



# A Time for Change |

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The opportunity to improve the accountancy profession is massive. If we were to focus just on providing education and certification for entry-level professionals that actually addressed the nature of the work they will be performing in industry, we would increase the ranks of management accounting professionals in the United States by a factor of 10. And what about the growing

numbers of accounting staff in the burgeoning global economy—in countries such as China, Russia, and the Middle East? Accountancy is the language of business. By building the community of accountants in the U.S. and elsewhere around the world, we increase the prospects of prosperity and peace.

We need to start on a path toward improvement because there are myriad problems in the accountancy profession. U.S. accounting standards, i.e., U.S. GAAP (Generally Accepted Accounting Principles), have grown increasingly complex; our colleges and universities aren't preparing new accounting graduates to deliver what corporate America needs; and the pursuit of a career as a professor with a Ph.D. in

accounting is becoming increasingly unattractive.

I believe the source of the problem is the extreme emphasis on compliance by government, public accounting firms, and our educational system. The technical, audit-centric view of these institutions has created additional complexity without building business value. And the historical bias in the U.S. toward careers in public accounting translates to our universities' accounting curricula containing very little management accounting content. Undergraduate accounting curricula in the U.S. are largely focused on meeting the needs of public accounting rather than on the much broader, richer knowledge and skill requirements of account-

ing professionals who work inside organizations. This situation is fuelled by the accounting firms' needs for revenue and a renewable supply of cheap labor.

According to the National Association of Colleges and Employers (NACE), half of America's 35,000+ accounting undergrads will go to work in public accounting, and half will go to work in industry, doing accounting or other types of work, such as human resources or IT. Within two to four years, the majority of those who entered public accounting will leave to work in industry, where they may have intended to be in the first place. Let's face it, the best and brightest accounting undergrads want to end up in industry sooner or later. I can say this because that's where 90% of the five million finance function professionals in the U.S. work (derived from 2006 U.S. Bureau of Labor Statistics data).

Unfortunately, most of these graduates will realize that their education doesn't align with their on-the-job responsibilities and will have to acquire needed skills after the fact. They will also have to address certification issues. Both academia and public accounting emphasize stu-

dents becoming a Certified Public Accountant (CPA), but the Certified Management Accountant (CMA®) credential is a better fit for industry and would work well by itself or along with the CPA and the Certified Internal Auditor (CIA) designations.

Regulation is helping perpetuate this cycle. Increased financial reporting complexity and regulations such as the Sarbanes-Oxley Act of 2002 have amplified the need for entry-level professionals to perform auditing jobs. To that end, aggressive on-campus recruitment by accounting firms offering attractive starting salaries for new graduates has played a significant role in wiping out students' interest to further their education (go for a Ph.D. in accounting) or begin a worthwhile career in industry—a reality that serves only the needs of the accounting firms.

Yet, as I just mentioned, few entry-level accounting graduates have any intention of staying in public accounting. If only the firms could find a way to develop a meaningful career for these young people that would cause them to stay in the firm five to 10 years instead of the norm of two to three years, the entire dynamic of accounting education would change. At that point, we could refocus the majority of accounting education on preparing people to work in industry rather than just in public accounting.

Businesses and government entities need their finance function staff to have certain skills, but graduates aren't getting this necessary training from the university and college accounting education system, and there is plenty of research to demonstrate it (for example, see "Being the Best," a 2006 study conducted by KPMG and the Econo-

mist Intelligence Unit). As a result, some 85% of the five million potential accounting professionals aren't properly trained or certified for the jobs they are expected to do. Central to good organization performance and compliance with laws and standards is the competency of the staff who do the work inside organizations. An organization obtains a good audit outcome only when the folks inside have done their jobs well. It isn't because the auditors have done their job any differently. Unfortunately, the model that has evolved in the U.S. is almost exclusively "assessment" centric, and that's why we've seen corporate failures, fraud, and over-regulation of accounting standards in the U.S. All of this has weakened U.S. competitiveness.

Finance function professionals have a wonderful variety of jobs to perform that are vital to society. These include general accounting, cost accounting, financial planning and analysis, financial reporting, tax accounting, and, of course, audit. Businesses can't function properly without these jobs. At present, however, our institutions fail to adequately recognize the varied roles to ensure proper education and certification.

Improving the accountancy profession will guarantee better governance, better internal controls over financial reporting, better financial reporting, and better education for students in colleges and universities. Most importantly, it will ensure that properly trained and certified professionals are doing the job right in the first place. The bottom line is to improve business performance.

Regulators seem to be taking a step forward now. The Securities & Exchange Commission (SEC) re-

cently formed the Advisory Committee on Improvements to Financial Reporting. IMA applauds the SEC for recognizing that changes need to be made. The Committee will examine the complexity of current reporting standards within the U.S. and how a possible convergence of International Financial Reporting Standards (IFRS) and GAAP would affect the way companies prepare financial reports. The Committee has a big job ahead of it, especially making sure external views are considered for redesigning the Financial Accounting Standards Board (FASB) and our financial reporting system.

The Committee has begun its work by issuing a discussion paper for public comment. As an expert in the field, IMA has submitted a technical response to this Committee and a separate comment letter related to the contributing societal issues. Make no mistake, though—in order to fix the problems, we must adopt a broader, holistic view and involve objective opinions of all parties.

Fixing the accountancy profession requires the involvement of multiple stakeholders in an objective systems review of the needs of all aspects of business, including corporations, accounting firms, investors, and government. The systems review should assess the different roles and responsibilities of people in the entire accounting/finance arena—information preparation, analysis, and reporting for internal or external use. We accounting professionals, as a whole, need to determine the most appropriate education, certification, and experience needed for each.

What do you think? Please share your thoughts with me at [psharman@imanet.org](mailto:psharman@imanet.org). ■