ARE ACCOUNTING CURRICULA FAIR AND BALANCED?

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ABSTRACT

Using the accounting curricula of AACSB universities several hypotheses were tested regarding the current state of management accounting courses and their relevance to needs of all accounting students. The conclusions include that current accounting education is lop-sidedness and unfair.

INTRODUCTION

There are many similarities between U.S. automobile companies and university accounting programs. Both follow more or less the same methods and produce products that fail to meet the needs of many customers. According to critics accounting education has changed very little over the past 50+ years. Studies said that accounting education is broke and is in need of serious fixing [AAA, 1986, 1998; AECC, 1990a, 1990b, 1991; Albrecht & Sack, 2000; Bedford, 1987, Inman, 1989; IMA, 1994; Moore, 1997; Nelson, 1995; Oliverio, 1996; Patten, 1990; Skadden, 1978; Strait, 1992]. Unlike the U.S. automobile industry, it survived only because there are no equivalents of companies such as Toyota and Honda to challenge them and offer alternate products to customers. The primary objective of this research is to quantify the lop-sidedness and inequities of current accounting curricula. The data regarding accounting curricula was collected from AACSB (the accreditation agency for Business Schools) universities.

HISTORICAL PERSPECTIVES

Evolution of Accounting Education

At the turn of 19th century accounting professionals supported the teaching of accounting in universities. They felt that the technical procedures of auditing and accounting could be effectively learned through practical experience, but to develop analytical and critical thinking skills, university education was needed [Previtz & Marino, 1979]. In 1883, the first accounting course " Conceptual Accounting Theory" was offered at Wharton School [Langenderfer, 1996]. Unfortunately, accounting educators moved away from the theoretical and conceptual approach and turned to procedural orientation which focused more on rules and regulations and little on theory and concepts. Instead of developing critical thinking, accounting courses, became exercises in mechanical number crunching, and accountants earned the nickname "bean counters." Accounting professionals that supported university accounting courses were deeply disappointed with the direction of accounting education that failed to meet their expectations. [Previtz & Marino, 1979].

Influences of CPA Exam on Accounting Education

In 1950's New York State made accounting degree a requirement for the CPA exam and other states followed. Accounting profession was split, one group promoting apprenticeship and the other promoting college degree as better preparation for the CPA examination. American Institute of Accountants (AIA) conducted a survey and concluded that in **"good"** schools the percentage of graduates passing the CPA examinations was eight times higher than in **"bad"** schools [Pedalahore, 1956 as stated in Prvitz and Marino, 1979]. Two studies that followed this concluded that the AIA study results were based on the *erroneous assumption* that the primary focus of college accounting program was to provide training for the CPA examination. This erroneous assumption had completely changed the landscape of accounting education. At most universities accounting curricula revolve around the needs of the CPA examination and public accounting. For example, when State Boards of Accountants made 150 credits a requirement to qualify for CPA exam, universities got on the bandwagon and revised their accounting curricula with little resistance and without any knowledge of what to be taught in the additional 30 credits, which to date AICPA did not explain. When scandals such as Enron and WorldCom surfaced, accounting departments added courses such as Forensic Accounting and Fraud Detection. Sadly, lack of appropriate courses in accounting forces students to double major or take assorted courses to earn the extra credits.

Rise and Fall of Management Accounting

Throughout history, developments in accounting followed developments in commerce. As societies moved from agricultural economies to industrial economies new accounting and cost management methods were developed to help businesses better control their assets, improve the efficiency and effectiveness of their operations, and gain competitive advantages. For example, the prosperity of Italian merchants during the Renaissance is partially attributed to the development of double entry bookkeeping [Dugan, 2002; Kaplan & Johnson, 1987; Nelson, 1995; Previtz & Marino, 1979]. The industrial revolution at the turn of the 20^{th} century brought dramatic improvements in manufacturing and management accounting. Following the spectacular stock market crash of 1920's, audits and public disclosure of financial statements became mandatory for public companies. Companies channeled their resources into financial accounting at the expense of management accounting. This was the beginning of the decline of Management Accounting. Over time management accounting stagnated and lost its relevance. By 1925 the growth of management accounting stopped and virtually all management accounting practices used today had already been developed [Johnson & Kaplan , 1987].

Management Accounting Revolution

Following World War II, with the entrance of Japan, the business and manufacturing environment underwent significant changes. To survive and succeed the U.S. manufacturing adopted techniques such as Just-in-Time, Total Quality Management, and Process Improvements. These changes made traditional cost/management accounting techniques such as direct labor based overhead allocations not only obsolete and irrelevant but also a hindrance for manufacturing progress. Manufacturing managers became unhappy. Critics published articles titled "Cost Accounting Number One Enemy of Production" [Goldratt, 1983] and "Yesterday's Accounting Undermines Production" [Kaplan, 1984].

Management accounting profession reacted to this. Consultants and Institute of Management Accountants spent millions of dollars researching and developing numerous innovative and highly useful cost management tools and techniques such as Activity Based Costing & Management, Balanced Scorecard, Target Costing, and Lean Accounting. It was a revolution of cost management, one similar to the industrial revolution at the turn of 20th century, in scope and impact on industry [Berliner & Brimson, 1988; Boer, 1991; Clarke, 1995; Cooper, 1996; Johnson, 1995; Kaplan, 1995].

Inadequacy of Current Accounting Curricula

As the U.S. industry started to expand so did the need for well qualified management accountants. Despite the general consensus among practitioners that accounting education should not put too much emphasis on the CPA exam, accounting educators ignored the needs of industry and continued to teach for the CPA examination [Langenderfer, 1996]. With heavy emphasis on public accounting, accounting curricula became lopsided and unfair when societal needs were considered.

Two most critical things companies want in entry level employees are "Strategic Thinking and Process Improvements." Unfortunately Current accounting curricula are not designed for this [Cunnigham & Fiume, 2003; IMA, 1994; Russel, Siegel, & Kulesza, 1999]. Currently, at most universities, cost/management accounting courses are offered at junior level. Students at this level were not yet exposed to overall business aspects as many have not yet taken courses in marketing, management, or operations. As a result teachers find it virtually impossible to go into any depth in cost management and end up teaching the same old mechanical number crunching cost accounting [Tatikonda, 2004]. This is a great disservice to accounting students and their future employers. Further three to six credits of required cost/management accounting courses are not adequate to reasonably teach the many new and old relevant cost management techniques.

As more and more traditional accounting activities such as transaction processing, routine bookkeeping, basic tax preparations get automated and outsourced, accounting students need value adding knowledge that prepares for alternate careers. The Table below shows the relative value of accounting activities and their emphasis in current accounting education [Albrect & Sack, 2000]. It is hard to comprehend why accounting educators put so much emphasis on low value adding activities.

Activity	Type of Accounting	Value/Cost	Emphasis in Accounting Education
Record business events	Financial	$10/Hr	High
Summarizing recorded events	Financial	$30/Hr.	High
Converting data into information	Financial/ Managerial	$100/Hr.	Moderate
Turning information into knowledge	Managerial	$300/Hr.	Low
Making value-added decisions	Managerial	$1,000/Hr.	Low

Table 1: Accounting Activities, Value, and Academic Emphasis

WHY THE LOPSIDEDNESS?

Potential reasons for inadequacy of accounting curricula could be apathy, inertia, lack of knowledge and information, political powers of public accounting industry [Tatikonda, 2004]. Often we don't see what is right under our nose. Consider the fairy tale of emperor parading naked. Well, accounting education is somewhat like it. Just as spectators in the fairy tale see the naked king, but applaud the beauty of his attire, accounting educators and business school administrators applaud the CPA pass rates. Given the emerging importance of management accounting, it is important to study questions such as what percentage of accounting courses are of management accounting focus and whether accounting programs inform students about all accounting certifications [Bromwich and Bhimani, 1992, Emmanuel, Otley and Merchant, 1992].

It is not easy to counter a culture of 100+ years and the financial and political clout of public accounting industry. It is not uncommon for Public Accounting to lobby, and donate money to political campaigns [Tatikonda, 2004]. In the past industry accountants came from pubic accounting ranks and were not fully aware of new developments in management accounting. Current industry managers are different. Many are upset with their college training and want to see changes . Many accounting educators and administrators are not fully aware of the changes in management accounting and the need to modify accounting curricula. This can be changed with objective and numerical data. The comprehensive nature of this project sheds new light on the inadequacy of accounting curricula. We hope that relevant, comprehensive and convincing data will help academicians and administrators to accept the reality that accounting curricula are broken and take appropriate actions to fix them.

Changes are slow in academia. Studies indicate it takes 25 years or more for at least half of higher education institutions to adopt a standard innovation after it was adopted by the first one [Siegfried, Goetz, & Anderson, 1995]. In accounting education changes appear to take even longer. We feel that it would be hard for educators and administrators to ignore hard data based on large comprehensive study of university accounting curricula.

HYPOTHESES

Unlike the past surveys with heavy emphasis on surveys and perceptions, this research is based on objective and verifiable data that will quantify the state of accounting curricula. To the best of authors' knowledge no one has undertaken a project as in-depth and comprehensive as ours. We tested the following hypotheses regarding university accounting curricula.

Hypothesis #1: The number of cost/management accounting courses available is significantly smaller than the total number of available accounting courses.

Hypothesis #2: The number of required cost/management accounting courses is small compared to the total number of required accounting courses.

Hypothesis #3: The number of senior level cost/management accounting courses available is negligible.

Hypothesis #4: Operations Management is either not required or when required is not a prerequisite for cost/management courses.

Hypothesis #5: Information provided in the Undergraduate Bulletins describe only the CPA exam but not the CMA.

ANALYSIS

Websites of U.S. AACSB accredited universities were used to gather the data. We chose to study the AACSB accredited universities as they represent curricula that meet standards set by this respected organization. While some websites were complete and user friendly, some were incomplete and a few were confusing and hard to gather desired data. We were able to obtain useful data on 295 out of about 350 universities. The rest were omitted due to difficulty in collecting data. As shown below, the results demonstrated that university accounting curricula are not balanced and heavily oriented towards public accounting. Table of summaries of all universities used in the following is given in the Appendix.

Hypothesis #1: *The number of cost/management accounting courses available is significantly smaller than the total number of available accounting courses.* Using the data we gathered, the percentage of cost/management accounting courses out of all available accounting courses was calculated. We found that among these curricula the total credits for cost/management accounting courses ranged from 0% to 33.3%, with an average of 12.3%.

Hypothesis # 2: *The number of required cost/management accounting courses is small compared to the total number of required accounting courses.* We found that among the university curricula, the percent of required cost/management courses of the total required accounting courses ranged from 0% to 16.7%, with an average of 13.7%.

Hypothesis #3: *The number of senior level cost/management accounting courses available is negligible.* The data revealed that the number of senior cost/management accounting courses available to students ranged from 0 to 3 courses with an average of 1.3 cost/management accounting courses offered to students.

Hypothesis #4: *Operations Management is either not required or when required is not a prerequisite for cost/management courses.* The data revealed that 62% of 295 AACSB accredited universities require students to take an operations management course. Among the universities that require operations management, only in 1 university (0.5%) it is a prerequisite for cost/management courses.

Hypothesis #5: *Information provided in the Undergraduate bulletins describes only the CPA exam but not the CMA.* While 83% of the university web sites described the CPA certification and requirements for the exam, only 17% said anything about the CMA exam. This number is much smaller than what we expected. CMA certification has been in existence since 1972 and is sought after by employers.

CONCLUSIONS

The business environment is changing rapidly. The gap between what industry needs and what management accounting education offers is widening. The volume of cost management techniques is expanding. Today's employers want value-adding employees that understand how the internal processes work, have knowledge to identify and eliminate non-value adding activities and compete in the global market place. Above all, firms no longer want **"Bean Counters."** They want accountants that help make low cost, high quality "**Better Beans."** While the role of a referee (CPA) is important, team players (management accountants) are critical for winning the game.

Based on the results there is little doubt that accounting curricula at most U.S. universities is based on the needs of public accounting and is designed primarily for the CPA examination. Despite the significant developments in cost management, accounting curricula practically remained static. It is somewhat disturbing that most universities described the CPA certification, but only a few described the CMA certification. There is no doubt that as it stands, accounting curricula are unfair, unbalanced, and do not meet the needs on non-public accounting, especially industry accounting.

Organizations such as the Institute of Management Accountants (IMA) published many studies about the needs of Corporate America [Cummings, 2001; IMA, 1994; Johnson, 1995, Mather, 2000; Russel, Siegel, & Kulesza, 19999; Siegel & Kulesza, 1996]. Designing a management accounting emphasis is not difficult. Tatikonda showed a model Management Accounting curriculum with minor changes and with no additional credits. What seems to be lacking is the will to change. It is unfortunate that accounting curricula remain static serving only the needs of public accounting.

[Data Tables and references are not included due to page restrictions. For full paper please contact Lakshmi Tatikonda.]