Response to NASBA Framework for Revision – Rules 5-1 and 5-2 (Dated January 16, 2006)

Submitted on May 4, 2006 by the following members of the American Accounting Association Education Committee:

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This response represents the opinion of members of the American Accounting Association’s Education Committee. It does not necessarily reflect the views of the American Accounting Association membership at large.

We, as members of the American Accounting Association’s Education Committee, are pleased that the National Association of State Boards of Accountancy (NASBA) has chosen to reconsider the proposal for revision of Rules 5-1 and 5-2. We also appreciate that the new Task Force includes representatives from a broad variety of affected organizations. In reviewing the Framework for Revision of the rules, we make the following observations.

Motivation for the Framework and Rules

The motivation for revising Rules 5-1 and 5-2 remains unclear to us. According to the NASBA revision proposal, the intent is to ensure protection of the public interest. What we do not know is the extent to which the public interest is or is not served by the current rules. In other words, is there evidence that something is broken and, if so, exactly what is broken? This question goes beyond the recent corporate scandals, which do point to problems, but asks if these are problems in education?

We believe there are several streams of research that should be pursued prior to development of new rules. First, there needs to be a link showing that input factors, i.e., the specific curriculum taken by a student, will lead to enhanced knowledge, greater professionalism, and more desirable behaviors. Second, we need to know more about how and how well the 150-hour mandate is working. Are students taking more accounting courses? Are they taking more non-accounting but value-adding courses? Have universities revised their curricula to reflect the intent behind the mandate? These questions have not yet been answered empirically to our knowledge. We concur that accounting education can be enhanced to the betterment of the accounting profession and,
ultimately, society. We also agree that the somewhat recently implemented 150-hour laws across most states provide an opportunity to improve accounting education and preparation for the professional practice. We do not, however, agree that enough is known to propose changes such those in the new proposal.

The new framework revision proposal states that the “overarching need for ease of administration for Regulatory Boards and flexibility for universities,” will guide new rule changes. This statement seems at odds with the objective to protect the public interest. Does the statement mean that we will protect the interest only so long as it is easy to do so? Or does it mean that protecting the public interest is secondary to ease of administration? We believe that we should only enact rules that will ensure that accounting professionals have the requisite knowledge, skills and attitudes to discharge the responsibilities that society entrusts to them, with administrative ease being at best a tertiary consideration. The overarching need for regulatory convenience does not seem an appropriate rationale for creating policies that may degrade the quality of education in America. Universities have a public mandate as does NASBA. Our mandate is to educate students so that they can serve the many and varied needs of society. The public’s mandate to public and private universities transcends the needs of any individual profession or groups of firms, or the desire of government or private sector agencies to contain costs.

Flexibility for universities is, of course, important to us as educators. If, however, it were to be proven that by teaching certain topics, one could develop more highly qualified professionals, we would certainly seek to do so. Flexibility for universities is somewhat in opposition to the need for ease in administration. Many educators, for example, believe that integrating topics across a curriculum often can be superior to devoting a separate course to that topic or knowledge area. An example can be found in accounting information systems. Some schools, in developing an accounting information systems course, found that their faculty relegated anything related to technology to that course. Other educational institutions, however, incorporated accounting information systems and information technologies into multiple courses, and some schools did both. The flexibility for universities to make this choice is important. Yet it does make administering rigid standards that prescribe input, rather than output measures, problematic.

Use of Input Measures and Reliance on Accreditation
The previous comments referred to one of the specific concerns that we have with the newly proposed framework. This is the emphasis on input measures rather than on output. We believe that protecting the public would be best accomplished by evaluating the performance of those in or about to enter the profession. If a candidate for public accounting certification successfully passes a test of knowledge, skills, and attitudes needed for entry into that profession – does it really matter how he/she got there? An analogy would be a student in an accounting course who missed a few classes but scored an A on all assignments and exams in the course. Which is more important? That the student missed a few classes or that the student was able to demonstrate knowledge of the material?
The new framework for revision, as with the previous proposed rule changes, emphasizes the role of AACSB accreditation. Accreditation bodies in the US and internationally have embraced a philosophy of education based on mission-driven skills and knowledge development. These bodies emphasize institutional policies and procedures that ensure continuous improvement and assurance of learning based primarily on outcome measures. Input-based rules, such as those proposed recently and included in Sections 3 and 4 of the current framework proposal are fundamentally at odds with the approach and philosophy of major accreditation bodies today. This incompatibility speaks to the feasibility of reliance on accreditation bodies.

AACSB accreditation is important in many ways. Such accreditation allows universities to develop a mission and then asks them to develop outcome assessment measures that relate to that mission. This process ensures that students are taught by highly qualified faculty, that learning outcomes are measured against criteria defined by specific schools, and that many types of student support resources are in place to assure high quality education. What AACSB accreditation does not do, however, is ensure that specific courses are included in a curriculum. Related, it is not clear what is meant in the proposed framework by “increased scrutiny,” where a school is not AACSB accredited. Is that scrutiny to concern qualifications of faculty? Student advising? An evaluation of a school’s mission? Will the scrutiny of the transcripts include an evaluation of faculty credentials?

Further, while cost transference for monitoring compliance with Rules 5-1 and 5-2 from state boards to accreditation bodies may be the goal of some, it will not be embraced by others. The work of accreditation bodies lies nearly entirely on the shoulders of volunteers from university faculties. It should not be the job of faculty to enforce compliance with Rules 5-1 and 5-2. Asking faculty to monitor input-based rules that are inconsistent with their beliefs regarding education is problematic.

Curriculum
Both Option A and Option B name specific course titles to be covered in an accounting curriculum. Regulation by course titles, however, does not serve the public interest, though it does simplify administration of rules. Many universities have different course titles and teach a broad range of subject matter in these courses. For example, one university might teach students how to complete individual tax returns in a course named “Taxation,” while another college could use that course to teach tax policy. And, if we believe that certain tax knowledge is important for the student to master, isn’t that better shown again, through an output measure – such as including all the tax knowledge desired on the CPA examination?

Option B is an input-based proposal of accounting education. The primary advantage of this option over Option A is that it would be easier to monitor in terms of compliance and have a lower cost for state boards. Neither Option A nor Option B assures quality of education or the delivery of an education that will protect the public trust in a way superior to current education models. University accounting programs
nationally have been developed after years of careful consultation with stakeholders and consideration of student competencies and needs. Faculty, who spend their careers studying and delivering accounting education, have creatively developed outstanding curricula.

The following comments address specifics of the Proposed Framework for Revision of Rules 5-1 and 5-2 with respect to curricular requirements.

**Business Course Component:** State boards and NASBA hold relatively little sway over business schools in general. Universities and business schools produce a “line of products.” Accounting can be taught as a major, admitting many students or admitting few students, based on the strategic mission of the college. Accounting has substitute products in the business undergraduate program. Alternatively, accounting may be relegated to primarily a service role for other undergraduate majors of an MBA program. Exhaustive and restrictive mandates invite non-compliance by business schools and/or withdrawal of resources to accounting and product switching behavior where other majors are emphasized and accounting is diminished. If the profession suffers from an inadequate supply of accounting graduates today, tomorrow may be significantly worse.

**Communications in Accounting:** This provision cannot be policed meaningfully by anyone other than university faculty. Every responsible university, college, and accounting program is mindful of students’ need to communicate effectively in society today. Accreditation agencies such as AACSB prominently acknowledge the importance of communications. Any efforts by NASBA and state boards are likely redundant. Again, the need for such regulation is not supported by research. It assumes that educators are not doing their job responsibly in providing students with the education they need for the profession.

**Research and Analysis in Accounting:** The comments above addressing Communications in Accounting apply equally here. An example here also serves to show how certifying courses based on labels is problematic. Kansas State has a senior level research course that is intensive in written and oral communication requirements. Students write up to six individual papers and multiple group papers during the course of the semester. They also make eight to ten oral presentations. They conduct applied research on tax, financial accounting, and auditing cases and write about the position they support. The Board of Accountancy in Kansas does not consider this a writing or communications course because it lacks a communications or the word “English” in the course title. Content is irrelevant and the designation is only determined based on the name. However, this course may be effective in improving student research and analysis skills. Other schools (e.g., Bentley College) have a capstone course in their masters of science in accountancy (MSA) programs designed to cover contemporary professional research and analysis. Other schools may integrate the same in other courses.
**Independent Study:** Educational institutions are better able to make judgments as to the extent that Independent Studies provide relative advantages over developed courses than does an arbitrary decision to restrict independent studies to six hours. Institutions may be relied upon to protect their reputations and rankings in making these judgments. There is no need for state boards of NASBA to venture into this territory.

**Internships:** Again, educational institutions may be trusted to make judgments about the extent that meaningful internship opportunities can be made available to students. We encourage NASBA to be silent in any proposal with respect to internships and independent study.

**Ethics.** While option B likely would have the least cost for universities with respect to ethics, it still implies that ethics is best taught in a single course rather than across the curriculum. The University of Illinois is at present pursuing a completely different approach. They have just been funded to create a Center for Professional Responsibilities in Business and Society and they are developing their curriculum to integrate ethics and professional responsibilities into many courses. Old Dominion University has also taken the integration approach to ethics, with outcomes assessment to ensure that students “get it.” Many schools have chosen ethics for their accounting and/or business programs as a learning goal against which they assess outcomes. If these work, then why do they need to change? And, a question that remains from the prior discussion of the rules is, who will teach this course? Who is best qualified to teach a course in business or accounting ethics? Few, if any, are trained for this in our doctoral programs. A requirement for the equivalent of 6 SCH, including Business Law, and allowing pedagogically both an option to teach a separate course or embed ethics content in other courses would be acceptable and consistent with current wisdom found in AACSB standards and among faculty at major institutions (not withstanding general opposition to the implicit input-based model of education). While universities may choose to integrate ethics into various courses and/or have a separate course on ethics, NASBA and member state boards have the opportunity to test students on ethics via the CPA exam or an additional state ethics test. Such testing ensures that professionals have achieved a desired level of competency and understanding regardless of the method used by universities to educate the CPA candidates.

**Concluding Remarks**
We encourage the Task Force and NASBA to support research prior to development of regulations. We also suggest that NASBA develop a framework for education that includes content areas rather than course specifics. We do understand that NASBA’s concern regarding protection of the public interest is the correct one. And we are appreciative of the challenges faced when trying to determine whether or not a student who perhaps has taken coursework at a variety of institutions, with different course names and content, is sufficiently academically prepared for the profession. However, an output-based model is more likely to achieve the primary objective and to involve less
cost, than an input approach. An outcomes approach is likely the best mechanism to achieve a desired objective of protecting the public interest by ensuring that practicing professional accountants have the necessary knowledge, attitudes, and skills to do their jobs. We would welcome the opportunity to work with NASBA in developing research into any of these matters.