History of Accounting Education

Stanley Chu
Touro College

Harvey Man
Borough of Manhattan Community College

Accounting education in universities began in the United States in 1883. The early professional accountants wanted the education model for accountants to be similar to the law and medicine model. They envisioned a liberal arts education followed by study in a professional school of accountancy. The pioneer university accounting programs focused on technical training and the CPA exam rather than the broad based liberal arts training desired by the profession. The accounting profession wanted changes a hundred years ago and they continue to want change today. Accounting education has been criticized for more than one hundred years. Despite numerous calls for accounting education change, widespread changes in curriculum have not occurred. This paper looks at the history of accounting education in universities in the United States. (Langenderfer, 1987) explains the value of looking back at the history of accounting education. The author states that understanding how accounting education has developed can provide perspective on where we are likely headed.

INTRODUCTION

This paper investigates the history of accounting education in the United States. The role of accounting educators, the accounting profession and state legislators are explored. From the very beginning of accounting education in universities, there have been disagreements about the accounting curriculum. (Previts & Merino, 1998) states that most practitioners believed that mastery of the technical procedures of accounting was most effectively learned through practical experience. The role of the educator was to develop a student's analytical ability. The practitioners wanted a broad training that emphasized theory and were disappointed to see that accounting educators tended to emphasize narrow, technical training. Throughout history as the nation's economy expanded and the accountants knowledge base exploded, accounting education was repeatedly asked to change. This paper looks at the calls for educational reform and the barriers to change over the past one hundred years. This paper also looks at recommendations to achieve change.

EARLY HISTORY

Langenderfer (1987) states that the earliest accounting training followed the American Revolution. The early education of accountants that existed in the late 1700s and the early 1800s followed the English tradition of apprenticeships. The new accountant learned by observing the experienced accountant.

Van Wyhe (1994) states that the early 1800s until the 1870s accounting education was provided through independent commercial high schools. Traditional high schools focused on college preparatory courses. If a student wanted business training, he or she went to an independent commercial school. As the country became more industrialized, young people left their farms to find jobs in the city. Many had an elementary education but needed some business training to become employable. The business schools provided short term intensive courses which was all they needed. The curriculum consisted mainly of bookkeeping, arithmetic and penmanship. Later with the invention of the typewriter, typewriting and shorthand courses were offered. The business schools also served adults who enrolled for retraining. The author states that the proprietary schools enjoyed rapid growth and were financially successful. The students were attracted to the freedom they had in deciding what subjects to study. However, the commercial schools were criticized for their loose instructional approaches and for their lower quality (less educated) students. The author observes that the flexibility of a commercial school enabled them to respond quickly to new needs.

Colleges Begin to Teach Business

Van Wyhe (1994) provides the background on why colleges decided to teach business. The author points out that during the 1870s (after the civil war), attendance at colleges was static whereas enrollment at the independent commercial schools was booming. During this period the nation's business was booming and success could be achieved without a college degree. Colleges saw the financial success of the commercial schools and wanted to get involved. Langenderfer (1987) explains this was a big turnaround for colleges as their view was that a college education is a liberal arts education. Colleges did not regard business as worthy for a college curriculum. In 1881, the University of Pennsylvania established the first business school when Joseph Wharton made a gift of $100,000 to start the school. The first accounting course was offered in 1883. Van Wyhe (1994) noted that it took a considerable amount of money for this to happen.

The Accounting Profession Starts in New York

Flesher, Miranti, & Previts (1996) points out that as the nation's industrialized economy began to grow, businesses raised money by turning to banks for loans or the new stock market for investors. The authors state that these changes created a more complex environment requiring the specialized knowledge of new professions such as accounting.

In 1887, the first professional organization of accountants in the U.S. was formed. The organization was called the American Association of Public Accountants (AAPA). Langenderfer (1987) states the AAPA envisioned that accountants should have a traditional liberal arts education, followed by training at a separate school of accountancy. Van Wyhe (1994) offers two possible reasons why the accounting profession wanted to follow the law/medicine model:

1. It was an attempt to meet the goal of providing the best possible services to the people.
2. It was an attempt to meet the goal of unfairly increasing the incomes of the professional. The author believed it was the latter.

Langenderfer (1987) believes that the motivation was to provide the profession with the theoretical base and respectability as a profession. The AAPA did establish a separate school of accountancy in October 1893. The school was called the New York School of Accounts. In order to enter the school, an applicant was required to be a graduate of a college or university. The program provided for 1,000 class hours over 40 weeks per school year with a complete program requiring two years. The school was discontinued in July 1894. Slocum & Roberts (1980) state the school failed for the following reasons:

- Lack of students (there were only 7)
- Lack of support from the business community.
- Lack of support from the board of regents. The school would have liked for the board of regents to start actions to license its graduates.

The authors state that the school may have been ahead of its time. The school showed that the profession wanted to be like law and medicine.

In 1896 the original CPA bill was passed in New York. Flesher, et al. (1996) explain that the legislation established and protected the title of certified public accountant (CPA). The bill required an accountant to pass a qualifying exam to become certified. Van Wyhe (1994) observed that it made public accounting a governmentally recognized profession- a profession which required understanding of a specialized body of knowledge. Langenderfer (1987) states that universities had to be convinced that accounting belonged in college. The author states that the practitioners worked hard to overcome the college leaders' prejudices in favor of the liberal arts and against the teaching of business and accounting courses. Four years after the CPA bill was passed, NYU in 1900 established a school of business under the name, School of Commerce. Van Wyhe (1994) states the school was founded at the insistence of prominent public accountants. The author observed that it was the efforts of the practitioners that fully legitimized accounting in higher education.

Early Criticism

Early accounting curriculums (early 1900s) were geared toward the passing of the CPA exam. Practitioners were disappointed when they learned that the instructors focused on narrow technical training instead of a broad liberal education. Nelson (1995) observed that practitioners considered mastery of the technical procedures of auditing and accounting to be most effectively learned through practical experience. The profession viewed the educator's role was to develop analytical ability. Previts & Merino (1998) states the majority of professors rejected the emphasis on a broad education and favored teaching technical procedures. Van Wyhe (1994) gives an example of the educators' focus on technical training instead of skills development. Accounting educators developed laboratory courses specifically to help students pass the CPA exam when the purpose of the lab courses was to give the student a real world experience. The above criticisms occurred in the early 1900s.However, the same problems exist today. This paper will now advance 80 years to the 1980s. History will repeat itself.

CHANGES IN ACCOUNTING EDUCATION

Bedford Report- 1986

The American Accounting Association (AAA) is the professional organization of accounting educators. In 1986, the American Accounting Association's Bedford Committee issued a report which severely criticized accounting education (American Accounting Association, 1986). The committee examined the duties of professional accountants and accounting education during the period 1925-1985. The report stated that accounting education remains essentially unchanged despite massive changes to the profession over the past sixty years. The report called for a major revamping of accounting education. Merino (2006) observes that the report encouraged educators to deemphasize technical knowledge and to teach students the capacities for inquiry, abstract logical thinking, critical analysis and literacy which includes writing, reading, speaking and listening. Alhashim & Weiss (2004) point out that the Bedford Committee states that accounting education does not teach what students need to know. Educators must recognize that accountants have been forced to extend their knowledge and skills to include a grasp of the economic and social environment in which an organization operates.

Sundem, Williams, & Chironna (1990) summarize the two primary recommendations of the Bedford Committee:

1. Educators should approach accounting education as information development and distribution for economic decision-making.
2. Educators should emphasize students' learning to learn as the primary classroom objective.

Bedford & Shenkir (1987) two members of the Bedford Committee indicated that the report has the following implications:

- Accounting education should emphasize concepts rather than detailed technical procedures which are better taught in specific training programs.
- Life-long learning needs to be emphasized.

Big 8 White Paper- 1989

Russell & Smith (2003) point out the accounting profession warned accounting education that significant change was necessary in a report entitled "Perspectives on Education for Success in the Accounting Profession". This report is called the Big 8 White Paper since it was generated by the directors of the Big 8 (now, Big 4) accounting firms. The report of the big accounting firms echoed the sentiments of the findings of the accounting educators in the earlier Bedford Report. Van Wyhe (1994) states that the report emphasized the need for future accountants to have the following new skills:

- An understanding of the flow of events in history and the different cultures in today's world.
- Experience in making value judgments.
- The ability to interact with diverse groups of people and at the highest levels of intellectual exchange.

Sundem, et al. (1990) point out the report called for a change in focus away from teaching factual information to an emphasis on decision-making. In addition, the report was critical of the learning process for students which were usually passive where students relied on listening to a lecture and memorizing large quantities of technical information. The report called for a change to the student taking a more active role in the learning process.

Russell & Smith (2003) state that the profession felt so strongly about the need for change that they put up $ 6 million to help create the Accounting Education Change Commission (AECC).

Accounting Education Change Commission (AECC) – Catalyst for Change-1989

In 1989, the AAA and the major accounting firms collaborated to form the AECC. Sundem, et al. (1990) the authors who were all members of the AECC, state the mission of the AECC, was to be a catalyst for improving the academic preparation of accountants, so that entrants to the accounting profession possess the skills, knowledge, and attitudes required for success in accounting career paths. The authors identified two new approaches to learning that were regarded as critical by the AECC. The first approach is learning to learn. This involves developing skills and strategies that help one to learn more effectively and developing ways to use these effective learning strategies to continue to learn throughout one's lifetime. The focus would be in teaching the basic concepts and helping students to apply the concepts to different situations rather than focus on having students memorize rules and regulations without understanding how to apply them.

The second approach is the need to develop a process of inquiry. This involves students working on problems that do not have only one right answer. The students should work on exercises and problems that include identifying problems and opportunities, searching information in unstructured environments. In summary, the AECC was stressing learning to learn, instead of knowledge acquisition by students.

Robson, Savage, & Shaffer (2003) identify the AECC's desired capabilities for accounting graduates which are much more than possessing technical knowledge;

- Skills- communication, intellectual and interpersonal
- Knowledge- general, organizational and accounting
- Professional orientation- values and ethics

The authors state that the above criteria are still the driving forces for changes in accounting education today.

The AECC awarded 13 grants to different universities to initiate changes in the accounting curriculum. Van Wyhe (1994) summarized the output of the grant schools as follows:

- Arizona State made a major revision of its accounting core courses. The goal was to create an environment in which students are active participants in learning and where they develop the ability and motivation for life-long learning.
- The University of Chicago focused on a user orientation instead of the traditional preparer focus in a MBA curriculum.
- In a joint project, Illinois and Notre Dame developed a curriculum to make students become critical thinkers and to take an active role in the learning process.
- North Carolina AT&T emphasized the development of problem solving skills, the improvement of communication, interpersonal and leadership skills and the promotion of proficiency in technology.

Gabbin (2002) lauded the efforts of the University of Illinois where a learn-by-doing approach was employed so that students could gain knowledge by performing meaningful activities. The author points out that the learn-by-doing approach is in sharp contrast to many accounting programs that still emphasize journal entries and GAAP. The learn-by-doing approach is much more than a traditional financial statement preparation exercise, rather it is a laboratory experience that introduces accounting to students as members of a team dealing with strategic issues.

The grant recipient schools mentioned above had a financial incentive to institute changes in accounting education. (Nelson, 1995) states the profession cannot give every school $250,000. The author poses the question, when the AECC money runs out, will the accounting change movement die? May, Windal, & Sylvestre (1995) conducted a survey of 984 accounting faculty five years after the AECC began work to determine whether or not accounting faculty support changes in accounting education. The results of the survey indicated a wide agreement that change is needed. However, there was significant disagreement over both the extent and form of that change. The survey results included the following:

- 56% agreed that change was needed. This indicates widespread agreement of the need for change. However, 24% disagreed and 20% were neutral.
- 68% agreed that students are not receiving the education they need to meet the demands of the profession.
- 63% agreed that the objective of the program is to teach students to learn on their own.
- 90% agreed that written assignments are important.
  Some of the findings on teaching methods were disappointing. The AECC strongly advocates developing a students' communication, problem solving and team skills.
- 56% agreed that the textbook based, rules intensive, lecture/problem-solving style should remain. This is a disappointing, since it represents the status quo.
- Only 43% agreed that the case method should be extensively used.
- Only 29% agreed that the team or group approach should be extensively used.

Lux (2000) conducted a survey 5 years later which indicated that educators have still not entirely embraced the need for change. The author prepared a survey which was mailed to both 2-year and 4-year faculty. The results of the survey showed that 5 years after the AECC began encouraging change that most professors were inexperienced users of AECC techniques and needed further exposure. The AECC ceased operations in 1996 and its work has been taken over by the AAA.

Accounting Education: Charting the Course through a Perilous Future- 2000

Albrecht & Sack (2000) the seminal work of W. Steve Albrecht and Robert J. Sack is another warning of the need for change in accounting education .The monograph is the result of a collaboration between the AAA (accounting educators), the AICPA (professional organization of CPA's), the IMA (the professional organization of corporate accountants) and five largest international CPA firms. The monograph was written in response to both the need for accounting change and the decreasing enrollments of that time. The authors warned of the possible destruction of accounting education if changes were not made. The monograph provided the following warnings;

- The number and quality of students majoring in accounting is decreasing rapidly, driven by the perception that an accounting degree is less valuable than other business degrees.
- If given the opportunity both accounting professors and accountants would not again major in accounting.
- Accounting leaders and practicing accountants believe that accounting education as currently structured is outdated, broken, and in need of significant modifications.

The authors call for the following changes:

- Practitioners should impress upon educators the need to teach classes that are relevant to today's business world, including technology, globalization and ethics.
- Teaching methods that include group assignments and role playing should be used to strengthen a students' understanding of teamwork and the value of negotiation.
- Technology assignments should be used to broaden a students' computer skills.

It is interesting to note that the aftermath of the accounting scandals of 2002 and the Sarbanes-Oxley Act of 2002 has been a significant resurgence in the demand for accountants. Merino (2006) states that it is ironic that the corporate scandals such as Enron followed by government regulation has resuscitated accounting education. Dosch & Wambganss (2006) attribute the comeback of enrollment on the dot-com bust and the resulting recession. The authors point out the dot-com failures made alternative careers (finance and information systems) less appealing.

Gabbin (2002) observes that even though there are massive changes to the global marketplace and technology that has caused changes to the competencies needed by new accountants, educators have failed to restructure the curriculum. The author further states that accounting educators should have followed the lead of the accounting profession. When the environment changed, the accounting profession reengineered themselves as "professional services" rather than "public accounting" firms. In addition, the author states that the accounting profession can help attract the brightest students by getting involved with the schools. Practitioners are encouraged to get involved with alumni advisory boards and offer internships.

BARRIERS TO CHANGE

Nelson (1995) delineates the obstacles to change from the 1986 Bedford Report:

- Change is expensive. One cannot provide a grant to every school in the country.
- The expanding knowledge base and the CPA exam were identified as a barrier for change. Many educators feel obligated to teach to students every new technical rule. In addition the new rules are usually tested on the CPA exam.
- Textbook dependency. Many educators focus too much on the text.
- Accreditation requires a school to have a structured and uniform curriculum. This could serve as a deterrent to curriculum experimentation. The author states that colleges don't always have the freedom to change the curriculum. There are state licensing agencies that specify which courses a student must take. It is difficult to change in this situation.
- The increasingly complex business environment. Complex topics such as accounting for derivatives leaves little time to teach other kinds of skills.

Strait & Bull (1992) point out that there is a need for a faculty reward structure to be in place. The current accounting educators market places a premium on research over teaching. The authors state that a faculty member would be committing academic suicide to devote substantial time and effort to a major curriculum project. The authors call for a change in the reward structure to compensating teaching more and research less.

Nelson (1995) states that one obstacle has existed for more than one hundred years. The author states the fundamental reason for the lack of change is that accounting educators have long favored technical training at the expense of a liberal arts education. Four reasons are given:

1. Accounting educators fail to recognize the value of a liberal education. Most doctoral programs in Accounting involve one or two areas of teaching and research interest. The author states that most educators are narrowly-educated specialists who cannot appreciate the value of a broad education.
2. The old way of technical training is easy to do. The author states that most feel more comfortable lecturing on “how to” rather than assigning a student group to debate “why”.
3. Student evaluations inhibit change. When an educator employs innovative teaching methods designed to improve students’ skills, it takes a student out of their comfort zone. This often results in poor student evaluations. Since the student evaluations are a factor in an instructor’s overall evaluation, some professors have an incentive to play it safe.
4. Most educators are not adequately trained to teach in a non-technical manner. A PHD in accounting, has little or no formal training in how to teach in any manner. The author observes that a kindergarten teacher have more formal training in learning processes and pedagogy than accounting professors.

Merino (2006) also observes that the problem is more than a hundred years old. The author identifies the following barriers to change:

- The CPA exam as a performance measure. The profession publishes the CPA exam pass rates by school. The author asks the question, how can you get school’s to change when the performance measurement is based on technical training. The author calls for the profession to stop publishing CPA exam pass rates.
- The effect of market discourse. Market discourse is the assumption that formal regulation is not needed. The assumption is that market competition will result in greater educational quality. The author states that market forces promote pleasing the customer without regard to moral and ethical issues. Reckers (2006) points out that market forces did not protect the public from the corporate scandals such as Enron. The government stepped in with the Sarbanes-Oxley Act of 2002. The author warns that market failures to change could result in government regulation.

American Accounting (1998) identified non-traditional deliverers as significant competition. The committee described schools like the University of Phoenix as a for-profit university. The for-profit schools emphasize exam passing results. Diamond (2005) asks the question, how can a school change when the competition does not?

RECOMMENDATIONS

Pricewaterhousecoopers (2003) the international CPA firm wrote a position paper on education after the scandals of 2002 which included specific recommendations to regain the public’s trust and to prepare students for the profession:

- PWC has observed that new entrants do not understand what it means to be a member of the profession. The company suggests frequent interaction of students with accounting professionals through meetings and internships. Langenderfer (1987) almost twenty years earlier, the author also stressed the need for professors to get involved in the profession. When instructors integrate professional activities into the course, students gain knowledge of the profession.

- PWC encourages an emphasis on integrating a higher level of interpersonal and communication skills throughout the curriculum.
- PWC identifies the need for students to have an understanding of today's complex business environment. The company recommends less emphasis on problems with only one right answer.
- The company challenges deans and administrators to support faculty efforts to interact with the profession. Nelson (1995) also asks for administrators to take the lead. The author states that if you leave it up to the faculty, nothing will happen.

Doost (1999) makes the following recommendations:

- The author addresses the issue that accounting professors have little or no training in the art of teaching. The author proposes requiring accounting educators to take education courses.
- The author calls for the need for openness to encourage change. The author is an accounting professor who has observed that the activities of his colleagues are often shrouded in secrecy. He is encouraging an open environment where faculty open up to see and learn and criticize one another. Nelson (1995) also calls for educators to put aside "turf" battles to work together to create a new model for education.

Merino (2006) identifies two factors needed for widespread change:

1. The academic reward structure must include weight for excellence in teaching and curriculum development.
2. The CPA exam results should not be the performance measure.

Bedford & Shenkir (1987) more than twenty years ago, the authors stated that there needs to be an unified effort of all accounting associations in government, industry and public practice to work together to achieve meaningful change.

SUMMARY/CONCLUSIONS

Pricewaterhousecoopers (2003) conducted a study of nine schools. PWC observed that a transformation is in progress. The study showed that all the schools were now going beyond technical training and specialized accounting knowledge. The company observed that change is taking place. Myers (2005) also has observed progress. The author interviewed professional accountants who have stated that students are better educated today. They are smarter, more business attuned versus numbers attuned and good at being able to see the forest and not just the trees.

Merino (2006) has seen some evidence of change but states it has not been widespread. Many have called for more interaction between accounting educators and the accounting profession. This paper has examined the successes of such collaborations (AECC and the Albrecht & Sack study). This paper has shown that significant change occurs when the stakeholders work together.

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