

Response by the Federation of Schools of Accountancy to the PricewaterhouseCoopers Position on Accounting Education (2003)

Purpose of Our Response

In March of 2003, PricewaterhouseCoopers issued a position statement entitled *Educating for the Public Trust: The PricewaterhouseCoopers Position on Accounting Education* (New York: PricewaterhouseCoopers LLP, 2003). We certainly respect the opinions and recommendations of a major employer of our students and clearly share with PwC a vital interest in the future of accounting education. A stated goal of the PwC publication is to “stimulate productive dialogue,” but while considerable private dialogue has occurred, to date little public commentary, published or otherwise, has emerged. The issues at hand, however, are of great importance not only to academe and the profession, but to the entire financial community. Accordingly, extensive public dialogue is essential. It is from this sense of responsibility to our profession, the community, and our students, past, present and future, that we offer the following observations and comments. We hope others will join the conversation and a productive dialogue will result.

The PwC Study

The PwC study actually comprises two documents. The first is a position statement, while the second is an executive summary of a study conducted for PwC to support the conclusions reached and positions taken. Since it is a summary, it does not provide a rich discussion of its methods or findings. For this reason, it is difficult to evaluate the reliability of the study or the generalizability of its findings. The conclusions of the study are based on a sample of nine universities and the comments of a very limited number of graduates of these programs, all of whom are currently employed by PwC. The researchers focused on a subset of these schools (four of the nine) that offer integrated bachelors/masters programs. In these programs, work in the third, fourth, and fifth year was considered.

We believe it would be useful for PwC to release the full report that outlines the methodology and the rationale of the researchers in arriving at their conclusions. There is, for example, concern as to the definition of value metrics. In addition, certain of the conclusions seem to be at odds with the first part of the report, which emphasizes the need for increased non-technical skills development. The graduate tax programs that they recommend retaining, for example, often emphasize technical skills. Thus, for us, the report raises more questions than it answers and fails to provide convincing support for the opinions and conclusions expressed.

General Observations

PwC emphasizes the critical need of the public accounting profession for “an adequate and predictable flow of new talent.” Long-term solutions, however, are not advanced other than identifying university administrators, deans, program leaders, and faculty as those charged with the basic responsibility of recruiting highly talented students *to public accounting* in general, and

increasing the supply of highly talented minority students majoring in accounting in particular. Since we all are part of the accounting professional supply chain, this conclusion may be, at the very least, somewhat incomplete. It would be beneficial for accounting practitioners to assume some of the credit or blame for the situation PwC describes and work with academicians to craft new solutions for the issues raised. For certain of these issues, moreover, such as enhanced interpersonal and communication skills, complex reasoning skills, life-long learning skills, universities are currently already devoting significant resources.

The statement also addresses other skills in the general areas of ethics and professional practice. Again, it is recommended that university administrators, deans, and program leaders commit additional resources to these programs. We agree, and many universities are now attempting to address these concerns.

While the position statement addresses a variety of issues, a key element is a call for alternatives to the 150-hour pre-certification commitments made by the profession, regulators, and legislators over the last two decades. As stated in the accompanying Study of Accounting Education (Conrad and Rapp), **“We remain skeptical...as regards whether master’s degrees in accounting add significant ‘value’ to students’ accounting education.”** Given this perception of a lack of significant value, PwC proposes other options including certification of extant in-house CPE training and an additional year of experience as alternative means of achieving the objectives of the original 150-hour mandate.

It can be argued that a reduction in formal university education and “flexibility” in meeting the 150-hour requirement might be both shortsighted and poorly timed given the recent highly publicized failures of our profession. We do not agree that firm-specific technical education is an effective substitute for a skill-based curriculum that emphasizes the societal benefits of professional integrity, nor that it will build (or restore) public trust. Universities are uniquely positioned to embrace diverse views and open discussion in an atmosphere devoid of commercial interests. There have been numerous calls, particularly over the past fifteen years, to significantly modify the nature of accounting education. Generally, the calls have been for a curriculum focused on skills and abilities (critical thinking, research and problem solving, communication, and technology) rather than on technical detail. We believe that considerable progress has been made in accomplishing this change, although not surprisingly these changes have been inconsistent both across programs and among faculty within programs. Indeed, PwC’s own review of a limited, diverse set of programs reflects this ongoing process of change. We do not believe that it is in the interest of either the accounting profession or the business community to thwart this ongoing improvement or to substitute technical, firm-based training for university education. Our challenge as educators is to ensure a vibrant curriculum that strongly and clearly addresses basic issues of integrity and professionalism in accounting. Only through independent and rigorous academic discourse on issues such as professional integrity will we achieve the goal of educating for the public trust.

Specific Points

The statement emphasizes that accounting programs must be successful in attracting the right students, providing a vigorous and challenging curriculum, and maintaining adequate resources to ensure the viability of the educational process. The report includes ten sections that discuss specific recommendations in each of these areas. We comment below on specific points raised in the study.

In Point #1, the primary measurement criterion used in evaluating the quality of talent is “performance after employment.” It is indicated that this process requires considerable effort, a key part of which is evaluating the quality of entrants. Neither the data nor summary trends on which conclusions are drawn are available. It might be argued that lack of challenge in early work assignments is a key reason for turnover and that firms do not differentiate in making early work assignments based on the educational level of staff. If true, it is not surprising that insignificant differences in performance in early work are found.

It is argued that a duty of faculty is to promote the accounting profession and “ensure that students make critical choices with *sufficient*, reliable information.” The academic community may question the role of faculty in this regard. Many believe that this is a “harder sell” today in the aftermath of scandals in the profession and lagging entry-level salaries over the last decade. Still, efforts have been made, and continue to be made, by schools and faculty, to modify introductory accounting courses, including the provision of reliable information to assist in the choice of a major. What additional modifications would be useful in addressing this issue?

In Point #2, the need for a diverse workforce is noted. It is asserted that “the supply of minority talent must increase.” Academics have long recognized and advocated the advantages of a diverse student body. Much effort has been made and continues to be made to achieve this goal. The profession, its member firms, state societies, and the AICPA must also examine their efforts. This complex issue is not exclusively the problem of universities, which must work within the law and directives of courts, and which historically have aggressively championed this cause. What new actions may be taken to address this issue?

In Point #3, the need for academic accounting programs and faculty to recommit to the highest standards of integrity, the hallmark of a *profession*, is emphasized. It is noted that “The power of education by visibly living these values should not be underestimated.” A re-energized commitment of the profession to this cause is welcomed, and synergistic national initiatives to sustain this momentum are encouraged. It might be argued, however, that such attributions to the power of education are inconsistent with subsequent recommendations to diminish our commitment to the 150-hour professional mandate.

In Point #4, a list of deficiencies of current accounting programs is provided. Examples include “higher level interpersonal and communication skills” and abilities to “identify and solve complex, real world problems” but calls to address these deficiencies are not new. Indeed, considerable progress has been made in these areas over the last decade and aggressive efforts continue. Most college students are young and expectations must be reasonable. Indeed, professionals with ten or twenty years’ experience struggle with the challenges of complex, real-

world problems. It is also stated that “when completing their formal education in accounting, many students do not *fully* understand what it means to be a practicing accountant in a practical, everyday sense.” Dialogue on these important issues obviously will require an abundance of goodwill and trust.

Points #6 and #7 return to the theme of #4, adding a time explicit proposal to revise the 150-hour pre-certification requirement. This proposal would allow the substitution of extant in-house employee training for the fifth year of collegiate accounting education. Today, when accounting scandals have rocked the nation, recommendations to do less, rather than more, may certainly be questioned. Certainly the recommended course of action would reduce the educational costs to students; but it is not clear that the proposed education will entice either additional or higher quality students. To the contrary, some believe that interesting and efficient options for graduate education increase the quality, and possibly the quantity, of potential well-qualified entrants into the profession. These statements also appear to be incongruent with other themes expressed in the document advocating more, not less, effort.

The need to educate students to serve the public trust is incontrovertible. If our graduate programs only provided students with additional technical expertise, continuing professional education would certainly be a viable alternative to university coursework. But if our programs continue to respond to calls for more broadly educated entrants to the profession, firm CPE does not appear to be a viable substitute. Given pressures to remain abreast of current technical developments and master “the firm’s way” of documenting, processing, etc., the opportunity to consider such broader issues as the nature of accounting and the public trust, theoretical alternatives to current practices, broader business value strategies, or broader moral issues facing the profession is limited. Graduate education produces the more broadly educated, multi-faceted, and adaptable professional that the profession and the nation’s policy makers sought when the 150-hour requirement was first envisioned and subsequently adopted.

In Point #8, the shortfall of accounting faculty as a result of a wave of anticipated retirements and limited new faculty entering the ranks is considered. PwC asserts that the “dean and program leader must ensure the availability of competent, well-educated, enthusiastic new accounting faculty.” The causes of new faculty not entering the ranks, however, are neither identified nor addressed. Deans and program chairs face very tight budget conditions nationwide. Academic careers, as currently configured, are not as attractive as in the past. To the extent faculty salary deficiencies limit the attractiveness of the professoriate, focusing on deans and program leaders who lack the means to address the problem, is not a viable solution. This issue deserves a serious examination if collegiate accounting programs are indeed valued members of the supply chain of the public accounting profession.

In Point #9, deans and program leader groups are urged to support increased faculty interaction with professionals. It is our opinion, however, that deans and program leaders do support these interactions. AACSB accreditation standards, moreover, require them. To address this issue requires time, effort, and resources from a number of parties. This is sometimes difficult because faculty internships and co-ops with firms are not uniformly encouraged or supported by firms. Recruiters normally function as liaisons and often are the only professionals to whom faculty access. Busy schedules rarely provide professionals the opportunity to interact meaningfully

with accounting professors. Deans and program leaders must continue to acknowledge the importance of this essential faculty activity and support these efforts in performance review and reward processes. Increased opportunities must also allow for greater interaction to occur. If accounting programs are considered valued members of the supply chain, increased attention and support must come from all parties.

In Point #10, it is noted with concern that university administrators and deans often “sub-optimize their accounting program in favor of providing increased support to their MBA program.” It is argued that business schools and those organizations that rank business schools must recognize that leaders come from both accounting programs and MBA programs. Additionally, they suggest that “no business school should be considered to be top quality if it is not equally supporting” accounting and other programs. This issue is both complex and difficult. The AACSB recognizes a school’s right to establish its own mission and specialize accordingly. Similar to other organizations, schools address their comparative advantages vis-à-vis the shifting needs of the community and the marketplace. The market for accounting graduates has diminished over the last decade for clearly economic reasons. Relative starting salaries for accounting majors have decreased compared to those of other business majors. Applicants to accounting programs have declined. Schools contend that they have acted rationally and reasonably in redeploying their increasingly scarce resources.

Conclusion

We strongly concur that our profession is currently faced with particularly challenging times. We also agree with PricewaterhouseCoopers’ assertion that “we as practitioners and professors must add a sense of urgency to our continuing efforts to improve accounting education.” We do not agree, however, with several of the conclusions in the PricewaterhouseCoopers position on accounting education – particularly given the limited and narrow data on which these conclusions are based. We value the past and current efforts of PwC to improve accounting education and hope that our response will encourage further dialogue and research on these critical issues as we all strive to improve our profession and enhance its image.

Federation of Schools of Accountancy
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