



BETA ALPHA PSI

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LETTER FROM THE EDITOR

by Stephanie Shao

May 13, 2016

Dear Readers,

Welcome to Volume 4 of the BAP Journal! This year has been a busy & productive year for Epsilon Alpha. For the second year in a row, our chapter took home 2 awards from the annual Beta Alpha Psi Northwest Regional Meeting held in Spokane on Saturday, April 9th.

It was an exciting day in which Katie Conrad, VP of Marketing, and Joel Morris, Director of Best Practices, won first place in the Leadership & Management competition. They presented on two new initiatives of our chapter, a project driven community service option that gives students more leadership opportunities and the creation of an operation manual to guide student leaders through the transition between officers each year. As part of their first place win, we look forward to seeing Katie and Joel represent Portland State University at the Annual Meeting in Baltimore this August.

The excitement continued when Abbie Therrow, VP of Competitions, and I took third place in the Good or Great competition. We presented our chapter's establishment of a BAP Alumni Advisory Board along with our chapter's role in assisting the School of Business to grow the Accounting Mentorship Program. Both of these initiatives have been highly successful and we are truly grateful to our new BAP Alumni Advisory Board for their support and guidance this year. In fact, their input and suggestions as we put the

finishing touches on our presentations were crucial to our success!

This issue focuses on keeping our readers informed, whether they are current students, about to graduate, or already professionals. Through our professional spotlights of Debbie Degener, Partner at Irvine & Co., and Jim Swanson, VP of Finance at Columbia Sportswear, we hope to illustrate the opportunities and varied paths that are open to accountants.

We also look at what changes are ahead for the CPA exam and how the concept of critical thinking has shaped these changes. In addition, the article on the Port of Portland is a good reminder of how strong the link is between our local business environment and the Port of Portland.

I hope you enjoy reading this issue of the BAP journal; as always we welcome your feedback and suggestions on how to improve this publication. Please take note of all of our contributors for this issue, as they have worked tirelessly to create this final product. If you are interested in becoming a future contributor or have any comments and question, please reach out to me at communications@bappdx.org.

Steff Shao

Editor-in-chief



PROFESSIONAL PROFILE: DEBBIE DEGENER

by Samantha Howard



PSU Alumna Debbie Degener is the Managing Partner at Irvine & Co, LLC, a local boutique accounting firm, that specializes in serving the Oregon and Washington wine industry.

Debbie originally earned her Bachelor's in Outdoor Recreation Management and worked with Outward Bound in Oregon. After a few years, she came to Portland State University to earn her Post-Baccalaureate degree in Accounting. Upon graduation, she immediately started working at Irvine & Co. When she joined in 1990, there were 2 partners and one other staff accountant. Over her 25-year career with Irvine, she has seen the firm grow to 20 staff accountants. Working at Irvine & Co. has allowed Debbie to combine her passion for the outdoors with her career in accounting. Debbie has a more entrepreneurial spirit. By working for a small firm, she has a greater impact on how the firm grows and operates.

Irvine & Co. is a well known name within the local beverage industry. Not only do they serve the wine industry, they are also well known for serving breweries, distilleries and cider makers along with other agricultural and manufacturing businesses. As a boutique accounting firm, Irvine & Co. is comprised of 4 partners and 20 staff accountants.

Part of what makes Irvine and Company particularly unique is that Irvine staff do not specialize in traditional service lines. Instead they split their time evenly between tax, assurance and consulting services. This approach has allowed Debbie and the rest of the staff to become more connected with the businesses they serve. Debbie says "Most wineries are small, family run businesses. They usually start off as a husband and wife where one partner wants to grow and the other is stuck keeping the books." This is where Debbie steps in to assist her clients. She provides lots of support, industry know-how and an approachable attitude that helps her clients grow and succeed.

Not only does Debbie feel that this approach is the most beneficial to their clients, she believes that the staff benefit greatly as well. Debbie says that their staff have a "broader knowledge and exposure to the businesses instead of very specialized accounting knowledge." By serving their clients in all aspects of their businesses, staff come to

have a greater understanding of the business as a whole. Debbie believes this makes the staff better accountants and makes their services more valuable to their clients.

Irvine & Co. also approaches recruiting a little differently. Debbie says they noticed that "a lot of really great small firms get overlooked because of the focus on big firms." To aid in recruiting, Irvine & Co. started attending the OSCP Career Showcase 15 years ago. This has allowed more exposure to potential candidates. They do not follow the typical recruiting timeline, instead they hire and start new staff in January. Debbie is an excellent ambassador for her firm. She lights up when talking about the work Irvine & Co. does. She can quickly draw in an audience with her passion and charisma.

As the wine industry has grown, Irvine has grown with it. Growth at the firm is 10-20% per year. This translates to 1-2 new staff added each year. Smart growth is a big focus for Irvine. Debbie said "We sometimes limit growth to ensure we have well trained staff. Two new staff max will not affect client services." This approach allows Irvine to continue to service clients the best way possible without sacrificing training. Staff training is integrated based on the current projects and not split between tax training and audit training.

The highlight of the job for Debbie is that "no two days are the same." She says "the variety, especially in the small firms means that the job is never boring and you are constantly learning." A small firm is better for more entrepreneurial minded people, because it allows for a broader understanding of the industry and your clients. It also means that each staff has a larger impact on business outcomes.

In terms of advice for those entering the job market, Debbie says "Be open, start with discovering yourself first." If you know what your personality best fits with, what environment you best work in, you can then view the firms for the best fit for you. She says "it's the same with the industry. Do you want to work for Nike or the small guys?" Each has its benefits, so the choice comes down to understanding the fit that is right for you. **EA**



PORT OF PORTLAND: THE LIMBO OF TERMINAL 6

by Brian Olsen

Once the envy of the neighboring ports of Tacoma, Seattle, and Oakland, in 1976 the Port of Portland's Terminal 6 container complex (T6) attracted Toyota Motor Sales when it completed North America's largest floating drydock and signed the automaker to a U.S. distribution deal. That strategic advantage has vanished, says David Harlan, Ports Program Manager at the State of Oregon's Business Development Department.

"The state's regulatory climate has been a problem recently, as well as labor issues, and the relationship with the City of Portland is tenuous at best. All that said, it's important to note that while the Port's container market share has always been modest and has been steadily decreasing, the port remains a major player in bulk exports."

In early 2015, T6 container flows were crippled when transpacific shippers Hanjin and Hapag-Lloyd pulled out of the Terminal, reportedly due to inefficiencies in loading and unloading. T6 is moving three percent of the containers it did in 2014. Since 1993, the Terminal has averaged 237,461 twenty foot equivalent units per year (TEU). Hanjin Shipping, South Korea's largest container shipper and one of the world's top 10, represented 80 percent of T6's service or 1,600 containers per week, supporting an estimated 657 jobs and \$33 million in wages per year. The primary source of the T6's paralysis is a contentious labor-management dispute between port operator International Terminal Container Services, Inc. (ITCSI) and the International Longshore and Warehouse Union Local 8 (ILWU Local 8).

Just 10 years ago, T6 was the U.S. West Coast's largest auto importer. Today, neighboring ports are absorbing its business while the problems at Portland's port are adding an estimated 1,400 truckloads a year to local freeways at an estimated cost of \$15.1 million a year to local exporters.

In response to T6's shipping woes, in April 2015, Governor Kate Brown introduced an International Trade and Logistics Initiative focused on keeping Oregon trade moving by helping small and medium-sized exporters, which account for more than 88 percent of Oregon exporters. Led by Business Oregon, Oregon Department of Agriculture (ODA), Oregon Department of Transportation (ODOT), and the Port of Portland, the Initiative has succeeded in restoring container barge-rail service on the Columbia and Snake rivers.

According to the Initiative Steering Committee Report, shippers without access to barge service are paying up to \$800 more per container compared to \$400 to \$450 for those with access. These costs are reportedly being shared by the neighboring ports and aren't affecting prices to consumers yet.

In spite of these coordination efforts, Harlan says profits have suffered for commodities like peas and lentils that used to be shipped by barge directly to T6.

"Those were moving to the Mediterranean and Southeastern Europe via the Hapag-Lloyd service. Now they need to get to Puget Sound to catch a ship headed in that direction. While the margins were low, it was a very profitable trade when you could barge direct to Terminal 6 with very heavily loaded 20-foot containers that didn't have to worry about highway weight restrictions."

In 2011, the Port of Portland switched from operator to landlord when it signed a 25-year lease with ITCSI after 35 years of being a self-operating port. The switch comes with advantages, according to Kenny MacDonald, Port of Portland Marine Media Relations Manager.

"Lease payments are the same if one ship calls on Portland or 100. We would like to see the facility busy, of course, in the interest of serving the regional economy."

Recruiting new service is a long process that may take one or two years, says MacDonald.

"The Port is working with T6 operator ICTSI to market the terminal actively for new container service to Asia, Europe and Latin America."

T6's sole remaining transpacific shipper, Westwood Shipping Lines, has impressive vessels like its 656-foot Westwood Columbia capable of transporting hundreds of containers in addition to 28,000 tons divided into 10 cargo holds for commodities like pulp, grain, newsprint, and lumber. Westwood's monthly service of 130 to 200 container exports falls well short of T6's capabilities of 500,000 container exports per year with twice weekly service.

However, in 2015 despite all of T6's challenges, Oregon still moved more than \$20 billion in exports and nearly \$15 billion in imports. Hopefully, this is a good sign for our region's future economy. **EA**



PROFESSIONAL PROFILE: JIM SWANSON

by Videre Tan



While most accounting students have a good understanding of entry-level public accounting careers, we don't always have as extensive of understanding of where our careers may take us down the road. Recently, I had the privilege to meet with Jim Swanson, the Vice President of Columbia Sportswear, to interview him about his career path to becoming a leader in corporate finance. His path to this position is interesting, and it encourages me to consider the many types of careers one can have in accounting.

Jim Swanson received both his Bachelor's and Master's in Accounting from the University of Montana. Upon graduation, he worked in the tax department at Arthur Andersen, LLP for five years to develop his technical skills before he moved into the tech industry.

Growing up in Montana, he engaged in the many outdoor activities that his state had to offer. As an avid hiker and fisherman, he was familiar with Columbia Sportswear. He found himself attracted to the corporate culture of Columbia Sportswear and knew that he would enjoy working at a company where he could be excited and passionate about its products. Now thirteen years later, he loves how each day is different and still brings much variety.

Although Jim's background is in accounting, his current role primarily involves finance, and he reports directly to Tom Cusick, the Chief Financial Officer. Jim is in charge of the three-year strategic planning cycle, which includes budgeting, forecasting financials, and supporting leadership in decision-making.

Being a leader poses unique challenges. In the current economy, knowledge creates more value rather than mere laborers in a large organization. According to Wall Street Journal article, "What is the Difference Between Management and Leadership?" managers today should motivate employees, not just pass out assignments. Formerly two roles, they now balance each other and are concurrent.

Speaking from experience, Jim noted that people skills are crucial to effective leadership. The people working with

or under you will have differing values that may come from varying life experiences or generational gaps. This comes into play when, as a leader, you need to group people together for projects. Your mission is to find the best fit to increase value for the company.

Furthermore, on occasions when your opinion on a situation conflicts with those around you, your best approach is to take a position, have supporting information, and present the dilemma to management. Last, but not least, Jim believes that humility is a key quality in a leader. An open and honest attitude can produce a quick and effective resolution in many situations. **εα**



CRITICAL THINKING AND THE CPA EXAM

by Katie Conrad

Bernie Madoff is currently facing a 150-year prison sentence for running the biggest fraudulent scheme in U.S. history and, to this day, only a fraction of his victims have regained their losses (Yang 2014). By consistently guaranteeing unusually high returns, as well as offering very fast and cheap trades, he managed to lure thousands of investors into handing over their hard-earned cash. Instead of investing the money, he used the inflow of investments to pay out dividends to previous investors. When the financial crisis hit and everybody wanted their money back, he was unable to pay and his scam was exposed.

Nobody has been able to determine when Madoff's scheme began; he claims it inaugurated in 1987, but it could have started as early as the 1960s (Yang 2014). He wasn't arrested until 2008, meaning he was operating under the radar for roughly 20-40 years (Biography.com; Foundation For Critical Thinking). All that time, the SEC came in for routine examinations and while there were a few incidents of skepticism, overall it was hardly questioned despite being "too good to be true". Is it realistic that every investor in the whole company was constantly receiving a high return rate? Did anyone wonder what he was investing in that was so lucrative? Were people thinking critically?

What is Critical Thinking?

First, let's define it.

The concept of critical thinking goes all the way back to ancient Greek times. The word "critical" is etymologically derived from "kriticos", meaning "to discern judgment", and "criterion", which can be translated to "standards" (Foundation For Critical Thinking).

More recently, the word "critical" is defined by Merriam-Webster as "consisting of or involving judgment of value, worth, beauty, or quality", "using or involving careful judgment", and "extremely important". Combined with thinking, we can define critical thinking as exercising careful judgment, using established standards, in order to determine the value, worth, beauty, or quality of something.

So how is this put into action?

Instead of accepting something that was said, a critical thinker pulls apart the statement and ponders the following questions: Why did they say that? What context was it said in? When did they say that? What impact does this have?

Sometimes it involves going on a journey where they encounter conflicting evidence and differences of opinions from the information that they acquire. There is always a level of uncertainty so the key is to assess the uncertainty and come to their own understanding and conclusions.

AICPA's Emphasis on Critical Thinking

Ah, the CPA exam; the rite of passage into the accounting profession. Each year, the AICPA reviews the exam, approving various changes and updates. The AICPA has proposed some substantial changes for the CPA exam to take place in the second quarter of 2017, some of which will place a high emphasis on critical thinking.

The main difference regarding the exam content is the skill level which test-takers will be expected to possess. According to the AICPA, there will be a great deal of emphasis on high order cognitive skills, such as critical thinking, analytical ability, problem-solving, and professional skepticism. The revised exam will demand that CPAs have a higher level of understanding in order to identify certain issues, recognize errors, and challenge assumptions by applying skepticism.

Increased Integration

The 2017 exam will have increased integration between all of the four sections. For example there may be FAR (Financial Accounting and Reporting) related questions on the audit test. This doesn't necessarily mean that a candidate has to study for all of the four exams at once, but that they should have "a base level typically covered in college course work" (AICPA). The AICPA believes that the blending of the four test elements occur naturally when carrying out tasks in the "real world" and would fulfill the need to test higher order skills, such as critical thinking.

CRITICAL THINKING

CONTINUED

Task-Based Simulations

There will be fewer multiple choice questions and more task-based simulation (TBS) questions requiring analysis in addition to remembering and understanding information. Also, candidates are expected to spend 15 to 30 minutes completing each TBS instead of the current 10 to 20 minutes, due to the added testing of high order skills. “A TBS is designed to test higher order skills because it actively engages the CPA candidate in completing tasks related to practice” (AICPA 2014). TBS questions will require research of authoritative literature and/or usage of spreadsheets by candidates (AICPA 2014). It is predicted that AUD (Audit), REG (Regulation), and FAR (Financial Accounting and Reporting) will include eight to nine simulations each, and the BEC (Business Environment and Concepts) section will include four to five.

Analysis & Evaluation Requirements

Two of the biggest apparent changes related to critical thinking are that an analysis section will be added to all of the tests within the CPA exam and an evaluation section will be added to the Audit test. This begs the question: what specifically does this entail? Well, quite a few things actually. For instance, the AICPA has specified that the analysis section will require the recognition of patterns in activity, as well as, outliers in the pattern, forecasting of future financial statement data based off of historical financial data, interpreting data to evaluate for a specific purpose, and determining trends and variances from available resources. These resources will resemble realistic documents such as bank statements, memos, legal letters and other common business documents. Candidates will be required to refer to these documents and discern which are important for making decisions.

The evaluation requirement is more action-oriented. The AICPA has mentioned that the test will now assess a candidate’s ability to develop strategies and goals to align with foreseen issues and opportunities, to devise plans for remedying issues, to adapt in response to shifting conditions, to weigh alternative solutions, and to detect and resolve unstructured complications.

Time Allocation

There will be an additional hour of testing time added to the BEC (Business Environment and Concepts) and REG (Regulation) sections, increasing the total exam time from 14 hours to 16 hours (four hours per section). Due to the high demand for critical thinking, candidates will be permitted to take a 10-15 minute break without taking away from their exam time.

What Motivated these Changes?

Business Environment

The CPA exam is continuously evolving because the AICPA is always revising it to ensure that the public is protected from fraud, such as the scam carried out by Bernie Maddoff. Demands on CPAs change as the business environment shifts, so the CPA exam must keep up. Therefore, modifications reflect an adjustment in responsibilities of newly licensed CPAs.

The most notable shift in the business environment has been caused by the advancing of technology. “Advances in technology and its ever-increasing use, as well as outsourcing of routine, non-complex tasks have impacted the daily responsibilities of newly licensed CPAs” (AICPA 2014). Accounting has become largely mechanized as computers are able to do a lot of tasks that accountants used to do. This causes auditing to be extra tricky because there is a lot going on “behind the scenes”, or rather behind the screen. Therefore, a CPA needs to think critically which requires having a higher level of understanding to be able to recognize how things are interrelated and detect variances in patterns.

Surveying Professionals

One of the ways in which the AICPA determined what changes were necessary was by conducting surveys, interviews and focus groups with newly licensed CPAs, supervisors of newly licensed CPAs, CPAs, academics, standard setters, regulators, training directors, and boards of accountancy executive directors and members (Roger CPA Review).

CRITICAL THINKING

CONTINUED

In a survey that was given out to newly licensed CPAs and supervisors of newly licensed CPAs, AICPA listed approximately 700 tasks that a newly licensed CPA might be expected to perform and asked them “to rate the frequency and criticality of the tasks” (AICPA). Afterwards, the CPA Exam staff and subcommittees reviewed the information, selected the tasks rated the highest, and then designated them into one of four skill levels. The skill levels are 1) Remembering and Understanding, 2) Application, 3) Analysis, and 4) Evaluation; with the skill level increasing with each number (AICPA 2015).

In addition to the survey, the AICPA invited comments and received feedback from 310 respondents in the field. All of the input pushed for testing requiring more critical thinking and testing that will prepare “newly licensed CPAs to enter a workforce in which they are being asked to do more than they ever have before” (AICPA 2015).

According to a poll of CPA Letter Daily, 37% of newsletter readers said that critical thinking skills is the most valued skill when choosing amongst job candidates. Critical thinking skills was ranked the highest over relevant credentials (18%), CPA license (12%), broad business acumen (12%), communication skills (3%), technology proficiency (1%) and advanced college degrees (5%) – (percentages do not add up due to rounding).

On September 1st, 2015, the AICPA released the Exposure Draft, the final proposal for the new changes. It was made available to the entire profession and distributed to those most heavily involved such as public accounting firms, boards of accountancy, regulators, etc. Everyone was invited to make comments up until November 30th, 2015 and now, with those comments in mind, the AICPA is getting ready to make a public announcement about the next version of the CPA Exam, expected in the second quarter of this year.

Summary

People outside of the accounting industry tend to stereotype accounting as solely numerical, a dull job consisting of crunching numbers or counting beans. However, accountants are responsible for so much more than what we are

stereotypically given credit for and the demand on accountants continues to grow.

CPAs make businesses successful, fight white-collar crime, manage very important people’s finances, and protect the public’s financial well-being (which helps to protect their overall well-being) – so, basically, we are superheroes disguised as business professionals.

Due to the rapid advancement of technology and its effect on the accounting profession, the AICPA and many industry professionals recognized a need for higher-level thinking. With the upcoming CPA changes, the AICPA is putting an emphasis on critical thinking with the addition of more simulations and questions requiring analysis and evaluation. Additionally, there will be some integration between the sections and business documents to use as resources since the AICPA wants the exam to reflect real-life scenarios. In 2017, the new CPA Exam version will be implemented, ensuring that future accountants are not only critical thinkers, but are also able to excel at their positions, protecting the welfare of stakeholders. **EQ**

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