

DRAFT

December 6, 1999

Memorandum

To: The Membership and Members of the Board of Directors, FSA

From: Karen Pincus, Kevin Stocks, and Richard Baker, Presidents [1999,2000 and 2001]

to discuss at  
6:45 AM (yes, AM) Tuesday  
before the breakfast  
(San Juan Marcos Room) / 2nd floor  
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**Statement of Position**

Below is a memorandum prepared for communication as necessary, to the appropriate parties, officers, and committees at the AACSB. This memorandum reaffirms the value and importance of accountancy accreditation, particularly in our evolving global capital market setting. We perceive accreditation as a type of peer review of academic accountancy, just as practitioners undertake continuing education and submit to peer review. Accreditation is our professional, representative process of self governance and self-regulation, in response to the public and the "social contracts" which require delivering unique, specified services for the benefit of society. Such "contracts", established in law, continue to be recognized in the role of established professions such as accountancy, medicine and law.

## **The Role and Relevance of Accountancy Accreditation**

Accountancy in the free enterprise capital markets system is acknowledged as one of the highest professional callings in established capital market economies. Furthermore, in developing economies the US accountancy profession and the related education process is being emulated. Accountancy in the United States is now, with the substantial adoption of the 150 hour educational requirement, a de facto graduate entry profession, as are medicine and law. The Accountancy profession, broadly defined, serves to protect and enhance the information rights of individual investors in a widely diversified, technologically complex and increasingly globalized capital market setting. Without the integrity, competence and objectivity of this skilled professional community the functioning of the capital markets would be costlier and subjected to added limiting risks and inefficiencies.

In recognition and anticipation of its crucial and distinctive role, over two decades ago the American Institute of CPAs, in cooperation with other organized professional accountancy bodies in the United States, sought to sponsor the formation of a separate accreditation entity to promote the development of accreditation standards and to employ this process to improve the quality of accountancy education. The AICPA, in the late 1970s was assured that an alliance with the AACSB, along with funding to support this collaboration, would be the least redundant and most effective means of accomplishing the accreditation it sought. This joint agreement accomplished appropriate representation and permitted proper educational resources to be made available to this

rapidly expanding profession. [The AICPA's membership, for example, has grown from 170,000 to over 330,000 from the 1970s through the 1990s].

Beginning in 1982 through today, over one hundred schools have sought and achieved accountancy accreditation, and the interest of affiliate and candidate schools continues.

The FSA, as the organization of accredited graduate programs in accountancy, tax and related advanced [doctoral] study, is committed to serve the needs of this constituency.

The FSA supports the accountancy accreditation process as the most effective means of achieving continuous improvement of accountancy and the educational needs of students, employers and the public.

As more accredited accounting programs now begin to enter the cycle of reaccreditation the opportunities to add value and to assist in continuous improvement, collaboration and innovation, to include mediated technology applications, is growing. Continuing dynamic response to these changes is needed. Previously such needs were addressed through the coordinated efforts of the Accounting Education Change Commission and the faculty development program of the AAA. These initiatives assisted accredited program schools in the FSA to improve and to align their missions to meet market needs. Indeed accounting programs are considered to have served as the leading example of innovation within many business school settings, thereby benefiting the needs of general business programs and advanced general programs such as the MBA as well.

Recently, during the 1990s, post “cold war” era changes, such as outsourcing, web technology and globalization have evidenced themselves and placed new demands on accountancy faculty and on those who attempt to establish the accreditation guidelines and benchmark measures by which effective program structures can be assessed. This changes, which have had an impact on the form of accountancy’s scope of services, has been misconstrued by some to represent a change in the substance of accountancy. In fact, the AICPA, in its recently launched Vision Initiative has confirmed the fundamental value structure and the trusted role which accountancy professionals must continue to play –in an increasingly diverse set of capacities. This new and expanded definition of accountancy’s role supports even more the need for the focused, unique, knowledgeable and responsive accreditation to provide distinctive, high quality accountancy programs. As the global and electronic language of business reporting which underlies the

preparation, assurance, analysis and communication of economic activity, continues to evolve, the FSA, as a body representative of accredited programs relating to these activities will seek the proper level of involvement so that the investing public is assured that continuous improvement is achieved in the variety of complex functions related to capital markets information and communication.