

How relevant is today's accounting education? Are curriculums at universities adequately preparing future accountants to work in today's complex environments? These are big questions that educators, recruiters and those responsible for hiring graduates are grappling with as they cope with the increasing demands of a workplace that requires more accountants, equipped with unique skills. The demands placed on accountants continue to evolve as a result of the Sarbanes-Oxley Act and other regulatory pressures.

It's no surprise then, that public accounting firms, public and private companies, as well as regulatory agencies, are concerned with hiring the right people — with "right" defined as qualified, in terms of training.

Indeed, through education, it is critical to create a sense of relevancy and value that apply to what is actually going on in the marketplace. And, with accounting firms, companies and regulatory agencies all competing for the limited pool of suitable candidates, a big issue is finding enough qualified professionals.

Responding to early reviews from Sarbanes-Oxley Section 404 compliance, FEI President & CEO Colleen Cunningham wrote in the May issue of *Financial Executive* that "about 30 percent of the material weaknesses relate to personnel issues." She con-

tinues that the percentage includes "poor segregation of duties, as well as a lack of sufficient personnel with appropriate qualifications." The situation, she says, "suggests a clear opportunity for education to help address some of the shortfall."

On an optimistic note, the numbers of accounting graduates are rising for the first time since an enrollment decline that began in the 1990s. Undergraduate accounting degrees awarded in the U.S. rose 6 percent from the 2001-2002 school year to the 2002-2003 school year, reports a 2004 American Institute of Certified Public Accountants (AICPA) survey. Additionally, in the 2002-2003 school year, 6 percent more U.S. students enrolled in undergraduate accounting programs at colleges and universities.

Enrollment has been up during the past few years at the Wharton School of the University of Pennsylvania. "Students have a stronger appreciation that a more sophisticated understanding of financial statements is important," says Scott Richardson, a professor of accounting in Wharton's undergraduate program.

The trend is similar at New York University Leonard N. Stern School of Business (Stern), which has seen a 25 percent increase in enrollment for accounting majors between 2001 and 2005. Alex Dontoh, deputy chairman and associate professor of accounting, says that during the 2001-2002 school

year, 63 of Stern's 500 students majored in accounting (most double-majored in finance or another area), with half of those CPA majors.

In comparison, for the 2004-2005 school year, Stern had 111 accounting majors, 80 percent of whom were CPA majors, and the numbers are still rising. Dontoh, who is responsible for assigning courses to faculty members, says that by early April, accounting courses were oversubscribed for the fall 2005 semester — and that it was still early for enrollment.

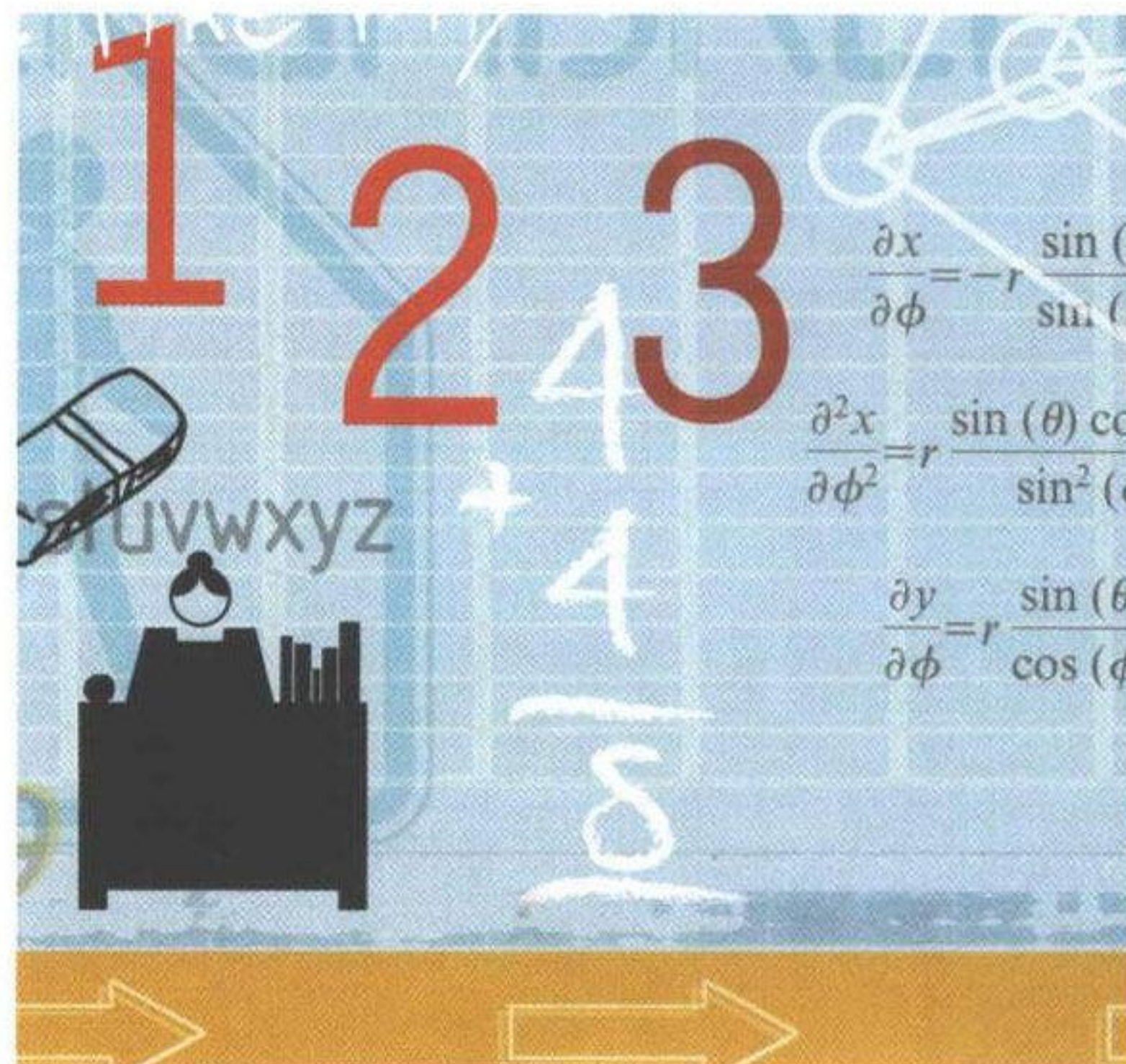
Hiring Demand Rising

Hiring of accounting graduates is also up. The AICPA found a 5 percent increase in 2003 over 2002 in the number of new accounting "Bachelors" hired. Slightly more than a quarter of those were in public accounting, while one-fifth started careers in business and industry. When asked to predict future hiring trends versus actual 2003 hiring figures, the AICPA found that firms projected a 4.6 percent increase for 2004, 9.2 percent for 2006 and 8.2 percent for 2008. It will be interesting to see if this trend holds when the AICPA's 2005 survey is published later this month.

"If a young person is looking at a career path, there will continue to be demand for accountants," says Pat McCombs, a long-time recruiter of financial and accounting staff, currently with Staffmark Inc. However,

Is Accounting Education Relevant?

By Susan Schott Karr



she adds that “public companies are going to have to make jobs attractive in terms of salaries and benefits if they’re going to attract talent for tax, audit and other areas. They’ll have to keep up with their competition.”

In its *2005 Salary Guide*, Robert Half International (RHI), an international specialized staffing-services firm, reports the current top specialties are internal audit, cost accounting, general accounting, credit and collection and financial analysis.

Along with increased demand for accountants, pay is up at both public accounting firms and corporate internal-audit departments. On average, graduates starting jobs in accounting earn a base salary of \$41,600 and total cash compensation of \$47,600, according to a 2004 survey conducted by Upper Saddle River, N.J.-based Compensation Resources. RHI notes that compensation in internal audit and public accounting showed the highest increases when compared to the prior year.

Stern’s Dantoh explains that when selecting a major, the typical 20-year-old student wants answers to two questions, “Where can I get a job?” and “What is the starting salary?” Until recently, he says, starting salaries at financial services companies were around \$5,000 more than at accounting firms. Post-Enron and Sarbanes-Oxley, however, this has changed. He says it’s an issue the Big Four are addressing on several fronts.

The Accounting Curriculum

So, is academia responding to the “real-world” change and technical complexity by offering relevant programs? At Stern — as a result of the late 90s’ decline in accounting majors — in addition to a CPA major, the school began offering an “introduction to general accounting” major, which requires 12 courses. The general accounting program is designed to make it possible for students to co-major in related disciplines such as finance, marketing, international business and information systems. Now, even with the rise in CPA enrollment, Stern has kept the program intact.

Richardson says that Wharton’s undergraduate program doesn’t really cater to CPAs, as only a small number who attend — about 50 — pursue this route. He names the University of Texas at Austin, the University of Michigan and the University of Illinois as examples of schools that focus on educating future CPAs.

“Accounting,” Richardson argues, “in some sense, is just accounting: double-entry bookkeeping. What *has* changed are the transactions.” However, he notes, “In an introductory class, you can’t delve into complex derivatives because the students haven’t been exposed to them yet. If you bring relevance to the classroom, accounting can be interesting.”

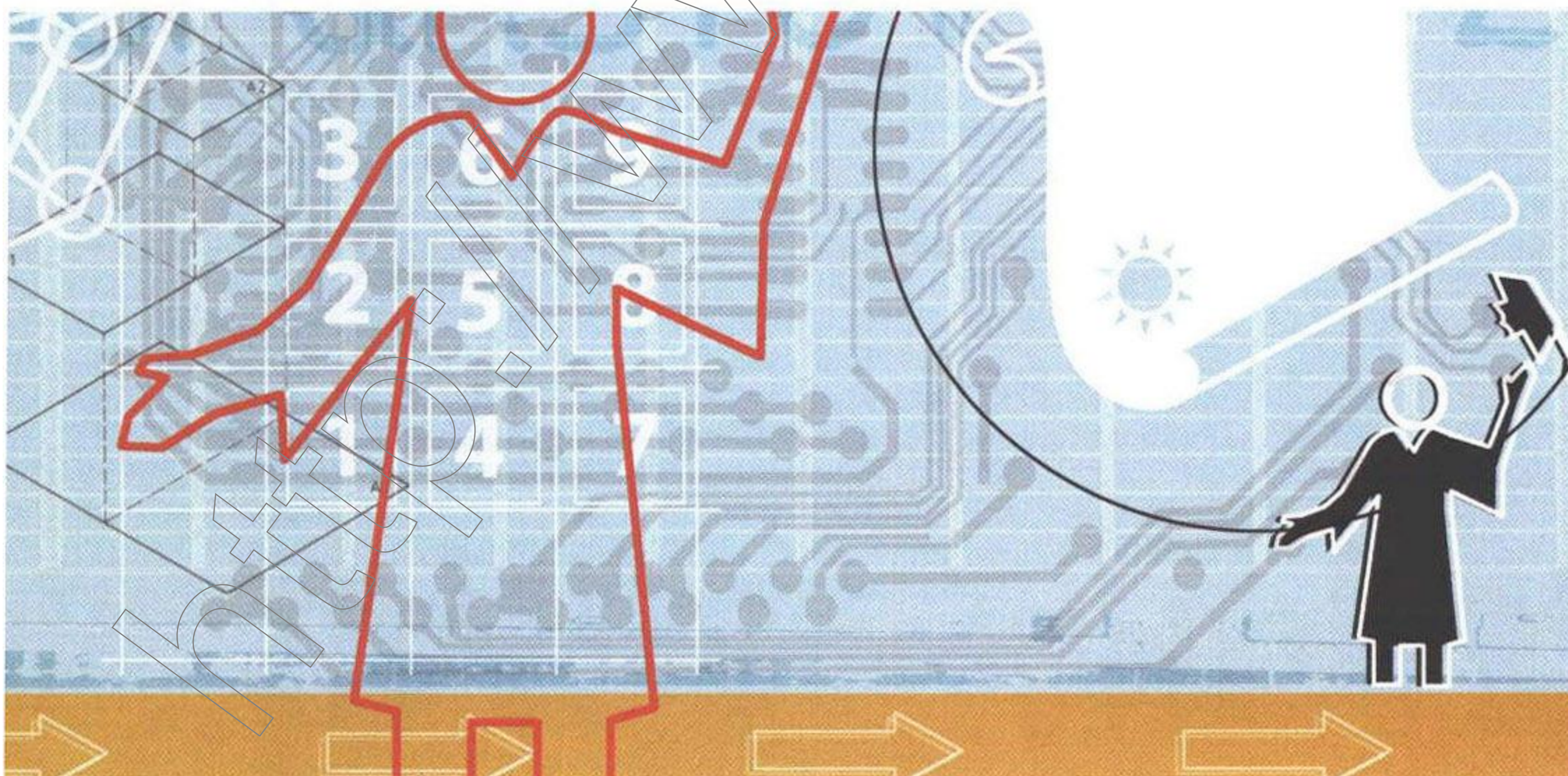
From the recruiter perspective, Paul McDonald, executive director of

Robert Half Management Resources, believes that many colleges are now offering more courses in areas that reflect marketplace needs, such as internal auditing, forensic accounting, financial statement analysis and ethics. “Educational institutions are helping students realize the importance of understanding the broad business picture, including a national and global perspective, as well as emerging technologies,” he says. McDonald believes that students who “carefully select a mix of coursework, and are involved in extracurricular activities, volunteer opportunities and internships, have an advantage in the job market and are better positioned for long-term career success.”

Accounting education relevancy to the “real world” is not only a U.S. problem. Al Rosen, a principal of Rosen & Associates Ltd., a forensic accounting and business valuation firm based in Toronto, casts a critical eye on not only on the Canadian education system, but also on current Canadian accounting standards.

A former professor of accounting at York University, Rosen argues that Canada has to make up its mind if it wants to teach U.S. generally accepted accounting principles (GAAP) or international accounting — or stick to Canadian accounting. He says you can’t assume what goes on in Canada is what goes on in the U.S.

“People don’t understand what



Many are questioning the quality — not to mention the quantity — of accounting graduates and their abilities to handle the onslaught of complex transactions and technical regulations. Are the schools — and the students — preparing for accounting in the “real world?”

differences there are for the same transactions. If they're going to, we have to educate the Canadians to know both [U.S. and Canadian]," he says. Yet, he doesn't see that happening. "There is a Grand Canyon of difference between reality and what they're doing," he argues.

Five or six years ago, Rosen explains, Canadian companies began to look to U.S. accounting and then international accounting, and they changed a lot of their accounting rules to hook up with the U.S. However, he says undergraduate accounting exams changed in the mid-90s to focus on memorization of archaic accounting rules. Now, he argues, "the most popular accounting books in Canada are those that teach memorization" of what he considers to be "obsolete rules."

Rosen says it's fairly clear that change is needed in the education of accountants. "So many professors haven't [gotten] clued in yet that the material they're teaching is obsolete," he says. As a result, he asserts, "Students aren't aware of what is happening in the workplace."

Impact of Sarbanes-Oxley, More

The workplace is clearly different for accountants than it was even five years ago. RHMR's McDonald notes that the complexity of today's accounting regulations and the cross-functional nature of compliance work underscore the need for students to possess solid communication skills — both written and verbal. "Corporations and public accounting firms also are seeking students who demonstrate organizational, analytical,



Al Rosen, Principal,
Rosen & Associates Ltd.



Scott Richardson, Professor of Accounting, The Wharton School of the University of Pennsylvania

research, problem-solving and technology abilities," he says.

Companies are relying more on recruiters, adds Staffmark's McCombs. She sees opportunities in "hot" areas such as internal audit, public accounting and financial reporting.

Wharton's Richardson agrees that Sarbanes-Oxley and the current market conditions have stimulated interest, but "are not really pertinent in introductory accounting classes." He believes such areas may have some place as electives.

Stern's Dontoh says that given Sarbanes-Oxley and Section 404, most schools now have introductory courses in internal control systems, something that was previously covered in auditing classes. "We make tweaks to the curriculum in response to the needs of recruiting and the environment." In response to the WorldComs and Enrons, he says, Stern just introduced a course (for MBAs) on forensic accounting; and, beginning this fall, forensic accounting will be included in undergraduate-level coursework.

Also ingrained in accounting courses is individual state requirements. Each state has its own mandates for students who sit for the CPA exam, which, Dontoh explains, tend to be the "traditional accounting courses." Thus, taking a course in, say, forensic or international accounting is not required. He says that NYU is designing its five-year program to meet the New York State-required 150

hours — beginning in 2009. This, he says, is giving students the opportunity to think about the curriculum as a whole.

"Now, we can introduce computer auditing, more decision-making and the role of accounting forensics, as well as courses on legislative and institutional issues. We are gearing up and will then have flexibility to deal with the marketplace," says Dontoh.

To this end, *Next Generation Accountant*, a research initiative launched by RHI four years ago, found that some schools combined accounting and information technology coursework, while others incorporated class instruction focusing on developing skills in communication, creativity, business integration, critical thinking and leadership. RHI is constantly updating its information on how to succeed as an accountant in the post-reform era.

Keeping pace with the complexity of financial transactions and the static regulatory environment is a greater challenge than ever — but one that accounting educators need to constantly monitor and respond to. After all, the profession's future is greatly dependent on a constant supply of qualified graduates. If educators are not doing enough to ensure that what is taught can be applied adequately in the workplace, the future will be quite bleak.

McDonald says that while colleges and universities need to continue their work, preparing students as they enter the field, that alone will not suffice. Making a case for lifelong learning, he adds: "Ongoing professional development for all accountants will be a key factor for succeeding in this new environment."

Susan Schott Karr (susankarr@wordsuite.com), a Chatham, N.J.-based freelance writer, has written for *Financial Executive* on issues related to education.

- Enrollment for accounting majors at U.S. universities is rising (up 6 percent from 2001-2002 to 2002-2003 school year) for the first time since the 1990s decline.
- With public accounting firms, companies and regulators competing for qualified accounting talent, starting salaries are also rising.

- Schools graduating many CPAs: NYU's Stern School, the University of Texas at Austin, the University of Michigan and the University of Illinois.
- Besides challenges for colleges and universities, graduates need to consider ongoing professional development to succeed in the new environment.