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## Education Department: "Perspectives on Education": Big 8 CEO's Speak with One Voice

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# “Perspectives on Education”

## *Big 8 CEO's Speak with One Voice*

In a very unusual action, all of the Big Eight CEO's joined in the coauthorship of a challenging statement directed toward the accounting education process and the academic community. The statement, which was issued in April 1989, is titled *Perspectives on Education: Capabilities for Success in the Accounting Profession*.

For the benefit of our readers and members (AWSCPA and ASWA) who are not engaged in Big Eight public accounting practice, this column presents an overview of this unusual and potentially far-reaching Perspectives paper. Please note that this column does not purport to critically evaluate the paper, although some anecdotal commentary and observations may be used primarily for purposes of clarification.

Although the paper is only fifteen pages in length, it does address a broad range of concerns that are shared by the Big Eight CEO's. The purpose is described in the foreword and is further justified in the first section of the paper which is titled “The Current Environment.” This is followed by four brief but pointed topical areas that, according to the authors, must be considered by accounting educators if the profession is to succeed.

The foreword begins: “We have developed this paper because of our concerns regarding the quality and number of accounting graduates available to the public accounting profession. At the same time, questions are being raised by the academic community regarding the effectiveness of accounting education.”

These concerns appear to have merit. In *Issues in Accounting Education*, Brent Inman, et. al. notes that during the period 1977-1986, while freshman enrollment in business schools increased 36%, the enrollment of freshmen in accounting declined 23% (Spring, 1989, pp. 29-46). The same article reports that in 1986, the overall SAT score for freshmen was 1015, with accounting majors averaging 963 while the finance area drew students with an average SAT score of 1030.

In June, 1989, the AICPA distributed their annual study titled *The Supply of Accounting Graduates and The Demand for Public Accounting Recruits*. While this study does not address the quality issue, it does validate the quantity shortfall suggested by Inman (1989). “Examining the historical trends in the numbers graduated, it is apparent that the number of bachelor's degree and master's degrees has declined steadily since 1984-1985.” (AICPA, p. 13)

### **Part I: The Current Environment**

The authors believe that the “profession faces a unique convergence of forces, which creates a critical need to re-examine the educational process.” (p. 1) These environmental forces are identified as follows:

- The profession is changing, expanding and, as a result, becoming increasingly complex.
- Declining enrollments in accounting programs indicate that the profession is becoming less attractive to students.
- Implementation of the AICPA requirement of 150 hours of education for membership by the year 2000 must be addressed. (p. 1)

The second environmental factor mentioned is rather obvious but the other two factors require some elaboration. The first factor relates largely to the expanded scope of services offered by CPA firms and their expansion into international markets combined with the complexity of both domestic and international business transactions. Taken as a whole, this requires a higher caliber of individual to succeed in the accounting profession.

It is obvious that the first factor relates to the third factor noted. Namely, the extension of the educational requirement of the profession to 150 hours, or five years, from its present four year requirement. While the Perspectives paper authors appear to support this expansion of the educational requirement, they suggest that “Effective marketing of this additional investment required of students will be essential to meet the demands of the profession.” (p. 2)

Following this thought, it is interesting to note from the previously cited 1989 AICPA Supply and Demand Study that the demand by public accounting firms for master's degree holders fell dramatically from 5,620 in 1976-1977 to just 2,050 in 1987-1988 (p. 27). If the leaders of our profession are supporters for an extension of the accounting education process, they should be concerned about any interpretations that may be developed from these statistics.

### **Part II: Recommendations for Change**

The authors begin this section of the Perspectives paper with a statement that many will possibly feel is quite powerful:

The current environment makes real curricular change essential and necessitates response from a dynamic partnership between practitioners and academicians. First, the profession must specify the capabilities

necessary for practice and communicate these to the academic community. With this input, faculty can develop a relevant and stimulating curriculum with state-of-the-art teaching methods. (p. 3)

After the preceding statement, the paper presents five recommendations that should be followed for developing a coordinated approach in making the changes that are deemed necessary for accounting education. These recommendations, quoted in part, are as follows:

1. "The Capabilities Necessary for Practice," which follows these recommendations, should be used by the academic community as a statement of needs for the profession." (p. 3)
2. A broad based coordinating committee should be formed to address the issues "that impact the educational process and to guide the academic community in re-engineering the curriculum." An impressive partial listing of representative accounting organizations was suggested in the paper. (p. 3)
3. "Our firms (the Big Eight) should participate in, and support, the coordinating committee and other appropriate groups with leadership, guidance and financial services." (p. 3)
4. The American Accounting Association, as the primary representative of the academic accounting community, was identified as the organization to be charged with the establishment of the coordinating committee. (p. 3)
5. "Designated representatives from the profession should actively participate in the review of the accreditation standards to be conducted by the AACSB." (p. 4)

The authors close this section by urging the organizations responsible for the preparation of professional examinations (e.g. CPA) to be sensitive to "the broad skills and knowledge needed by the profession. Particularly important are the scope and timing of the CPA examination." (p. 4)

The latter comments likely relate to the proposed change in the CPA exam to a largely objective format and the timing difficulty many graduating seniors have in sitting for the May CPA exam while also preparing for final examinations.

Before leaving this part of the Perspectives paper, three observations about the preceding recommendations would seem appropriate. The first is that the recommendations may be perceived as placing the academic community in a somewhat uncomfortable reactionary posture, much like that the profession has experienced during the last two decades. This refers to cases of litigations, and problems with standards setting and quality control, among other issues.

Secondly, given the first observation, it should be noted that the academic community has been charged with the leadership role to re-engineer the educational curriculum with the accounting profession, acting in a highly participatory, if not dominate fashion, much like the SEC has done at times in the accounting standards setting process. However, to the credit of the profession, the Big Eight firms are prepared contribute up to \$4 million over a five year period to support the development of stimulating and relevant curricula.

Finally, it is noted that the partial listing of professional organizations participating in the coordinating committee did not include representation from either the non-national public accounting firms or from the ranks of AWSCPA-ASWA. Given the personnel demands by the larger non-national firms and the significant portion of staff positions women now account for in public accounting, as well as in the college classrooms, it would seem logical that these groups would be represented on the coordinating committee when its formulation is completed.

### **Part III: The Capabilities Necessary for Practice**

The authors acknowledge the 1988 AICPA booklet titled Education Requirements for Entry into the Accounting Profession. The AICPA monograph illustrates a model 150 hour program of study with "narrative descriptions of the appropriate content in specific areas." However, when describing the capabilities necessary for practice in accounting, the authors of the Perspectives paper focus more "on the desired outcomes of the educational process, as compared with courses of study." (p. 5)

The authors indicate the importance of this area by starting their discussion with the following bold-face statement:

Education for the accounting profession must produce graduates who have a broad array of skills and knowledge.

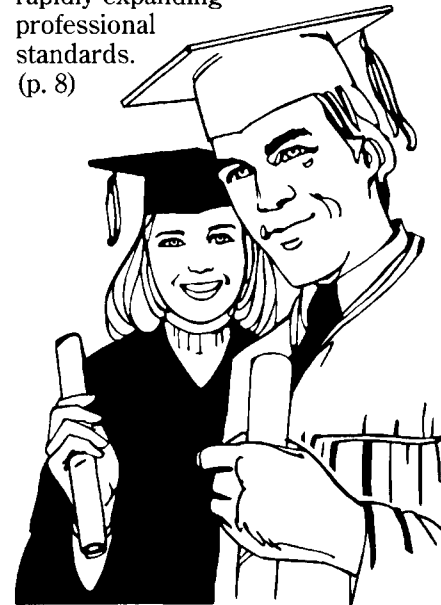
The following is an outline summary, developed from the Perspectives paper, of the capabilities necessary for success in the practice of accounting. (pp. 5-7)

- I. Skills for Public Accounting
  - Communication skills
  - Intellectual skills
  - Interpersonal skills
- II. Knowledge for Public Accounting
  - General knowledge
  - Organizational and business knowledge
  - Accounting and auditing knowledge

The authors devote ample discussion in the paper to each of the areas of skill and knowledge identified. Their comments to conclude this area provide a good summary of that discussion.

Accounting knowledge cannot focus solely on the construction of data. The ability to apply decision rules embodied in the accounting model is only part of the goal. Accountants must be able to use the data, exercise judgments, evaluate risks and solve real-world problems.

Passing the CPA examination should not be the goal of accounting education. The focus should be on developing analytical and conceptual thinking — versus memorizing rapidly expanding professional standards. (p. 8)



The preceding is well stated. Few if any academics or businesspersons would take issue with these thoughts. However, it would be most interesting to learn if recruitment patterns are altered when the alumni of any given institution do not successfully complete the CPA examination within three years of graduation. Perhaps this may not be a problem in the future if accounting programs are re-engineered as suggested in the Perspectives paper.

#### **Part IV: Sources of Capabilities**

The authors cite three sources of the skills and knowledge that support the successful practitioner. These sources are:

- Talents
- Pre-entry education
- Continuing education and development (p. 9)

There is a significant relationship between the first two items identified. To paraphrase the authors, while each person has certain inherent talents that may contribute to a successful professional career, the pre-entry education must be perceived as sufficiently stimulating, interesting and rewarding to draw the best students. The term "pre-entry" education is used to describe any education required prior to beginning licensing procedures.

A comment pertinent to the above was made by Morrie Helitzer, Publisher and Editor-in-Chief of *The New Accountant*, in his June 1989 letter to the academic users of his magazine. Mr. Helitzer expressed concern about the extensive material being published which suggests a decline in the quality of new accounting students and recent accounting graduates. Even more pertinent to the above discussion, Mr. Helitzer states: "For non-accountants, and certainly at the pre-college level, I can tell you that the stereotypes about accountants are alive and flourishing."

This simply means that it is not only the quality of "pre-entry" education alone that will attract the best and the brightest persons into the profession. The practitioners must show that our profession provides the opportunity for growth, challenge, and the quality of life that young persons find attractive, and even necessary in their professional

lives today.

The discussion about "Continuing Education and Development" as the final source of capabilities needed to succeed in accounting states that this source would involve "all training, education and development during a period a person is involved in the public accounting profession." (p. 10)

The authors suggested that continuing education programs would have to be redesigned just as the university curricula are re-engineered. One concern expressed was that licensing laws "must include appropriate credit for continuing education in the development of all the capabilities." (p. 10) The granting of partial or prorated credit by some states for certain CPA programs may be the cause of the concern expressed in this area.

#### **Part V: The Challenges for Education**

It is this portion of the Perspectives paper that will likely stimulate the greatest amount of activity throughout the academic community.

To achieve pre-entry education that will develop the needed capabilities requires a complete re-engineering of the educational process. This includes defining objectives, content, design and methodology. Piecemeal responses to educational reforms will not suffice. (p. 11)

The authors identify five major components of higher education which will require significant consideration for changes by the academic community. These components are:

- Curriculum
- Faculty
- Students
- Universities
- Accreditation (p. 11)

As stated at the beginning of this article, the purpose of this particular column is to provide an overview of the Perspectives paper. A comprehensive discussion of the far-reaching implications of this paper are beyond the scope of a single column. The reader is reminded of this because of the extensive implications for this particular portion of the Perspectives paper.

Having noted the preceding limitation, a brief comment about each of the challenges for education is provided.

##### *Curriculum*

Given the thrust of the discussion,

this area could be renamed as "teaching methodology." The authors call for newer delivery techniques that stimulate student involvement. This includes seminars, simulations, extended written assignments and case analyses. The traditional textbook/lecture "style should not survive as the primary means of presentation." (p. 11) Team approaches to problem solution are encouraged. Another suggestion is that "the re-engineering of the curriculum should include a careful evaluation of topical coverage in all subjects." (p. 12)

##### *Faculty*

"Most accounting faculty base their course content on information gained through secondary sources — usually textbooks and sometimes standards." (p. 12)

The authors also believe that accounting faculty has a persistent "schism" problem. "The classroom experience is diminished by the distance between pedagogical content and practice reality. Academics and practitioners would benefit from the stimulation and challenge that come from a meaningful association." (p. 13) This is followed by the suggestion that faculty members seek practice internships, attend joint conferences with practitioners, and participate in professional accounting organizations and seminars.

##### *Students*

Given the increased educational requirements and the free market economy in which we live, the challenge here is to convince students that the additional education investment to enter the accounting profession is worthwhile. A "stimulating curriculum and the expectation of increased opportunities upon graduation" are needed to attract the best persons to the accounting profession. (p. 12)

##### *Universities*

According to the authors, the current reward structure of most educational institutions does not attach a high value to curriculum development activities that are drawn from professional service and practice related programs. If curriculums are to be re-engineered and include relevant topics to business and accounting practice, "individuals must be rewarded for their contributions." Obviously the authors are sensitive

to the significant priority that has been given to research and publication activity relative to teaching and curriculum development activities. (pp. 12, 13)

#### *Accreditation*

"Accreditation standards must be responsive to the desired outcomes of educational preparation as outlined in this paper. The accreditation process must also be sensitive to, and supportive of, the innovation and experimentation that are inherent in curricular change." (p. 14)

Given the changes that may be forthcoming in the near future, the authors appear to suggest that the AACSB should administer their accreditation standards in a broader and perhaps a more flexible manner, certainly as it pertains to accounting programs.

#### **Conclusion: The Opportunity**

It is best to quote from the Perspectives paper so that nothing may

be lost in interpretation.

The challenge for all individuals and organizations concerned with education for the accounting profession is to create a curriculum that will draw the best students and provide them and their instructors with an interesting, demanding and relevant experience. The vitality generated by the creative effort will enrich both universities and the profession. Meeting this challenge will support excellence in education well into the next century.

The opportunity to make the accounting curriculum an active, dynamic experience exists now. A convergence of environmental and institutional factors makes significant change possible and essential. Faculty, universities, accounting firms, professional organizations and accrediting bodies must find a way to work together to create a positive future for the profession. (p. 15)

After reading this column, you are

encouraged to obtain a copy of the Perspectives paper from any local practice unit of the Big Eight firms, read it and evaluate its merit for yourself. You may decide that you too have an active part to play in the future of the accounting profession.

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*Lillian Parrish, outgoing editor of The Woman CPA giving her Report of the Joint Committee to Study the Woman CPA, at the 1989 JAM in San Antonio*

