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## Where are the Debits and Credits? Editor's Perspective

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I HAVE recently had the opportunity to author materials associated with the application of SFAS No. 123 on stock-based compensation, and in doing so, I have conversed with a number of individuals including those responsible for answering questions from the field on the pending application of the new pronouncement. What has struck me is the mindset that leads many to ask "Where are the debits and credits?" There seems to be a schism between many individuals' understanding of the FASB's increasing tendency to prescribe disclosure standards rather than requiring recognition through journal entries, as well as some presumption that it is the final form of the journal entry that has importance rather than the mode of deriving the values to be disclosed. However, of greatest concern is a certain resistance on some individuals' part to mastering the intricacies of finance theory and computational approaches to Black-Scholes and Binomial Modeling-based valuations. Some seem to think that "a computer can do it through black-box software algorithms," while others presume reliance on other experts to determine such valuations.

As Editor of *Issues in Accounting Education*, I have the rare opportunity to express some personal apprehensions to which I believe all of us educators need to direct attention. If we in accounting assume a position that other experts will value those items of increasingly

prominent import on the financial statements, then we will essentially deteriorate our profession's value and restrict our effectiveness in accounting, consulting and auditing domains. The Black-Scholes model and Binomial model are both calculable with spreadsheet software and involve rather easy-to-understand promises and exchanges. Yet, I shudder to think of the proportion of today's graduates that are unaware of what the Black-Scholes model is, let alone how to compute its implied valuations. How are such students prepared to perform accounting, auditing, consulting, tax and associated responsibilities, if our focus is not broadened from the form of journal entries to the tools necessary to obtain the value recorded, or unrecorded but disclosed in notes to the financial statements?

The financial instrument/derivative/hedging issues with which the FASB continues to struggle are complex, demanding of finance, economic and accounting comprehension, with analytical tools' application. We in academia have an opportunity to develop curriculum that ensures a profession ready to assume responsibilities associated with such complexity and if we fail, our

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product will be ill-equipped to sustain a viable profession.

This discussion of SFAS 123 and the financial instruments project are merely offered as examples of what is emerging as a very real educational challenge. While some may say, "that's the finance faculty's job," or "those teaching analytics should introduce students to the quantitative and computer-based computations," I believe those assertions miss the point. Any major field directs its students toward the curriculum that provides the common body of knowledge expected after graduation. Since the accounting coursework has mushroomed in many places from what was one intermediate course when I was an undergraduate to now two, and sometimes even three, such courses, the opportunity to ensure students obtain corporate finance and financial market education within their core foundational courses has waned. In other words, our propensity for increased specialism in accounting has squeezed out some valu-

able electives and some other required courses that would provide a valuable resource of knowledge to today's graduates. Granted, the 150-hour evolution offers a chance to recreate curricula to focus on the core valuation tools that have emerged in the face of technology, sophisticated markets, and increasingly global challenges. However, it is a mistake to presume that such an evolution will occur on its own, at least not on a sufficiently timely basis to ensure a vibrant profession.

I believe that the debit/credit organization framework is an invaluable learning tool (it's part of the vocabulary in our language); however, as standard setters address many of the most complex and material areas of operations first in the notes to financial statements, we too must ensure that the basis for such disclosures is understood by our students and that they not believe that items not recognized are of lesser importance to comprehend. The time for action is now.