

Linking Management Accounting with Finance |

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A common goal of accounting programs is to adequately prepare students for careers as business professionals. Toward this end, both academic and professional bodies encourage undergraduate programs to provide students with a better understanding of how key business disciplines interrelate in the real world. One way to achieve such preparation is to revamp business curricula

to offer more integration at the undergraduate level. To enhance students' appreciation and knowledge of how multiple business disciplines merge during decision-making processes, the business program at La Salle University recently adopted a more integrative discipline approach to management accounting by innovatively linking our "Introduction to Managerial Accounting" and "Fundamentals of Financial Management" courses together in a substantive manner. Specifically, through partnership with our finance department, these two courses were redesigned to strongly emphasize and illustrate the natural link and interdependence of accounting and finance in practice.

Both academic and professional organizations support integrative re-

form in the classroom. For instance, in *Accounting Education: Charting the Course through a Perilous Future*, Steve Albrecht and Robert J. Sack suggest that accounting curricula should be structured with more integration to add value to the educational experience by showing the true interactions between disciplines. The American Institute of CPAs (AICPA) asserts in *AICPA Core Competency Framework for Entry into the Accounting Profession* that entry-level accountants must possess enhanced decision-making and problem-solving skills along with the knowledge of how internal and external business environments interact to create business success or failure. Furthermore, the Institute of Management Accountants (IMA®) contends in *The 1996 Practice Analy-*

sis of Management Accounting and Counting More, Counting Less: Transformations in the Management Accounting Profession—The 1999 Practice Analysis of Management Accounting that future accountants must be prepared to work as strategic business partners in organizations and spend more time analyzing and interpreting financial information.

Finance provides a natural partnership with management accounting for several reasons. A survey of practitioners from IMA's 1999 Practice Analysis shows that terminology used to describe the work of management accountants tends to include the term "finance." Furthermore, according to the 1996 Practice Analysis, management accountants are doing "less traditional accounting and more financial analysis and business partnering," suggesting that finance will "broaden its role to strategic partner. Rather than support only what happens in the division, management accountants will look at the marketplace and at what the competition is doing. They will need to be more strategic, be better visionaries, and be more proactive." Additionally, IMA refers to its members as *accounting* and *finance* professionals, thus demonstrating the

importance of the linkage between the two disciplines and emphasizing how inseparable they have become in business practice.

The Linked Courses

Prior to our linked offering, management accounting topics were presented in the typical “Principles of Accounting II” course during the second semester of a student’s freshman year. Students took “Fundamentals of Financial Management” during their junior year as their first exposure to our finance faculty. Each course was taught independently and carried three credit hours.

Our revamped curriculum changed the focus of “Principles II” from a combination of financial and management accounting topics to a sole concentration on management concepts. In addition, both “Introduction to Managerial Accounting” and “Fundamentals of Financial Management” were moved to a student’s sophomore year, with each course reduced to two credit hours. To establish a tangible link, the courses are scheduled in blocks so that students meet twice a week in two-hour sessions. The students attend the block as a cohort group; thus, the same students meet together to take one credit hour of accounting followed by one credit hour of finance (or vice versa) twice a week. Some faculty also have experimented with teaching the accounting segment in a single two-hour segment, while the finance section meets in a second two-hour segment on a different day. This provides more in-depth coverage of each topic in one sitting.

Common Projects

Through the use of common cases, examples, and sequencing of materi-

al, students learn to interpret the same information from different perspectives and to integrate material across related disciplines. Appropriate sequencing of material is critical to achieving the desired synergistic impact since cross-utilization of information reduces redundancies and promotes efficiency.

Joint cases provide the primary mechanism for demonstrating the interconnections between the two courses. IMA’s 1999 Practice Analysis reports that more than 70% of those interviewed work in companies that require management accountants to participate in cross-functional teams. Furthermore, IMA asserted in 1996 that for entry-level management accountants to succeed in dynamic business environments, they must be able to work in teams and possess a “solid understanding of how a business functions.”

Common cases are developed jointly by accounting and finance faculty to integrate course materials from both disciplines. For example, one accounting-finance faculty team employed three cases based on financial information from Johnson & Johnson and Merck. Students download the 10-K of each company and then perform horizontal and vertical analysis on the financial statements. This initial step allows students to refine and expand their understanding of Excel spreadsheets while obtaining a basic financial foundation for the firms being studied.

All completed case submissions are submitted, in total, to each professor. While each case contains discipline-specific questions, both faculty members review and grade the entire case. Subsequent classroom discussions follow. Using perspectives from both disciplines during discussions helps students form tangible connections

between accounting and finance information, especially when both instructors together present ideal solutions to cases in one classroom setting. While optional, the team-teaching approach reinforces the interdependence of each discipline.

Anecdotal evidence suggests that these linked courses have been received favorably by both faculty and students. More importantly, feedback from both suggests that our main goal of increasing students’ awareness of the interconnections between accounting and finance is being accomplished. Given the newness of the course, outcome assessment data isn’t available yet. Overall, exposure to faculty members from distinct disciplines in such a tangible linked manner forces our students to recognize the relationships between the subjects much earlier in their educational process. ■

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