

# NEW ACCOUNTANT<sup>®</sup>

## TRENDS IN INTERMEDIATE ACCOUNTING

Lesley H. Davidson, MACC

&

William H. Francisco, CPA, CMA

Austin Peay State University

### Abstract

There is an ever-growing amount of information that must be covered in intermediate accounting courses. Recently this expansion of the body of knowledge has been accelerated by two main factors. The first factor is the increasing scrutiny of the accounting profession by regulators as a result of the financial failure of many large corporations during the past decade. The second is the upcoming introduction of International Financial Reporting Standards (IFRS). Accounting Professors have seen an ever growing amount of information being “crammed” into the standard intermediate accounting two course sequence which is typically used on most campuses in the United States. This manuscript explores the concept of altering the typical intermediate accounting sequence for the benefit of student understanding and comprehension of an ever growing body of knowledge.

### TRENDS IN INTERMEDIATE ACCOUNTING

If you ask any accounting faculty member which course is the “weed out” course for accounting majors, the answer will likely come back intermediate. Ask any recent accounting graduate what their most difficult course was in college and the answer will usually be intermediate accounting. In the typical business college you will find wide agreement that to be successful in accounting you must get through the landmine field known as intermediate accounting. Marketing and management majors are filled with the bloody corpses of students who started out as accounting majors and thanks to intermediate have changed their degree goals. Why has this happened? Several factors could be responsible for the link between the intermediate sequence and the dropout rate for accounting majors.

One factor is that the workload needed to cover the material can be daunting. Talk to almost any seasoned advisor and they will probably give you the same advice listed in the Rutgers University FAQ guide. “The junior year is a difficult one for accounting majors.

During the fall semester in particular I often hear students complain about the heavy workload". This workload complaint is likely to be heard by accounting professors at nearly every business school in the country.

A second dropout inducing factor is the complexity of the material. It does not seem to be the quality of the student but the amount and complexity of the work that are the basic problem. In an article by Elaine Waples, of Purdue University Calumet, she accurately stated "Many students face considerable difficulty in successfully completing intermediate accounting. The amount of material typically covered is substantial and the course requires of the student a significant increase in motivation, analytical ability, and academic effort over the usual principles or introductory financial accounting class." Though the intermediate sequence is normally not taken until the junior year, most students have never faced a course this challenging in their college careers.

Thirdly the body of knowledge in financial accounting seems to continue to grow unabatedly. Professors Anderson and Boynton of California Polytechnic San Luis Obispo said "Attempts by faculty to integrate growing bodies of accounting standards, regulatory requirements, and academic research into their courses have contributed to a general perception of overload. The problem seems most acute in intermediate accounting." This statement highlights the case that as society and the profession demand more and more of our students there is no expansion of the time allowed to digest the material.

On the horizon we can see a need for even more course material coverage in intermediate with the inclusion of International Financial Reporting Standards. In examining the four leading intermediate accounting textbooks newest editions, it is easy to see how the scope of material being covered has increased. On average the books by lead authors Spiceland, Kieso, Nikolai, and Stice have increased an average of 7.2% from their prior editions. Additionally many of the comments listed on the various publishers' websites attribute much of the increase to the incorporation of IFRS. Specifically the Stice textbook website states, "As the business workplace becomes more global, students need to understand how accounting practices may differ depending on the countries involved in a transaction. Nearly every chapter includes updated coverage of this nature and relevant sections that discuss the international standards." It goes on to say "A new chapter (Chapter 22) offers coverage of International Financial Reporting Standards to reflect the changing nature of the financial reporting environment."

The website for the Nikolai book states, "New convergence overview: ... details the process that the FASB and IASB are using to converge U.S. GAAP and international GAAP. Chapter 2 summarizes the tentative Joint FASB and IASB Conceptual Framework... for each of these chapters the text includes at least one IFRS versus U.S. discussion box that contains an updated and expanded summary of the differences between the two." It goes on to say that problems require comparisons of how solutions would change under IFRS or to solve the assignment using IFRS. As can be readily seen, these are not replacements but rather additions to the body of knowledge. In reviewing these changes it becomes obvious

that examination of alternative course coverage options is a relevant discussion for any accounting program.

In an effort to see what is being done to address the problem, two-hundred universities across the country were recently surveyed. The purpose of the survey was to gather information about various accounting programs and the changes that the business colleges had made or were planning to make concerning their intermediate accounting courses. Accounting Department Chairs, Deans or Directors were asked to respond to eight questions that ranged from accreditation of the program to faculty attitudes and perceptions to institutional problems with course changes. The authors wanted to see what solutions colleges had developed to help solve the problems associated with the intermediate sequence. They especially wanted to see if there was a general trend of universities changing from a two course intermediate accounting sequence to a three course intermediate accounting sequence. Follow up questions related to topics such as when the change was made, implementation methods, and how the course changes were accommodated in terms of the overall program and hours of instruction available. Other questions related to the attitudes of the faculty concerning the change and how the success of the students is being measured. Respondents could also express comments or concerns at the bottom of the form.

While most universities realize that the body of knowledge is expanding at a rapid rate, many accounting programs have not directly addressed ways to solve this problem. In reviewing the responses it becomes obvious that examination of alternative course coverage options is a relevant discussion for any accounting program. While the vast majority of respondents acknowledged a problem, the solution was not readily available.

### *Results*

The survey responses were analyzed to find any discernable trends that could be established in relation to the possible transition. Sixty percent of the universities responding to the survey indicated that they are still using a two course intermediate accounting sequence with each course being three credit hours and have no plan to change. Twenty percent of respondents indicated that they had made the change to a three course sequence. The remaining 20% are in the process of making the change or have made another change such as changing the courses from 3 credit hours to 4 credit hours. The responses to the question concerning the reason for the change were centered on improving student learning and allowing for a more in-depth coverage of certain topics. Several universities also indicated that the new International Financial Reporting Standards will need to be covered once they are finalized, and will likely create a need for more class time.

We found that even though many of the universities were not offering a three course sequence in intermediate accounting, they had made other relevant changes such as pushing some material that is usually covered in intermediate to an advanced accounting course or a Master's level course.

## *Conclusion*

There was wide spread acceptance that changing the curriculum was a proper move by institutions who had changed their intermediate accounting structure. None of the schools that had made changes indicated that they were considering going back and reducing their financial accounting coverage. There was also general acceptance among most respondents that something needed to be done to give students an opportunity to cover the increasing amount of information. A number of universities indicated that they were currently reviewing the matter. Even among schools that were not currently considering changing their intermediate accounting coverage, none of the respondents stated that they believed a change would have a negative effect on their program.

Some of the main hurdles that had to be overcome were largely jurisdictional problems. Items such as reducing the number of elective choices for students and mandated limits on the maximum hours required for graduation provided stumbling blocks. The authors felt that many institutions, once they have examined their programs closely, will see a need for change. The body of knowledge is expanding so rapidly that universities must adjust their curriculum or they will leave their students at a competitive disadvantage on the CPA exam and in the workplace.

## *References*

*Anderson, James A. and Boynton, William C. (1992). Managing the intermediate accounting overload: An experiment. Journal of Accounting Education 10(2): 297-307.*  
*Cengage Learning, 2009, [www.cengage.com](http://www.cengage.com)*

*Frequently Asked Questions about the Accounting Major at the Rutgers Business School Undergraduate-New Brunswick, (RBSUNB, updated March 14, 2006)*

*Waples, Elaine and Darayseh, Musa. (2005). Determinants of Students' Performance in Intermediate Accounting. Journal of College Teaching & Learning, 12 (2).*

[www.NewAccountantMagazine.com](http://www.NewAccountantMagazine.com)

New Accountant Magazine