


6-1994

Management Accounting & Academe

Heather M. Hermanson
Kennesaw State University, hhermans@kennesaw.edu

Dana R. Hermanson
Kennesaw State University, dhermans@kennesaw.edu

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Recommended Citation

Hermanson, Heather M., and Dana R. Hermanson. "Management Accounting & Academe." *Strategic Finance* 75.12 (1994): 62.

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TRENDS IN EDUCATION

RALPH L. BENKE, JR., CMA, AND
ROGER H. HERMANSON, EDITORS

MANAGEMENT ACCOUNTING & ACADEME

BY HEATHER M. HERMANSON,
CPA, AND DANA R.
HERMANSON, CPA

Recent economic and technological trends have made management accounting perhaps the most dynamic area in accounting. The practice of management accounting is changing rapidly for two reasons.

First, U.S. companies now operate in a global market and face stiff competition from foreign firms. This competition is changing American business as companies try to find ways to increase the quality and efficiency of their operations.

Second, the U.S. economy continues to shift toward service firms as opposed to heavy manufacturing. Many management accounting practices were developed for use in stable manufacturing companies, and the ultimate role of management accounting in the new environment is still being determined.

Management accountants need to address many issues including the integration of financial and nonfinancial information systems, the nature of control and incentive systems in less structured organizations, and the role and form of management accounting in service organizations. Professors need to emphasize the recent changes in the economy and make sure that students appreciate the management accounting challenges that now face us. It is important for students to realize that management accounting practice is not fixed but that it changes with the structure of American business.

For example, new information

makes it possible to collect and analyze volumes of data previously unimagined. Management accountants need to determine what new technology to use in their company, what new data to gather, and how best to present the data. One risk is to overwhelm managers with information. Accounting educators should incorporate new technology into the curriculum and emphasize that more information is not necessarily better. Cases and exercises can be used to introduce students to the challenges of preparing and analyzing information for others.

In addition, management accounting offers rewarding research opportunities. Unlike financial accounting, auditing, and tax, no standard-setting body governs the details of management accounting practice. Unlike external reporting, there is no GAAP in management accounting. The only criterion is utility.

If researchers are able to identify more efficient ways to analyze internal accounting data, these new methods can be adopted immediately by interested companies. Breakthroughs in management accounting research do not have to filter through a standard-setting body before they can have an impact on practice.

Further, users of management accounting research (U.S. companies) generally do not have their own accounting research departments. But major players in auditing (the Big 6 firms), financial accounting (the Financial Accounting Standards Board), and tax (the IRS) have the resources to perform a great deal of research on their own.

Finally, sometimes it is easier to obtain data for managerial accounting research from U.S. companies than to obtain data for auditing or financial accounting research from the Big 6 firms. While the Big 6 are quite generous in providing subjects for experimental studies, often they are reluctant to share potentially sensitive data with researchers. This reluctance is reasonable given the small number of major accounting firms, the intense competition among those firms, and the confidentiality rules that the firms follow. However, auditing and financial accounting research are hampered to some extent by the difficulty in obtaining data from the Big 6 firms.

Due to the absence of management accounting rules, the great demand for management accounting research, and the availability of management accounting data, it is not surprising that

academic research is beginning to drive the field of management accounting. Other business school disciplines, such as finance, have long enjoyed a close tie between academic research and practice. Finance professors develop models that are used in practice, and undergraduate finance textbooks discuss academic research at length. Researchers rarely are mentioned in financial accounting or auditing texts because much of this academic research does not immediately influence practice.

Traditionally, many top students have entered public accounting after graduation. Today, however, there are some who argue that public accounting careers recently have become less attractive.

Fierce competition among accounting firms has increased the pressure on individual auditors and has lengthened the time to promotion. For those willing to wait 12 to 14 years for a chance at becoming a partner, the litigation crisis has made partnership a riskier proposition.

Due to the recession and competition among accounting firms, hiring by Big 6 firms has fallen sharply in recent years. Many qualified students today do not even have the option of entering the Big 6 after graduation. These students now explore opportunities in management accounting and other areas.

Finally, some students may believe that the audit has become a commodity, performed by the lowest bidder, and that the opportunity for adding value through the audit process has diminished. The relevance of U.S. financial statements has been challenged in recent years, and it appears that published financial statements represent a fairly small part of the information set used by investors and creditors. In addition, some students may view auditing and financial accounting as mature fields, while management accounting is still in its infancy. ■

Heather M. Hermanson, Ph.D., CPA, is assistant professor, and Dana R. Hermanson, Ph.D., CPA, is assistant professor at Kennesaw State College.

Ralph L. Benke, Jr., CMA, Ph.D., is the Arthur Andersen Alumni/Journal of Accounting Education Professor at James Madison University.

Roger H. Hermanson, Ph.D., is the Ernst & Young Alumni Professor and Regent's Professor at Georgia State University.