

A Financial Statement Campaign: Engaging Accounting Students

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Abstract

Few fields of business are as intertwined with every aspect of business in as great a measure as accounting. Because of this integration, an accounting education can lead to a career in an infinite number of occupations. A daunting task faces accounting educators. That task is to prepare graduates with a massive amount of technical information, along with adequate understanding of how to apply that knowledge, in the hopes that this synthesis will allow the student to survive, and even thrive, in whatever position they secure. This paper presents an effective tool, the Financial Statement Campaign, to increase student engagement and understanding via customized application and analysis of accounting topics. The underlying precept of the Campaign is for each student to apply and analyze the learned material relating to a publicly traded company they personally choose in ongoing customized assignments interwoven throughout the accounting curriculum.

Keywords: Financial Statements, Accounting Education, Real World Education

1. Background:

Accounting educators have the daunting task of preparing students for a field that expects workers to have knowledge of a vast amount of accounting information. But even more importantly, these future professionals must be able to apply that information proficiently and be able to synthesize various informational inputs to make business decisions that increase profits and minimize taxes. The Financial Statement Campaign (FSC) arose from faculty members' desire to better prepare students for such a responsibility. It was an uncommon approach but, after more than five years of trial, it has clearly been deemed by those same faculty members to be a successful one. This paper describes the Financial Statement Campaign and provides evidence of how it is an effective and excellent tool for increasing both student engagement and student understanding in an accounting curriculum.

2. Campaign Development:

The faculty had noticed several things about accounting student knowledge development which led to discussions about how to improve that knowledge development.

First, students seemed to be missing the significance of accounts and financial statement relationships by not fully grasping the differences in accounts and what they represent. It seemed that students could learn the account type and normal balance of account titles they were exposed to through textbooks, but lacked the ability to transition that knowledge to other situations when similar accounts had different titles. Second, the students seemed to be missing the ability to place course knowledge into context, recognizing that some accounts and amounts and relationships were more significant or more persuasive in some business than in others. Third, the reality of the numbers and the terminology did not appear to be ‘real’ to students; there seemed to be a tendency for students to underestimate amounts found within the financial statements or understand the significance of the notes to the financial statements.

The faculty then developed a plan by which students would be exposed to real companies and their financial statements. Yes, that kind of information can be found in case assignments and continuing problems within most accounting textbooks. But, we wanted students to see the diversity of information that exists in financial reporting and annual reports, as well as the similarity. Thus, we created the Financial Statement Campaign. Through this ongoing participatory activity, students will, in essence, ‘adopt’ a company. Then, throughout the curriculum, students are exposed over and over to the applicability of the course material to their specific company. Additionally, because there is often class discussion and examples from other students’ companies, the students are also exposed to a diversity of financial reporting issues, account names, and other such items.

The curriculum at the authors’ university is not unlike the accounting curriculum at many other universities. The requirements for an accounting major (30 credit hours) includes two intermediate financial accounting courses, and other accounting courses including cost, tax, systems, auditing, international and advanced, corporate tax or governmental elective, etc. The Financial Statement Campaign is applicable and doable within similar accounting curriculums, or even more defined or more limited curriculums.

Campaign Implementation:

The first step for the student is to select a company to ‘adopt’. This happens as a matter of routine through the first intermediate financial accounting course. If, for some reason, a student enrolls in another accounting course, which likely has some component to the Financial Statement Campaign within the class, but has not had the first intermediate class or has transferred it, the students will work with the faculty member who generally teaches the first intermediate class and maintains the ‘master’ list of company selections. The master list of selected companies is maintained and available to all accounting faculty. Companies can be chosen only by one student and are then not available to any other student. After a suitable period of time, five years seems to be an appropriate length of time, a purge of the chosen companies is performed and those companies are once again eligible for re-selection. To help students narrow their initial company selection search, they are required to choose a company with a name beginning with the same first letter as the student’s last name. Students are encouraged to select a company that is publicly traded on a United States stock exchange, is not a service company, and is not a holding company. Students are also encouraged to avoid companies in highly regulatory environments, and warned of the potential complicating factors that may arise if their company is in a negative equity position.

Once a company has been chosen, the student is responsible for acquiring the most recent financial statements for their company. Students download the most recent Form 10K from the Securities Exchange Commission (SEC) website. Students are also expected to gather additional financial statement information from the company’s website or other financial-related websites. As new annual financial statements are submitted to the SEC, the student is expected to replace statements with the most recent filing.

Throughout the curriculum, students participate in a number of activities in which they are expected to use their company and its financials and/or other information. In some cases, the information that is to be provided is very simple. For example, the student may be asked to identify the auditor for their company, or the total amount of treasury stock held by the company. In other cases, the students are asked to complete more complex tasks, such as in-depth financial statement analysis or a search of the notes for specific disclosures. Again, as the student moves through the curriculum and uses their company’s information in additional classes, the student is expected to use the most recent financial statements available.

Additionally, the students are often asked to report any current news items related to their company with respect to acquisitions, management changes, legal exposures, etc. The next section provides specifics on how the Financial Statement Campaign is implemented throughout the curriculum.

3. Specific Course Implementation:

Below are very specific examples of how the Financial Statement Campaign is used throughout the curriculum. Note that these requirements are easily changed and modified, and are really limited by the imagination of the instructor. Some of the activities are more complex while some are very simple and require very little class time or preparation on the part of the student. A very simple in-class exercise may include having each student find the amount of Held-to-Maturity investments during a classroom lecture on investments, and determining which company has the largest amount. In any upper-level accounting class, students may be asked to identify an amount or classification of specific items being covered in class using their chosen company. Examples include: (1) identify the inventory method used for your company, (2) find out the amount your company reported in debenture bonds, or (3) determine how many shares of stock is being held in treasury. For example, the tax course may have the students discuss specifics related to tax expense, tax liability, and deferred tax items found on their financial statements. Additional examples would include the audit class comparing audit opinions from their companies while the cost/managerial class discusses the participation of their companies in sustainability efforts. Every accounting course can (and, at our institution, does) similarly utilize the student's chosen company to enhance learning in the class and, consequently, increase student engagement. This engagement, in turn, directly contributes to a student's progress and success potential.

More complex activities are also easily integrated into the curriculum. Some example activities used at this institution include:

Intermediate Financial I – Activity 1 out of four Financial Statement Campaign activities required in this class. Note that this is the class in which students are typically introduced to the Financial Statement Campaign so the activity is a little more limited or introductory in nature.

Locate the four basic financial statements and provide a narrative, in paragraph form, that answer the following questions.

- a. *What is the name of your company?*
- b. *When did the fiscal year end?*
- c. *What is the date of the Balance Sheet?*
- d. *What is the date of the Income Statement?*
- e. *What is the amount of Net Assets (equity) on the year-end balance sheet?*
- f. *What is the debt ratio at year end?*
- g. *What is the amount of Net Current Assets (working capital) on the year-end balance sheet?*
- h. *What is the current ratio at year end?*

Intermediate Financial II – A greater emphasis on liabilities and equity is found in this class, in addition to more attention to the Statement of Stockholders' Equity and Statement of Cash Flows. More emphasis is also placed on disclosures. Students are also expected to compare their company with its industry and explain their findings.

Two examples of activities that are required in this class are shown below:

Report 3 - Shareholders Equity (SHE) analysis.

- a) *Include a photocopy of the latest Equity Statement*
- b) *Study the column headings and explain any that are not obvious*
- c) *Explain the importance of including these particular items in the statement*
- d) *Explain the significance of each row title (left column on statement). Expand that explanation to include the numbers in the statement attached to each row title.*
- e) *Explain the value of including an Equity Statement in the financial statements.*

Report 4 – Statement of Cash Flow analysis.

- a) *Include a photocopy of the Statement of Cash Flows*
- b) *Which method is used for the operating section and your opinion as to why this method is used?*
- c) *Examine each of the three sections and discuss any item that appears to stand out for any reason.*
- d) *Most cash flow statements will be divided into 4 or more areas. Discuss each for your company.*
- e) *Explain the value of including a Cash Flow Statement in the financial statements.*

Advanced Financial Accounting – As is typical in many accounting curriculums, the international and advanced class at this institution represents the capstone accounting course. Thus, the Financial Statement Campaign projects required in this class are broader. Two of the major activities include an in-depth financial analysis (which must also address non-financial analysis) and a project in which the student describes and provides evidence related to the impact of the global business environment on their company. Specifics related to these two example projects is below.

Submit an in-depth financial analysis of your company. Your analysis should include both quantitative (liquidity, solvency, and profitability) and qualitative analysis, trend analysis, and a concise, straight-forward expression of opinion about the company's financial position. Additionally, you should also submit (a) two pages that details your analysis and important calculations and (b) a copy of the financial information used in your analysis.

Write a summary (limit 3 pages) of how your company is affected by the global environment. Provide a minimum of one page of data that gives specific examples from the financial statements or the notes to the financial statements to support your summary.

Campaign Results:

There is quantitative evidence that the Financial Statement Campaign has improved understanding of financial statements and the business world. The following is a summary of specific assurance of learning goals and/or objectives that we believe to be correlated with the Financial Statement Campaign that have shown improvement since the Campaign has been in use.

Exhibit 1
Assurance of Learning Improvements
Since Financial Statement Campaign

Learning Goal/Objective	2014-15	2015-16	2016-17
Proper Placement of Items on Financial Statement	82% Acceptable 11% Superior	95% Acceptable 19% Superior	100% Acceptable 39% Superior
Accuracy of Data Placed on Financial Statement	78% Acceptable 4% Superior	95% Acceptable 11% Superior	80% Acceptable 11% Superior
Formatting of Financial Statements	93% Acceptable 51% Superior	100% Acceptable 73% Superior	100% Acceptable 28% Superior
Awareness of Non-financial Information	93% Acceptable 52% Superior	86% Acceptable 52% Superior	96% Acceptable 61% Superior
Use of Non-Financial Information in Making Decisions	94% Acceptable 55% Superior	86% Acceptable 52% Superior	90% Acceptable 55% Superior
Depth of Financial Statement Analysis	48% Acceptable 7% Superior	50% Acceptable 18% Superior	42% Acceptable 22% Superior
Analysis of Financial Statement Ratios	74% Acceptable 7% Superior	65% Acceptable 12% Superior	72% Acceptable 11% Superior

As Exhibit 1 clearly shows, there has been noticeable improvement in many assurance of learning traits that were examined that can easily be tied to expected knowledge and skills gleaned from the Financial Statement Campaign. Overall results for those scoring a rating of at least 'Acceptable' have improved for *Proper Placement of Items on Financial Statement* and *Accuracy of Data Placed on a Financial Statement*. More limited improvement in Acceptable Ratings appear for the other items, but there are slight improvements (e.g., *Formatting of Financial Statements*). There are quite a number of cases where the percentage of students scoring a rating of 'Superior' has improved since the Financial Statement Campaign. Examples include (1) an increase from 7% scoring Superior to 22% scoring Superior for *Depth of Financial Statement Analysis*, (2) from 4% scoring Superior to 11% scoring Superior for *Accuracy of Data Placed on the Financial Statement*, (3) from 7% scoring Superior to 11% scoring Superior for *Analysis of Financial Statement Ratios*, and (4) from 11% scoring Superior to 39% scoring Superior on *Proper Placement of Items on Financial Statement*.

Secondarily, and anecdotal in nature, student testimony backs up the campaign. Students have been surveyed multiple times at the end of various courses. The results have indicated very strong positive feedback about the campaign; less than 5% of the students surveyed expressed any negative feedback at all. The common thread with the negative feedback dealt almost exclusively with the time requirements associated with the work of the Financial Statement Campaign. There was little, to no, negative feedback about the value of the learning experience associated with the Financial Statement Campaign. To provide an example of the type of positive feedback received, a couple of especially telling student comments (modified as appropriate for emphasis) are shown below.

"This project was a great learning experience and helped me to understand the importance and impact of accurate financial reporting for a business. I was able to relate the information in the text to my company's financial statements towards the end of the project. I would have liked to try and validate the company's financial results by obtaining their raw data and calculating some of their numbers!"

"This assignment has been eye-opening for me. The first time I looked at my company's 10-K, I thought to myself, what in the world am I going to do with this. It appeared so daunting. But after class discussions and comparisons to the text, I was able to break down the information. Little by little I was able to interpret the information and see the major trends and what they meant."

"The FSC projects have enabled me to link the text illustrations with the real life company reporting. It also empowers us to be able to examine a company's financial health and status. Using the free Edgar website, we can help verify a financial rumor or fact regarding any publicly traded company."

4. Conclusion:

The proof of a quality accounting program ultimately lies in the competence of the graduates of that program. Consequently, every effort must be made to synthesize the accounting and business environment information that is being conveyed in classrooms, so that students can apply the learned technical knowledge to practical scenarios in the corporate world, with as little impediment as possible. The Financial Statement Campaign was fashioned to facilitate this goal, and to serve as a bridge between the academia and the practice of accounting. Our hope is for our accounting graduates to be empowered to succeed by their experience in our program, and we see great potential for this campaign to assist us on our mission to accomplish this goal. We believe that this Financial Statement Campaign can also be a useful means for accomplishing the same purpose at other institutions. The results of the campaign are clear to see through the improvements in the assurance of learning data and the positive feedback received from those participating in the Campaign. We are seeing definite signs of increased engagement, student feedback indicates students' appreciation for the project, and our faculty members are enthusiastic about the Financial Statement Campaign as a very worthwhile learning tool for students. The ultimate outcome is expected to be accounting graduates who are not intimidated by real world financial statements, and thereby are more prepared to provide immediate beneficial impact to the companies they join.