

1989

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### Recommended Citation

Schweikart, James A. and Phillip A. Jones. 1989. "Some Concerns in Implementing the New Education Requirements for Accounting Graduates." E.C.R.S.B. 89-10. Robins School of Business White Paper Series. University of Richmond, Richmond, Virginia.

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*Special thanks to Earnest A. Huband, immediate past President of NAA, for his helpful comments and suggestions.*

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## SOME CONCERNS IN IMPLEMENTING THE NEW EDUCATION REQUIREMENTS FOR ACCOUNTING GRADUATES

### Abstract

Graduates in accounting expecting to enter the profession of public accounting in the United States will soon be required to have five years of college education. While the education of accounting graduates may be enhanced, there are several repercussions of this requirement on colleges and universities as well as on the accounting profession in general. Some of these consequences may actually impair accounting education for those entering fields other than public accounting, as college and university resources will be unable to support the needs of all accounting fields.

## SOME CONCERNS IN IMPLEMENTING THE NEW EDUCATION REQUIREMENTS FOR ACCOUNTING GRADUATES

By the year 2000, graduates in accounting will be required by the American Institute of Certified Public Accountants (AICPA) to have a five year or 150 hour education to be able to take the Uniform CPA Examination. This edict of February, 1988, is currently a challenge for state boards of accountancy in that they are debating exactly when to implement this AICPA promulgation and what to require in such a five year program.

To date, eight states have or are about to institute five year requirements for state licensing: Florida, Utah, Tennessee, West Virginia, Hawaii, Alabama, Montana, and Texas. There appears to be no resistance from state boards. In fact, there appears to be quite a bit of support for the requirement. It is, therefore, clear that five year accounting education will occur nationally. It is simply a matter of time.

It is hard to argue against such a stand. This is, after all, a requirement of more education. The National Association of Accountants, NAA, is also somewhat in favor of five year programs as evidenced in Statement on Management Accounting, SMA 1E, ("Education for Careers in Management Accounting.") Still, a number of serious issues should be addressed which to date have not been. Further, some of these issues have very difficult solutions.

### **Issue 1: Whose Responsibility is Accounting Education?**

The preamble to the AICPA's document Education Requirements for Entry Into The Accounting Profession discusses the changes in the "profession" that have taken place over the past decade and the increased skills which CPAs need today. The document details some of these skills, including in its list computers, statistics, behavioral science, and communication. It concludes that

due to these needed tools a five year program is necessary.

All of this may be true, but are the AICPA's needs part of college level general education? Upon close examination of its recommended program, the AICPA includes introductory accounting, computers, ethics and communications in general education for a business degree. In its list of "other" subjects, it identifies the traditional general education requirements of universities such as history and literature.

Such a view of general education is incongruent with quality universities' views of general education. In many schools, it will be impossible to legislate such requirements. What belongs in general education is traditionally viewed as liberal arts courses that enable students to sample fields of study and attain a rounded intellectual experience. Those professionals in universities who have established this area (general requirements) generally know what they want from their graduates. Should it be in the AICPA's purview to intercede in matters in which they may not be qualified?

The suggested program further details what belongs in business education for potential CPA candidates. While CPAs are certainly knowledgeable in business, there are other authorities. Fields which have opinions that must be considered are marketing, finance and manufacturing. Restructuring business education may impair the needs of other fields.

The American Assembly of Collegiate Schools of Business (AACSB) is the accrediting agency for schools of business. Because of the needs of all business professions, including accounting, as well as the need to assure a reasonable liberal arts education, the AACSB has carefully provided requirements and guidelines for a business education. In fact, AACSB has established a separate accreditation for accounting programs.

The AICPA document does not conflict with current AACSB standards for

business education. Rather, its suggested program actually falls short of the AACSB guidelines. As an example, there is no specific requirement to teach international business in the AICPA program. This is, presumably, because the AICPA is simply defining business from its set of needs. Once again, universities and the AACSB should be responsible, not any particular professional group, for business education requirements in a university.

The third and last category of requirements suggested by the AICPA is accounting education. Clearly, this branch of the accounting profession has a proper input here. Still, as in business education, this is only one group, albeit an important one, whose input into accounting education is needed. Industrial, governmental, and not-for-profit organizations also have needs.

For as long as accounting education has existed, college and university accounting programs have been structured for students to take the Uniform CPA examination. This is why intermediate accounting has most often become two courses (practice), there is often a theory course (theory), schools are moving to two courses in auditing (auditing) and there is usually a course in law for accountants (law). Students want the CPA certificate, and schools are pleased to take credit in helping them obtain it. It is a matter of supply and demand.

The National Association of Accountants' suggested program is highly similar to that of the AICPA in subject matter. There is, however, a difference in depth of individual areas to be covered (SMA 1D, "The Common Body of Knowledge for Management Accountants;" SMA 1E, "Education for Careers in Management Accounting.") This difference is naturally due to the difference in objectives of the two groups. Still, the NAA curriculum is rarely the operative one at business schools.

Inside university accounting departments, there is a never ending debate



about whether or not current accounting education is myopic. Is such an education too limited? Accordingly, if expansion is necessary in accounting programs, there is probably little need to suit additional demands for the CPA branch of the accounting profession. Other branches of the accounting profession are already receiving less than they desire in accounting education for their fields.

**Issue 2: Even If It Is Proper For The AICPA To Require A Five Year Program, Why Is It That The Specifics Of What Belongs In The Program And Implementation Guidelines Cannot Be Given?**

The illustrated or suggested AICPA program lists the subjects which should be required for general education, business education, and accounting education. Yet, no specific number of courses is given for each subject area. Only a range of semester hours is offered. The only group of courses for which the suggestion includes the possible hours or number of courses is general education. This is because subjects like ethics, communication and elementary accounting are additions to current general education requirements. Specific numbers of hours or courses are missing from the AICPA suggested program.

The subjects in business education and accounting education are for the most part already in college curricula. Which ones need additional exposure and how much more is needed? It seems that if current curricula are deficient, universities ought to know specifically where and how much.

**Issue 3: Can Universities Implement A Five Year Program And How?**

Some already have. Florida and Utah schools have tackled this very difficult task. Others are still working with the issue. At nearly every American Accounting Association meeting there are sessions dealing with

implementing a five year curriculum. Some of the problems created have difficult and sometimes not very good solutions.

For instance, some schools of business cannot offer a five year undergraduate degree. Such a program may not be congruent with university philosophy. An alternative for some may be a fifth year Masters degree. This, however, requires that undergraduates be admissible to graduate school and be able to pay graduate tuition. Not all accounting undergraduates have graduate admission capability. And, there is, of course, the issue of being able to pay graduate tuition.

Such a program (regardless of configuration) has a serious impact on university and school of business philosophy, admission requirements, degree requirements, and fee structure. In short, implementation is not easy. Florida and Utah schools seem to be offering a variety of options to achieve the five years. Some give MBAs and some five year bachelors degrees. Some offer both approaches. Not all schools, however, have flexibility.

**Issue 4: Who Pays For Five Year Programs?**

Nowhere in the AICPA document is the issue of cost discussed. Further, the profession has disclosed no plans to pay for it, although some limited grants may become available.

Five year programs mean additional professors in all fields, not just accounting and business. Exactly how many will be needed is not known, but the cost will be substantial. Universities, nonprofit institutions which already pay faculty salaries from state budgets, private gifts and student tuition, will be required to ask more from these sources. The likely source to pay will be the student and not just the accounting student -- all students.

**Issue 5: What Price Managerial and Other Branches of Accounting?**

College and university resources are extremely scarce. They are subject to tight budgets and break-even is the goal. State supported schools are strapped by budget lines and political difficulties which they often cannot alter. Private schools depend on endowment, grants and contributions which are often uncertain.

Whenever a new demand is placed upon a university, therefore, it usually means that the university will not be able to fully pass it on. In this case, it will probably mean increased teaching assignments for existing faculty. It also probably means that course offerings will be limited in areas not pertaining to subjects on the Uniform CPA examination or not covered by specific five year requirements. In short, electives in the other accounting and business courses will most likely be reduced.

Currently, most schools already feel these constraints. Rarely does one find two upper level courses in cost or managerial accounting, a course in international accounting or a course in not-for-profit accounting in the undergraduate curriculum. The reason is that scarce resources are first allocated to the standard subjects covered on the Uniform CPA examination.

The five year program, then, manifests in one group the power to determine what will be taught in the accounting curriculum. What will become of managerial accounting and not-for-profit accounting as fields? The AICPA is auditing and tax oriented and, while it believes that exposure to other fields is important, these other fields are not in themselves of central interest. Limited coverage of them on the CPA examination is evidence of this.

If colleges and universities are to provide a five year program for the AICPA, they should also provide alternative accounting programs for the great majority of accounting students whose careers are not to be in public accounting. Unfortunately, scarce resources will not permit this, and the

precedent has been set for what field will get these resources. The field of managerial accounting, among others, stands to lose a lot.

**Issue 6: Is a Five Year Program Really a Training Program?**

There is room for debate as to what belongs in an undergraduate education. The purpose of general education is to provide rounded exposure to students of various available fields of study. The purpose of a major is to provide detailed study, but not training at the advanced level, of a particular subject. Business schools, and in particular accounting programs, have been expanding the major over time to accommodate professional needs. Doing so, however, hurts general education and the important area of free elective courses and, accordingly, deprives the student of a fully rounded education.

If a five year program were to replace lost arts and science electives and previously required general education requirements, then the education of undergraduates would be restored. The AICPA suggested program, however, further invades the goal of well-rounded education by requiring accounting and related subjects in general education and increasing both business and accounting education.

How much professional training should be in an undergraduate education? Should an accounting graduate be an expert in auditing with some auditing experience or should the graduate have an exposure to auditing? How much tax should a graduate know? Is knowledge of software important or should the student be an expert in Lotus?

To summarize the issue, where does education stop and job training begin? It appears that some of the expanded accounting topics are really a matter of universities providing no cost training to the CPA part of the accounting profession. The exact delineation between accounting education and

professional accounting training, however, is not clear. What is clear is that colleges and universities should not be engaged in public accounting training traditionally done by public accounting firms.

**Issue 7: Is the Public Accounting Profession Putting Itself on a Path Toward Self Destruction?**

Public accounting recruiters on college campuses have been noticing a decline in the quality of students they interview over the past few years. They claim that the best and the brightest may be moving to other fields. There is some evidence of this when examining Scholastic Aptitude Test (SAT) scores of recent graduates. This statistic, however, may be a function of starting salaries. Recruiters claim that the five year program will improve the quality of their candidates, but they generally fail to address the adequacy of the compensation increase.

If salaries are an issue, and students are salary conscious, a five year program will only make the cost of education higher in relation to starting salaries. As a result, students may be even more apt to shift from accounting to other business fields to make their educational investment worthwhile. If the real agenda of the five year program is to raise the quality of the candidate pool, the five year program may be a serious mistake. One obvious way to raise the quality of the candidate pool is through more competitiveness in starting salaries.

**Conclusion**

Few in the accounting profession can argue successfully against the merits of additional education. Those merits are left unquestioned in this discussion as well. Yet, there are serious repercussions from a five year program that is generated by only one professional body with a vested

interest. Some rethinking about the issue is still in order.

It is understandable that the CPA profession has special needs. Those needs, however, cannot be at the expense of other needs of both business and colleges and universities. One solution might be to leave the four year accounting major intact while developing a graduate degree for professionals in public practice. This will elevate the public accounting profession's status to that of medicine or law, improve the employee candidate pool, and provide a quality general undergraduate education for those candidates. At the same time, accounting needs of business, industry, government and not-for-profit organizations can still be met through the more appropriate four year undergraduate program.

SOURCES: Education Requirements for Entry Into the Accounting Profession: A Statement of AICPA Policies, 2nd edition, February 1988, AICPA, New York.

Statements on Management Accounting 1D, "The Common Body of Knowledge for Management Accountants," June 1986, NAA, Montvale, NJ.

Statements on Management Accounting 1E, "Education for Careers in Management Accounting," November 1987, NAA, Montvale, NJ.