Teaching Future Management Accountants

By Roberta J. Cable, Ph.D., CMA; Patricia Healy, CMA, CPA; and Emil Mathew

A number of recent research studies have examined the skills and abilities that management accounting students will need when they enter the workplace. The authors believe that the role of the management accountant has changed and that accounting curricula should reflect this new role. Here they present the results of their examination of seven popular cost/management accounting textbooks and 20 course syllabi to see if the new role is reflected in them.

The business environment continues to change. Nas Ahadiat stated that this is due to “escalating globalization, increased information technology, new regulations aimed at corporate governance, and more.”[1] These changes have had an important impact on the role of management accountants. Lakshmi Tatikonda said, “Today’s management accountants spend less time preparing standardized reports and more time analyzing, interpreting, and providing information for decision making.”[2] Management accountants have become more involved in all aspects of the daily operations of business.

Researchers have studied practitioners to determine the skills and abilities management accountants need in order to prepare for their roles in business. Ahadiat surveyed practitioners who were members of the Institute of Management Accountants (IMA®) and the American Institute of Certified Public Accountants (AICPA) about the topics they say are most important for entry-level and senior-level management accountants. Ahadiat said he believes that accounting faculty tend to emphasize traditional topics that are not necessarily important to contemporary business. He hoped his research would influence accounting educators to revise curricula or design new courses to better prepare accounting graduates for practice.

Germain Böer, a professor at Vanderbilt University, expressed concern about the management accounting curriculum. He stated, “The more I learn about the practice of management accounting, the more dissatisfied I’ve become with what I teach in my courses, so
my class material is constantly evolving to accommodate my ever-changing understanding of management accounting.” Böer documented the history of management accounting curricula by reviewing the table of contents of textbooks from 1919 to the present. He concluded that currently there is a disconnect between the textbooks (and likely what is taught in the classroom) and the needs of the profession. He suggested that the textbooks need to place more emphasis on decision making, cash flow analysis (versus cost analysis), and the service industry. Böer explained that the textbooks cover topics accounting educators find interesting instead of issues accounting managers find important. Furthermore, he stated that IMA changed the title of its monthly publication from Management Accounting to Strategic Finance to better emphasize what management accountants are doing.

Zafar Khan, Thomas Cianciolo, and Eileen Peacock analyzed IMA’s Practice Analysis database to provide insight into the similarities and differences in management accounting practice for the manufacturing and service industries. Their goal was to determine the skills and abilities entry-level accountants needed for success in the workplace. They concluded that two or possibly three new courses needed to be developed or revised to better prepare students to function in the workplace. They suggested their research would be “an important first step in accounting program reengineering.”

Philip Cooper documented the changes in the management accountant’s function from the 1970s to the present. He provided insight into the present knowledge needs of management accountants based on a shift of economic activity away from manufacturing and on an emphasis on globalization. He surveyed 1,600 chartered accountants and asked how important specific topics were to the work carried out by their organizations. He concluded that although there were variations among the responses between economic sectors, there was an emphasis on more strategic topics and the broadening of knowledge.

Tatikonda provided an historical perspective of management accounting. She stated, “Above all, companies no longer want ‘bean counters’—they want employees who can work as business consultants to help them make ‘better beans’ at a lower cost.” Further, she said that although current accounting education may serve the needs and desires of faculty, it does not meet the needs of students. She wrote, “Unfortunately, current accounting education as taught in universities appears to be a roadblock to preparing management accountants.”

**Textbook Reviews**

We believe that the role of the management accountant has changed and that the accounting curriculum should reflect this new role. Cost accounting is a required

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**Textbooks Examined**

Here is the list of the seven textbooks used in the survey.


course taught in most college accounting curricula. This course typically is the only course undergraduates take that specifically focuses on the topics necessary to prepare accounting graduates for staff and senior management accounting positions. The purpose of our research was to determine the extent of coverage of specific management accounting topics (that practitioners feel are most important to professionals) in cost accounting courses. These topics are based on the results of Ahadiat’s survey in which he asked participants to rank the importance of 86 practice-based topics for staff and senior accountants. To do this, we examined recent copies of popular cost accounting textbooks.

We designed our review process of textbooks by asking the following questions:

1. What is the total number of pages in each textbook? How many of these pages were devoted to each of the selected topics?
2. What is the total number of problems and exercises in each textbook? How many problems and exercises are related to each topic?

We began by examining each textbook based on its coverage of 15 of the highest-ranked practiced-based topics in Ahadiat’s study. These came from his list of topics that practitioners ranked as important to staff and senior accountants. We did not include spreadsheet analysis as this is a skill set learned in many different courses. We reviewed each textbook separately and then combined our findings in Tables 1 and 2.

**Results of the Review**

**Table 1**

We analyzed the most current editions of seven popular cost/managerial accounting textbooks and summarized the results in Table 1. (See the sidebar titled “Textbooks Examined” for the list.) We determined the number of pages and percentage of total pages of coverage for all 15 topics in each textbook. The number of pages ranged from 114 to 264; the percentage of total pages ranged from 16% to 30%. The Horngren textbook had the highest number and percentage of total pages devoted to all 15 topics—264 and 30%, respec-

<table>
<thead>
<tr>
<th>Textbook</th>
<th>Total pages in text</th>
<th>Pages devoted to topic + problems</th>
<th>% of total pages</th>
<th># of problems related to topics</th>
<th>Total # of problems in text</th>
<th>% problems on topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horngren</td>
<td>870</td>
<td>264</td>
<td>30.34%</td>
<td>314</td>
<td>906</td>
<td>35%</td>
</tr>
<tr>
<td>Hansen</td>
<td>832</td>
<td>199</td>
<td>23.92%</td>
<td>155</td>
<td>448</td>
<td>35%</td>
</tr>
<tr>
<td>Barfield</td>
<td>776</td>
<td>211</td>
<td>27.19%</td>
<td>263</td>
<td>972</td>
<td>27%</td>
</tr>
<tr>
<td>Brock</td>
<td>706</td>
<td>114</td>
<td>16.15%</td>
<td>93</td>
<td>977</td>
<td>10%</td>
</tr>
<tr>
<td>Hilton</td>
<td>910</td>
<td>188</td>
<td>20.66%</td>
<td>176</td>
<td>1,184</td>
<td>15%</td>
</tr>
<tr>
<td>Lanen</td>
<td>670</td>
<td>201</td>
<td>30.00%</td>
<td>239</td>
<td>776</td>
<td>31%</td>
</tr>
<tr>
<td>Blocher</td>
<td>902</td>
<td>234</td>
<td>25.94%</td>
<td>311</td>
<td>1,171</td>
<td>27%</td>
</tr>
<tr>
<td>Total</td>
<td>5,666</td>
<td>1,411</td>
<td>24.89%</td>
<td>1,551</td>
<td>6,434</td>
<td>25.44%</td>
</tr>
</tbody>
</table>

Mean Pages = 202
Mean Problems = 222
tively. The Brock textbook had the lowest number and percentage of total pages—114 and 16%, respectively. The average number and percentage of pages of the topics found in all textbooks were 202 and 25%, respectively.

We also determined the number of problems and exercises devoted to all 15 topics for each textbook. They ranged from 93 to 314. The percentage of total problems devoted to all 15 topics ranged from 10% to 35%. The Horngren textbook, with 314, had the highest number of problems and exercises. The Horngren and the Hansen textbooks, both with 35%, had the highest percentage of problems and exercises. The Brock textbook had the lowest number and percentage of problems and exercises, with 93 and 10%, respectively. The average number and percentage of problems and exercises found in all textbooks were 222 and 25%, respectively.
Next, we examined the 15 highest-ranked practice-based topics for management accounting education from the Ahadiat study and listed them in Table 2 in descending order. The list was based on the combined rankings of importance for both staff and senior management accountants. We analyzed these topics for each textbook and combined and summarized the results for all textbooks. Table 2 shows the total number of pages and percentage of total pages for each topic.

The topic of ethics and fraud was ranked highest among practitioners, but it was ranked eighth in the number of pages covered (or 1.15% of the total textbook pages) and 11th in the number of exercises and problems (or 0.81% of the total problems and exercises). Other less-traditional important topics, such as working capital management and continuous improvement, ranked 13th and 14th, respectively, in the number of pages and 14th and 15th, respectively, in the number of problems. The more-traditional cost/managerial accounting topics ranked the highest in the textbook analysis. Overhead allocation, master budgets, and cost-volume-profit analysis ranked first, second, and third, respectively, in total problems and exercises.

**Course Syllabi**

We obtained cost accounting syllabi from 20 universities/colleges. We selected these schools because their accounting departments were accredited by the AACSB and had a high number of successful Certified Management Accountant (CMA®) candidates. The results of the review are listed in Table 3. We examined the syllabi to determine if the top 15 practice-based topics were assigned to students. If a topic was assigned, we coded it a “yes,” and, if not, we coded it a “no.” Then we calculated the percentages. The percentages represent the percentage of schools that covered each of the topics.

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**Table 3: Syllabi Coverage of Top 15 Practice-Based Topics**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Percentage of 20 schools that included these topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics and Fraud</td>
<td>80</td>
</tr>
<tr>
<td>Operating Budgets</td>
<td>95</td>
</tr>
<tr>
<td>Financial Budgets</td>
<td>45</td>
</tr>
<tr>
<td>Overhead Allocation</td>
<td>100</td>
</tr>
<tr>
<td>Cost-Volume-Profit Analysis</td>
<td>90</td>
</tr>
<tr>
<td>Variance Analysis</td>
<td>100</td>
</tr>
<tr>
<td>Breakeven Analysis</td>
<td>90</td>
</tr>
<tr>
<td>Revenue Allocation/Profit Analysis</td>
<td>70</td>
</tr>
<tr>
<td>Master Budgets</td>
<td>90</td>
</tr>
<tr>
<td>Make, Buy, or Lease</td>
<td>70</td>
</tr>
<tr>
<td>Capital Budgeting</td>
<td>40</td>
</tr>
<tr>
<td>Working Capital Management</td>
<td>50</td>
</tr>
<tr>
<td>Continuous Improvement (Kaizen)</td>
<td>95</td>
</tr>
<tr>
<td>Inventory Control</td>
<td>85</td>
</tr>
<tr>
<td>Support Department Allocations</td>
<td>100</td>
</tr>
</tbody>
</table>
Results of the Review

Three more-traditional topics ranked first, second, and third in textbook coverage: overhead allocation, master budgets, and cost-volume-profit analysis. These topics were covered 100%, 90%, and 90%, respectively, by the schools in our sample. The more-contemporary topics—ethics and fraud, working capital management, and continuous improvement—were covered 80%, 50%, and 95%, respectively, by the schools in our sample. The results suggest that there was more coverage of these topics in the accounting curricula than indicated by the textbooks used in the courses. Therefore, it appears that accounting faculty supplement their textbooks with additional course materials, yet the course coverage of certain contemporary topics is lower.

Limitations

We recognize that there were several limitations to this study. First, we studied textbooks typically used in cost/managerial accounting courses, and students could be exposed to the practice-based management accounting topics in other courses. Second, we reviewed course syllabi. We recognize, however, that although certain topics appear in the syllabi, we do not know the extent of coverage because course syllabi do not always provide sufficient detail. Third, some of the topics could be considered subsets of other topics, such as breakeven analysis and cost-volume-profit analysis. Nevertheless, we decided to remain true to the topics chosen by practitioners in Ahadiat’s study.

A Gap Still Exists

Our examination of the textbooks indicated that the authors of the seven popular cost/management accounting textbooks devoted approximately one quarter of their textbooks to the 15 highest-ranked practice-based management accounting topics. Conversely, approximately 75% of these textbooks were devoted to other topics that were of less importance to practitioners. In addition, the most-traditional topics had the most coverage relative to the number of pages as well as problems and exercises. Less-traditional but equally important topics had significantly lower coverage. Our examination of course syllabi indicated that there was somewhat more coverage of certain contemporary topics by accounting faculty. This suggests that instructors have supplemented their courses with their own materials, yet course coverage of contemporary topics was still lower than the coverage of traditional topics.

It is important that accounting textbooks reflect that the advances in IT, globalization, and a shift away from manufacturing have impacted the core accounting knowledge. For example, management accountants will have more time to focus on activities such as contributing information for decision making. They will be asked to use their quantitative skills to provide new methods for problem solving, and they will be asked to be mindful of ethics and the possibility of fraud.

There is a gap between practitioners and accounting textbooks concerning the knowledge needs of future management staff and senior accountants. Our empirical results suggest that accounting textbooks should be written to better reflect the current needs of the profession. Some accounting faculty have supplemented their courses with more emphasis on contemporary topics, but textbooks should be considered a major resource to faculty and students. Therefore, we conclude that accounting textbooks may require significant revisions to increase their usefulness in the accounting curriculum. As faculty, it is important to have the proper resources to prepare our management accounting graduates for their changing roles and challenges in the workplace.

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Emil Mathew is a consultant at Merrill Lynch/Bank of America.
Endnotes

1 Nas Ahadiat, “In Search of Practiced-Based Topics for Management Accounting Education,” Management Accounting Quarterly, Summer 2008, p. 42.


4 Ibid., p. 332.

5 Ibid.


8 Tatikonda, p. 70.

9 Ibid.

10 Ahadiat, p. 46.