AACSB International
Attn: Accreditation Quality Committee
Joseph A. DiAngelo, Chair
777 South Harbour Island Boulevard
Tampa, FL 33602

September 7, 2010

Dear Dr. DiAngelo:

The Federation of Schools of Accountancy (FSA) encourages and assists in the development of high quality accredited programs for graduate accounting education. One of our primary objectives is to serve as a leading advocate for accounting accreditation. The Association to Advance Collegiate Schools of Business (AACSB)'s Accreditation Standards challenge post-secondary educators to pursue excellence and continuous improvement throughout their business programs. In addition, the Accounting Accreditation focuses on a school's accounting programs with a rigorous self-evaluation and peer-review process. The AACSB's Accreditation Quality Committee is currently reviewing the Accounting Accreditation Standards and has asked for feedback and input. This letter provides such input on behalf of the FSA.

We appreciate and welcome the opportunity to comment on the AACSB's ongoing review and updating of the Accounting Accreditation Standards. The FSA Board met on August 27, 2010, at the AACSB offices in Tampa, Florida. Significant thought and discussion was given to the value, benefits, and costs of separate accounting accreditation. *Importantly, the FSA Board continues to affirm its strong support and commitment to separate accounting accreditation.* What follows is a summary of our views, beginning with our assessment of the key value propositions for separate accounting accreditation. This is followed by a discussion of three topical areas that we believe offer opportunities for improvement: Process efficiency, Assurance of Learning (AoL) implementation, and AQ/PQ issues.

Key Value Propositions

Benefits and costs of separate accounting accreditation are very clear to the FSA Board. Certain unique benefits arising out of accreditation are:

- Administrators from accredited schools believe that students from accredited institutions derive benefits through being better qualified and enjoy better placement opportunities than those at non-accredited institutions.[1]

[1] See C. Gaharan, M. Chiasson, K. Foust, and S. Mauldin, "AACSB International Accounting Accreditation: Benefits and Challenges." *The Accounting Educators Journal*, 2007, pp. 13 – 29.

- Facilitates sitting for the CPA exam and CPA licensure by providing uniformity in evaluation by many state boards, especially in the case of Level III status. This encourages firm support because they operate at a national level and can then place students across the country.
- Provides a competitive brand advantage which helps in advertising and student recruiting, especially in comparison to for-profit and non-accredited programs.
- Persuasive arguments for curriculum change arise out of the linkage to the profession.
- Encourages professional interactions that can lead to financial resource development opportunities.
- The peer review process enables improvement within the discipline.
- Supports arguments to administrators on the importance of ties to the profession and the value of practitioner research.
- Facilitates accounting credit transfer between accredited institutions by setting a higher standard.
- Provides a linkage to professions like law, medicine and engineering that also require separate qualification exams and may have a separate code of professional ethics like accounting.
- Encourages and protects the use of separate accounting advisory boards, insuring stakeholder involvement and professional representation.
- Absence of separate accreditation may create a void that others (e.g., PCAOB, NASBA) might fill, potentially with much less consultation with the academic community.

Offsetting these major benefits are certain costs that must be considered:

- Compliance with the standards, especially relative to other units in a College of Business, places a disproportionate administrative burden on accounting units.

- Accounting professors are put at a competitive disadvantage when seeking tenure or summer research support, as a result of accreditation-related time demands.

- Limits the attractiveness of accounting unit administrative work by increasing the burden of accounting administrators as compared to other administrators, often without recognition for the additional workload.

- Accounting accreditation standards may limit agility in responding to uncertain and changing economic environments, and produce unintended negative consequences.

- Once accredited there is a substantial institutional and individual cost/risk associated with consideration of its discontinuance.

The benefits of separate accreditation are numerous and the value it creates is substantial. However, the offsetting costs are real, especially during periods of economic stress. This is especially true for institutions that have established a reputation for excellence outside of their accreditation standing. Ensuring that the benefits of accreditation far exceed the costs is paramount to maintaining the overall desirability of accounting accreditation. As a result, the following suggestions arise out of discussions that tended to focus on ways in which the administrative burden of separate accounting accreditation could be lessened.

Process efficiency

The following list is a point-by-point review of individual standards that should be considered for revision. Many of these overlap with suggestions already known to be under consideration by the AACSB:

- Eliminate each element of redundancy between accounting and business standards. Because all AACSB accredited accounting programs must also follow all of the AACSB business standards, AACSB accounting standards should focus on issues that are unique to accounting. We envision a set of accounting standards that is much shorter than the existing set. Our subsequent comments relate to the accounting standards remaining after this point has been addressed.
- The preamble should state that in evaluating a program, evaluators should take a holistic approach. For example, AoL often seems to be the focus of reviews regardless of other program strengths and weaknesses.
- Standard 31 should focus exclusively on the mission. In addition, the number of bullet points should be reduced and prioritized. For example, there are now 13 bullet points in random order under "basis for judgment". We note that the specificity of the standards causes programs to have lengthy and prescriptive mission statements that are frequently very similar in nature. Mission statements should clearly reflect the unique attributes of each program, and the supporting guidelines provide opportunities for amplification and alignment of practices with that mission. Current standards do not preclude this approach, but many schools opt for a lengthy mission statement that is highly prescriptive and appears to mostly restate each item included within the AACSB guidelines. Clarification would prove helpful. Also, the consistency between the accounting mission and the university and college missions is listed 10th. Consistency with the university and college mission would generally be one of the main considerations in developing an accounting program mission.
- There should be a new Standard 32 that discusses intellectual contribution and ties to Business Standard 2. Consistent with our first point, only issues that go beyond Business Standard 2 would be included.
- A key element of the existing Standard 32 relates to curriculum management and adjusting the curriculum for changes in the stakeholder environment: "The academic unit has processes in place to adjust the curriculum when changes within the stakeholder

environment occur." This goal should be the umbrella (organizing theme) for the existing Standards 36 and 37.

- Standard 33 should be integrated into existing Standards 37 and 38. The term "career success" should not be used. The focus should be on initial placement. While lifetime achievement is important, this descriptor has the unintended effect of suggesting that some life-choices that are not accounting related or career centric may have lesser value. Further, there are practical difficulties in collecting statistically meaningful data about the population of graduates. Therefore, observations are frequently only anecdotal and incomplete.
- The details on what is considered an hour of credit should be removed (page 29) and follow the general business standards guidance.
- Standard 35 should be brought into a new Standard 32 and tied to Business Standard 2.
- Standard 36 should be viewed from a portfolio standpoint. We question whether "recent relevant experience" is important or feasible. Professional interaction is more appropriate.
- Standard 39 should eliminate the specific minimum 21 hour requirement. More general terms should be used.
- Standard 40 should be eliminated. It is redundant given the Business Standards.
- Standards 41 and 42 should be combined into one category for masters programs. The revised Standard should include researching the appropriate authoritative literature and readiness to function as a professional accountant.
- Standards 43 to Standard 45 should be combined into one standard relating to Doctoral Accounting Programs.

Assurance of Learning (AoL) implementation

The AoL initiative has had the positive effect of prompting serious discussion of whether the learning objectives of a given program are being met. However, one of the greatest threats to the vitality of any organization is to become overly committed to the status quo and to focus more on historical results at the expense of driving the organization forward. We are concerned that some of the aspects of AoL are at odds with forward-thinking.

The current approach to AoL is too prescriptive to allow programs to draw on their experiences and uniqueness in designing assessment processes specific to the market they serve.

An allowance should be made for a broader set of assessment measures with less focus on direct measures. AoL's focus on direct measures of individual performance decreases the importance of using input from advisory councils and other professionals to identify necessary changes in the skills and knowledge needed by successful professionals. Emphasizing that AoL is a component of the curriculum management process rather than an end in itself would make it clear that curriculum improvements are driven by changes in the marketplace as well as the results of AoL feedback. The expectation to assess the outcome for each learning goal twice in five years may have the unintended effect of fossilizing curricula.

The focus on individual performance metrics also may have the unintended effect of reducing the use of team-based activities and innovation, thereby depriving students of the opportunity to develop the cooperative skills necessary for success in the profession.

For AoL to reach its full potential, we believe the following points should guide revision:

- Reduce the expectations for assessing each learning goal to once every five years.
- Put equal weight on indirect and direct measures and on team-based and individual performance.
- Strengthen the link between program mission and the AoL process – programs should be free to develop the assessment process that is appropriate given their unique stakeholders – this will facilitate creativity and decrease the likelihood that AoL will have the unintended effect of reducing diversity in accounting program design.
- Reduce the documentation burden of AoL; every hour spent on AoL is one less hour available for research or working with students. The opportunity cost can stunt career progression and promotion.
- Develop an educational process for accounting reviewers that ensures the rigor of the accounting review process will not exceed that of the college review. Accounting programs that have recently been visited by accreditation teams frequently comment that their accounting accreditation review team applied certain standards more stringently than the college accreditation team did. Processes should be adopted to insure that the business accreditation team and the accounting accreditation team apply the standards with comparable rigor.

<u>AQ/PQ deployment issues</u>

The AQ/PQ standards for faculty sufficiency are tied to percentage targets. The materiality aspect differs depending on the size of the faculty and can be relatively more challenging for accounting programs. For example, with an accounting faculty of 10, even a single faculty member that is not AQ or PQ can push the program to the limit of 10% "other" faculty. A college faculty of 80 could have 8 such faculty. While we agree that too many faculty members that are not AQ or PQ is an issue, the smaller size of an accounting faculty overemphasizes the issue when the target percentages are constant across accounting and business. We would be interested in seeing statistics on faculty size of accredited programs, including the faculty size of the business program of which accounting is a part. We are told that the standard most frequently cited as a reason for continuing review is Standard 10. This "materiality" factor combined with an overly rigid review team could be a partial cause of this outcome.

The faculty sufficiency standard addresses a "head count" of faculty within each category, but does not address deployment of faculty across the curriculum. This can mask situations where faculty members who are not deemed AQ or PQ are nonetheless teaching a disproportionately large proportion of the student body.

The guidance for documentation for Standard 10 indicates that "choice of activities to maintain currency and relevance may change at different times during a faculty member's career." This "life cycle" consideration is important, as the activities of a junior faculty member may be quite different that those of a person with 30 years experience. This concept is often overlooked in application of the standard. A more pointed reference in the standards regarding "life cycle" and flexibility in expectation for maintenance of classification would be beneficial and should be highlighted in training for programs and peer-review teams. Similarly, emphasis should be added regarding level of course taught, in relation to consideration of professional qualification status. Although the standards clearly contemplate this consideration, the reporting tables and team reviews often result in assessments that appear to be an "all or none" type outcome in classifying a faculty member's professional qualification status. As an example, a seasoned lecturer can likely deliver an effective introductory accounting course without satisfying the requirement for significant recent relevant work experience. The prescribed method of evaluation and reporting could be clarified to be consistent with this line of reasoning.

Closing comments

The US system of higher education has historically been afforded considerable autonomy and freedom to self-direct, and this has resulted in the world's leading institutions of higher education. We observe that the goal of "standards" is to "standardize," and we encourage the Committee to be mindful that highly prescriptive standards can have the unintended consequence of stifling innovation. Therefore, we wish to affirm that we prefer the current mission-driven model that allows institutions to set their own course within broad guidelines. We hope that the Committee will preserve and extend this line of reasoning as it considers specific revisions to individual standards.

Thank you for considering our feedback. We hope that it will prove helpful in formulating specific improvements in the AACSB Accounting Accreditation Standards.

Very truly,

Larry Walther

Larry Walther, Ph.D.
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