

Position and Issues Statements of the Accounting Education Change Commission

Issues Statement Number 6 Transfer of Academic Credit for the First Course in Accounting Between Two-Year and Four-Year Colleges

June, 1995

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This Statement is issued by the Accounting Education Change Commission (AECC). The AECC was appointed in 1989 by the American Accounting Association and supported by the Sponsors' Educational Task Force, representing the largest public accounting firms in the United States. Its objective is to be a catalyst for improving the academic preparation of accountants so that entrants to the accounting profession possess the skills, knowledge, and attitudes required for success in accounting career paths. The Commission encourages reproduction and distribution of its statements.

In its [Issues Statement No. 3](#),¹ the Commission recognized "the important role of two-year colleges in accounting education" and noted that "approximately one-fourth of the students entering the accounting profession take their initial accounting coursework at two-year colleges." Because the number of students who begin their accounting education at two-year colleges is large and increasing, the transferability of academic credit for the "first course in [accounting](#)"² from two-year to four-year colleges is a matter of substantial concern to both students and accounting educators. Transferability of credit for the first course in accounting between two-year and four-year colleges continues to require close coordination by the respective institutions.

The Commission has envisioned and urged adoption of a new approach for the teaching of accounting. Accordingly, in Position Statement No. Two, the Commission stated that "the primary objective of the first course in accounting is for students to learn about accounting as an information development and communication function that supports economic decision-making." The new approach is very different in both course content and pedagogy (delivery) from the "conventional" approach. As long as some programs continue to offer the conventional course while others adopt the Commission's objective for their course, special efforts must be taken to ensure that students are able to transfer credit for the course from two-year colleges to four-year colleges.

During this time of change in the introductory accounting sequence as envisioned by the Commission, two potential problematic relationships may develop for students who seek to transfer credit for the course: first, students of a two-year college who take a course that follows the Commission's "Objective" approach may transfer to a four-year college offering the "conventional" approach; second, students of a two-year college who take a "conventional" course may transfer to a four-year college offering a course meeting the Commission's "objective" for the first course. The situation is even more complex if students from a given two-year college transfer their credits to several four-year colleges, which differ in how, and the extent to which, they are redesigning their accounting curricula. Similar issues arise in relations among four-year schools, and a substantial portion of this document applies to those situations as well.

Renegotiating transferability agreements to focus on skills and knowledge (sometimes called student outcomes) and activities intended to develop the agreed-upon set of skills and knowledge is one approach to assuring transfer of academic credit for the introductory accounting sequence in the face of episodic or continual curriculum change. To begin such renegotiations, faculty at the affected

institutions should develop a general statement of what skills and knowledge should be developed in the introductory accounting sequence. (Alternatively, such statements could be developed through state or regional cooperative efforts.) [Appendix A](#) contains more information about this approach.

Faculty at a two-year college who wish to redesign their introductory accounting sequence might consider the questions and process outlined in [Appendix B](#) to assist in coordinating the anticipated change with the four-year colleges to which their students transfer. Similar, if the curriculum change process begins first at a four-year college with transferability agreements, the involved faculty should invite colleagues at the two-year colleges where such agreements are in place, to work together to renegotiate the agreements in a way that facilitates the continued transfer of academic credit for the introductory accounting sequence.

APPENDIX A³

STUDENT COMPETENCIES AS A BASIS FOR TRANSFERABILITY AGREEMENTS

This appendix suggests one possible approach to transferability agreements for the introductory accounting sequence. Under the approach described in this appendix, four-year and two-year colleges would develop transferability agreements based on competencies implied by the Commission's Position Statement No. Two, *The First Course in Accounting*. The Statement suggests three categories of competencies: financial accounting, managerial accounting, and active learning.

A competency based approach to transferability agreements is likely to have two effects which differ from those of a textbook/topic approach. First, the textbook no longer dictates the organization and coverage of the course. Instead, the desired outcomes (skills and knowledge) become the driver and the textbook becomes one of possibly several vehicles. Second, the course is driven by an output measure (skills and knowledge to be achieved) rather than an input measure (textbook/topics).

One example is provided of a desired outcome in each category (financial accounting, managerial accounting, and active learning) with possible activities designed to achieve each outcome:

1. Financial accounting:

Accounting's role in society

A. How does accounting meet the information needs of investors and creditors?

1. identify the types of decision investors and creditors make and describe what information in the financial statements and/or related disclosures meets the information needs of each group
2. discuss what role ethics plays in the preparation of financial statements
3. identify and discuss examples of how U.S. accounting measurement techniques and financial statements differ from the measurement techniques and financial statements of other countries

B. How does accounting meet the information needs of regulatory agencies and taxing authorities?

1. describe how information sources other than the annual report (e.g., SEC Form 10-K) can be used to learn more about the nature of any entity's business
2. identify some of the differences between the objectives of tax accounting and financial accounting and at least one difference between taxable income and financial accounting income.
3. explain how a tax return is actually a special version of the income statement

2. Managerial accounting:

Role of the management accountant

- A. How does management accounting differ from financial accounting and what role does the management accountant play as a member of the management team?
1. distinguish between the usefulness of managerial and financial accounting by considering the activities of planning, evaluating, controlling, and decision making
 2. explain why managerial accounting applies to all types of industries (e.g., merchandising, manufacturing, non-financial services, financial services, government and other nonprofit entities)
 3. describe different ways in which the management accountant's advice can help an entity to operate more effectively
 4. analyze a company's financial statements and/or management reports and identify several strengths and several weaknesses of the company from this analysis
- B. Why do management accountants need to have both a broad and in-depth understanding of their entity to fully participate in decisions about the products and services provided?
1. discuss, using specific examples, the cause and effect relationship between expenses and revenues and how they affect operating decisions
 2. discuss the need for and uses of a management control system and how accounting information facilitates control
 3. explain how the operating philosophies of continuous improvement, total quality management, and just in time manufacturing are used to manage optimal inventory levels, and discuss how the accounting function can be used to support their implementation

3. Active Learning:

Group work skills (How can students demonstrate their ability to work effectively in groups?)

- A. Participate in groups whose task is to do one or more of the following:
1. solve problems
 2. discuss readings from the financial press
 3. analyze financial statements
 4. analyze case studies
- B. Perform the following tasks that are commonly associated with collaborative or cooperative learning:
1. facilitate the discussion and keep the group on task
 2. record the group's results
 3. report the results of the group's work to the class
 4. keep time, assist the leader, and fill vacant roles

APPENDIX B

SUGGESTIONS FOR TWO-YEAR COLLEGE FACULTY WHO WISH TO REDESIGN THE

INTRODUCTORY ACCOUNTING SEQUENCE

This appendix uses a series of questions to outline a process that a two-year college faculty might consider in redesigning the introductory accounting sequence while preserving transferability of academic credit for the new course(s) to four-year colleges. The appendix is included here to share a process that was used successfully by a two-year college to initiate efforts to redesign the introductory accounting sequence.

What four-year colleges should be directly involved in the redesign?

Review student transfer information at the two-year college to determine the transfer (four-year) institutions having the greatest number of transfer students from your institution. Determine whether one of the four-year colleges is critical in determining course credit transferability, if that particular four-year college accepts your curriculum changes, will the other four-year colleges receiving your students most likely do so as well?

Who should be involved in the process?

Determine who makes the transfer credit decisions in the relevant four-year colleges. If the decisions are made by an administrative department, direct involvement of an influential and sympathetic accounting faculty member from the four-year institution may be very helpful, perhaps even necessary, to gaining acceptance for the proposed changes.

How is the transfer agreement to be achieved?

If the four-year colleges to which your students transfer are redesigning their accounting curriculum, you may wish to seek involvement in the four-year institution's change process. Alternatively, faculty at the two-year school can initiate the change, perhaps by inviting one or more faculty members of the four-year institution to join the two-year college's advisory committee.

Determine what curriculum changes might be most desired by, or at least acceptable to, the four-year institutions. For example, if course content has been the primary criterion to determine the transferability of academic credit courses, changes that shift the emphasis to the use of accounting information for decision making with little or no change in the topical content might be acceptable.

Assess how critical thinking skills, learning to learn skills, and communication skills may be incorporated into the new introductory accounting sequence, or taught in other courses, with specific applications incorporated into the introductory sequence in accounting. Delivery methods and student responsibilities could be changed to accomplish this.

Keep in mind that accounting majors need to develop an understanding of the accounting process of collecting and summarizing information and preparation of accounting reports. These majors may need to take an additional lab or mini course in order to cover this material.

While two-year college faculty should remain flexible and open to compromise, any redesign of their introductory sequence in accounting should accomplish their agreed upon objectives. If the transfer institution insists on dictating all of the changes, then the two-year faculty should attempt to use whatever flexibility remains to incorporate their desired changes into the transfer institution's requirements. Sometimes it is possible to achieve improved results by approaching a given topic with a different teaching methodology.

How might the final articulation agreement be accomplished?

As input to your final proposal, seek the counsel of an advisory committee, which might include local business and professional representatives as well as four-year college faculty. Ask to present the new course proposal to the accounting faculty of four-year institutions to which your students transfer and invite their input. Ask any faculty member from a four-year institution who might be serving on the advisory committee to brief the administrative department at the four-year institution that handles transferability of course credits.

Other Statements issued by the Accounting Education Change Commission:

Issues Statement No. 1: *AECC Urges Priority for Teaching in Higher Education* (August 1990).

Position Statement No. One: *Objectives of Education for Accountants* (September 1990).

Issues Statement No. 2: *AECC Urges Decoupling of Academic Studies and Professional Accounting Examination Preparation* (July 1991).

Position Statement No. Two: *The First Course in Accounting* (June 1992).

Issues Statement No. 3: *The Importance of Two-Year Colleges for Accounting Education* (August 1992).

Issues Statement no. 4: *Improving the Early Employment Experience of Accountants* (April 1993).

Issues Statement No. 5: *Evaluating and Rewarding Effective Teaching* (April 1993).

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¹Accounting Education Change Commission, Issues Statement No. 3: *The Importance of Two-Year Colleges for Accounting Education* (August 1992).

²As noted in the Commission's Position Statement No. Two, " 'First Course in Accounting' refers to the introductory accounting sequence, usually taught over two-years (e.g., introductory 'financial' and 'managerial' accounting)." [Accounting Education Change Commission, Position Statement No. Two: *The First Course in Accounting* (June 1992).]

³This appendix is based on the recent work of a California Society of CPAs Task Force and its work product entitled "The California Core Competency Model for the First Course in Accounting" (May 12, 1995).