

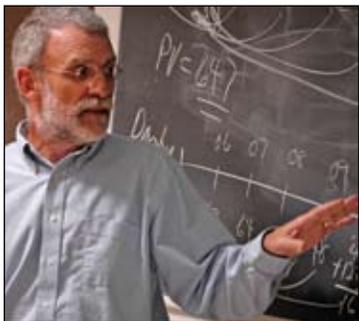
The Accounting Times

Department of Accounting | McCombs School of Business | The University of Texas at Austin | Spring 2007

From the Chair, Ross Jennings

In general, universities do not hire their own graduates. But sometimes breaking that rule puts just the right person in the classroom at the right time.

IT IS COMMONLY (IF VAGUELY) KNOWN THAT UNIVERSITIES DO NOT generally hire their own graduates. It is believed that faculty in academic departments will share a wider range of knowledge and ideas if their collective human capital is constantly replenished by hiring faculty and doctoral students from other universities. This past year we hired five new tenure-track professors with Ph.D.s from five different universities as part of this constant renewal process.



On the other hand, academic departments do occasionally hire their own graduates when the circumstances are right. Two of our most senior faculty members were classmates in the Texas doctoral program in the mid-1970s. Paul Newman was hired by our department directly upon graduation, and Robert Freeman was brought back to the department after a decade serving on the faculties at the University of California at Berkeley and the University of Florida, and working at the Financial Accounting Standards Board.

However, it is among our non-tenure-track faculty—who have no research responsibilities and who are dedicated to providing a first-rate classroom experience for our students—where we most often break this rule. We currently have 14 non-tenure-track faculty delivering a wide variety of classes in the department. Eight of them are graduates of at least one of our programs: Two are graduates of our Ph.D. program; two are graduates of our BBA program from before the inception of our current five-year Professional Program in Accounting (PPA); two

(CONTINUED ON PAGE 8)

Kinney Appointed to Influential International Auditing Board

Professor William R. Kinney Jr. has been appointed to serve on the International Auditing and Assurance Standards Board (IAASB) for a three-year period beginning Jan. 1, 2007.

Kinney, the Charles and Elizabeth Prothro Regents Chair in Business and PricewaterhouseCoopers Fellow in Auditing, will work with IAASB members

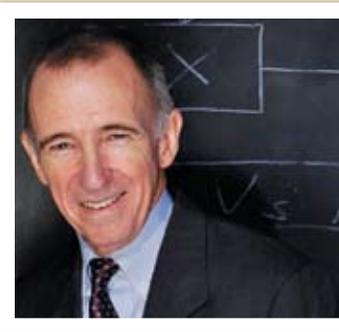
from around the world to enhance the quality and uniformity in the practice of global auditing.

"For many years Bill has been the leading academic accountant both studying issues in auditing practice and in contributing to auditing standard setting and regulation," said Ross Jennings, chair of the Department of Accounting at McCombs.

"He will bring a great deal of expertise to this new role as an international auditing standard-setter at a time when the rapid growth of cross-border transactions and investing has made the need for improved international standards more important than ever. This appointment comes as no surprise to those of us who have worked with Professor Kinney on the McCombs accounting faculty for nearly 20 years," Jennings said.

The IAASB, an independent board within the International Federation of Accountants (IFAC), issues, under its own authority, International Standards on Auditing, which serve as the worldwide benchmarks for auditing standards. IFAC is dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It is composed of 155 members and associates in 118 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce.

In addition to setting international auditing and assurance standards through the IAASB, IFAC sets ethics, education and public sector accounting standards through its independent standard-setting boards. It also issues guidance to encourage high-quality performance by professional accountants in business. ♦



McCombs Earns Clean Sweep in Rankings by *Public Accounting Report*

McCombs Accounting made it a clean sweep this year in the rankings from the Public Accounting Report, taking the No. 1 spot on the lists of the most admired undergraduate, graduate and doctoral programs in the United States, according to the publication's 25th annual survey of accounting professors.

TEXAS HAS HELD THE TOP SPOT IN THE UNDERGRADUATE AND GRADUATE rankings since 2001. Although in 2005 the Texas Ph.D. program lost its top standing to the University of Michigan, it regained its footing and the No. 1 ranking in 2006. With the exception of 2005, Texas has held the top spot in the doctoral rankings since 2002. ♦

Public Accounting Report's 25th Annual Professor's Survey, 2006

UNDERGRADUATE PROGRAM IN ACCOUNTING

2006 RANK	2005 RANK	SCHOOL
1	1	THE UNIVERSITY OF TEXAS AT AUSTIN MCCOMBS SCHOOL OF BUSINESS
2	2	BRIGHAM YOUNG UNIVERSITY
3	5	UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN
4	3	UNIVERSITY OF NOTRE DAME
5	4	UNIVERSITY OF SOUTHERN CALIFORNIA

GRADUATE PROGRAM IN ACCOUNTING (MPA PROGRAM)

2006 RANK	2005 RANK	SCHOOL
1	1	THE UNIVERSITY OF TEXAS AT AUSTIN MCCOMBS SCHOOL OF BUSINESS
2	2	BRIGHAM YOUNG UNIVERSITY
3	3	UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN
4	4	UNIVERSITY OF NOTRE DAME
5	5	UNIVERSITY OF SOUTHERN CALIFORNIA

DOCTORAL PROGRAM IN ACCOUNTING

2006 RANK	2005 RANK	SCHOOL
1	2	THE UNIVERSITY OF TEXAS AT AUSTIN MCCOMBS SCHOOL OF BUSINESS
2	1	UNIVERSITY OF MICHIGAN
3	3	STANFORD UNIVERSITY
4	4	UNIVERSITY OF CHICAGO
5	6	UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

Five New Faces Among McCombs Accounting Faculty

By Chantelle Wallace



Carlos Corona joins McCombs after obtaining his Ph.D. in accounting from Stanford University. A native of Spain, Corona earned an MBA from IESE Business School in Barcelona. His research interests include the increasing importance of intangible assets in modern economies, and earnings management as a relational outcome.



Volker Laux earned his Ph.D. in business administration from Frankfurt's Goethe University. He taught at Carnegie Mellon University as an assistant professor of accounting and completed a post-doctoral fellowship at Columbia University. Laux's research interests encompass organizational design, management control systems and executive compensation.



Lillian Mills comes to McCombs from the University of Arizona, where she was an associate professor of accounting since 2003. She taught undergraduate and graduate classes in federal and international taxation at Arizona. Among her research interests are tax compliance and international taxation.



Yanhua (Sunny) Yang received her Ph.D. in accounting from the University of Colorado at Boulder where she taught introductory and intermediate accounting. Licensed as a CPA in her native China, Yang is researching the discipline effect of cash flow forecasts on earnings management, and reverse stock splits.



Yong Yu's education background includes an accounting Ph.D. from Penn State and an economics master's degree from Tulane University. His research focuses on the behavior of institutional investors and the role of financial analysts as informational intermediaries. Yu also has worked as an auditor in his home country of China.

Thanks to Our Donors, Our Reputation for Excellence Continued in 2005-2006

MCCOMBS' GRADUATE ACCOUNTING DEGREE PROGRAMS ONCE AGAIN earned their place among the best programs in the nation. For the 13th consecutive year, we ranked No. 1 in the *Public Accounting Report's* annual survey of graduate programs. *U.S. News and World Report* named McCombs No. 1 in its 2007 survey of national business school specialties. Contributions from our alumni and friends play a vital role as we compete with other leading programs.

Last year, we relied extensively on contributions to keep up with advances in the accounting profession, accounting education and the

business world. Donations allowed us to provide scholarships to outstanding students who otherwise might not have the opportunity to attend the university, or who might be attracted to a competitor program. Contributions from our loyal alumni and friends permitted us to bring scholars from other universities to Austin to interact and confer with our faculty. Thanks to our donors, faculty members traveled to conferences to keep abreast of the latest developments in teaching, research and practice.

We also use these resources to sponsor many student programs that give them the chance to interact with faculty and fellow students outside of class. With the help of our donors, the PPA and MPA Lyceum Speaker Series exposes our students to distinguished speakers from business and government. Taken together, these "extra" initiatives—not funded by the state—are what keep McCombs accounting programs head and shoulders above the rest.

We are extremely grateful to the following donors for their contributions to our programs from September 2005 through August 2006. Their donations help us to expand our level of excellence. ♦

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The future University of Texas Executive Education and Conference Center

On the Move to Stay Ahead

- IN OCTOBER 2006, THE DOORS OF A NEW MPA LOUNGE OPENED. LOCATED ON the fourth floor of CBA, it is the hub of the MPA community, where students in the stand-alone MPA program and fifth-year PPA students can study, eat lunch and enjoy each other's company outside of class.
- The MPA/PPA Office will expand to 2,500 square feet when the AIM Reading Room, located on the fourth floor of CBA, is renovated to accommodate both the academic and career sides of the program. Tentative move date is summer 2007.
- Students and faculty alike are excited about our new MPA/PPA summer program in Hong Kong. It's a great complement to our longstanding and successful summer program in Paris. Thirty students are signed up to head east in June 2007.
- A new University of Texas Executive Education and Conference Center will open in fall 2008. Located two blocks from the McCombs School, the center will contain 10 classrooms, a 300-seat amphitheater, multiple breakout rooms, several conference rooms and an 800-seat ballroom to complement a 300-room residential center. ♦

Sponsors Invest in a Win-Win-Win Situation

What do Deloitte, Ernst & Young, Grant Thornton, KPMG, PricewaterhouseCoopers, and UHY have in common? Each of these firms has donated \$500 in gift certificates from Best Buy, Bag'n Baggage and Nordstrom to PPA Career Challenge winners. Recipients can use them to purchase career-related items like luggage and accessories, professional attire or laptops.

The MPA Career Services Office and student ambassadors, alumni and employers designed the Career Challenge workshops, panels and events to help third-year students foster the professional skills necessary for career success. Participants may select from a variety of activities for which they earn points, including maintaining an accounting GPA of 3.5 or better, meeting with career advisors, and attending sessions on topics such as Excel, career exploration, interviewing, business etiquette and attire, the on-campus recruiting process, career fairs and networking. Once a student earns at least 75 percent of the total possible points, he or she becomes eligible for a drawing for one of the gift certificates.

Deloitte, Ernst & Young, Grant Thornton, KPMG, PricewaterhouseCoopers and UHY have a long history of promoting career development for PPA students. The gift certificate program is the first large-scale, collaborative effort among these firms. We thank the companies for creating a win-win-win situation for students, employers and the MPA Career Services Office. ♦

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Lillian Mills: Examining When and How Corporations Use Their Reported Tax Expense to Achieve Earnings Targets

ALTHOUGH MANY ASSUME TAX EXPENSE IS COMPUTED AS A FLAT 35 percent of pretax book income, this computation requires substantial judgment, which provides opportunity for managers to apply discretion. The features of computing tax expense that involve the most judgment are the reserve for uncertain tax benefits (the “tax cushion”), foreign rate effects and valuation allowances.

In research published in 2004, I demonstrate that firms frequently decrease tax expense at year end relative to the third quarter estimate to achieve analysts’ consensus forecasts. In my work in process, I find that the stock market discounts the normal reward to beating the forecast by 40 percent if the firm decreases tax expense to achieve this result.

In a separate paper, I investigate whether providing tax services appears to impair auditors’ independence, allowing corporations to exercise more discretion in their computation of expenses. Preliminary evidence points in the opposite direction. Corporations that use the same tax and audit firm have sufficient tax reserves, but corporations that use different tax and audit firms must record additional tax expense when the IRS proposes a deficiency on examination. We conclude that audit firms obtain knowledge spillover from their tax departments about the existence of risky positions.

Finally, I am beginning to investigate how corporations will respond to new rules for reporting tax cushion. In 2006, the FASB issued Financial Interpretation No. 48 (FIN48), which will require corporations to disclose their tax reserves starting in 2007. I and my co-authors want to learn whether corporations with excess reserves release those into earnings prior to the adoption of FIN48. That is, “Do firms eat their cookies before FIN48 makes the cookie jar transparent?” ♦

Get Involved! Shape the Future of the Accounting Profession

The future of the accounting profession lies in preparing the next generation of practitioners: current McCombs accounting students. Who better to help educate, guide and prepare them than our own successful alumni? To find out about the ways you can get involved, read on.

- **MPA/PPA Admissions Volunteer**

Share your experience in the MPA/PPA program by signing up as an admissions volunteer. The MPA/PPA Office will then match you up with appropriate applicants who will contact you to talk about the McCombs experience and career-related matters.

- **MPA/PPA Campus Speaker**

Share information and know-how that comes with being a seasoned accounting professional by volunteering to be a classroom speaker or part of a panel presentation to current students.

- **MPA/PPA Career Resource**

Give back to the MPA program and its current students by helping them find their career direction. Students will contact you via e-mail to chat about your career field, employer, city and other subjects.

Ready to step up? Simply log on to McCombs Online Resources (MOR) at <https://acsprod.mcombs.utexas.edu/MOR/>. There, you can update your address and employer information and choose how you’d like to help. If you are volunteering to be a career resource, be sure also to check the box that indicates that you’d like your profile to be visible to graduate and undergraduate students.

For those who do not have computer access or prefer to send changes to your information via U.S. mail, we will be sending you a follow up post-card in the coming weeks.

If you have questions about how you can help, please contact MPA/PPA Associate Director Rachel Brown at rachel.brown@mcombs.utexas.edu. If you already generously give the gift of your time, we thank you. Your hands-on participation is part of what makes our programs, and our graduates, great. ♦

A Busy Fall 2006 for MPA/PPA Team, Students

Time flew by last fall as the MPA/PPA Office team coordinated several student events. Working together, the academic and career teams created a well-rounded calendar that ranged from a welcome back picnic to interviewing and CPA exam workshops.

Career events

MPA Career Fair and Riverboat Cruise
 MPA Recruiting Kickoff I & II
 MPA & PPA Interviewing Workshops with Novogradac & Co.
 Resume Writing and Review Group Advising
 MPA Registration/Internship Workshop
 PPA Internship Workshop
 Meeting with Grant Thornton
 PPA Interviewing Workshop
 Internship Workshop
 Industry Night
 MPA/PPA Mock Interview Marathon I & II
 MPA/PPA Behavioral Interviewing Workshop with FTI Consulting (Third-Year Lyceum)
 CPA Exam Workshop

CPA Workshop
 Ready, Set, Get an Internship I & II (Third-Year Lyceum)
 Etiquette Dinner
 Financial Services and Consulting Alumni/Employer Panel
 FASB Postgraduate Technical Assistant Program
 Interviewing Group Advising

General academic events

MPA Orientation
 PPA Orientation
 Preparing for PPA Mid-terms
 Third-Year Registration Workshop
 Fifth-Year Registration Workshop
 Graduate Admission Workshop

ECO MPA Path information session
 ITESM visit
 Fifth-Year Graduate Reception/Orientation
 xACT Competition
 University Accounting Association Event for Third-Years
 MPA International Connection (MIC) Meetings

Social events

Welcome Back Picnic at Eastwoods Park
 MPA Lounge Grand Opening
 MPA Football Party
 Third-Year PPA Survivor Bowling Party
 Fall Graduation Reception

McCombs PPA Graduates Garner AICPA Sells Award

Mark Danielson Jr. and William Leder, both 2005 graduates of the McCombs Professional Program in Accounting, have received the prestigious American Institute of Certified Public Accountants (AICPA) Sells Award for 2005.

THEY ARE TWO OF 10 WINNERS NATIONWIDE who completed testing during that year and earned the highest cumulative scores on the four sections of the Uniform CPA Examination on their first attempt at the exam, the AICPA announced September 12, 2006.

Before being eligible to become a Certified Public Accountant, applicants must pass all four parts of the exam: auditing and attestation; business environment and concepts; financial accounting and reporting; and regulations. The computer-based test employs multiple-choice, problem-solving and essay questions.

Leder said the diversity and thoroughness of the McCombs PPA was the chief factor in his success.

"The program encourages the development of critical thinking skills, forcing students to think about the rationale behind business theory and accounting standards rather than just memorizing them," he said. Leder works in the Assurance

and Advisory Business Services division in Ernst & Young's Dallas office.

Danielson, a member of Fraud Investigation and Dispute Services at Ernst & Young, also in Dallas, said besides the requisite hours of intensive study, the university's CPA review course was crucial to his outstanding performance on the test.

"It provided a great learning structure and helped me focus on key exam topics," Danielson said.

McCombs School accounting students typically have pass rates much higher than the statewide average on any given part of the exam. In 2005, accounting students from McCombs had a passing rate of 65 percent, compared to 45 percent of candidates from all other Texas colleges and universities; in 2006 the percentage rose to 74 percent, compared to 46 percent.

"Over the years, UT's success on the CPA exam has been remarkable, and the number of UT Sells Awards has been equally impressive," said Steve Limberg, director of the Master in Professional Accounting Programs at McCombs. "This year has been extraordinary with two McCombs winners out of 10. It's a tribute to the praiseworthy talent of the recipients who are such notable representatives of our accounting programs."

Danielson and Leder join seven other recent Sells Award recipients from McCombs: David Eads, MPA '04; Paul Ito, MPA '96;



Mark Danielson, Jr.



William Leder

Christine Howard, PPA '98; John McInnis, PPA '02; David Peck, PPA '95; Peter Prescott, MPA '99; and Sudipta Roy, PPA '01. Established in 1923, the Sells award honors Elijah Watts Sells, a founding partner of Haskins & Sells, a predecessor to the international firm Deloitte & Touche. ♦

Join the McCombs MPA/PPA Alumni Community

Do you want to

- Look up and contact your McCombs classmates?
- Receive up-to-date information from the MPA/PPA program?
- Volunteer to be an integral part of our students' education?
- Network with current and former MPA/PPA students?

Then log on to McCombs Online Resources (MOR) at <https://acsprod.mcombs.utexas.edu/MOR/>. You can update your address, search for old friends and learn about how to give back to the program through volunteering.

We look forward to welcoming you to the MPA/PPA online alumni community! Questions? Contact MPA/PPA Associate Director Rachel Brown at rachel.brown@mcombs.utexas.edu.

What's New in Your Life?
Your fellow alumni want to hear what's been happening in your professional and family life. Drop us a line at accounting.times@mcombs.utexas.edu to give us an update. Send us your high-resolution photos, too. We'll share your news in the next issue of the Accounting Times.

Active Alumni Involvement: Bill Bittick



Name
Bill Bittick, MPA '06

Position
Associate Governmental Auditor, KPMG

Contribution
Spoke with UT Student Economics Association about his experiences in the MPA program and in the field

Why he does it
"It's a method of giving back to the MPA program, which has offered me a change in my life and a hope for the future. Having graduated from the MPA program will allow me to have so many more doors opened in my life and help provide a wonderful future for me and my children. Since I feel so passionate about the greatness of our program, I feel it is my responsibility to use these opportunities to possibly change someone else's life." ♦

PPA Student Grace Honored with Wacker Award

PPA student Trisha Grace never expected to be standing on the 50-yard line at Darrell K. Royal Texas Memorial Stadium, basking in the roar of the crowd. But that's exactly where she found herself when she received the Texas Parent Mike Wacker Award at halftime during the Texas vs. Oklahoma State game.

Bestowed only when there is an extraordinary nominee, the award honors students who face extreme adversity and exemplify personal sacrifice, dedication, esteem, conviction and faith.

Grace is the embodiment of the profile. Since becoming a single mother at age 17, she has supported herself and her daughter financially, sometimes working 30 hours a week while going to high school. But she says it was the loss of her emotional support system—her grandmother and mother, who both recently passed away—that has been the hardest to shoulder.

Concentrating on her unwavering goal to be the first in her family to graduate from college has helped her through.

"I am determined to make my way to graduation and provide my daughter, Isabell, with more than the odds have allowed me," she says. And Grace is well on her way. After graduating as high school valedictorian, she has achieved a 3.6 GPA at the university while parenting Isabell, working 20 hours a week as a bookkeeper and taking a full course load each semester. She was admitted to the competitive Professional Program in Accounting this fall.

On top of all this, Grace makes time to serve as a student ambassador to Longhorn Link, a mentoring program for other low-income students who also aspire to be the first in their family to earn a college degree.

Grace is matter-of-fact about the cards that life has dealt her. "I would never argue that my problems are more important than anyone else's. I may be considered a 'non-traditional' student by counselors, professors and peers, but I consider myself just a normal woman," she says. ♦



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(CONTINUED FROM PAGE 1)

are PPA alumni; and two are graduates of the stand-alone MPA program. Each of these faculty members has a different story of how they came to teach for us. I want to share three of those stories with you.

In 1997, my predecessor as department chair, Steve Limberg, needed someone to teach a summer class in financial statement analysis on relatively short notice. He recalled a recent graduate of the MPA program who was still living in Austin and who had mentioned to him that she was interested in a teaching career. A few years earlier Gretchen Charrier had been working as an auditor for PricewaterhouseCoopers in Cincinnati when she had the opportunity to teach a month-long training session for new hires. She loved teaching and started on a path that eventually led her to the MPA program at UT Austin as another step in launching her teaching career. When Steve called her, she was working full time and teaching for Austin Community College at night. For the last 10 years, Gretchen has taught a wide variety of classes in all programs except the Ph.D. program, and has done an outstanding job. During that same period she also has had three children and juggled their increasingly complicated schedules.

Will O'Hara graduated from our BBA program in 1968 and went on to a very successful career in business. Five or six years ago he retired at what many would consider a young age, and after a year or so of travel he began pursuing his second career. In 2003 Will approached Steve Limberg and said he felt a debt to the

university for helping to launch his career. He said if the Accounting Department could use him, he would like to contribute to the teaching mission of the school. To be honest, retired businesspeople do not always make the best teachers. They often underestimate both the work involved in preparing the subject matter—it is one thing to understand the material and quite another to be able to explain it—and they can have trouble connecting with students who are nearly two generations younger. Will had no such problems. He threw himself into his new career, and it has paid off in a big way for both the department and for Will. During the

time during the subsequent five years between the then-Big Five and industry. A year after his visit to my office I was able to offer him one section of introductory financial accounting, which he taught while keeping his full-time accounting job. Brian did an excellent job in that class. As luck would have it, a year later I had a full schedule of classes I could offer him, with enough promise to continue into the future. At that point he quit his job and came to work for us full time. He has completed one semester on a full-time basis and is already making great contributions to the department beyond his excellent classroom teaching.

We could not offer the high-quality education we do without the contributions of these three, and the equal contributions of our other faculty members.

three-and-a-half years Will has been teaching for us, his student evaluations have risen from "very good" to "outstanding." Unfortunately, he has decided to retire yet again, this time from the classroom. He will be sorely missed in that capacity, but he has promised to make himself available for special projects—and I have promised to take advantage of that offer.

Nearly three years ago Brian Lendecky showed up at my office unannounced and told me he was interested in making a career move to teaching and wondered if there might be any opportunities in the Accounting Department at Texas, his alma mater. Brian graduated from the five-year program in 1999 and had divided his

These stories have two things in common. First, Gretchen, Will and Brian were in the right place at the right time for someone who wanted to have an opportunity to teach great students in a vibrant academic environment. Second, all three have brought an incredible passion to their teaching, which has made them very successful in the classroom. We could not offer the high-quality education we do without the contributions of these three, and the equal contributions of our other faculty members, whether or not they are graduates of our programs.

If you have any questions or comments, please don't hesitate to contact me at ross.jennings@mcombs.utexas.edu. ♦



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