

CHAPTER 1

Why Accounting Education May Not Survive in the Future

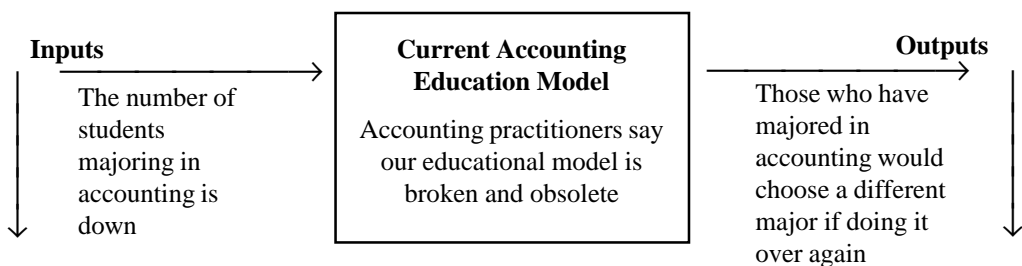
While we have been long-time supporters of accounting education, if we were creating a new business school today, we would not have separate undergraduate or graduate accounting programs. At least, we would not have accounting programs that are structured as they are today.

—W. Steve Albrecht and Robert J. Sack

You may consider this quote to be blasphemous, especially coming from two people who have been heavily involved in accounting education, accounting accreditation, and accounting education leadership, but that statement reflects our true feelings. It is motivated by our belief that accounting education today is plagued with many serious problems and our concern that if those problems are not seriously addressed and overcome, they will lead to the demise of accounting education. Consider the following facts:

- The number and quality of students electing to major in accounting is decreasing rapidly. Students are telling us by their choice of major that they do not perceive an accounting degree to be as valuable as it used to be or as valuable as other business degrees.
- Both practicing accountants and accounting educators, most of whom have accounting degrees, would not major in accounting if pursuing their education over again.
- Accounting leaders and practicing accountants are telling us that accounting education, as currently structured, is outdated, broken, and needs to be modified significantly.

These are serious problems that cannot be ignored. Think about them in terms of the following diagram.



Really, it cannot get much worse. If our inputs are down, our value-added is being questioned, and those who have matriculated through our programs tell us they would not do it again, then what is our future? It probably would be possible to coast along for a few more years, especially if the

economy stays strong, without making significant changes. We would have to live with less qualified students and reduced resources. In our surveys of accounting program leaders, department chairs told us that the major criterion upon which their budgets and faculty allocations are based is “number of students enrolled.” Because of continuously declining enrollments, if we do not take action, we are destined to live with decreasing budgets, decreasing faculty positions, and, possibly, elimination of our accounting programs. If that possibility does not scare you, it certainly scares us!

Previous Warnings

We are not the first to warn of serious problems in accounting education. The Institute of Management Accountants (IMA), in three previous studies,¹ stated that accounting education needed to change if it is to meet the future needs of accountants in industry. The American Institute of Certified Public Accountants (AICPA), in its recent Vision Report,² called for modified accounting education programs to meet the future needs of CPAs. Fourteen years ago, the American Accounting Association’s (AAA) Committee on Future Structure, Content and Scope of Accounting Education (the Bedford Committee)³ called for a much broader role for accounting education than that being filled by most universities today. Consider the following 14-year-old quote from the Bedford report:

There is little doubt that the current content of professional accounting education, which has remained substantially the same over the past 50 years, is generally inadequate for the future accounting professional. A growing gap exists between what accountants do and what accounting educators teach....Accountants who remain narrowly educated will find it more difficult to compete in an expanding profession....The Committee’s analysis of accounting practice has indicated that accounting education as it is currently approached requires major adjustments between now and the year 2000.

The Big 5 (then Big 8) professional service firms, in their 1989 *White Paper*,⁴ advocated changes in accounting education and felt so strongly that change was needed that they contributed five million dollars to fund the Accounting Education Change Commission. That Commission, through several publications and the funding of innovation in accounting education programs at several schools, called for significant changes in accounting education.

These previous efforts were very well done and have given us sufficient warning that accounting education must change to meet future needs of students.

Except in 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. Certainly, part of the inaction can be explained by the booming economy we have experienced during the past ten years. In this economy, the penalty of making a wrong educational choice or of experiencing an inferior accounting education has been minimized. In an environment where most of our graduates have gained immediate, full-time employment upon graduation, it has been hard for us to recognize that there are serious problems with accounting education. In too many ways, the strong economy has lulled us into inaction, even though the warnings have been loud and consistent.⁵

¹ The three IMA studies are *Counting More, Counting Less*, published in 1999; *The Practice Analysis of Management Accounting*, published in 1996; and *What Corporate America Wants in Entry-Level Accountants*, published in 1994.

² *CPA Vision Project: Focus on the Horizon*, published in 1998.

³ The report entitled *Future Accounting Education: Preparing for the Expanding Profession*, was published in 1986.

⁴ *Perspectives on Education for Success in the Accounting Profession*, Big 8 firms.

⁵ We recognize the viewpoint expressed by many educators that the primary problem with accounting education today is the low salaries being offered to our graduates. Other educators blame our current problems on the 150-hour rule. It is probably true that our most immediate crises would be mitigated if salary offers were increased by 15 percent and the 150-hour rule could be put on hold. However, it seems very unlikely that starting salaries for our graduates will be increased without action on our part to make those graduates more valuable; it is also unlikely that the state regulatory structure will declare a hiatus on the 150-hour rule, regardless of what we do. More importantly, we believe that the fundamental weaknesses in accounting education—weaknesses in curricula and pedagogy—are the more direct threats to our survival. And of course, they are the threats we can influence most directly.

Now, instead of encouraging change in accounting education in order to stay current (as former studies did), our message is more urgent. We believe that because practice has changed so dramatically and because accounting education has not kept up, we have lost ground to other business majors, to corporate competitors, and to other types of educational programs. In too many ways, business and technology have passed us by and we must now change quickly just to survive. We cannot emphasize strongly enough that it is now survival we are talking about, not merely changing to be better. There can be no further delays without serious consequences.

The Purpose and Nature of This Study

Because of the perceived lack of response by accounting educators to previous calls for action, and because of the fear of negative consequences for accounting education, four major organizations⁶—the Institute of Management Accountants (IMA), the American Institute of Certified Public Accountants (AICPA), the American Accounting Association (AAA), and the Big 5 professional service firms—joined together to sponsor this study.⁷ Their charge to us was to write a “high-level thought piece, backed by empirical evidence where possible, that would motivate serious change in accounting education.” They are sponsoring this study because their leaders feel strongly that accounting education must change quickly to survive. This monograph is the result of our study and thinking.⁸

Is There No Hope for Accounting Education?

The good news is that, while the gap between education and practice has been widening, with quick and definitive action we can save accounting education. There are many things that accounting educators do better than anyone else. In addition, there are many professional opportunities for which we can prepare our graduates. However, we cannot save accounting education by continuing to do more of the same. In the following chapters, we will discuss in detail the accounting education problems identified above and provide suggested solutions that, if acted upon quickly, will not only preserve accounting education, but will also make it more viable than ever before. Where possible, we will provide as much evidence as possible to substantiate our conclusions. In some cases, however, what we say will be our opinions. You probably will not agree with everything we have written. You may have better ideas than we do about how to change accounting programs to make them successful. We expect significant discourse about the details of this report and our suggestions for action. Disagreement at that level means that you have read this report and thought seriously about the issues. However, please do not ignore or treat lightly the issues we have raised. We urge you to consider seriously the issues raised and the potential consequences of those issues for your accounting programs and for your students.

Outline of the Monograph

In the following chapters, we explain in more detail the issues raised above. In [Chapter 2](#), we discuss changes in the business environment, and how those changes are affecting accounting

⁶ Obviously, the Big 5 firms are not one organization—in fact, they are competitors. However, because they joined together to co-sponsor this research, in this monograph they will be considered one of the four funding “organizations.”

⁷ We appreciate the funding and support of these organizations in helping us conduct our studies and write this report. Each of the organizations provided two members of what became the “sponsors’ task force” that provided valuable insight and suggestions. The members of the task force are acknowledged by name in the Foreword.

⁸ In addition to providing our own thoughts, we have gathered empirical evidence and perceptions from as many sources as possible. In preparing to write this monograph, we interviewed many key leaders in accounting and business. We held focus group sessions with approximately 30 participants at each session in four major cities throughout the United States. We accessed several supply-and-demand studies currently being conducted by the AICPA and others. We conducted three surveys of our own—one of accounting practitioners, one of accounting educators, and one of accounting department chairs. In addition, we used previous studies by the IMA, AECC, AICPA, and AAA. The details of our methodology are explained in the [Appendix](#).

education. In [Chapter 3](#), we focus on the problem of declining enrollments in accounting programs, both in terms of quantity and quality of students. In [Chapter 4](#), we discuss why practicing accountants, even those who possess accounting degrees, would choose not to major in accounting if pursuing their educational programs again. In [Chapter 5](#), we discuss why critics believe the accounting educational models used by most schools are broken and why they provide less value than they used to. Finally, in [Chapter 6](#), we make an appeal for a school-by-school strategic-planning effort and offer some suggestions as to the direction those strategic plans might take.

An Apology to Some Accounting Educators

In conducting our background studies and from personal knowledge, we are aware that some accounting programs, schools, and faculty have made significant and meaningful changes in recent years. We applaud those efforts. However, the evidence is clear that, while there have been significant changes by some, the changes have not been significant or pervasive enough. We, like you, would be disappointed if only a few accounting programs survived into the future. It is with the hope that we can enhance and create value for all accounting programs that we undertook this study and wrote this report.