

**WHAT'S REALLY IMPORTANT? SURVEY RESULTS FROM MBA  
FINANCIAL ACCOUNTING COURSE**

**Barbara W. Scofield, University of Dallas, TX., USA**

**Robert J. Walsh, University of Dallas, TX., USA**

**ABSTRACT**

*Accounting curricula and accounting courses have long been subject to calls for change. Similarly, Master's in Business Administration (MBA) programs have been the subject of scrutiny, particularly with respect to their perceived usefulness to their graduates and the employers who hire them as MBA alumni/alumnae. With this in mind, this study examines in one MBA course what is considered useful or practical knowledge. We ask ninety part-time students, at the end of their introductory MBA financial accounting course, "What's really important?" Almost all of these students have had substantial business experience, and continued to work full time while enrolled in this course. Their open-ended answers, catalogued and grouped together, provide interesting insight into the importance of certain topics within the introductory financial accounting course. This information could be useful to anyone currently or prospectively teaching an MBA accounting course.*

**INTRODUCTION**

The introductory financial accounting course has been the subject of critique and criticism for many years now. Studies have examined the effectiveness of teaching methods, the areas of the subject that should be taught, as well as textbooks used. Alumni, professors (both in accounting and business) and employers have been surveyed and their opinions analyzed, all with the hope of creating a course that answers the needs of many diverse stakeholders.

One of the most common studies on the introductory financial accounting course is to survey various stakeholders (for example, employers) on what the "most useful" course content would be.

Alumni of the program (sometimes three to five years after graduation) often are questioned as well.

This study asks students, right after the completion of the course in a Master's of Business Administration (MBA) program, "What did you find useful in this course?" Asking traditional age undergraduates this question may not yield well-informed or useful results, but this study poses the question to part-time MBA students, almost all working adults, most of them working and studying in the metropolitan area of Dallas-Fort Worth. While the results may shed light on what students find interesting and current within business, they also can be used as an outline for creation of smaller accounting "modules" which have become more prevalent in MBA curriculums.

This paper is outlined as follows: Section II discusses some prior examination of accounting curricula in general and the introductory accounting course specifically. It also cites some of the ongoing debate as to the value of graduate business education. Both debates converge on the question of "what's really important?" to all courses in a graduate business program, and in our case, to the introductory financial accounting course. Section III describes our study and the demographic characteristics of our students. Section VI presents the results and Section V discusses the results and offers some conclusions.

#### **LITERATURE REVIEW**

Curricular changes in accounting have been on going, and at times debated intensely, over the past two decades. Similarly, MBA programs, the curriculum, the overall "usefulness," and their focus, have faced similar scrutiny. This section reviews some of the studies that have examined the debate within accounting and MBA programs.

Beginning in the decade of the 1980s, accounting education faced increased scrutiny and evaluation. The Bedford Committee Report (American Accounting Association, 1986) initiated this wave by examining the changing roles of accounting and accountants in the world, under the "expanding professions" mantra. Next, in 1989, the then Big Eight, in "The White Paper," described the education and knowledge an accountant should have in the workplace (Big Eight

Accounting Firms, 1989). The Accounting Education Change Commission followed with a series of studies and directives on the skill set required by accounting majors. Their first study, released in 1990 (AECC, 1990), found seven characteristics which are important predictors for a successful accountant: a) accounting degree, b) grade point average, c) accounting grade point average, d) communication ability, e) personal integrity, f) energy, and g) appearance.

Throughout the decade of the 1990s, after the passage of the 150 semester hour requirement by the AICPA, smaller studies have sought to find even more "characteristics" of the successful accountant, in terms of education, personality, the ability to communicate orally and through writing, among other things. These studies have led to even more calls to improve the education of accounting students and the suggested curricular changes needed (see Needles and Powers, 1990, Levy and Klein, 1993, and Novin, Fetyko and Tucker, 1997).

Concurrent with all of this debate about accountants and accounting education over the past two decades, another series of questions has been raised by employers with respect to the usefulness of business education in general. These perceived doubts has been particularly keen at the graduate and MBA level, where many employers reimburse their employees for either all or part of their graduate business education if they continue to work full-time while attending classes part-time. Employers often want immediate or near immediate payoff for those expenditures (Byrne, 1991). Recently, some prestigious MBA programs (for example, Stanford University) are allowing students to "tailor" almost their entire MBA program based on their interests (as well as their perceived future employment opportunities).

Questioning whether education is useful is certainly not new – and in MBA arena, the question has been asked persistently. A variety of writers and researchers have questioned the value of graduate education in business (Leonhardt, 2000; Mintzberg and Lampet 2001 and Mintzberg and Gosling, 2002). For example, Pfeffer and Fong (2002) summarize their findings regarding the value of MBA degrees:

“The data suggests that business schools are not very effective: neither possessing an M.B.A. degree nor grades earned in courses correlate with career success, results that question the effectiveness of schools in preparing their students.(p.78)”

On the other hand, within the accounting area, a recent study by Hunton, Stone and Wier (2005) (“HSW”) examined the usefulness of a Masters in Accounting (M.Acc.) and the MBA degree. HSW found, through examining performance reports of management accountants from over 2,000 firms, that accountants with advanced degrees perform better (albeit slightly) than those without a masters degree:

“Specifically, a M.Acc. degree provides greater benefit than a M.B.A. in the early and middle career years, while an M.B.A. degree provides greater benefit than a M.Acc. in later career years. Consequently, our data suggest that graduate business education provides value to a managerial accountants' success, but the specific benefit provided, and the timing of the benefit, depend on the type of degree.” (p.96)

Within this backdrop comes the question as to what are the most useful topics in any MBA course, or in our case, the introductory accounting course. Hermanson, Hermanson and Alsup (1998) (“HHA”) examined the accounting component of 27 executive MBA programs. Their study was motivated by their belief that:

“In contrast to the well-developed literature on undergraduate accounting curricula, there appears to be very little information available on the accounting component of E.M.B.A. programs or even traditional M.B.A. programs. Benchmarking studies of E.M.B.A. and M.B.A. programs performed by the Executive M.B.A. Council and the AACSB provide only limited, summary information on the handling of accounting in such programs...(p.802)”

HHA questioned the MBA director (or the faculty member/chair of the MBA curriculum committee) on the coverage of specific accounting topics (within the areas of auditing, financial and

managerial accounting). They found that most auditing topics ranked low in coverage, while certain select area in financial accounting (like basic financial reporting and financial statement analysis) and in managerial accounting (like cost behavior and activity-based costing) ranked high.

With the exception of the HHA study, we are aware of no other study which examines the topics within an introductory accounting course at the MBA level. Furthermore, we are aware of no study which questions MBA students at the end of an introductory accounting course – students who are currently employed in business and who could make an informed answer to the question “What topics were important to you?”

#### **OVERVIEW OF THE STUDY**

Students were asked to reply to the following request, online, at the end of their introductory MBA financial accounting course:

“Explain one way in which you will be able to use what you have learned this semester in Financial Accounting in your current job position, your next job position, or your personal life.”

The ninety MBA students in this study were enrolled in a three-credit hour Financial Accounting class required for all students who have not completed six hours of undergraduate accounting with a B or better in the previous eight years. Students in this class complete a traditional course with the following description:

*This course focuses on basic financial statements, such as the balance sheet, income statement, and the statement of cash flows. Students study the foundations of accounting methods and systems, including double-entry system and inventory methods. This course assumes no prior accounting knowledge.*

Of some relevance to the results of the survey, the course requires three major projects: a practice set covering the accounting cycle, a comparison of US and International GAAP, and a

comparative financial statement analysis of a public company. Thus, students experience a course that includes at least some journal entry preparation, as well as the use and interpretation of real public financial statements and consideration of accounting concepts at the system level. Responses were collected over four sections taught over three semesters in a single calendar year by the same instructor with the same text and curriculum. Since this was an online course, the students were exposed to exactly the same teaching materials and methods, and the sections differed only in their interactions with the instructor and each other. Therefore, the results from the four offerings are aggregated for presentation here.

A description of the students who participated is included in Table 1. Similar to many part-time MBA programs, the composition of the student body is majority male with significant work experience and technical backgrounds. However, the variety of interests across all of the MBA concentrations available at the university speaks to the breadth of diversity among the students as well.

**Table 1: Description of Participants**

<b>Descriptor</b>	<b>Category</b>	<b>Percentage</b>
Age	20-29	18.84%
	30-39	39.13%
	40 and over	42.02%
Gender	Male	58.89%
	Female	41.11%
Undergraduate Major	Engineering	21.11%
	Business	16.67%
	Information Technology	11.11%
	Other	51.11%
Years of Work Experience	Less than 10 years	27.94%
	10 to 14 years	35.29%
	15 or more years	36.76%
Current Employer	Manufacturing	26.67%
	Service / Retail	67.78%
	Not employed	5.65%

Descriptor	Category	Percentage
Current Positions	Marketing & Management	36.67%
	IT & Technical	32.22%
	Finance & Accounting	13.33%
	Other & Not employed	17.78%
	Management	32.22%
MBA Concentration#	Accounting/Finance	15.56%
	Marketing	14.44%
	Information Technology	12.22%
	Operations	11.11%
	Interdisciplinary or Undecided	14.44%
	Local	65.56%
Location of Students	Out of town	34.44%
	Work-related	29.89%
Reason for taking Online Courses	Convenience	51.72%
	Other	18.39%

Note: Concentrations are grouped at the university as follows:

Management: *Business Management, Entrepreneurship, Strategic Leadership, Human Resource Management, Organization Development*

Accounting/ Finance: *Accounting, Corporate Finance, Financial Services*

Marketing: *Marketing Management, Global Business, Sports & Entertainment*

Information Technology: *Information Technology, Information Assurance, Information Technology Service Management, Telecommunication Management*

Operations: *Supply Chain Management & Market Logistics Engineering Management, Project Management, Health Services Management, Not for Profit Management*

Students were asked the target question as a part of their final examination in the course. The two authors of this paper read each response and identified the following natural categories for summarizing the responses:

1.           Communication:       The ability to understand accounting terminology and practices
2.           Transactions:        Involvement in recording business events in accounting information systems
3.           Financial Statements: Use of financial statements in decision-making
4.           Ratios:             Use of ratios in decision-making
5.           Other Specific Topics: Use of accounting for a specific type of asset, liability, revenue or expense or of a specific accounting procedure
6.           Personal Investment: Use of accounting in managing personal investments
7.           Personal Finance:    Use of accounting in managing personal finances, other than investments
8.           Other:                Unique, specific uses of accounting not in another category
9.           General Benefits:    Unspecified use of accounting

These descriptions for each category were developed and examples identified of a typical statement that would fall in a category (see Table 2).

**Table 2: Categories of Responses**

Category	Definition	Examples
Communication	The ability to understand accounting terminology and practices	As a member of the management team, I frequently hear reports from the controller regarding financial results, and now I can understand the topics under discussion much more thoroughly.
Transactions	Involvement in recording business events in accounting information systems	<p>I plan to utilize these skills by becoming a better bookkeeper within my business. I trust the computer program way too much.</p> <p>I recently have been put in charge of calculating accrued employee wages, a job I could not do before I took this class.</p>
Financial Statements	Use of financial statements in decision-making	<p>Since I have my own non-profit organization, I will be better able to create financial documents for financial donors. I will be able to create financial statements that will show donors how we have raised money and how we have used the money raised in a more efficient manner.</p> <p>The other important purpose of financial report analysis is realizing when my customers are improving and degrading their financial performance.</p>
Ratios	Use of ratios in decision-making	With this new knowledge, I can better suggest different ratios and measures that can be used in addition to our current set.

Category	Definition	Examples
		<p>Now, I can look at some (or calculate) ratios and actually understand where the information is coming from.</p>
Other Specific Topics	<p>Use of accounting for a specific type of asset, liability, revenue or expense or of a specific accounting procedure</p>	<p>One of the ways in which I will utilize what I have learned in this class is how to calculate future values.”</p> <p>At my work, the understanding of depreciation and accounting for expenses will help me in determining my area's budgetary needs.</p>

Personal Investment	<p>Use of accounting in managing personal investments</p>	<p>Additionally this course will assist me in getting involved in the stock market.</p> <p>In my personal life I think that I will now have a better grasp of what to look for as an investor.</p>
Personal Finance	<p>Use of accounting in managing personal finances, other than investments</p>	<p>I also created a simplified form of a Cash Flow Statement, because I need to see where all of my hard-earned money is going from month to month.</p> <p>In my personal life, accounting has helped me better understand the reason my husband has great concerns about the amount of accounts payables we have, when our net income isn't increasing as quickly as it should to cover these costs.</p>

Not otherwise categorized	Unique, specific uses of accounting not in another category	This class enables me to forecast further reimbursement rates and to assess performance by measuring income for the hospital. This course has been very valuable to me, as it has enabled me to understand a good bit of the discussions regarding standardization of processes, controls, segregation of duties, etc. Right now the controller of the business units are discussing whether all of the general ledger functions can be outsourced, or whether it is important for the company to retain immediate control over recording and reporting that requires judgment call.
General Benefits	Use of accounting not based on a particular topic or activity	This has helped me to be a better senior manager as I now have a clearer understanding of the big picture. The knowledge I have gained here will help my cross training experience go smoother.

Each response was then coded into the above categories. Because students gave narrative responses of varying lengths, individual responses were coded in as many categories as applied. The range of categories per student was 1 to 4 with a median of 2.

**RESULTS AND INTERPRETATIONS**

The frequency distribution of the each of the categories of usefulness of financial accounting is in Table 3.

**Table 3: Use of Financial Accounting (N = 90)**

Category of Use	Percentage
Communication	51.11%
Transactions	17.78%
Financial Statements	15.56%
Ratios	10.00%
Other Specific Topics	17.78%
Personal Investment	34.45%
Personal Finance	8.89%
Not otherwise categorized	24.45%
General Benefits	8.89%

(Note: Table totals to more than 100% since respondents could choose more than one category).

The most common response fit into the Communication category (51.11%). Students understood their auditors, CFOs and controllers better and were able to participate in meetings and ask questions more knowledgeably. Only 12 of the 46 students coded in this category limited their response to just the benefits of understanding accounting. Students included references to personal investment (10), using financial statements (7), participating in recording transactions (5), etc. However, this focus on understanding accounting terminology and procedures emphasizes how important that survey of the breadth of financial accounting is so that MBA students can begin to speak the language of business.

The next most common response fit into the category of Personal Investment. Because students had just completed an extensive project in which analysis of companies was motivated by making an investment recommendation, students had direct experience in financial statement analysis in an investment context. In addition, these MBA students had an average age of 38 (median 37) and are at a stage in their careers in which they have 401(k) assets and can see their retirement ahead. This high identification of personal finance as an application of their accounting knowledge points out

how this context can be exploited to make accounting concepts interesting and relevant to students.

The Transactions category and Specific Topics categories were the next most frequent (17.78%). Since transaction processing is associated more with accounting majors than MBAs, the authors looked particularly at the students who are involved in transaction processing. There were two groups that dominated this category: entrepreneurs and those involved in small businesses. In addition, there were MBA students who worked primarily in IT, but who had responsibilities for working with their systems to identify problems and reconcile the data. The most common specific accounting topics mentioned were accounts receivable, inventory, and depreciation. Students reported working with supply chain and fixed asset reuse and monitoring customers, and their operational duties benefited from their new understanding of accounting in these areas. Surprising to the authors, the topic of budgeting was mentioned by eleven students, even though the topic of budgeting was not covered. Students were taking the content of Financial Accounting and making their own application of these concepts to the management accounting areas that affected them.

The use of Financial Statements (15.56%) and Ratios (10.00%) were mentioned next in frequency. These higher level uses of accounting beyond the transaction level were anticipated, but the frequencies were relatively low. However, the coding of these items may account for these lower results. If students discussed understanding financial statements or ratios, it was coded in Communication. Students were only coded in these categories if they used these in their own positions or decision-making. The open-ended form of the question didn't allow for follow-up questions on how the financial statements or ratios that the students "understood" were being used, so these may understate the actual results. On the other hand, MBA students in general are preparing to move into more managerial roles in which they will be using accounting information for decision-making and may not yet have these types of positions at the time that they have just completed Financial Accounting.

The last significant categories were Personal Finance and General (both 8.89%). Students indicated that they were using what

they learned to manage their debt, make budgets, and track their own financial position, an application of accounting outside of any context used in class. The students who wrote about the use of accounting without making any specific illustrations were categorized as General.

Note that almost of a quarter of the students also reported some use of accounting that was so narrowly related to their specific position (call center at Fidelity Investments, advertising sales at Radio One, etc.) that it didn't fit into any of the previous categories, and is not used in additional analysis.

The categories of responses were also analyzed to identify whether there were different important uses of accounting depending on the years of business experience, undergraduate major, or current position. There were no significant differences based on any of these variables. While the authors had anticipated that there might be more emphasis on these elements for different MBA students, there was no evidence in this dataset that less experienced MBA students used information from the Financial Accounting course differently than more experienced MBA students. Nor did MBA students with more technical backgrounds or positions use financial accounting information differently than others. Certainly larger datasets or datasets gathering more structured data may still identify such differences. However, the lack of these interactions suggests some generalizability of these results across different student populations.

#### **DISCUSSION AND CONCLUSION**

This study contributes to research on accounting curriculum issues because it relates the experience of adult students who are in a position to immediately begin using accounting knowledge and skills in business careers that are already launched and often demanding. What is taught in Financial Accounting that makes a difference? The data is not the opinion of faculty or students or employers about what is important. It is a sampling of actual experience and thus has higher credibility and more potential to shape the accounting curriculum for MBAs.

So what can be gained from the study? As a reader who might be teaching an introductory MBA accounting course in the future,

there are three important conclusions that might be useful to a future course:

1. The most important accounting knowledge and skill in introductory MBA accounting classes is the overall, high level understanding of accounting terminology and processes.
2. Context matters in the teaching of accounting. Since the investment context was used in class, students found it easy to begin to apply accounting in their own lives in that context. If the objective is to help students apply accounting in another specific context, then a simulation or project in that milieu can facilitate that occurring.
3. The traditional borders of financial accounting, management accounting, and financial management are not meaningful for students. Students took the knowledge and skills from this class and reported applying it in contexts that the fit in other places in the MBA curriculum. Fortunately the MBA students didn't know that they hadn't studied budgeting yet. This argues for more integrative coursework for the MBA.

There are obviously limitations in research that is based on open-ended questions given to students in one specific college program. All of the students involved here were online students, and the results with face-to-face students may differ. There may be features of this specific university program such that these students have a systematic difference from MBA students at other programs. This study may resemble a case study more than a controlled investigation.

This initial project was structured to provide information to researchers who didn't yet know what the relevant factors would be in evaluating introductory accounting curricula for MBAs. This study has identified issues that can now be examined with more structured research methods across more university settings.

REFERENCES

Accounting Education Change Commission (AECC). (1990). Objectives of education for accountants: Position Statement Number One. *Issues in Accounting Education*, 5, 307-312.

American Accounting Association, Committee on the Future Structure, Content and Scope of Accounting Education. (1986). Future accounting education: Preparing for the expanding profession. *Issues in Accounting Education*, 1, 168-195.

Big Eight Accounting Firms. (1989). Perspectives on education: Capabilities for success in the accounting profession ("The White Paper"). New York.

Byrne, J. (1991). Weekend warriors: A guide to MBAs for working execs. *Business Week* (October 28), 109-114.

Hermanson, D., Hermanson, H. & Alsup, R. (1998). The Accounting Component of Executive M.B.A. Programs. *Issues in Accounting Education*. 13, 4, 801-814.

Hunton, J., Stone, D., & Wier, B. (2005). Does Graduate Business Education Contribute to Professional Accounting Success. *Accounting Horizons*. 19, 2, 85-101.

Leonhardt, D. (2000). A matter of degree? Not for consultants. *The New York Times*. (October 1): 1-7.

Levy, E. & Klein, L. (1993). Massachusetts practitioners speak out on how future CPAs should be educated. *Massachusetts CPA Review*. 67(2), 22-23.

Mintzberg, H., & Lampel, J. (2001). Do MBAs make better CEOs? Sorry, Dubya, it ain't necessarily so. *Fortune*. 143: 244.

Mintzberg, H., & Gosling, J. (2002). Reality programming for MBAs. *Strategy + Business Magazine*. 1-5

Needles, Jr., B. & Powers, M. (1990). A comparative study of models for accounting education. *Issues in Accounting Education*. 5(2), 250-267.

Novin, A., Fetyko, D. & Tucker, J. (1997). Perceptions of accounting educators and public accounting practitioners on the comparison of 150 hour accounting programs: A comparison. *Issues in Accounting Education*. 12(2), 331-352.

Pfeffer, J., & Fong, C. (2002). The end of business schools? Less success than meets the eye. *Academy of Management Learning and Education*. 1, 1-17.

**About the Authors:**

**Barbara W. Scofield** is Associate Professor of Accounting at the University of Dallas, TX., USA. She can be reached at [scofield@gsm.udallas.edu](mailto:scofield@gsm.udallas.edu) and 972-721-5034

**Robert J. Walsh** is Associate Professor of Accounting at the University of Dallas, TX., USA. He can be reached at [rwalsh@gsm.udallas.edu](mailto:rwalsh@gsm.udallas.edu) and 972-721-5361

The authors wish to thank participants of the 2007 Northeast American Accounting Association Regional Meeting for their helpful comments on an earlier version of this paper. All remaining errors and omissions remain solely the fault of the authors.