

# Developments In Business Simulation & Experiential Exercises, Volume 20, 1993

## PROVIDING BETTER TRAINED GRADUATES FOR ACCOUNTING EMPLOYERS

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### ABSTRACT

There exists an “expectation gap” between the employers of accounting graduates and the suppliers of accounting graduates. Academics tend to focus on teaching theory rather than practice, because practice is difficult to teach. Practice is difficult to simulate in the classroom and creates too much ambiguity that academics do not like to confront. This results in students less prepared to initially apply their skills in practice because they have never experienced the application of those skills.

The school of accountancy is particularly susceptible to this weakness because the coursework tends to focus on journal entries and theory without any indication of the skills required of an accountant in practice or how the information will be applied. This results in a misconception about what an accountant does. Based on the curriculum, accountants are perceived to be “number crunchers” that memorize journal entries. Once all of the journal entries are memorized there is nothing else to it. When, in actuality an accountant is a businessperson interacting with people and making decisions similar to other occupations.

This paper discusses how accounting programs may provide better trained graduates for potential employers by bringing the “real world” of accounting into the classroom through a cooperative effort between the accounting professionals and the teaching professionals. We demonstrate the effect of this cooperation on the content and pedagogical methods of two key accounting courses, Accounting Information Systems and Auditing.

### INTRODUCTION

A first step to providing better-trained graduates is to survey the employers of accounting graduates from your institution. This preliminary survey is best conducted in an oral interview format allowing the employer to openly talk about the strengths and weaknesses of accounting graduates in general, and of the accounting graduates from your institution. The oral interview allows for you to develop a rapport with the employer that a questionnaire would not. The oral interview is also a signal to the private sector that you are beginning to reassess the accounting program and are interested in their input for change. The typical response from these surveys is that the students are lacking the ability to integrate, apply, and effectively communicate the information they have learned.

Once the weaknesses are outlined the determination of how to correct these weaknesses and implement the change in the accounting curriculum starts. An accounting board can be an effective tool to aid in this process. An accounting board typically consists of members from the accounting community that are taking a particular interest in the program and are willing to meet with the faculty to discuss the merit of proposed changes.

We are reporting the effect of this process on two of our accounting courses. The Accounting Information Systems and Auditing courses are two particularly difficult courses to teach to the satisfaction of accounting employers. It is difficult to teach students how they will apply these skills in the profession. A student can pass the auditing course with an A and never understand what an auditor does during the course of a workday, and what skills are necessary to be a good auditor. In the Accounting Information Systems course a student learns a lot of theory about Accounting Information Systems but generally exits the course without any comprehension of what it would be like to develop and install a system, or maintain and upgrade a system for a business. We will discuss specific ideas that may be implemented in the accounting information system and auditing courses to better integrate realism into the classroom.

### ACCOUNTING INFORMATION SYSTEMS

The accounting profession today is more of a consulting profession than an auditing profession. Accounting firms are retained for their business expertise, rather than their more narrow accounting pronouncement expertise. However, business schools still emphasize the debit and credit analysis and the calculation of mathematically exact income statements and balance sheets.

The accounting information systems course is the most recent addition to the accounting curriculum. Its original purpose was to expand the accounting curriculum beyond the narrow scope of accounting theory into the day to day reporting of a business. This course was meant to provide the graduates with a “real feel” for a business and the relation of accounting to the business by its connection to reports that provide information for critical business decisions.

Unfortunately, the course has evolved into another theoretical exercise that emphasizes the traditional accounting concepts of journal entries, ledgers, statements, and control. These steps in the accounting process are simply shown as automated by the computer rather than manually generated.

#### Emphasizing Information

To bring the “practice” back into the course we have gone back to the original intent of the course by using Accounting Information Systems as the capstone course in the accounting curriculum. This designation forces a redefinition of the goals of the course. The course is meant to provide a realistic integration of accounting concepts as they are applied in a real business organization. After all, accounting is the core of the business information as it provides most of the raw data used in decisions by managers and owners. Accounting graduates should have some basic understanding of this integration process. Structured correctly, Accounting Information Systems provides the bridge between both the classroom and the boardroom, and between accounting theory and accounting practice.

#### Theory to Practice

Rather than offer a series of small, independent computer assignments we spend the entire semester on one project. This provides the needed continuity for the students to see the big picture and experience the integration of theoretical concepts into a real working system.

We require the students to purchase their own licensed copies of two programs: Pacioli 2000 version 2.0, and Alpha Four version 10. These are not student versions but the full working models. The students are licensed owners of the software and can use both packages after graduation. Together, they cost \$125. As no text is required, this is about the same cost as a traditional text and a student version of a spreadsheet or other package. Both packages come with very complete manuals including tutorials that the students can work through on their own.

Pacioli 2000 is an accounting package that is widely used in small businesses because of its inexpensive cost and the wide variety of applications that are included. It is ideal for the classroom because it comes with its own sophisticated chart of accounts for reference but the students can start from scratch in creating their own structure for the project. It is complex enough that it has a separate module for payroll. Its wide use in business gives the students the advantage of seeing and using a system that many of their clients will be using.

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Alpha Four is a fully relational data base system using the dbase language. Unlike other data base programs, it can be used to develop very complete systems without learning a program language. It has won many awards as the most complete non-programming data base system.

The first part of the project consists of the students starting to understand the overall workings of an accounting system by setting up a partial chart of accounts for a company based on data that we provide about the company, its product and the current system. They use the Pacioli system for this segment.

The students start to comprehend the relationship between the raw accounting data and the accounting mechanisms that integrate the data into the standard accounting statements. They soon learn, however, that an accounting system that emphasizes only the debit and credit entries may provide balanced statements, but the real information value is lacking.

We then introduce the concept of information rather than accounting as the desired end product from a complete accounting information system. They begin to see the connection between accounting and decisions that use accounting when they see actual management reports from the company that we have been using in their project. Their real challenge comes when they have to determine how the system they designed in the first part of the course will produce these management reports. They see that the problem is that the accounting system, built on debit and credit relationships rather than business decision relationships, can only provide accounting solutions, not business solutions. The true integration of accounting and the organization is incomplete because they do not really understand the business before they start the accounting system.

### Classroom to Boardroom

The project uses actual data from an actual small local business. We change the data enough to hide the true profits but otherwise all the data and reports are real. The instructor plays the role of the owner of the business. We provide a more complete picture of the business and emphasize the key decision variables that an owner will use and need in running the business. The students have to design a system that will generate these key variables and reports and also be an effective accounting system with proper accounting controls.

The students see the complexity of their task even though it is a small organization. They also see the need to integrate the accounting and the decision making process. We introduce the power of the data base system as it acts as the connection between a simple accounting system and business reporting system. The students start developing an information system.

The integration of the two systems is where the students begin to see, many for the first time, the reasoning behind the accounting concepts. They learn the difficulty in running an accounting system unless it is designed to coordinate the activities of purchasing, receivables, payables, payroll, and marketing. They see for the first time that all of their journal entries they made in all the other courses are really not the input to the system but the output. A transaction, a sale or purchase, generates the data for the entry but the real accounting challenge is to design the linkage that properly connects the data.

As they import and export the captured data between the accounting system and the data base system the students experience the critical process in a business of the integration of data into information. This process accomplishes the goal of producing graduates that are prepared to contribute in the business world because they have some basic experience in the process of integrating accounting and business applications.

### **THE AUDITING COURSE**

A typical auditing course covers such topics as legal liability, ethics, auditor reports, materiality, risk, internal control, audit objectives, audit planning, audit evidence, audits of EDP systems, and auditing the various accounts. The coursework typically does not cover what an auditor does,

it covers the theory of auditing. After completing the course a student is generally not be able to determine what auditors in various positions do on a day to day basis. Practice sets are generally proposed as a solution to overcome these weaknesses. However, practice sets also tend to lack realism. All the necessary information to complete the practice set is available in a packet purchased at the bookstore. In an audit, the auditor has to decide what evidence to look for and where to obtain it. A practice set eliminates that decision by providing everything you need in the 9 x 11 envelope.

An answer to this dilemma is to have the students create their own practice set. The students select a publicly traded business, a business in the community, the University, or a campus club and obtain audit evidence and provide audit workpapers for their audit. They can perform the initial client investigations analytical review, internal control, and even audit tests. The students have to use judgment and analytical skills. They have to select for themselves the information they will need and use. The information is not provided in a canned practice set where the students anticipate that everything provided will be used and do not have to use any judgement about what information to gather and where to find that information. We have used this technique in our auditing course for several years and have determined through student and alumni evaluations that it is an excellent experiential learning experience for the students. The alumni frequently comment that the simulation provided them with a significant advantage when they started work. The project bridges the gap between auditing theory and practice.

Another learning tool introduced into the audit classroom to simulate the real world is a communication video. The video has three ten minute scenarios showing an auditor interviewing client personnel for audit information. In each scenario the auditor is displaying an ineffective interviewing technique and the students critique the auditor and discuss the ineffective technique and how the auditor should have conducted the interview differently. Subsequent to watching and discussing the scenarios on the video, the student's role-play scenarios where the auditor is attempting to obtain information from the client. The client may display some uncooperative behaviors that provide a challenge for the student to learn to control. We have found this approach to be an effective method to enlighten students and train them about the practical problems they will encounter on the job. Typically these behaviors are not addressed in the auditing curriculum.

There are several videos on the audit process produced by the major CPA firms. In our course we utilized these videos to teach the students about the audit process. One specific video illustrates an audit from the time of marketing the engagement to the wrap up of the engagement. The students are able to see an actual example of an audit. This aids the students in visualizing the process of an audit and provides them with a context in which to place the theory they are learning. It also provides them an understanding for why they are learning the theory. There are also videos available showing an auditor assessing the risk of an audit. The students can follow the auditor gathering evidence and their thought process used to assess the risk. This provides the students a context to place their theory and insights into why specific topics are being discussed in class.

We also use guest speakers as a tool for conveying the practice of auditing. The guest speaker provides a break in the class and tends to be more believable for the students. We have practicing accountants handle certain lectures of the course. This helps the students understand that practicing accountant do use their knowledge and apply their knowledge. The speaker provides specific examples of application of the knowledge and discusses why it is important the student learns this information. The information has more impact on the students when it comes from an individual in practice. It demonstrates that someone really does apply the knowledge and use the skills.

We have described various techniques which may be used to teach the "practice" side of auditing, and provide the students a framework to learn the theory, and to help them understand why they are learning the theory. We have received positive feedback from students and alumni on all of the above mentioned items that we have incorporated.

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## **ACCOUNTING BUSINESS RELATIONSHIPS**

A key to integrating accounting students with the real world and providing better-trained graduates for accounting employers is to take advantage of the small businesses in your community. The small businesses are excellent laboratories for the students because they are complex enough to represent the real world, but small enough to understand in a short time span. The smaller organizations are more likely to work with students because they are private with owner involvement. The small business owners can get tangible results from our projects with little or no out of the pocket costs or consulting fees. The students are dealing with owners, not managers, and the owners provide the students with an overview of the total business perspective, not a narrow view of one responsibility area. An additional benefit is that accounting graduates typically go to work for more small businesses as opposed to Fortune 500 corporations. The project provides an experience that more directly relates to their careers.

Accounting programs tend to over-emphasize the large corporate organizations, such as the Big Six and the Fortune 500, both in the classroom and in its relations with the local community. The school is typically looking for financial support, scholarships, and jobs for graduates. The smaller businesses should not be overlooked however, because they can provide valuable learning experiences for the students that illustrate the practice of their theory.

## **CONCLUSION**

This paper covered some specific examples on how to add realism into the classroom for the accounting information system course and the auditing course and how to provide better trained graduates for accounting employers.