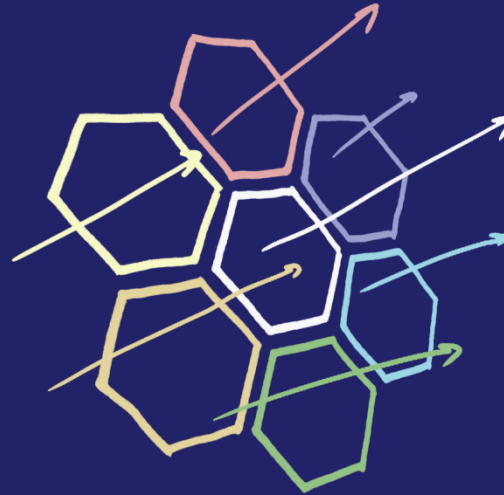


# The Pathways Commission



## Vision for ~~the First Academic Exposure to~~ Accounting

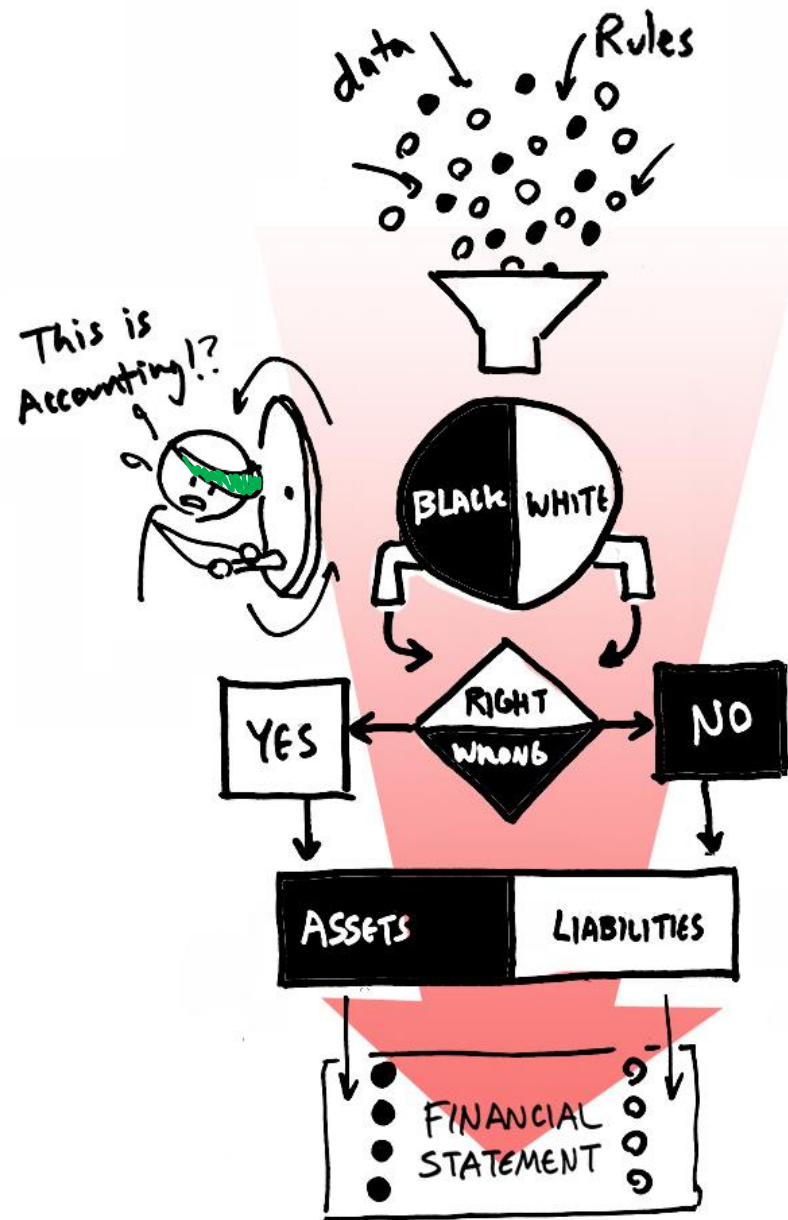
G. Peter and Carolyn R. Wilson  
AAA 2014 Western Region Meeting

# Contributors to the Pathways Vision Model:

- ❑ **Sam Leno**, formerly Boston Scientific
- ❑ **David Moss**, Citigroup - Citi Markets
- ❑ **Leslie Knowlton**, Deloitte
- ❑ **Ellen Glazerman**, Ernst & Young
- ❑ **Dan Roam**, Digital Roam, Inc.
- ❑ **Lisa Koonce**, University of Texas
- ❑ **Julie Smith David**, American Accounting Association
- ❑ **Mike Tiller**, Indiana University, Chair of Vision Committee
- ❑ **Tracey Sutherland**, American Accounting Association
- ❑ **Carolyn Wilson**, Boston College
- ❑ **Pete Wilson**, Boston College



The public perceives accounting as a mechanical, black-or-white, right-or-wrong process.



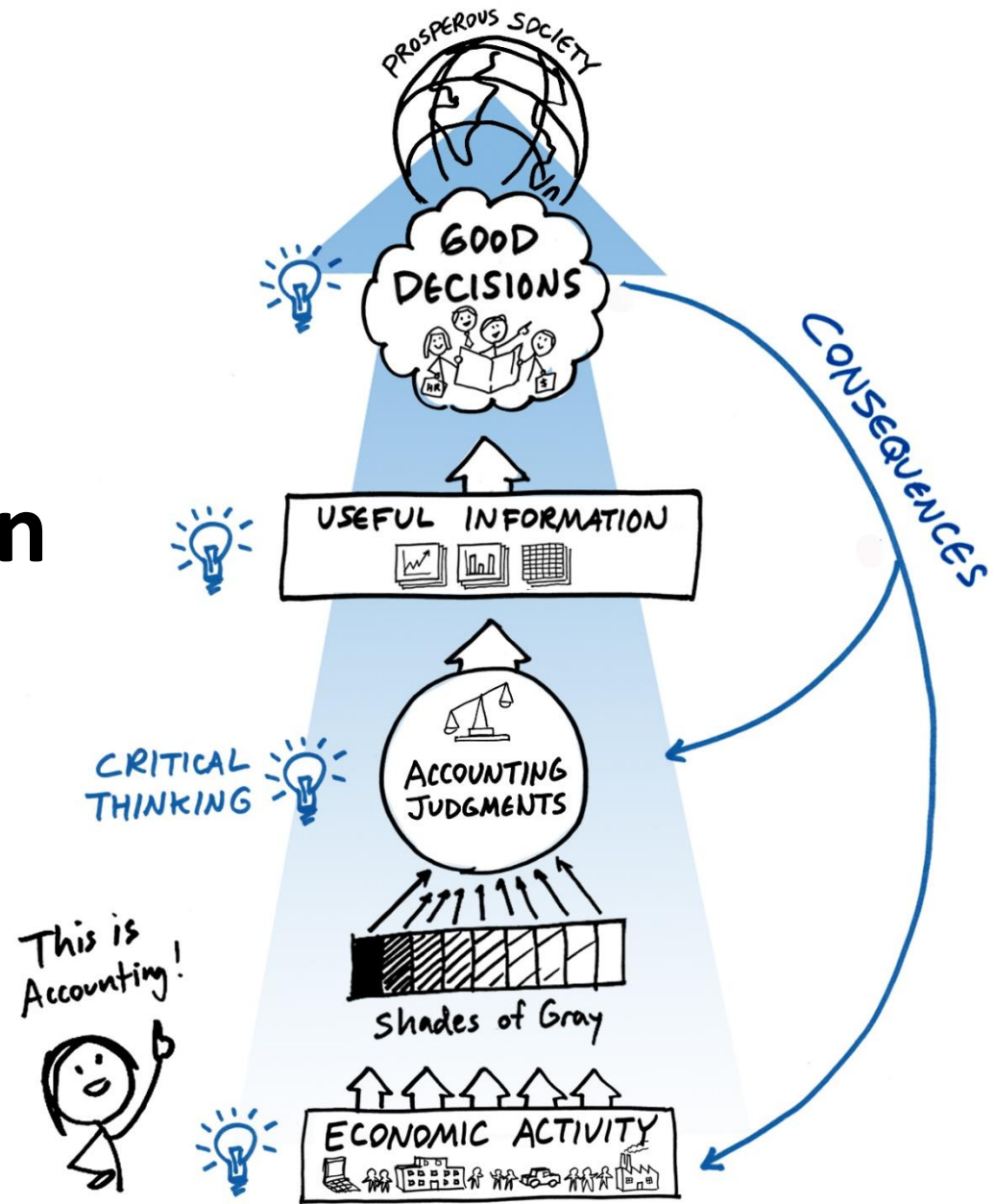
# Reality is that accounting plays a critical role in supporting a prosperous society.



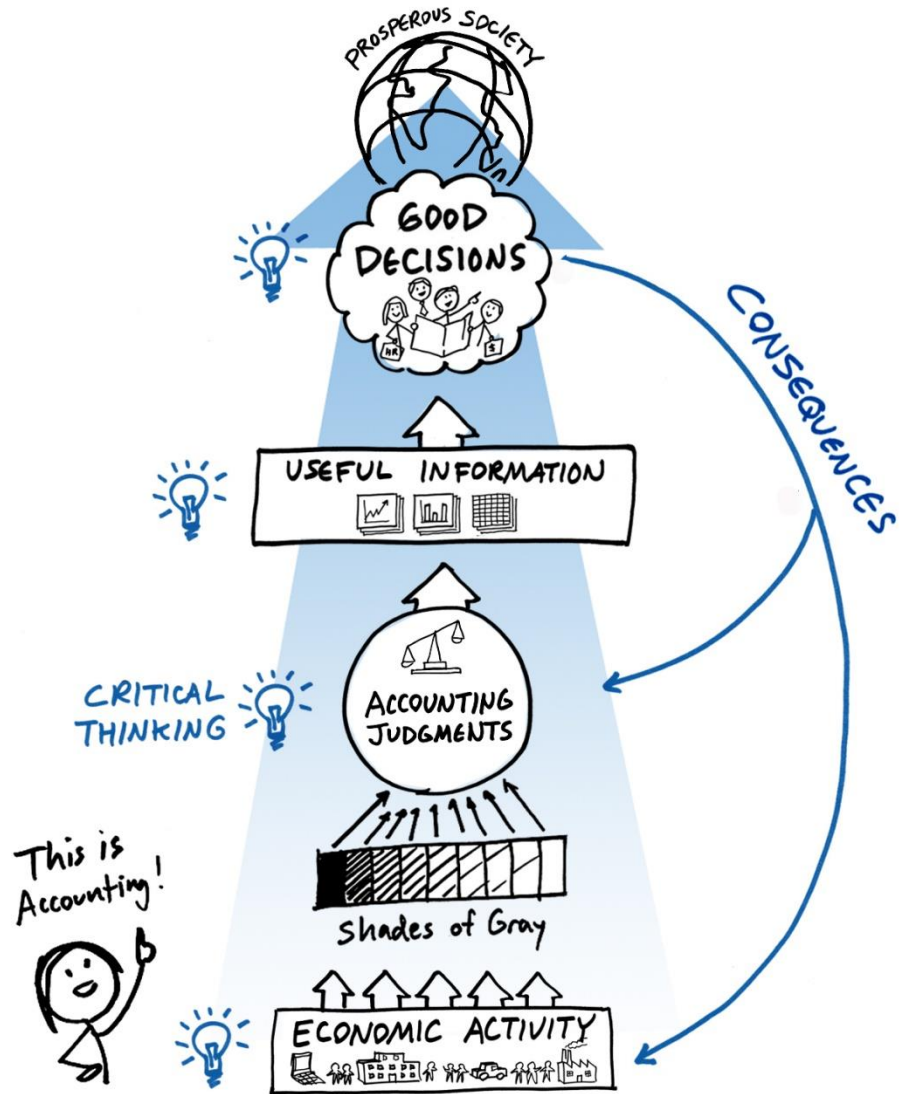
## THE ACCOUNTANT



# This is the “Pathways Vision Model.”

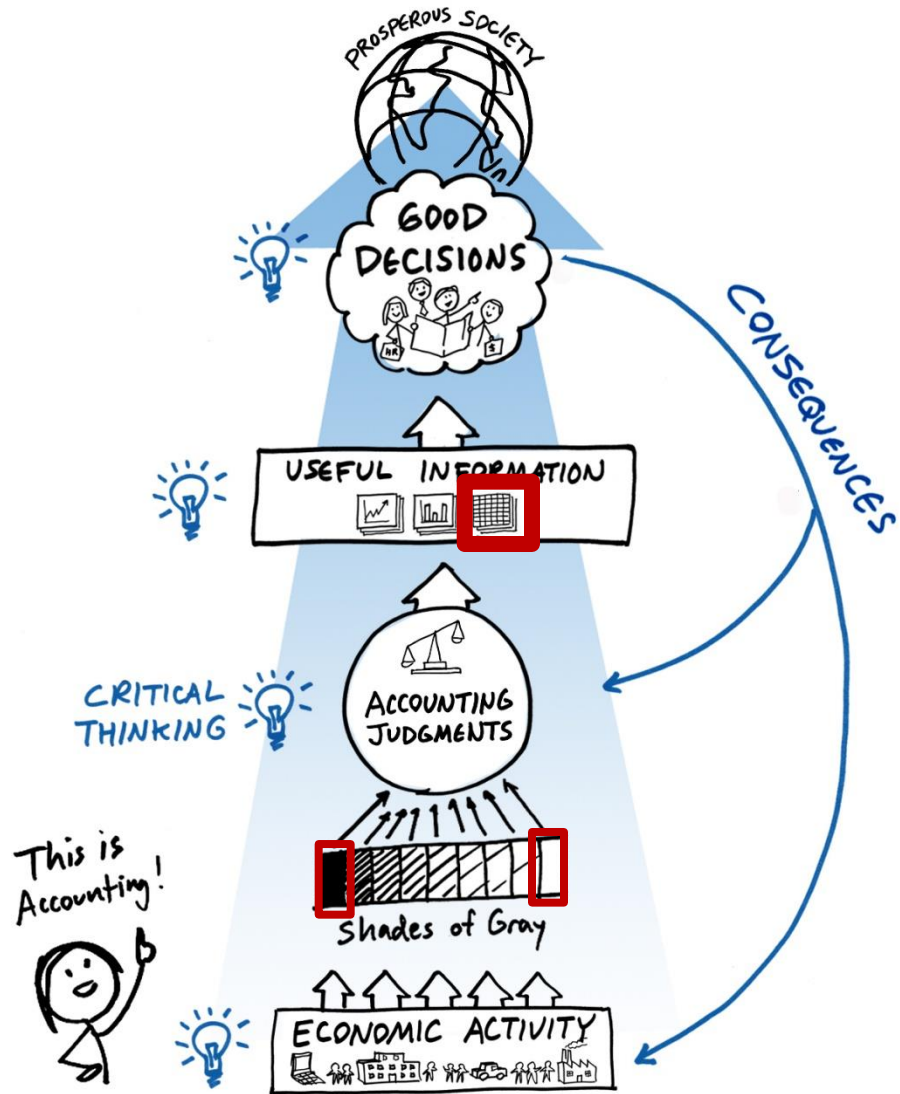


# Often it is said that ...



## Accounting is the language of business.

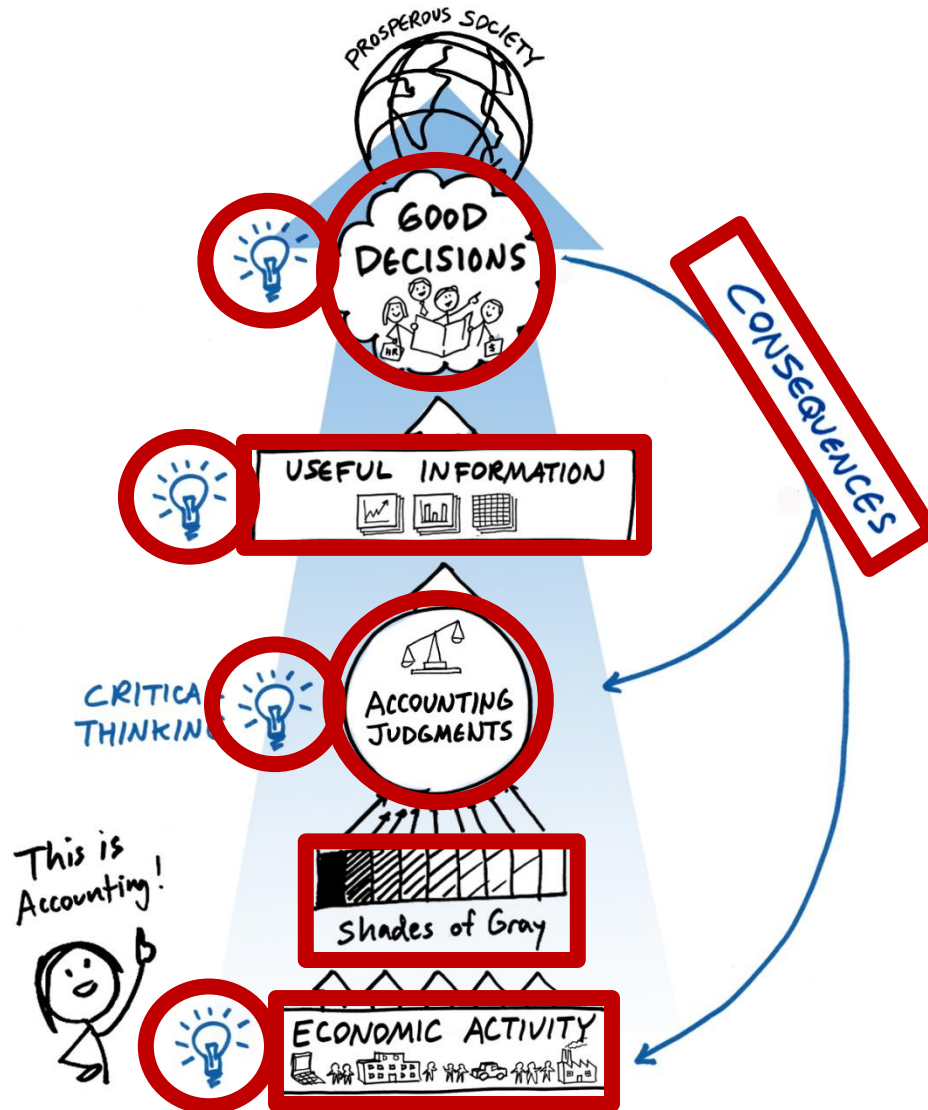
# However, the public's perception is narrow.



The public's view of accounting following “black and white” rules, while essential, **is only the grammar.**

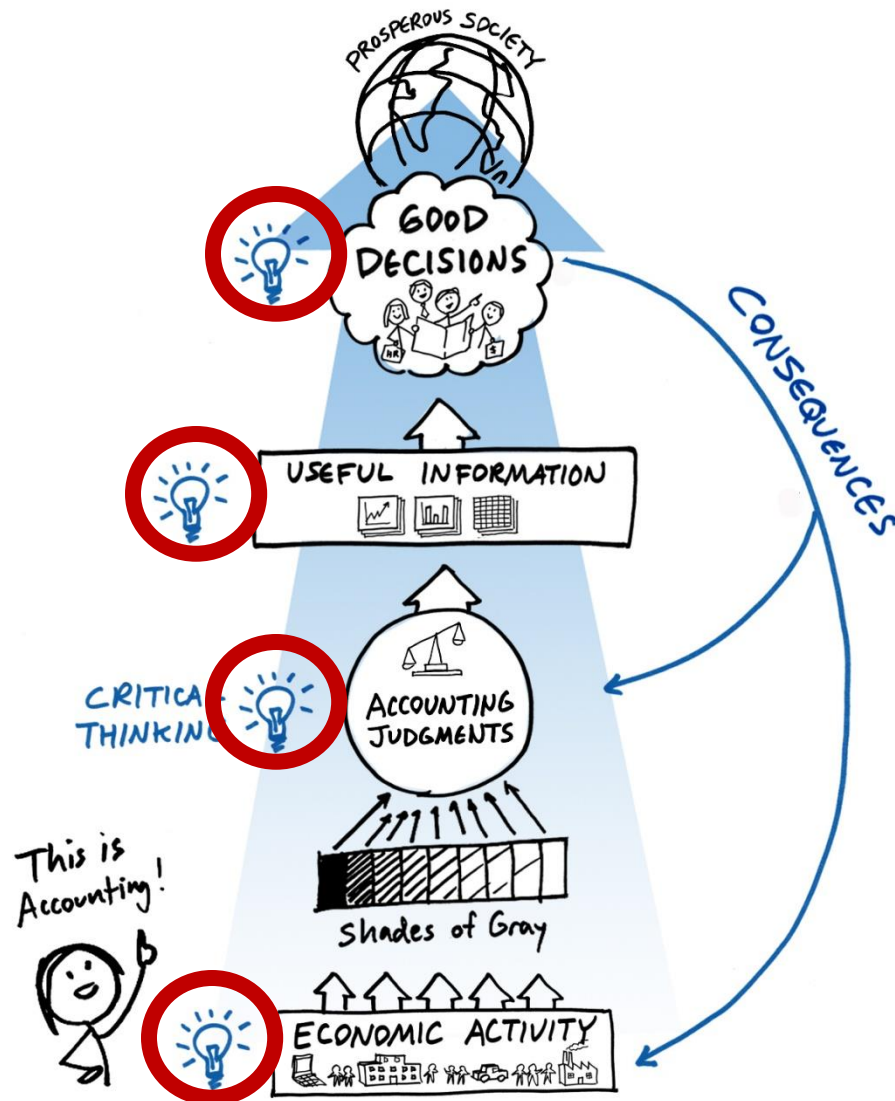


# Rather...

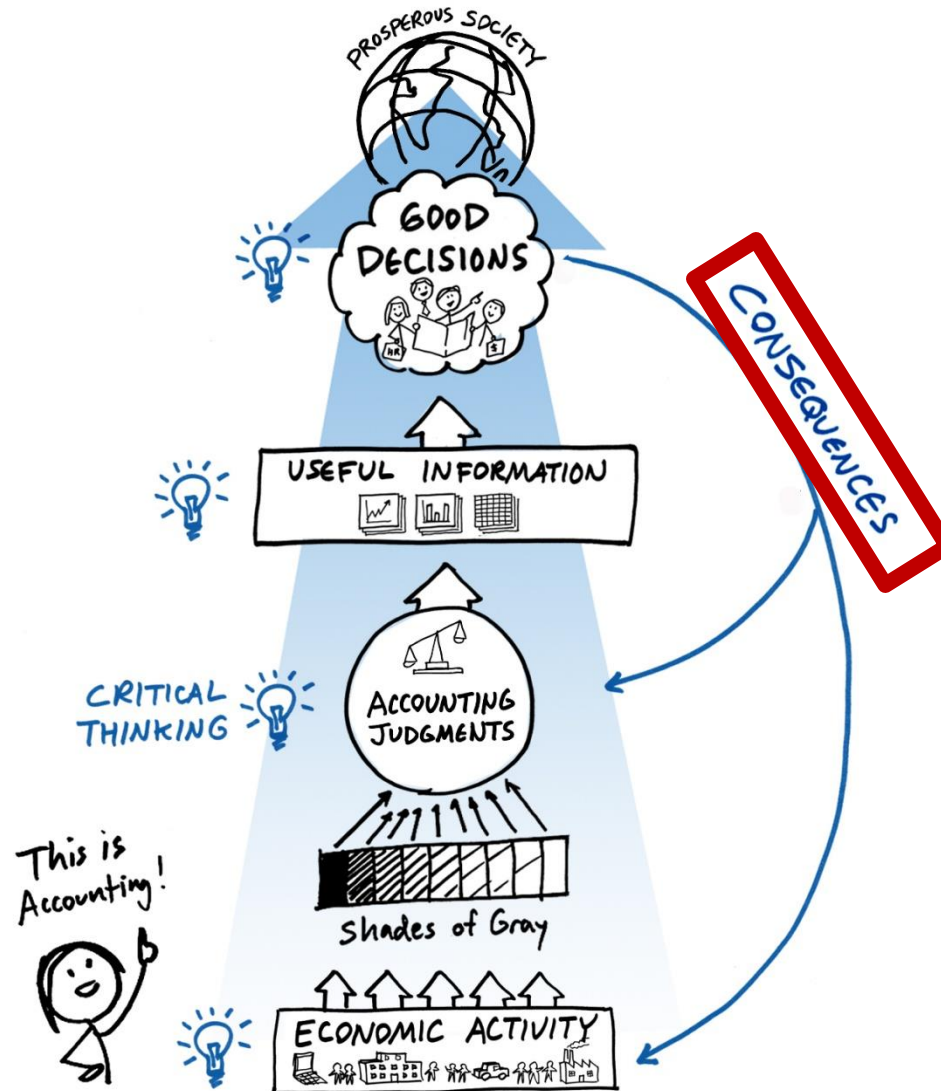


A subtle aspect of accounting, like nuances in other languages, is that it both affects and is affected by the business reality and culture.

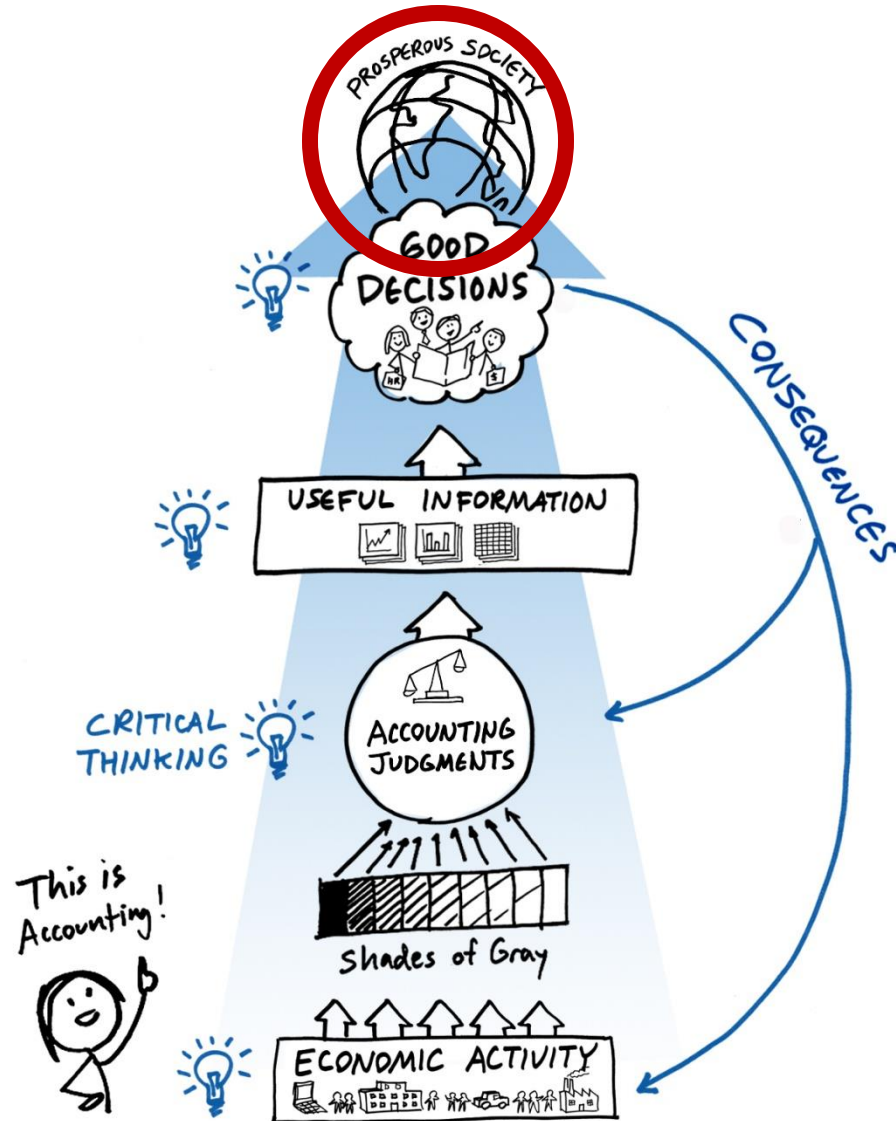
# Critical Thinking



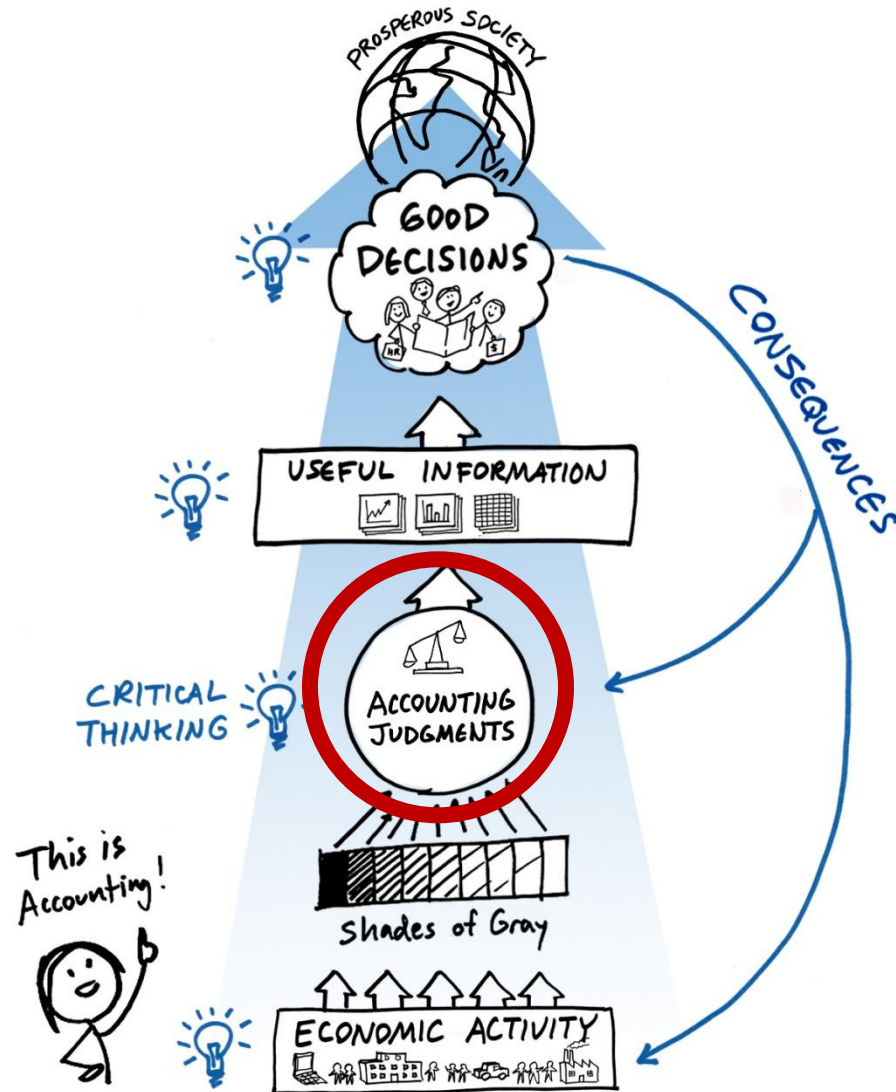
# Consequences of User Decisions



# Prosperous Society



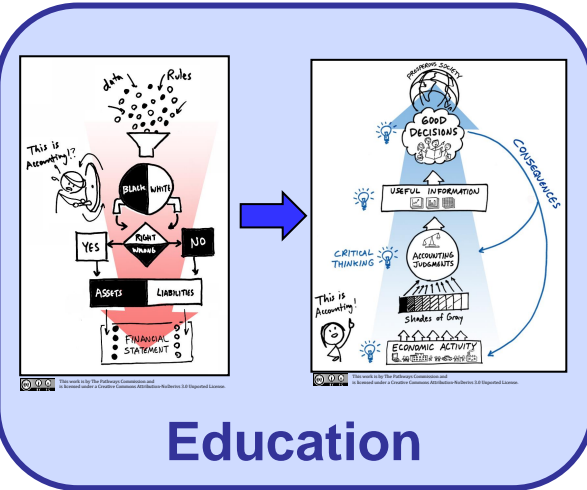
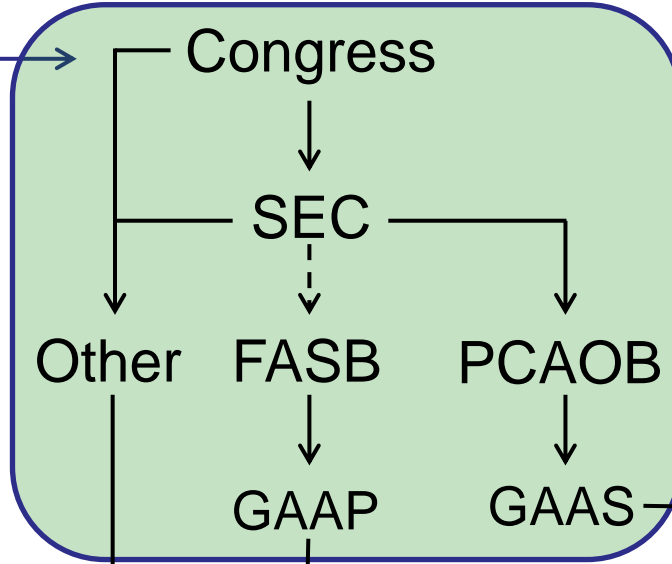
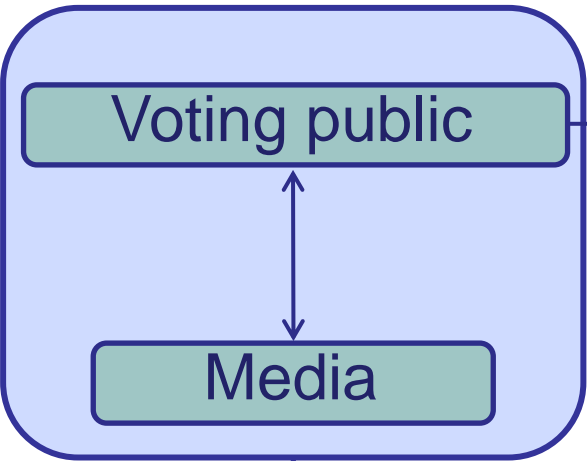
# Accounting Judgments





# Decision Making Hierarchy

## Outside companies

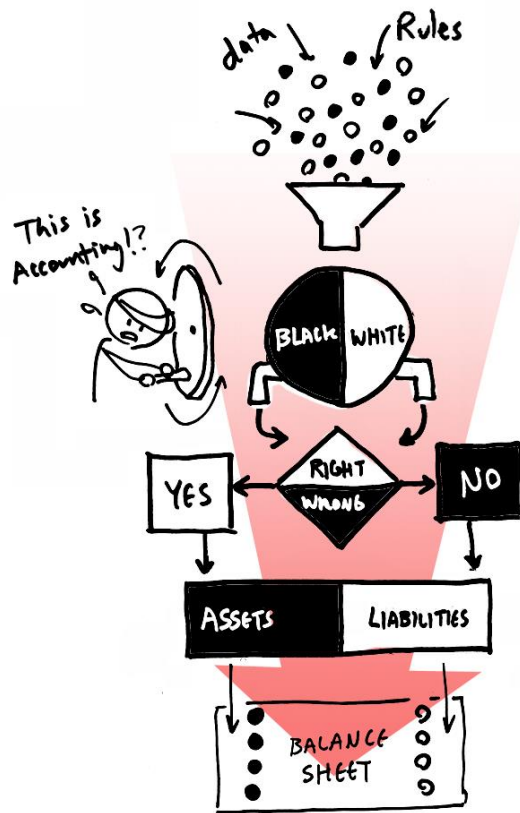


Auditors

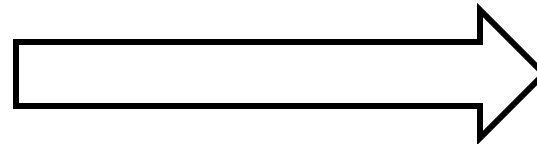
Reports → Users



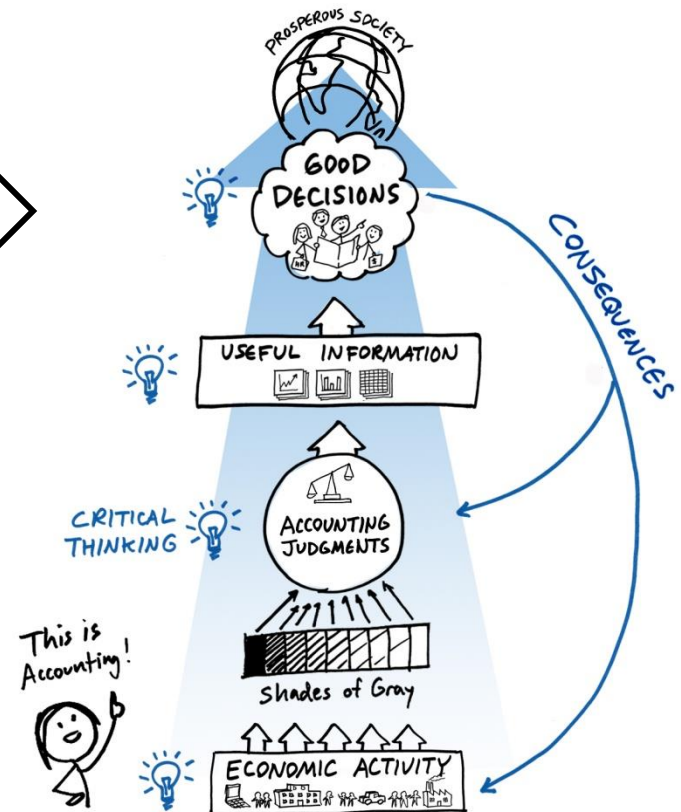
# As educators, our goal is to shift the perception toward the reality.



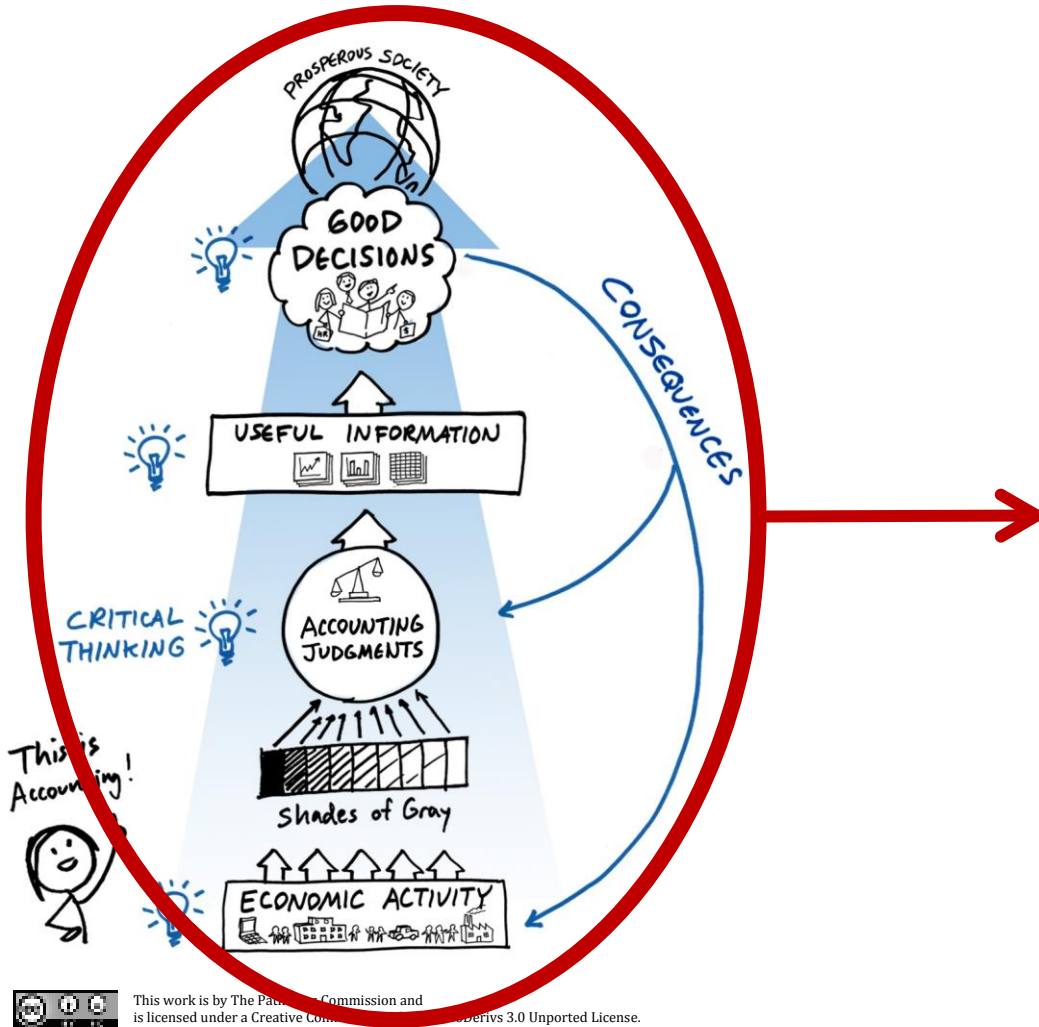
Education



The first course has the broadest impact.



# Teaching the Vision Model Elements



## Drill Deeper



## Concept Extensions

&

## Applications



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# Teaching the Vision Model Elements

MARKETS

## Big Banks Are Padding Profits With 'Reserve' Cash

*As Revenue Slows, Some Banks Increasingly Use Loan-Loss Reserves to Boost Income*

By MICHAEL RAPOPORT

Updated Oct. 25, 2013 7:23 p.m. ET

Federal regulators have warned banks to be careful about padding their profits with money set aside to cover bad loans. But some of the nation's biggest banks did more of it in the third quarter than earlier this year.



J.P. Morgan Chase & Co., Wells Fargo & Co., Bank of America Corp. and Citigroup Inc., the nation's largest banks by assets, tapped a total of \$4.9 billion in loan-loss reserves in the third quarter, up by about a third from both the second quarter and the year-ago quarter after adjustments. All the banks except Citigroup showed significant increases compared with the second quarter.

The banks justify the releases. They cite improvements in credit quality and economic conditions—which make it less necessary for them to hold large amounts of reserves as a cushion against loans that go sour—and they say they are following accounting rules that require them to release funds as losses ease.

A Bank of America spokesman said "the significant impact in credit quality we've seen in the last 12 months" has driven the reserve releases. J.P. Morgan, Wells Fargo and Citigroup all pointed to previous comments their top executives recently made indicating that reserve releases were merited because of factors like improving credit quality and the recent increase in housing prices.

But the Office of the Comptroller of the Currency, which regulates nationally chartered banks and federal savings associations, is reiterating warnings to banks about overdoing it.

*Wall Street Journal, October 25, 2013*

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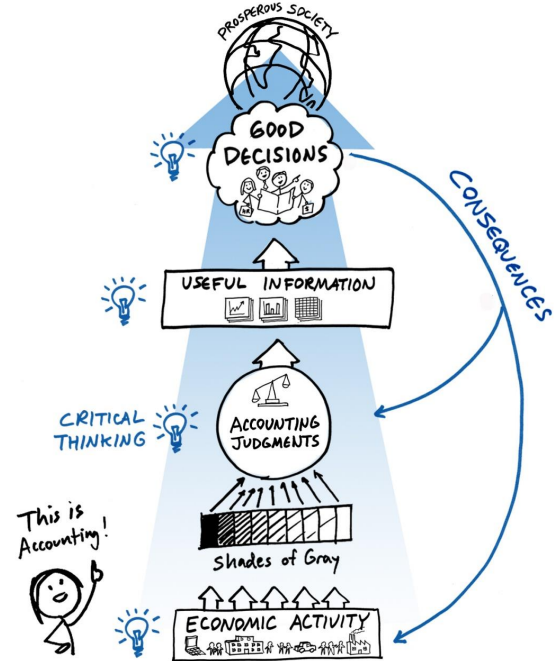
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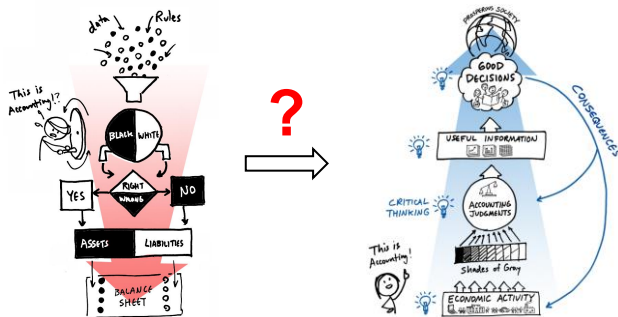
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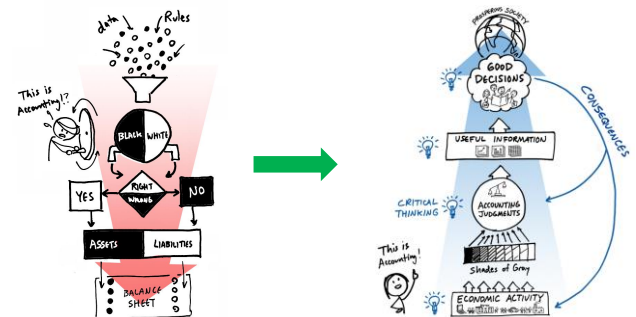
Wall Street Journal, October 25, 2013



What is the accounting reality?



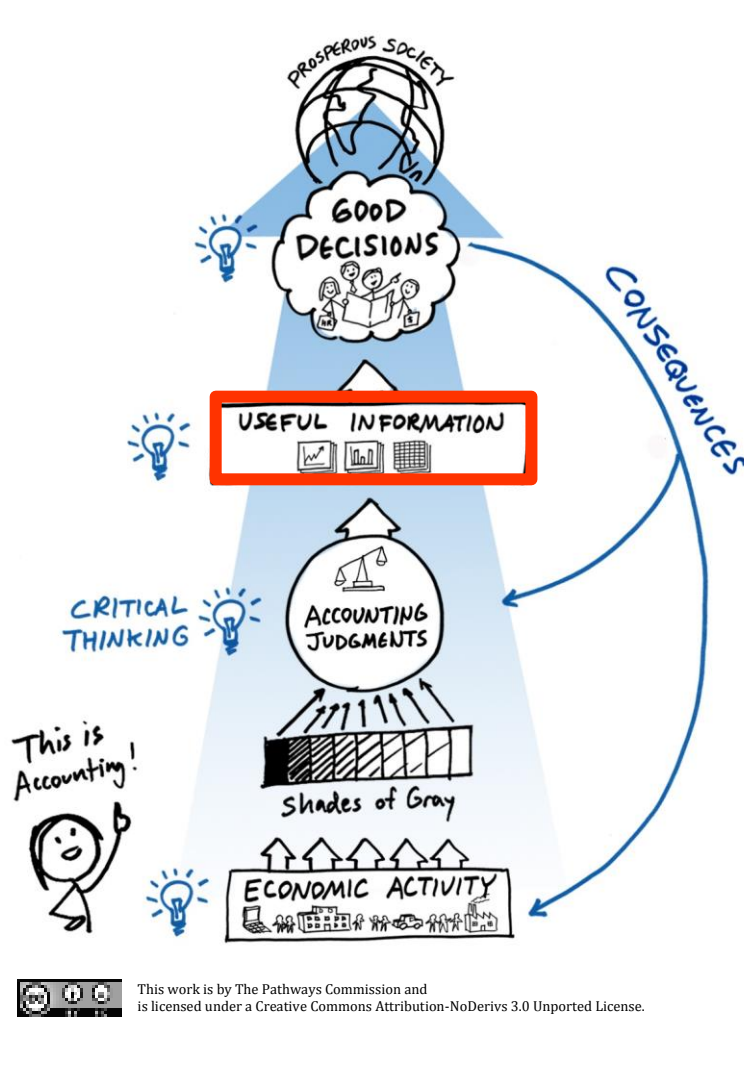
How did readers perceive the article?



How do we prepare students?



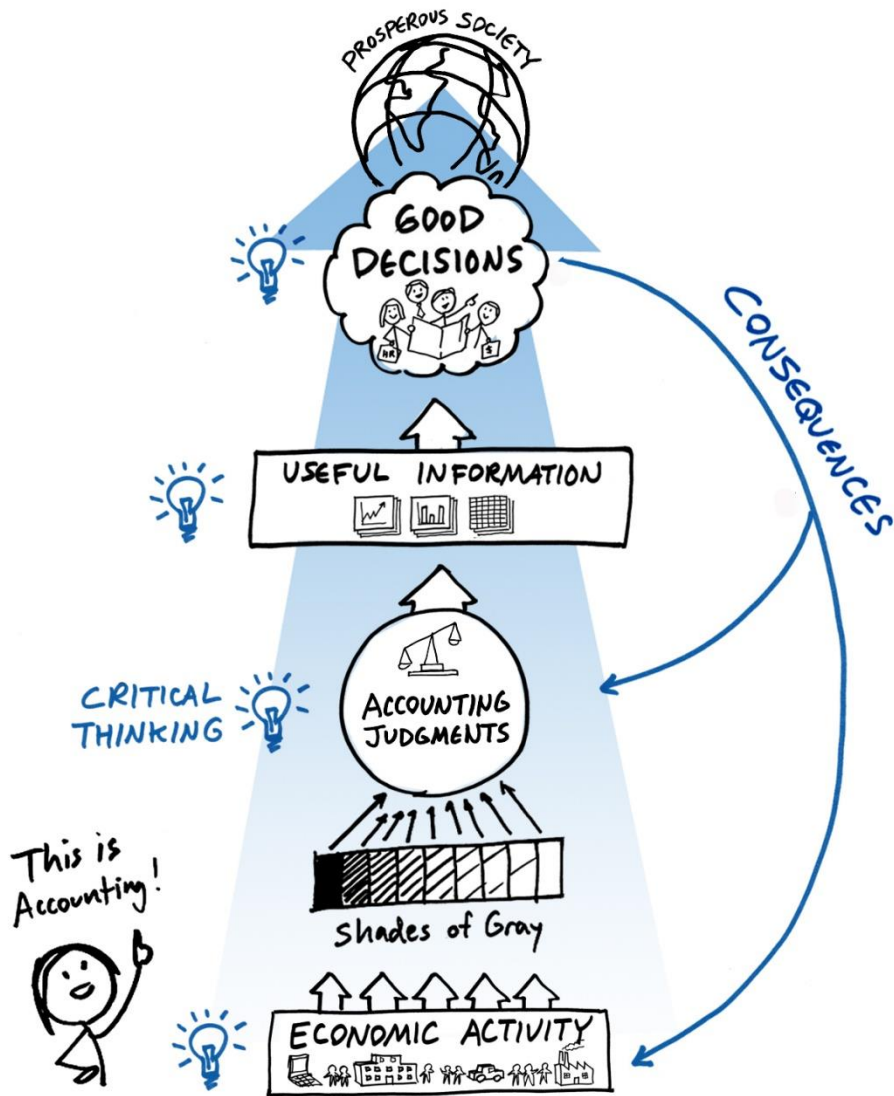
# Teaching the Vision Model Elements



- Analysis
- Ratio effects
- Financial-statement effects
- Entries
- Computations
- Accounting Judgments
- Analyze economic activity
- Events
- Risks & incentives

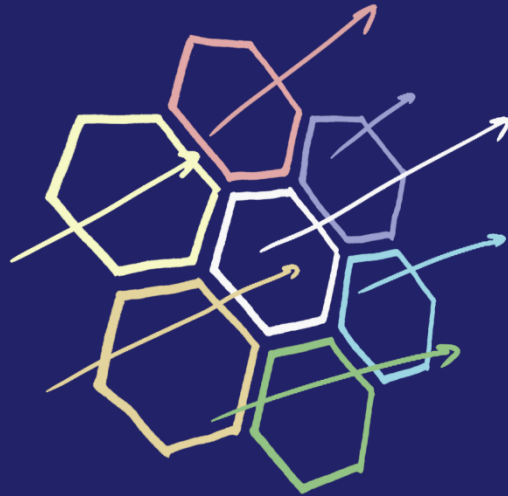


# The vision accommodates diverse educational missions:



- All of the elements can be emphasized at various levels based on each school's mission and students.
- The Vision Committee recommends the **first** course cover at least a general awareness of all of the elements and the ways they are connected.

# THOUGHTS?



**Get the Pathways Commission  
Vision Model at AAA Commons**

[www.pathwayscommission.org](http://www.pathwayscommission.org)