LEHIGH UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS

Department of Accounting News Fall 2009

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A Message from the Accounting Chair

by Parveen P. Gupta, LL.B., Ph.D., Professor of Accounting

Greetings from Lehigh University's Accounting Department! I hope this newsletter finds you in good spirits and doing well. It seems that each new academic year is more active and busier than the last one for Lehigh's accounting program: more events, guest lectures, and more exciting choices for our students. I am excited to share news of activities within the Department of Accounting in the College of Business and Economics (CBE).

This is our fifth annual newsletter. You may recall that this departmental project began in fall 2005 with the goal of communicating with Lehigh accounting alumni and other stakeholders. Professor Jim Largay served as its editor until last year. I thank Jim for his hard work and commitment in coordinating the production and editing of the previous four annual newsletters. With the publication of the fall 2009 newsletter, I welcome Professor **Gopal Krishnan** as its new editor. Gopal has many new ideas to implement and brings energy and enthusiasm to this project. **Ernst & Young** has graciously covered the cost of composing, printing, and mailing the Fall 2009 newsletter. As always, we are grateful to **E&Y** and the other Big 4 firms that support the departmental newsletter and many other activities at Lehigh.

Undergraduate Accounting Curriculum:

In the fall 2008 newsletter I discussed how our state-of-the-art undergraduate accounting curriculum, with four core accounting courses and three separate tracks, instills a strong intellectual and thought-leadership foundation in our UG accounting students. To ensure that our students are well prepared to deal with the current marketplace needs and also to confront future business challenges and opportunities, we assess our courses each semester in light of overall accounting program objectives. Based on these periodic assessments, not only are modifications/changes made to individual courses, but overall learning objectives of the accounting program are reviewed, reconfirmed, or changed. For the academic year 2008–09, I highlight two curriculum initiatives: International Financial Reporting Standards (IFRS) and Senior Honors Seminar.

Given that IFRS implementation in the United States is not too far in the distant future, we have adopted an "infusion" approach to integrate IFRS into our financial accounting curriculum. During summer 2008, many accounting faculty attended a number of IFRS-related seminars/training programs to bring them up-to-date on IFRS. Students in the introductory accounting course are introduced to the IFRS at a very rudimentary level with more details provided to them in Intermediate Accounting I and II. More difficult topics such as business combinations, etc., are dealt with in the Advanced Accounting course. Besides teaching IFRS directly to the students, the accounting faculty also partnered with various professionals by inviting them into their classes to talk about IFRS-related topics. Additionally, students were exposed to IFRS through presentations by professionals as part of events organized by the Accounting Club and Beta Alpha Psi.

During fall 2008, an experimental one-credit accounting course, ACCT 398: Senior Honors Seminar, was offered to senior accounting majors. Other students from Intermediate Accounting class and from the M.S. in Accounting program also attended the course on a noncredit basis. Along with me, Lynn Turner, former chief accountant of the U.S. Securities and Exchange Commission, taught the course on campus over a two-week period in November 2008. True to his personality and style, Lynn provoked and challenged accounting students to think about the following four areas: (1) politics, public policy, and financial reporting; (2) setting of financial accounting and disclosure standards in the global markets; (3) quality of independent audits and audit failures; and (4) customers of the accounting profession—investors—and whether they are being well served today. Student feedback on

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Chair's Message

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the course was overwhelmingly positive. As part of their final grade, students wrote a research paper on a variety of topics, such as ethics in accounting, limiting auditor liability and impact on investor confidence, litigation in public accounting, IFRS, and meltdown at Bear Stearns. Some of these student papers won Williams Senior Essay prizes (see page 11 under "Student Awards").

Cocurricular Activities: In addition to receiving quality and rigorous accounting education in their classes, accounting majors are presented with many opportunities to interact and learn directly from Lehigh accounting alumni and other professionals. For the past 17 years, the department has held a unique, day-and-a-half Conference on Accounting Professionalism early in the fall semester. The conference begins Friday evening with a gala reception allowing accounting students to network with Lehigh accounting alumni and other professionals from firms and companies recruiting students. The evening's highlight is a six-member panel discussion on how majoring in accounting at Lehigh prepares students for a successful business career. It concludes with a dinner and more opportunities to network in advance of internship and full-time job interviews later in the fall semester. During the following full day students attend several interactive sessions on developing skills in "soft" areas such as ethical decision making, public speaking, team building, branding, and fraud detection. The conference consistently earns high marks from our students.

Throughout the academic year, the accounting program builds on this conference by continuing to provide accounting students with many outside-the-classroom learning experiences. During the academic year, faculty invited numerous professionals to their classes as guest speakers to explain current thinking in areas such as IFRS, fraud detection, risk assessment, credit crisis, and enterprise risk management (see page 13 for a complete listing). Students also had the opportunity to interact with senior leadership from Big 4 public accounting firms. For example, Henry R. Keizer, global head of audit for KPMG International and U.S. vice chair of audit practice for KPMG LLP, visited during the spring 2009 semester and spoke with students on global careers in accounting.

To further enhance our students' classroom education, in the 2003–04 academic year we established the William N. Segal and Andrew P. Segal Endowed Speaker Series. As part of this distinguished speaker series, each year we invite accounting professionals from a variety of impressive backgrounds in industry and government to visit campus and talk to our students and faculty. During fall 2008, Lynn Turner, former chief accountant of the U.S. Securities and Exchange Commission, was the Segal Distinguished Speaker. During his visit to the Lehigh campus, Lynn not only co-taught the Senior Honors Seminar but also delivered lectures in various accounting classes on financial and economic crisis. When discussing the role accountants play in the nation's capital markets, Lynn delivered a strong message: "I actually think that it is one of—if not the—toughest jobs in corporate America today. You have to, in essence, audit and tell the public about the very people who are paying you." During his two-week-long visit, Lynn also actively interacted with accounting and other interested CBE faculty and held conversations on a variety of current topics.

Additionally, two student-run organizations, the Accounting Club and the Beta Alpha Psi accounting honor society, further supplement the learning experience of our students. During the year, each club puts together a variety of programs for the CBE students and the accounting majors that include field trips, technical lectures on current topics, and short instructional talks on developing "soft" skills.

M.S. in Accounting and Information Analysis (MSAIA) Program: Our MSAIA program continues the fine tradition of undergraduate education with an innovative curriculum, including a national award–winning course on corporate governance and risk management. The M.S. in Accounting curriculum was launched in fall 2001 under

From the Editor: Gopal Krishnan

It is my pleasure to serve as the editor of the Department of Accounting's newsletter, and I want to thank Jim Largay for serving as the editor for the past four years. It is exciting to update you on what is happening in the Department of Accounting. Some of the new features we have added this year are information about guest speakers in our classes and examples of faculty research activities. We would love to hear from you about these changes. Also, please use the last page to send us information about your recent accomplishments and professional activities. I look forward to hearing from you.

Department Chair Message

the leadership of Professor Jack Paul, who served as its first director until June 30, 2007. Currently, Professor James Largay oversees the program. The MSAIA coursework not only enables our students to fulfill the 150-credit-hour CPA educational requirement now in place almost everywhere, it further challenges the students with advanced thinking and real-life case analysis, ethical decision making, corporate governance, risk management, advanced information systems auditing, internal control audits, business consulting, and financial accounting theory. Over the years the program has been growing steadily, with an expected enrollment of about 30 students starting in fall 2009. Much like the UG accounting majors, almost all of these students also secure placements upon graduation.

MSAIA Class of 2008-2009

Placement: The success of all these efforts can be seen in our virtual 100% placement record for undergraduate accounting majors and MSAIA graduates. Lehigh's accounting program continues to maintain a premier status with many recruiters. According to Lehigh Career Services Center's recently released Undergraduate Placement Report for the class of 2008, PricewaterhouseCoopers; Ernst & Young; Goldman Sachs Group, Inc.; KPMG LLP; and JP Morgan Chase & Co. were the top five recruiters at Lehigh University. Others included in the top 20 university-wide employers were public accounting firms Deloitte & Touche, Rothstein Kass, Grant Thornton, and Eisner LLP; financial services firms Bank of America, Citigroup, Deutsche Bank, Merrill Lynch, The Prudential, and SEI; consulting firms Accenture, Huron Consulting, and BearingPoint; industrial firms IBM, ArcelorMittal, Lockheed Martin, FLSmidth, Merck & Co., Air Products and Chemicals, and DuPont[1].

A majority of the junior accounting majors secure very well-paid summer internships that frequently lead to full-time employment. Many accounting firms also recruit on campus for short-term externships and leadership programs targeted to sophomores. These programs are typically held during the winter break or summer vacation and enable sophomore students to determine whether they want to major in accounting while paving the way for summer internships with the same firms after their junior year.

Overall, the quality of our UG curriculum, co-curricular experiences provided to the students, and extensive career counseling and placement success have led more CBE students to choose accounting as their major each year. For example, during academic year 2008–09 we graduated 120 accounting majors, which represent almost a 40% increase when compared with academic year 2005–06. Similarly, the number of double majors (primarily with finance and business information systems) during the same period has risen from 14 to 39.

Faculty Research and Scholarship: Since faculty research enriches teaching in the classroom, the accounting faculty engages in research and scholarship, publishing their results in scholarly academic and practitioner journals, research monographs, and textbooks. Throughout the year, Lehigh accounting faculty members also present their research at national and international conferences, seminars, and symposiums. For example, during the academic year 2008–09 Lehigh accounting faculty published 19 research articles and presented at 26 different national and international conferences. The research articles and presentations spanned a variety of areas such as IFRS, Sarbanes-Oxley, related party transactions, audit committee financial expert, pension accounting, and revenue management. Additionally, Lehigh accounting faculty are involved in the profession and serve as journal editors, manuscript reviewers, and board and audit committee members. Professional organizations and Lehigh University recognize the faculty's contributions in teaching excellence and research prominence with teaching awards, research fellowships and grants, and named professorships. During the academic year 2008–09, Lehigh accounting faculty received eight teaching and research awards and one research grant. You can read more about these activities under "Faculty Activities" and "Faculty Research Projects" as well as at www4.lehigh.edu/business/faculty/accounting.

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[1] Since a total of 32 firms tied for top-20 ranking, the above-mentioned names are only representative. For a complete list, please see "Undergraduate Placement Report: Class of 2008," published by Lehigh University Career Services. This report can also be downloaded at www.lehigh.edu/careerservices/documents/UGradPlacementReport2008-Final1_000.pdf.

2008–2009 Faculty Activities and Research

Jay D. Brodish

Paul R. Brown

Karen M. Collins

David M. Folsom

Parveen P. Gupta

James A. Hall

David J. Hinrichs

Gopal V. Krishnan

James A. Largay

Jay D. Brodish, B.S. (Lehigh University), CPA, Professor of Practice; financial accounting and financial statement analysis, forensics and fraud; jdb366@lehigh.edu. Served PwC for 14 years as a practice partner and later as national director of auditing and risk management. In 2001, he was elected to the Board of U.S. Partners of PwC and to the PwC Global Board and served as chief advisor to the China/Hong Kong firm of PwC.

Paul R. Brown, Ph.D. (University of Texas at Austin), CPA, professor and dean of the College of Business and Economics; financial reporting, statement analysis, corporate governance and ethics; prb207@lehigh.edu. Paul coauthored the 6th edition of *Financial Reporting, Financial Statement Analysis and Valuation: A Strategic Perspective* (Thomson, 2007). Paul serves on the board of directors and audit committee of Dassault Systems, a software developer and PLM consultancy firm headquartered in France, and consults with corporate boards regularly.

Karen M. Collins, Ph.D. (Virginia Tech), associated professor; financial accounting and introduction to business; kmc0@lehigh.edu. During the fall semester, Karen coordinates the college Introduction to Business course taken by all first-year business majors. In the spring, she teaches Intermediate Accounting. She spent this last year revising her textbook, *Exploring Business*, which introduces students to business through an integrated case study of Nike.

David M. Folsom, Ph.D. (University of Iowa), assistant professor; financial reporting and managerial accounting; dmf209@lehigh.edu. Dave's research examines why conservatism exists in financial reporting and the costs and benefits of conservative reporting for firm stakeholders. A recent graduate of the University of Iowa, his dissertation explores how the competitive structure of industry groups affects firms' conservative disclosure choices. He teaches managerial accounting and previously received both departmental and university accolades for his teaching excellence while at Iowa.

Parveen Gupta, Ph.D. (Pennsylvania State University), professor and department chair; corporate governance, financial reporting and audit quality, internal control and risk management; ppg0@lehigh.edu. Published coauthored article in *Corporate Ownership and Control* and another article on SOX 404 in *International Journal of Disclosure and Governance*. Presented a coauthored paper in the Plenary Session of the 2009 joint symposium of *Contemporary Accounting Research* and the *Journal of Contemporary Accounting and Economics* held in Hong Kong and 20th Asian-Pacific Conference on International Accounting Issues held in France.

James Hall, Ph.D. (Oklahoma State University), associate professor and Bennett Chair; accounting information systems; jah0@lehigh.edu. Codirector of the Computer Science and Business Program. The 7th edition of Jim's widely adopted text, *Accounting Information Systems*, was published by SouthWestern in January 2010.

David J. Hinrichs, MBA (Lehigh University), lecturer; managerial and financial accounting; djh404@lehigh.edu. Dave is a member of the MBA core team and co-teaches Managing Information in the MBA program. Dave also teaches Introduction to Managerial Accounting and Accounting Information Systems in the undergraduate program. Dave was honored as John C. Swartley Memorial Professor during the 2008–09 academic year.

Gopal V. Krishnan, Ph.D. (University of North Texas), CPA, CMA, CA, CISA, professor and Perella Chair in Accounting; financial reporting, audit markets, and governance; gok208@lehigh.edu. Articles published or forthcoming in *Journal of Banking and Finance; Journal of Accounting, Auditing & Finance; Accounting & Finance*; and *Asia-Pacific Journal of Accounting & Economics*. Presented papers at Aston Business School, Lancaster University, Universität Bern, and at several conferences, including the annual meetings of the AAA, the European Accounting Association, and the 15th Annual International Symposium on Audit Research.

James A. Largay III, Ph.D. (Cornell University), CPA, professor and director of MSAIA program; financial reporting and statement analysis; jal3@lehigh.edu. Published coauthored articles in *The CPA Journal, Business Horizons, Management Accounting Quarterly*, and four *Research Briefs in Academy of Management Perspectives*. Was frequently quoted in *Dow-Jones Newswires*.

Yvonne Lu

Joseph M. Manzo

Jack W. Paul

Marietta Peytcheva

Heibatollah Sami

Kenneth P. Sinclair

Kathleen C. Smith

Wei (Vicky) Yu

Yvonne Y. Lu, Ph.D. (Stanford University), CPA, assistant professor; financial accounting; Yvonne's research focuses on understanding management discretion in financial reporting; yyl209@lehigh.edu. Her dissertation on earnings management and securities litigation won the Best Dissertation Award of Financial Accounting and Reporting Section of American Accounting Association in 2005. Her coauthored paper "Uniformity vs. flexibility: evidence from pricing of the pension obligation" was published in *The Accounting Review* in 2007. In 2008 and 2009, Yvonne presented her work at 12 universities worldwide.

Joseph M. Manzo, MBA (Lehigh University), Professor of Practice; Director of the Rauch Center for Business Communications; jmm6@lehigh.edu. He has worked with Philips Van Heusen, Ann Taylor, Toys R Us, Accenture, and McKinsey & Co and has held positions in Strategic Planning, Information Systems, and Merchandise Planning. He is also the Series Editor and Excel and Access author for the *In Business Microsoft Office* series, which is published by *Pearson*.

Jack W. Paul, Ph.D. (Lehigh University), CPA, professor; managerial accounting and auditing; jwp1@lehigh.edu. Currently studying the association between related party transactions and restated financial statements. A second research project examines how professional accountants view criteria used by public accounting firms to evaluate their professional employees (with Parveen Gupta). Published one monograph on Related Party Transactions and is writing a second. Jack teaches managerial accounting.

Marietta Peytcheva, Ph.D. (Rutgers University), CPA, assistant professor; financial accounting; map608@lehigh.edu. Marietta studies audit judgment and decision making, ethics in accounting, and financial restatements. She published a paper in *Group Decision and Negotiation* and presented her work on auditor judgment at the 2008 midyear meeting of the ABO Section of the AAA. She is currently studying how different types of accounting standards affect audit or judgment, under a grant from the CBE Research Committee and the Martindale Center.

Heibatollah Sami, Ph.D. (Louisiana State University), Professor and Mercy Chair in Accounting; financial and international accounting; hes205@lehigh.edu. Had two papers published and one accepted for publication in *Auditing: A Journal of Practice & Theory; International Journal of Accounting Auditing and Performance Evaluation*; and *Advances in Investment Analysis and Portfolio Management*; presented papers at the 2008 AAA annual meeting and, in 2009, annual meetings of the European Accounting Association; chaired a session during the 2009 joint symposium of *Contemporary Accounting Research* and the *Journal of Contemporary Accounting and Economics*.

Kenneth P. Sinclair, Ph.D. (University of Massachusetts), professor and senior advisor to the dean; cost and managerial accounting; kps1@lehigh.edu. Ken heads up several important activities, such as the annual accounting conference and CBE college accreditation. He chairs the audit committee of the board of directors of Lannett Company, a manufacturer of generic pharmaceuticals.

Kathleen C. Smith, who many of you will remember, is our Accounting Department academic coordinator. Kathy exemplifies "service first" and is highly skilled at the multitasking needed for that to happen. All her efforts focus on making things work for the benefit of all, and always with a smile. Each of us feels indebted to Kathy for the innumerable courtesies she extends to us daily, and for the cumulative effect of her caring and doing over 36 years of dedicated service. In 2006 Kathy received Lehigh's coveted Traditions of Excellence Award.

Wei (Vicky) Yu, Ph.D. (Georgia Institute of Technology), assistant professor; auditing, financial accounting, and experimental economics; wey208@lehigh.edu. Wei's research employs experimental and archival approaches to examine the effects of audit quality, corporate governance mechanisms, and accounting standards on earnings quality. She has presented her research on auditing and financial accounting at the 2009 AAA Midyear Auditing Section Meeting. Her paper has been accepted for presentation at the 2009 AAA annual meeting. Wei also received the Lehigh University Faculty Grant in 2008.

Editor's note: The AAA is the American Accounting Association, the professional organization for academic accountants. Some practitioners are also members.

Adjunct Professors

Marty Finegan, MBA (University of Pittsburgh) teaches Consulting Process and Practice in Professional Accounting in the MSAIA program. Marty is a management consultant in strategy, research and development, operations improvement, and cost and change management and is currently a managing director in KPMG's Global Services Center. He works on projects supporting the "next generation" of global audit methods and tools.

Robert Duquette, CPA, MBA (University of Maine) teaches Fundamentals of Federal Income Taxation in the undergraduate program. Bob is a former tax partner and practice leader at Ernst & Young.

In Memorium

Paul N. Gordon

With profound sadness the Department of Accounting notes the passing of our colleague and teacher Paul Gordon in 2009. Paul joined the department in 2003 as a Professor of Practice after serving as an assurance partner for 26 years, and prior to that, as a management consulting partner with KPMG. In addition, during these years he was the partner-in-charge of the Financial Management Practice in KPMG's executive offices. Paul earned a B.S. degree from DePaul University and an MBA from University of Wisconsin (Madison) and was elected to Beta Alpha Psi and Beta Gamma Sigma. Paul was a well-respected teacher; at Lehigh he taught a variety of courses, including Introduction to Financial Accounting; Financial Statement Analysis and Interpretation; and Business Consulting: Process and Practice, a required course in the M.S. in Accounting program. Paul also coauthored a book titled *Budgeting, Profit Planning and Control*, published by Prentice-Hall in 1988. Professor Paul Gordon will be deeply missed by all of his colleagues and former accounting students at Lehigh.

Faculty Research

Accounting faculty are pursuing several contemporary issues. Here is a sample of recent articles authored by our faculty:

Parveen P. Gupta published a coauthored article titled "Corporate Governance and Firm Value: Evidence from Canadian Capital Markets" in *Corporate Ownership & Control* (Spring 2009). Based on a sample of more than 200 public companies, listed on the Toronto Stock Exchange, this article examines whether there is any association between the composite or sub-category corporate governance elements, as made public by the Globe & Mail's annual report on business, and various measures of firm-value in Canadian capital markets. Overall, the study does not find any association between the publicly disclosed corporate governance measures and firm-value. This study has implications for boards of directors in Canada considering implementing additional governance measures in light of recent corporate failures and breakdowns.

Gopal Krishnan published a coauthored article titled "Does the SOX Definition of an Accounting Expert Matter?" The Association between Audit Committee Directors' Accounting Expertise and Accounting Conservatism" in *Contemporary Accounting Research* (Fall 2008). Based on a sample of S&P 500 firms, the findings support the notion that accounting financial experts on the audit committee enhance conservative accounting but not non-accounting financial experts or non-financial experts. This study has implications for boards of directors and regulators who are considering measures to enhance the effectiveness of audit committees.

James Largay published a coauthored article titled "The Proposed Financial Reporting Overhaul and Business Valuation" in *Management Accounting Quarterly* (Winter 2009). This article examines proposed changes in the form and content of financial statements from a business valuation perspective. It focuses on proposals made by the CFA Institute's Centre for Financial Market Integrity, the FASB and IASB, and innovative voluntary disclosures by Cadbury Schweppes. The proposed additional disaggregations, and clearer distinctions between operating and financial items, should assist security analysts and help corporate managers make better decisions.

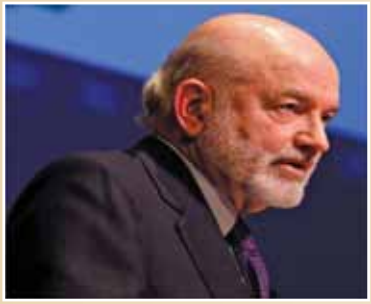
Yvonne Lu's coauthored article, "Uniformity vs. Flexibility: Evidence from Pricing of the Pension Obligation," in *The Accounting Review* (January 2007) examines the implications of allowing discretion in the choice of pension assumptions on the pricing of the pension obligation (PBO). Overall, we find that imposing uniformity in the choice of pension assumptions, on average, prevents communication of value-relevant information through the PBO. These results have implications for the recent debate on principles-based versus rules-based accounting standards.

Jack Paul published an article on related party transactions in the *Accounting Policy & Practice Series* (BNA 2008). His study examined related party transactions as they pertain to numerous aspects of commerce; examined from the viewpoints of GAAP, the SEC, stock exchange requirements, auditing standards, and PCAOB regulations. Fraud issues are discussed as they pertain to each of these categories.

Heibatollah Sami's coauthored article, "Trading Volume Reaction to the Earnings Reconciliation from IAS to US GAAP," published in *Contemporary Accounting Research* (Spring 2008), examines a sample of foreign firms listed in the U.S. over the period of 1995–2004. His findings support the notion that earnings reconciliation provides additional information content to investors beyond that provided by IAS earnings. This study is of particular interest to policy makers, especially the SEC, when evaluating the necessity of reconciling the earnings from IAS to U.S. GAAP.

Lehigh Alumni Perspective:

A Wall Street Pioneer Talks of "Wealth Destruction"



Joseph R. Perella '64, chairman and CEO of Perella Weinberg Partners, joined Lehigh President Alice P. Gast for a candid discussion about the global economic downturn in February 2009. Perella's insight comes from more than three decades on Wall Street, where he is revered as a pioneer and an international leader in the mergers and acquisitions (M&A) industry. A few days before his visit to Lehigh's campus, Perella's firm had been chosen by the Federal Deposit Insurance Corporation (FDIC) to help it stabilize the U.S. banking system. Right, are a few remarks by Perella about the financial crisis, its origins, and its worldwide implications.

The Evolution of Business

"I've always felt that the inscription over the Archives of the United States is an important one. I think it's a quote from Shakespeare: 'What is past is prologue.' And I think it's important also to have a sense of history, because you can't parachute into 2008 or '09 and look at what's happening in the financial world without understanding the history of how we got to where we are. And I don't mean it in terms of...'In 2006, the Dow Jones was X.' I mean it in terms of the transformation that goes on in business. And I sort of group these things into four categories. One, there are cultural transformations that occur. Two, there are business transformations in terms of the mix of things people engage in. Three, in the case of Wall Street and financial institutions in general, there was a very fundamental change in the balance sheet, which really underpins any business. And then fourth, and not least important, I might add, is the whole notion of technology and the impact that technology has on everyday lives."

Customer Service

"When I went to work on Wall Street in 1972, all the firms were private. And that's very significant. Today all these firms are public. In a private firm, the partners' money is on the table and they watched it like hawks. They never got too far away from the money, and they watched the people whose hands touched the money. When these firms all became—not all at once, by the way, but over time—they became public companies, that changed the culture of these institutions. They became much more performance-driven, because public companies are watched in terms of what their earnings are quarter by quarter. And that transformation is very important, because one of the things I would argue very strongly is that these institutions changed from being very client-centric to being very compensation-oriented, and they lost sight that they were in a service business. In its origins it was about the client. Yes, they were profit-making institutions, but the client was the center of the universe."

The Balance Sheets

"The balance sheets morphed from being leveraged at around 10:1—that is, that you had a dollar of equity for every $10 of assets you had—so you had $9 of debt. And most of the time in the early days these balance sheets were very easy to value. They consisted of government bonds, municipal bonds, corporate bonds, and common stock, which were very easily sold in a matter of minutes. And the balance sheets morphed from being leveraged 10 or 12:1 to being leveraged 40:1...The balance sheet changed from these very simple, easy-to-value instruments to very exotic things, illiquid things, hard-to-value things, which became known as Level 3 assets. So you had the balance sheet getting more complicated and more leveraged at the same time."

Wealth Destruction

"...Everything just grinds to a halt, because no one knows where the bottom is, so they don't want to lend. They don't want to do anything. And people don't want to spend, because they're hoarding their cash. So that's the sort of wealth destruction that is ongoing as we speak. And I think at the base of all this, you have a U.S. consumer that's overburdened by debt, worried about job security, with a rapidly depreciating home. And my own view is—and it's probably worth two cents—until people perceive that the decline in the value of real estate has been stopped, the confidence will not be regained into the system."

Global Repercussions

"For every 100 jobs lost in the United States, 15 houses are foreclosed on. So now you've got another leg in the downward spiral, because that increasing supply of housing coming on the market for sale has an impact on the value and,

therefore, the impact on the price of the homes just continues to decline. So virtually every market and every category of investor has been affected. So this thing that started in the financial service industry, if you will, in the United States has a worldwide market-driven effect. Global stock markets are off in excess of 40 percent since January of last year. The U.S. market is down 42. UK, 53. Germany, 50. Japan, 33. China, 69. Brazil, 51. All since January of '08. The household wealth in the United States has been reduced by an estimated $10 trillion. If you...ask, 'What is that number on a global basis worldwide?' it's more like $37 trillion...You can't wipe out that much wealth without having huge, enormous consequences."

Regulation of the Industry

"Regulation in and of itself is not the answer. Regulators are not risk managers. There needs to be some self-regulatory body that's effective. And I would say more fundamentally, you know, there's a great regulator of airline safety, and that's the pilot. Because if the plane crashes, the pilot is not necessarily going to survive...So, self-regulation needs to be beefed up and there needs to be some teeth in it, because you can't run the financial service industry out of Washington. But the airlines, I mean that's sort of a good lesson. The pilot goes down with the ship. So the pilot is probably the number one safety officer in the airline industry. That's why you see them walking around before they fly. Did you ever notice when you get on a plane, they walk around, they look at the tires, make sure there's no cuts in the tires. They look up, make sure hydraulic fluid's not dripping from the wing—even though a crew chief is supposed to be doing that himself, the pilot does it. He's making sure that that ship is safe before he gets in the cockpit to fly it."

Editor's note:
Kathleen Mattare, CBE Communications and Marketing, contributed this article.

A Lehigh First:

MSAIA Grad Becomes a Professor at Yale School of Management

Kalin Kolev

I was born in Gabrovo, Bulgaria, and grew up in Sofia. I joined Lehigh University in the fall of 1998 on a scholarship from the Hans J. Baer International Scholarship Fund. I earned my Bachelor of Science degree and was excited to see the fruit of four years of hard work. Still, I was not ready to leave Lehigh yet—I had recently received my admission letter to the M.S. in Accounting and Information Analysis program.

You must be wondering why somebody with a B.S. in marketing and management would be considering a graduate program in accounting.

On the surface, the MSAIA program is a great way to get the "150 credit hours" to sit for the CPA exam. Yet it is a lot more than that. Thanks to the carefully crafted curriculum, I was exposed to a variety of topics ranging from general business consulting, to electronic audit, to risk management. And, to dispel any misconceptions that the class material had little applicability to the real world, there were the course projects, simulations, and the opportunity to work with local entrepreneurs on resolving real-time business problems.

I did enter the MSAIA program with some apprehension that accounting is little more than classifying transactions and making sure that the debits match the credits. The program helped change my mind—when I received my diploma in 2003, I viewed accounting as a discipline focusing on the accumulation, aggregation, and dissemination of information. What's more, the program helped peak my interest in understanding how accounting really works and how it interacts with firm managers' actions and investors' decisions.

My first job after completing the M.S. program was with a company providing business valuation services. Like everybody else, I worked on cash flow projections, discount rate calculations, and model development in Excel. Then I also got the opportunity to work directly with the pronouncements of the Financial Accounting Standards Board—one of my assignments included preparing a synopsis of the changes in the accounting requirements for business combinations.

After a year in the workforce, I joined the Ph.D. in Accounting program at the Stern School of Business at New York University. My classmates and I were introduced to the scientific side of accounting—we learned how to use statistical modeling to explore the interaction between accounting requirements, firm strategy, and the capital markets. As an example, while at NYU, I worked with two of my professors to prepare a study examining the changes in the use of pro forma (non-GAAP) earnings around the Securities and Exchange Commission intervention and the subsequent change in reporting requirements resulting from the Sarbanes-Oxley Act. I am now in the process of completing my dissertation, which examines the investors' assessment of the reliability of fair value estimates in financial reporting: a question I started exploring out of sheer curiosity, but which drew more attention as the financial crisis escalated.

Now, seven years after receiving my Bachelor of Science diploma from Lehigh, it is my turn to stand in front of the whiteboard. As of July 1, I am joining Yale School of Management as an assistant professor of accounting and I hope that I will have the chance to help students appreciate the importance and the multiple facets of accounting, as the professors at Lehigh and NYU did for me.

Chair's Message

continued from page 3

Faculty Changes: I am deeply saddened to share the news that Professor Paul N. Gordon passed away during spring 2009 semester. In Paul, we lost a trusted colleague and a patient teacher to our undergraduate and graduate accounting students. His kind and gentle spirit will be missed by all. During the year, we extended a warm welcome to Professor Jay D. Brodish, who started teaching for us effective spring 2009 semester. Jay is a former partner from PricewaterhouseCoopers and is a Lehigh accounting graduate. Jay is teaching introductory financial accounting courses.

Effective fall 2009, the department will have five new full-time and part-time faculty colleagues: two tenure-track faculty at the rank of assistant professor of accounting, Dr. Yvonne Lu and Dr. David Folsom; one full-time faculty member at the rank of Professor of Practice, Joseph Manzo; and two adjunct lecturers, Marty Finegan and Robert Duquette. While Yvonne completed her Ph.D. in 2004 from Stanford University, David completed his Ph.D. from the University of Iowa in 2009. Yvonne and David teach and conduct research in financial and managerial accounting. Joseph Manzo is not new to the CBE, as he has been involved in teaching BUS 1 and BUS 5. Joseph's expertise is in teaching introductory financial accounting and consulting-related courses. Marty currently serves as a managing director at KPMG's Global Services Center in Montvale, New Jersey. Marty will be teaching the MSAIA Consulting course. Robert Duquette, a retired tax partner from Ernst & Young, will be teaching the UG and graduate tax courses. We extend a warm welcome to all of them.

I thank the accounting students, faculty, staff, alumni, and recruiters for their hard work and support over this past year. Lehigh's accounting program continues to deliver on its mission by blending development of lifelong skills for entrepreneurial success and leadership in our students with preparation in current topics to help them secure entry-level positions upon graduation. This would not be possible without the continued support of Lehigh's loyal and dedicated alumni like you. My sincere thank you to all who have given to Lehigh's accounting program during the 2008–09 academic year.

Given that the current economic environment doesn't appear to be relenting anytime soon, I ask for your continued support and contributions to the accounting department more than ever before. Please see "We Need Your Help!" for more details on how to support your accounting program.

Please enjoy the rest of this newsletter as you read about the numerous accounting department activities. As you can see, these activities provide invaluable learning and networking opportunities for our students, alumni, and faculty.

I will continue to update you through the annual newsletter. If you want to chat with me in more detail about any of the activities and articles mentioned in this newsletter, please do not hesitate to call me directly at 610-758-3443 or email me at ppg0@lehigh.edu. I look forward to hearing from you.

Accolades and Awards

Parveen Gupta: Received the 2009 Lehigh University's **Robert and Christine Staub Faculty Excellence Award for Undergraduate Teaching** in the College of Business and Economics. Additionally, his research paper (with Anne Anderson) titled "A Cross Country Comparison of Corporate Governance and Firm Performance Nexus: Do Financial Structure and Legal Systems of a Country Matter?" won the **Best Plenary Session Research Paper Award** at the *Contemporary Accounting Research* and *Journal of Contemporary Accounting and Economics* Special Joint Symposium on Asia-Related Issues (2009) in Hong Kong and **The Vernon Zimmerman Award** for Best International Accounting Research Paper at the 20th Asian-Pacific Conference on International Accounting Issues (2008) in Paris, France.

James Largay: Received **Institute of Management Accountants' 2009 Lybrand Silver Medal Award** (with Samuel Weaver) for his article titled "The Proposed Financial Reporting Overhaul and Business Valuation."

Kenneth Sinclair: In 2008 Ken received the **Hillman Award for Excellence in Undergraduate Student Advising**, the **Intrafraternity/Panhellenic Councils Faculty Advisor Award**, and the **Chi Phi National Congress Chapter Advisor of the Year Award.**

MISSION OF THE LEHIGH UNIVERSITY ACCOUNTING PROGRAM

Recognizing the importance of accounting information to the efficient allocation of resources in the American economy, the mission of Lehigh's Accounting Program is:

To provide rigorous accounting education that prepares high-quality undergraduate and graduate students with diverse backgrounds for lifelong learning and positions of leadership in the business community, and to emphasize faculty research efforts that contribute to the body of knowledge in accounting.

Consistent with the mission of the College of Business and Economics and Lehigh University, the mission of the Accounting Program is offered with the intent of being recognized as one of a select group of programs in the United States where an educational experience of the highest possible quality is obtainable in pursuit of applicable professional requirements.

Student Awards

Each year we congratulate many of our accounting majors for achievements recognized by the university and professional organizations. These are summarized below.

Derek Boelig

CPA Review Scholarship from CPAexcel (academic excellence)

Derek is from Gilford, New Hampshire, and is a member of Beta Alpha Psi and Delta Tau Delta fraternity. He will pursue MSAIA and will join Ernst & Young next summer in Boston.

Montana Clelland

Institute of Internal Auditors Award (academic excellence); **Wall Street Journal Achievement Award** (excellence in and outside the classroom); **Nelson Leighton Memorial Bond Prize** (most outstanding sophomore in CBE)

Montana is from Macungie, Pennsylvania, and is a member of the Beta Alpha Psi, Phi Eta Sigma, and Beta Gamma Sigma honor societies. Montana is a sister of and advisor to Alpha Gamma Delta, has served on Lehigh's Greek Panhellenic Council during her senior year, and was recognized for her contributions to student life with an outstanding leadership award. She will pursue MSAIA at Lehigh and will join PricewaterhouseCoopers in Manhattan.

Daniel DeMarco

Pennsylvania Institute of Certified Public Accountants' Senior Prize (senior accounting major outstanding in academic achievement and leadership)

Daniel is also a Dean's Scholar and served as treasurer of Beta Alpha Psi and Lambda Chi Alpha. He will pursue MSAIA at Lehigh and will join PricewaterhouseCoopers in 2010.

Kayla Frable

Contribution to Student Life Award

The Contribution to Student Life Award recognizes underclassmen students who have significantly contributed to the improvement of the quality of student life during their time at Lehigh. Criteria includes good academic standing and specific contributions to student life through involvement in campus activities, academic initiatives, student governance, community service, leadership, and pursuits to support and empower peers.

Jared Santisi

Student Life Leadership Award

Jared is recognized for his contribution to Lehigh University as an orientation leader, a member of Fraternity Management Association, and editor in chief of the Epitome yearbook. Jared will join the audit practice of Ernst & Young in the fall.

Sarah Serwo

Sarah has received several awards for track and field accomplishments over the past four years: **Lehigh Southside Booster Award; Lehigh Athletics Distinguished Achievement Award**; **MVP** of academics and athletics; and the **Lehigh Valley Association of Intercollegiate Athletics for Women** track athlete of the year. Sarah is also a multischool record holder for Lehigh's Division I track team; two-year captain of the track team; member of Beta Alpha Psi; multiyear Dean's List student; and Dean's Scholar recipient. Sarah will be working for Ernst & Young next year in the Philadelphia office.

Brittany Wetter

Institute of Management Accountants Senior Award (outstanding senior in accounting); Winner of **Williams Essay Contest**, third place

Brittany is from River Vale, New Jersey, and is a member of the Phi Eta Sigma, Beta Gamma Sigma, and Beta Alpha Psi honor societies. Brittany will be returning to Lehigh to pursue MSAIA and will begin working in the fall of 2010 for PricewaterhouseCoopers LLP in New York in the assurance line of service.

Accounting Student—Community Involvement

Martin J. Gennusa

Martin exemplifies Lehigh students' commitment not only to academic excellence but also service to the community. Martin was actively involved with the VITA Tax Program, a partnership between the IRS and the Community Action Committee of the Lehigh Valley (CACLV). The program provides free tax preparation for low-income taxpayers. At a time when residents of the Lehigh Valley were strapped for cash due to the national recession, Lehigh student volunteers, many of whom are accounting majors, stepped up to do their part. In the spring of 2009, Lehigh volunteers contributed to the committee's 1,128 free tax returns. These returns yielded federal refunds of over $1.6 million to residents of the Lehigh Valley. The program has been growing ever since its inception in 2006. All volunteers are officially trained and certified by the IRS to complete returns. The program is currently run by Mary Popp, a staff-member in the Community Service Office. Hats off to the student volunteers for their time and dedication in serving the Lehigh Valley community.

Honors Graduates (2008–09)

Highest Honors

Montana Clelland
Daniel DeMarco
Charlene Kaplan
Michael Morse
Brittany Wetter
Paul Zimbardo

High Honors

Nathan Achezinski
Dwayne Bauder, Jr.
Derek Boelig
Kathryn Burch
Eric Cardillo*
Amanda Goldstein
Michael Gordon*
Erin Gross
William McDonnell
David Molotsky
Lisa Press
Stuart Schnabolk
Lauren Sumner*
Xinwei Tao
Rachel Walters*

Honors

Alexandra Angelo
Morgan Biancamano
Todd Brewer
Ariela Cohen
Elizabeth Donley
Shaun Elwell
Robert Fagnani
Martin Gennusa
William Gray
Christopher Groves
Lindsey Harrison
Anh Hoang
Jacob Huber
Elizabeth Jenkins
Andrew Katz
Stephen Santora
Aaron Schechter
Sarah Serwo
Elizabeth Sophy
Matthew Szalachowski
Anna Tenenbaum

** Initiated into Beta Gamma Sigma, national business honor society*
Presidential Scholars: Montana Clelland, Daniel DeMarco, Michael Gordon, Kaitlin Grimm, Brittany Wetter
Williams Senior Prize: Christopher Huether and Brittany Wetter

Editor's note: I gathered these names from the 2009 Commencement Program and apologize if I overlooked anyone.

Accounting Student Groups (2009–10)

Beta Alpha Psi and the Accounting Club serve our students by arranging with accounting and business firms to present professional and recruiting-related programs. Beta Alpha Psi is open to junior and senior accounting majors who meet its academic requirements, whereas the Accounting Club targets sophomores and juniors but serves all students interested in accounting. Here are the officers and faculty advisors. The email addresses (in parentheses) are all followed by @lehigh.edu.

Office	Beta Alpha Psi	Accounting Club
President	Nicole Chin (nmc207)	Kevin Ostroski (kjo211)
Vice President	Ricky Motschwiller (rsm410)	Scott Silberman (sps211)
Secretary	NA	Jennifer Waughtel (jlw211)
Corresponding Secretary	Amy Birkenstock (alb410)	NA
Reporting Secretary	Kate Poulillo (kap410)	NA
Treasurer	Nick Tessitore (nat310)	Steve Balter (sib211)
Editor	Tim Devaney (tdd210)	Abigail Price (alp311)
Faculty Advisor	Karen Collins (kmc0)	Parveen Gupta (ppg0)

Accounting Program Advisory Board Members (2008–09)

The advisory board serves the Accounting Department as an idea generator and sounding board, and works with us on development initiatives and making our case to the university administration.

Tracy S. Benard '93	Partner, KPMG LLP
Len Combs '92	Partner, PricewaterhouseCoopers LLP
Cynthia Cooper	President, Cynthia Cooper Consulting, LLC
Allan Frank '76	Chief Information Officer, City of Philadelphia
Taylor Limbert '93	Partner, Deloitte & Touche LLP
Michelle Scaringella '90	Senior Vice President, Internal Audit, CBS Corporation
Sarat Sethi '92 (Chair)	Portfolio Manager/Equity Analyst, Douglas C. Lane & Associates
Stephen Smith '81	Executive Vice President/CFO, Elizabeth Arden
Bob Watters '85	Partner, Ernst & Young LLP
Janet Williams '85	Personal Products Co. Franchise Controller, Johnson & Johnson

MSAIA Employment Statistics

Class of	2002	2003	2004	2005	2006	2007	2008	2009	Total
Graduated	7	22	22	23	24	19	16	23	156
Seeking employment	7	21	22	22	22	17	16	23	150
Employed at graduation	7	21	20	21	20	17	14	18	138

Overall percent employed at graduation (2002-2009): 92% (=138/150).
About 80% joined the Big 4, about 10% joined other CPA firms, and about 10% joined corporations, Wall Street and consulting firms, and government agencies.

Guest Speakers

We thank the following individuals for taking time from their busy schedules to speak before our students on a variety of topics. We strongly believe that professionals, faculty, and students obtain many benefits from interacting and discussing technical issues and the many challenges facing the profession.

Course	Speaker	Topic
ACCT 317: Advanced Financial Accounting	Joseph Charles, Partner, KPMG	IFRS
ACCT 320: Auditing	Thomas Serluck, Partner, KPMG	Risk assessment
	David Gannaway, Director, KPMG-Forensic	Fraud detection
ACCT 315: Intermediate Accounting	Kenneth Krick, Partner, KPMG	IFRS
	Thomas Whittle, Partner, KPMG	IFRS
	Lynn Turner, former Chief Accountant, SEC	Financial crisis
MACC 424: Corporate Governance and Risk Management	Joseph Atkinson, Partner, PwC	ERM
	Steven Campo, Ernst & Young	Credit crisis
	Dave Kowalczyk, VP, CIT Group	Internal auditor and Governance
MACC 427: Analyzing Accounting Information	Todd Bialick, Partner, PwC	Client acceptance and continuation
	Chris Mutter, Senior Manager, PwC	
MACC 413: Corporate Financial Reporting	Kristen Berdetta, KPMG	IFRS
	Joeseph Charles, Partner, KPMG	IFRS
	Thomas Whittle, Partner, KPMG	IFRS

Held and Upcoming Events

18th Annual Conference on Accounting Professionalism: September 11, 2009

This weekend-long conference for junior accounting majors is unique among accounting departments. Students network with business professionals and learn about the importance of professionalism in accounting, career opportunities, and how to improve team building, communication, and leadership skills. Tentative start time for the reception is 5:30 p.m. You are invited to the September 26 reception, panel discussion, and dinner. Conference coordinated by Professor Jack Paul. For more information contact Kathy Smith (kcs0@lehigh.edu, 610-758-3451).

Accounting Career Fair: September 17, 2009

Brought back after several years' hiatus, with a new focus on presenting accounting opportunities to students in all classes; we expect this career fair to attract about 20 employers. Contact information: Dave Hinrichs (djh404@lehigh.edu, 610-758-4674).

New York City Area Accounting Alumni Reception: October 19, 2009

Please join in the fun at the fifth annual New York City Area Accounting Alumni Reception, to be held at the office of PwC, New York, NY 10019. About 50 junior accounting students who visited firms in the city during the day will be there. In the evening you can meet these students and reconnect with other New York City area accounting alumni and with faculty. Tentative start time is 6:30 p.m. Please visit the website at *www.lehighalumni.com/go/accounting*. Alumni reception coordinated by Parveen Gupta. For more information contact Kathy Smith (kcs0@lehigh.edu, 610-758-3451).

AY 2009-10 Segal Distinguished Speaker Series: April 12, 2010

Mr. James Kroeker, Chief Accountant of the U.S. Securities and Exchange Commission will visit Lehigh University as the Segal Distinguished Speaker for the day. For more information, contact Parveen Gupta (ppg)@lehigh.edu, 610-758-3443).

Past Segal Distinguished Speakers

AY 2003-04
April 28, 2004:
Trevor Harris, Ph.D.
Managing Director
Morgan Stanley Professor of Accounting
Columbia University

AY 2004-05
November 22, 2004:
Douglas Carmichael, Ph.D., CPA
Chief Auditor and Director of Professional Standards
Public Company Accounting Oversight Board
Washington, D.C.

AY 2005-06
October 24, 2005:
Cynthia Cooper, CPA, CFE
2002 Time Person of the Year
Former Vice President, Internal Auditing, MCI
President, Cynthia Cooper Consulting, LLC

AY 2007-08
March 24, 2008:
Robert Willens, CPA
KPMG Partner in the '80s
Managing Director at Lehman Brothers

AY 2008-09
November 4–7 and November 11–14, 2008:
Lynn Turner, CPA
Former Chief Accountant
United States Securities and Exchange Commission

Accounting Department Research Conference: April 23, 2010

International Conference on Financial Reporting, Auditing and Governance: April 23, 2010. Confirmed Speakers include Professors Shyam Sunder (Yale University), Dan Simunic (University of British Columbia), Arnold Wright (Northeastern University), former SEC chief accountant Lynn Turner, and Terry Iannaconi of KPMG. For more information and to register for the conference contact: Professors Gopal Krishnan (gok208@lehigh.edu, 610-758-2816) and Marietta Peytcheva (map608@lehigh.edu, 610-758-2818).

We Need Your Help!

We begin by thanking those who responded to our 2008 appeal for financial support; we appreciate your generosity.

The Accounting Department continues to positively impact the professional lives of students and graduates. We take great pride in the fine education and preparation for professional accounting offered at Lehigh. Strong graduate programs and research prominence also characterize the best professional programs. Working with our advisory board, we identified two priorities beyond continuous improvement in the undergraduate program: (1) strengthen the M.S. in Accounting and Information Analysis Program and (2) enhance the faculty research environment. Accounting Department activities, and the university as a whole, benefit from donations by alumni, friends, and employers. Donations add to the university's budget allocation and help support faculty and course development by funding travel to professional meetings and research conferences, and databases like Audit Analytics, Risk Metrics' Corporate Governance Quotients, ExecuComp. All gifts, large or small, uphold the people and programs that make Lehigh exceptional. Because continued success of our M.S. program is critical to becoming nationally recognized, a priority is to financially support exceptional students in the program who will serve as research assistants (RAs) for faculty members. It now takes $8,400 to fund a half-time RA for 5 hours per week over the academic year. We need your help. Contributions of any amount to the Accounting Department will assist us in becoming nationally recognized, are welcome, and are highly valued.

Designating Gifts

When making a contribution to support Lehigh's Accounting Department, please designate the gift as "restricted to the Accounting Department" on your check, transmittal letter, or on the form below. If you or your employer (matching gifts) do not indicate "restricted," the gift will not go to the Accounting Department, and we will not even know about it. Gifts of $1,000 or more are recognized with membership in the University's Asa Packer Society.

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Again, Thank You Very Much—Your Gift Is Greatly Appreciated!

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We'd Like to Hear from You:

Please take a minute to update us on your activities. You may send your information via email, fax, or mail to:

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Department of Accounting
Rauch Business Center
621 Taylor Street
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Email: (gok208@lehigh.edu); Fax: 610-758-5992

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