

Accounting as Foundation of Engineering of Organizations¹

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I would like to say two things. First, the introductory course in accounting is not only the foundation of how most people in the world view accounting, but also how accountants are viewed by the population at large—an image that could benefit from some improvement. Second, AAA is, and would like to get better at being, a service organization for its members. It aims to be of assistance to the teachers of accounting achieve their own highest potential and aspirations. I would like to expand on both these themes.

Some people think that the street image of accounting and accountants could use some improvement. Why is this the case, and what can we do about it? Most people's life-time exposure to accounting consists of that one introductory college course. Why do so many of our students find debits and credits, balance sheets and cash flow statements so puzzling, if not difficult, even though to us, the teachers, they are simple, and clear as daylight. Since I learned by accounting from my father, helping him do his accounts starting when I was in sixth grade, I would never know the answer. But let me speculate.

Most courses in college start out by asking the big questions of the field, and helping the students learn the general answers to those questions. Economics 101 starts by asking who produces what and who consumes what in society and how is it determined. Physics 101 starts by asking questions about why apples fall to the earth, how we hear, see, light up this room, or store information on a magnetic strip on back of a credit card. The same of is true of biology, political science and psychology. Put a question about our world or society to the students—questions whose importance is immediately obvious to them, and then help them discover and understand the answers. Once they understand the question, and its significance, they never forget the answer.

In accounting, at least in most courses I know, we do something radically different. We do not start by asking a question whose significance is immediately obvious to our students. Instead we start by asking them to read and memorize *an* answer the question that is rarely revealed to them. Let me elaborate.

I believe debits and credits and financial statements are ingenious answers developed over the past four thousand (or more) years to important and difficult question of human society. Indeed, society may not exist, and certainly would not be civilized and prosperous without those answers. The question is: How do we get human beings, with their inherent tendency to be generous as well as selfish, to cooperate in generating both public as well as private wealth and prosperity. Debits and credits, balance sheets and income statements, budgets and costing, are a solution we have developed over the

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centuries to address this problem. The prosperity of human society today owes a great deal to the ability of human beings to find these answers. But most of the time, we rarely start out accounting courses by asking the students this basic question. The way to get them interested, and to make what we teach interesting, might be to make them see the question, and whet their appetite for the answer. The we can help them learn how to find their own answers to the problem in specific situations they face, and teach examples of answers others have found. Thus debits and credits, rules of accrual and costing, become the answers, leaving room for the creativity of students to find answers of their own for situations in their experience.

In my own classes, I might start by asking them about their last summer job. So, you worked in a pizza parlor. Who was there, and why? The owner, the cook, the clerk and the customer. Why was each of them there? Each wanted something—profit, job, or pizza. What did they have to give to get what they wanted? How was the system designed so every one will do what he or she was supposed to, so everyone could get what he or she wanted and expected to get. The answer, coming even from students who have never heard of it, ends up being an accounting system. So we can take up situations of various kinds, and begin to develop various kinds of system that will help answer the basic question in a variety of situations for a variety of organizations. Students find it fascinating, and never forget the answers they derive for questions they find of interest to them. This is the approach I tried to develop in my book, *Theory of Accounting and Control* published in 1997. It is not a text book, but many friends tell me that they find this way of thinking about accounting a useful approach to the introductory as well as advanced classes.

Since the inception of the Securities and Exchange Commission, over the past 75 years, and especially since the creation of the FASB in 1972, there has been a tendency to have thinking in accounting replaced by memorization of standards and rules issued by authority. Our textbooks are filled with chapters which repeat the recommendations of authoritative bodies, and do not encourage students to do their own thinking. Gradually, the exams, and accounting education have come to be dominated by memorization, and are broadly seen as boring and uninteresting. This is a broader policy issue that we do not have the time to go into at present, but have done so elsewhere.

So my first theme is that we can make accounting instruction interesting, and our students interested, if we consider starting with questions whose importance our students recognize immediately, and then design our courses as ways for exploring and developing possible answers to the basic questions of interest. This is as true in accounting as in other disciplines.

Teaching is a noble profession. What we do in the class shapes people's minds, and their lives. I have seen in the Two-Year Section's *Communicator* many excellent examples of what a great job many teachers do in their classes, bringing their own creativity to make the material and ideas interesting to the students and to themselves. I enjoyed reading the *Communicator*, and hope to use some of the suggestions made in the articles for my own

classes (e.g., using the syllabus contract to ensure that the students take the responsibility to carefully read the syllabus).

The second theme I would like to touch on is the American Accounting Association. We can extend the same model of engineering of organizations to our Association too. We have about 8,000 members, most of them teachers of accounting. Each member has specific ideas, capabilities, plans, and aspirations. We come together in this Association because each of us has something to contribute to this collective, and want something from the collective. In order for this collective arrangement to work, and succeed, in any meaningful way, the collective arrangements must be such that each participant gets more than what each contributes to the collective. Members who feel that the benefits of belonging and participation do not exceed the costs will leave us. How do we make sure this does not happen? We must always remember that in an open society like ours, all associations are voluntary, and driven by cost-benefit calculus.

I believe we can sustain this organization, perhaps even grow it further, by focusing on service. Let us think of the Association, especially its governance and administrative apparatus as a means to serve its members. What is the service we can provide?

I believe the most important service of the Association is to facilitate or help each of its members achieve his or her own highest aspirations and potential in instruction, research, service and any other academic functions. These aspirations and potential are individual specific, and self-defined. Achievement of most aspiration requires individual or college level effort. We have to identify areas and activities for which the AAA can be useful as a supportive service when such support is more convenient or efficient.

I have already seen in *Communicator* many excellent efforts in this direction—sharing ideas and best practices for better instruction, course design, testing, use of software, etc. As I looked at these ideas, I wondered if these articles could be cataloged and indexed, so they would be more easily available to anyone looking for ideas to improve their instruction. Further, a lot of this material is of interest not only to the members of the Two-Year Section but also to many other members of the Association. I wonder if it would make sense to share such cataloged and indexed resources with the Teaching and Curriculum Section of the Association, and to put it on their website also. This will allow other members of the Association to benefit from the ideas that originate in the Two-Year Section. Third, I could not help wondering about the innovation of instruction that the thousands of our colleagues around the world engage in every day. I have to think that we are capturing but a small fraction of these ideas in *Communicator*. How could we persuade more of our colleagues to share their ideas and experiences so the benefits of their creativity could be multiplied?

I mentioned that we should think of AAA as a service organization to provide each of its members more than what they contribute to the collective. In assessing our value propositions, it is useful to keep in mind that the service our Association provides has some special features. Through these past 12 months of work with hundreds of our members, I have come to realize that the happiest members of the Association are those

who give most to the Association—in their time and effort. It puzzled me at first. The more of their time and ideas and hard work they give to the Association, the more positive they are about their relationship with the Association. How could this be?

I think I beginning to see the answer. The essence of this association is the ideas, creativity, and the hard work of its members. Their generosity, goodwill, cooperation, and aspirations, makes us all better off. As is true in other walks of our lives, when it comes to our relationships with other human beings—family, students, and colleagues—to give is to receive. Let us work together to help one another, so each one of us can achieve his or her own personal aspirations through sharing and cooperation.