

A new approach: the case study method in accounting

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Abstract

This article analyses the case study method and its application in accounting module. Labour market requirements in Lithuania and abroad are becoming higher and higher. Completing the theoretical studies is not enough for students. The case study method helps to connect the existing theoretical knowledge and practice. The case study method was used for the first time in 1870 at Harvard University. The method allows a student to be active throughout the process, to make decisions, to give grounded opinions, to work in a team and to make conclusions. This paper addresses the benefits of using case studies in accounting module between the students without a relevant work experience. In the context of this study, the findings provide evidence that the case study methods should be used in the accounting studies.

Keywords

case study, the relationship with work experience, awareness of the benefits

Introduction

Recently, more attention is paid to students' general learning skills, including communication, problem solving and the ability to think analytically. One of the best techniques for developing these skills in accounting courses is the use of case studies (AAA, 1986). Case studies can be used to develop skills in addition when teaching technical accounting skills and theoretical knowledge. For example, when learning how to produce a cash flow report, as well as acquiring technical and theoretical

knowledge such as the difference between cash and accrual accounting, students discover how to present the information and develop communication skills. By placing the same issue, i.e. cash flow reporting, into a case scenario, students will have to consider wider business issues and thereby acquire additional generic skills pertaining to, for example, judgement, problem-solving and critical analysis (Ballantine, Larres, 2009). Sawyer et al. (2000) argue that „involving students in real-world simulations (an approach known as experiential learning) as part of their classroom experience (through the medium of case studies) is one way to develop competencies other than technical knowledge”.

In my point of view, in recent years an increased emphasis has been placed on the importance of developing generic skills in academic accounting. A number of factors may have given rise to this phenomenon. First, the role of the accountant has changed significantly over the years. In particular, developments in technology have helped to ensure that accountants are less involved in the preparation of financial information and more concerned with interpretation and communication.

Accordingly, accountants need communicative, analytical and other skills beyond technical and theoretical knowledge to carry out their job effectively.

The problem in accounting cases are accounting case study is a central element in ensuring the development of Accounting subject, learning process, modernization and innovation of all parts of accounting practice. The academic examples can provide influential information and insights for regulators, auditors, tax consultants, and other practicing accountants.

The objective of this article is to present a theoretical and practical approach with which to conduct case study method in accounting and use it in the study process. This article provide a practical demonstration of these concepts are usable in case studies of accounting.

In modern society, the employee must have an analytical, systematic and unorthodox thinking. Many employers require that employees were able to make decisions quickly analyze large amounts of information and draw appropriate conclusions. These and many other skills are developed through the case study method in the lectures.

Object of the research – the case study method. Aim of the research – to provide the implication possibilities of the case study method in the accounting subject module. Methods of the research – scientific literature analysis.

In particular, this article provides (1) a historical and theoretical aspects in a case study approach, (2) it points out advantages of case study, (3) offers why case study can be used very effectively in accounting, (4) summarizes that case study research may be viewed as a method in accounting.

1. Literature overview

Accounting educators use case studies in a variety of ways. Case studies are used exclusively as the primary learning mechanism, the belief being that this method of learning provides the foundation of an integrated, inductively-driven teaching process. For the first time, the case study method was used in 1870. The professor of Harvard University Christopher Columbus Langdell found this method to customize the right program for students so that they learn how to analyze more than reading textbooks (Shug, 2006). The professor tried to force students to apply their theoretical knowledge of law in various practical situations. Langdell believed that educating law students to acquire skills by analyzing the case study, they will be able to apply them in practice and at their work. Many law schools are currently using this method. In 1919 Harvard Business School Dean Wallace P. Donham adapted this approach in his lectures; therefore most of the graduates from Harvard Law School had already had experience. It is a method of incidence on the other fields of science (Shug, 2006). The case study method continues to be the most effective teaching technique because of its applicability to real management situations. “Those who practice business are in the real world making decisions that have real consequences. The case method is intellectually engaging for students because they acquire the knowledge, skills, and tools to deal with the kind of problems they will encounter in their careers. Because they go through this inductive reasoning process to arrive at answers, the learning process is more powerful” (Harvard Business School, 2001, p. 2). Accounting and management educators use short case studies to illustrate real-world practices in either formal lectures or as part of the seminar/tutorial process. In between these two extremes is „the approach requiring students to prepare and discuss solutions to lengthier, more ambiguous cases with minimal instructor input to maintain the problem solving focus” (Libby, 1991, p. 195). Such an approach, argues Libby (1991), „accomplishes many of the objectives of a pure case course while retaining a lecture, instructor-led discussion format for the remainder of the course” (p. 195). As a learning method, case studies place emphasis on students „preparation and discussion of real business situations, culminating in the requirement to make a managerial decision. The case study method requires students to identify relevant issues, perform necessary computations from quantitative information, identify appropriate arguments, exercise judgement in order to arrive at a conclusion, defend a particular position in the classroom situation, evaluate the position or perspectives of other students and modify their position, if necessary” (Anthony, 1974).

The case – it is a real-life situation which requires some judgment, which makes the student to think and integrate their existing knowledge in the decision - making

process, to assess the possible decision alternatives, causes problems, then have to make decisions and justify them (Samarina, Kalugina, 1999). What is more, a case study method can be defined in different ways. A case study is a specific example of which often serve to illustrate the general principles of the subject (Nisbet, Watt, 1984). Case studies can be found in various books by different foreign authors. Often they are called "corporate case studies", which are characteristics of the student researching the company and he is offered to analyze the situation and respond to the questions. The student analyzes the situation and examines his theoretical knowledge (Samarina, Kalugina, 1999). Another case study groups is the case study situation are „when the student is only told the situation, the problem of uncertainty and it is up to the student to discover” (Samarina, Kalugina, 1999). Davis Wilcoc (2003) identifies three types of case studies, e.g. the short highly structured one, when the student provides the specific information for which the student has adapted a decision model to. In this case, usually one correct answer is necessary. Another type is a short little structure, which contains some of the problems, but they are not highlighted as the most important ones. In this case, there are several possible solutions. The third type is a long unstructured one, which would include up to 50 pages with a lot of detail and unexpected problems.

2. Research methods

Foreign authors point out the following advantages of the case study (Wakil, 2008; Ballantine, McCourt, 2003; Shug, 2006).

Cognitive benefits to students:

- Relate theory to practice;
- Integrate major concepts of course;
- Enhance understanding of phenomena studied;
- Gain insight into complexity of ‘real world’ business situations;
- Improve judgement skills;
- Deal with situations of uncertainty and ambiguity;
- Take decisions with incomplete information;
- Identify the relevant data in unstructured problems;
- Integrate knowledge from other subjects;
- Think conceptually;
- Consider multiple perspectives;
- Problem identification skills;
- Think critically;

- Distinguish between facts and opinions;
- Awareness of multiple solutions;
- Problem synthesis skills;
- Problem solving skills;
- Analytical skills;
- Apply knowledge to new and unique circumstances;
- Question conventional practice;
- Enhance understanding of the environment within which management problems exist.

„Affective” benefits to students:

- Student motivation;
- Interest in subject;
- Enhanced confidence;
- Involvement in learning process;
- Encouragement to attend seminars;
- Enhanced participation in seminar discussions;
- More responsibility for own learning.

Skills development of students:

- Library skills;
- Data organization skills;
- Interpretation skills;
- Information summary skills;
- Questioning and logic skills;
- Verbal communication skills;
- Written skills.

Existing problem „benefits” students: increase student motivation, interest in subject, enhanced the confidence of participation in the learning process, encouraging participation in workshops on more responsibility for their own learning.

Case study method allows improving the students' skills such as information retrieval library, data systematization skills, interpretive skills, information skills, summarize logic skills, oral communication skills, writing skills and so on.

Boyce et al. (2001) argue that a significant benefit of the case study method is that, by presenting technical and theoretical issues in a very practical context, the adoption of this approach can contribute to depth of understanding by fostering an active approach to learning. Case studies provide links between theoretical and practical aspects of the subject in that, when introduced effectively into an accounting. Case studies are an example of an explicit bridging activity which enables “the

higher education experience of students to be much more closely coupled to future employment requirements” (Saunders, Machell, 2000).

Thus, the case study method is one of the most effective methods, which allows combining the students’ theoretical knowledge with practice and actively involves them in analyzing, evaluating and providing solutions for the analyzed case. In order to reveal the student’s personality, thinking, teachers should use new teaching methods such as a case study method.

3. Research results

Case study method can be used for a course in accounting. The Bedford Report (AAA, 1986) concluded that accounting courses should „aim to develop the students” capacities for analysis, synthesis, problem solving and communication. Of particular concern was the misleading way in which accounting problems were presented to students as being well-structured and well-defined (Sterling, 1980; Mayer-Sommer, 1990). A comment in the Bedford Report drew attention to the influence of accounting regulation on teaching styles where the current pedagogy also emphasizes problems with specific solutions rather than cases with alternative solutions. As part of the calls for change in accounting education, prescriptions emerged for educators to move to case-based methods, seminars, role-plays, and simulations for actively involving students in the learning process (AAA, 1986; AECC, 1990; IFAC, 1996; Adler, Milne, 1997a; Hassall et al., 1998). Accounting academics indicate that the analysis of case studies, linked to oral and written assessments, was the preferred pedagogical approach to promote synthesis and evaluation of content and to develop professional skills in higher level courses (Ainsworth, Plumlee, 1993; Hassall et al., 1998b). In response to the calls for change, case studies are now being increasingly used in the teaching of accounting in higher education and they have also been added to the examination structure of many professional accountancy units. For students currently studying education, application of theoretical knowledge in practice, this approach allows deepening the knowledge and working individually or in groups. For accounting teaching case, the most appropriate is a brief structured case study type, which is developed during the students’ analytical and evaluation skills. Case study can be used not only in the teaching of management accounting, although it may be useful to financial accounting course as well (Ballantine, McCourt, 2003). Financial accounting case study examples help students develop an understanding that the decisions that we take are not always returns equality between debit and credit. Managers need to see more than accounting theory and what they see in

a diary. A case study facilitates the students to deepen knowledge of accounting, then it becomes more than just the theory of accounting (Wakil, 2008).

Case study development and preparation for settlement are greatly creative processes. For example, the case is developed when students are having a business description of the company's financial statements and reports of occurring transactions, where transactions must be recorded in the general journal, general ledger of accounts, financial reports must be prepared and proposals for the business submitted. Tab. 1 shows the case study stage.

Tab. 1. Case study example of the execution

| Activity | Teacher | Student |
|--------------------------|---|---|
| Idea generation | Formulate an idea, decide what solution will require a case study | Receive information about the task |
| Time | Provides for the time period within which the student can read and evaluate, for example, cash flow analysis requires additional search for information | Reading, taking notes of the observations and analyzing literature individually |
| Preparing for discussion | Discussion, looking for ways to focus the debate | Working in groups, discussions |
| Preparing the report | Creating a rating system | Preparing a presentation, report written for the teacher to carry out calculations and submit suggestions in writing the findings |
| Working in the classroom | Instructs and leads the reference presentation, questioning, and summarizing the results | Discussing, highlighting problems, proposals |

Source: the author by Wakil (2008).

The table shows that the teacher and the student are going through a creative process, which deepens the student's professional competence. For the teacher it is important to be impartial by using the right evaluation system.

The Cooper and Morgan (2008) study illustrates several features of the case study approach. They use diverse data sources, including annual reports, stock prices, newspapers, and key informants. They gather data via interviews, reviewing documents, and quantitative techniques. The study also uses different theories in interpreting data, such as efficient markets theory from financial economics, escalation of commitments theory from psychology, and „the endowment effect” from organizational behavior. Cooper and Morgan (2008) also studied the reporting practices of

one large corporation, but did not limit themselves to the financial information in annual reports. They have a clear interest in issues of power and wider, social effects of representations in accounting reports. They focus on the messages produced by the nonfinancial component of General Motor's annual reports, arguing that they are an important element in enacting and reinforcing social attitudes. They examine different historical conditions contexts between 1917 and 1987 in which GM's annual reports were produced, and use content analysis of the texts of the annual reports. Their study can be regarded as a case, in that they apply a theory of ideology to examine how the nature of annual reports varies under different historical conditions. The research questions relate to understanding different forms of exploitation of workers, women, and the physical environment by senior management and the ways annual reports operate as a form of ideology. They examine how the annual reports reflected as well as reinforced shifting social attitudes such as the value of state expenditures and regulation, the role of women, the identification of desirable labor-management relations, and the benefits of science, technology, and consumption. Their study is clearly concerned with an analysis of the values inherent in GM's annual reports, and concern with social welfare affects her choice of the issues she examines. Characteristic of phronetic case research, the study considers issues of the relative power of GM and its unions.

Conclusions

Labour market conditions are becoming more and more demanding, where students may experience the lack of knowledge. Case study method helps to combine the existing theoretical knowledge and practice. The method allows the student to be active throughout the process, to make decisions, to give its reasoned opinion, to work in a team, to draw conclusions. In the course on accounting, the approach works well as merging the technical and theoretical knowledge in practice. According to their level of difficulty, the case study tasks may be different levels of complexity, with the ability to integrate with other subjects. This allows the student to understand the accounts as a separate subject, and how it relates to other program elements. This study has addressed two issues with respect to the use of the case study method in an advanced management accounting subject module. The first issue – an analysis of students' perceptions of the benefits of using case studies – indicated that cognitive benefits were rated higher than other affective benefits or skills development. In particular, students perceived that an awareness of multiple solutions and insights into the complexity of “real world” business decisions were

the most important benefits arising from the use of case studies. On the other hand, it was disappointing to discover that students perceived case studies as having relatively low impact on their motivation and interest in the subject. Skills such as skills in presentation and analysis may be developed. Control of learning activities moves from the transmission of facts, towards greater classroom discussion. Lecturers use the case method and thus provide greater understanding and insight into accounting lecturers' experiences of teaching with cases.

Case study in Author's opinion have traditionally been the primary experience used as a tools by accounting historians to further their knowledge of the development of accounting practices. The case-study method, though, has a limited scope because it often emphasizes the practices of a single participant in the business community. This fosters an implicit fallacy which assumes that the practices of this player are those of the community in general. Such a fallacy tends to overshadow a much needed question: how much of the business community accepted certain accounting practices? The study presented in this paper addresses this question and applies the statistical techniques of content analysis and proportions tests to determine whether the accounting examples are suitable for learning practice.

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Nowe podejście: metoda studium przypadku w rachunkowości

Streszczenie

W artykule dokonano analizy metody studium przypadku w kontekście kształcenia w zakresie księgowości. Wymagania rynku pracy na Litwie i poza jej granicami stają się coraz

wyższe. Uzyskanie przez studentów jedynie wiedzy teoretycznej nie jest wystarczające. Metoda studium przypadku zapewnia łączenie istniejącej wiedzy teoretycznej i praktycznej. Po raz pierwszy metoda ta została zastosowana w 1870 roku na Uniwersytecie w Harvardzie. Zapewnia ona studentom aktywne uczestnictwo w procesie nauczania, podejmowanie decyzji, podawanie opinii, pracę w grupie i wyciąganie wniosków. Celem publikacji jest określenie korzyści używania metody studium przypadku podczas nauczania księgowości wśród studentów nieposiadających doświadczenia zawodowego.

Słowa kluczowe

studium przypadku, związek z doświadczeniem zawodowym, świadomość zysków