7%2BrkTou%2BjwH2A&bt_ts=1677841311055)

opposite of what it was intended to do. Instead of increasing the quality and quantity of accounting candidates, the 150 hour rule diminished the number of both high and low quality candidates. He states:

...the rule decreases the number of entrants into the profession, reducing both low- and high-quality candidates. Labor market proxies for quality find no difference between 150-hour rule CPAs and the rest. Moreover, rule CPAs exit public accounting at similar rates and have comparable writing quality to their nonrule counterparts. Overall, these findings are consistent with the theoretical argument that increases in licensing requirements restrict the supply of entrants and do little to improve quality in the labor market.<sup>5</sup>

I find this last study to be extremely telling. One criticism frequently heard about the 150 hour rule is the additional 30 credits of required study does not have to be in accounting or related business classes. One justification for allowing aspiring students to satisfy the increased educational requirements through liberal arts (broadly defined) courses is that they will improve the quality of communication among the members of the profession, clients, and the general public. This study seems to cast that assumption into doubt as there was no discernable difference in writing quality.

- Furthermore, no correlation was found between the pass rates on the CPA exam and those completing 150 credits. In other words, taking an additional 30 additional credits in college had no statistical impact on how one did on the CPA exam.<sup>6</sup>

The *Journal of Accountancy* recently reported a decline in the number of students studying accounting. One of the proposed solutions to this problem is to use experiential learning.<sup>7</sup> A co-op program would be the epitome of such an approach. Moravian has adopted experiential learning in the training of new CPAs, actively encouraging students to enter into its internship and co-op programs. A student can currently earn up to 12 credits and 16 credits for supervised internship and co-op experiences, respectively at Moravian. Should the State Board approve such a 30 credit Work for Credit proposal, Moravian will begin investigating the implementation of such a program.

I believe our profession stands at a crossroads and we will need to make some critical decisions to ensure its continued health. I urge the State Board to look favorably upon

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<sup>5</sup> Barrios, J. M. (2022, May 2). *Occupational licensing and accountant quality: Evidence from the 150-hour rule*. SSRN. Retrieved March 15, 2023, from <https://ssrn.com/abstract=4072832>

<sup>6</sup> Haen J. et al. *The relationship between 150-credit hours, accounting credit ...* - AABRI. (n.d.). Retrieved March 15, 2023, from <https://www.aabri.com/manuscripts/141820.pdf>

<sup>7</sup> Hart, M. *How faculty can address declining accounting enrollments*. *Journal of Accountancy*. (2022, September 14). Retrieved March 15, 2023, from <https://www.journalofaccountancy.com/newsletters/academic-update/how-faculty-can-address-declining-accounting-enrollments.html>

this proposal. The lack of current interest in the profession by college students and the current research about the effectiveness of the 150 credit hour requirement should set off alarm bells. I teach my students they need to be attentive to signals from the marketplace and the wider environment. The market is clearly speaking to us and we as a profession need to respond to this. Removing artificial barriers we created, no matter how well intentioned, will only lower barriers to entry and help provide a more robust pool of qualified candidates.

Should you need additional information, or have any questions, please do not hesitate to contact me at your convenience. Thank you for your consideration in this matter.

With kind regards,

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