

Scandals put accounting on A list for students

By Ameet Sachdev
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Like most Americans, Moises Sanchez has shaken his head in disbelief at the scandals that have rocked the business world. But lately, the DePaul University MBA student and future auditor has found himself discussing an issue that never used to come up much in business education: fraud.

"I know that fraud will be an issue in everything I do in the future," said Sanchez, who is taking a new accounting course offered by DePaul this quarter on detecting and investigating business fraud.

"I want to gain experience on how to detect it and how to prevent it. It does have a huge impact on our economy, as we've seen," said Sanchez, who has an offer from Deloitte & Touche for an auditing job that starts in September 2003.

Sanchez and the students in his fraud-detection class are part of a trend sweeping the nation's business schools. Accounting classes—the nuts-and-bolts traditional variety, as well as specialized versions such as the one at DePaul—are suddenly in vogue.

In the wake of accounting scandals at Enron Corp., WorldCom Inc. and the criminal conviction of the Andersen accounting firm, corporate America's future managers have discovered it's more critical than ever to understand financial statements.

Although the manipulation of earnings typically wasn't covered in depth, many professors say they now are taking care to include examples of "cooking the books" in their teaching.

But interest also is up in general accounting, a discipline that most consider part of the foundation of business education. At the University of Chicago's Graduate School of Business, 270 students enrolled this fall in an elective course called "Financial Statement Analysis"—and increase of nearly 50 percent from a year ago.

A few schools, such as DePaul, have gone so far as to reshape their accounting



Tribune photo by Peter Thompson

Tom Golden, a professor at DePaul University, teaches accounting to MBA students. The school now offers a fraud-detection class.

curriculums because of the recent scandals. Some experts think it could be the start of the most significant change in accounting education in decades.

"The events of the last eight or nine months have served as a wake-up call," said Geoffrey Pickard, spokesman for the American Institute of Certified Public Accountants. "The institute and a number of people in academia have recognized that the curriculum hasn't kept pace with the demands of the marketplace."

The renewed interest in accounting classes has caught some school administrators by surprise. The 30 slots in the fraud-detection course at DePaul filled up within two days—much faster than anticipated, considering it is a new course and was put together in two months, said Ray Whittington, director of DePaul's School of Accountancy and Management Information Systems.

The idea for the course came not from academics but from three partners at Big Four auditor PricewaterhouseCoopers. Though auditors are not required to detect fraud under generally accepted auditing standards, the recent debacles have put the profession under intense scrutiny.

"The public believes auditors have these skills, but they don't," said Tom Golden, one of the three partners teaching the class and founder of his firm's Midwest division of investigations and forensic services. "We need to train them for this role."

Golden uses examples from his own investigations to teach students how to detect fraud. During a recent evening class at DePaul's Loop campus, Golden handed out copies of fake invoices that were part of an embezzlement case at the American Cancer Society of Ohio in 2000.

He asked students to spot the red flags

in the bills. When the class was slow to respond, he chastised them.

"Hello?" he yelled. "You guys are all thinking like accountants, and that's OK. That's because most of you are."

When Golden pointed out that many of the invoices don't have the vendor's phone number printed on them, the students shake their heads in disgust for missing the suspicious sign.

"I'm a CPA, and they don't teach you this stuff in traditional accounting courses," said Chuck Blazeovich, a controller at Motorola Inc. who took the course because of its timeliness.

Unlike DePaul, most business schools are not rushing to reshape their curriculums in response to the recent scandals. But that doesn't mean change isn't afoot.

The CPA institute has started talking to universities and textbook authors about finding ways to improve fraud-detection education. And accounting professors who aren't making wholesale changes are tweaking their courses to make them more current.

Abbie Smith, a University of Chicago accounting professor who is teaching "Financial Statement Analysis," plans to spend more time discussing corporate governance processes and how they can be indicators of financial-reporting risks.

"I'm writing an assignment for my students on WorldCom," Smith said. "I hit them with that one before we get to the topic of manipulation of numbers."

Krissy Kern, a second-year U. of C. MBA student, appreciates the new focus.

"I'm not a big finance geek, so I came in planning to avoid as many finance courses as possible," she said. "But recent events definitely highlighted the importance of all managers being able to understand financial statements."