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PREVIEW

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Gray, Robert Loren

AN ANALYSIS OF THE FACTORS RELATED TO WHETHER PRACTICING  
CERTIFIED PUBLIC ACCOUNTANTS PURSUE FORMAL PROFESSIONAL  
EDUCATION

*Pace University*

D.P.S. 1983

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PREVIEW

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AN ANALYSIS OF THE FACTORS RELATED TO WHETHER  
PRACTICING CERTIFIED PUBLIC ACCOUNTANTS  
PURSUE FORMAL PROFESSIONAL EDUCATION

A DISSERTATION SUBMITTED TO THE FACULTY OF THE LUBIN  
GRADUATE SCHOOL OF BUSINESS, PACE UNIVERSITY, IN  
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE  
OF DOCTOR OF PROFESSIONAL STUDIES IN MANAGEMENT

Robert L. Gray

1982

## ABSTRACT

Formal continuous professional education (CPE) is recognized as the most efficient means of updating skills and maintaining professional competence. To ensure participation, many states require it as a condition of continued practice. Recognizing that mandatory CPE may not be the most effective method to ensure competence, behavioral scientists are exploring factors that encourage and discourage CPE activity.

This study was undertaken to identify factors that encourage accountants to continue professional development. The subjects of this study were practicing CPAs who were also members of the New York State Society of CPAs. A random sample of 1400 CPAs was selected and the final population of 333 provided the data from which the findings and conclusions of this study were drawn.

The instrument included questions that asked those surveyed to cite reasons not only for taking courses but also for not taking courses. Upon a scale weighted from one to five, respondents were asked to rate the validity of each reason. The instrument also included items to determine CPE participation in previous years. Respondents were asked to identify themselves by 1) professional position, 2) age, 3) area of special interest and 4) size of firm.



Respondents were classified as participants or moderate participants. Non-participants were included with the latter group. An examination of the four professional characteristics revealed noteworthy facts about participation in CPE. Firm size was one reason that directly related to individual involvement in CPE. CPAs from larger firms participated at a greater rate than those from smaller firms. A respondent's age also was found to have important implications in determining CPE participation. Participants tended to increase CPE over the years while moderate participants tended to decrease participation.

Reinforcement from the work place is a primary factor that encouraged participation. Since no clear differences were found between the two groups for reasons not to participate, it was concluded that CPAs in New York State perhaps are not receiving the necessary external encouragement.

Based upon this study it was suggested that future research might identify factors that encourage voluntary participation. Another study could seek to determine the educational expectations of participants in order to improve the quality of CPE offerings.

## ACKNOWLEDGMENTS

The successful completion of this dissertation would not have been possible without the leadership of William J. Coffey, Ph.D., chairman of my dissertation committee. Dr. Coffey's patience and knowledge guided me through the various drafts and his vital criticisms led not only to the dissertation's successful completion but to the useful application it now enjoys in the field of continuing professional education.

I also wish to express my thanks and gratitude to Earl R. Zack, Ph.D., Director of the Doctoral Program, whose keen insight, knowledge and wisdom were most essential in guiding and motivating me through the development of the proposal and its acceptance as a dissertation topic.

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PREVIEW

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## CHAPTER I

### THE PROBLEM

#### STATEMENT OF THE PROBLEM

The problem was to identify those pro and con factors that determine whether practicing certified public accountants pursue formal professional education throughout their careers.

#### Sub-Problems

The first problem was to determine the relative weight of the factors that influence practicing certified public accountants toward active participation in formal career-long learning.

The second problem was to determine the relative weight of those factors that influence practicing professionals not to participate in formal career-long learning.

The third problem was to draw conclusions based upon the analysis and to make recommendations that would improve continuing professional education specifically for CPAs but applicable to other professions.

#### Definition of Terms

The following definitions were used for the purpose of this study.



Formal Learning - participation in a course of study which is structured, and has met the appropriate quality criteria,<sup>1</sup> and is accepted by the profession of which the learner is a member.

Practicing Certified Public Accountants (CPAs) - individuals actively engaged in holding themselves out to the public, in consideration of compensation received or to be received, offering to perform or performing for other persons, services for which they are duly and validly licensed as accountants.<sup>2</sup>

Continuing Professional Education (CPE) - formal learning engaged in by a professional to acquire new professional knowledge or skills.

Participant - a CPA who has taken eleven or more hours of CPE over the past year.

Moderate Participant - a CPA who has taken ten or less hours of CPE over the past year.

Feature - a characteristic of the work environment perceived by the CPA as reinforcing or discouraging CPE activity.

Likert-type Scale - a rating scale which contains a set of items considered to be of equal value and to each of

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<sup>1</sup>American Institute of Certified Public Accountants, Statement on Standards for Formal Group and Formal Self-Study Programs, 1976.

<sup>2</sup>New York Statute, Article 149, sec. 7401.

which a subject responds with degrees of intensity.<sup>3</sup>

### Delimitation

The subjects of this research will be licensed practicing certified public accountants. No delimitations as to sex or membership in minority groups were imposed.

### THE NEED FOR THE STUDY

In New York State where participation in formal CPE is voluntary, a study conducted in 1976 revealed that one-third of the members of the New York State Society of Certified Public Accountants (NYSSCPA) did not participate in formal learning. This level of non-participation is undoubtedly true for all states that rely on an individual's voluntary commitment to formal CPE as the primary safeguard against outdated practices. Recognizing the tendency to neglect formal continuous professional education, several state and national regulatory bodies have set minimum CPE requirements and have taken steps to require CPE as a condition for re-certification or continued professional practice.

National leaders of the profession, regulatory bodies and professional associations have become increasingly concerned about the decline in quality of service offered by professional accountants nationwide. A lack of technical knowledge has been identified as the primary

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<sup>3</sup>Fred N. Kerlinger, Foundations of Behavioral Research (2nd ed.; New York: Holt, Rinehart and Winston, 1973), p. 496.

cause of substandard practice. In the area of rapidly changing and expanding technical information, continuous formal professional education is a visible alternative to professional obsolescence and plays a significant role in maintaining and improving the quality of professional practice. The following points support this premise.

1. In response to a concern regarding the quality of professional practice around the nation, the National Association of State Boards of Accountancy, at its annual meeting on September 29, 1972, adopted a resolution stating in part:

Whereas, formal programs of continuing education provide certified public accountants . . . with the opportunity to maintain and improve their competence . . . (the association) urges each of the several states to institute . . . a requirement, by legislation or regulation, that certified public accountants . . . demonstrate that they are continuing their professional education.<sup>4</sup>

The National Association of State Boards of Accountancy, a national professional association of the fifty states' regulatory boards and agencies, further stated that a minimum requirement of 120 hours of formal education (over a three year period) become a "condition precedent to the re-registration, renewal of permit to practice, or other validation of their professional designation."<sup>5</sup>

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<sup>4</sup>National Association of State Boards of Accountancy, Model Provisions for Required Continuing Education, 1972, p. 7.

<sup>5</sup>Ibid.

2. The Securities and Exchange Commission has imposed sanctions,<sup>6</sup> instituted litigation and formalized criticism of the professions.<sup>7</sup> In response to these actions, one of the most visual changes made by the accounting profession in 1977 was the creation of the American Institute of Certified Public Accountants' Division for CPA Firms, and, within that division, the SEC Practice Section which mandates extensive training programs. In every member firm, each member of the professional staff is required to take at least 120 hours of classes over a three year period to help the practitioner sustain his professional competence.<sup>8</sup>

The Special Investigations Committee of the SEC Practice Section monitors alleged or possible audit failures and recommends the imposition of sanctions to the SEC Practice Section's Executive Committee. Prominently featured on the list of types of sanctions, which may be imposed, is "additional requirements for continuing professional education."<sup>9</sup>

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<sup>6</sup>Securities and Exchange Commission, Report to Congress on the Accounting Profession and the Commission's Oversight Rule, 1980.

<sup>7</sup>Harold M. Williams, Chairman - Securities Exchange Commission, Professional Self Government: An Interim Report - an address delivered at the AICPA Fifth Annual Conference on Current SEC Developments, January 4, 1978.

<sup>8</sup>American Institute of Certified Public Accountants, What Is the Division for CPA Firms? 1980.

<sup>9</sup>American Institute of Certified Public Accountants, Organizational Structures and Functions of the SEC Practice Section of the AICPA Division for CPA Firms as amended November 29, 1979.

3. The U.S. Congress has shown major concern and expressed strong criticism of the conduct of professional practice.<sup>10</sup> Congress formed a special investigative committee which issued a critical report, indicating, among other things, a need for continuing professional education.<sup>11</sup>

4. Various private studies also confirmed this need for continuing professional education. One such study revealed that 31 percent of a 20,000 member professional group devoted no time to formal educational programs and that 11 percent of those who did participate, were spending less time in the current year than in the prior year.<sup>12</sup>

5. Leading insurance underwriters, concerned about an unacceptable level of quality of practice, are now providing credits against premiums for those practitioners and firms actively participating in formal career-long learning.<sup>13</sup> Despite the discounts offered, only a small number of firms has taken advantage of this program.

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<sup>10</sup>Lee Metcalf, Chairman, The Accounting Establishment, prepared by the Subcommittee on Report, Accounting and Management of the Committee on Government Operations for the 94th Congress, 2nd Session, December 1976.

<sup>11</sup>John E. Moss, Chairman, November 1977 Staff Report, prepared by the Subcommittee on Reports, Accounting and Management of the Senate Committee on Governmental Affairs, November 1977.

<sup>12</sup>Roper Organization Inc., "A Study of New York State Society of Certified Public Accountants Members' Professional Development Activities," 1976.

<sup>13</sup>INA Underwriters Insurance Company, "Sponsorship Agreement," November 19, 1978.

6. Various state licensing authorities and regulatory agencies, responsible for professional practice and the enforcement of codes of conduct and/or ethics, have found indications of an unacceptable level of substandard practice, a large portion of which is attributed to a lack of technical knowledge. Recently New York State's Board of Regents, in conjunction with that state's Senate and Assembly, carried out a thorough and penetrating revision of the prosecution procedures under its Code of Professional Conduct.<sup>14</sup>

7. Many practicing professionals themselves have publicly expressed concern about the declining quality of work they have observed occurring within their profession by those who no longer have current and valid knowledge, and who are also uneducated as to their social and ethical responsibilities.<sup>15</sup>

In conclusion, practicing professionals must recognize that there is a constantly changing body of knowledge,

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<sup>14</sup>Chapter 866 of the New York State Education Department Laws of 1980.

<sup>15</sup>Wallace E. Olson, "The Accounting Profession in the 1980's," The Journal of Accountancy, Vol. 148, No. 1 (July 1979), 54-60. Thomas J. Burns and Edward N. Coffman, "The Ascending Profession of Accounting," The CPA Journal, Vol. XLVIII, No. 3 (March 1977), 33-34. Seymour Eisenman and Steven B. Lilien, "Accounting Deficiencies in Financial Statements," The CPA Journal, Vol. XLVIII, No. 7 (July 1978), 33. Harold L. Monk, Jr., "Accounting and Auditing Deficiencies," Florida Accountancy News (1978). Arnold Schneidman, "Need for Auditors' Computer Education," The CPA Journal, Vol. XLIX, No. 5 (June 1979), 31.

and in order to enable them to discharge their public responsibilities, both economic and social, they should:

1. reacquaint themselves with the topic areas of previously acquired knowledge; and
2. selectively reinforce the subject matter of previously acquired knowledge; and
3. learn in greater depth, for application purposes, previously acquired knowledge; and
4. unlearn that which is obsolete in their previously acquired knowledge; and
5. master the subject matter of newly emerging knowledge.<sup>16</sup>

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<sup>16</sup>Todd Lundy, Chairman, Report of the Ad Hoc Committee on Long-Range Planning (New York: AICPA Professional Development Division, April 1973).

## CHAPTER II

### SURVEY OF LITERATURE

#### THE TREND TOWARD MANDATORY CPE

The need for continuing professional development is a major concern faced by all disciplines. The effects of time in an age of rapidly exploding technological advances takes a toll on the creative, productive and competent professional. The decline in the quality of professional services in all disciplines has been shared by professional associations, state legislatures, licensing and certification boards and the consumer public. In some cases, leaders in various professions have reacted to the threat of slipping standards by instituting mandatory continuing education.

Over the past ten years, the number of states to legislate compulsory education for professions which require licensing or certification has increased. Accountancy and optometry are on the cutting edge of the trend with thirty-five and forty-four states, respectively, requiring continuing professional development.<sup>1</sup> In each

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<sup>1</sup>Robert L. Gray, "Status of Required Continuing Education for Certified Public Accountants" (New York: New York State Society of Certified Public Accountants, 1980).