

# THE ROLE OF BUSINESS LAW IN THE 150 HOUR EDUCATIONAL REQUIREMENT FOR CPA CERTIFICATION

by

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## INTRODUCTION

This paper deals with a change in the rules that allows one to become a Certified Public Accountant and the implications of the change for law faculty in business schools who train potential CPAs. In the new millennium, one will generally be required to have at least 150 semester hours of education including a baccalaureate degree and an accounting concentration to qualify to sit for the CPA examination.<sup>1</sup> Those schools that offer a Master of Science in Accounting program or a qualifying MBA with an accounting concentration need to address the new requirements when preparing their curricula. This paper focuses in particular on the certification requirements that are relevant for business law educators. The prongs examined are:

1. Requisite credit hours, whether required by certain jurisdictions or merely accepted as part of the 150-hour educational requirement in other jurisdictions.
2. The need for knowledge to adequately prepare the candidate for all of the business law subjects tested on the examination, as presently constituted and as the examination is expected to evolve.

Business schools should meet the highest jurisdictional requirements so that their CPA candidates will have mobility to take the examination and be certified in any jurisdiction. Another important concern for educators is to ensure that students receive an adequate educational preparation in the subjects covered on the exam.

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<sup>1</sup> While most jurisdictions have passed the 150-hour requirement, the effective date varies amongst jurisdictions. *See infra* chart "Business Law Requirements for CPA Certification" [hereinafter Chart] for the effective dates, at text following footnote 47. Please note that the information represented on this chart will change over the months to come. There are states who have not responded to the authors' survey, and many states are in the process of revising their regulations, and rules.

## I. BACKGROUND

The American Institute of Certified Public Accounts (AICPA) is the foremost national professional organization for certified public accountants. The AICPA represents the accounting profession in public practice, business and industry, government and education.<sup>2</sup> The National Association of State Boards of Accountancy (NASBA) is an association whose membership is comprised of individuals who have been appointed to serve in their states pursuant to each state's enabling legislation. NASBA is an organization whose "mission is to enhance the effectiveness of state boards of accountancy in meeting their regulatory responsibilities."<sup>3</sup> It also improves communication among the state boards (of which there are 54), and through its committees provides board members "with specialized services including CPA exam administration."<sup>4</sup> NASBA works with the AICPA to recommend licensing and regulatory rules for the accounting profession.<sup>5</sup> These associations have published the Uniform Accountancy Act (UAA) as a model bill to provide a uniform approach for states to license the accounting profession. The individual states, by virtue of such states' licensing laws, which are usually some version of UAA, set standards for the CPAs licensed within their jurisdiction.<sup>6</sup>

While the SEC has the authority to regulate the accounting profession, and does so in certain specialized areas,<sup>7</sup> the profession has chosen to regulate itself through state accountancy boards and professional groups such as AICPA and NASBA. The federal government tends to remain on the sidelines as a watchdog, and largely permits the accounting profession to police itself. The most recent revisions to the Uniform Accountancy Act (UAA) contemplate greater similarity in each states' requirements for certification in order to promote reciprocity and uniformity among jurisdictions.<sup>8</sup> These changes accord with the notion and the appearance of a more centralized professional self-regulation.<sup>9</sup>

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<sup>2</sup> See generally, AICPA, *AICPA Mission Statement* (revised and approved Nov. 1995) (visited Mar. 28, 2000) <<http://www.aicpa.org/about/mission.htm>>.

<sup>3</sup> See GLEIM, *CPA REVIEW, A SYSTEM FOR SUCCESS* 7 (1999).

<sup>4</sup> *Id.*

<sup>5</sup> See AICPA, *AICPA/NASBA Guide Implementing the 150-Hour Requirement* (visited Mar. 28, 2000) <<http://www.aicpa.org>>.

<sup>6</sup> See AICPA, *Frequently Asked Questions About the AICPA* (visited March 28, 2000) <<http://www.aicpa.org/>>.

<sup>7</sup> See generally, Christine Neylon O'Brien, *SEC Regulation of the Accounting Profession: Rule 2(e)*, 21 GONZ.L.REV.675 (1985/86); *Report of the Task Force on Rule 102(e) Proceedings: Rule 102(e) Sanctions Against Accountants*, 52 BUS. LAWYER 965, 966 (1997).

<sup>8</sup> See generally Colbert & Murray, *infra* note 42, at 54 (discussing large number of states that have adopted major provisions of Uniform Accountancy Act and goal thereby served of promoting uniformity across jurisdictions).

<sup>9</sup> *Cf.* Colbert & Murray, *infra* note 42, at 54, 64-65 (discussing that under the economic theory of regulation, the regulated (here, the accountants) often capture the regulators and end up in effect regulating themselves).

The AICPA is not merely a professional organization that CPAs join for continuing professional development. Among other things, the AICPA is intimately involved, on a national scope, in the process of licensing CPAs. The Board of Examiners of the AICPA prepares the questions for the CPA examination. The boards of accountancy employ the Uniform CPA Examination to test applicants for competence, as part of their application for a professional license in their particular jurisdiction.<sup>10</sup> The examination is prepared by the Board of Examiners of the AICPA and is used by the boards of accountancy in all fifty-four jurisdictions as the primary way to measure the technical competence of CPA candidates.<sup>11</sup> The Board of Examiners is assisted by CPA Examination Services in the administration of the exam in over twenty jurisdictions.<sup>12</sup>

#### A. UNIFORM ACCOUNTANCY ACT

The model rules of the Uniform Accountancy Act suggest a minimum of 24 semester hours in accounting and an added 24 semester-hours in non-accounting business courses,<sup>13</sup> for a CPA candidate who has passed the Uniform CPA exam to obtain a license from his or her state. It is generally within the 24 semester hours of non-accounting business courses that business law courses find a place in an applicant's educational program.<sup>14</sup> In fact, the AICPA/NASBA 150-HOUR CURRICULUM DEVELOPMENT HANDBOOK outlines an illustrative program that lists two law courses within the non-accounting business education (24-50) semester hours: Legal and Social Environment of Business, and Business Law.<sup>15</sup> In addition, Business Ethics is listed within this same cohort, and that subject area is at times taught by legal studies faculty as well.<sup>16</sup> The states often vary from the model rules, and hence, many states have specified certain course requirements to allow an applicant to sit for the CPA examination in their jurisdiction.<sup>17</sup>

Within the 150-hour educational requirement, forty-eight of the fifty-four United States jurisdictions (all fifty states, the District of Columbia, Guam, Puerto Rico and the

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<sup>10</sup> See generally AICPA, 150-HOUR CURRICULUM DEVELOPMENT HANDBOOK [hereinafter, AICPA HANDBOOK] (1996).

<sup>11</sup> See AICPA, *Uniform CPA Examination Brochure* (visited Mar. 30, 2000) <<http://www.aicpa.org/edu/candexam.htm>>.

<sup>12</sup> See NASBA, *Uniform CPA Examination* (visited Mar. 30, 2000) <<http://www.nasba.org/webpages.nsf/pages/exams>>.

<sup>13</sup> AICPA, "AICPA/NASBA GUIDE FOR THE IMPLEMENTATION OF THE 150-HOUR EDUCATION REQUIREMENT," AICPA HANDBOOK, *supra* note 10, at 2.

<sup>14</sup> *Id.* However, some jurisdictions specify that business law is credited within requisite accounting courses, or within both accounting and required business related coursework. See *infra* notes 21-22 and accompanying text.

<sup>15</sup> *Id.* at 3. See also *infra* footnote 44 for a further discussion of suggested content of these two courses.

<sup>16</sup> *Id.*

<sup>17</sup> See *infra* notes 20-23 and accompanying text, and Chart in text following footnote 47 for varying course requirements.

U.S. Virgin Islands) set their own specific guidelines.<sup>18</sup> For example, five states require at least 6 credit hours of business law courses within the 150 hours ( Florida, Kansas, New Jersey, New York and West Virginia).<sup>19</sup> Nine other jurisdictions require three credit hours of business law (Alabama, Alaska, Arkansas, Louisiana, Maryland, Nebraska, Nevada, Vermont, and U.S. Virgin Islands).<sup>20</sup> Other jurisdictions specify that business law courses fall within the non-accounting business course credit hours.<sup>21</sup> Several states (Illinois, Massachusetts, Minnesota, Nevada, New Mexico, Pennsylvania, South Carolina) indicate that they permit business law to count within the accounting credit hours.<sup>22</sup> In general, the boards of accountancy either require business law courses or allow business law courses to meet the business-related course requirement. For this reason, this paper surveys the business law requirements by state as well as those under the model Uniform Accountancy Act and recommends a curriculum response that will meet present and future requirements, as well as prepare students in the subject areas tested on the uniform CPA examination.

## **B. THE CPA EXAMINATION IN 2003**

The AICPA, with assistance and input from related organizations such as NASBA and the American Accounting Association, is expected to make significant revisions to the CPA examination effective on or about 2003. The Board of Examiners' two main committees, the Content Oversight Task Force (COTF) and Computerization Implementation Committee (CIC) anticipate a different CPA examination.<sup>23</sup> Portions of the examination would test higher levels of cognitive skills and applications based in large part upon integration of knowledge of accounting subjects with law, finance, auditing, technology, and general business subjects such as economics. Computer skills will also be necessary to execute the revised examination.<sup>24</sup> Whether or not the anticipated changes occur, and some change is virtually certain, the accounting profession

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<sup>18</sup> See AICPA HANDBOOK, *supra* note 10, *States That Have Passed the 150-Hour Education Requirement* (as of 5/17/99). See also AICPA, *States That Have Passed the 150-Hour Education Requirement* (visited Mar. 28, 2000) <<http://www.aicpa.org/states.uaa/150chart.htm>>.

<sup>19</sup> See generally, AICPA, *State Information* (visited Mar. 28, 2000) <<http://www.aicpa.org/states.uaa.htm>> and Chart in text following footnote 47 presenting survey requirements.

<sup>20</sup> See *infra* Chart in text following footnote 47. Louisiana in effect requires six credits in law by Board letter which states that a regulatory environment course will not suffice. Rather the typical AACSB core course is a preliminary to a three credit commercial law course designed for accounting students.

<sup>21</sup> *Id.* This flows from the concept of the Uniform Accountancy Act. Even those jurisdictions that don't specifically list business law within the business course component generally credit business law as such.

<sup>22</sup> See *infra* Chart "Business Law Requirements for CPA Certification" at text following footnote 47 (summarizing results of survey of state boards). California allows business law within its 45 core course credits.

<sup>23</sup> Telephone Interview with Professor Jan R. Williams of the University of Tennessee, President of American Accounting Association, and member of the AICPA Content Oversight Task Force (Mar. 6, 2000); and accompanying facsimile transmittal containing contents of APLG Presentation "Content Changes Planned for the CPA Exam" by Dr. Williams.

<sup>24</sup> See *id.*

and its signature examinations<sup>25</sup> are requiring accounting and business law educators to prepare their students to pass exams which demonstrate a higher level of cognitive skills than in the past.<sup>26</sup>

The current President of the American Accounting Association, Jan R. Williams, identifies as three critical challenges that confront accounting educators: the skills development challenge, the technology challenge, and the integration challenge.<sup>27</sup> The accounting profession having identified the multidimensionality of accounting and business concepts and the higher cognitive skill levels required to successfully master concepts<sup>28</sup> will soon modify their exam to ensure that these skills and related competencies are being adequately tested.<sup>29</sup>

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<sup>25</sup> As well as the CPA examination, the Certified Management Accountant, and Certified in Financial Management Exams given by the Institute of Management Accountants and the Certified Internal Auditor Exam given by the Institute of Internal Auditors, provide accountants with a way to distinguish themselves and place themselves on a higher salary curve than their non-certified counterparts.

<sup>26</sup> For example, the Institute of Management Accountants, in apprising candidates of the level of knowledge required in a given content area, borrows from BENJAMIN S. BLOOM'S TAXONOMY OF EDUCATIONAL OBJECTIVES, THE CLASSIFICATION OF EDUCATIONAL GOALS, HANDBOOK I: THE COGNITIVE DOMAIN (1956); see IMA, *About the Certification Programs, CMA Examination and CFM Examination Content Specification Outline* (visited Mar. 30, 2000) <<http://www.imanet.org/Content/Certification/Overview/content.pdf>>. That analysis specifies six escalating levels of cognitive skills which can be tested: knowledge, comprehension, application, analysis, synthesis, and evaluation). IMA lets their candidates know at which level a subject included within their content specification outline will be tested, i.e., at level A (requiring knowledge and comprehension), at level B (requiring knowledge, comprehension, application and analysis), or level C (requiring all 6 skill levels to include synthesis and evaluation. See *id.*

The AICPA now publishes its "AICPA Core Competency Framework for Entry into the Accounting Profession" which includes functional, personal and broad business perspective competencies. See AICPA, *Overview of the Framework*, <http://www.aicpa.org/edu/overview.htm> (visited 4/16/2000). Within the third competency, the "Legal/Regulatory Perspective" is described as follows:

Regulatory forces are being shaped by collaboration, migration, and reform as the various stakeholders globalize, share information, and force their particular needs and viewpoints onto political agendas. Individuals preparing to enter the accounting profession need to be capable of describing the legal and regulatory environment and analyzing the impact of changes in relevant requirements, constraints, and competitive practices.

Elements include:

- Describes the legal and governmental/ regulatory environment in which entities operate and the significant costs and benefits of regulation
- Analyzes potential threats and opportunities for the organization from changing legal requirements
- Identifies and explains the political and environmental forces impacting both the accounting standard setting process and the regulation of the profession. In addition, aspiring CPAs should have an awareness of the dynamic nature of these processes, and recognize their implications for organizations and the ways in which they operate. *Id.*

<sup>27</sup> Jan R. Williams, *President's Message*, ACCT. EDUC. NEWS, 1-2 (Winter 2000).

<sup>28</sup> See GLEIM, CPA REVIEW, A SYSTEM FOR SUCCESS 12 (1994) (discussing ARTHUR WINGFIELD, HUMAN LEARNING AND MEMORY: AN INTRODUCTION (1979)).

<sup>29</sup> See Williams interview *supra* note 23. See also Ahava Goldman, *CPA Exam Content Reformation and Computerization Update*, CPA LETTER at G3 (May, 2000) for an article promising a draft content specification outline to be exposed for comment in June 2000. The new exam is expected to test the ability to do research as well as the ability to integrate knowledge from various practice areas. The computerization

## C. HISTORY

The policy of requiring certain educational prerequisites for CPA certification was first explored by the AICPA in 1959.<sup>30</sup> The goal was to expand the CPA's educational program to deal with the ever-changing scope of the accounting profession.<sup>31</sup> The non-binding committee recommendation at that time stated that a post-baccalaureate education was important and should be adopted as a requirement for CPA certification.<sup>32</sup> The AICPA stated in 1969 that the CPA certificate evidenced basic competence in the principles of accounting and knowledge common to all members of the profession.<sup>33</sup> Just as it has in more recent times, the AICPA was even then working to create a sense of uniformity among the CPA certificate holders in the various jurisdictions.<sup>34</sup>

In the 1970's, the AICPA expanded its efforts in this regard by not only promoting the 150-hour educational requirement but also by working to improve accounting programs at colleges and universities.<sup>35</sup> The Board of Directors of AICPA appointed an independent study group, the Commission on Professional Accounting Education, to formulate a strategy to encourage each jurisdiction's board of accountancy to adopt the 150-hour education requirement as a prerequisite for certification.<sup>36</sup> In 1987, the AICPA Council approved a plan to require its new members to have 150 hours of education after the year 2000.<sup>37</sup> This plan was put to a vote of the AICPA members in 1988 and a motion to amend the bylaws of the institute, requiring 150 hours of education for new members after the year 2000, passed with 83% of those voting favoring the new prerequisite for membership.<sup>38</sup> The stated objective of the increased educational requirement is to improve the overall quality of work performed by CPAs who are confronted with advancing technology, an increasingly complex business environment, and society's continuing demand for accounting and assurance services.<sup>39</sup>

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of the exam will enable better testing of not only the research and integration skills but also of communication ability. A four part exam will likely have three parts focusing on traditional areas (auditing, financial accounting and reporting, and taxation) with the fourth integrated part, like the other three parts, having both multiple choice and constructed response comments. *Id.*

<sup>30</sup> See AICPA, *Background Information* (visited Mar. 28, 2000)

<<http://www.aicpa.org/members/div/career/150bkg.htm>>.

<sup>31</sup> See *id.*.

<sup>32</sup> See *id.*.

<sup>33</sup> See *id.*.

<sup>34</sup> See *id.*.

<sup>35</sup> See *id.*.

<sup>36</sup> See *id.*.

<sup>37</sup> See *id.*.

<sup>38</sup> See *id.*.

<sup>39</sup> See *id.* AICPA lists the following reasons for its position advocating an increase in the education requirement:

1. Quality and trust. A comprehensive education will produce a more educated group of accountants as well as increase the trust that the public places in the profession.
2. Increased technical competence. Both the expansion into the international arena, as well as the changes in technology, require highly technical accounting services.
3. Superior performance. CPAs with more than 120 hours of education have superior performance compared to those with only 120 hours of education. *Id.*

As of the present time, 48 of the 54 jurisdictions have passed the 150-hour educational requirement.<sup>40</sup> The National Association of State Boards of Accountancy (NASBA) is working with the AICPA to implement the 150-hour requirement in all 54 jurisdictions, and the use of AICPA/NASBA guidelines for legislation and rules and regulations is encouraged in order to enhance uniformity and mobility for CPAs.<sup>41</sup> Despite these goals, it is perhaps a function of the evolution of the Uniform Accountancy Act and its various revisions, and the method of implementation which occurs via state legislatures, that there remains some variability of rules at this time, and even some concern as to whether all the states will ever adopt the changes proposed in the UAA.<sup>42</sup> It is also important to note that the new minimum education requirement for membership in AICPA only applies to those who apply for membership after the year 2000.<sup>43</sup>

## II. SUBJECT MATTER OF THE EXAMINATION

The CPA Examination presently consists of a two-day test covering:

1. Business Law & Professional Responsibility (3 hours)
2. Auditing (4 ½ hours)
3. Accounting and Reporting (3 ½ hours)
4. Financial Accounting & Reporting (4 ½ hours)<sup>44</sup>

<sup>40</sup> AICPA HANDBOOK, *supra* note 10, at part 4; *see also* Paul Swanson, John Gillett, & Kevin Berry, *The 150-Hour Rule and State Education Requirements*, 15:4 NEW ACCT. 24 (Jan.-Feb. 2000); *States That Have Passed the 150-Hour Education Requirement* (visited March 28, 2000) <<http://www.aicpa.org/states/uaa/150chart.htm>>.

<sup>41</sup> *See* AICPA, *AICPA/NASBA Guide Implementing the 150-Hour Requirement*, (visited Mar. 28, 2000) <<http://www.aicpa.org/states.uaa.htm>> ; AICPA & NASBA, DIGEST OF STATE ACCOUNTANCY LAWS AND STATE BOARD REGULATIONS (AICPA/NASBA 1998).

<sup>42</sup> *See generally*, Gary J. Colbert & Dennis Murray, *An Assessment of Recent Changes in the Uniform Accountancy Act*, 13 ACCT. HORIZONS 54, 66-67 (March, 1999) (discussing uncertainty of uniformity among states); Olivia F. Kirtley & Milton Brown, *New Regulations for a New World, A Uniform Accountancy Act for the next generation*, J. ACCT. 65, 67 (Nov. 1998) (expressing optimism that majority of states would adopt UAA's key provisions by 2000). Florida was the first state to pass a 150-hour education rule, implementing it in 1983. *See* John Cumming & Larry J. Rankin, *150 Hours: A Look Back*, J. ACCT. 53 (April, 1999). It is interesting that Florida is also a state with high expectations in the form of six mandatory credit hours in business law including content in contracts, torts, and the Uniform Commercial Code. This credit hour requirement pertains even under Florida's new educational requirements. *See* State of Florida Rules of the Department of Business & Professional Regulation, ch. 61H1-27.002(2)(b); *see also* State of Florida, *Department of Business and Professional Regulation, Division of Certified Public Accounting*, (visited Mar. 28, 2000) <[http://www.state.fl.us/dbpr/html/cpa/lic\\_page.htm](http://www.state.fl.us/dbpr/html/cpa/lic_page.htm)>.

<sup>43</sup> *See* AICPA, *Background Information On the 150-Hour Education Requirement for CPA Certification and Licensure* (visited March 30, 2000) <<http://www.aicpa.org/members/div/career/150bkg.htm>>.

<sup>44</sup> Business Law and Professional Responsibilities comprises 3 hours of the 15 1/2 hour CPA examination. *See* GLEIM, *supra* note 3, at 2 (noting length of subject area tests and breakdown of portions of CPA examination).

The AICPA web pages also recommend areas of study to become a CPA. Pertinent areas are summarized as follows:

### Business Law

A CPA must be aware of the constitutionality and jurisdiction, the relationships between federal and state laws, and the roles of common law and equity, statutory law, and administrative regulation. In

The business law subjects on the examination are designed to test the candidate's knowledge of professional responsibility and ethics as well as the legal implications of business transactions as they relate to accounting and auditing.<sup>45</sup> Both federal law and widely adopted uniform laws are the focus of examination questions. However, in the absence of these two authorities, the law of a majority of jurisdictions will control. The AICPA Code of Professional Conduct governs the ethics questions. The content of the Business Law and Professional Responsibility portion of the exam is as follows:

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addition, the CPA needs to be familiar with matters such as the law of contracts, agency, commercial paper, sales, property, wills, estates, trusts, and the law of torts.

Legal and Social Environment

CPAs must understand the regulatory and legal framework that government and the private sector provide to protect the public interest. This knowledge should include the responsibilities and functions of federal and state agencies, the courts, self regulatory organizations, and other private and professional organizations, as well as the interactions among them.

In addition, attention should be given to social forces that affect business, such as consumer activism, environmentalism, organized labor, urban blight, and minority rights. *See AICPA, What are the recommended areas of study to become a CPA?* (visited Mar. 30, 2000)

<http://www.aicpa.org/nolimits/become/courses/index.htm>.

<sup>45</sup> *See AICPA, Content Specification, Uniform CPA Examination Summary* (visited Mar. 30, 2000)

<http://www.aicpa.org/edu/candexsu.htm> >.

- I. Professional and legal responsibility (15%)
  - A. Code of professional conduct
  - B. Proficiency, independence, and due care
  - C. Responsibilities in other professional services
  - D. Disciplinary systems imposed by the profession and state regulatory bodies
  - E. Common law liability to clients and third parties
  - F. Federal statutory liability
  - G. Privileged communications and confidentiality
  - H. Responsibilities of CPAs in business and industry, and in the public sector
  
- II. Business organizations (20%)
  - A. Agency
    - 1. Formation and termination
    - 2. Duties of agents and principals
    - 3. Liabilities and authority of agents and principals
  - B. Partnership, joint ventures, and other unincorporated associations
    - 1. Formation, operation, and termination
    - 2. Liabilities and authority of partners and owners
  - C. Corporations
    - 1. Formation and operation
    - 2. Stockholders, directors, and officers
    - 3. Financial structure, capital, and distributions
    - 4. Reorganization and dissolution
  - D. Estates and trusts
    - 1. Formation, operation, and termination
    - 2. Allocation between principal and income
    - 3. Fiduciary responsibilities
    - 4. Distributions
  
- III. Contracts (10%)
  - A. Formation
  - B. Performance
  - C. Third party assignments
  - D. Discharge, breach, and remedies
  
- IV. Debtor-creditor relationships (10%)
  - A. Rights, duties, and liabilities of debtors and creditors
  - B. Rights, duties, and liabilities of guarantors
  - C. Bankruptcy
  
- V. Government regulation of business (15%)
  - A. Federal securities acts
  - B. Employment regulation
  - C. Environmental regulation

- VI. Uniform Commercial Code (20%)
  - A. Negotiable instruments
  - B. Sales
  - C. Secured transactions
  - D. Documents of title
  
- VII. Property (10%)
  - A. Real property including insurance
  - B. Personal property including bailments and computer technology rights<sup>46</sup>

### III. STATE BUSINESS LAW EDUCATIONAL REQUIREMENTS FOR CPA CERTIFICATION

The following chart illustrates the fifty-four jurisdictions and their requirements for CPA certification. The passage of the 150-hour minimum educational requirement, implementation dates, and the amount and content of business law credit hours required and/or specifically listed as credited by the various jurisdictions are reflected in the chart. The failure to specifically list business law within the non-accounting business courses does not in any way imply that business law credit hours would not count toward the non-accounting business courses within the 150-hour education requirement. Rather, some jurisdictions simply do not particularize their subject matter content to the same degree as those jurisdictions which specifically list topics credited.

A survey of state and jurisdictional accountancy boards conducted by the authors inquired into the specific curricular credit hour and content requirements in business law, commercial law, or legal environment of business.<sup>47</sup> The questionnaire solicited whether business law or the regulatory environment was specified or credited within the non-accounting credit hour component of present or pending 150 credit-hour requirements. In addition, it asked each board for any special requirements in course content and for curricular recommendations. The survey responses provide significant support for the contribution of the business law discipline to certified public accountants. Nine jurisdictions mandate three, and five jurisdictions require six credit hours devoted to law. Some jurisdictions detail subject areas such as commercial law (Uniform Commercial Code), contracts, torts, ethics in business, regulatory environment. Several jurisdictions specified course titles such as “Business Law” or “Law for Accountants.” Most jurisdictions either specify, recommend, or credit law towards the non-accounting business credit hour requirements. Seven jurisdictions reported that they allow business law credit hours to count within the accounting credit hour component.

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<sup>46</sup> *See id.*

<sup>47</sup> The survey instrument aimed to determine the present (or future) requirements and recommendations for business law curriculum from the individual boards. The chart should not be relied upon without current verification of a given jurisdiction. Not all surveys were returned. In addition, many jurisdictions have yet to publish revised rules.

<b>BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION</b>						
<b>Pertinent Statutes, Regs. And Rules</b>	<b>State</b>	<b>Bus Law Credit Hrs Required</b>	<b>Bus Law Specified*</b>	<b>150 Hr Req. Date Enacted</b>	<b>150 Hr Req. Effective Date</b>	<b>Additional Information &amp; Survey Comments</b>
ALA. CODE § 34-1-4 (1999)	Alabama	3 HRS	YES	1989	1/1/95	UCC coverage required; Law specified 3/30 Business-related credits
ALASKA STAT. § 08.04.150 (1997); ALASKA ADMIN. CODE tit. 12 § 04.185 (b) (2) (1999)	Alaska	3 HRS	YES	1991	1/1/01	
ARIZ. REV. STAT. § 32-701.01 (10) & 32-723 (b) (2000)	Arizona		YES	1999	6/30/04	Specified in related courses
ARK. CODE ANN. § 17-12-301 (2000)	Arkansas	3 HRS	YES	1990	1/1/98	Required course title "Bus. Law" specified as 3/30 bus.-related
CAL. BUS. & PROF. CODE § 5081.1 (1) (1999)	California		YES (by survey)			Bus. Law courses Fulfill credits w/in 45 core w/o limit
COLO. REV. STAT. § 12-2-109 (1) (1999); 12 RULES COLO. ST. BD ACCT. § 2.4: 2B (1998)	Colorado		YES	1998	1/2/02	Bus. Law specified & credited up to 6/21 Bus. Related
CONN. GEN. STAT. § 20-281c (1999); CONN. AGENCIES REGS. § 20-280-22 (a) & (c) (1999)	Connecticut			1992	1/1/00	Specified for Pre-1/1/00 takers.
WEIL'S CODE DEL. REGS. 10-501-001 §108(b) (3)-1(b)(2) (2000)	Delaware					
D.C. CODE ANN. § 47-2853.42 (1998)	D.C.			1995	1/2/00	
FLA. STAT. ch. 473.304 (1999); FLA. RULES BD. ACCT. 61H1-27.002 (2) (b) (1997)	Florida	6 HRS	YES	1979	8/1/83	50% contracts, torts, UCC; 50% upper division courses. Business Law counts as 6/39 general business credits
GA. CODE ANN. § 43-3-6 (1999); GA. COMP. R. & REGS. R. 20-	Georgia			1991	1/1/98	

<b>BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION</b>						
<b>Pertinent Statutes, Regs. And Rules</b>	<b>State</b>	<b>Bus Law Credit Hrs Required</b>	<b>Bus Law Specified*</b>	<b>150 Hr Req. Date Enacted</b>	<b>150 Hr Req. Effective Date</b>	<b>Additional Information &amp; Survey Comments</b>
3.02 (1999)						
22 GUAM CODE ANN. §35105 (1998)	Guam			1994	6/1/00	
HAW. REV. STAT. ANN. § 466-5.5 (1999)	Hawaii			1977	12/31/00	
IDAHO CODE § 54-208j (1999); IDAPA 01.01.01-115.03 (1999)	Idaho			1993	7/1/00	
225 ILL. COMP. STAT. 450/3 (1999)	Illinois		YES	1991	1/1/01	Bus. Law recommended by State Bd. Six hours of Bus. Law credits count toward 27 of required accounting credits
IND. CODE. § 25-2.1-3-2 (2) (1996); IND. ADMIN. CODE tit. 872, r.1-1-6.1 (2000)	Indiana			1992	1/1/00	
IOWA CODE ANN. § 542c. 5 (1999)	Iowa			1992	1/1/01	
KAN. STAT. ANN. § 1-302a (1997); KAN. ADMIN. REGS. 74-2-7(2) (1999)	Kansas	6 HRS	YES	1990	6/30/97	At least 2 courses in legal aspects of business or bus law
KY. REV. STAT. ANN. § 325.261 (1) (1998); 201 KY. ACCT.REGS. 1:130 (1) (1996)	Kentucky			1990	1/1/00	
LA. REV. STAT. § 37.75 (c) (2000); LA. PROF. & OCCUP. STDS. tit. 46 §1303 (1999)	Louisiana	3 – 6 HRS	YES	1990	12/31/96	Need 3 hrs. Commercial Law; Legal Envir. not sufficient.
ME.REV. STAT. ANN. Tit. 32, § 12228 (1999)	Maine			1997	10/1/02	Bus Law specified under continuing education
MD. CODE ANN., BUS. OCC. & PROF. § 2-303 (1999); REGS. <a href="http://www.dllr.stat">http://www.dllr.stat</a>	Maryland	3 HRS		1993	7/1/99	U.S. Business Law required

<b>BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION</b>						
<b>Pertinent Statutes, Regs. And Rules</b>	<b>State</b>	<b>Bus Law Credit Hrs Required</b>	<b>Bus Law Specified*</b>	<b>150 Hr Req. Date Enacted</b>	<b>150 Hr Req. Effective Date</b>	<b>Additional Information &amp; Survey Comments</b>
<a href="http://e.md.us/license/occ_prof/account.htm">e.md.us/license/occ_prof/account.htm</a> (visited March 14, 2000)						
MASS. ANN. LAWS ch. 112, § 87A ½ (1999); MASS. REGS. CODE tit 252 § 2.01 (2000)	Massachusetts		YES	1998	7/1/02	3 hours credited under accounting credits
MICH. COMP. LAWS §339.725 (1999); MICH. RULES 338.5114 (1999)	Michigan		YES	1998	7/1/03	150 hour Proposed Rule includes Bus Law specified counting 3-12 credits of 39 business related courses
MINN. STAT. § 326.19 (1999); MINN. R. 1100.1000 (1999)	Minnesota		YES			Bus. Law included w/in 24 accounting credit hrs and w/in 24 non-acct bus. Credits
MISS. CODE ANN. § 73-33-5 (2000)	Mississippi			1990	2/1/95	
MO. REV. STAT. § 326.060.4 (1994); MO. CODE REGS. ANN. Tit. 4, §10-2 041.5 (1994)	Missouri		YES	1993	6/30/99	Specified w/in bus.-related credits
MONT. CODE ANN. § 37-50-303 (1999); MONT. ADMIN. R. 8.54.4081(b) (1996)	Montana			1989	7/1/97	Specified w/in bus.-related credits up to 6 Hrs
NEB. ADMIN. RULES 288, 9-003.02B (1995)	Nebraska	3 HRS	YES	1991	1/1/98	Bus. Law recommended as 3 hrs of 36 Bus.-related credits; also include Ethics in Business (separate 3 credits)
NEV. REV. STAT. ANN. § 628.210 (2000); NEV. ACCT. REG. Ch. 628 § 55.2 (b) (1996)	Nevada	3 HRS after 12/31/00	YES	1993	1/1/01	Bus Law or Commercial Transactions Law for Accountants, specified until 12/31/00, w/in 24/36 Bus-related and also could fit w/in acct-related (12 of 30 hrs). After 12/31/00, 3 credits Bus. Law mandatory & excess credited w/in

<b>BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION</b>						
<b>Pertinent Statutes, Regs. And Rules</b>	<b>State</b>	<b>Bus Law Credit Hrs Required</b>	<b>Bus Law Specified*</b>	<b>150 Hr Req. Date Enacted</b>	<b>150 Hr Req. Effective Date</b>	<b>Additional Information &amp; Survey Comments</b>
						Bus. Related
N.H. REV. STAT. ANN § 309 – B:5 (1999); N.H. AC. RULES 302.02 (a) (1998)	New Hampshire					Bus. Law credited w/in 12 hrs bus.-related (no limit) (survey)
N.J. STAT. ANN. § 45:2B-49 (1999)	New Jersey	6 HRS	YES	1995	7/2/00	New rules post 7/1/00
N.M. STAT. ANN. § 61-28B – 7 (2000); N.M. ADMIN. CODE tit. 16, ch. 60, 3, 8.1.6 (1995)	New Mexico			1999	7/1/04	Bus. Law counts as 3/30 accounting credits (survey)
N.Y. EDUC. LAW § 7404.1.2 tit. 8, art. 149 (Consol. 1999);	New York	6 HRS	YES	1998	8/1/09	Bus Law will count w/in bus.-related credits under new rules w/at least one course required. Present rules 6hrs w/ UCC content required
N.C. GEN. STAT. §93-12 (1998); N.C. Reg. tit 21, ch 8F.0410(a) (8) (1999)	North Carolina		YES	1997	1/1/01	3 hrs. recommended As of 2001, law is one of 10 subjects from which 8 3 credit courses must be recommended
N.D. CENT. CODE § 43-02. 2-04 (1999); N.D. ADMIN. CODE § 3-01-02-01 (2) (1999).	North Dakota			1993	1/1/00	
OHIO REV. CODE ANN. § 4701.06 (Anderson 1999)	Ohio	YES (survey)	YES	1992	1/1/00	Bus. Law required but no number hours specified. Bus. Law counts w/in bus.-related hours (1 of 9 areas for 24 hrs. in bus. rel.)
OKLA. STAT. ANN. Tit 59 § 15.8 (1999)	Oklahoma		YES	1998	7/1/03	Specified w/in 18 hrs Bus. Related since 1968
OR. REV. STAT. 673.050 (1997)	Oregon			1997	1/1/00	
PA. STAT. ANN. Tit. 63 § 9.4 (1999)	Pennsylvania	YES	YES	1996	1/1/00	Specified and credited (no limit) with 24 hrs. accounting
P.R. LAWS ANN. tit. 20 § 774 (1999)	Puerto Rico			1994	1/1/00	

<b>BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION</b>						
<b>Pertinent Statutes, Regs. And Rules</b>	<b>State</b>	<b>Bus Law Credit Hrs Required</b>	<b>Bus Law Specified*</b>	<b>150 Hr Req. Date Enacted</b>	<b>150 Hr Req. Effective Date</b>	<b>Additional Information &amp; Survey Comments</b>
R.I. GEN. LAWS § 5.3.1-5 (1999)	Rhode Island			1992	7/1/99	
S.C. CODE § 40-2-180 A 3 (b) (1999)	South Carolina		YES	1991	7/1/97	Bus. Law counts as 3/24 acct plus counts toward other 24 Bus.-related. Bus. Law credits encouraged by board
S.D. CODIFIED LAWS § 36-20A-8 (1999)	South Dakota			1992	1/1/98	
TENN. CODE ANN. § 62-1-105 (e) (3) & 62-1-106 (1999); TENN. BD. ACCT. RULES ch. 0020-2-.02 (1999)	Tennessee		YES	1987	4/14/93	"Law is part of the CPA exam & is needed"; (survey). Bus. Law is specified as one of 10 subjects in general business education
22 TEX. ADMIN. CODE § 511. 58 (a) (1) & (2) (1999); 25 Tex. Reg.1376 (Feb.18,2000)	Texas		YES	1989	8/31/97	Business and Commercial law specified and credited w/in 20 Bus.-related credits
UTAH CODE ANN. § 58-26-4 (1999); UTAH ADMIN. CODE R156-26 (302a) (2000)	Utah		YES	1981	7/1/94	Bus Law credit hours required if applicant applying with degrees from certain non AACSB programs
VT. STAT. ANN. Tit. 26, § 71 a (2000); VT. ACCT. RULE 5.3	Vermont	3 HRS	YES			
V.I. CODE ANN. tit. 27 § 232 (1999)	Virgin Islands	3 HRS (survey)	YES			
VA. CODE ANN. § 54.1-2003 (1999); VA. ADMIN. CODE tit.18 § 5-20-20 (2000)	Virginia		YES	1999	7/1/06	Credited w/in Bus.-related (survey)
WASH.REV. CODE § 18.04.105 (1999); WASH. ADMIN. CODE § 4-25-710 (2000)	Washington			1995	7/1/00	Specified until 7/1/2000 as one of 3 subjects for 24 Bus. Rel. credits
W.VA. CODE § 30-9-4 (2000)	West Virginia	6 HRS		1989	2/15/00	AICPA/NASBA DIGEST 114 (1998)

<b>BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION</b>						
<b>Pertinent Statutes, Regs. And Rules</b>	<b>State</b>	<b>Bus Law Credit Hrs Required</b>	<b>Bus Law Specified*</b>	<b>150 Hr Req. Date Enacted</b>	<b>150 Hr Req. Effective Date</b>	<b>Additional Information &amp; Survey Comments</b>
WIS. STAT. ANN. §442.04 (1999); WIS. ADMIN. CODE §Accy 7.035 (2000)	Wisconsin			1996	1/1/01	
WYO. STAT. ANN. § 33-3-109 (2000); WY. RULES & REGS. Ch. 2 §3 (2000)	Wyoming		YES	1993	1/1/00	6 hrs Commercial Law, Bus Law or Legal Environment of Bus. Recommended

\*Within the business related course requirement under 150-hour educational rule, when effective. A few states count Business Law credit hours within Accounting Credit hours required. Note many states have not yet issued new rules to accompany the 150-hour requirement. Also, while some states do not specify Business Law, they do credit hours in business law.

#### **IV. IMPLICATIONS FOR THE BUSINESS LAW CURRICULUM**

The law courses that business schools offer to potential CPAs should be designed to ensure mastery of the subjects covered on the CPA examination, as well as to meet the strictest jurisdictional requirements. For example, New York and Louisiana not only mandate business law credit hours, but they also specify what business law subject matter should be covered (such as the Uniform Commercial Code). Florida also specifies contract, tort, and UCC coverage within its required six hours of business law.

In light of the extensive business law component in the CPA examination (presently 3 hours out of 15 ½ hours), it is not surprising that some states require 3-6 credit hours of business law courses within the 150-hour educational requirement to obtain the CPA certificate. Nor is it unusual that many states specify an allocation of business law credit hours within the non-accounting business courses required under the new 150-hour rules. Additionally, some schools have instituted similar policies requiring business law course work for their accounting majors. This is an important way for schools to ensure their students' examination preparation and their ability to qualify for the CPA certification across state lines.

Generally, it is a good idea for business schools that serve students who may elect to take the CPA examination to build a customized, two-course sequence in business law to address the specialized needs of these students. A graduate course in business law should cover the full gamut of the CPA examination subjects as noted in Part II. If a graduate program permits enrollment of students from outside schools, then adjustments should be made for students with prior business law education to obtain advanced standing as long as the substantive topical coverage and credit hours accumulated meet

the highest jurisdictional requirements. Curriculum design may vary based upon the needs of each business school, but mastery of the subject matter on the examination and attainment of proper credit hours to satisfy jurisdictional requirements for certification are important goals.

Even if the portion of business law tested on the CPA examination is decreased somewhat in the future, the state boards seem interested in including business law in either credit hour requirements or allowances within the 150 hours, and thus the law discipline remains an imperative for business programs that wish to launch CPAs. Just as lawyers receive training within the three-year law school curriculum that helps them to pass their state bar examinations, accounting students who master a comprehensive curriculum in business law and the regulatory environment will find the business law portion, or law-related questions on the CPA examination a much less significant hurdle than those who have had no curriculum in law.

Indeed, even if the CPA exam is radically revised in 2003, students' business law training will enable a candidate to demonstrate the application, analysis, synthesis, and evaluation skills, the aforementioned higher cognitive skills, in responding to questions in other subject areas that might contain kernels of business law embedded within them.<sup>48</sup> Even in organizing answers in other subject areas, the student with an ample business law background will evidence those higher level cognitive skills that the examiners prize, e.g., the ability to classify, explain, estimate, order, combine, formulate, revise, criticize, justify, and conclude.<sup>49</sup>

## CONCLUSION

It is clear that the accounting profession, through the AICPA, is trying to expand the scope of education for its members in an effort to broaden the expertise and competency of the profession itself. As the educational requirements for CPAs expand, it is important that business law educators familiarize themselves with the framework of the Uniform Accountancy Act, varying state requirements, and the subject matter content of the business law portion of the CPA examination. In order for business schools to best meet the specialized needs of their students who plan to take the CPA examination, the business law curriculum must be tailored to meet the topical content of the examination and the most demanding state certification requirements. In this way, students will be eligible to practice in the states with the strictest requirements. Eventually, if more states revise their laws to adopt 'substantial equivalency', as the AICPA/NASBA predicts, well-rounded CPAs who meet the certification criteria outlined in the UAA rules will be in a position to practice in other states with appropriate notification to that state.<sup>50</sup>

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<sup>48</sup> Professor Williams predicted that while business law in a revised exam will not likely remain a separate section of the CPA exam, the other sections will each have business law questions embedded within them. *See supra* note 23.

<sup>49</sup> *See generally* BLOOM, *supra* note 25 describing higher levels of cognitive skills.

<sup>50</sup> *See* AICPA/NASBA, *The Licensing and Regulation of Professional Accountants*, DIGEST OF STATE ACCOUNTANCY LAWS AND STATE BOARD REGULATIONS, *supra* note 41, at vii (1998) (noting that "more states are expected to revise their laws to adopt 'substantial equivalency'" concept for those who have met

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certification criteria essentially equivalent to that in the Uniform Accountancy Act and Uniform Accountancy Act Rules); *but see* Colbert & Murray, *supra* note 42, at 66 (discussing “likelihood of widespread implementation of substantial equivalency appears to be low”).