

Can We Rebalance the Profession?

by Larry White, CMA, CFM, CPA, CGFM

The “Accounting Profession” desperately needs to be rebalanced and reclaimed by the broader range of accounting professionals—management accountants. The vital role of the management accountant—providing decision support,

planning, and control for the value-creating operations of a company—has been obscured behind a national focus, arguably overfocus, on the external financial statement and auditing.

This problem was highlighted dramatically in a pamphlet titled *The Future of the Accounting Profession* that was widely distributed by the American Assembly, an affiliate of Columbia University. This document was primarily about the audit industry, yet in the title and throughout the text, the terms “accounting” and “auditing” were used as synonyms. This pamphlet consigned the successful future of the “accounting profession” to a multi-layered series of quality inspections. “Preparers” are inspected by internal auditors, and external auditors are supervised by the Audit Committee internally and the Public Company Accounting Oversight Board externally. The PCAOB is overseen by the SEC.

The proposed solutions included the need to get the best and brightest students into the “profession”...the auditing profession! No mention of “preparers,” much less management accountants. The logical extension of this conclusion is that accountants inside corporations—those who not only prepare financial statements but are involved in the broader range of decision support, planning, and control—don’t need much attention as long as the audit side of the profession has an effective quality-inspection scheme operated by the best and brightest!

An equal if not greater focus needs to be placed on the management accountant’s role in value creation inside the

company. Here is where the quality needs to be built in. Read Warren Buffett’s MD&A in Berkshire-Hathaway’s annual report—it’s all about value creation and business

operations. Quality financial reporting is much less likely to be under pressure in a company that truly focuses on building its core businesses rather than trying to maximize its value in the capital markets by using every reporting rule and angle available.

Clearly, a great deal of thought and attention are being directed at repairing the audit profession, and significant effort is being applied to improving the relevance of financial reporting and improving internal control, but virtually no attention is being focused inside

the company on the business-building role of the management accountant. I submit that much of this effort is directed at the most expensive solution and a proposition guaranteed to fail—quality by *inspection*. Sarbanes-Oxley Section 404 attempts to create a logical internal control process to build quality in, but too frequently it is being interpreted as a call for more auditing, more inspections. The challenge before IMA and each of you is to reeducate senior financial management, senior business management, and the rest of the accounting profession about the need to build high-quality, highly understandable business analysis and decision making into all aspects of the business, not just the external financial reporting process.

How can we do this? Please send your suggestions and comments to me at lwhite@imanet.org. ■



LARRY WHITE