



The Department of

Accounting

Jim Wahlen

CHAIR OF THE
DEPARTMENT OF ACCOUNTING

Dear Friends of the Accounting Department,

Hello! Warm greetings from the wonderfully hot and beautiful campus of IU-Bloomington. In this newsletter you will be introduced to some outstanding new accounting faculty members, learn about some of our major accomplishments, and hear about some ongoing initiatives. As faculty, alumni, recruiters, supporters, and stakeholders of the Accounting Department at the Kelley School of Business, we have so much for which we can be proud and grateful.

For starters, we had another incredible year in hiring some great faculty colleagues – six in total! Ken Merkley had been on the accounting faculty at Cornell, after getting his Ph.D. at the University of Michigan. We are delighted he joins our team as a tenured associate professor. We were fortunate to also hire two new tenure-track assistant professors. We are joined by Yadav Gopalan, who is earning his Ph.D. in accounting from Washington University in St. Louis, after spending six years at the Federal Reserve. We are also joined by Joe Burke. Joe gained extensive professional experience with Deloitte in Denver and is earning his Ph.D. in accounting from the University of Illinois. Greg Geisler joins us as a clinical professor, specializing in tax. Greg got his Ph.D. at UNC and has been on the faculty at the University of Missouri–St. Louis for the past 15 years, where he recently won the university-wide Chancellor’s Teaching Excellence Award. Last but by no means least, we are also joined by lecturers Shaun Fleener and Katie Metz. Katie was an international tax consultant with Grant Thornton in Chicago and has been a senior lecturer in our CPCS group for the past seven years. Shaun has extensive experience in corporate accounting and is an excellent instructor of managerial accounting.

As a department, we were very successful in the classroom and in research. Members of our department again received over 20 nominations for Kelley and IU teaching awards. In the past year we were again very productive in research. Our faculty colleagues published roughly a dozen articles in top-tier accounting research journals and have developed a large portfolio of very promising working papers being presented at top conferences and being considered for publication at leading journals. We also were delighted that one of our Ph.D. students, Jessie Watkins, had great success in the faculty job market with interviews at 13 different universities. She happily accepted a faculty position at the University of Notre Dame, her alma mater!

This spring we held our second Accounting Alumni and Friends Recognition Banquet, in the new Prebys Career Services Center. We were delighted to be joined by roughly 125 alumni, friends, and faculty. We were also very pleased to honor David Pearson ('59, '61 and '64) with the Lifetime Achievement Award, as well as a number of other outstanding honorees.

As always, I am humbled and honored to serve as the chair of such an incredible group of faculty, delivering programs for outstanding students, and (hopefully) making our alumni, recruiters, and other stakeholders very proud of Indiana University, the Kelley School of Business, and the Accounting Department. Much of the success we enjoy is attributable to the support we receive from our generous stakeholders. Our success is also attributable to the dedicated and tireless efforts of our Department’s office staff. Day in and day out, Gina Rogers, Christy Settle, and Jennifer Weideman work so hard to enable the faculty and students to succeed.

As always, thank you for all of your support.

Jim Wahlen

James R Hodge Chair of Excellence



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Midwest Accounting Research Conference

In June, the Accounting Department hosted the 14th Annual Midwest Accounting Research Conference (MARC) at the new Conrad Prebys Career Services Center. MARC is a consortium of ten universities that holds an annual summer conference to present and discuss state-of-the-art accounting research, and to facilitate academic networking and collaboration among accounting faculty and Ph.D. students for the member institutions. The conference was successful thanks to the efforts of the planning committee of David Farber (Indianapolis), Joe Schroeder (Bloomington), and Bridget Stomberg (Bloomington). The MARC was also made possible by the generous support of our friends at PwC.

Each year the host university selects six outstanding early-stage academic papers that will benefit from the collective feedback of MARC. “The caliber of research is extremely high. Routinely, the authors presenting papers take the feedback from the conference and improve the papers so they can be published in leading accounting journals,” says Schroeder. “The research at this conference will make an important impact on academics, regulators, and practitioners.

The MARC has also proven to be a tremendous networking opportunity for Ph.D. students with many ultimately accepting their first appointments at other MARC member schools. “My first academic conference was in 2008 when I was entering the Ph.D. program at MSU, and IU hosted the MARC,” says Schroeder. “Over the next five years, I built relationships that led me to take a position as an Assistant Professor at IU.”

Eric Holzman, a 2017 IU graduate, took a job at the Ohio State University (a MARC school), and presented a paper this year at MARC. “As a doctoral student at IU, I enjoyed attending the MARC every year because it was a tremendous opportunity to meet fellow doctoral students and top researchers across the Midwest conducting innovative and new research,” says Holzman.

Kelley faculty were honored to host the MARC this year and share the beauty of Bloomington, the IU campus, and the Kelley School of Business. “It was great to have our friends visit us this year!” says Schroeder.

The MARC Consortium of Universities:

Illinois	Iowa	Michigan State	Minnesota	Notre Dame
Ohio State	Penn State	Purdue	Wisconsin	Indiana (Bloomington & Indianapolis)

Papers Presented in 2018:

Illinois: Wei Zhu, “Target Difficulty and Corporate Risk Taking”

Indiana: Ayung Tseng, “Asymmetrically Timely Response of Earnings to Industry Volume Shocks”

Minnesota: Joshua Madsen, “Economic Consequences of Risk and Ability Disclosures: Evidence from Crowdfunding”

Ohio State: Eric Holzman, “Who’s on the Hot Seat for an SEC Investigation and How Do They Respond?”

Penn State: Biqin Xie, “Offsetable Derivative Exposures and Financial Stability”

Purdue: Kevin Koharki, “Determining Credit Risk Using Qualitative Disclosures”



Professor Rogo discusses the paper “Determining Credit Risk Using Qualitative Disclosures”

Faculty Spotlight: Jamie Pratt

I have mixed feelings that I will teach my final class in the fall. Forty-four years ago, as a first-year IU doctoral student I stood nervously behind the podium at the front of my first classroom. To be honest, I hardly knew any accounting (two courses as a Purdue undergrad), but in a backwards sort of way it made me a decent teacher. At least I could empathize with the students, who were but a few years younger than I. The night before I would learn the very concepts they were trying to learn that day! Indeed, I knew exactly what they were going through.

So much has happened since. During my four years as a doctoral student, not only did I struggle through the requisite academic studies, including a nerve wracking oral final exam, but I also taught six different courses. I learned accounting standing next to the blackboard. In fact, I learned enough about the mechanics of accounting during my stint as a doctoral student that one of my early accomplishments in Seattle, where I started my career at the University of Washington in 1977, was to pass the CPA exam. I'm not sure why I bothered since I never intended to practice accounting, but somewhere I have a document that proves it.

The next 13 years, spent cheering on the Husky football team, the Seahawks and the Sonics in the misty evergreen world surrounding Puget Sound with a Mount Rainier backdrop, were delightful and eye opening. The first week in my new office I watched a guest seminar delivered by Joel Demski, one of the great accounting analytic thinkers. I have never in my life felt more like a dog watching television (eyes moving back and forth but not much registering upstairs). I guess that surviving in the world of academe required a bit more than being able to pass the CPA exam. My wife, Kathy, who also was in the throes of a new career of her own at Price Waterhouse (not PwC yet), understood what I was going through. We were in it together, and our total annual income was a whopping \$29,000, as much as we could ever hope for.

Great and lasting friendships developed over common interests that included not only joint professional projects but also mountain hikes, jogs through forest trails, and just plain fun. Tenure came without too

much stress, and major life-changing events highlighted a wonderful 13 years, including a coming-of-age, 18-month sabbatical at the Banking Institute at the University of Zurich, the birth of two boys (Jason and Ryan), a year-long visit to Northwestern, and ultimately promotion to full professor.



About that time, 27 years ago, something clicked inside, saying it was time to head back to our roots. We settled into our Bloomington residence, traded in purple and gold for cream and crimson, and rolled up our sleeves ready to work with Jerry Salamon and other accounting faculty to make the accounting department really something special. The ingredients were all there—excellent accounting firm and industry support, faculty willing and able to work hard, and a strong business school and university.

That was 1990 and now a huge number of great faculty hires later, the accounting department is, indeed, something special. An unbelievable sequence of outstanding Department and Program Chairs—people who understand research, excellent teaching, and what it takes to grow a great Department—have overseen the creation and maintenance of world-class undergraduate, MSA, and Ph.D. programs as well as a one-of-a-kind 3/2 MBA program. The research environment created by the faculty and its publication success is respected and admired across the globe, and outstanding teaching is the norm. It is little wonder that so many of our graduates have gone on to make huge contributions.

My priorities have now shifted a bit from dealing with reviewer reports and talented students to a lengthy list of activities just as important but not quite as pressing—like figuring out with my grandson (fathered by my third son Dylan) how to piece together a train track. I'm not sure how good I'll be at it, but I'm ready to give it my best shot.

New Faculty: Ken Merkley

Ken Merkley comes to Kelley as an associate professor of accounting. Joining him are his wife, Andrea, and their children, Joseph (13), Elizabeth (11), Maddie (8), and Kate (5). Both Ken and Andrea grew up near Salt Lake City, Utah, at the foot of the Rocky Mountains. As a family they enjoy traveling, bird watching, and studying wildlife. They also like sports, music, and outdoor activities.



“We’re excited to take in all that Bloomington has to offer,” says Merkley.

Prior to joining Kelley, Merkley served on the faculty of the Johnson Graduate School of Business at Cornell University, where he was a notable teacher and researcher. In 2014, he was named by *Poets & Quants* one of the top 40 business school professors under the age of 40. He received his Ph.D. from the University of Michigan and a Master’s degree in accounting from Brigham Young University. His research focuses on the role of information in capital markets. He specializes in examining corporate financial communication decisions and the influence of corporate disclosures on capital market participants, such as investors and financial analysts. He has taught introductory financial accounting, intermediate financial accounting, and financial statement analysis and will teach intermediate financial accounting at IU this fall.

“I feel truly fortunate to be able to join Kelley and IU at this time in my career,” says Merkley. “I look forward to continuing my teaching and research interests in a job that I love in a fantastic place.”

Greg Geisler

Greg Geisler is a Clinical Professor of Accounting who will be teaching courses on Income Taxation, both face-to-face and online to MSA students, as well as a course on “Taxes and Your Wealth.”



Geisler has written about the tax-efficient rank ordering for investing and paying down debts, how health savings accounts can lead to greater wealth than an employer-matched 401(k), and the Social Security benefits “tax torpedo,” which is when social security benefits become taxable at effective federal marginal tax rates of 40.7% and even 49.95%—something that impacts several million retirees every year. Geisler has also tackled how investing in stocks inside retirement accounts and investment-grade taxable bonds outside is surprisingly tax-efficient.

At his former institution, the University of Missouri-St. Louis, Geisler won the Governor’s Award for Teaching Excellence and the Chancellor’s Teaching Excellence Award. He holds a Ph.D. in Business from University of North Carolina-Chapel Hill, an MBA from University of Pittsburgh, and a Bachelor’s degree in Accounting from Notre Dame. Before entering academia full-time, for five years he was a practicing CPA working in public accounting in Pittsburgh.

Sixteen years ago, Geisler came to IU as a Visiting Assistant professor where he taught now-retired Professor Jerry Stern’s taxes and investments material.

“That one year inspired me to focus on how taxes impact financial planning,” says Geisler. “I’m excited to return to campus full-time with my wife, Sheila, and our 21-year-old daughter, Lilly. We’re all looking forward to becoming part of the accounting faculty community at IU’s Kelley School of Business.”

New Faculty: Yadav Gopalan

Yadav Gopalan joins the Kelley faculty from Washington University in St. Louis, where he recently completed his Ph.D. in Accounting. His dissertation examined how banks changed their reporting and operating policies after regulators revealed previously hidden regulatory ratings.

Before starting his Ph.D. program, Gopalan worked as a bank regulator for nearly six years during the financial crisis at the Federal Reserve Banks of Atlanta and St. Louis.

“These experiences were instrumental in forming my research interests in banking, credit ratings, and debt contracting,” says Gopalan. He graduated from Michigan State University with a B.S. in Economics and a minor in German and took evening classes at Washington University to attain his M.S. in Finance while working for the Federal Reserve.

Aside from his academic pursuits, Gopalan is an avid traveler and has backpacked throughout Europe multiple times, studied abroad in the Netherlands, and worked in Belgium and South Korea. He’s also an avid weight lifter and squash player.

“I look forward to getting settled in Bloomington and working with fellow faculty and students from different parts of the world,” says Gopalan, who will teach Intermediate Accounting II in the fall and looks forward to cheering on the Hoosiers at football and basketball games.



Joe Burke

Joe Burke was born and raised in the pine-covered mountains of Prescott, Arizona, where he developed a love for the outdoors. Burke enjoys camping, running, backpacking, hiking, fishing, golfing, or any outside activity.

“Every summer since I was three years old, my dad has taken me and my siblings to remote mountains in Colorado for two weeks of camping, fly fishing, and hiking,” says Burke, who comes to Bloomington with his partner, Marion, also a CPA and lover of the outdoors.

After receiving his undergraduate and MBA degrees from Northern Arizona University, Burke started his professional career with Deloitte in Denver, specializing in SEC Midstream Oil and Gas. Though he adored auditing and living in the Rockies, he moved to the Midwest to obtain his Ph.D. at the University of Illinois at Urbana-Champaign where his research primarily used laboratory experiments to examine topics within managerial accounting. His dissertation examined how the social dynamics at a firm (i.e., the strength of the relationships among employees) influences the effectiveness of employee recognition programs.

During his Ph.D. program, Burke had many opportunities to interact with IU faculty, including visiting IU for the inaugural Hoosier Accounting Research Conference.

“Each interaction left me more impressed with IU and more excited about any opportunity to become a Hoosier,” says Burke. “With the amazing institution, beautiful city, and incredible people we ended up exactly where we hoped to be and could not be happier about becoming part of the IU and Bloomington community.”



New Faculty: Shaun Fleener

Shaun Fleener was born and raised in Bloomington, Indiana. After graduating from Bloomington High School South, he attended Indiana University, majoring in English due to his passion for reading and writing.

“My plan was to obtain a Ph.D. in English, teach, and write books,” says Fleener. However, a beloved English Professor warned Fleener of the dangers of becoming a full-time professor and implored him to change career paths. Ultimately, he received a Bachelor’s degree in Accounting from IU in 1993, then joined the Quaker Oats company in Chicago, Illinois, as a cost accountant. His accounting career led him to various positions, primarily in Cost Accounting.

“I have over 20 years of experience in cost, and I truly love it,” says Fleener. Most recently, he held senior executive roles for Hillenbrand Industries as the Director of Supply Chain Finance and Circle K convenience stores as the Director of Operations Accounting. Fleener received an MBA from Kelley in 2000 and has accumulated multiple certifications.

Fleener worked in Indiana University’s Dean’s office as the Director of Financial Analysis before being asked to teach Cost Management in Fall 2017.

“It only took one class for me to realize my true passion is teaching,” says Fleener, who has found that moving back to his hometown has proven fruitful in multiple ways. Not only has he landed a dream job also reconnected with his high school sweetheart, Tonya, an IU employee as well. She has a son at IU, and Fleener has two daughters: Carly (17) and Kara (16). All are huge IU sports fans. “I love being back in Hoosier nation,” says Fleener.



New Faculty: Katie Metz

Katie Metz joins the accounting faculty from Kelley’s Communication, Professional, and Computer Skills (CPCS) department, where she instructed business presentation skills, business writing, and global business electives for seven years. She received her undergraduate degree from the Kelley School of Business with concentrations in Accounting and Marketing, and she received her MBA in International Business with a focus on international economics and accounting from Loyola University Chicago—“my basketball school!” says Metz.

Prior to joining the Kelley faculty, Metz worked as an international tax senior associate at Grant Thornton in Chicago, working on both the compliance and consulting sides and specialized in transfer pricing.

“My work focused intercompany cross-border transactions, predominantly focusing on consulting and compliance between my U.S.-based clients and OECD member nations, Brazil, and China,” says Metz, who joined the Accounting faculty full-time after serving in an adjunct role for the department since 2014. She will continue teaching a variety of courses for the department, primarily in the areas of intermediate managerial accounting, introductory and intermediate financial accounting, tax, and global business accounting.

“I genuinely love teaching and am looking forward to helping my students apply accounting topics to their own skills, interests, and experiences,” says Metz.

Married to Galen Clavio, an Associate Professor of Sports Media and the director of the National Sports Journalism Center here at Indiana University, the couple has two daughters: Eris (3) and Sienna (8 months) and a golden retriever puppy named Nelson. In addition to being an avid fan of most sports, Metz enjoys cooking and hosting gatherings of friends and family, reading science fiction, and traveling to southern Italy.



Accounting Ph.D. Student Placement: Jessie Watkins

A “Double Domer,” Jessie Watkins earned her Bachelor’s degree and Masters of Science in Accountancy at the University of Notre Dame. Prior to entering the Ph.D. program at Indiana University, Watkins worked in public accounting with PwC in their Indianapolis office. While sad to leave Bloomington, Watkins and her husband, Andrew (also an alumnus of Notre Dame) are excited to return to South Bend, where she will be an Assistant Professor of Accountancy in the Mendoza College of Business.

“I am incredibly grateful for my time as a doctoral student at IU and for all the guidance and support I received from the faculty and my fellow doctoral students. IU has provided me with the tools needed to be both a strong researcher and teacher,” says Watkins. “I can’t imagine a better doctoral experience than the one I had at Kelley.”

Watkins’ research centers on the use of accounting information by capital markets participants. Specifically, her research examines how disclosure attributes, including timeliness, detail, and presentation format, affect capital market participants’ use of the disclosure, as well as whether and under what conditions market participants use financial information efficiently. Her dissertation examines the consequences of the tradeoff between required disclosure timeliness and the level of detail of firms’ mandatory disclosure of material events.

“My teaching interests are in financial accounting,” says Watkins. “I’m particularly looking forward to teaching the introductory financial accounting course at Notre Dame, which is often the first exposure students get to accounting.”

Watkins and her husband are happy to be moving to a city that will be close to family and friends and one that will allow them to make the occasional visit back to Bloomington. They are also looking forward to being season ticket holders for the Fighting Irish football team.



Teaching Highlights

Indiana University Trustees Teaching Awards

(all nominees listed; award recipients shown in bold)

Joe Pacelli **Geoff Sprinkle** Bridget Stomberg Jim Wahlen **Teri Yohn**

Other Teaching Awards:

Andrea Astill and **Joe Schroeder** received the 2017-2018 Kelley School of Business Innovative Teaching Award. Astill and Schroeder developed a new module using big data analytics tools in auditing courses in our curriculum.

Terry Campbell won the 2018 Tom Bowers MSA Faculty of the Year Award

Jamie Pratt won an MBA Program Teaching Excellence Award

Sonja Rego received the 2018 Kelley School of Business Service Award

Joe Schroeder received the Sauvain Teaching Award

Jessie Watkins received the award for Most Outstanding Doctoral Student

Dan Way received the Panschar Award for Associate Instructors

Vivian Winston won the Alpha Kappa Psi Legacy Award

Teaching Presentation:

Anita Morgan and **Bree Josefy** presented a roundtable discussion titled “Using the FASB Codification in Intermediate Accounting” at the 2018 AAA Teaching Learning and Curriculum Section in Washington, DC. Morgan and Josefy provided guidance on incorporating the FASB Codification using a case study component, with short in-class demonstrations and discussions throughout the semester. The case study component strengthens students’ abilities to identify applicable standards in the Codification, apply the standards and communicate effectively and professionally to a client.

News from Graduate Accounting Programs

Graduate Accounting Programs (GAP) had another great academic year during 2017-2018. In May, IU conferred degrees to 40 students from the 3/2 Accounting Master of Business Administration (MBA) program, 28 students from the Master of Science in Accounting (MSA) program, and one student in the joint MSA/JD program. Although our enrollments have been below capacity for the last few years, we have reversed this trend, and have seen solid increases in both of our programs. Specifically, in Fall 2018, we have 56 students beginning the second year of the 3/2 MBA program, expect 54 students to start the first year of the 3/2 MBA program, and expect 69 students to enroll in the MSA program. This means, across all of our programs, we've seen more than a 50% increase in student enrollments compared to two years ago.

The increase in MSA enrollments can be attributed to improved outreach to students and parents at a much earlier stage of academic involvement at IU and Kelley. There's also a new requirement that all MSA students complete at least 4.5 credit hours of data-analytics-related coursework in spreadsheet modeling, enterprise data management, and data mining/predictive analytics.

This curriculum revision is a direct result of our continuing dialogue with our key employers who have indicated that future hiring will be contingent on students possessing data management, processing and interpretation skills. These data analytics courses are also available to students in the second year of the 3/2 MBA program. We will also continue to work to integrate data-analytics-related content and concepts into our accounting, auditing and tax courses. We understand the importance of continuing to improve the content and quality of our programs to provide our graduates with the tools necessary for career success and to foster in our graduates an attitude of seeking opportunities for continuing development.

Finally, GAP will be celebrating the 20th anniversary of the 3/2 MBA and the MSA programs. Spring 2019 is the 20th anniversary of the first graduating classes of both programs. We will be hosting additional events and conducting special alumni outreach during the year, so GAP alums should stay tuned for updates on GAP's social media feeds.

As always, we welcome continuing dialogue with our alumni, students, and friends. If you would like to discuss any element of our programs, e-mail the GAP Director, Gretchen Handlos (ghandlos@indiana.edu), and/or the GAP Chairperson, Pat Hopkins (peh@indiana.edu).

Exploring Options & Fulfilling Dreams Via the FASB PTA

The Financial Accounting Standards Board (FASB) sponsors a one-year postgraduate technical assistant (PTA) program for individuals who are planning a career with an emphasis in accounting. Darien Williams, who graduated from the 3/2 MBA Program in May 2018, was selected for the internship and began the program in July.

"I want to help prevent the next Enron, but mostly I want to leave a lasting and positive impact on 'everyday' people," says Williams. "When I realized that accounting had the ability to shape the financial world, I knew I wanted in on the action so that I could help defend and educate those who do things like invest their entire retirement savings simply based on what they read in the news."

Professor David Greene was instrumental in preparing Williams for the internship through his "Career Success Skills" in the first year of the 3/2 program. "In that class, Professor Greene forced us to reflect on who we are and what motivates us," says Williams, "Professor Greene exposes us to all different types of jobs from auditing, tax, and investment banking to something as unique as working with the FASB."

Though Williams has been told that the traditional path following the conclusion of the PTA experience is to go into an accounting advisory role, he's unsure of what his future holds. The only thing he is certain of is that he will chase his dreams in hopes of making his younger sister, Miyah Byers, proud. "She is my inspiration for striving for greatness" says Williams, whose favorite quote is from Isaac Newton: "If I have seen further, it is because I am standing on the shoulders of giants."



Ride of a Lifetime: IU Accounting Alum Courtney Bishop Starts First African-American Competitive Cycling Team in U.S. History

by Christy Heitger-Ewing

When Courtney Bishop (IU, '90) first arrived on Indiana University's campus in 1985, he couldn't decide whether to pursue a career in medicine or business. A 4:04-mile track star from upstate New York, Bishop ultimately became an accounting major. From the start he was prepared to tackle the academic rigor of an accounting degree. There was one thing, however, that he wasn't expecting.

"Out of 2,200 students in the business school, I was one of three African-American students and the only black accounting major," says Bishop. Though the divide seemed unnerving at times, an affable Bishop made friends and ultimately made history.

It all started in 1986 when he joined the Acacia fraternity house, which had a tradition of performing well in the annual Little 500 bicycle race. Bishop grew close to the guys on the bike team. As he watched his buddies train, he noticed that there were no black students riding or even congregating in the stands.

"I knew the only way to get black students to the race was to form a black team," says Bishop, who graduated soon thereafter, landing a job as an auditor for Coopers and Lybrand (now PwC) before returning to Bloomington in 1992 to pursue post-graduate studies. That's when he revisited his dream and assembled a four-man African-American cycling team. Though they finished last, Bishop was proud that they'd given it the ole college try. Then in 2000, IU administrators called Bishop and asked him to put together another African-American team. Bishop assembled an eight-man team, which garnered national attention and even sponsorship from Nike.

"We were the first competitive African-American race team in the country so people came from all over to watch," says Bishop. "In 2002-2004, the crowds were epic in terms of minority students."

When he coached his cycling team, he implemented the same training regimen that had served him well in track. "I never understood guys who darted straight to the front right from the jump," says Bishop. "As a miler, I'd never stick my nose into the wind."

Over the years, Bishop has coached cross country and track at Butler as well as football and track at Avon High School. "I'm always coaching someone, somewhere," says Bishop.

Bishop takes an interest in youth because years ago, two of his IU professors did the same for him. Both Mike Tiller and Mike Groomer took the time to nurture and support Bishop. For example, once when Bishop was overwhelmed by life's responsibilities, he talked to Professor Groomer.

"His empathetic attitude stayed with me because a huge part of coaching is listening," says Bishop, who currently lives in Whiteland, Indiana, with his wife Jennifer, their children Jacob (16), Conner (10), and Abigail (8).

Bishop is a self-taught guitarist who played with several bands in the 90s and now works at a company called Presto-X as a regional account executive. He still coaches both men's and women's teams for the Little 500 as well as track at Pike High School.



Giving Support, Gaining Skill: MBA Students in Guatemala & India

The Global Business and Social Enterprise (GLOBASE) program helps small businesses in developing countries by sending groups of MBA students to offer free consulting services in the areas of marketing, finance, strategy, and operations. The class meets weekly at Kelley throughout January and February discussing topics such as consulting project development, cultural, political, economic development, and travel/safety issues. The student project teams also work with their clients during this time via Skype, developing insights into problems and opportunities the clients are facing. The consulting teams then travel to the developing country for a week in March to work intensively and directly with the clients to deliver and help implement consulting recommendations.

This year Professor Brian Miller led a team of 25 first-year and 4 second-year MBA students to Guatemala where they worked with Groupos Gestores, Laboratorios Alvarez, Pasteles Magycos, Food Machine, and MMG Marketing Agency. Student Abi Ajayi says she gained a wealth of experience from the real-life consulting project by working with a diverse group of students. "As an aspiring Product Manager, I realized that the tool we proposed for our client would be of great use for me in the near future," says Ajayi. Student Saul Vaca says that GLOBASE Guatemala exceeded his expectations. "I worked with a phenomenal group of peers who complemented each other perfectly over the 7-week course. Our diverse skill sets allowed us to deliver high-quality work to our client in country," says Vaca. "I'm most grateful, however, for the opportunity to learn from our client who exemplified the qualities I hope to have as a future business leader."

Students came away with a new perspective on the positive impact that they can have on society by working on real issues that affect real people.

Professor Joe Fisher took a group of 20 first-year and 4 second-year MBA students to India. After the intensive week of consultation, the project ended with client presentations on Friday.

One of the clients was called Happy Horizon Trust (HHT), a small start-up non-governmental organization that trains young females to teach short courses to rural elementary students. These students live in extremely impoverished areas with severe educational challenges. "Two student groups worked with HHT. One group helped to improve organizational structure. In particular, they consulted on setting up a Board of Directors and including more Indians in the structure," explains Fisher. "The second group focused on financial control, especially improved budgeting systems."

The weekend following the client presentations, students enjoyed the country's culture. Fisher's group visited the Taj Mahal as well as important cultural sites in Delhi such as the Red Fort, the President's House, and Old Delhi.

"We went on a bicycle rickshaw ride," says Fisher. "That was wild!"



GLOBASE India Project Team



GLOBASE Guatemala Project Team

Real-World Experience Equals Real Learning for GAP Students

by Christy Heitger-Ewing

Once again, the Jim Grandorf Field Consulting Projects (the A569 course) provided invaluable experiences for the Kelley Graduate Accounting Program (GAP) students. The A569 Learning Lab program enables students to work in teams with a variety of organizations, including non-profits, government organizations, small start-up companies, and global firms. Students gain real-world consulting experience using research-based strategies to help local organizations improve their business models. BKD sponsors the program and an annual awards banquet to honor the top three teams. This year students worked for a wide variety of organizations, including Eli Lilly, Big Brothers/Big Sisters, the Crane Naval Center, Bellwether Education Partners, and the Bee Corp. The Crane team won top honors and Kelley's Dean Kesner received a letter of appreciation for the team's great work from the Pentagon's Office of the Under-Secretary of Defense.

"The A569 field consulting course provided a great opportunity to apply the skills developed throughout my Kelley experience in a real-world setting," says Matt East, a member of the Bellwether team. "Working side-by-side with other students, we met the needs and challenges of clients facing pressing business issues."

Brandon Crowley, member of the Big Brothers/Big Sisters team, appreciated the chance to stretch his wings beyond the classroom. "I loved the fact that we got to work on a project that wasn't just for a grade but actually had a meaningful impact on our client and the Bloomington community," says Crowley.

The field study projects (A505) were also wildly popular as 3/2 MBA students tackled real-world issues during five- to seven-week unpaid internships in locations including Bloomington; Chengdu, China; Taipei, Taiwan; Hanoi, Vietnam; London; Bucharest, Romania; and Warsaw, Poland. Projects ranged from helping entrepreneurs to auditing projects, providing profitability analyses, valuations, process improvements, and strategic analyses.

Students raved about the exceptional experiences the program provided:

"A505 helped diversify my background in the accounting profession."

"I learned to adapt to a new environment with different accounting standards."

"I developed my 'Global Acumen,' which will help me develop as a complete PwC professional."

"I developed a deeper knowledge of the current and future state of Robotics Process Automation in the business environment that will allow me to see potential areas for automation at a corporation."

"I acquired valuable experience working with client deliverables in the risk consulting field during a period of severe malware-ransom cyberattacks taking place across the UK."

Next year is shaping up to be exciting as well as the department seeks more projects in Warsaw, Taipei, Hanoi, Chengdu, and other interesting sites.

For more information about these courses, contact Pat Hopkins (peh@indiana.edu), Terry Campbell (terrcamp@indiana.edu), or Chris Cook (cookchs@indiana.edu).



Jim Grandorf Field Consulting Project Champions with faculty advisor Bree Josefy (second from R)

Accounting Alumni and Friends Recognition Banquet

The Accounting Department held the second Accounting Alumni and Friends Recognition Banquet on Thursday, April 12, 2018, in the newly dedicated Prebys Career Services Center. In addition to recognizing the accomplishments of the award winners, the evening allowed approximately 125 alumni to reconnect with faculty, students, Kelley, and IU. We would like to thank our generous supporters of this event, including Crimson level support from Cummins, EY, Deloitte, Grant Thornton, and KPMG, and Cream level support from PwC and Protiviti.

At the banquet, we recognized outstanding alumni in six categories: Lifetime Achievement, Professional Excellence, Four Under Forty, Outstanding Friend of Kelley, Academic Excellence, and Community Service Excellence. The following articles highlight some of the remarkable accomplishments of this year's honorees.

The next Accounting Alumni and Friends Recognition Banquet will be held in April of 2019, on the Bloomington campus. Please nominate Kelley Accounting Alumni and Friends for consideration for recognition (self-nominations are welcome). Nominations can be made via the following link: <https://kelley.iu.edu/Accounting/news/newsItems/page53620.html>

We look forward to seeing you at the next Accounting Alumni and Friends Recognition Banquet!



Recognition Spotlight: Lifetime Achievement—Dave Pearson

by Christy Heitger-Ewing

When Dave Pearson (IU, '59, '61, & '64) learned that the Kelley School of Business Accounting Department was giving him the Lifetime Achievement award, he smiled and thought back to where it all began. He was in seventh grade when his mother said to him, “I think you’d make a good CPA or tax attorney,” recalls Pearson. “At the time, I had no clue what that meant, but from that point on, whenever somebody asked me what career I was going to pursue, I responded, ‘CPA or tax attorney,’” says Pearson.

He committed to going to Stanford University without realizing he couldn’t major in Accounting there. “Shows you how selective I was in picking a school,” he says. Then one day a friend of his father informed him that Indiana University was the best place in the country to study accounting. That’s all he needed to hear. “I came to IU, sight unseen, without knowing a soul,” says Pearson, who decided during his senior year to pursue an MBA in accounting as well. Oh, how things have changed since Pearson first walked the halls at IU.

“It’s night and day,” he says. “Back when I was a student, the accounting and auditing standards were less than an inch thick, combined. I just got a ruler and measured them on my bookshelf. The accounting, auditing, and related standards are now 20 inches thick.” He also points to how the industry is now regulated. “When I was at IU, there was literally no regulation,” says Pearson, who met his late wife, Louise, in the fall of 1961, when they took a macroeconomics class together in Ballentine Hall. Louise excelled at shorthand but had no comprehension of formulas so they worked out a deal that she would take notes and type them up while he jotted down the formulas and explained them to her. Though love bloomed, their plan fell short. “In her shorthand, Louise kept missing the word ‘not,’ which led to a few problems on the final exam,” says Pearson.

The pair married on August 15, 1965, and later had two children, Marie and Douglas.

Pearson was a teaching assistant and faculty lecturer at IU before becoming an adjunct professor at Columbia Graduate School of Business as well as a Professor of Practice at Case Western Reserve University. Retired from Ernst & Young, Pearson is currently an adjunct professor at Washington University in St. Louis. A self-described workaholic, even at 80, Pearson stays busy teaching and working as a consultant on the Public Company Accounting Oversight Board. He does, however, find time to go swimming and take in some Cardinals games.

Pearson encourages those who are currently pursuing an accounting degree to “find something you’re passionate about in order to reach your full potential.”

He also suggests standing up for what you think is right, no matter how unpopular, but be prepared to withstand the pressure and criticism that will surely follow.

“Having said that, if other people demonstrate you that you’re wrong, be willing to back off,” says Pearson, who recalls his seven years on campus as wonderful.

“IU did an excellent job of preparing me for my careers,” he says. “I’m deeply indebted to IU.”



Recognition Spotlights

by Christy Heitger-Ewing

Outstanding Friend of Kelley: John Barna

John Barna (IU, '54, '58) is a retired partner with KPMG. Upon graduation, Barna joined Price Waterhouse and seven months later was drafted into the U.S. Army where he served for two years in the Army Finance Corps. He returned to Price Waterhouse for another short stint before coming back to IU to earn his MBA. He became a partner at Peat Marwick in 1963. He worked in Chicago and LA, specializing in auditing banks and financial institutions and retired in 1993. A loyal and generous supporter of Kelley, he created the John Barna Faculty Fellowship.



"I have a deep sense of gratitude to IU for the education I received and the career opportunities created," says Barna.

Four Under Forty: Nicole Cammarota

Nicole Cammarota (IU, '01 & '04) serves as senior counsel with the IRS. Following graduation, Cammarota joined the Office of Chief Counsel, Department of Treasury in NYC, where she served as the Fraud and Whistleblower Coordinator. In 2009, she represented the office of the chief counsel at Her Majesty's Revenue and Customs in London. Two of her proudest accomplishments include receiving the Younger Federal Lawyer Award (one of only five in the entire U.S. Federal Government) and working on implementation of FATCA (Foreign Account Tax Compliance Act).



Four Under Forty: Timothy Daniels

Timothy Daniels ('08) is the Chief Operating and Financial Officer at Accurate Biometrics, one of Inc.'s 5,000 fastest-growing companies. During his tenure and leadership, Accurate Biometrics has become one of the leading fingerprinting & identity service companies and serves more than 40 major federal, state, and city programs. Daniels loves giving back as a volunteer program leader at Chicago Cares, a peer advisor at Chicago Booth's Entrepreneurial Roundtable, a market leader at Kelley School of Business Alumni Association, and an alumni Board Member and Advisor of Alpha Kappa Psi, Professional Business Fraternity.



"The accounting foundation built at Kelley has given me the ability to excel in a variety of operations and finance roles, allowing diverse teams to always understand the accounting impacts of their decisions and goals," says Daniels.

Four Under Forty: Chris Roop

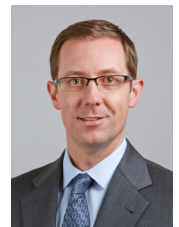
Chris Roop (IU, '01 & '02) is a managing director at J.P. Morgan—one of only four in the North American Healthcare practice. After earning a B.S. in Accounting in 2001 and an MBA in Accounting in 2002, Roop joined JP Morgan Securities as Merger and Acquisition Advisor Associate. After a 5-year stint at Perrigo, he returned to JP Morgan.



Roop feels that Bloomington is a fantastic place to have spent several formative years, and the time was made even more special thanks to the world-renowned Kelley School and Accounting faculty. "The professors made it truly special," says Roop. "I treasure the relationships built that still endure to this day and am grateful for having had the opportunity to be on the receiving end of a constant challenge to step out of my comfort zone. It has made all the difference in my career."

Four Under Forty: John Vanosdall

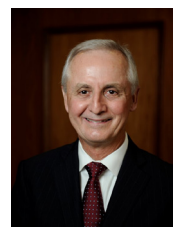
John Vanosdall (IU, '02), a partner at PwC, started in the Deals Practice in Silicon Valley before rising to Partner and is currently leading the Capital Markets and Accounting Advisory Services Practice in the Southwest Market. From 2012 to 2014, he was a Professional Accounting Fellow in the Office of the Chief Accountant of the SEC.



"My time at IU and Kelley prepared me extraordinarily well to enter the 'real world' and opened my eyes to opportunities I otherwise would have not considered," says Vanosdall.

Academic Excellence: Bill Messier

Bill Messier, (IU, '79) is a professor at the Norwegian School of Economics. A retired professor at UNLV, he held the Kenneth and Tracy Knauss Endowed Chair in Accounting.



Recognition Spotlights, Cont.

He's had previous appointments at Florida and Georgia State. A prolific researcher, Messier has published more than 56 papers in top academic journals, has received several teaching awards, including the 2015 AAA Outstanding Educator, and has served as president of the Auditing Section of the American Accounting Association.

"The three years that my family and I spent in Bloomington were full of fond memories," says Messier, who recently celebrated 50 years of marriage with his wife, Teddie. He credits her for his success. "Without her help through the years, little would have been accomplished," he says.

Professional Excellence: Mary Boelke

Mary Boelke (IU, '89), a partner at Deloitte, began her career in the Chicago office of Arthur Andersen. Since joining Deloitte, she has served in the San Jose, Dallas, and Indianapolis offices. She relocated back to Indy in 2012 as Office Managing Partner, which now consists of 350 professionals in audit, tax, consulting, and advisory practices.

"My time at Kelley created career opportunities and prepared me for the challenges of a career in public accounting," says Boelke. "As a first-generation college student, I appreciated that my professors were very supportive even as they challenged us to achieve academically."



Professional Excellence: Jennifer Cavanaugh

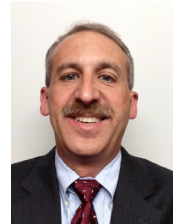
Jennifer Cavanaugh (IU, '91) is an Audit Partner with Grant Thornton and the Professional Practice Director serving the Midwest region. Cavanaugh has experience serving clients in manufacturing, distribution, and professional services industries. She's worked extensively with a broad range of multi-national public and privately held companies and gained international experience while working for Grant Thornton in Melbourne, Australia. A member of the Dean's Council for Kelley, and the Accounting Advisory Group, she's also the treasurer for Gilda's Club Chicago, a cancer support organization. "The experiences and education I received from IU are what have enabled me to be successful in my 26 years at Grant Thornton, not just an accountant but also



as a well-rounded business professional," says Cavanaugh. "I'll forever be grateful not only for the years I spent as a student, but also those years as an alumni and active part of the Kelley School of Business since graduation."

Professional Excellence: Jeff Sisk

Jeff Sisk (IU, '89), the Executive Director of Accounting Policy & Research at Cummins, has more than 28 years of auditing and technical accounting experience, having started his career in public accounting at Arthur Andersen in 1989. He's performed audit work at numerous public and private clients in the Indy Office and spent two years in the National Office focusing on SEC and technical accounting matters.



"I'll always treasure my time at Indiana University. [My professors] provided me with the building blocks I needed to kick-start my career and prepped me well for the CPA exam and my first few years in the workplace," says Sisk. "It amazes me how often I run across IU graduates at conferences or networking events with other companies. I am proud to be associated with this university."

Community Service: David Resnick

David Resnick, (IU, '81) is the managing partner at Katz, Sapper & Miller, serving in this role since 2002. He's been with the firm since 1982. Resnick currently serves on the boards of United Way of Central Indiana, University of Indianapolis/Arts Council of Indianapolis, IU Health Foundation, Beth-El Zedeck Foundation, Indianapolis Chamber of Commerce, Jewish Federation of Greater Indianapolis, Simon Hillel Center, Greater Indianapolis Progress Committee, and WFYI Foundation.

"I'm grateful for the excellent, well-rounded education I received at the Kelley School of Business," remarks Resnick. "In many ways, this foundational experience prepared me in addressing the needs of my community through service opportunities."



Dedication of the Conrad Prebys Career Services Center

by Christy Heitger-Ewing



Last spring Indiana University President Michael A. McRobbie presided over the dedication of the Conrad Prebys Career Services Center, a two-story, 30,000-square-foot structure, which provides spacious areas for recruiters to meet privately with students. It includes 70+ interview rooms as well as nearly 30 offices for staff serving more than 8,000 students in Kelley's undergraduate and master's degree programs.

"Gone are the days of stuffy career offices," says undergraduate student and accounting major Nathan Provines. "The new Prebys Center allows Undergraduate Career Services to continue offering its top-notch services in a comfortable, modern environment with the latest technology."

Also speaking at the dedication ceremony, Kelley School of Business Dean Idalene "Idie" Kesner noted that the Prebys Center is a testament to the importance the Kelley School places on personal development and career management.

"Bringing the Undergraduate and Graduate career services together under one roof emphasizes the breadth and depth of our talent pool, and showcases the energy and momentum of our students," said Kesner. "It's very exciting to think about the thousands of careers that will be launched through connections made in this center." Students are thrilled as well.

"The Conrad Prebys Career Services Center offers students not just the best resources and staff for professional development, but also a spacious and inviting atmosphere during the intense recruiting season," says Roc Wu, undergraduate accounting student. McRobbie stated how grateful the university is to Conrad Prebys for his tremendous vision and generosity. "Today, hundreds of companies from a variety of industries come to Kelley looking for top talent, looking among our students for professionals who will help them effectively serve customers and other stakeholders," said McRobbie.

Hoosier Accounting Research Conference

With generous sponsorship from Deloitte, the Accounting Department organized and hosted the inaugural Hoosier Accounting Research Conference (HARC) on September 22-23, 2017. HARC focuses on research that makes important contributions to the accounting profession, featuring five research presentations by assistant professors that are emerging experts in their fields. One presenter is an assistant professor in the KSB Department of Accounting; the four remaining presenters are young leading scholars from other major research universities. The presentations cover current research on important topics in financial reporting, managerial accounting, auditing, and tax, and employ various research methodologies (e.g., archival and experimental). Participation in HARC was very active and lively, including KSB accounting faculty and doctoral students, external presenters, KSB accounting Ph.D. alumni and four senior faculty from leading universities.

"The HARC provides an excellent opportunity for young emerging leaders in the academic community to share their research with IU faculty and other senior scholars in the field," says Joe Schroeder, Assistant Professor. "These types of events are critical for developing cutting-edge research and networking opportunities that makes a difference for the regulatory and practitioner communities. We're grateful to Deloitte for their partnership in this event and look forward to many more events in the future."





Professor Lori Bhaskar



Professor Pat Hopkins



Professor Joe Schroeder

Best Paper Award at the AAA Auditing Midyear Meeting

The financial markets require timely information about companies' performance and financial condition. An important source of timely information is companies' earnings announcements—usually via press releases—that include key financial statement metrics, like revenues, net income, and earnings per share. Interestingly, since the implementation of the Sarbanes Oxley Act of 2002, the majority of public companies in the United States release their annual earnings announcements before the companies' external auditors have completed the year-end audit. A recent study by IU Professors Lori Bhaskar, Pat Hopkins (Sungkyunkwan University Professor), and Joe Schroeder investigates how companies' release of earnings before the audit is complete impacts the quality of auditors' judgments. The study is sponsored by the Center for Audit Quality, which granted the authors access to highly experienced audit partners and senior managers as participants in a controlled experiment. One important advantage of the experiment is that the authors kept information about the company constant while varying the timing of the company's earnings release in relation to the auditor's completion of the audit. Specifically, the auditors were asked to evaluate the reasonableness of a company's subjective, complex estimate (i.e., the deferred tax valuation allowance which is typically evaluated near the end of the audit) and assume the timing of their evaluation was either two weeks after the company released earnings or two weeks before the company was expected to release earnings.

The authors predict and find that the company's release of earnings before the audit is complete pressures auditors to adopt the company's goal of avoiding adjustments to the released earnings. As a result, auditors are less likely to recommend an adjustment to the company's aggressive estimate. While this result identifies problems with the quality of auditors' judgments that are performed after earnings are released, the authors also investigate ways to improve auditors' judgments under these circumstances. Specifically, the authors predict and find that strong audit committees—those that are actively involved in accounting issues and proactively communicate with auditors—can completely mitigate the negative effects of the company's released earnings on the quality of auditors' judgments. This finding is important because most audit committees are currently not perceived to be strong, rather they only satisfy minimum quality requirements. Thus, companies, auditors, and regulators can aim to mitigate the negative effects of this pervasive company pressure on the quality of auditors' judgments by improving the quality of audit committees. Professors Bhaskar, Hopkins, and Schroeder presented this study, "An Investigation of Auditors' Judgments when Companies Release Earnings before Audit Completion," at the prestigious Journal of Accounting Research Conference at the University of Chicago in May 2018 and received the 2018 AAA Auditing Midyear Meeting Best Paper Award.

News from SAS

The Student Accounting Society (SAS) is busy preparing for the upcoming academic year with several new initiatives to improve its operations. Because of structural changes in the way IU handles student organizations' bank accounts, SAS had to formally organize as a company. While this change will affect many student organizations, SAS's 2017–2018 president, Aaron Turczynski, took the lead in setting up an independent banking arrangement, sourcing and installing an accounting system, devising the organization's internal controls, and researching SAS's appropriate tax-filing status. Both Turczynski and SAS faculty advisor, Patrick Hopkins, are working with multiple departments at IU because this change would place a huge—and maybe insurmountable—burden on organizations without accounting skills and expertise. Regularly check our website for more information regarding SAS's support of IU's current policy transfer (www.iusas.org).

In more upbeat news, SAS is honored to have hosted our 20th annual Partners Picnic this year. Each year this event is wildly successful thanks to our outstanding Kelley faculty and corporate partners. This year the Partners Picnic was held Friday, August 24th from 11:00-3:00 at the 17th and Fee Field. We enjoyed mingling with accounting alumni, faculty, and students who joined us for this kick-off to recruiting season!

If you would like to get involved with SAS or have any additional questions, please contact the SAS President for the 2018–2019 academic year, Amy Liu, at amyliu@iu.edu.



*SAS picnic chefs:
Professors Pat Hopkins,
Joe Schroeder, and John Waters (L-R)*

News from BAP

The year started with the very popular Beta Alpha Psi (BAP) Accounting and Finance Career Fair. More than 1,900 students connected with representatives of 100 companies to land internships and full-time offers as well as broaden their networking opportunities. Other BAP highlights include:

- Eight VITA volunteers prepared 580 tax returns during the VITA Spring Break trip to Jacksonville, Florida.
- A primary focus of BAP this year was to build on the Accounting for the Future programs. Working with PwC, BAP members created an accounting case competition in which six high school teams from the Indianapolis area competed. “For many of these high school students, this was their first time utilizing financial analysis to present a business solution,” says BAP president Angela Marchessault.
- BAP also partnered with the Boys & Girls Club to launch a new program that teaches grade school students the basics of financial literacy. “We helped the children develop good saving habits and taught them about making simple buying decisions,” says Marchessault.

BAP is excited to continue building on our relationships with our partners and help members connect and grow. Next year, we aim to connect students with finance firms in addition to accounting and further solidify the curriculum for both our financial literacy program and workshop series.



BAP members at barbecue social

Undergraduate Program: Ranked #2 Public University and #6 Overall by *Poets & Quants* and #6 by *U.S. News and World Report*

The Kelley School of Business Undergraduate Program was ranked second among public institutions and rose to sixth overall in a new ranking of undergraduate degree programs by *Poets & Quants*, a leading news site about business education.

Kelley ranked second in total compensation for graduates and was ranked first among public universities in this category. It ranked third among alumni who told *Poets & Quants* that the school continues to provide a top-notch experience that they value highly.

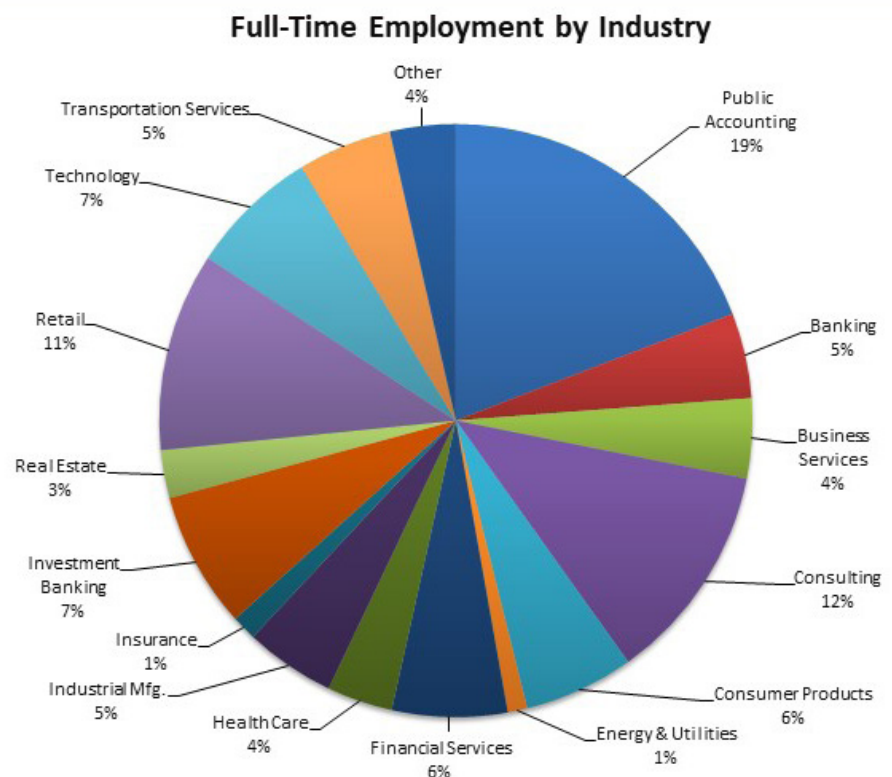
The Kelley School of Business Undergraduate program was ranked sixth among public universities and eleventh overall in the 2018 ranking of undergraduate programs by *U.S. News and World Report*. This is the fifth consecutive year the program has been ranked in the top 20. Six specialties in the Kelley School are ranked in the top 10. The Accounting Program maintained its #8 ranking.

Kelley earned mention for programs that support student success, specifically for first-year student experience programs and for residence hall learning communities.

“We are committed to delivering a high-quality and valued educational experience every day to our students, and this ranking is yet another validation of the efforts by our faculty, our career services staff, and others in our programs to help prepare our graduates for successful and meaningful careers,” said Idalene “Idie” Kesner, Dean of the Kelley School. “We are particularly proud of Kelley’s rigorous, cutting-edge business courses, which help students build key knowledge and skill sets.”

During the 2017–2018 academic year, the top hiring industries continue to be public accounting, consulting, retail, technology, and investment banking (see graphic). The top full-time hiring companies were EY, Deloitte, KPMG, PwC, JPMorgan Chase, and Grant Thornton. Starting salaries for accounting majors averaged \$61,700, an increase of 3% over the prior year. In addition, Kelley School of Business accounting majors received an average signing bonus of \$7,200. Employment opportunities for accounting graduates in 2019 will likely remain very strong.

NOTE: All data are as of 7/17/2018 and preliminary to the UCSO Annual Report.



Research Highlights

Publications and Acceptances:

Lori Bhaskar, Joe Schroeder, and Marcy Shepardson

“Integration of Internal Control and Financial Statement Audits: Are Two Audits Better than One?”

The Accounting Review, forthcoming 2018.

Brown, J. L., J. Fisher, S. Peffer, and G. Sprinkle

“The Effect of Budget Frame and Budget-Setting Process on Managerial Reporting”

Journal of Management Accounting Research, Vol. 29, 31-44.

Brown, J. L., and D. V. Moser

“Does Investors’ Desire to Punish Misreporting Affect Their Litigation Decisions and Managers’ and Investors’ Welfare?”

Behavioral Research in Accounting, Vol. 29, 57-75.

Joe Fisher, W. Timothy Mitchell, **Sean Peffer** (IU Ph.D. alumnus), and Alan Webb

“Inequity Aversion, Incentives and Personal Norms: The Effects on Budget Preparation and Use”

Journal of Management Accounting Research, forthcoming 2018.

Patrick Hopkins

“Discussion of Relative Effects of IFRS Adoption and IFRS Convergence on Financial Statement Comparability”

Contemporary Accounting Research

Jeff McMullin, Brian Miller, and Brady Twedt

“Increased Mandated Disclosure Frequency and Price Formation: Evidence from the 8-K Expansion Regulation.”

Review of Accounting Studies, forthcoming 2019.

Jeff Hoopes, **Ken Merkley, Joe Pacelli, and Joe Schroeder**

“Audit Personnel Salaries and Audit Quality”

Review of Accounting Studies, forthcoming 2018.

B. Bratten, R. Jennings, and **Casey Schwab**

“Financial Statement Disclosure Accuracy: Evidence from Reported Stock Option Fair Values”

Accounting, Organizations, and Society

B. Ayers, A. Call, and **Casey Schwab**

“Do Analysts’ Cash Flow Forecasts Encourage Managers to Enhance Real Cash Flows?”

Contemporary Accounting Research

Bridget Stomberg, D. Lynch, M. Romney, and D. Wangerin

“Tradeoffs Between Tax and Financial reporting benefits: Evidence from Purchase Price Allocations in Taxable Acquisitions”

Contemporary Accounting Research, forthcoming.

Kathleen Bentley-Goode, Thomas Omer, and **Brady Twedt**

“Does Business Strategy Impact a Firm’s Information Environment?”

Journal of Accounting, Auditing, and Finance

Patrick Vorst and Teri Yohn

“Life Cycle Models and Forecasting Growth and Profitability”

The Accounting Review

Craig Nichols (IU Ph.D. alumnus), **Matt Wieland** (IU Ph.D. alumnus), and **Jim Wahlen**

“Pricing and Mispricing of Accounting Fundamentals in the Time-Series and Cross-Section”

Contemporary Accounting Research

Some of our other notable research activities:

Leslie Hodder and **Sonja Rego** are editors at *The Accounting Review*

Teri Yohn was an editor at *Accounting Horizons*

Lori Bhaskar, Pat Hopkins, and Joe Schroeder received the Best Paper Award at the 2018 AAA Audit Section Midyear Meeting, for “An Investigation of Auditors’ Judgments when Companies Release Earnings before Audit Completion”.

The 2017–2018 Research Seminar Series

The following list shows our schedule of research workshops and seminars during the 2017–2018 school year. As you can see, we had a very active and productive seminar series!

Date	Presenter	Affiliation
August 25	Charlie Liu & Junwei Xia	Indiana
September 22	Hoosier Accounting Research Conference	
September 23	Hoosier Accounting Research Conference	
September 26	Teri Yohn, Brian Miller, & Brian Williams	Indiana
October 6	Jessie Watkins	Indiana
October 13	Laura Wang	Illinois
October 20	Matthew Lyle	Northwestern
November 3	Scott Asay	Iowa
November 27	Shane Dikolli	Duke
December 1	Mary Billings	NYU
January 12	Matt Lyle	Northwestern
January 16	Brian Monsen	Texas
January 19	Travis Dyer	UNC
January 23	Henry Laurion	Berkeley
January 30	Stephanie Cheng	Toronto
February 2	Yadav Gopalan	Washington
February 6	Abigail Needles	Texas A&M
February 6	Greg Geisler	Missouri
February 9	Joe Burke	Illinois
February 13	Lisa LaViers	Emory
February 27	Stephen Glaeser	Wharton
March 23	Jennifer Tucker	Florida
April 6	Rick Hatfield	Alabama
April 9	Leslie Hodder	Indiana
April 13	Jennifer Blouin	Wharton
April 20	Paige Patrick	Washington

The Role of Accounting in the Rise and Fall of Nations and Empires

by Jim Wahlen

In the previous edition of this newsletter, I waxed on about the key role of accountants in the movies, with some examples of how Hollywood has exploited accountants as good guys, or villains, in a variety of movies. This year I want to talk a bit about the historical role of accounting in the rise and fall of nations and empires—an intriguing facet of our profession that deserves more attention. Make no mistake, I am an accountant, not a historian. So my thoughts are attributable to the book, *The Reckoning*, by Jacob Soll (a legitimate historian), and numerous conversations with my colleague Salman Arif.

The Reckoning provides a wealth of insights about the role of accounting in the development of nations and empires. Summarizing, there are two central themes. The first is the role of accounting measurement and control, and the second is the importance of transparency and monitoring.

In nations and empires, rigorous attention to measurement and control of resources (tax collections, money in the treasury, lands and productive assets) has led to more productive allocations of resources. This, in turn, has led to greater economic activity, prosperity, and wealth, not just for the ruling class but for the people. Unfortunately, history also shows how wealth and prosperity can then lead to a lack of measurement and control. Resources are then wasted, under-utilized, and misappropriated, leading to economic downturns.

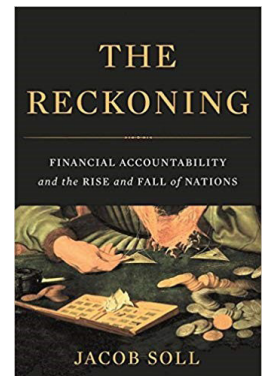
A striking example arises from the Spanish Empire, which rose to power and wealth, in part, because of its rule of the Dutch (accounting for 40% of Spanish tax revenues). The Spanish Empire expanded global trade routes, particularly to the New World, which led to even greater wealth. However, government departments lacked accountants, a system for measurement, central accounts, and audits. Despite all of the wealth flowing from the New World, lavish spending by the monarchy, together with excessive spending on armies and wars, caused Spain to declare bankruptcy twice, in 1576 and again in 1607.

For the second takeaway, transparency and monitoring, when nations and empires are transparent with information about how resources are being used, it allows people to monitor the ruling class, which leads to greater fairness, equity, and stability. When nations and empires avoid transparency, it fosters secrecy, and rulers can claim resources for themselves and consume excessively, which leads to revolution.

The first emperor of the Roman Empire, Caesar Augustus, was a good accountant, believing in the legitimacy of government through transparency. The state established the “Office of the Imperial Secretary,” maintained audits, and kept Imperial account books in the Temple. Augustus would disclose to the public how he used resources to defend and expand the Roman Empire. Eventually, as the Roman Empire expanded its power and wealth, subsequent emperors took control of the public accounts, eliminated state audits, and adopted the position that public spending flowed from the “bounty of the Emperor” and that the Emperor was answerable only to God, not the people. The Roman Empire collapsed in 476 CE.

Major innovations in accounting arose in the northern Italian city-states (Florence, Genoa, Pisa, Venice) during the 12th and 13th centuries. These city-states were led by merchant families (not royalty), driven by the profit motive associated with international trade. Trade with Byzantium and the East gave rise to two important accounting developments: the use of Arabic numerals (simpler than Roman numerals) and the abacus (faster calculations)!

More profitable and complex trade arrangements led to the development of multi-tiered partnerships, which of course led to the need to keep separate track of different partners' equity and profits. This led to the practical development of double-entry accounting, with record books showing debits, credits, accruals (accounts receivable) and deferrals (prepaid rent) as early as the year 1299.



The Role of Accounting, Cont.

Dominican Friar Luca Pacioli was the first person to write down a description of double-entry accounting, as one chapter in a math book he wrote in 1494, "*Summa de Arithmetica, Geometrica, Proportioni et Proportionalite*." In his view, measures of profits and losses based on the balances of debits and credits brought godly order to the human world. Interestingly, Pacioli had long conversations with his friend Leonardo da Vinci about proportionality between 1495 and 1498 as Da Vinci painted *The Last Supper*, his three-dimensional masterpiece. Ironically, the importance of accounting among Italian city-states led to flourishing trade and wealth, which then helped finance the Renaissance. As an example, the Medici Empire was built on trade and banking, with careful attention to bookkeeping and audits. As the wealth of the Empire grew, Cosimo Medici became enamored with the human ideal of enlightenment through art, philosophy, music, and culture—but not the nitty-gritty mundane of accounting. He did not require his grandsons to learn accounting, but instead encouraged them to dance, sing, and play music. The Medici Empire then began to erode after the failure of a major Medici bank (which had reported huge “profits”), following the first audit in a number of years.



One enduring lesson about the importance of accounting arose from the French Empire. King Louis XIV (the “Sun King”) admired the strength of the Dutch trade economy and realized that accounting was essential to their success. He established Jean-Baptiste Colbert as the Controller General of Finance. Colbert kept meticulous books, taught the King accounting, and prepared accounting notebooks (Colbert Reports!) for the King to carry with him. Colbert also tried to hold the King accountable for costly wars and palaces. After Colbert’s sudden death in 1683, Louis did not replace him, dismantled the centralized accounting system, and took the view that the resources were his divine right, and that he was only accountable to God.

By the end of the 18th century, a system had emerged in France allowing wealthy landowners to serve as “Tax Farmers,” which institutionalized corruption. King Louis XVI appointed Jacques Necker to reform this tax system. This reform threatened the ruling class, so they attacked Necker in the press. In response, in 1781 Necker published *Compte Rendu* (Public Accounts), the first disclosure of public finances; it sold 100,000 copies! Necker was promptly dismissed but became a hero to the people. He was reappointed to reform the tax system again in 1788 and promptly fired in 1789, which led angry masses to storm the Bastille, and the French Revolution was underway.

This is a lasting lesson because Ben Franklin was ambassador to France from 1778 to 1785. There he saw first-hand the power of accounting for and disclosure of public accounts. He believed accounting was central to life and virtue and recommended teaching accounting to children. He even kept “moral account books” of his own virtues and failings. The Founding Fathers of the United States also included Thomas Jefferson, who kept meticulous account books for his estates for 60 years, as well as George Washington, who kept the account books for the War of Independence. Perhaps it is not surprising that they wrote into the U.S. Constitution (Article 1, Section 9), “A regular Statement and



Account of the Receipts and Expenditures of all Public Money shall be published from time to time.”

Thanks to *The Reckoning*, we gain insights into the role of accounting in the rise and fall of nations and empires. Rigorous attention to measurement and control of resources has led to more productive allocations of resources, greater economic activity, prosperity, and wealth. In addition, when nations and empires are transparent with how resources are being used, it allows people to monitor the ruling class, which leads to a greater sense of fairness, equity, and stability. Not only are accountants essential to successful economies and companies, we are essential to the prosperity and stability of nations and empires!



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