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CPAs and Advanced Education

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CPAs and Advanced Education

DOMINICK THOMPSON
Background

- Certified Public Accountant (CPA)
  - 150 semester hours of college credit
  - 1 year (2000 hours) of accounting experience
  - Pass all 4 sections of the CPA exam within 18 months

- Advanced Education
  - Education and/or licensure beyond a bachelor’s degree and a CPA license
  - Does not include yearly education for license renewal
Research Question

- What are the benefits for a CPA to pursue an advanced education?
Intended Audience

- **CPAs**
  - CPAs will become more knowledgeable of the benefits of advancing their education

- **Students**
  - Students can learn from people in the workforce and start to make a plan of how much education they want to pursue

- **Employers**
  - Employers will become more knowledgeable of the benefits of their employees, as well as knowing the attitudes of their employees towards more education
Existing Research

- “MBA, CMA, and CPA: Natural partners in the 150-hour requirement” (Fuller and Hargadon)
  - Certifications showcase a commitment to improving yourself as well as a commitment to the professional field
    - 150 hour requirement complements Master of Business Administration (MBA) and Master of Accountancy (MAc) programs
  - Multiple certifications increases marketability
  - Accountants with two certifications earn around $5,000 more than their counterparts with only one certification
Existing Research

- “Financial Incentives for Graduate Tax Education Offered by Public Accounting Firms” (Shoemaker and Stara)
  - A study conducted by two professors at University of Nebraska – Lincoln
  - Focused on if the head of the tax department recommended graduate education and what (if any) incentives their firms would offer for employees pursuing education
  - 592 surveys mailed out to public accounting firms
Existing Research (Shoemaker & Stara Cont.)

- **Major Findings**
  - 224 (37.8%) mailed back a completed survey
  - 75% of the firms actively recruit individuals with advanced degree

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<th>Incentivized by:</th>
<th>Yes</th>
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<td>Rapid Promotion Track</td>
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<td>Pay Increase of 5% or less</td>
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<tr>
<td>Pay Increase between 5% and 10%</td>
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<td>Pay Increase of 10% or more</td>
<td>17.0%</td>
</tr>
<tr>
<td>Other</td>
<td>19.3%</td>
</tr>
</tbody>
</table>
Survey Findings

- Sent to several thousand CPAs in Minnesota
- Total Responses: 232
  - Sex
    - Male: 132
    - Female: 100
  - Education
    - No advanced education: 129
    - Advanced education: 103
Education Demographic

Gender and Education

Age and Education
As yearly compensation increases, larger percentage of CPAs with advanced education
Analysis: Reasons for No Education

- Analyzed individuals with no advanced education
  - 129 of 232 responses
- All factors were fairly consistent
- Other factors
  - Prioritizing family
  - Opportunity cost outweighed the benefit
Analysis: Gender and Incentives

- Female Priorities
  - Intellectual Curiosity (38%)
  - Higher Salary (32%)
  - Increased Value (28%)
- Male Priorities
  - Higher Salary (39%)
  - Increased Value (36%)
  - Faster Promotional Track (35%)

![Bar chart showing gender differences in priorities]
Analysis: Did you pursue education to distinguish yourself?

- Analyzed CPAs with advanced education
  - 103 of 232 responses
- 82% Managers
- 82% Senior Managers
- 33% OTHER
  - Primarily Upper Management
Analysis: Importance of Education

- **Very Important**
  - Partner (68%)
  - Other (59%)
  - Director (42%)

- **Important**
  - Manager (32%)
  - Senior / Supervisor (30%)
  - Staff / Entry Level (6%)
Analysis: Value of Education

- Very Valuable or Valuable
  - Other (74%)
  - Director (51%)
  - Partner (43%)
  - Senior / Supervisor (37%)
  - Staff / Entry Level (25%)

![Bar chart showing the value of education by job level]

- Valuable
- Very valuable
Analysis: Education and Beliefs

- CPAs with advanced education are consistently higher than their counterparts.
Analysis: Education and Benefits

- CPAs with advanced education see the benefits of advanced education more than their counterparts.
- 2% of CPAs with an advanced education stated there are no significant benefits to getting more education.
Common Free Responses

- Responses were all across the board
  - Get education right after college
  - Get education after experience
  - "CPA is your advanced degree"
- Need 150 credits? Get more education
- MBA worth it because it focuses on management
Overall Takeaways

- An advanced education is more important and has more perceived value later in career
  - 68% of partners believe advanced education is very important
  - 74% of upper management believe advanced education is either very valuable or valuable
- Most common incentives of advanced education are higher salary and increased value in company
  - Higher salary (39% of males and 32% of females)
  - Increased value (36% of males and 28% of females)
Limitations

- Sent to a few thousand CPAs
- Sent to mainly CPAs in Minnesota
- Only 232 responses
- Voluntary response bias
- Correlation ≠ Causation
Further research suggestions

- Add more questions
  - Rank incentives and benefits
  - Specific to advanced education costs
    - University characteristics
    - Loan considerations
    - Family Characteristics
- More in depth analysis on different demographics
  - Type of advanced education
  - Industry where individuals work
QUESTIONS?
Existing Research

- Fuller, Lori R. “MBA, CMA, and CPA: Natural Partners in the 150-Hour Requirement.” *Management Accounting Quarterly*, 2008, go.galegroup.com/ps/retrieve.do?tabID=T002&resultListType=RESULT_LIST&searchResultsType=SingleTab&searchType=AdvancedSearch&FmtPosition=1&docId=GALE%7CA190890176&docType=Article&sort=RELEVANCE&contentSegment=&prodId=EAIM&contentSet=GALE%7CA190890176&searchId=R1&userGroupName=mnastbens&inPS=true&u=mnastbens&authCount=1.