

## **Prevalence of Accounting Theory in Top-Ranked Undergraduate Accounting Programs**

**Laura Barthel**  
**Eastern Kentucky University**

*The premise of this article is the need for Accounting Education to prepare professionals to be knowledgeable in current standards with the ability to create, recognize, and analyze the upcoming accounting changes and the needs of users of financial information. Secondary literature, both dated and new, including the Pathways Commission Report discusses some approaches to teaching theory and practice of accounting in order to achieve the level of preparation desired by the profession. This research answered the primary question: To what extent do the top ranked accounting undergraduate programs offer a stand-alone Accounting Theory course?*

The sustainability of the accounting profession depends greatly on accounting education to prepare professionals for the ever-changing global environment. For Accounting Education, according to the Pathways Commission, keeping our commitment as a profession

...requires the preparation of accountants to encompass not just technical accounting knowledge, effective thinking and problem solving, and professional practice skills, but also a deep understanding of the accountant's public role. Students, faculty, and accounting practitioners need a shared sense of why accounting is important; the scope and breadth of the accounting profession; and what it takes to successfully think, perform, and act with integrity in the study and practice of accounting (AAA, 2012, p. 21).

This concern for Accounting Education was reflected more than a decade ago. Bonk and Smith (1998, p. 268) stated the procedural based accounting education has given the indication that "the correct answers are provided by authorities... without opportunities to analyze how an accounting principle was adopted or *why* it is significant."

In July 2012, the Pathways Commission issued a report with recommendations and action steps to boost the sustainability of the Accounting Profession. The Pathways Commission's major recommendations are in regard to Accounting Education.

The Pathways Commission defined the Role of Accounting as:

The definition of any profession begins with a commitment to provide a benefit to the public. This commitment to public trust and service represents one side of a social contract. In return, society grants the profession a measure of autonomy to govern its own affairs. In accounting, this commitment requires members of the profession to

consistently provide accurate and reliable information to members of the public, which enables them to make sound investment decisions, and to managers to facilitate the efficient and productive use of resources (AAA, 2012, p. 21).

## **HOW IS THE PATHWAYS COMMISSION DIRECTING ACCOUNTING CURRICULUM?**

For the sustainability and reputation of the Accounting Profession, the Pathways Commission's first recommendation is to:

Build a learned profession for the future by purposeful integration of accounting research, education, and practice for students, accounting practitioners, and educators (AAA, 2012, p. 28)

The Pathways Commission makes a case for considering Accounting as a "learned profession" (AAA, 2012, p. 28), comparable to medicine, law, and theology. Three common elements of these professions are (1) theory, (2) advanced education for technical practice of theory, and (3) research for enhancement of current theory. Therefore, the accounting profession needs to focus on these three elements: theory, education, and research?

According to a joint research project of American Accounting Association, American Institute of Certified Public Accountants, Institute of Management Accountants, Arthur Andersen, Deloitte & Touche, Ernst & Young KPMG, and PricewaterhouseCoopers completed by W. Steve Albrecht and Robert J. Sack, "most of the educational models we use are 'broken' or in desperate need of repair" (Albrecht, 2000, p. 43).

As recent as 2012, the Pathways Commission stated that students are "exposed to technical material in a vocational-focused way, disconnected from the complex real-world which students are bound and from the research focused on understanding that setting" (AAA, 2012, p. 28). Their hope is that the integration of education, practice, and research would help bridge the disconnect for students between the technical knowledge and the ever-changing accounting environment.

The role then, of the Accounting Curriculum is to teach the shared sense of *why* accounting is important, which is usually defined through the theory of the practice.

The premise of this article is that Accounting Education needs to prepare professionals to be knowledgeable of current standards with the ability to create, recognize, and analyze the upcoming accounting changes and needs of financial information users.

When reviewing Accounting curriculum for how to build understanding of why accounting is important in the current "vocation- focused" and "technical" approach, the following questions are relevant:

1. How is Accounting Theory defined?
2. Where is Accounting Theory offered in the accounting curriculum?
3. How prevalent is Accounting Theory currently in top-ranked undergraduate business programs?

### **How is Accounting Theory Defined for This Research?**

For this research, Accounting Theory is defined as the explanation of *why* the accounting standards are important by examining the purpose, function, points of view, assumptions, and implications of accounting standards. Accounting Theory establishes and defines the role of accountants as the customary functions and expectations in serving the public.

### **Where is Accounting Theory in Leading Postsecondary Undergraduate Accounting Programs?**

Undergraduate accounting curriculum generally begins with the "what" in Principles I and II courses, followed by the "how" in Intermediate I and II. These first courses are usually technical in nature. Some

programs may conclude with “why” in an Accounting Theory course in a graduate program or some at the undergraduate level.

The *why* of Accounting Theory means to explore the purpose, points of views, and implications of the accounting standards. The *why* provides the deeper understanding of the accountant’s role to the public by teaching students why a specific standard or reporting method is important. The *why* is a basis for research, debate, and innovation.

Traditionally the context for critical thinking and deeper thought about the accounting standards has been provided in an Accounting Theory course. This course may be offered as (a) an undergraduate elective, (b) an undergraduate requirement, or (c) a graduate requirement. Accounting Theory could be also embedded in other accounting courses instead of a stand-alone course.

The balance between theory and practice is the basis of innovation and a sustainable profession with the ability (a) to understand the theory of “*why*” enough to respect existing theory and (b) to create new learned methods and theory to better serve the public as a profession.

## WHAT IS THE PURPOSE OF THIS RESEARCH?

This research was to identify the status of Accounting Theory course offerings in the accounting curriculum of top-ranked undergraduate universities.

This research answered the primary question: To what extent do the top-ranked accounting undergraduate programs offer a stand-alone Accounting Theory course? The research answered the following specific questions:

1. What percent of the top-ranked accounting programs **offer** an Accounting Theory course at the undergraduate level?
2. Of those top-ranked accounting programs that offer an Accounting Theory, what percent **require** Accounting Theory course at the undergraduate level?
3. What are the pre-requisites of the Accounting Theory course at the undergraduate level?

## HOW WAS THE RESEARCH CONDUCTED?

The research reviewed 20 leading universities that offer an undergraduate program in accounting, as listed in Table 1. The first nine schools selected were ranked in the top 10 Accounting programs from the 2010 U.S. News and World Report Schools of Business rankings. The top-ten list included eleven universities; however only nine had undergraduate accounting programs. Only universities with undergraduate programs were included in this research selection.

Eleven additional schools with undergraduate accounting programs were included from the 2000 Trieschmann et al. list of top 75 Accounting Programs.

The research reviewed Academic Year 2012-2013 course catalogs from college websites. A program review was conducted for each school to identify (1) core accounting requirements, (2) elective accounting course options, and (3) pre-requisites to accounting theory course(s), and (4) relevant course descriptions.

A codification step was included so that courses not titled Theory but were theory focused were included in the results. Courses were coded as Theory if the course focused on (a) nature of accounting theory, (b) conceptual framework, and/or (c) regulation and institutional theory. The focus of the course was inferred from the course description.

**TABLE 1**  
**UNIVERSITIES REVIEWED AND THEIR RANKINGS**

University Accounting Programs Reviewed	2010 U.S. News and World Report Ranking	2000 Trieschmann et. al. Ranking
University of Texas - Austin	1	13
University of Pennsylvania	2	1
University of Illinois – Urbana –Champaign	4	21
University of Michigan – Ann Arbor	4	2
University of Southern California	6	**
New York University	8	20
Brigham Young University	9	**
Indiana University – Bloomington	10	34
University of Washington – Seattle	*	5
University of Iowa	*	9
University of Florida	*	17
The University of Arizona	*	18
University of Minnesota	*	22
University of Colorado – Boulder	*	24
The Ohio State University	*	26
Arizona State University	*	28
Baruch College – CUNY	*	29
The Pennsylvania State University	*	30
University of Georgia	*	31
University of Wisconsin – Madison	*	33

\* Not ranked by the 2000 Trieschmann et al.

\*\*Not ranked by the 2010 U.S. News and World Report rankings.

**TO WHAT EXTENT DO THE TOP RANKED ACCOUNTING UNDERGRADUATE PROGRAMS OFFER A STAND-ALONE ACCOUNTING THEORY COURSE?**

The initial program review identified no stand-alone courses **entitled** Accounting Theory offered at any of the universities – neither as an elective or a requirement in the undergraduate programs. However, through the coding process of this research, three universities (15 percent) of the twenty reviewed were

identified as offering a stand-alone Accounting Theory equivalent course, as shown in Table 2. The author determined that course descriptions for these courses parallel the definition of an Accounting Theory course as defined in this article.

**TABLE 2**  
**STAND-ALONE, ACCOUNTING-THEORY COURSE EQUIVALENTS**  
**AND COURSE DESCRIPTIONS\***

Equivalent Course Title	University
<b>Financial Accounting Concepts and Research</b>	<b>University of Texas – Austin</b>
<b>Catalog Description:</b> Conceptual framework of financial accounting; research methods in financial reporting; and financial reporting institutions and regulations.	
<b>Accounting Institutions and Regulations</b>	<b>University of Illinois – Urbana Champaign</b>
<b>Catalog Description:</b> Regulation theory and practice as applied to accounting information. A general framework is applied to reporting, taxation, and regulated business activities. Projects facilitate self-discovery of knowledge and the development of professional attitudes and skills with emphasis on professional research.	
<b>Senior Seminar in Accounting</b>	<b>University of Colorado</b>
<b>Catalog Description:</b> This seminar examines the nature of accounting theory and practice from perspectives of economic law, globalization, accounting, ethics, and moral reasoning. This course also explores issues including implications of institutional factors, such as Sarbanes-Oxley, SEC, FASB, IFRS, and capital markets.	

\*Course descriptions from online 2012-2013 course catalog online for each university

### **Of Those Top-Ranked Accounting Programs That Offer an Accounting Theory, What Percent Require Accounting Theory Course at the Undergraduate Level?**

Of the three programs that offer an Accounting Theory equivalent, 100 percent require the Accounting Theory equivalent course in the undergraduate program.

### **What are the Pre-Requisites of the Accounting Theory Course at the Undergraduate Level?**

All three of the Accounting Theory equivalent courses are upper-division courses with a pre-requisite of Intermediate Accounting or equivalent.

The pre-requisite Intermediate Accounting course descriptions were reviewed for theory components, but none were coded as a theory course due to the technical nature of some Intermediate courses. In observing the theory language of the Intermediate course descriptions, the author reviewed course catalogs ranging from 1989 to 1992 of a few of the universities to explore changes in theory language over the years. These descriptions were reviewed due to curiosity about the focus of theory as the number of standards increased over the last few decades. Limited changes in the use of theory in the descriptions were noted.

## **IN CONCLUSION, TO WHAT EXTENT DO THE TOP-RANKED ACCOUNTING UNDERGRADUATE PROGRAMS OFFER A STAND-ALONE ACCOUNTING THEORY COURSE?**

1. Accounting Theory is generally not a stand-alone component of the Accounting curriculum.
2. Of the universities included in this research, all universities that offered an Accounting Theory equivalent at the undergraduate level require it.
3. The pre-requisite for the Accounting Theory equivalent courses that were reviewed is Intermediate Accounting or equivalent.

### **What is the Relevance of this Research to Accounting Education?**

As indicated by the joint project of AICPA , AAA, and Big Four and the Pathways Commission, Accounting Education needs a curriculum model that allows students to analyze how the accounting standards were developed and why the accounting theory is significant in the ever-changing global environment. Based on the review of the top ranked universities in the United States Accounting Theory does not appear to be a priority of the curriculum. This conclusion presents a challenge for accounting educators to integrate the *why* of Accounting Theory into the Accounting Curriculum.

Accounting educators should carefully review curriculum to ensure that theory is prominent.

### **What Further Research is Needed?**

The impetus for the current research project was a perception that the emphasis on and content of Accounting Theory has decreased in the last twenty years as the number of accounting standards have increased. Additional research and assessment on the impact and value of theory education needs to be conducted.

With the increase in standards over the last few decades, the balance of practical and theoretical application in student learning outcomes and texts is a topic for further research.

If a shift to an appropriate pairing of theory and procedural education proves to produce accountants who can think critically and creatively, then the anticipated result for the “learned profession” would be (1) a knowledgeable workforce of the evolution of accounting standards with an ability to adapt and analyze new standards and environments, and (2) accountants versed in critically thinking about the purpose, points of view, and implications of accounting standards with the ability to creatively develop solutions to accounting through research for standard issues, revisions, and creation.

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