

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Approval of the Master of Accounting Degree Program, Iowa State University
Date: January 31, 2000

Recommended Action:

Approve the Master of Accounting degree program at Iowa State University, and submit it to the Iowa Coordinating Council for Post-High School Education (ICCPHSE) for its consideration.

Executive Summary:

Iowa State University is requesting approval of a new Master's degree program in Accounting. ISU's proposed program (MAcc) is a response to revisions in the Iowa CPA law which becomes effective January 1, 2001. That law will require Iowa CPA candidates to complete 150 hours of college education before they may receive their CPA certificate. This law is similar to CPA laws passed in many other states. If approved, the ISU program would likely begin in Fall 2000.

The Department of Accounting maintains that the new degree program is consistent with the departmental mission and the strategic plan of the College of Business and the University. It contains communication, global, and technological components that are designed to help Master of Accounting students prepare for the changing information environment. It is consistent with the Board of Regents' Key Result Area 1.0.0.0 of quality and Objective 1.1.0.0, improving the quality of existing and newly created educational programs.

Background and Analysis:

The Department of Accounting has obtained the University's approval, using the required review process. Officials in Accounting Departments at SUI and UNI have reviewed the proposal and stated that it does not duplicate their programs. The Interinstitutional Committee on Educational Coordination (ICEC) and the Board Office have reviewed the proposal and recommend that it be approved and reviewed by the ICCPSE.

The proposed program is a 32 credit-hour, non-thesis degree program. It requires at least 15 credit hours of accounting, nine credit hours of non-accounting, three credit hours of global business, three credit hours of communications, and a two-credit hour creative component. The Departmental Curriculum Committee will develop a list of international business courses that are acceptable for the Global Business requirement and a list of courses acceptable to meet the Communications or Writing requirement.

The faculty proposes that the new program (MAcc) would be a one-year program comprised of 32 credit hours. Of that number, 15 hours would be in accounting, 15 outside of accounting, and would include a two credit-hour creative component, in lieu of a thesis. The program conforms to standards of the American Association of Colleges and Schools of Business (AACSB), containing communication, global, and technological components designed to help Master of Accounting students prepare for the changing accounting environment.

Effective January 1, 2001, the State of Iowa will require that an individual seeking CPA certification have 150 credit hours of post-secondary education. The new law permits students to take the CPA examination before completing the 150 credit hours, provided they have completed 24 credit hours of accounting beyond elementary accounting and business classes. It is likely that some students may finish their required undergraduate course work, sit for the CPA examination, and then pursue a Master of Accounting degree to complete the additional credit hours necessary for obtaining the CPA certificate.

The primary objective of the proposed Master of Accounting (MAcc) program is to build on the strengths of the undergraduate program. It will enhance their accounting training and give students the knowledge and skills necessary to be successful in the profession. The program is consistent with the new 150-hour requirement of the Iowa law.

The proposed program meets the standards of the AACSB and the International Association for Management Education, which require a minimum of each of the following: 30 semester hours before the undergraduate business degree, 15 semester hours in accounting (at least 12 of which must be in courses designated primarily for graduate students), 70 percent of the credit hours in courses primarily for graduate students, and nine semester hours of non-accounting courses.

Pages 10-16, Attachment 1, contain the University's responses to the Regent Program Approval Questions.

Need. The Department of Accounting argues that the new state law establishes a need for this program.

Duplication. Currently in Iowa, only the University of Iowa and St. Ambrose University offer graduate degrees in accounting, i.e., the Master of Accountancy. One difference in the proposed ISU program from that of the University of Iowa's program is that the latter program has special "tracks" while the ISU program is more general. A unique feature of the ISU program will be the option students will have to develop areas of emphasis outside of accounting, in such areas as finance, marketing, economics, or management. The University of Northern Iowa and ISU are each developing a Master of Accounting degree to address the 150-hour requirement. As noted below, letters have been received from the accounting departments of SUI and UNI which endorse the ISU program and indicate that, in their view, unnecessary duplication does not exist.

Iowa State University Response

Section 6.09 of the Procedural Guide lists the principles and standards to be addressed regarding program duplication. The specific response provided by Iowa State University's Department of Accounting to the question of duplication is as follows:

6.09 Principles and Standards for Program Duplication

- A. The Board of Regents recognizes that program overlap or duplication cannot be evaluated in absolute terms. Some duplication is desirable, appropriate, and essential. Other duplication is inappropriate.*
- B. Policy Decisions concerning the appropriateness of new programs or the expansion of existing programs that appear to duplicate activities in other institutions should be based on such considerations as the following:*
 - 1. Does the institution have personnel, facilities and equipment adequate to establish and maintain a high quality program or should the program be located in another institution where adequate resources are available?*

As indicated in section 9 (a) of the master of accounting proposal, ISU has an excellent accounting faculty that is as capable as any accounting faculty in Iowa of providing and maintaining a high quality master of accounting program. Similar courses to those included in the master of accounting program have previously been taught either in the ISU MBA program or the undergraduate program. The rigor of the undergraduate level will be increased with additional material necessary to make them graduate level classes. Section 9 (b) of the master of accounting proposal indicates that adequate faculty time is currently available to establish and maintain the program. Sections 9 (c), 9 (d) and 9 (e) of the master of accounting proposal indicate that ISU has adequate facilities and equipment to provide and maintain the proposed degree. The proposed degree program is a high quality one that is consistent with the International Association for Management Education's master of accounting accreditation standards (see Appendix 1).

2. *Does Student Demand for the proposed program justify its development or expansion?*

<i>Year of Examination (Source: Iowa Accountancy Examining Board)</i>	<i>Total Number of Students Sitting for the CPA Exam in Iowa</i>	<i>Number of Students Graduating from ISU Taking Exam for the First Time</i>
1999	1341	75
1998	1188	66
1997	1149	78

The table indicates the potential demand for the master of accounting program. On average, 71 ISU students take the examination for the first time each year. In total more than 1,100 students a year take the CPA examination in Iowa. Every student taking the examination for the first time after January 1, 2001 is a potential applicant to a Master of Accounting program in Iowa since every one of them will need 150 credit hours of post-secondary education to receive his/her CPA license. The University of Iowa currently is the only Regent institution with a master of accounting program and its current enrollment is approximately 35 students. Projected enrollment for the SUI program is as high as 75-80 students after the 150 credit-hour law goes into effect. Even with the expanded demand from SUI, these statistics suggest potential student demand justifies development of a master of accounting program at ISU.

3. *Do adequate employment opportunities for graduates exist, and is it likely that they will continue to exist?*

Many of the students in the master of accounting program are expected to be employed by Iowa public accounting firms. Exhibit A of the master of accounting proposal lists the firms currently recruiting accounting students from ISU and who are expected to recruit students from the master of accounting program. The list contains over 60 employers representing a mixture of public accounting firms (where a CPA certificate is required for advancement) and corporations (where a CPA certificate is often a valuable credential). The firms found on this list indicate there will be strong demand for ISU master of accounting program graduates.

4. *In fields in which one university already offers a substantial program, but in which another university is proposing a new or expanded program, could the first institution reasonably accommodate the necessary expansion or would its resources and facilities be so taxed that such an expansion would reduce educational quality?*

As the table for question 2 indicates, an average of over 1,100 individuals take the Iowa CPA examination each year. Each of these is a potential candidate for the proposed master of accounting program. The University of Iowa currently has approximately 35 students in its master of accounting program and indications are that it could grow to accommodate 75-80 students a year. These statistics indicate that the SUI would be taxed to accommodate the necessary expansion. In addition, many students who may demand the proposed ISU master of accounting program as a way of fulfilling the requirements of the 150-hour law live in the Des Moines/Ames area. This area's distance from Iowa City would tax SUI's ability to serve these students. Appendix 2 contains letters from both the University of Iowa and University of Northern Iowa supporting the development of the ISU program.

5. *Would a comparable program development or expansion at the first university (see Point 4) require new capital construction producing a higher cost alternative to that proposal?*

A comparable program development at SUI would require hiring new faculty that duplicates those already available at ISU. The expanded program would require capital construction in the Des Moines/Ames area that duplicates those already at ISU. Therefore a comparable program development at SUI would produce a higher cost alternative to the proposed ISU master of accounting program.

6. *Would the proposed development enhance other programs already in place at the university?*

The proposed master of accounting program will enhance the current undergraduate accounting major. The undergraduate program now prepares students for a variety of careers in industry and in public accounting practice. Currently the academic requirements to sit for the CPA examination and to be licensed to practice in Iowa are a bachelor's degree and the appropriate hours in accounting. However, the passage of the Iowa 150-hour law, effective January 1, 2001, requires 150 hours of university credit for licensure as a certified public accountant. This law will create the need for additional course work beyond the baccalaureate. The proposed Master of Accounting program allows students to satisfy the state licensing requirements while earning an advanced degree and gaining additional expertise in accounting, communication, and related areas. Additionally, there are two other programs the proposed Master's degree would enhance. First, people in related majors, such as finance and information systems, could find that a Master's of Accounting degree usefully complements their undergraduate training. Secondly, people with non-business undergraduate degrees who want to enter the accounting profession would be more interested in a master's program than in returning at the bachelor's level. Such students would probably find the courses offered in the Master's program more suited to their level of maturity and upon graduation, the master's degree would enhance their earning potential over that of a second bachelor's degree.

7. *Is the proposed program consistent with the institutional mission statement?*

The proposed master of accounting program is a professional program designed to prepare students for the increasingly complex and technologically oriented public accounting environment. The proposed program is therefore consistent with Iowa State University's "strong commitment to graduate education that, at both the master and doctoral levels, emphasizes the development of professional, research, and scholarship skills" (Iowa State University Mission Statement, paragraph 2). Further, the American Institute of Certified Public Accountants recognizes that education beyond basic technical training is important not only to prepare CPAs for an increasingly complex business environment, but also to provide them with the skills and attitudes needed to continuously acquire new skills and knowledge. The proposed program not only enables students to develop the accounting profession's recently espoused core values and core competencies, but is also consistent with the University's mission of preparing students "for citizenship and life-long learning in a rapidly changing world" (Iowa State University Mission Statement, paragraph 6).

8. *Has it been determined that independent colleges in Iowa do not offer programs similar to those proposed and at comparable quality and cost? (Board of Regents Minutes, December 19-20, 1984, pp. 264-265)*

The only independent college in Iowa currently offering a master of accounting program is St. Ambrose University in the Davenport area. For the reasons given in question 5, the St. Ambrose program does not adequately service the Des Moines/Ames area. Drake University offers a master of business administration with a concentration in accounting. This degree program is part of an MBA program and so is not the specialized master of accounting degree proposed by ISU. Additionally, the table in question 2 indicates that there should be adequate demand from accounting students for both the Drake and the ISU program. Other independent colleges such as Simpson and Luther are potential sources of students for the proposed master of accounting program because these institutions have chosen not to offer accounting students with a graduate degree alternative to fulfill the Iowa 150-hour law's requirements.

Enrollment. The estimated enrollments for the next five years are:

	<u>2000/01</u>	<u>01/02</u>	<u>02/03</u>	<u>03/04</u>	<u>04/05</u>
Undergraduate	None	None	None	None	None
Graduate Majors	10	12	15	15	20
Graduate Students (non-majors)	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Totals	15	17	20	20	25

Iowa State University has provided the following additional information regarding its assumptions and evidence on projected enrollments:

The graduate student enrollment is based on current employment statistics for ISU accounting graduates (from the College of Business Placement Office), assuming that approximately half of the graduates currently choosing public accounting would enroll in the master of accounting program in year 2000. This is a very conservative estimate because it does not include graduates choosing corporate careers that might also pursue CPA certificate. Estimates beyond 2000 reflect the number of students ISU expects to attract from four-year colleges as well as a greater proportion of ISU students who might pursue graduate accounting education to enhance their careers.

For two reasons, the enrollment is expected to level off at approximately 25 students. First, ready employment exists for students with a four-year degree in accounting. Therefore, master of accounting will primarily appeal to those who are committed to entering a CPA-oriented profession. Second, the percentage of accounting graduates pursuing CPA certificates is not likely to increase under the 150-hour requirement.

Since the master of accounting program is proposed as a way for students to get additional relevant credit hours in response to the Iowa 150-hour law, one way to estimate enrollment in the program is to look at the number of students who sit for the CPA examination. The following information was taken from *Candidate Performance on the Uniform CPA Examination (1998 Edition)*.

Year	Number of students without advanced degrees sitting for the first time from University of Iowa	Number of students without advanced degrees sitting for the first time from Iowa State	Number of students without advanced degrees sitting for the first time from University of Northern Iowa	Total number of students sitting for the examination (some of these may be sitting twice in 1998 and twice in 1997)
1997	95	78	122	1,149

Iowa State would need to enroll less than half of the students who took the examination during 1997 to fill a class of thirty. The information for the University of Iowa is included in order to indicate that the potential demand of a master of accounting degree from University of Iowa students exceeds the expected size of the University of Iowa master of accounting program of 75-80 students. These numbers indicate that there is a need for a master of accounting program at all three Regent institutions.

Discussions with recruiters in the Des Moines area also provided insight into the expected demand for the ISU program. These recruiters indicate that public accounting firms in Des Moines hire approximately 35 new professional employees each year. After January 1, 2000, any of these who did not previously take the CPA examination would be potential candidates for the Iowa State University master of accounting program.

Costs. The estimated costs for the first three years of the program are zero. The ISU request states that only one new course would be added and that it is covered with the current faculty. The post-audit should clearly address the concern that no additional costs are used in the development of the program.

The ICEC and the Board Office have reviewed the proposal and recommend approval.

Charles R. Kniker

Approved:

Frank J. Stork

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