# LEHIGH UNIVERSITY ACCOUNTING DEPARTMENT

# ANNUAL MAINTENANCE REPORTS
# 2003-2004, 2004-2005, 2005-2006 ACADEMIC YEARS

# LEHIGH UNIVERSITY ACCOUNTING DEPARTMENT
# ANNUAL MAINTENANCE REPORT
# 2003-2004 ACADEMIC YEAR

## Introduction

This report summarizes the progress made during the 2003-2004 academic year. Since this report is the first requested report in an ongoing series of annual reports, it contains some references to initiatives begun before this academic year. This report highlights progress made with respect to (1) Department structure and strategic planning, (2) curriculum change, (3) assessment of program objectives, and (4) faculty hiring.

## 1. Department Structure and Strategic Planning

*Department Structure*

Professor Ken Sinclair continues to serve as Department chair. Having served as Accounting chair from 1988-1994, he has had Department support for this position (typically a three-year appointment), when he returned as vice-chair in 1997 (from 1994-1998 the college had two departments, one of which was a Department of Business with vice-chairs providing leadership) and chair again from 1998 to the present.

In Fall 2001 the Accounting Department began offering a Masters of Science in Accounting and Information Analysis. Professor Jack Paul has served as Director of this program since its inception.

On April 18, 2001 the Accounting Advisory Board (AAB) was formed and held its first meeting. The 10-person membership is quite diverse, consisting of young and old, male and female, and representatives from the Big 4, financial services, industry, and academia. It typically meets twice a year and has a major impact on the Department strategic plan, numerous curricular initiatives, and fundraising plans. The current chair is Robert Brown, partner at PricewaterhouseCoopers.

*Department Strategic Plan*

The faculty first developed and endorsed a Department strategic plan in 1996. Since that time the faculty worked with its constituencies to improve upon it. In 2002 the new AAB spent considerable time with the faculty at several of its meetings making revisions to the plan. Three important changes occurred. First, because of the importance of faculty research a separate goal for that item was included in the strategic plan for the first time. This change led to new action steps aimed at creating a better environment for research. Second, the goals were prioritized, so that immediate effort could be directed at high priority items. Third, and perhaps most important, the discussion with the advisory board led to several needs documents that specify identifying where development support should be directed, such as endowed professorships. At the Department's faculty retreat in 2003 it officially voted on the revised strategic plan, identified appropriate action steps, and assigned responsibility for the action steps.

## 2. Curricular Initiatives

As stated in the Department strategic plan, the curricular goal is to offer courses that are comprehensive in technical coverage, integrated, reflect real world developments and advances in technology, and provide critical success skills for students. In the past few years, three recent external developments in the accounting field generated opportunities and challenges to Lehigh's Accounting Department: (1) increased educational requirements for Certified Public Accountants, the so-called 150-hour rule, (2) increased range of employment opportunities, and (3) financial reporting frauds, such as Enron and WorldCom.

*New and Innovative Undergraduate Major*

The Department revised the undergraduate major to consist of (1) a 4-course core taken by all Accounting majors and (2) one of three 3-course "tracks" that support career employment in public accounting, financial services/corporate accounting, or information systems. The revised major replaces the former "one size fits all" requirement. It also makes the solid core of accounting, which the Department believes is a great background for many business school students, attractive to more students. It allows students to build upon this core background with concentrations designed to accommodate students' varying interests. The new major also links accounting to related areas within the college. While the new major is the official requirement for the Class of 2007, many accounting majors graduating earlier, who have the option of selecting the old or the new major, are selecting the new major.

One of the three concentrations is for students interested in public accounting. This concentration requires the accounting core plus courses in auditing, taxation, and advanced financial accounting. A second concentration appeals to students seeking positions at financial services firms and industrial corporations. For some time representatives from these companies have sought Lehigh students with a strong accounting background. External constituencies suggest that a dose of finance strengthens these students and make them even more attractive. Besides the accounting core, two finance courses are included and a new course in analysis of financial statements serves as the interface between accounting and finance. This latter course was offered for the first time in Spring 2004.

A third concentration is available for students interested in global risk management who will be responsible for assessing accounting systems and computer risks that impact the financial statements of the organization and for evaluating internal controls in place to minimize such risks. This new career path thus requires the accounting core plus a course in auditing and two in business information systems.

All relevant constituencies helped develop the reengineered major. Besides the entire group of accounting faculty, faculty from finance and information systems played key roles. Interestingly enough, the finance faculty developed a similar core and concentration approach to their major. Students in the College can actually approach financial services from either the accounting side, lots of accounting and a little finance or lots of finance and a little accounting. Really ambitious students can double major and with only two additional courses beyond one of the majors and end up with a background in high demand.

The Accounting Advisory Board offered advice, particularly with respect to employment and career opportunities. They also quickened the program development timetable, as they provided encouragement to the Department to start the new major as soon as possible.

The dean too offered much support in strengthening what has historically been a very strong curricular area. Recruiters were also involved, as the new major curriculum was discussed in successive years at the "Accounting Roundtable," an annual focus group of recruiters of accounting majors. We obtained student input in a series of focus groups.

*New and Innovative Masters in Accounting Program*

Recognizing that the increased educational requirements cannot be accommodated in a 124-credit undergraduate program, in 2001 the Accounting Department developed a new masters program in accounting and information analysis (MSAIA) that satisfies the new requirements in innovative ways. For Lehigh students that qualify, the masters and undergraduate programs interface seamlessly. Now in its third year, the Program currently has about 30 full-time students. There is a mix of Lehigh/nonLehigh students and accounting/nonaccounting majors entering the program. Virtually all graduates of this program end up in meaningful entry-level positions. In 2009, when New York State moves to full implementation of its 150-hour requirement for CPA licensure, the Department expects the enrollment to at least double.

The MS program has six core courses with a healthy blend of accounting and other business topics, including Business Risk Management, Financial Reporting, Advanced Auditing, Consulting, Ethics, Negotiations, Analyzing Cases, and a capstone core course. The Program has three optional concentrations: (1) Financial Services, (2) Consulting and Business Risk Management, and (3) Strategic Cost Management. Courses from other business disciplines and other colleges are available as electives. By offering opportunities for new course development, it creates opportunities for faculty growth and student educational experiences.

As part of the MS development, this year existing accounting MBA electives were reengineered. Two courses in particular that were modified are the graduate tax course and the graduate financial statement analysis course.

*Outside of Class Student Activities*

Besides the processes in place to address the classroom experience, two additional processes address the goals in the strategic plan relating to students: (1) recruiting and retaining accounting majors and (2) promoting out-of-class programs that create awareness of professional issues, develop critical success skills, and foster development. We believe both processes go hand-in-hand.

The Department has a four-part strategy to recruit and retain accounting majors: (1) support Department, College, and University admissions initiatives by encouraging faculty to participate in a variety of programs aimed at candidates who have expressed an interest in accounting, (2) make the accounting courses stimulating, particularly the introductory core courses, (3) develop and maintain strong relationships with the Big 4 CPA firms, financial services firms, and industry, and (4) develop an effective system for advising students.

Besides the curricular aspects of the Accounting Department, several activities outside of class make students aware of important issues facing the accounting profession. The Department has two active student groups: the Accounting Club (the chair serves as advisor) and Beta Alpha Psi. The Accounting Club caters to sophomores and juniors, and it introduces students to sources of employment with field trips and other activities. Our chapter of Beta Alpha Psi, the accounting honor society, brings professionals to campus to speak on important technical topics.

A major Department initiative is our one-of-a-kind "Conference on Accounting Professionalism," now in its 13th year. The weekend-long Accounting Conference is a hallmark student activity that addresses the accounting profession and brings students, faculty, and professionals together.

The result is that Lehigh's Accounting Department is considered a key school by the Big 4 firms and other employers. With much success placing virtually all graduates in entry-level positions, the number of students pursuing the Accounting major has increased.

A direct result of the joint effort with the AAB was the creation during this academic year of the William N. Segal & Andrew P. Segal Endowed Accounting Speaker Series that was established to complement students' classroom experiences by promoting out-of-class programs that create awareness of professional issues, develop critical career success skills and foster personal development. Dedicated in Fall 2003, the speaker series is the only such speaker series in the College. During the 2003-2004 academic year the series brought to campus Trevor Harris, Ph.D., Professor of Accounting, Columbia University, and Managing Director, Morgan Stanley.

Lehigh students graduating from either the undergraduate or graduate accounting programs should be prepared to pass professional certification exams. Because most of our students pursue the CPA exam, in 2002 the Accounting Department began partnering with the Becker CPA Review program. Offering the Becker Program at Lehigh during the spring semester helps students pass either the entire exam or parts of it before graduation. This academic year there were approximately 30 students who participated in the program.

**3. Assessment of Program Effectiveness**

The Accounting Department continues to evaluate its overall program through a variety of activities and tools. At the individual course level course, instructors specify up to six learning objectives. A questionnaire administered to all students enrolled in accounting courses continues to be used to assess students' reaction to individual course objectives. In addition, faculty members make use of semester and final exams to test to what extent students are learning the course objectives. Every semester in every course, students also complete University-wide student evaluation forms.

In addition, Accounting Program faculty and Career Services personnel hosted a roundtable discussion at the end of the academic year. Attendees include representatives of a variety of firms that hire Lehigh accounting majors, such as large and smaller CPA firms, financial services firms, and industry. These sessions help us assess how well Lehigh students fared in the recruiting process, how well Lehigh students perform once they begin work, and the impact of firms' pre-recruiting and recruiting strategies at Lehigh.

At the end of each year, the Department also continues to hold regularly-scheduled, separate focus groups for the undergraduate and graduate programs. Both graduating students and employers participate. Changes made to the program sometimes result from the feedback received. In addition, the Department periodically holds faculty retreats to address major issues relating to its programs. The last retreat involving the entire Department faculty was in Spring 2003. Because the MSAIA program is still rather new, its faculty retreats are held on a more regular basis.

*Managing the Two Introductory Core Courses*

The Department strategy is to offer individual sections of approximately 40 students each in the two introductory core courses in financial and managerial accounting. The group strongly believes in the philosophy of providing more two-way, direct communication between students and faculty. The faculty believe that this approach brings about more effective learning and may generate more interest in accounting as a major. The challenge is to maintain consistency within the many sections.

To do so, the Department continues to use an instructional team for each course, with leadership provided by a senior, tenured faculty member. The process consists of (1) formulating, reviewing, and modifying the course learning objectives as needed, (2) designing examinations to test the material covered in the learning objectives, (3) asking students to complete a formal mid-semester evaluation of faculty, so that mid-course corrections can be made, (4) making appropriate improvements in the course, and (5) documenting the above in writing. The first course, Introduction to Financial Accounting, began this more formal process in Fall 2003. This model will also be employed by the instructional team in the second introductory core course.

As an example of modifications made in the Introduction to Financial Accounting course, after the first year of this process, the instructional team selected a new text, which in the following year proved to be a more effective book. It also (1) modified the content learning objectives by combining some and reducing the number by two to avoid excessive detail, (2) designed a form for mid-semester evaluation of faculty to give feedback while time exists to make needed change, (3) linked exam results on Fall 2003 exams to the Fall 2003 content objectives to satisfy themselves that these objectives were being tested (the results of that analysis indicated that each content objective was tested at least twice), (4) decided to cluster open review sessions around exam times due to low attendance at such sessions at other times, and (5) agreed to have library resource presentations made in each class to ensure that students received reference information needed for their group projects.

Because a number of non-tenured-track faculty are used to teach the two introductory core courses, each course leader developed policies for instructors and students in these two courses. These guidelines address course strategy and various instructional components, such as content determination, expectations about homework, exams, grading, meeting classes, using the Blackboard software to communicate with students, and student behavior in class. Recently the

Chair and the course leaders developed a summary guideline sheet to be given each semester to all instructors for these two courses.

*Assessment of Teaching Effectiveness-- Classroom Peer Review Program*

The Accounting Department continues to use student evaluations in every course, every semester. In addition, it continues to participate 100% in the classroom peer review program started during the continuing review period. During 2004 the classroom peer review program became more formalized to ensure that the process was more consistent among faculty in all departments in the College. Specifically, the process now consists of the following steps:

- All tenure-track and non-tenure track faculty must have one peer review each calendar year.
- No faculty member should evaluate the same instructor more than two years in a row.
- It is the evaluator's responsibility to ensure that the review include the following three steps: pre observation consultation, class observation, and post observation discussion.

The reviewer and the faculty member sign a second form, the Peer Review Completion Form, and forward it to the department chair.

## 4. Faculty Hiring

As part of the critical evaluation of the Department strategic plan, the faculty had added a separate goal aimed at improving the research environment, "To promote and support faculty research efforts that result in top tier accounting and business publications." To this end the Department decided to hire a senior associate or full professor with qualifications sufficient to hold the Mercy Professorship.

The priority was to attract a well-known researcher interested in joint research with other Department and College faculty, an individual who could bring to Lehigh experience in working with cutting edge topics. While the Department recognized that it was research active, it wished to move to the next level and enhance its national reputation. The strategy was to add research visibility needed to generate a research reputation as strong as the Department's teaching reputation. Filling the position should also provide the spark needed to make the future hiring process even more successful.

During the 2003-2004 academic year, although the Department received many resumes, interviewed a number of candidates, and invited to campus a total of three individuals, it was not successful in hiring. The search remained open for the 2004-2005 academic year.

***Prepared by Kenneth P. Sinclair, Professor of Accounting and Chair***

**LEHIGH UNIVERSITY ACCOUNTING DEPARTMENT**
**ANNUAL MAINTENANCE REPORT**
**2004-2005 ACADEMIC YEAR**

## Introduction

This report summarizes the progress made during the 2004-2005 academic year. This report highlights progress made with respect to (1) strategic planning, (2) curriculum change, (3) assessment of program objectives, and (4) faculty hiring.

## 1. Strategic Planning

During the 2004-2005 academic year two major strategic planning initiatives occurred that enabled the Accounting Department to revisit its strategic plan. First, the Office of the Provost requested a review of each undergraduate program/department as part of its Middle States Accreditation effort. In addition, the College of Business and Economics (CBE) requested each department and program to prepare a response to two college vision statements, the mission statements of both the undergraduate and MBA program, and the role of the department/program in the success of the college. The purpose of this latter exercise was to provide a means for individual departments/programs to arrive at their strategic planning as well as offer inputs toward developing the newest version of the CBE strategic plan, scheduled for summer and fall 2005. Each department completed their analysis by the end of March 2005, including votes of both documents.

*Middle States Accreditation Effort*

Through this activity the Department was able to do the following:

- Reaffirm its mission statement
- Identify the strengths and challenges of the undergraduate accounting program
  *Strengths*: talented and dedicated faculty, very good students, excellent placement of graduates, and strong relationships with major employers
  *Challenges*: To recruit several doctorally-qualified faculty members with strong research and teaching skills, including a senior research professor, and to raise funds from alumni to support the Accounting Department's activities and initiatives.
- Reduce the program content goals to three: (1) preparing and understanding general purpose financial statements for parties outside the firm, (2) using accounting information for decision-making inside the firm, and (3) understanding the information systems governing the flow of and control over financial information outside the firm

*CBE Strategic Planning Process*

The result of this initiative is that the Department assessed its current environment, opportunities, key activities, challenges and resource needs in much greater detail than the Middle States activity.

<u>Current Situation/Strengths/Opportunities</u>

- Now down to seven, Accounting tenure track faculty strength is 50% of what it was about ten years ago, without the MSAIA program. Some help is on the way: a senior professor/active researcher publishing in top accounting journals, and a new faculty member finishing her Ph.D., recently accepted our offers.
- Our undergraduate and graduate programs continue to do well, even though resources devoted to them are stretched thin.
- Lehigh's Office of Career Services reports that the number of undergraduate accounting majors having internships is near 70% and the five-year employment average of students self-reporting their post-graduation plans is close to 100%, the best on campus.
- Lehigh accounting alumni hold leadership positions in a wide range of careers including partners at international CPA firms, chief financial officers at major industrial companies, management consultants, investment bankers and analysts, presidents of their own companies, and attorneys.
- Without the new innovative MS in Accounting and Information Analysis (MSAIA) program in its fourth year, and driven by the new 150-hour educational requirement for CPAs, Lehigh's high quality accounting program of which the University is proud, will wither and die, and undergraduate admissions will suffer.
- The MSAIA program achieved nearly 100% placement of its graduates over four years and entices non-accounting students from Lehigh and elsewhere to work in professional accounting.
- Our general external visibility, media coverage, and external relations are in good shape.
- The Department pioneered cross-department initiatives with our new core/track major and participate in the cross-college IBE and CSB programs.

<u>Key Activities/Challenges/Resource Needs</u>

- Our principal challenge is to recruit at least three more faculty members skilled in research and teaching that will enable us to fulfill our mission and undertake new initiatives. These resource needs dwarf other issues.
- Other major challenges relate to ramping up research productivity and quality with a critical mass of faculty, research assistants and general research infrastructure, and increasing diversity.
- All of our educational efforts can be enhanced with additional faculty resources. Beyond the introductory courses typically staffed by adjuncts, we have been forced to outsource undergraduate major courses and graduate courses to adjuncts. This outsourcing reflects unfavorably on Lehigh.
- Moreover, adjuncts do not publish and do not help cover the Accounting Department's extensive service obligations. We are unique among CBE departments, having an ongoing and demanding relationship with employers that also involves highly active departmentally-sponsored student organizations.
- Some external financial support from individual alumni and large accounting firms that hire many graduates helps but is far short of what is needed to be by a top program. Individual corporations and Wall Street firms currently hire too few accounting graduates to make supporting us financially a high priority for them.
- Somehow the consumers of accounting graduates must contribute more toward one of their key producers—fund-raising efforts targeted at the Accounting Department are critical.

At the April 20, 2005 Accounting Advisory Board meeting the faculty and advisory board members discussed the Department's response to the various college vision statements. There was general agreement that the goal of reaching the top 50 business schools was worthwhile. The objective of developing a reputation and getting a niche was agreed upon. There was a consensus that the undergraduate program needed to do more with communication skills and quantitative skills. In fact, the New York State requires completion of a course in each of these two areas. Also, the importance of a full-time MBA program and possibly a Ph.D. program to be in the top 50 was discussed.

There was considerable discussion about the importance of faculty research. Three funding priorities in this area were highlighted: (1) adding MS program research assistants, (2) acquiring data bases and faculty development, and (3) the hiring of an endowed tenure-track faculty member. Also discussed was the possibility of Department involvement with the College Ph.D. program, particularly with the addition of the new full professor in the Department.

Coming out of this meeting the Advisory Board and the faculty agreed to work together to do the following:

- They will work with Lehigh's Development people to encourage some decentralized efforts in fundraising.

- To this end, the Department will develop its first annual newsletter to be distributed to all alumni by Fall 2005. In this letter will be a call for financial help from alumni. Since that meeting Ernst & Young has volunteered to financially support the newsletter.

- The Department will look for additional ways to connect with alumni. At this point alumni are involved with many activities of the Department (e.g., Accounting Conference), Beta Alpha Psi (e.g., technical presentations) and Accounting Club (e.g., recruiting activities). Since that meeting PricewaterhouseCoopers has volunteered to host a Fall 2005 New York reception for accounting alumni.

## 2. Curricular Initiatives

*New and Innovative Undergraduate Major*

While the new major is the official requirement for the Class of 2007, many accounting majors graduating earlier, who have the option of selecting the old or the new major, are selecting the new major.

According to both *AccountigWeb.com* and the *Job Outlook 2005 Survey*, conducted by the National Association of Colleges and Employers, accounting is now the number 1 major on college campuses. With the large increase in employers' demand for students with an accounting background and the flexible new Department curriculum, the number of Lehigh accounting majors has increased and will likely grow further. Based on Spring registration figures, the Fall 2005 enrollment of over 100 new students taking accounting major courses represents an increase of approximately 20% over Fall 2004.

*New and Innovative Masters in Accounting and Information Analysis (MSAIA) Program*

Now completing its fourth year, the MSAIA Program currently has about 30 full-time students. Placement is virtually 100%.

During this academic year, based on a thorough analysis of the six-course core, several significant changes were made to the core curriculum:

- The first core course, MACC 401, which had been solely devoted to negotiation skills, was changed to a three-part course, Professional Issues in Accounting, containing modules on (1) business case analysis, (2) behavioral foundations of the negotiation process, and (3) ethical issues as they relate to business.
- Another course in the core, MACC 424, which had been titled Information Quality Assurance, placed more emphasis on corporate governance and business risk. Its new title reflects the new coverage.
- A segment of MACC 420, Consulting Process and Practice in Professional Accounting, was placed in the fall semester along with MACC 424, because of the close relationship of the two courses.

The Department is especially proud of our new masters degree program, learning that in that Professor Parveen Gupta's MSAIA course, "Corporate Governance and Business Risk," will receive national recognition. The American Accounting Association's annual Innovation in Accounting Education Award will be presented to Parveen in San Francisco at the association's annual August meeting.

In addition to changes to the core, the program added two new elective courses, Effective Business Communications and Quantitative Methods in Business. These two courses were added partly to satisfy New York State CPA requirements.

*Outside of Class Student Activities*

Both the Accounting Club and Beta Alpha Psi continued during this academic year to facilitate a number of activities. The Accounting Club catered more to sophomores and juniors, as it introduced students to sources of employment with field trips and other activities. Our chapter of Beta Alpha Psi, the accounting honor society, brought professionals to campus to speak on important technical topics.

A major annual Department initiative, its one-of-a-kind "Conference on Accounting Professionalism," was held for the 14th year. The weekend-long Accounting Conference is a hallmark student activity that addresses the accounting profession and brings students, faculty, and professionals together.

The William N. Segal & Andrew P. Segal Endowed Accounting Speaker Series brought to campus Douglas Carmichael, Ph.D., Chief Auditor and Director of Professional Standards of the Public Company Accounting Oversight Board.

The Becker CPA Review program was offered during the spring semester. This academic year there were 43 students who participated in the program.

**3. Assessment of Program Effectiveness**

The Accounting Department continued to evaluate its overall program through a variety of activities and tools. At the individual course level course, instructors specify up to six learning objectives. A questionnaire administered to all students enrolled in accounting courses continues to be used to assess students' reaction to individual course objectives. In addition, faculty members make use of semester and final exams to test to what extent students are learning the course objectives. Every semester in every course, students also complete University-wide student evaluation forms.

In addition, Accounting Program faculty and Career Services personnel hosted a roundtable discussion at the end of the academic year. Attendees include representatives of a variety of firms that hire Lehigh accounting majors, such as large and smaller CPA firms, financial services firms, and industry. These sessions help us assess how well Lehigh students fared in the recruiting process, how well Lehigh students perform once they begin work, and the impact of firms' pre-recruiting and recruiting strategies at Lehigh.

At the end of each year, the Department also continues to hold regularly-scheduled, separate focus groups for the undergraduate and graduate programs. Both graduating students and employers participate. Changes made to the program sometimes result from the feedback received. In addition, the Department periodically holds faculty retreats to address major issues relating to its programs.

*Managing the Two Introductory Core Courses*

As mentioned in last year's annual report, the challenge in offering many individual sections in the two introductory accounting core courses is to maintain consistency within the many sections. Last year's report detailed the establishment of a more formal process in the introductory financial accounting course. During this academic year the same process has now been employed in the introductory managerial accounting course.

The process consists of (1) formulating, reviewing, and modifying the course learning objectives as needed, (2) designing examinations to test the material covered in the learning objectives, (3) asking students to complete a formal mid-semester evaluation of faculty, so that mid-course corrections can be made, (4) making appropriate improvements in the course, and (5) documenting the above in writing.

*Assessment of Teaching Effectiveness-- Classroom Peer Review Program*

The Accounting Department continues to use student evaluations in every course, every semester. In addition, during the 2004-2005 academic year it continued to participate 100% in the classroom peer review program.

**4. Faculty Hiring**

During the 2003-2004 academic year the Department had not been successful in hiring a senior associate or full professor with qualifications sufficient to hold the Mercy Professorship. During this academic year the Department resumed this search and sought a second tenure-track faculty member at the assistant professor rank.

The Department is very pleased that two tenure-track faculty agreed to join the Department in Fall 2005. After a distinguished 20-year career at Temple University, Heibatollah Sami comes to Lehigh as a tenured full professor. Professor Sami has regularly published empirically-based research studies in prestigious journals over a long period of time. His research and teaching interests are in financial accounting. Erin Moore, completing her Ph.D. dissertation at the University of Massachusetts, also has research and teaching interests in financial accounting.

The Department also received authorization to hiring a full-time lecturer. Joining the Department as a full-time lecturer is David Hinrichs, David holds an MBA and an MS in Management of Technology from Lehigh. He has a wealth of managerial experience in accounting, information technology and planning from several industrial firms. He will be teaching managerial accounting, particularly in the MBA program.

***Prepared by Kenneth P. Sinclair, Professor of Accounting and Chair***

**LEHIGH UNIVERSITY ACCOUNTING DEPARTMENT**
**ANNUAL MAINTENANCE REPORT**
**2005-2006 ACADEMIC YEAR**

## Introduction

This report summarizes the progress made during the 2005-2006 academic year. This report highlights progress made with respect to (1) strategic planning, (2) curriculum change, (3) assessment of program objectives, and (4) faculty hiring.

## 1. Strategic Planning

During the 2005-2006 academic year the Department addressed priority items that it developed from the prior year's strategic planning effort and items that were discussed at the April 20, 2005 Accounting Advisory Board meeting: (1) attract doctorally-qualified faculty members, (2) more decentralized efforts in fundraising, and (3) better ways to connect with alumni.

*Faculty Hiring*

[Refer to Section 4 of this document, Faculty Hiring]

*Goals and Needs Document*

Going into the 2005-2006 academic year the Department had worked with the Accounting Advisory Board to develop the latest version of its Goals and Needs document, containing:

- A Department Overview (current accomplishments and looking ahead)
- Listing of Accounting Department Advisory Board members
- Listing of Accounting Department 11 goals
- Four major Department needs: (1) enhancing the faculty research environment, (2) strengthening the MS in Accounting Program, (3) improving communications with alumni and other stakeholders, and (4) generating external funding to achieve all its goals (e.g., faculty development, research data sets)

With respect to enhancing the faculty research environment, the Department continued its membership in the Philadelphia Area Research Colloquium, an assembly of neighboring colleges whose primary mission is to hold high-quality research seminars. In fact, Lehigh professor Stephen Liedtka had helped form the group. During the year Lehigh faculty participated in several of the seminars, including one at Lehigh.

Through a generous gift from one of the Department alumni, this year the Department also created its own research seminar series, bringing to campus three noted scholars, Jere Francis (University of Missouri), William Baber (George Washington University) and Suresh Govindaraj (Rutgers University).

In addition, through other gift-giving the Department was able to cost share with the college to finance databases like Compustat (financial reporting) and CRSP (stock prices).

*Strengthening the MS program and helping the research environment*

As mentioned in each of the annual Department reports, there are about 25-30 students in the MS in Accounting and Information Analysis program. Also, virtually all the students graduate with a meaningful job in public accounting, financial services, or industry.

One of the key features of this program has been the funding of several research assistantships. This feature allows the program to attract better students, who gain tremendously from the opportunity to work with faculty on research projects. It also helps faculty in their research effort. The Department has been able to partner with KPMG since the beginning of the MS program to fund these assistantships.

*Improving Communications with Alumni*

Lehigh accounting alumni have been as loyal and proud of their accounting degree as any group on campus. In fact, whenever they are called upon to participate in a professional program at Lehigh, they rarely refuse. They are constantly returning to campus for Accounting Department events, including the annual Accounting Conference, Accounting Club and Beta Alpha Psi events, and recruiting activities.

Nevertheless, accounting faculty and Advisory Board members felt that more could be done on our part to communicate with alumni. In response to this need, during August 2005 the Department issued its first Department newsletter to well over 3,100 Lehigh accounting alumni throughout the world. Ernst & Young financed the newsletter. It should be mentioned that Lehigh's Accounting Department is the only department in the College of Business and Economics and one of only one or two departments across the University to generate a newsletter. As expected, the response to the newsletter was very positive. The newsletter is now an annual event.

Another first was this year's Accounting Alumni Reception at PricewaterhouseCoopers' office in New York. Virtually the entire accounting faculty and approximately 50 junior accounting majors, who visited firms in the city during the day, joined approximately 120 Lehigh accounting alumni. This activity too was a major success, and like the newsletter, the alumni reception is now an annual event.

*Generating External Funding*

The Department works closely with liaisons at each of the Big 4 firms to generate funds. This year, in its annual newsletter, the Department included a page, "Would You Like to Help?" The request asked for financial help, building the case and identifying the process as to how alumni could assist. The strategy of directly soliciting alumni with a mass mailing at the department level is not commonplace at all at Lehigh University, since the school employs a more centralized approach to fundraising.

## 2. Curricular Initiatives

*New and Innovative Undergraduate Major*

The new undergraduate accounting major applied to all junior-level students starting their new major this year. The preregistration figures from the spring semester held up, bringing approximately 100 new majors to the undergraduate accounting program. It appears that the new accounting major was a factor in generating a 20% increase from the previous year.

With one of the tracks in the program requiring two finance courses, nonCPA firms, especially the financial services firms (e.g., Bear Stearns and Merrill Lynch) have been the most enthusiastic supporters of the new major. Also, many students, who could not decide between accounting and finance as a major, now consider accounting where they otherwise may have been drawn to finance. Once they become part of our program, they either remain in the financial services track or they chose the CPA track.

The other implication of the new major is that more business students are double majoring in accounting and finance, since (1) the finance major has also reengineered its major with multiple tracks and (2) some double counting of courses is permissible with the double major, particularly those interested in financial services.

Another result of the new major has been that more students in the new Computer Science and Business cross disciplinary program are concentrating in accounting, since the combination of computer science and accounting makes these students very competitive in the marketplace. The new major, with its flexibility, is attractive to these students.

*New and Innovative Masters in Accounting and Information Analysis (MSAIA) Program*

Now completing its fifth year, the MSAIA Program currently has about 30 full-time students. Placement is virtually 100%.

Last year a segment of MACC 420, Consulting Process and Practice in Professional Accounting, was placed in the fall semester along with MACC 424, Corporate Governance and Business Risk, because of the close relationship of the two courses. Based on focus group results and faculty discussions, the entire consulting course was moved to the fall semester, the same semester as the corporate governance course. This change seemed to work well.

Professor Parveen Gupta's MSAIA course, "Corporate Governance and Business Risk," received the American Accounting Association's annual Innovation in Accounting Education Award in San Francisco at the association's annual August meeting.

*Outside of Class Student Activities*

Both the Accounting Club and Beta Alpha Psi continued during this academic year to offer a number of activities. The Accounting Club catered more to sophomores and juniors, as it introduced students to sources of employment with field trips and other activities. Our chapter of

Beta Alpha Psi, the accounting honor society, brought professionals to campus to speak on important technical topics.

A major annual Department initiative, its one-of-a-kind "Conference on Accounting Professionalism," was held for the 15th year. The weekend-long Accounting Conference is a hallmark student activity that addresses the accounting profession and brings students, faculty, and professionals together.

The William N. Segal & Andrew P. Segal Endowed Accounting Speaker Series brought to campus Cynthia Cooper, well-known for her role in uncovering fraud at WorldCom—to date the largest fraud in history. Named Time Magazine's 2002 Person of the Year, she is the president of Cynthia Cooper Consulting. Ms. Cooper interacted with faculty, students and lectured in various classes.

The Becker CPA Review program was offered during the spring semester. This academic year there were 53 students who participated in the program.

**3. Assessment of Program Effectiveness**

In the 2004-2005 academic year the Accounting Department formalized a comprehensive process of directly assessing the learning objectives for its undergraduate and graduate accounting programs. All participating and supporting accounting faculty in each program participate directly in the process. This same framework was then used for the other programs in the college. During the current academic year, the Department, as well as the other college programs conducted this process both semesters.

*Process*

<u>Step 1—Establish Program Objectives</u>

In the previous year the Accounting Department had reduced its program content learning objectives to three in the undergraduate program and four in the MS program. Only objectives that could be assessed directly were identified. All full-time faculty in the particular programs had endorsed these program learning objectives.

In the fall semester the Department faculty added to this list of three undergraduate program learning objectives the nine learning experiences identified in AACSB Accounting Standard #37. It also added three nonaccounting learning objectives (i.e., ability to communicate effectively, an understanding of organizational dynamics and cross-functional business processes) that the Accounting program addressed and could measure directly.

<u>Step 2—Link Individual Courses to each Program Learning Objective</u>

Faculty for each of the two accounting programs respectively met early in Fall 2005 to define linkages between the individual courses and the stated objectives. Each course should support one or more of the objectives and learning experiences. Also, each objective had to have at least one course linked to it. A matrix identifying the links was created for each program.

Step 3—Identifying the Direct Measures

Faculty then identified direct methods used in their respective course to achieve a particular learning objective. Methods included exams, projects, presentations, and homework assignments. As part of this process, if an instructor could not identify a direct method of assessment, the matrix in step 2 was modified. In the case of multiple-section courses a course leader (with the consultation of all instructors for that course) was responsible for supplying the direct measures.

Step 4—Measuring Performance

At the end of the semester, each course answered four questions relating to each objective under their control:

1. To what extent did you achieve this program learning objective? How well were students able to perform the task, integrate the knowledge, and demonstrate understanding of this objective?
2. Indicate the method(s) by which your response was measured.
3. Did you make any changes this semester to better achieve the learning objective, and if so, were those changes effective?
4. In the spirit of continuous improvement, what changes will you make to better the understanding of this learning objective?

Again, in the case of multiple-section courses a course leader (with the consultation of all instructors for that course) was responsible for supplying the course response to the four questions.

Step 5—Preparing a Summary Report

After each course reported its results, each of the two programs developed a summary report that answered the four questions for each learning objective. The summary report listed under each objective comments from each course to each of the four questions.

Step 6—A Faculty Meeting

The final step in the process was a meeting in which faculty discuss the report, identifying (1) desirable changes in the process and (2) changes to the program as a whole.

*Results*

The two reports for each program include a number of suggested changes, including more discussion of homework problems, changing the type of assignments, use of actual annual reports in some classes, more ethics applications, more outside readings, changing the textbook, and finding different ways to motive students in class.

*Indirect Assessment*

In addition to the new comprehensive direct assessment of program learning objectives, Accounting Program faculty and Career Services personnel continued to host a roundtable discussion at the end of the academic year. Attendees included representatives of a variety of firms that hire Lehigh accounting majors, such as large and smaller CPA firms, financial services firms, and industry. These sessions helped us assess how well Lehigh students fared in the recruiting process, how well Lehigh students performed once they begin work, and the impact of firms' pre-recruiting and recruiting strategies at Lehigh.

At the end of each year, the Department also continued to hold regularly-scheduled, separate focus groups for the undergraduate and graduate programs. Changes made to the program sometimes result from the feedback received.

*Assessment of Teaching Effectiveness-- Classroom Peer Review Program*

The Accounting Department continues to use student evaluations in every course, every semester. In addition, during the 2005-2006 academic year it continued to participate virtually 100% in the classroom peer review program.

*Business Week Ranking*

In the May 8, 2006 issue of *Business Week*, Lehigh University's College of Business and Economics ranks number 18 in the magazine's first-ever ranking of undergraduate business programs. This ranking is significant because it measures academic quality, student and recruiter impressions, starting salary and other factors, instead of solely measuring the perceptions of academics.

The *BusinessWeek* ranking is derived, in part, from surveys of more than 100,000 business students and 2,000 recruiters. The rankings methodology consists of five parts: student survey (30 percent); recruiter survey (20 percent); starting salaries (10 percent); MBA feeder schools (10 percent), and academic quality (30 percent). The academic quality measure incorporates five unique measures of program quality and student engagement, and is weighted as heavily as the student survey.

While the Accounting Department is proud of the overall 18$^{th}$ ranking, it is particularly pleased by the comments about the accounting program:

- "New financial services lab and strong accounting program are impressive, but recruiting is too accounting-focused." (the top four recruiters in the latest University Placement statistics are the Big 4 CPA firms).
- "The accounting department is unbelievable at Lehigh. The accounting major is given every opportunity in the book to network."

- "The Accounting major has Accounting conferences where they bring in firms to meet with students and recruit them. Lehigh makes very good efforts with connecting us with firms and alumni who will help us when we graduate."
- "The accounting program at Lehigh is one of the highest respected, if not the highest respected university by the Big 4 accounting firms. The education that we receive is superior to most kids graduating from any other 4 year college or university. They prepare us to the best of their ability and the Lehigh network of business professionals is outstanding."

In addition, when students were asked to assign a letter grade to the program in which they majored, the accounting program scored higher score than the average for the top ten ranked universities in the rankings.

**4. Faculty Hiring**

The Department was very pleased that two tenure-track faculty joined the Department in Fall 2005. It also gained strength with the addition of a full-time lecturer. In addition, the University authorized the Department to hire an additional tenure-track faculty member at the assistant professor level to start Fall 2006.

Following a thorough process to generate a highly qualified, diverse pool of candidates, the Department is pleased to report that William Zhang, a Ph.D. candidate from the University of California—Irvine will be joining Lehigh's Accounting Department Fall 2006. Professor Zhang is an empirical capital markets researcher. He has great research promise and will oversee the auditing area, an area that is currently headed up by an adjunct professor.

***Prepared by Kenneth P. Sinclair, Professor of Accounting and Chair***