The role of business law in the 150 hour educational requirement for CPA certification

Authors: Christine Neylon O'Brien, John G. Neylon

Persistent link: http://hdl.handle.net/2345/1450

This work is posted on eScholarship@BC, Boston College University Libraries.


Use of this resource is governed by the terms and conditions of the Creative Commons "Attribution-Noncommercial-No Derivative Works 3.0 United States" (http://creativecommons.org/licenses/by-nc-nd/3.0/us/)
THE JOURNAL OF LEGAL STUDIES EDUCATION

Editor's Corner: Dirty Little Secrets ........... Robert B. Bennett, Jr.

ARTICLES
The Role of Business Law in the 150 Hour Educational Requirement for CPA Certification ........ Christine Neylon O'Brien
John G. Neylon

Using Mexico and Romania as Focus Countries to Add Depth to an International Business Law Course .... Paulette L. Stenzel
Linica Suceava

Understanding and Teaching the Revised Uniform Partnership Act ......................... Daniel M. Warner

TEACHING CASES
Creating Case Studies for the International Business Law Classroom: An Example Utilizing Foreign Investment And Human Rights ....................... Lucien J. Dhooge

You Haze, I Sue: A Fraternity Stew ................. Edward J. Schoen
Joseph S. Falchek

The Case of the Alarming Enchilada: A Dispute Resolution Exercise for a Legal Environment of Business Course .................................. Lucy V. Katz

BOOK REVIEWS
The Courage to Teach: Exploring the Inner Landscape Of a Teacher's Life
by Parker J. Palmer ......................... Paulette L. Stenzel

Imagining the Law: Common Law and the Foundations Of the American Legal System
by Norman F. Cantor ......................... James F. Morgan

AN OFFICIAL PUBLICATION OF THE ACADEMY OF LEGAL STUDIES IN BUSINESS ISSN: 0896-5811
THE ROLE OF BUSINESS LAW IN THE 150 HOUR EDUCATIONAL REQUIREMENT FOR CPA CERTIFICATION

By Christine Neylon O'Brien* and John G. Neylon**

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.1 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

* Professor of Business Law, Wallace E. Carroll School of Management, Boston College.
** Proprietor, Neylon & O'Brien, P.A., Boston, Mass.; Adjunct Professor, Sawyer Graduate School of Management, Suffolk University; Adjunct Assistant Professor, Bentley College. The authors wish to express their appreciation to all those who contributed to this research, including: Harry J. Fleming, Marni Holtzman, Bryan M. Sullivan, and Erin Dunn, all formerly students of Boston College Law School or Wallace E. Carroll School of Management, Boston College, and to Sonia Ensins of the O'Neill Library, Boston College.

1 While most jurisdictions have passed the 150-hour requirement, the effective date varies amongst jurisdictions. See infra chart within text following note 47, “Business Law Requirements for CPA Certification” (hereinafter Chart) for the effective dates. Please note that the information represented on this chart will change over the months to come. There are states that did not respond to the authors' survey, and many states are in the process of revising their regulations and rules.
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 examination.

I. BACKGROUND

The American Institute of Certified Public Accountants (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. 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." The National Association also improves communication among the fifty-four state boards, and through its committees provides board members "with specialized services including CPA exam administration." NASBA works with the AICPA to recommend licensing and regulatory rules for the accounting profession. 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.

---


3 See GLEIM, CPA REVIEW, A SYSTEM FOR SUCCESS 7 (1999); see also NASBA, Highlights from the October, 1999 State Board Report (visited March 2, 2000) <http://www.nasba.org/publications.nsf/d77> (describing NASBA and its functions, as well as its relationship to AICPA and involvement with changes to the Uniform CPA examination).

4 Id.


While the SEC has the authority to regulate the accounting profession, and does so in certain specialized areas, 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. These changes accord with the notion and the appearance of a more centralized professional self-regulation.

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. 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. In fact, over twenty jurisdictions utilize CPA Examination Services in the administration of the examination.

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, for CPA candidates who have passed

8 See generally Gary J. Colbert & Dennis Murray, An Assessment of Recent Changes in the Uniform Accountancy Act, 13 ACCT. HORIZONS, March, 1999 at 54, 54 (discussing large number of states that have adopted major provisions of Uniform Accountancy Act and goal thereby served of promoting uniformity across jurisdictions).
9 Id. 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).
10 See generally AICPA, 150-HOUR CURRICULUM DEVELOPMENT HANDBOOK (1996) [hereinafter, AICPA HANDBOOK].
the Uniform CPA exam to obtain licenses from their state. Business law courses generally find a place within the 24 semester hours of non-accounting business courses in an applicant’s educational program. 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. In addition, Business Ethics is listed within this same cohort, and legal studies faculty may teach that subject area as well. 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.

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 U.S. Virgin Islands) set their own specific guidelines. 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). Nine other jurisdictions require three credit hours of business law (Alabama, Alaska, Arkansas, Louisiana, Maryland, Nebraska, Nevada, Vermont, and U.S. Virgin Islands). Other jurisdictions specify that business law courses fall within the non-accounting business course credit hours. Several states (Illinois, Massachusetts, Minnesota, Nevada, New Mexico, Pennsylvania, South Carolina) indicate that they permit business law to count within the

14 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.
15 Id. at 3. See also infra note 44 for a further discussion of suggested content of these two courses.
16 Id.
17 See infra notes 20-23 and accompanying text, and Chart for varying course requirements.
20 See infra Chart. 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.
21 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.
accounting credit hours. 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 those requirements and 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. 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. Whether or not the anticipated changes occur, and some change is virtually certain, the accounting profession and its signature examinations expect candidates to demonstrate a higher level of cognitive skills than in the past.

22 See infra Chart (summarizing results of survey of state boards). California allows business law within its 45 core course credits.

23 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. According to the AICPA Examination Division, candidates will be expected to have knowledge of general business sufficient to understand the underlying business purpose and accounting implications of business activity.

24 See id.

25 In addition to the CPA examination, the Certified Management Accountant, and Certified in Financial Management Examinations, given by the Institute of Management Accountants, and the Certified Internal Auditor Examination, 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.

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

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, (visited 4/16/2000) <http://www.aicpa.org/edu/overview.htm>. 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.

See generally Arthur Wingfield, Human Learning and Memory: An Introduction (1979) (discussing higher cognitive skill levels and related concepts); GLEIM, supra note 3, at 12 (same).

See Williams interview, supra note 23. See also Ahava Goldman, CPA Exam Content Reformation and Computerization Update, CPA LETTER, May 2000, at G3, 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 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. As of this writing, the draft content specification outline is not yet available. Telephone interview with Pat Meyer, Assistant Librarian, AICPA Knowledge Center (July 11, 2000).
C. History

The policy of requiring certain educational prerequisites for CPA certification was first explored by the AICPA in 1959. The goal was to expand the CPA’s educational program to deal with the ever-changing scope of the accounting profession. 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. 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. 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.

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. 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. In 1987, the AICPA Council approved a plan to require its new members to have 150 hours of education after the year 2000. 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. 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.


See id.
See id.
See id.
See id.
See id.
See id.
See id.
See id.
See id.
See id.
See id.
See id.
See id.
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.
As of this writing, 48 of the 54 jurisdictions have passed the 150-hour educational requirement. 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. 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. There also remains some concern as to whether all the states will ever adopt the changes proposed in the UAA. 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.

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)

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.

40 AICPA HANDBOOK, supra note 10, at part 4. See also, Paul Swanson et al., The 150-Hour Rule and State Education Requirements, 15 NEW ACCT., Jan-Feb. 2000, at 24; States That Have Passed the 150-Hour Education Requirement, supra note 18.

41 See AICPA, AICPA/NASBA Guide Implementing the 150-Hour Requirement, supra note 5; AICPA & NASBA, DIGEST OF STATE ACCOUNTANCY LAWS AND STATE BOARD REGULATIONS (1998) [hereinafter DIGEST].

42 See generally, Colbert & Murray, supra note 8, at 66-67 (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., Nov. 1998, at 65, 67 (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., April 1999, at 53. 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>.

3. Accounting and Reporting (3 1/2 hours)

4. Financial Accounting & Reporting (4 1/2 hours)\textsuperscript{44}

The business law and professional responsibility section on the examination is designed to test the candidate's knowledge of both general business law, and accountants' professional responsibility as well as the legal implications of business transactions as they relate to accounting and auditing.\textsuperscript{46} 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:

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

\textsuperscript{44} 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 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>.

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
II. 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 that specifically list topics credited.

The authors surveyed state and jurisdictional accountancy boards regarding the specific curricular credit hour and content requirements in business law, commercial law, or legal environment of business. 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 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.

46 See id. It is noteworthy that the federal securities acts are presently examined in some detail, and this topic is not really emphasized in either the existing content specification outline or under the AICPA’s own materials regarding recommended areas of study to become a CPA. See supra notes 44-45.

47 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.
<table>
<thead>
<tr>
<th>Pertinent Statutes, Regs. And Rules</th>
<th>State</th>
<th>Bus Law Credit Hrs Required</th>
<th>Bus Law Specified *</th>
<th>150 Hr Req. Date Enacted</th>
<th>150 Hr Req. Effective Date</th>
<th>Additional Information &amp; Survey Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALASKA STAT. § 08.04.150 (1997); ALASKA ADMIN. CODE tit. 12 § 04.185 (b) (2) (1999)</td>
<td>Alaska</td>
<td>3 HRS</td>
<td>YES</td>
<td>1991</td>
<td>1/1/01</td>
<td></td>
</tr>
<tr>
<td>ARIZ. REV. STAT. § 32-701.01 (10) &amp; 32-723 (b) (2000)</td>
<td>Arizona</td>
<td>YES</td>
<td></td>
<td>1999</td>
<td>6/30/04</td>
<td>Specified in related courses</td>
</tr>
<tr>
<td>CAL BUS. &amp; PROF. CODE § 5081.1 (1) (1999)</td>
<td>California</td>
<td>YES (by survey)</td>
<td></td>
<td></td>
<td></td>
<td>Bus. law courses Fulfill credits w/in 45 core w/o limit</td>
</tr>
<tr>
<td>CONN. GEN. STAT. § 20-281c (1999); CONN. AGENCIES REGS. § 20-280-22 (a) &amp; (c) (1999)</td>
<td>Connecticut</td>
<td></td>
<td></td>
<td>1992</td>
<td>1/1/00</td>
<td>Specified for Pre-1/1/00 takers.</td>
</tr>
</tbody>
</table>
## BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION

<table>
<thead>
<tr>
<th>Pertinent Statutes, Regs. And Rules</th>
<th>State</th>
<th>Bus Law Credit Hrs Required</th>
<th>Bus Law Specified *</th>
<th>150 Hr Req. Date Enacted</th>
<th>150 Hr Req. Effective Date</th>
<th>Additional Information &amp; Survey Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLA. STAT. ch. 473.304 (1999); FLA. RULES BD. ACCT. 61H1-27.002 (2) (b) (1997)</td>
<td>Florida</td>
<td>6 HRS</td>
<td>YES</td>
<td>1979</td>
<td>8/1/83</td>
<td>50% contracts, torts, UCC; 50% upper division courses. Business Law counts as 6/39 general business credits</td>
</tr>
<tr>
<td>GA. CODE ANN. § 43-3-6 (1999); GA. COMP. R. &amp; REGS. r. 20-3.02 (1999)</td>
<td>Georgia</td>
<td></td>
<td></td>
<td>1991</td>
<td>1/1/98</td>
<td></td>
</tr>
<tr>
<td>HAW. REV. STAT. ANN. § 466-5.5 (1999)</td>
<td>Hawaii</td>
<td></td>
<td></td>
<td>1977</td>
<td>12/31/00</td>
<td></td>
</tr>
<tr>
<td>IDAHO CODE § 54-208 (1999), IDAPA 01.01.01-115.03 (1999)</td>
<td>Idaho</td>
<td></td>
<td></td>
<td>1993</td>
<td>7/1/00</td>
<td></td>
</tr>
<tr>
<td>IOWA CODE ANN. § 542c. 5 (1999)</td>
<td>Iowa</td>
<td></td>
<td></td>
<td>1992</td>
<td>1/1/01</td>
<td></td>
</tr>
<tr>
<td>KAN. STAT. ANN. § 1-302a (1997); KAN. ADMIN. REGS. 74-2-7(2) (1999)</td>
<td>Kansas</td>
<td>6 HRS</td>
<td>YES</td>
<td>1990</td>
<td>6/30/97</td>
<td>At least 2 courses in legal aspects of business or bus law</td>
</tr>
<tr>
<td>KY. REV. STAT. ANN. § 325.261 (1) (1998); 201 KY. ACCT. REGS. 1-130 (1) (1996)</td>
<td>Kentucky</td>
<td></td>
<td></td>
<td>1990</td>
<td>1/1/00</td>
<td></td>
</tr>
<tr>
<td>Pertinent Statutes, Regs. And Rules</td>
<td>State</td>
<td>Bus Law Credit Hrs Required</td>
<td>Bus Law Specified*</td>
<td>150 Hr Req. Date Enacted</td>
<td>150 Hr Req. Effective Date</td>
<td>Additional Information &amp; Survey Comments</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------</td>
<td>-----------------------------</td>
<td>--------------------</td>
<td>--------------------------</td>
<td>----------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>MASS. ANN. LAWS ch. 112, § 87A ½ (1999); MASS. REGS. CODE tit 252 § 2.01 (2000)</td>
<td>Massachusetts</td>
<td>YES</td>
<td></td>
<td>1998</td>
<td>7/1/02</td>
<td>3 hours credited under accounting credits</td>
</tr>
<tr>
<td>MINN. STAT. § 326.19 (1999); MINN. R. 1100 1000 (1999)</td>
<td>Minnesota</td>
<td>YES</td>
<td></td>
<td></td>
<td></td>
<td>Bus. Law included w/in 24 accounting credit hrs and w/in 24 non-acct bus. Credits</td>
</tr>
</tbody>
</table>
## BUSINESS LAW REQUIREMENTS FOR CPA CERTIFICATION

<table>
<thead>
<tr>
<th>State</th>
<th>Bus Law Credit Hrs Required</th>
<th>Bus Law Specified</th>
<th>150 Hr Req. Date Enacted</th>
<th>150 Hr Req. Effective Date</th>
<th>Additional Information &amp; Survey Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana</td>
<td>1989</td>
<td>7/1/97</td>
<td>Specified w/in bus.-related credits up to 6 Hrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nebraska</td>
<td>3 HRS</td>
<td>YES</td>
<td>1991</td>
<td>1/1/98</td>
<td>Bus Law recommended as 3 hrs of 36 Bus.-related credits; also include Ethics in Business (separate 3 credits)</td>
</tr>
<tr>
<td>Nevada</td>
<td>3 HRS after 12/31/00</td>
<td>YES</td>
<td>1993</td>
<td>1/1/01</td>
<td>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 &amp; excess credited w/in Bus. Related</td>
</tr>
<tr>
<td>New Hampshire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Bus Law credited w/in 12 hrs bus.-related (no limit) (survey)</td>
</tr>
<tr>
<td>New Jersey</td>
<td>5 HRS</td>
<td>YES</td>
<td>1995</td>
<td>7/2/00</td>
<td>New rules post 7/1/00</td>
</tr>
<tr>
<td>New Mexico</td>
<td></td>
<td></td>
<td>1999</td>
<td>7/1/04</td>
<td>Bus. Law counts as 3/30 accounting credits (survey)</td>
</tr>
</tbody>
</table>

**Pertinent Statutes, Regs. And Rules**

- MONT. CODE ANN. § 37-50-303 (1999); MONT ADMIN. R. 8.54.4081(b) (1996)
- NEB. ADMIN. RULES 288, 9-003.02B (1995)
- NEV. REV. STAT. ANN. § 628.210 (2000); NEV. ACCT. REG. CH. 628 § 55.2 (b) (1996)
- N.H. REV. STAT. ANN § 309 – B: 5 (1999); N.H. AC. RULES 302.02 (a) (1998)
- N.M. STAT. ANN. § 61-23B-7 (2000); N.M. ADMIN. CODE tit. 16, ch. 60, 3, 6.1.6 (1995)
<table>
<thead>
<tr>
<th>Pertinent Statutes, Regs. And Rules</th>
<th>State</th>
<th>Bus Law Credit Hrs Required</th>
<th>Bus Law Specified</th>
<th>150 Hr Req. Date Enacted</th>
<th>150 Hr Req. Effective Date</th>
<th>Additional Information &amp; Survey Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.Y. EDUC. LAW § 7404.1:2 tit. 8, art. 149 (Consol. 1999);</td>
<td>New York</td>
<td>6 HRS</td>
<td>YES</td>
<td>1998</td>
<td>9/1/99</td>
<td>Bus Law will count w/in bus.-related credits under new rules w/ at least one course required. Present rules 6 hrs w/ UCC content required.</td>
</tr>
<tr>
<td>N.C. GEN. STAT. §93-12 (1998); N.C. Reg. Tit 21, ch 8F.0410a(8) (1999)</td>
<td>North Carolina</td>
<td></td>
<td>YES</td>
<td>1997</td>
<td>1/1/01</td>
<td>3 hrs. recommended As of 2001, law is one of 10 subjects from which 8 of 3 credit courses must be recommended</td>
</tr>
<tr>
<td>N.D. CENT. CODE § 49-02. 2-04 (1999); N.D. ADMIN. CODE § 3-01-02-01 (2) (1999)</td>
<td>North Dakota</td>
<td></td>
<td></td>
<td>1993</td>
<td>1/1/00</td>
<td></td>
</tr>
<tr>
<td>OHIO REV. CODE ANN. § 4701.06 (Anderson 1999)</td>
<td>Ohio</td>
<td></td>
<td>YES (survey)</td>
<td>1992</td>
<td>1/1/00</td>
<td>Bus Law required but hours not specified. Bus. Law counts w/in bus.-related hours (4 of 9 areas for 24 hrs. in bus. rel.)</td>
</tr>
<tr>
<td>OR.REV. STAT. 673.050 (1997)</td>
<td>Oregon</td>
<td></td>
<td></td>
<td>1997</td>
<td>1/1/00</td>
<td></td>
</tr>
<tr>
<td>P.R. LAWS ANN. tit. 20 § 774 (1999)</td>
<td>Puerto Rico</td>
<td></td>
<td></td>
<td>1994</td>
<td>1/1/00</td>
<td></td>
</tr>
<tr>
<td>Pertinent Statutes, Regs. And Rules</td>
<td>State</td>
<td>Bus Law Credit Hrs Required</td>
<td>Bus Law Specified</td>
<td>150 Hr Req. Date Enacted</td>
<td>150 Hr Req. Effective Date</td>
<td>Additional Information &amp; Survey Comments</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------</td>
<td>-----------------------------</td>
<td>-------------------</td>
<td>--------------------------</td>
<td>--------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>TENN. CODE ANN. § 62-1-105 (e) (3) &amp; 62-1-106 (1999); TENN. BD. ACCT. RULES ch. 0020-2-02 (1999)</td>
<td>Tennessee</td>
<td>YES</td>
<td>1987</td>
<td>4/14/93</td>
<td>&quot;Law is part of the CPA exam &amp; is needed&quot;; (survey). Bus. Law is specified as one of 10 subjects in general business education</td>
<td></td>
</tr>
<tr>
<td>22 TEX. ADMIN. CODE § 511.58 (a) (1) &amp; (2) (1999); 25 Tex. Reg 1375 (Feb. 18,2000)</td>
<td>Texas</td>
<td>YES</td>
<td>1989</td>
<td>8/31/97</td>
<td>Business and Commercial law specified and credited w/in 20 Bus.-related credits</td>
<td></td>
</tr>
<tr>
<td>UTAH CODE ANN. § 58-26-4 (1999); UTAH ADMIN. CODE R156-26 (302a) (2000)</td>
<td>Utah</td>
<td>YES</td>
<td>1981</td>
<td>7/1/94</td>
<td>Bus Law credit hours required if applicant applying with degrees from certain non AACSB programs</td>
<td></td>
</tr>
<tr>
<td>VT. STAT. ANN. Tit. 26, § 71a (2000); VT. ACCT. RULE 5.3</td>
<td>Vermont</td>
<td>3 HRS</td>
<td>YES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VI CODE ANN. tit. 27 § 232 (1999)</td>
<td>Virgin Islands</td>
<td>3 HRS (survey)</td>
<td>YES</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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. Thus, the law discipline remains a critical educational component of business programs that wish to launch CPAs. Although there will likely be no separate "law section" on the revised examination, law will still be tested within the other sections. 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, business law preparation 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. 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. The traditional Socratic teaching method for business law instruction develops students' interactive skills. In addition, case law analysis promotes multi-dimensional and multi-disciplinary decision-making abilities. Clearly, law in the business school curriculum serves many important goals and achieves numerous educational objectives beyond

---

48 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.

49 See generally BLOOM, supra note 25, at 201-07 (describing higher levels of cognitive skills).
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.\footnote{See generally John R. Allison, The Role of Law in the Business Curriculum, 9 J. LEGAL STUD. EDUC. 239, 246 (1991) (discussing valuable educational objectives achieved by business law curriculum and the interdisciplinary nature of business law subject area).}

\footnote{See DIGEST, supra note 41, at vii (noting that "more states are expected to revise their laws to adopt 'substantial equivalency'" concept for those who have met certification criteria essentially equivalent to that in the Uniform Accountancy Act and Uniform Accountancy Act Rules); but see Colbert & Murray, supra note 8, at 66 (discussing "likelihood of widespread implementation of substantial equivalency appears to be low").}