

Perspectives on the Pathways Commission Report

An Analysis of the Proposals

By Robert Bloom

In 2008, the U.S. Treasury Department's Advisory Committee on the Auditing Profession made recommendations pertaining to human capital, including the following: "Encourage the AICPA and the AAA [American Accounting Association] jointly to form a commission to provide a timely study of the possible future structure of higher education for the accounting profession" (Final Report, Oct. 8, 2008, <http://www.treasury.gov/about/organizational-structure/offices/Documents/final-report.pdf>).

That has been the charge of the accounting professionals on the Pathways Commission, sponsored by the AAA and the AICPA. Over the past 18 months, the Pathways Commission has been concerned with enhancing the relevance of accounting education and widely publicizing the many opportunities available to accounting students. To achieve these objectives, it formed three diverse groups that included academics from various schools and members of professional accounting societies. Practitioners and academics met throughout the country; together, they brainstormed ideas for improving accounting education. Then, the Pathways Commission developed operational recommendations.

The Pathways Commission's report is intended to build upon previous endeavors as the profession moves forward in reforming accounting education (downloadable at http://commons.aahq.org/files/0b14318188/Pathways_Commission_Final_Report_Complete.pdf). Prior efforts include *Horizons for a Profession: The Common Body of Knowledge for Certified Public Accountants* (Robert H. Roy and James H. MacNeill, AICPA, 1967), the Bedford report ("Report on the Future Structure, Content and Scope of Accounting Education," Bedford Committee, AAA, 1986), the Big Eight white paper ("Perspectives on Education: Capabilities for Success in the Accounting

Profession," 1989), the NYSSCPA Quality Enhancement Policy Committee's 2008 precertification white paper (<http://www.nysscpa.org/cpajournal/2008/808/infocus/p26.htm>), the Accounting Education Change Commission (AECC, 1989–1996), and the Albrecht and Sack report (*Accounting Education: Charting the Course through a Perilous Future*, 2000).

Now, the Pathways Commission's report should act as a catalyst to encourage collaboration between academics and practitioners in order to achieve long-lasting reform in accounting education. (For additional resources on this topic, see the sidebar, *For Further Reading*.)

Analysis of the Report

The ensuing discussion will analyze the Pathways Commission's proposals, relative to recommendations made in antecedent authoritative reports, and will examine how impediments to effectuating those proposals could be overcome.

A learned profession. The report recommends the following: "Build a learned profession for the future by purposeful integration of accounting research, education, and practice for students, accounting practitioners, and educators." The report emphasizes the need for strong linkages among research and practice, practice and education, and education and research. This recommendation can also be found in the Horizons report, the Bedford report, the NYSSCPA white paper, and the Albrecht and Sack study.

In the words of the Bedford report's third conclusion, "The future scope, content, and structure of accounting education ... must undergo reassessment and redirection to meet the needs of the expanded accounting profession and the future accounting professional." The NYSSCPA white paper also called for an improved relationship between academe and practice, including a better mix of researchers and practitioners with faculty status, an integrated relevant curriculum, and comprehensive business case studies for use in the classroom.

The key to implementing the Pathways Commission's report is to deal with its impediments, which fundamentally center on the cost and time involved in effectuating

the recommendations, given the inflexibility of academic environments and the long-standing disconnect between academe and practice. There should be symbiotic relationships, with accounting education and research serving practitioners' needs and accounting practice keeping accounting education and research up to date and relevant. But the traditional, bureaucratic reward structures in educational institutions have served to thwart major changes; thus, there has been limited follow-up on the part of the academic and practicing profession after each of the previous reports was issued. The Pathways Commission does not envision a repetition of that scenario with this report, given its implementation orientation.

The Pathways Commission's report recommends examining best practices on integrating practicing professionals into university accounting departments. In particular, the report calls for universities to draw upon the knowledge and experience of practicing accountants, who could serve on accounting advisory boards and play a role in invigorating the curriculum and helping faculty stay abreast of practice issues. To promote research relevant to practice, the report calls for joint ventures between universities and accounting firms on specific issues. It also recommends practitioner exchange lists for those who desire to assist universities in teaching, guest-lecturing, mentoring students, or advising faculty. Furthermore, as the Pathways Commission suggests, internships for faculty and invitations for them to attend practitioner seminars (both of which, in the author's experience, have been few and far between in recent years) would assist in breaking down well-entrenched barriers.

Meet future demand for faculty. The report's next recommendation is as follows: "Develop mechanisms to meet future demand for faculty by unlocking doctoral education via flexible pedagogies in existing programs, and by exploring alternative pathways to terminal degrees that align with institutional missions and accounting education and research goals." In light of the long-term shortage of credentialed faculty—according to the report, 62% of accounting faculty do not hold tenure-track or tenured posi-

tions—the Pathways Commission perceives the need to explore new methods to sustain the quality of accounting programs. In particular, the report suggests hiring additional practitioners as executives-in-residence in order to give accounting programs a more practical orientation.

Moreover, greater external funding of doctoral study is imperative to meet future faculty demand, according to the report. It also calls for multiple paths to terminal degrees, suggesting that the dissertation be replaced by multiple shorter projects that are more practice oriented, and doctoral programs that are less quantitatively oriented and geared more toward teaching rather than academic research. The NYSSCPA white paper recommended that research faculty be required to have two years of relevant experience before being considered for tenure. That white paper also recommended that some practitioner faculty have at least a master's degree and five years of experience; these faculty members would also be expected to produce research output.

In this author's opinion, the Association to Advance Collegiate Schools of Business (AACSB), in particular, ought to serve as a catalyst to stimulate flexibility in doctoral programs and the development and team-teaching of multidisciplinary, thematic courses, thus breaking down the silos that have long existed in business schools. Accounting cannot be adequately taught in a vacuum, separate and apart from taxation, finance, business law, and management. Accordingly, the AACSB should place a premium on multidisciplinary case preparation and applications in the classroom. In addition, the AACSB should promote the hiring of nondoctoral clinical faculty (i.e., experienced practitioners) to enhance the professionalism and leadership components in business education.

Reform accounting education. The report's third recommendation reads as follows: "Reform accounting education so that teaching is respected and rewarded as a critical component to achieving each institution's mission." The report calls for additional incentives, such as more awards that could give teaching greater weight in the faculty evaluation process. In this author's opinion, teaching is largely respected in most educational institutions and has been for many years; however, research and teaching

present a delicate balancing act for faculty. Some schools emphasize research over teaching, but those schools often represent the exception rather than the norm, contrary to what the Pathways Commission's report implies.

The AACSB examines the performance of each school based on teaching, research, and service in specific terms of how that school fulfills its overall mission statement. As the Bedford report proposed, "Each university's accounting program should place appropriate priorities on faculty endeavors ranking student learning, research, and professional service in a manner that is consistent with the university's goals and with the requirements of a changing profession."

The Pathways Commission would like to see accounting research place more emphasis on informing practice. Researchers could collaborate with practitioners to discuss their proposals and to modify them accordingly in order to emphasize their relevance to practice. The NYSSCPA white paper called for a practice-oriented approach to teaching and encouraged a reciprocal relationship between academe and practice. In addition, it anticipated that students studying to become CPAs would need develop critical thinking and analytical abilities; technical knowledge in accounting, auditing, taxation, business law, and management; research skills; and high ethical standards. The Pathways Commission now has the opportunity to achieve what the Bedford report and the NYSSCPA white paper proposed. Although the majority of accounting classes today are taught by nontenured and non-tenure-track faculty (including recent practitioners) who often hold short-term positions at their institutions, senior permanent faculty could coordinate all courses to promote uniformity and quality control.

Faculty development and curriculum. The report states: "Develop curriculum models, engaging learning resources, and mechanisms for easily sharing them as well as enhancing faculty development opportunities to sustaining a robust curriculum." It is most important to keep the curriculum fresh with new materials, new learning resources, and new technology—not to mention new ways for faculty to deliver instruction and stay abreast of new material; faculty and courses must remain cur-

rent in this ever-dynamic business environment. The Pathways Commission wants to see the resources and data that accounting practitioners have gathered become available to universities, so they can keep their teaching and research relevant and fresh. The Big Eight white paper pointed to the difficulty of faculty staying abreast of current practice:

The confidentiality provision for accountants prevents faculty from having access to a robust, continuous source of information about the evolution of practice ... The nonclinical, confidential nature of accounting creates a faculty that designs and executes pre-entry professional education without direct knowledge of current practice.

The NYSSCPA white paper also called for CPAs and firms to open their doors to faculty seeking experience and provide case material for classroom use. In this author's opinion, too many faculty members teach accounting practice secondhand, with limited assistance from accounting firms and industry.

The Pathways Commission's report devotes particular attention to the need for a major revision of the first course in accounting, as the AECC did in a separate document (AECC Position Statement 2, "The First Course in Accounting," <http://aaahq.org/AECC/pdf/history/chap6.pdf>). It emphasized the importance of overhauling introductory accounting courses to make them more challenging and more focused on the application of accounting in decision making. Students in business and other disciplines are required to take introductory accounting courses, which might motivate them to pursue additional courses in accounting or might cause them to do the opposite.

The Albrecht and Sack study offered the following ideas about restructuring introductory accounting courses to convey a decision-making perspective: "Introductory accounting might focus less on preparation of financial statements and more on analysis" (p. 63). Albrecht and Sack also recommended that the second course, managerial accounting, focus on information for decision making and suggested that intermediate accounting "be collapsed into one course, focusing more on analysis and research than on specific standards in detail."

While the Pathways Commission's report envisions a much-improved undergraduate curriculum, Albrecht and Sack offered the following specific ideas on the curriculum: focusing on the role of accounting in society; analyzing accounting information for decision making; analyzing risks; conducting financial reporting research; applying technology to business decision making; using tax factors in decision making; applying accounting in different industries; and providing specialty services, such as personal financial planning and fraud investigation.

The Big Eight white paper, the NYSSCPA white paper, and AECC position statement stressed the importance of communication, intellectual, and interpersonal skills in educating students for the profession. In this respect, the Big Eight white paper made a number of significant assertions, including the following:

- "Practitioners must be able to present

and defend their views through, formal and informal, written and oral, presentation."

- "They must be able to solve diverse and unstructured problems in unfamiliar settings."

- "Accountants must be able to use ... data, exercise judgments, evaluate risks and solve real-world problems."

- "Passing the CPA examination should not be the goal of accounting education."

- "The current textbook based, rule-intensive, lecture/problem style should not survive as the primary means of presentation. ... Some of the alternatives for student involvement include seminars, simulations, extended written assignments and case analyses."

The Big Eight white paper further asserted that successful practitioners must understand the history of their profession, interact with diverse groups of people, stay abreast of current events and issues, and make value judgments. Moreover, the Bedford report emphasized graduate study

for specialized professional accounting education, suggesting that the fifth year is the appropriate time to present such course work; however, it is worth noting that this report was issued prior to the prevalence of 150-hour education requirements.

The Pathways Commission calls for a definition of a common body of knowledge for accounting students and a signature pedagogy. While the report recommends that a new first course in accounting reflect the dynamic nature of this discipline, it does not make specific proposals on how this course should be taught or what topics it should cover. In this respect, the Pathways Commission wishes to promote a new dialogue by creating action groups to foster implementation. For the recommendations to succeed, ongoing curriculum innovation needs to be encouraged by universities and external groups, in collaboration with CPA firms and industry.

Recruitment to the profession. The report recommends the following: "Improve the ability to attract high-potential, diverse entrants into the profession." The *CPA Horizons 2025* report (www.aicpa.org/Research/CPAHorizons2025/DownloadableDocuments/cpa-horizons-report-web.pdf), the Bedford report, the Big Eight white paper, and the Albrecht and Sack report all advocated this theme as well. In particular, the *CPA Horizons 2025* report called for the profession to implement programs to support minorities, women, and young CPAs in the workplace. It also observed significant turnover among auditors in large public accounting firms, due to heavy workloads and little time for work-life balance.

The Pathways Commission calls for upgrading high school accounting courses to expose students to accounting as a discipline prior to college and to achieve advanced placement (AP) credit for such coursework. A significant decline in high school graduates is expected in the near future, coupled with baby boomers retiring from accounting positions in the next decade (Dan S. Deines, Joseph Bittner, and Glenda Eichman, "The Accounting Pilot and Bridge Project," *Issues in Accounting Education*, vol. 27, no. 1, February 2012, pp. 113–122). To counteract these trends, the image of accounting as a profession must

FOR FURTHER READING

Accounting Education Change Commission (AECC), Issues Statement 1, "AECC Urges Priority for Teaching in Higher Education," 1990

Accounting Education: Charting the Course through a Perilous Future, Albrecht and Sack, 2000

Accounting Education News, "The Pathways Commission: We Are Off and Running!," Winter 2013, vol. 41, no. 1, p. 11

AECC, Issues Statement 2, "AECC Urges Decoupling of Academic Studies and Professional Accounting Examination Preparation," 1991

AECC, Issues Statement 3, "The Importance of Two-Year Colleges for Accounting Education," 1992

AECC, Position Statement 1, "Objectives of Education for Accountants," 1990

American Accounting Association Committee on the Future Structure, Content, and Scope of Accounting Education, "Future Accounting Education: Preparing for the Expanding Profession," *Issues in Accounting Education*, Spring 1986, vol. 1, no. 1, pp. 168–195

Horizons for a Profession: The Common Body of Knowledge for Certified Public Accountants, Robert H. Roy and James H. MacNeill, AICPA, 1967

NYSSCPA Quality Enhancement Policy Committee's 2008 precertification white paper, <http://www.nysscpa.org/cpajournal/2008/808/infocus/p26.htm>

"The Pathways Commission Announces Recommendation Leaders," AICPA, November 2012, <http://www.aicpa.org/Press/PressReleases/2012/Pages/Pathways-Commission-Announces-Recommendation-Leaders.aspx>.

"Perspectives on Education: Capabilities for Success in the Accounting Profession," The Big Eight, 1989

"Report on the Future Structure, Content and Scope of Accounting Education," Bedford Committee, AAA, 1986

be elevated, and students should be exposed to accounting starting in high school, not college. The typical high school accounting course, however, emphasizes rote learning of procedures; thus, it dissuades promising students from majoring in accounting at the college level (Deines et al. 2012).

In Issues Statement 3, “The Importance of Two-Year Colleges for Accounting Education” (1992), the AECC called for closer coordination on curriculum, syllabi, and examinations between two- and four-year colleges. In recent years, a promising development has been the successful coordination between community and senior colleges nationwide, to the point where students can readily transfer credit from one to the other. In some cases, this coordination is extensive, entailing the same course, title, description, coverage of topics, and textbooks at both schools.

The Pathways Commission’s report calls for articulation agreements between high schools and colleges in order to facilitate the development of AP accounting courses in high schools, for which students would receive college credit. This recommendation is clearly new to the authoritative literature on accounting education; it requires the repurposing of high school bookkeeping courses, which do not emphasize the analysis of transactions and their impact on the financial statements. Moreover, high school business faculty would have to be retrained, as is currently the case in Kansas, to transform their approach and revise the content of their courses (Deines et al. 2012). To encourage students who majored in other undergraduate disciplines to pursue a graduate accounting degree, more flexibility is needed in the required catch-up course work, as well as better advising and counseling of students.

Analyzing data. The report recommends the following: “Create mechanisms for collecting, analyzing, and disseminating information about the current and future markets for accounting professionals and accounting faculty.” Such data would help to focus on acute shortages, specifically in different categories and different regions of the country. The report refers to current data on available job opportunities and the number of recent

accounting graduates, along with the salaries they are earning. Undoubtedly, information of this kind should be more widely disseminated than is currently the case. A separate action group of practitioners and academics could be formed to implement this recommendation.

An implementation process. The report’s next recommendation is as follows: “Convert thought to action by establishing an implementation process to address these and future recommendations by creating structures and mechanisms to transition accounting change efforts from episodic events to a continuous, sustainable process.” The Pathways Commission concedes that there have been efforts toward renewal and innovation, but these efforts have not been sustained because incentives have not been established. The report could conceivably furnish the foundation for creating such structures and catalyze the allocation of resources on a continual basis toward major long-term reform.

A Call for Collaboration and Progress

The report maintains that the Pathways Commission “reviewed the current state of education in our profession, learned from the recommendations and criticisms of our predecessors, and set forth new and sometimes similar recommendations.” This report stands out among its predecessors by offering a discussion of the specific impediments to effectuating each of its recommendations; by and large, earlier reports did not focus on impediments, perhaps apprehensive that doing so would doom implementation of their proposals.

The Pathways Commission’s report openly explains the reasons that the other commissions failed. Moreover, the members of this commission “fully understand that without a valid structure and funding mechanisms, sustaining the long-term viability of [its] ... efforts will be challenging, if not impossible.” There has been too much unfavorable experience with ad hoc reform in accounting education in the past, with each school going its own way, if it did anything at all. A promising sign for the revitalization of accounting education would be to observe the AAA, AICPA, and AACSB working together on achieving the Pathways Commission’s recommendations; this collaboration is vital

for the report’s suggestions to succeed because, although neither the AAA nor the AICPA has the authority to make those recommendations work, the AACSB can provide a mechanism to facilitate the process. Contrary to the previous authoritative reports, the Pathways Commission and its report were directly sponsored by the AICPA, along with the AAA; thus, both of these organizations have a vested interest in its implementation.

Accountants in academe, like their counterparts in public practice, are not likely to embrace all of the changes that the Pathway Commission has put forth, but they might be inclined to accept at least some of the proposals in a piecemeal fashion. Moreover, if the Pathways Commission were to readdress its findings to business schools, rather than accounting departments in those schools, there could be greater opportunity for its recommendations to be implemented. The AAA and AICPA could request that the AACSB encourage accredited business schools, and especially accounting-accredited business schools, to adopt the Pathway Commission’s recommendations in accounting and other suitable areas in business school departments; through efforts such as these, the report could have a profound impact. Not only would accounting departments benefit from its implementation, but entire business schools would benefit as well. That is true in light of emphasis placed in business schools on the importance of instilling professionalism, developing a “robust” curriculum, integrating research and practice, and recruiting and educating promising diverse students. Perhaps several universities could pilot the implementation of selected recommendations and then serve as role models for other schools to emulate, as the Pathways Commission suggests.

A step in the right direction occurred on November 12, 2012, when the AICPA announced the names of 12 recommendation leaders from academe and practice to guide implementation of the Pathways report (<http://www.aicpa.org/Press/PressReleases/2012/Pages/Pathways-Commission-Announces-Recommendation-Leaders.aspx>). In November and December 2012, the recommendation leaders created task forces to move forward on the implementation process.

In the final analysis, clear-cut strategies are imperative to effectuating the recommendations. The Pathways Commission cannot implement its own proposals. Action groups created by the organizations sponsoring the Pathways Commission should help to fulfill its

mission. Overall, there is an acute need to link academe to practice, thereby enhancing the relevance of accounting education and research to the real world. Competent students could then gain a better understanding of the multifaceted nature of accounting and might be more

inclined to pursue careers in this vibrant profession. □

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announcement

2012 Max Block Awards Presented

The winners of the 2012 Max Block Distinguished Article Awards were honored during *The CPA Journal* Editorial Board meeting on June 3, 2013. This award recognizes excellence in three categories that reflect the mission of *The CPA Journal*: Technical Analysis, Informed Comment, and Policy Analysis.

The Max Block Awards are determined by the members of *The CPA Journal* Editorial Board and Editorial Review Board, who rank a selection of articles from a list of nominees determined by the editorial staff. The editors thank all of the board members who judged this year's nominated articles.

Technical Analysis. The board gave the Technical Analysis award to Jack W. Dorminey, Arron Scott Fleming, and Richard A. Riley Jr., for "A New Perspective on an Old Problem," in June 2012. This article looked closely at fraud and presented a meta-model to serve as a framework for considering possible fraud acts, as well as for more effective and efficient fraud prevention and detection.

Jack W. Dorminey, PhD, is an assistant professor of accounting in the college of business and economics at West Virginia University, Morgantown, W.Va. Arron Scott Fleming, PhD, CPA, CMA, is an associate

professor of accounting, also at West Virginia University. Richard A. Riley Jr., PhD, CPA/CFF, CFE, is a member of *The CPA Journal* Editorial Board and the Louis F. Tanner Distinguished Professor of Public Accounting, also at West Virginia University.

Informed Comment. A pair of point/counterpoint articles won in the Informed Commented category: "Auditors' Responsibility for Detecting Fraud: Putting Ethics and Morality First," by Richard H. Kravitz, and "Auditors' Responsibility for Detecting Fraud: Applying Professional Judgment and Maintaining Integrity," by Vincent J. Love, published together in June 2012. These articles examined ethics and morality in the profession, with respect to whether an auditor should be held responsible for fraudulent financial statements.

Richard H. Kravitz, MBA, CPA, is the founding director of the nonprofit Center for Socially Responsible Accounting, as well as a fellow of the American College of Forensic Examiners and a member of the NYSSCPA, the AICPA, and the American Society of Pension Professionals and Actuaries. He is also managing director of R H Kravitz & Company, Island Park, N.Y. Vincent J. Love, CPA/CFF, CFE, is a member of *The CPA Journal* Editorial Board and the managing director of VJL Consulting LLC, New York, N.Y.

Policy Analysis. "The Controversy over Private Company Reporting Standards:

Recommendations of the Blue Ribbon Panel and the Financial Accounting Foundation's Response Spark New Debate," by Nicholas C. Lynch, July 2012, won the Max Block Award for Policy Analysis. In the article, the author explored the debate over the creation of GAAP for private companies and provided a comprehensive overview of the standards-setting developments in this area.

Nicholas C. Lynch, PhD, is starting a new position in the fall as an associate professor of accountancy at California State University, Long Beach, Calif.

About Max Block

Max Block (1902–1988) was a founding partner of Anchin, Block & Anchin LLP, and he served as managing editor of the NYSSCPA's *Journal* (now *The CPA Journal*) from 1958 to 1972. Many individuals who knew him have described him as a visionary whose ideas helped form the basis for many reporting and practice-management concepts used today.

Since 1975, *The CPA Journal* has recognized his contributions and achievements by bestowing the Max Block Distinguished Article Award on the most outstanding articles published in the past year. Although the judging and selection procedures continue to evolve, the criteria remain the same: "An innovative and stimulating article which is of current significance and which is likely to be of lasting value." □

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