

Integrating Entrepreneurship and Accounting Curricula in Business Education

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ABSTRACT

Efforts by the entrepreneurship and accounting faculty of a mid-western liberal arts university to integrate their curricula are presented. Several areas of integration are discussed including courses in the core curriculum and courses within each of the majors. A new introduction to business course explicitly links entrepreneurship and accounting within the very first course taken by business majors. Accounting faculty give cash flow management increased attention in accounting courses taken by students in the other business disciplines. Entrepreneurship faculty have made strides to integrate accounting issues throughout the entrepreneurship curriculum. Team teaching by accounting and entrepreneurship faculty has increased significantly. Preliminary student data suggests satisfaction with all of these initiatives.

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Recently, one of the authors was asked by an entrepreneur to help her understand the financial status of her business. “How do I know if I’m making money?” the entrepreneur asked. “What’s my breakeven? What’s it costing me each month?” She already had a CPA for her business. So why did she feel the need to ask these questions?

There were several problems. The monthly financial statements prepared by her in-house administrative assistant did not look the same as those on the business’ previous tax return. The CPA did not take the time to teach the assistant how to make any adjustments and simply stated that the financial statements would be “cleaned up” at year-end. Using these statements, the entrepreneur could not determine how her profits for the current year were relative to the previous year. She wasn’t even sure if she knew what her profits really were.

“I wish I understood what this income statement was telling me. Why isn’t my net income the same as my cash? Why do I need a balance sheet? What does it tell me? Am I making money? I can’t ask anyone. I’m supposed to know this. I’m a businessperson.”

Entrepreneurs complain that they can’t get the numbers they really need, or even worse, can’t understand the numbers provided by their accounts. On the other hand, accountants also grow frustrated working with entrepreneurs, suggesting that many of them don’t know the traditional “language of business”: accounting.

Many factors contribute to the often tenuous relationship between entrepreneurs and accountants. However, some of the issues likely begin with the training and education that entrepreneurs and accountants receive in higher education. Much has been said about the “corporate bias” of traditional business education. The result has been a parallel, sometimes isolated education for entrepreneurship students. Entrepreneurship students are required to take the traditional business core courses such as accounting, finance, marketing and management. These courses offer a corporate perspective that remains essentially as it has been taught for several decades. These students also complete separate courses in entrepreneurship, sometimes covering the same content, but from the perspective of an entrepreneurial venture. For example, it is not unusual to find courses with titles such as Entrepreneurial Finance or Entrepreneurial Marketing in entrepreneurship programs (Vesper & Gartner, 1998).

The separateness of the educational process for entrepreneurship students can be particularly problematic in the area of accounting. The relationship between the entrepreneur and his or her accountant can be critical. The importance of the entrepreneur “knowing the numbers” has almost become a cliché for those who teach and work with entrepreneurs. However, as the anecdote at the beginning of this paper illustrates, communication between those who typically provide the numbers and those who need to understand them often breaks down at the worst times.

This paper presents an overview of a variety of changes that have been introduced at the University of St. Thomas to try to begin to bridge the gap between entrepreneurs and accountants by addressing the point where it often begins: education and training. Business itself is cross-functional, and so should be business education. This is

particularly true for emerging businesses and for training those students who will eventually run, work in, and support these emerging ventures.

Integrating Entrepreneurship and Accounting in the Business Core

The business faculty at the University of St. Thomas recently completed a major revision of the core business curriculum taken by all business majors (approximately 2000 students). One of the required courses in the new core is an introduction to business course, Ethics and Practice: Foundations of Business (Cornwall, Rexeisen, & Mason, 2000), which is primarily taken by freshmen majoring in business. The course is a multi-disciplinary effort with faculty from all of the functional departments in business teaching in multi-disciplinary teaching teams. Most of the four person teaching teams include at least one faculty member with a background in entrepreneurship and at least one with a background in accounting or finance. Although the course covers the traditional functional areas of business, the learning objectives include understanding the entrepreneurial process and providing students with an integrated view of business.

The course outline shows entrepreneurship as the first major topic area, followed by a basic overview of accounting and finance entitled “Keeping Score in Business.” The faculty teams stress the importance for all students in the class, but particularly entrepreneurship students (who comprise 10% of all business majors at the university), to understand the language of business: accounting. At the same time, the team stresses to the prospective accounting majors (16% of all business majors) the importance of fully understanding the business for which they work in order to know their information needs. The accounting and entrepreneurship faculty have committed to using this new gateway

course into the business curriculum as a vehicle to begin the process of integration between the two disciplines.

For many of our business students, the next business core course taken is Introduction to Accounting. In this course, several accounting faculty bring in instructors from the other disciplines to talk about the importance of integrating accounting into their discipline. The guest lecturers attempt to aim this message at both entrepreneurship and accounting majors enrolled in the course.

Integrating Entrepreneurship and Accounting in the Accounting Curriculum

Drucker (1999) recently highlighted the need for accountants to adapt to the changing needs of business today, particularly the changing needs created by both the information revolution and the explosion of entrepreneurial activity in the economy. Emerging businesses have very different information needs that CPAs can and should help address (Ottenheimer, 1999). With this in mind, the accounting faculty have taken several steps to better prepare their students for the emerging entrepreneurial economy.

The accounting faculty have begun to address with accounting majors the importance of cash flow reporting. Accounting students have always been exposed to traditional methods of preparing statements of cash flows. These statements were historical and created as a part of the requirements for year-end statements for publicly held companies. No distinction was previously made for the unique needs of entrepreneurs for information on cash flow.

Accounting majors are now presented with cases and exercises that highlight the need for information to assist in the day-to-day management of cash flows in an emerging

business. What they are learning is that the indirect method of reporting cash flows does not inform entrepreneurs in a useful format. The direct method of reporting, although not as widely used, meets all GAAP reporting requirements and provides a format that better meets the needs of entrepreneurs. It is interesting to note that the direct method is actually the method encouraged by the Financial Accounting Standards Board. The cases also underscore the need for statements of cash flow to become a part of standard monthly financial reports.

Additionally, accounting students are exposed to the need to make cash flow reporting a part of managerial accounting and not just standard financial accounting. A major learning objective is for the students to understand the importance of the CPA learning the business of their clients in order to fully understand the internal needs for information. This could include cash flow or other information needed for the entrepreneur to make effective decisions. The challenge is to make sure the information is presented in a way that is understandable to the entrepreneur. No entrepreneur is an expert in all aspects of business. It is the job of their accountant to provide them with information in a timely and useable format. For example, cases and exercises underscore the need to provide entrepreneurs with more frequent cash reports and forecasts that inform entrepreneurs as they navigate the often-turbulent waters of growth and the cash flow risks it creates. Future plans include common assignments for advanced student teams comprised of both accounting and entrepreneurship majors involving major papers and case analysis assignments.

Integrating Entrepreneurship and Accounting in the Entrepreneurship Curriculum

The entrepreneurship faculty have taken advantage of several opportunities to integrate accounting and entrepreneurship in the entrepreneurship curriculum. Most entrepreneurship majors enroll in the first required class, Foundations in Entrepreneurship, during their sophomore year. The importance of cash flow management is a major learning objective in this course. The entrepreneurship instructors reinforce the key concepts covered in Introduction to Accounting that will help their students better understand cash flow. Accounting faculty and professionals are invited into this class to guest lecture and team-teach cases. Through this, the students can see how the two disciplines interact. Often, role-playing is used to illustrate the issues faced during the interplay between accountants and entrepreneurs.

Several of the entrepreneurship electives taken by entrepreneurship majors are also used to pursue the common goal of integrating the two curricula. For example, in Entrepreneurial Financial Resource Management students spend several class hours in a cash flow management simulation. As part of this exercise, the students must prepare a list of information that they need from their accountants to better manage the cash flow crisis they are facing. This exercise has been team-taught with accounting faculty, and plans are underway to use the exercise as a joint simulation using both entrepreneurship and accounting students.

In another elective, Entrepreneurship in Practice, a guest speaker from the accounting profession is brought in to address financial information issues that the students face in their host companies. This course includes entrepreneurial internship placements supported by a grant from the Kauffman Foundation. Students in the class are encouraged to take on projects in their placements that include financial reporting

systems. Several have developed managerial reporting systems to assist the entrepreneur in managing cash flow and accounts receivable.

The capstone course for entrepreneurship majors, Entrepreneurship: Management and Strategy, has provided several opportunities for integration with accounting. One of the more ambitious is a financial statement forecasting template that was jointly developed by an accounting instructor and an entrepreneurship instructor. The template is used by the students in preparation of their business plans. The template is quite robust, and allows the students to make a variety of assumptions. It is also constructed to force the students to integrate their forecasts with the rest of the plan. The students must pull assumptions from their marketing plan to complete the revenue forecast. The expense forecast in the template requires a thoroughly developed operational plan. The template is introduced in each section of the class with a faculty member from both departments team-teaching. Accounting faculty have also volunteered to assist the entrepreneurship students as they develop their forecasts. The possibility of including senior accounting students in this consultation, within the next year or two, as part of their capstone experience is also being explored.

Accounting faculty also come in to team-teach cases in the capstone entrepreneurship course. Typically these cases focus on business plans and start-ups. Team-teaching allows the faculty to reinforce the importance of entrepreneurs and their accountants working closely together even in the early stages of a venture.

A module in the capstone course is devoted to teaching the students how to determine what information the entrepreneur/manager of a growing business needs and how to ask for the information. Instructors use a variety of pedagogical techniques for

this topic, including written cases, living cases, role-playing exercises, and/or guest lectures by practitioners.

Figure 1

Summary of Curricular Integration Efforts: Entrepreneurship and Accounting

Core Curriculum

- Integration in required course Introduction to Business by multi-disciplinary teaching team.
- Guest lectures by entrepreneurship faculty in Introduction to Accounting.

Accounting Major Curriculum

- Increased class time for cash flow management and reporting.
- Cases on day-to-day cash flow in upper level accounting courses.
- Discussion of the advantages of the direct method vs. the indirect method of reporting cash flows.
- Inclusion of cash flow management in managerial accounting.
- Coverage of role of accountant in working with an entrepreneurial start-up.

Entrepreneurship Major Curriculum

- Cash flow covered in Foundations in Entrepreneurship using guest lectures and team teaching of cases.
- Integration in entrepreneurship electives through exercises, experiential learning, guest lectures, cases, etc., often team-taught with accounting faculty.
- Financial forecast template used in business plans jointly developed and taught by accounting and entrepreneurship faculty.
- Team teach cases.
- Course module on identifying needed financial information.

Summary and Conclusions

The faculty of both the Entrepreneurship and Accounting Departments have made the commitment that the efforts taken thus far are just a beginning. This is a commitment based on beliefs, as most of the efforts have been voluntary by all of the faculty involved. Also, the faculty have had to overcome some of the same barriers that entrepreneurs and accountants face in the field. Faculty from the two disciplines have served on each other's curriculum planning committees, and taken advantage of opportunities to write, consult, and teach with each other. These efforts have provided a growing array of opportunities to integrate their curricula. It is also important to remember that faculty can shape their students not only through what they teach, but by the behaviors they model inside and outside of class.

Efforts to assess the effectiveness of integration efforts are underway. Student evaluations of current efforts have been extremely positive. Faculty from both entrepreneurship and accounting have reported more contacts by students from the other major. Alumni are surveyed annually, and items to assess the effectiveness of these efforts are being developed to be included in future surveys.

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