

# The Accounting Education Change Commission: Its History and Impact

## Chapter 1 THE CLIMATE FOR CHANGE

### Background in the Profession and the Academy

American universities have provided education for prospective accountants for most of the twentieth century. There was a great deal of evolutionary change throughout the century, with most of the early changes led by academics who developed innovative textbooks or new academic programs. Often these same academicians were also practicing accountants, and the needs of practice were closely aligned with the educational programs. Graduates obtained jobs in the accounting profession—defined to include public accounting, industry, and government accounting positions—and everyone seemed content.

Until the last third of this century it was difficult to distinguish between the accounting academy and the accounting profession. Prior to the 1960s, accounting academics taught what was practiced in the profession, which was facilitated by the fact that many of the leading accounting faculty were simultaneously practicing accountants. Accounting practitioners were among the leading thinkers and writers, encouraging both practice and academe to change with the times. Conflicts between academic accountants and practitioners were few.

All this changed in the late 1950s and early 1960s. Two major studies challenged business schools and, by implication, accounting departments to become more [scholarly](#).<sup>1</sup> Meanwhile, the accounting profession was becoming more competitive. Both academics and professionals turned within themselves. Academics focused on developing prestige on campus; their constituency became fellow faculty members rather than accounting professionals. Professionals struggled to keep their competitive advantage; there was less time devoted to advancing the profession of accounting and more to developing proprietary methods and techniques to differentiate a firm from its competitors.

The initial impact of the growing separation of the accounting academy and the accounting profession was generally positive. Accounting programs started attracting better students and more resources. Accounting faculty became better trained, especially for research, and a larger percentage of them committed themselves full-time to their academic pursuits. In accounting practice, public accounting firms developed new, innovative services and generally had a thriving business throughout the 1970s. Accountants in industry and government were moving through their organizations into increasingly responsible positions. Surveys showed that accounting education and experience were highly valued by many types of organizations.

However, it didn't take long for problems to develop. By the mid-1980s both academic and professional accountants were struggling. Changes in the regulatory environment, rising expectations as witnessed by growing litigation against accountants, the expanding scope and complexity of accounting services, and exponential advances in information technology were revolutionizing (and threatening) traditional accounting practices. Accountants in most organizations, whether public accounting, industry, or government, had to adapt quickly to changing circumstances. Such adaptation is always difficult, and some leading accounting practitioners felt that accounting educational programs had been especially weak in preparing members of the profession for the changes.

Meanwhile, accounting educators were trying to accommodate an information explosion. The number of rules, regulations, and techniques were expanding more rapidly than the time available to learn them. Until recently it was possible for accounting students to learn the rules and procedures of accounting together with a conceptual understanding of accounting in a four-year undergraduate program. But by the 1980s the learning (memorizing?) of rules and procedures was crowding out the conceptual content of the curriculum. Without a good conceptual base, graduates were not well prepared to adapt to changes.

I believe the concluding sentence of each of the two preceding paragraphs explains why academics and practitioners came together in the late 1980s to call for changes in accounting education. The rhetoric on both sides included many other issues, but the overriding, uniting factor was the need to produce accounting graduates who could adapt to change. Rules, regulations, and techniques have a short half-life, and it is getting shorter as the pace of change accelerates. The challenge to accounting educators is to maintain the technical accounting competence demanded in graduates, while increasing their understanding of accounting and business so that they can adapt and apply their technical skills to new environments.

## **Frameworks for Accounting Education**

As academic and professional accountants started down different paths in the 1960s, at least two different organizations recognized the need to formalize the expectations for accounting graduates. In 1968 the American Accounting Association (AAA), representing academics, staked its claim to leadership in educational policy with the publication of a committee report, "A Restatement of Matters Relating to Educational Policy" (AAA 1968). The preceding year the American Institute of Certified Public Accountants (AICPA), representing practitioners, published a report by Roy and McNeill (1967), *The Common Body of Knowledge for Certified Public Accountants: Horizons for a Profession*, and the following year it published the Beamer Committee report, *Report of the Committee on Education and Education Requirements for CPAs* (AICPA 1969). By the 1980s, these were followed by similar reports from the American Assembly of Collegiate Schools of Business (Porter and McKibbin 1988), Association of Government Accountants (Fox 1981), Federation of Schools of Accountancy (FSA 1982), Institute of Internal Auditors (Barrett et al. 1985), and the National Association of Accountants (now Institute of Management Accountants) (NAA 1986, 1988), in addition to more AAA and AICPA reports. Needles and Powers (1990) indicate that there were 17 different educational programs put forward by these various groups.

Underlying all these reports was the recognition that, with the expansion of accounting knowledge, there was no longer time in a traditional undergraduate accounting education to learn the complete body of knowledge of accounting. Two potential solutions emerged: (1) extend accounting programs to five years of post-secondary education or (2) refocus the curriculum. Many of the studies advocated some combination of each.

First to emerge was the push for requiring a graduate degree for entry to the accounting profession; this has resulted in the regulatory efforts to require five years of education to sit for the Certified Public Accountant (CPA) examination. The premise of this approach was that if there is more to learn, students should spend more time learning it. Some advocates of five-year accounting programs thought the extra time should be spent learning accounting rules, regulations, and techniques in more depth; others thought the time should be spent developing the breadth that had often been sacrificed in an attempt to squeeze more accounting into the curriculum. This divergence of goals for the added year of education led to regulations in many states that mandated 150 semester-hours of post-secondary education, but were silent on what subjects should be included in the extra coursework and whether this constituted a graduate degree.

Refocusing the curriculum required identifying the most important topics from among the many potential subjects that could be taught in an accounting curriculum. Studies focusing on a "common body of knowledge" traditionally separated knowledge that is crucial to an accounting career from knowledge that may be helpful but is not essential. Entrants to the profession could be held responsible for the common body, and additional knowledge and skills could be developed as needed.

## **Changing Focus in the 1980s**

In the 1980s, the consensus on the common body of knowledge began to erode. Accountants began to realize that no matter how many courses students took, they were not going to be able to know the complete body of accounting rules, regulations, and techniques. A new approach to accounting education was needed.

Many professional schools faced similar situations. For example, pharmacy schools recently started down the path of five-year programs, but soon realized that simply expanding the time in school

would not be a long-run solution. They needed to make fundamental changes in the curriculum. Maybe more pertinent to accounting is what happened nearly a century ago in law schools. At that time, it became evident that aspiring lawyers could no longer learn the complete body of the law—it was just too extensive. Instead, law schools, especially the best ones, increasingly focused on teaching students how to think about the law. They taught a process, not a body of knowledge. The process was founded in a conceptual understanding of the law, together with the ability to structure approaches to issues and locate and understand the relevant body of knowledge when needed.

As it became clear to more and more accounting faculty that changes were necessary, three issues remained paramount: (1) what curricular changes should be made (i.e., what should be included in and excluded from the required accounting curriculum and how should it be taught), (2) how should such changes be made, and (3) how will employers of accounting graduates react to the changes.

By the late 1980s there were signs of evolutionary change. But changes in universities usually occur slowly. Changes initiated and driven by faculty were not fast enough for a group representing the major public accounting firms in the U.S. As major customers of accounting programs—that is, employers of accounting graduates—the leaders of the firms became concerned that they would not be competitive in this dawning information age if their main source of talent, university accounting programs, did not change quickly. Rather than sit back and allow academics to debate whether to change, what to change, and how to change, the accounting firms took the initiative. One major result of this initiative was the formation of the Accounting Education Change Commission (AECC) in 1989.

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<sup>1</sup>These studies, by the Ford Foundation (Gordon and Howell 1959) and Carnegie Foundation (Pierson 1959), were to significantly change all of business education, thereby also affecting accounting education.