GOLDEN GATE UNIVERSITY
SCHOOL OF ACCOUNTING

"ACCOUNTING IS THE LANGUAGE OF BUSINESS." — WARREN BUFFET, 2004

FALL 2010 NEWSLETTER

Mary Says
Exciting Changes!

Please welcome Jennifer Sykora who has joined us as the new assistant dean of the School of Accounting. Jennifer has a MS in counseling and comes to us from UC Berkeley where she was an academic advisor and counselor. Jennifer is actually returning to GGU from several years ago when she was the assistant director in our Office of Career Planning. We know our accounting students will benefit from all of this great experience! She replaces our friend and colleague, Jim Kowalski who after two years of dedication to the Schools of Tax and Accounting is now pursuing his real love of fundraising. We thank Jim for his invaluable contributions and wish him great joy in his endeavors!

This past month we welcomed 30 students to our 12-month full-time masters of accountancy (MAc) cohort. Because of the rigor and pace of this program, this year we imposed higher and more selective admission standards which these students all met:

Applicants must now meet higher GPA standards and submit the following additional documentation:

- A written statement of purpose indicating interests, a sense of career direction, and how the MAc degree might be personally beneficial
- A letter of recommendation from an instructor or employer
- A detailed resume reflecting education, any work experience, interests and awards

Each application was reviewed by the School of Accounting Admission Committee which considered all of the above and the student's overall academic achievement record. Where possible, each applicant met with the committee for an in-person interview.

These dedicated and hard working students take six of the seven required courses from August to December. During October and November they participate in firm recruiting events and interviews for hire dates as early as January! By late November, most of these students will have an offer of employment for either a full-time or part-time position. From August through December, in addition to classes everyday, the students attend close to 25 "Lunch and Learn" sessions with accounting firm members teaching our students the skills, knowledge and business acumen needed to be successful in the profession beginning day one! Interested in meeting our students? Come visit one of their classes or join our Lunch & Learn sessions!

— *Mary Canning (JD 81, LLM 82), Dean*

in this issue

2 FINDING THE LINK: Causation and Damages
"Why I support GGU"
3 NEWS: "Role-Playing" to Win NUMBERS
4 EVENTS ON COURSE

FINDING THE LINK: Causation and Damages

Jed Greene, CPA, CFF, CMA, is a principal in the Commercial Litigation practice at Seiler LLP and a valued member of GGU's Forensic Accounting Advisory Board. We recently asked Jed what a forensic accounting consultant's practice might look like. His comments can be viewed on our web site at www.ggu.edu/accounting. Below, Jed and fellow Seiler colleague Jeff Redman share their experience analyzing damages.

Causation in Damages

The link between causation and damages can be difficult to determine and is often overlooked by damages experts. It is one thing to develop a methodology to calculate damages; it is another thing entirely to prove the causal link between the defendant's actions (or non-actions) and the resultant damages incurred by the plaintiff.

In commercial litigation cases, a damage theme may be: "We used to make $20 million per year, but due to your actions we made only $5 million last year ... therefore, our damages are $15 million." Rarely, if ever, is it that simple.

We were retained by a plaintiff to assist in proving damages related to lost rents at a new self-storage facility in San Francisco. The building was plagued with various construction defects that caused a large amount of leaking whenever it rained. Approximately one-half of the units were not rentable due to the leaks. Unfortunately for the plaintiff, his building opened at the same time the dot-com bubble burst. The defendants (contractors) argued that the owner's claim for lost profits was speculative, and that much of his lost rental income was due to the local economy, not the problems with the building.

As part of our analysis of causation we analyzed the lease-up projections (based on the owner's many years of experience in that business) and compared them to the actual lease-up prior to the first rainy season to show that the building was leasing-up faster than planned — an indication of strong demand. We analyzed current occupancy rates at another nearby facility owned by the plaintiff which was virtually full despite being a less suitable facility when compared to the new, modern building — an indication of strong demand. We researched publications and found detailed information on the market for self-storage facilities in San Francisco, which helped to prove strong demand.

Rather than relying on a "total cost" approach, we analyzed the lost rent for each unit that was not rentable due to leaking and proved that but-for the leaking, there was ample demand for those units. As a result of the analysis, damages were proven linked to the defendant's actions, not the overall economy.

Why I Support GGU

One of the great perquisites of my job is to meet our wonderfully successful and generous alumni! Though I often ask what lead them to GGU, I hadn't thought to ask why they chose to remember GGU School of Accounting in their annual giving ... until now. Here are a few of the many inspiring responses I received (to be continued in the next edition!):

— *MC*

"I include GGU in my charitable giving because my GGU education launched me on a very successful career and because I like to support GGU's mission of providing educational opportunities to individuals who do not have the luxury of being full-time students."

— *Charles Steele CPA, retired CEO, Deloitte, BA 51*

"My BS in accounting prepared me very well for my career as a CPA, initially at a Big 8 accounting firm ... I hope that the annual giving alumni make will play a similar role in other people's lives. There may be no greater gift."

— *Jim Brush CPA, BS 79*

"I received a great education, which opened the door to internship and career opportunities. I had wonderful, dedicated teachers, and had the opportunity to establish lifelong friendships and business relationships. I am very grateful for GGU's generosity, and I am privileged to be able to give back by including GGU in my annual giving."

— *Margaret O'Leary CPA, BS 81*

FACTOID: Four of the past six chairs of the California Society of CPAs earned their graduate degrees from Golden Gate University: Conrad Davis, Greg Burke, Teresa Mason, and Paul Regan.

NEWS

"Role-Playing" to Win

With practicing accountants as faculty, the GGU classroom resonates with discussion of real situations. Projects in classes are designed to be "workplace projects" rather than subject matter papers. Class discussion of research projects include faculty role playing where the students discuss results with a "CPA firm partner" or a client. In the role of a client, the faculty articulates client frustration with ineffective and inefficient communication or failure to focus on business issues related to the technical topic being discussed. Research projects are designed with missing information. Students are required to communicate by email with the client (faculty role play) to gather necessary information. If the student communicates badly, the client can become irate demonstrating the importance of planned, effective, efficient client communication. Research projects can be created with a flawed proposed planning idea by a CPA firm partner. In the safety of the classroom, a student can experience the challenge of diplomatic communication to improve the result to a client.

The goal is knowledge creation, skill development and awareness of how to use and deliver it as a professional accountant. Golden Gate University's accounting program seeks to bring the reality of practice to the classroom.

— *John McWilliams, Professor*
School of Accounting

numbers

GOODBYE, GAAP?

The US' movement toward IFRS has been in the news for years. Reuters captured the popular sentiment — that it is "only a matter of time until the United States adopted" IFRS. But does this comport with reality?

SEC Chair Mary Shapiro has expressed reservations about former Chair Christopher Cox's zeal for adoption, noting among other things the lack of IASB independence and the evidence of globally inconsistent IFRS application. Commissioner Luis Aguilar identified additional concerns, including whether there will be more fraudulent accounting due to the absence of rigorous auditing oversight and vigorous law enforcement among adopting nations.

The SEC's most recent statement on IFRS (2010 Statement) acknowledges strong concern about whether IFRS as it stands can meet the needs of US capital markets, observing: "IFRS is not as developed as US GAAP in certain areas."

The 2010 Statement notes: "significant challenges likely would arise in having an international organization ... set standards for US issuers." While a US approval mechanism could be put in place, the very need for individual nations to approve every new or amended IFRS suggests the possibilities of: 1) delay in addressing emerging issues, 2) lowest-common-denominator standards, and 3) the impairment of IFRS' primary touted benefit — comparability — as individual jurisdictions elect to go their own way on individual standards.

A threat exists that important countries with non-investor-based capital markets will, through growing influence over the IASB, shift IFRS in derogation of the SEC's investor protection mandate.

The 2010 Statement recognizes that changing to IFRS could adversely impact other aspects of government. One example is taxation. For another, a recent article suggests that IFRS' broader reporting discretion could significantly impair the government's ability to succeed in securities fraud actions.

These and other issues are being studied under the new SEC Work Plan; but clearly, significant barriers to IFRS adoption exist.

In announcing the 2010 Statement Schapiro said, "[The] Commission continues to believe that a single set of high-quality globally accepted accounting standards would benefit US investors ... but supporting this goal is only the beginning of the discussion[.]"

She continued, "By 2011, assuming [the completion of the IASB/FASB convergence projects and the Work Plan], the Commission will decide whether to incorporate IFRS into the US financial reporting system[.]" (Emphasis added.) Aguilar agreed, "It is too early to say whether US financial reporting will move to IFRS."

IFRS a sure thing? I'm not so sure.

— *Kris Neslund CPA, JD, LLM (Tax),*
Professor School of Taxation

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Golden Gate University School of Accounting Newsletter

events

August 29 Fall Trimester Begins

September 16 Tax Career Fair SF, 3-5 pm

September 24 Business Practice Luncheon, One Market, SF, 11:30-2 pm

September 24 Accounting Career Fair, SF 3-5 pm

October 20 Accounting-Expert Lecture Forensic Accounting (one hour CPE/MCLE) 12-1:30 pm

October 26 Tax-Expert Lecture Wealth Transfer Tax Planning (one hour CPE/MCLE), SF 12-1:30 pm

November 16 Accounting-Expert Lecture Accounting for Sustainability (one hour CPE/MCLE) 12-1:30 pm

December 14 Tax-Expert Lecture Legislative Updates (one hour CPE/MCLE), SF 12-1:30 pm

on course

In addition to required courses, the following elective courses will be offered during the fall trimester:

UNDERGRADUATE

- ACCTG 103 Advanced Accounting: Consolidations (SF)
- ACCTG 104 Governmental and Not-for-Profit Accounting (Online)
- ACCTG 146 Business Law (SF and Online)
- ACCTG 197A Introduction to Financial Forensic Accounting (Online)

GRADUATE

- ACCTG 309 Analysis and Use of Financial Systems (Online)
- ACCTG 311 Fraud Auditing (Online)
- ACCTG 361 Taxation of Corporation and Other Entities (Online)
- ACCTG 365A CPA Exam Review: Financial Accounting and Reporting (Online)
- ACCTG 365B CPA Exam Review: Audit and Attestation (Online)
- ACCTG 365C CPA Exam Review: Regulation (Online)
- ACCTG 365D CPA Exam Review: Business Environment and Concepts (Online)
- ACCTG 372 Introduction to Financial Forensic Accounting (Online)
- ACCTG 375A Economic Damages (Online)
- ACCTG 375G Construction Claims (Online)
- ACCTG 375J Disputes in Mergers and Acquisitions (Online)

For a full schedule of course offerings, please visit www.ggu.edu/schedule.

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Photo of Mary Canning by Kris Davidson