

MEETING THE DEMAND FOR ACCOUNTING PROFESSIONALS

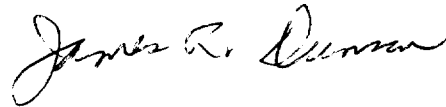
AN HONOR'S THESIS (HONORS 499)

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PURPOSE OF THESIS

The purpose of this thesis is to address the aspects of a recruiting plan to attract premier students to the Accounting program at Ball State University. As the demand for professionals with a degree in accounting increases, the number of graduates from Ball State University has been declining. This shortage of professionals provides a prolific opportunity for the Accounting Department of Ball State.

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**THE PROBLEM FACING THE ACCOUNTING PROFESSION AND BALL STATE
UNIVERSITY'S ACCOUNTING PROGRAM**

Accounting firms are expanding their professional services greatly increasing their demand for accounting graduates. This demand for accountants with degrees is rising while the number of students enrolled in accounting programs declines. The law of supply and demand is a basic economic concept. One aspect of this law suggests that when demand is greater than supply, supply or prices must increase, or elasticity will result in demand being satisfied from alternate supplies. The question is: which will be the case with accounting firms and graduates?

Accounting firms are increasing their consulting services in order to ever expand their own revenues. Tax services and audits are considered commodities in today's marketplace, and price competition is increasing. This along with clients' desire for value-added consulting services leads to a dramatic increase in the consulting venue.

Although the accounting profession and the program at Ball State University provide students with excellent opportunities, the number of accounting students at Ball State has been falling for several years. The number of graduates in 1988 was 177. This number has steadily declined over the last ten years to 100 graduates in 1998 (Parkison, 1998). This is a concern that needs to be addressed by not only the department but also the College of Business. Without quality students, the program will not be able to fulfill the demand for accounting graduates in its market.

Indiana's adoption of the 150-hour requirement only exacerbates the shortage of accounting graduates. Beginning in the year 2000, candidates for the CPA examination will be required to earn 150 semester hours of credit. As this rule is implemented, students will remain in school for the fifth year, attain the extra hours while working full time, or avoid the profession altogether. If students remain in school, firms experience recruiting shortages. On the other hand, those students beginning work after four years will not qualify for the CPA exam and will have to continue their education while working full time. Either way, firms and students are put in a difficult position. Should students elect to avoid the accounting major, the problem becomes all the more exacerbated.

Accounting firms in Florida, the first state to adopt the 150-hour requirement in 1984, experienced similar problems. The number of students graduating with a bachelor's degree fell from 1,722 in 1982-83 to 1,309 in 1983-84 while the number of first time candidates sitting for the CPA exam fell from 3,294 to 54 (Cumming and Rankin, 1999). These dramatic results clearly illustrate the decreased supply of accounting graduates resulting from the implementation of this rule. On the other hand, the pass rate for the Florida CPA exam has increased from approximately 15% before the 150-hour law to 30% after (Cumming and Rankin, 1999).

The purpose of this paper is to suggest ways Ball State University can increase enrollment in the accounting program to meet the growing demand for graduates. The remainder of this thesis will: address the importance of this issue, explore the benefits of an education and career in accounting, and suggest solutions for the problem.

IMPORTANCE OF THIS ISSUE

The importance of this issue is not to be underestimated due to its impact on the CPA profession. Accounting firms and their employees have reason for concern as demand for their services continues to rise while the number of professionals available to fulfill these needs appears to be decreasing. The backbone of CPA firms is the service to their clients. Without adequate professionals, those services will most likely suffer. Unfortunately, this may lead to overworked employees, which can foster stress and employee and client dissatisfaction.

Another possibility is that firms will be forced to pay higher salaries to attract recruits. This could dramatically increase the overhead of the firm and decrease profits if such increases cannot be passed along to clients. Current employees could become upset that recently hired staff accountants are making as much as or more than those with experience.

Any business that relies on the services of CPA firms should be concerned. The stress caused by a shortage of employees will undoubtedly take its toll on the quality of services offered by the firms. Such quality control is crucial not only to the consulting clients but also to the capital markets and investors. "Public accountants play a key role: acting as watchdogs for millions of American investors" (Peterson, 1999), providing quality assurance of information critical to investment and lending decisions.

Ball State University and other institutions providing professional education have a vested

interest in this situation. The increasing demand for accounting graduates is a great opportunity for colleges. If the universities can capitalize on the situation and increase the number of accounting graduates, it could increase revenues and possibly reputational effects in the professional community. This paper proposes a solution to increase the supply of accounting students and graduates to meet the demands of professional accounting firms.

SOLUTIONS FOR THE ACCOUNTING PROFESSION AND BALL STATE UNIVERSITY

The demand for graduates with a degree in accounting is great. In order to meet these demands, Ball State needs to take a proactive approach to attracting students to the accounting program. Prime candidates for the program should be identified and educated as to the costs and benefits of accounting. Ball State should identify and publicize the strategic advantages of its accounting program. Finally Ball State should develop and implement a plan to proactively recruit high potential students to the accounting program.

WHY BE AN ACCOUNTING MAJOR?

The challenge of selecting a major, deciding what to do for the rest of your life, is frequently a decision with which students struggle. Many will change majors at least once. However, this decision can be made simpler if the student considers common characteristics of those in the major, the related professional responsibilities, and the benefits of the related career. A recent article in *Issues in Accounting Education* (Adams, Pryor, and Adams, 1994) concluded that the top three reasons students choose a major are genuine interest in the field, the availability of job opportunities, and the potential to earn high wages. A genuine interest in

accounting stems from one's values and the characteristics and duties of professional accountants. Opportunity and high earnings potential are among the benefits of the career.

LIFE VALUES AND COMMON CHARACTERISTICS

Accounting students are a unique group that tends to share many common characteristics and life values. The first of these is pride in their work and accomplishments. Accounting programs are not easy courses of study, but the sense of satisfaction that comes from a good test score or a completed project is a source of pride for accounting students. They work hard and enjoy the fruits of their work. This carries forward throughout a career in accounting, as professional accountants savor the enjoyment that derives from services to a satisfied client.

Those in the accounting profession and students of the profession share a sense of integrity. By and large, accountants are ethical people. Every Certified Public Accountant swears to abide by a code of ethics in professional endeavors, and most carry such behavior into all other aspects of their lives as well. Accountants are known for their honesty which stems from their overriding sense of integrity and ethics.

Accountants consider themselves to be professionals. They dress professionally, are well-groomed, and conduct themselves in a professional manner. This conveys a positive image and helps build the foundation of relationships. First impressions are important and as a whole, accountants make a positive one. In *The CPA Profession* (Magill, Previts and Robinson, 1998), James Fallows states, "The rise to professional status is one of the most

familiar and cherished parts of the American achievement ideal.”

Another characteristic that is common among accounting students and professionals is ambition. Accounting is a challenging educational program and career. However, accountants are self-driven to complete their degree and then to excel in their careers. They work hard, are driven by the promise of greater rewards, and seek to rise to the upper levels of their firms to lead the professional practices.

DUTIES

Depending on the area of accounting that a student decides to pursue, the duties vary. The same basic goals of ethical conduct and hard work underlie these areas. While there are many opportunities open to an accounting major, the primary two are public accounting and corporate accounting. Others include international accounting, governmental accounting, management consulting services, and forensic accounting.

DUTIES OF THE PUBLIC ACCOUNTANT

Among the many duties of the public accountant is the need to uphold the code of ethics. First and foremost this is the accountant’s responsibility. Public accountants must also present themselves in a professional manner. As previously discussed, a professional appearance and demeanor can go a long way when building a relationship.

The public accountant is stereotypically a tax accountant. Although taxes are among the services CPAs offer, this is certainly not the only service accountants provide. Public

accountants also conduct audits. It is a requirement for the auditing function that the accountant have a CPA license. A CPA license certifies that the individual is qualified to attest that the financial statements are fairly presented. Investors and creditors rely on the reliability of financial statements which are audited by CPAs.

In recent years, growth in public accounting firms has resulted from providing value-added services to their clients. Consumers view audits and tax services as commodities. Therefore, price competition for traditional services has led public accounting firms to find new ways to increase revenue. By offering services that will improve the client's business, public accountants have expanded their services into the venue of consulting. This not only allows accountants to expand their practice but also satisfies the customer. Satisfaction of the customer is the bottom line in public accounting.

DUTIES OF THE CORPORATE ACCOUNTANT

Corporate accounting is the other main option in the accounting profession. Corporate accountants, like public ones, are professional and ethical. Because corporate accountants do not perform the audit function, they are not required to have a CPA license. Corporate accountants are responsible for the preparation of the financial statements, including valuation of inventory and the determination of income.

Throughout the accounting period, corporate accountants are responsible for maintaining the accuracy and integrity of the company's records. This is vital to any organization because decisions are made based upon this information. This information is provided

to other departments and functional areas to aid in performance and enhancement of their duties.

BENEFITS OF A CAREER IN ACCOUNTING

Regardless of the path that an accountant chooses, the accounting career offers numerous benefits. First of all, accountants enjoy the friendship and support of colleagues. Although this could be considered a benefit of every profession, it seems especially true for the accounting profession. Because accountants have many common characteristics and share many of the same values, they enjoy each other's company. This can be a great help during times of stress at work such as busy season in public accounting.

Accountants enjoy a relatively high status in society. Because of the difficulty involved in obtaining a degree or CPA license as well as the integrity of accountants, society holds the accounting profession in high esteem. Accountants are respected by nearly everyone.

Third, accountants reap the benefits of life-long learning. Certified Public Accountants are required to obtain a specified number of hours of Continuing Professional Education (CPE) each the year in order to remain abreast of new developments in the profession. Although those who are not CPAs are not required to get CPE, it is more than likely necessary for them to perform their duties.

In most instances, the firm or company that employs the accountant is flexible with the personal needs of its employees. In the past, especially in public accounting, firms have not

had this type of flexibility. However, in the effort to reduce turnover and improve the work environment, and thereby increase retention rates, firms have moved toward flexible work arrangements for employees. Examples of this include flexible work hours, reduced work hours, and in-house day care. All of these programs are designed to aid employees in their personal lives so that when they are at work they can focus all of their attention and energy on the issues at hand. Technological changes have also played a part in this change. Because of technology, many tasks do not require as much time. Laptop computers enable accountants to take their work with them and be more flexible about when and where they complete it.

Finally, another benefit of a career in accounting is the earnings potential. Accountants are well-compensated because they have technical capabilities that not many others possess. The monetary benefit is not a substitute for having a job that you enjoy, but it does enhance the other aspects of life. A partner in a public accounting firm or the chief financial officer of a corporation can earn upward of \$300,000 per year plus other benefits (Becker, 1998).

STRATEGIC ADVANTAGES OF BALL STATE UNIVERSITY ACCOUNTING STUDENTS

Many universities offer an accounting program. So, how do you decide which one has the program that best fits your needs? There are three basic areas that I believe should be considered: academic preparation, career counseling, and interface with the accounting profession.

ACADEMIC PREPARATION

The academic preparation that a college offers is key to the development of technical skills and knowledge. Academic studies provide the foundation on which a career and lifetime of learning is built. Ball State University is one of only two universities, the other being Notre Dame, in the state of Indiana that has an AACSB accredited accounting program. Furthermore, it is one of 85 in the nation to earn this distinction (Ball State University Webpage, <http://www.bsu.edu/business/acctg.html>). Moreover, accounting firms in Indiana hold Ball State's program in high esteem. Year after year, firms hire Ball State graduates because they are well-qualified and have excellent academic preparation.

The faculty play a large part in the excellence of education. For the most part, the faculty members in the accounting department enjoy what they do. The effort and time they expend both in and out of the classroom is evidence of their enjoyment and commitment. Most are readily available outside of class to offer help and encouragement. It is important for the student to know that the faculty want them to succeed, and the accounting faculty at Ball State certainly want that. The faculty is also key to maintaining the relationship with alumni and CPA firms. Often, graduates remain in contact with a faculty member, and recruiters from the firms develop a relationship with the faculty members when they come to campus for events. These ties are an important part of the faculty's role.

Another strength of the accounting program at Ball State is the size of classes. Because it is a regional university, class size is smaller. Most accounting classes have between thirty and

forty students. This provides an excellent opportunity for professors to get to know every person in the class which gives the student an increased sense of security and more personalized attention when needed.

CAREER COUNSELING

An important aspect of the accounting program is the availability of career counseling. First, the faculty of the Ball State University Accounting Department are always available for students who need advice about what career path would best suit their needs. The faculty have experience in the public accounting field and have had years to observe previous students. Having completed college and made decisions similar to the ones facing graduating students, the faculty are able to share knowledge of the advantages and disadvantages of the opportunities available. It is important for the student to have access to this kind of information because it is based on years of experience and knowledge that a student couldn't possibly have.

The rapport between upper level students and lower level students is another strength of the accounting program at Ball State. Students who are about to graduate make themselves available to answer questions that younger students may have. Because the experiences are fresh in their minds, these upper level students can empathize with what their younger counterparts are going through. It is helpful to the younger students to know that someone else had the same experiences and made it through. On the other hand, the older students enjoy being in a position to help others.

Career Services at Ball State is another resource that is available to students. These professionals give students advice on careers as well as information about how to prepare for interviews. This is the department that is responsible for setting up on campus interviews as will be discussed later.

Finally, peers are able to counsel each other. Students build a close relationship with each other as they progress through their academic careers. This relationship allows them to express differing opinions. Students benefit because they get to learn about the viewpoint of others at their level to take into consideration when forming their own opinion or when making decisions.

INTERFACES WITH ACCOUNTING PROFESSIONALS

A number of accounting firms and companies recruit on campus. Four of the Big Five firms conduct interviews on campus as well as two large regional firms and many of the local accounting firms. There are also opportunities to interview with corporations on campus. On-campus interviews are a significant advantage. All interviews are set up through Career Services so it is not necessary for the students to contact potential employers on their own. This is more convenient for students because the employers come to them.

Prior to interviews, students have an opportunity to determine which firms interest them. The university holds a job fair at which students have the opportunity to meet representatives from the firms and pass out résumés. For some students, this is the first

meeting with many of the firms so it is important to make a lasting impression. However, many students will have already had the opportunity to meet many of the recruiters through involvement in campus organizations.

Two campus organizations are geared toward accounting majors: Accounting Club and Beta Alpha Psi. Accounting Club has open membership. The purpose of the meetings is “to encourage interest and enthusiasm in students, to improve their abilities in accounting, and to offer, through the programs, a professional view of the business world” (Ball State University Webpage, <http://www.bsu.edu/business/stu-org.html>). Representatives from public accounting firms, corporations, and government entities are frequent speakers as well as personnel from Career Services.

Beta Alpha Psi is a national accounting honorary fraternity, which consistently achieves superior chapter status. The purpose of the organization is to “encourage and recognize scholastic and professional excellence in accounting” (Ball State University Webpage, <http://www.bsu.edu/business/stu-org.html>). There are grade point average requirements for membership. The meetings of Ball State’s chapter are geared primarily toward public accounting because that is where most of the members are seeking employment. The chapter is also involved in community activities.

Both of these organizations are excellent opportunities for students to meet recruiters. They also provide students with the opportunity to develop leadership and communication skills by becoming officers. Another important feature to note is that these organizations provide

an opportunity for networking. It is important for students to build a base of professionals that know who they are. This can aid the student during interviews and also later in his or her career. All of these are key to success.

IDENTIFYING PREMIER STUDENTS

Most students that attend Ball State University are from within the state. If Ball State's Accounting Department wishes to proactively attract students, it must first identify which students are prime candidates.

These students should be strong academically. Grade point averages and SAT scores should be considered. Accounting is a challenging program and is not for everyone. Also, the students should be involved in extracurricular activities. This type of involvement includes student organizations, athletics, and community organizations.

One possibility for identifying potential accounting majors is by administering an aptitude test. The AICPA Aptitude Test is a fifty-minute test designed to test communication, quantitative, and problem-solving skills. This test could be administered at the high school level to those interested in a career in business or at the beginning of their college careers. Either way this aptitude test could help identify the premier candidates for a career in accounting. These students scoring in the top quartile on the test "are considered to be representative of the profession's target group" (Adams, Pryor, and Adams, 1994).

Obviously, students of this type are going to have many opportunities available to them.

The department could first identify them through contact with high school counselors or presentations to accounting or honors classes. It would be important at this point to gauge their interest in business and accounting.

PROACTIVE RECRUITING PLAN

Once premier candidates for the Ball State accounting program have been identified, a proactive recruiting plan should be implemented. This plan could include interaction with students, alumni, and faculty of Ball State through events such as career days and incentives for the recruits. This plan must also address the anticipated effects of the implementation of the 150-hour requirement.

INTERACTION WITH STUDENTS, ALUMNI, AND FACULTY

An area of focus should be interaction with students and recent graduates. These individuals will have more in common with high school students and be able to empathize with their situation. Most students and graduates of Ball State love their school. They support the university in any way that they can. Many keep in contact with the faculty and feel that they were well-prepared for their career. If high school students can observe these things as well as have an opportunity to ask questions, it would help them make an informed decision about what college and program to enroll in. Interaction could be achieved by having students and alumni schedule presentations at high schools.

Second, high school students need to have interaction with the faculty and alumni of Ball State. The alumni are supportive of the university. Many like to hire graduates to

work at their business. This is a great resource for the accounting department. The faculty is also a great strength. They are supportive as well and have a good relationship with the recruiters that come to campus. One area that could be improved upon is the faculty's involvement in student functions. Seeing the success of students is one of the key motivating factors for educators. Being an active part of the development of students from the beginning of their college careers to the end could help build the faculty's enthusiasm for being a part of the profession and the university.

Interaction with current students and faculty is somewhat easier to achieve than that with alumni given that the students and faculty are focused around the educational process. Alumni, however, could be more difficult to involve since they are not necessarily in close proximity to the university. One possibility for involving the alumni is through the inception of a committee. This committee of individuals could be responsible for ensuring that alumni are present at events involving recruits.

CAREER DAYS

Another opportunity to recruit high school students is through career days. This includes career fairs held at high schools and on Ball State's campus. Again, this will provide these students with the opportunity to meet more faculty, alumni and students of Ball State. They will be able to gather information about the program and university as well. It could also provide the students with a contact that they would feel comfortable calling about their concerns. Events held on campus present the opportunity to attend a class. This experience would enable recruits to be more informed about the quality of the program. The expenses

for such events could be paid for by donations from CPA firms or alumni.

INCENTIVES

Incentives could also help attract the type of student that Ball State wants. This could be in the form of financial incentives. Scholarships could be made available or the department could give laptop computers to the identified students. Incentives such as these could be funded by donations from accounting firms and alumni. These students should also receive special attention. This could be in the form of meetings with the faculty, telephone calls, or dinners with alumni or current students.

OTHER AREAS OF CONCERN

The department also needs to make a concerted effort to remain abreast of the technological advancements. The profession is growing increasingly more dependent on the use of technology, and the introduction of such concepts at the university level can only aid students in their education. This could also become another way to distinguish the program at Ball State from those at other area universities.

The 150-hour requirement presents several problems for future accounting students. First of all, there is the issue of the added costs associated with a fifth year of college. Monetarily, this is a burden on the students and their families. Also, the students must commit themselves to an extra year of school. Their friends in other majors will graduate and move on to the next phase of their lives while the accounting students remain at college.

Accounting firms and universities may be able to alleviate some of the problems associated

with the implementation of the 150-hour rule through the use of creative techniques such as those used in Florida. Intern opportunities during busy season could be exchanged for additional help in financing the fifth year of school. This could provide many benefits to the student as well as to the firm. The firms get much needed help during their most demanding time of the year, and the students get valuable experience and financial aid.

While these additional costs should be considered so should the benefits of the fifth year. In the professional world, it is becoming necessary for people to have a masters degree. Those students who have one from the beginning of their careers could be one step ahead of those who don't. It can also be anticipated that students graduating with a masters degree will earn a greater salary. In fact, the public accounting firms could pay new hires with five-year degrees \$2,000 (8.3%) more than four-year graduates (Cumming and Rankin, 1999).

SUMMARY AND CONCLUSION

Solving the under supply of accounting graduates will not happen easily. It will require commitment on the part of students, faculty, alumni and accounting firms. Much progress can be made by following a recruiting plan involving the following components:

- Identifying premier students interested in accounting careers
- Take a proactive approach to attracting those students
 - Interaction with accounting professionals

- Career days
- Incentives

The identification of premier students is key to the success of such a plan. In order to retain a large percentage of the students, the students must possess the academic skills necessary to complete a challenging program. It is my belief that once these students are aware of the benefits of an education at Ball State and a career in accounting, their decision on what course of study at which university to pursue will be much easier.

In conclusion, the issues facing the accounting profession and Ball State University are surmountable. By taking a proactive approach to attracting premier students, the Accounting Department can begin to increase the number of accounting graduates. This will require a commitment of time and resources but will be worth the investment. Future research could test the elements of this proposed plan and refine it over time to resolve the shortage of accounting graduates in the profession.

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**EXHIBIT: PROACTIVE PROPOSAL TO INCREASE SUPPLY OF ACCOUNTING
GRADUATES AT BALL STATE UNIVERSITY**

- Identify advantages of career in accounting
 - Life values and common characteristics
 - Professional and ethical atmosphere
 - High earnings potential
 - Availability of job opportunities
 - Interesting duties

- Identify Ball State University's strategic advantages in preparing students for accounting career
 - Academic preparation
 - Career counseling
 - Networking opportunities
 - Firm recruiting

- Identify premier students
 - Strong high school performance
 - AICPA Aptitude Test

- Attract premier students to Ball State University
 - Interaction with students, alumni, faculty
 - Career days
 - Incentives