

What Accounting Skills Do

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Competitive pressures in the U.S. economy keep demanding that accounting managers and nonaccounting managers work closely together if their companies are to generate adequate profits. As we all know, management accounting provides managers with information they can use to make better decisions, to choose strategies, and to determine how to implement those strategies. What will be particularly critical to the future success of any business is for managers working with controllers to use key management accounting skills.

Obviously, management accounting skills are important to controllers, but how important do nonaccounting managers perceive these skills to be in performing their overall duties? As controllers and managers work together to achieve the entity's objectives, how do the two groups view the importance of management accounting skills to managers? Do they agree?

We attempted to provide some answers to these questions by surveying a group of managers and a group of controllers in one segment of the economy—namely, the lodging industry. Although our study involved only

Table 1: Ranking of Skills by Mean Value: CONTROLLERS

| RANK | SKILL |
|------|-------------------------|
| 1. | Income Statement |
| 2. | Operating Budgets |
| 3. | Analysis of Variances |
| 4. | Financial Forecasting |
| 5. | Accounting Controls |
| 6. | Spreadsheets |
| 7. | Cash Flow Statement |
| 8. | Inventory Management |
| 9. | Capital Budgeting |
| 10. | Cash Budgeting |
| 11. | Information Technology |
| 12. | Payroll Accounting |
| 13. | Pricing |
| 14. | Balance Sheet |
| 15. | Internal Auditing |
| 16. | Flexible Budgets |
| 17. | Breakeven Analysis |
| 18. | Ratio Analysis |
| 19. | Payroll Tax |
| 20. | Property Tax |
| 21. | Fixed Asset Accounting |
| 22. | Depreciation Accounting |
| 23. | Activity-Based Costing |
| 24. | Federal Income Tax |

one segment, we believe that nonaccounting managers and controllers in any segment of the economy are facing the same challenges in working together to achieve organizational goals.

OUR SURVEY

How did we conduct our survey? We mailed questionnaires to a sample of 500 managers and a sample of 560 controllers in the lodging industry, asking them to rate the importance to managers of a list of management accounting skills using a five-point Likert scale with “5” being the “most important” and “1” being “not important.”

Table 1 shows the controllers' ranking of the 24 skills. They rated the income statement, operating budgets, and analysis of variances, respectively, as the top three skills for nonaccounting managers. Controllers also rated financial forecasting, accounting controls, and spreadsheets as numbers 4 through 6 in importance to the nonaccounting managers. None of the 24 skills in the list was rated “not important” by the controllers.

Table 2 provides the managers' ranking of the 24 skills. Managers rated

Managers Value?

operating budgets, financial forecasting, and pricing, respectively, as the top three skills. They rated analysis of variances, income statement, and inventory management as numbers 4 through 6 on their list. As in the case of the controller group, none of the skills was rated “not important” by the managers.

THE GROUPS AGREE

In general, there appears to be fairly good agreement between managers and controllers in the lodging industry that management accounting skills are important to nonaccounting managers. In addition, the two groups seem to agree on which skills are the most important to nonaccounting managers since the top four skills on the controllers’ list are within the top six skills on the managers’ list. This type of agreement should contribute greatly to goal congruence in the lodging industry.

In an ideal working relationship between managers and controllers, managers should both understand and value the controllers’ reports. It would be a waste of time and effort for controllers to generate accounting reports that man-

Table 2: Ranking of Skills by Mean Value: MANAGERS

| RANK | SKILL |
|------|------------------------|
| 1. | Operating Budgets |
| 2. | Financial Forecasting |
| 3. | Pricing |
| 4. | Analysis of Variances |
| 5. | Income Statement |
| 6. | Inventory Management |
| 7. | Capital Budgeting |
| 8. | Accounting Controls |
| 9. | Spreadsheets |
| 10. | Payroll Accounting |
| 11. | Internal Auditing |
| 12. | Cash Budgeting |
| 13. | Cash Flow Statement |
| 14. | Information Technology |
| 15. | Breakeven Analysis |
| 16. | Balance Sheet |
| 17. | Flexible Budgets |
| 18. | Activity-Based Costing |
| 19. | Ratio Analysis |
| 20. | Payroll Tax |
| 21. | Property Tax |
| 22. | Federal Income Tax |
| 23. | Fixed Asset Accounting |
| 24. | Depreciation |

agers don’t understand, value, or use.

Does this agreement between managers and controllers on the importance of management accounting skills occur in all areas of industry? Or do managers and controllers in other segments of the economy differ significantly in their rankings? In any industry it’s important for managers and controllers to engage in continuous dialogue regarding the relative importance of the various management accounting skills used to achieve an entity’s objectives. When the key accounting skills in a given industry are determined, they need to be stressed in the professional development programs for nonaccounting managers. ■

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