

Change in Accounting Education and its Impact on Christian Liberal Arts

Colleges and Universities

Lynn Spellman White

Trinity Christian College

Since the 1980s business has expressed concern that the traditional approach to accounting education does not adequately prepare students for careers in business. Earlier calls made by business leaders for change in accounting education have largely gone unanswered by academic institutions. It is now clear that if accounting programs continue to resist change they will find themselves with decreasing numbers of students as well as decreasing numbers of companies interested in hiring their students. In hopes of drawing more attention from accounting educators and convincing educators of the urgent need for change, four of the major organizations in accounting: the IMA, the AICPA, the AAA, and the Big 5 professional services firms, combined efforts and jointly sponsored the 2000 report, *Accounting Education: Charting the Course through a Perilous Future*. The purpose of this paper is to explore how issues identified in this report impact accounting programs at Christian Liberal Arts colleges and universities, and how these institutions can best prepare graduates for careers in accounting.

Change in Accounting Education and its Impact on Christian Liberal Arts

Colleges and Universities

Lynn Spellman White

Trinity Christian College

Abstract

Since the 1980s business has expressed concern that the traditional approach to accounting education does not adequately prepare students for careers in business. Earlier calls for change in accounting education have largely gone unanswered by academic institutions. It is now clear that if accounting programs continue to resist change they will find themselves with decreasing numbers of students as well as decreasing numbers of companies interested in hiring their students. The implications this changing environment has for accounting programs at Christian Liberal Arts schools are discussed.

Change in Accounting Education and its Impact on Christian Liberal Arts Colleges and Universities

For several years concern has been voiced over the relevance and effectiveness of the traditional model of delivering accounting education. In the past warnings of deficiencies in accounting education have come, individually, from academic, professional, and business organizations. One of the earliest reports criticizing the state of accounting education was a 1986 report sponsored by the American Accounting Association, *Future Accounting Education: Preparing for the Expanding Profession*, commonly referred to as the Bedford Report. The Bedford Report recommended that accounting be viewed as a broad economic information development and distribution process involving both the design and evaluation of comprehensive information systems as well as knowledge of general organizational management. In 1989, the then Big 8 public accounting firms published *Perspectives on Education for Success in the Accounting Profession*. In this report the firms noted that dramatic change was needed in accounting education and as a result funded the Accounting Education Change Commission. The Institute of Management Accountants (IMA) published 3 studies in the 1990s expressing the need for accounting education to change if it was to meet the needs of accountants in industry. And as a last example, in 1998 the American Institute of Certified Public Accountants (AICPA) published the *CPA Vision Project: Focus on the Horizon*, which encouraged accounting education programs to anticipate ways in which they could respond to the future needs of CPAs.

It appears that these reports, while increasing levels of awareness of weaknesses in accounting education, did not motivate many academic programs to change the ways

they prepared students to enter the accounting profession. Albrecht and Sack (2000) note that with the exception of a few schools, “These warning signals - warnings about the future viability of accounting education -- have largely gone unheeded. In too many respects, accounting education is being delivered the same way today as it was 20 or 30 years ago” (p. 2). This resistance to change has received a lot of attention from business. In an interview of four business leaders published in the IMA’s magazine *Strategic Finance*, Randall (1999) reports that most academic institutions are moving very slowly to revise their curricula in comparison with the rapid changes that are occurring in practice.

In hopes of drawing more attention from accounting educators and convincing educators of the urgent need for change, four of the major organizations in accounting: the IMA, the AICPA, the AAA, and the Big 5 professional services firms, combined efforts and jointly sponsored the 2000 report, *Accounting Education: Charting the Course through a Perilous Future*. It is clear these key accounting organizations see a threat to accounting education so real and imminent that they fear the very future of accounting education is at risk. The report focuses on three key issues that impact the current state of accounting education. These issues involve: changes in the business environment, declining numbers of students electing to major in accounting, and accounting educators and practitioners expressing dissatisfaction with their accounting careers.

The objective of this paper is to explore how the issues identified by Albrecht and Sack (2000) impact accounting programs at Christian Liberal Arts colleges and universities, and how these institutions can best prepare graduates for careers in

accounting. As noted by Oats (1995) the main challenge for Christian colleges and universities today is excellence. “Only through educational excellence can these institutions exercise a vital influence in American life and in the life of the church” (p. 127). Much of the research centered on accounting education has occurred at the level of large secular academic institutions. These institutions have very different missions and often far greater pools of resources than the average Christian Liberal Arts school. Therefore, there is a need to have the issues identified by Albrecht and Sack discussed from the perspective of a Christian Liberal Arts school. For, although the missions and resources of secular and Christ-centered institutions may differ, they all share the common need to respond to the demands made by business leaders and to change the way they prepare accounting students for their careers.

Issue 1: Changes in the Business Environment

Perhaps the most dramatic change in the business environment has been the recent explosion of technological advancements. These changes have tremendous implications for accounting and the value business places on the services traditionally performed by accountants. Albrecht and Sack (2000) note that “Technology has been developed that has made information preparation and dissemination inexpensive” (p. 5). The result is that business is unwilling to pay a premium for narrow, record-keeping type services. Instead, business is looking for experts who can provide a competitive edge in an environment that is increasingly competitive, global, and riddled with risk. In recent years, business has failed to be impressed by the ability of accounting programs to graduate individuals with the skills and knowledge needed to flourish in a fast-paced, unstructured business environment.

Accounting education has been extremely slow to adapt to the new business environment. While it is not uncommon for academic departments to address changes in the environment more slowly than business, it appears in this instance that the widening gap between the academic preparation of students and the needs of business is approaching a critical point. Albrecht and Sack (2000) note that the hierarchy existing in most colleges and universities in the form of departmental and college curriculum committees, college administration, and board of trustees, makes quick response to external pressures almost impossible. Indeed, the report singles out liberal arts colleges and universities as being especially slow to change. The authors attribute this resistance to the ability of other academic departments to exercise control of curricular matters.

Professional schools such as business and law are, in some ways, trapped by this bureaucracy even though they would like to change and be more relevant. They are being pulled in two different directions – toward changes and relevance by the business world and toward insulation and apathy by other parts of the academy. (p. 13).

It would appear accounting educators at Christian Liberal Arts colleges and universities have a somewhat daunting task in front of them. Change is necessary if their accounting programs are to continue graduating students who have the ability and the necessary skills to influence business in a way that is pleasing to God and encourages business to be good stewards of God's creation. Accounting departments in these institutions must receive stronger budgetary support for the purchase of equipment and software, and perhaps most importantly, for the hiring of faculty who have the appropriate expertise in new key areas such as personal financial planning, fraud

auditing, and business advising. Albrecht and Sack (2000) caution that programs that have not adapted to change will find students, who might have elected to major in accounting in the past, continuing to pursue majors that are more popular and well-compensated than accounting, such as information systems and finance.

Issue 2: Fewer and Less Qualified Students are Choosing Accounting as a Major

Sharp (2000) notes that, “Through the years, accountants and accounting have been characterized by many people as being overly boring and technical, as well as filled with endless amounts of details, numbers and exact procedures” (p. 20). The impression that accounting is a solely technical activity is also discussed by Loft (1986). He notes that accounting is “often portrayed as a factual and objective form of knowledge untainted by social values or ideology; accounting data is apparently an asocial product almost untouched by human hand” (p. 137). In contrast, many students enrolling in Christian Liberal Arts schools are anxious to pursue studies they feel will enable them to transform culture in a way that is pleasing to God. Students have a hard time imagining how a subject matter that is often characterized as rigid and rule-bound can be used to further God’s plan for our world. Chewning (1990) identifies this bias that many Christians bring to the discussion of Christianity and accounting by noting that few people ever think that biblical principles can be applied to accounting. Many Christians fail to understand that “God’s revealed moral principles are so encompassing as to include something that seems, on the surface at least, to be so removed from theology” (p. 105). White (1999) agrees that representing accounting as a set of neutral techniques that do no more than objectively record the results of business activities is too simplistic to be useful for the interpretation of accounting practices. Christian students considering

majoring in accounting must be helped to see accounting as a dynamic field of study, one that can be impacted by a Christian perspective.

The difficulties Christian Liberal Arts schools are having recruiting accounting students are also being experienced, although perhaps for different reasons, by secular institutions. The AICPA maintains records on both the supply of and demand for accounting graduates. Since 1990, the percentage of college students majoring in accounting has declined by 50%, from 4% of all undergraduate students, to just 2% of undergraduate students in 1999. This trend away from accounting as a major is given further fuel by the fact that the accounting services firms that have historically been the biggest employers of accounting graduates, are now actively seeking graduates with degrees in information systems, finance, and strategy, among others.

Albrecht and Sack (2000) suggest that there appear to be several reasons why the number of students majoring in accounting has decreased. First, accounting has not maintained its position as one of the highest paid business fields. In fact, graduates in information systems now earn substantially higher starting salaries than accounting majors. Second, a strong economy has given students the confidence to explore other business fields and not fear they are jeopardizing their prospects for employment. Third, business schools now offer majors that didn't even exist 15 years ago (for example, e-business, logistics management, and global business), thus creating much more competition for quality students between business disciplines. Fourth, there is a lack of accurate information about the work of accountants and the opportunities that exist for individuals with accounting degrees. Lastly, the 150-hour rule is seen as a requirement

that has only increased the opportunity costs for students without adding more market value to the CPA credential.

It is unlikely that accounting educators will be able to address all the problems related to recruiting accounting students identified by Albrecht and Sack (2000). However, educators at Christian Liberal Arts colleges and universities might be able to effect meaningful change in several of these areas. The first involves addressing the issues of the 150-hour requirement and the demand for students with broader business skills. It appears that students are not inclined to meet the 150-hour requirement by pursuing a Master's of Accountancy. This tendency is reinforced by a market that does not recognize the value of additional education in accounting and is therefore unwilling to provide salaries that motivate students to pursue a graduate degree in accounting. For example, the mean starting salaries for students with undergraduate degrees in accounting and information systems are approximately \$35,090 and \$41,400, respectively. Starting salaries for graduates of Master's programs in accounting and information systems are approximately \$41,200 and \$60,000, respectively (p. 24). This means that graduate students in information systems can expect to earn starting salaries 45% higher than those students who have earned bachelor's degrees. In comparison, graduate students in accounting can only expect to earn starting salaries that are 17% higher than those students who only hold bachelor's degrees. It is clear that business is not seeing the value of adding a fifth-year of detailed accounting work to what is already perceived as an overly technical course of study.

To help accounting students effectively fulfill the 150-hour requirement, Christian Liberal Arts schools should explore developing creative programs that offer students the

opportunity to integrate several programs of study. For example, enabling students to graduate from their undergraduate programs with concentrations in companion areas, such as accounting and finance, or accounting and information systems, would be a way of responding to business's complaint that accounting students are too narrowly focused. Also, if the course content is developed properly, combining concentrations should help students see more accurately the role that accounting information plays in conducting business.

Equipping students with a more accurate sense of the breadth of services provided by accountants should help students understand the rich array of opportunities that exist to honor God in accounting activities. Stewart (1995) asserts that it is critically important to see the act of giving an "account" as serving larger human and environmental purposes and that the accountant is ultimately responsible to God, whose gift of freedom makes us all accountable. Enabling students to see the vast opportunities afforded by the study of accounting, and the impact accounting decisions can have on business, society, and the environment, will hopefully encourage students who want to honor God through their choice of career to study accounting at a Christian Liberal Arts school.

Another area that accounting programs must address if they are going to retain/attract students is the introductory accounting courses. Albrecht and Sack (2000) note that "Important is what is not portrayed in introductory accounting courses. Accounting is not portrayed as a creative profession, nor is it portrayed as a profession where you work with other people, in an advisory role, to solve problems" (p. 30). In many schools the introductory accounting courses have not been significantly changed for decades. The courses tend to focus on mechanical procedures, with isolated students

working endless problems that have a narrow focus and the goal of solving for the one right answer. After completing the introductory coursework in accounting, the general impression that students are left with is that a career in accounting involves a lot of tedious, detailed work that at best allows accountants to provide information to other professionals who then get to make the interesting, important decisions.

Accounting educators in Christian Liberal Arts schools need critically to examine the experience they are providing their undergraduate students in the first accounting courses. If the courses are focused primarily on transaction analysis and financial statement preparation, and exclude appropriate use of technology, group work experiences, development of analytical skills, and interpretation of financial statements, then it is unlikely that the courses are preparing students for their business careers. Even more importantly, traditional accounting courses do not encourage students to question accounting's role in society and to contemplate how biblical principles apply to accounting. The need for Christian institutions to continue to attract students to their accounting programs is great, for without well-trained Christian accountants Christianity will lose its voice in a critical dimension of business. Oats (1995) notes the importance of maintaining excellence in Christian education and states that "at stake is the form in which the Christian faith will manifest itself in the world" (p. 127).

Issue 3: Accounting Practitioners and Educators Would Not Major in Accounting Again

A surprise finding of the Albrecht and Sack (2000) report is that only 12% of accounting practitioners would recommend students get a Bachelor's or Master's degree in accounting. In comparison, 57% of the surveyed practitioners would recommend that students earn a Master's of Business Administration or Information Systems. Very

similar to their practitioner colleagues, 55% of accounting educators believe students should pursue a Master's of Business Administration or Information Systems and only 32% would advise earning a Master's of Accountancy. Albrecht and Sack suggest that this is possibly the most frightening fact their study reveals. After all, "If those who practice and teach accounting cannot provide positive testimonials about the value of accounting degrees, then who can?" (p. 34).

There appear to be two main explanations for why accounting educators and practitioners would not advise entering the accounting profession today. First, business is changing rapidly, while accounting education stays tied to old traditions. Accounting education is "perceived as being too narrow and backward looking and too costly for the benefits received" (Albrecht and Sack, 2000, p. 35). Second, changes in business mean that "more of the knowledge, skills and abilities needed to do what 'accountants' do are being taught by other, often lower cost, disciplines" (p. 39). In other words, to generate the type of dynamic accounting information that is currently needed, business is more successful recruiting students with strong finance, information system, or strategy backgrounds and then teaching them any specific accounting knowledge that is needed. There is also evidence that professional accountants believe there is less psychic income from being an accountant than there used to be and that the CPA brand is quickly losing value. Indications that this is occurring include reduced numbers of candidates sitting for the CPA exam and the movement many public accounting firms are making away from being CPA firms to being professional service firms.

So, what's an accounting educator supposed to tell a student who is entering college today? How can educators at Christian Liberal Arts schools help assure students

that the accounting programs they offer will provide them with the requisite knowledge, skills and abilities to ably serve God in their chosen career? The AICPA, in its *Core Competency Framework for Entry into the Accounting Profession* (AICPA, 2000) recommends three main ways accounting education should be revised to improve the professional capabilities of accountants and to help ensure success of the accounting profession:

First, decision modeling, risk analysis, problem solving, and decision making are key personal and functional competencies that should be developed. Second, students should be taught to consider both the internal and external business environments and how their interactions determine business success or failure. Third, four broad business competencies are crucial: strategic/critical thinking, industry/service perspective, international/global perspective, and resource management (Walker and Ainsworth, 2001, p. 43).

In order to ensure that these learning experiences are available to students accounting educators will need to work collaboratively with educators in other departments. The message being sent by business leaders to accounting educators is that the abilities accounting students need to have can no longer be taught exclusively through traditional accounting courses. Thus, accounting educators need to pursue open communication with educators in related disciplines, such as information systems, finance, communications and international business, to determine how the needs of accounting students can be met through coursework in these areas. Hopefully the open relationship that has historically existed between departments at Christian Liberal Arts schools,

combined with the relatively small size of many Christian Liberal Arts schools, should facilitate this dialogue.

The Outlook for Accounting Programs in Christian Liberal Arts Schools

Unlike decades past, accounting programs can no longer assume to have a steady stream of available students at their disposal. Accounting programs at Christian Liberal Arts schools must strive to develop accounting curricula that capture both the breadth and the depth of decisions in which accounting now plays a role. Specifically, accounting curricula need to be more responsive to the demands of the market and faculty need to move away from a “prepare for the CPA exam” educational model. It is vital that accounting faculty become more aware of the work that their business-school peers and business professionals are engaged in. As Christian educators, it is also critical that time is devoted to developing a Christian perspective on accounting and “to examine the foundational suppositions of the profession and to question if these suppositions are in accordance with biblical principles” (White, 1999, p. 21). In summary, if Christian Liberal Arts schools hope to continue attracting qualified, motivated Christian students to the study of accounting, considerable commitments of time and resources will be required.

References

- Albrecht, W. S., & Sack, R. J. (2000). *Accounting Education: Charting the Course through a Perilous Future*. (Accounting Education Series, Vol. 16).
- American Accounting Association (AAA), Committee on the Future Structure, Content, and Scope of Accounting Education (The Bedford Committee). (1986). Future accounting education: Preparing for the expanding profession. *Issues in Accounting Education* (Spring), 168-195.
- American Institute of Certified Public Accountants (AICPA). (1998). CPA vision project: Focus on the horizon. *Executive Summary and CPA Vision Project Focus Groups: Public Practice, Industry, and Government CPAs; also an Addendum: Student Focus Groups*. New York, NY: AICPA.
- American Institute of Certified Public Accountants (AICPA). (2000). *AICPA Core Competency Framework for Entry into the Accounting Profession*. New York, NY: AICPA.
- Chewning, R.C. (1990). A theological perspective on accounting. In R. C. Chewning (Ed.), *Christians in the Marketplace Series on Biblical Principles and Business: The Practice* (pp. 105-106). Colorado Springs: NAVPRESS.
- Institute of Management Accountants (IMA). (1994). *What Corporate America Wants in Entry-Level Accountants*. Executive summary. Montvale, NJ: IMA.
- Institute of Management Accountants (IMA). (1996). *The Practice Analysis of Management Accounting: Results of Research*. Montvale, NJ: IMA.
- Institute of Management Accountants (IMA). (1999). *Counting More, Counting Less: Transformations in the Management Accounting Profession*. Montvale, NJ: IMA.

Loft, A. (1986). Towards a critical understanding of accounting: The case of cost accounting in the UK 1914-1925. *Accounting, Organizations, and Society*, 11, 137-170.

Oats, L. R. (1995, Winter). Christian higher education: Rationale and challenge. *Faculty Dialogue*, 23, 123-142.

Perspectives on Education: Capabilities for Success in the Accounting Profession (The White Paper). (1989). Arthur Andersen & Co., Arthur Young, Coopers & Lybrand, Deloitte Haskins & Sells, Ernst & Whinney, Peat Marwick Main & Co., Price Waterhouse, and Touche Ross. New York, NY.

Randall, R. F. (1999, March). New challenges in finance. *Strategic Finance*, 30-37.

Sharp, A. D. (2000). St. Matthew from an accounting perspective. *The Accounting Historians Notebook*, 23(2), 20-21.

Stewart, I. C. (1995). Accounting and accountability: Double entry, double nature, double identity. In M. L. Stackhouse, D. P. McCann, & S. J. Roels (Eds.), *On Moral Business* (pp. 635-641). Grand Rapids: Eerdmans.

Walker, K. B., & Ainsworth, P. L. (2001). Developing a process approach in the business core curriculum. *Issues in Accounting Education*, 16, 41-66.

White, L. S. (1999, Fall). A Christian perspective on accounting: Making the invisible visible. *The Journal of Biblical Integration in Business*, 5-23.