

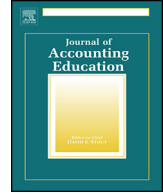


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Teaching and educational notes

# Spreadsheet usage by management accountants: An exploratory study



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## ABSTRACT

Spreadsheets play an important role for managerial accountants. For these practitioners, spreadsheets are necessary tools for traditional responsibilities such as planning, budgeting, forecasting as well as newer decision-making responsibilities. Responsibilities for managerial accounting practitioners have shifted from a transaction-based focus to an emphasis on decision support, planning, and control. Managerial accountants are expected to be key members of decision making and cross-functional teams outside the accounting area. Spreadsheets are major tools for meeting these new responsibilities.

However, there is a significant gap in the literature with respect to what features of spreadsheets are most relevant for these new responsibilities. The purpose of this exploratory research is to provide evidence as to (a) what features of spreadsheets managerial accountants use, and (b) what features of spreadsheets new hires are expected to use.

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## 1. Introduction

Since the introduction of electronic spreadsheets in 1979, spreadsheets have been widely accepted as a critical information technology (IT). Panko and Port (2013) provide an array of statistics describing the usage and impact of spreadsheets in organizations. For example, in 2012 they esti-

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mated that 55 million American workers used spreadsheets. In many organizations, spreadsheets are used to measure organizational performance at the very highest levels of organizational decision making (Grossman, Mehrotra, & Özlük, 2007; Panko & Port, 2013).

IT in general and spreadsheets in particular have a significant impact on changing the accountant's role in business organizations. Specifically, accounting practitioners are expected to play a much larger role in institution-wide problem solving and managerial decision making. Therefore, it is important to clearly understand the features of spreadsheets that enable accounting practitioners to play this increased role in organizations.

An important part of this problem is that spreadsheet expertise in accounting has never been defined. When accounting practitioners express the need for a high level of spreadsheet expertise, what exactly does this mean? The review of the literature shows that studies relating to spreadsheet expertise for accounting practitioners do not define "spreadsheet expertise." Our perspective of an individual with this expertise would be that the individual would know how to use a wide array of features of a spreadsheet that support decision making. Our purpose is to explore this question by surveying a sample of management accountants on their (a) usage of various spreadsheet features, and (b) their expectations for new hires on these same features.

## 2. Review of literature

Studies related to accounting practitioners and spreadsheets fall into two categories. The first contains studies related to accounting practitioners' self-reported spreadsheet expertise. The second contains studies related to accounting practitioners' perceived importance of spreadsheets.

### 2.1. Studies related to accounting practitioners' self-reported spreadsheet expertise

We found five studies that measure self-reported spreadsheet expertise for accounting practitioners. The study of most relevance is by Ragland and Ramachandran (2014). This is the only study where subjects rated spreadsheet expertise on multiple features (14) of a spreadsheet: basic functions, format functions, filter and sort data functions, macros, VLOOKUP/HLOOKUP functions, pivot tables, audit formulas, the data analysis add-in function, the regression analysis function, the concatenate function, financial functions, the IF/THEN function, keyboard shortcuts, and chart and graph functions. Subjects included accounting students (undergraduates and graduates), new hires, and supervisors in public accounting firms. The results of these self-assessments indicated the new hires and supervisors were most expert on: basic formulas, filter and sort data, format functions VLOOKUP/HLOOKUP functions, and IF/THEN functions.

In three of the remaining studies, accounting practitioners rated their expertise on a number of IT topics including spreadsheets using five-point Likert-type scales. Spreadsheet expertise was rated the most important IT topic in all three of these studies (Greenstein & McKee, 2004; Greenstein-Prosch, McKee, & Quick, 2008; Rai, Vatanasakdakul, & Aoun, 2010). In the final study (Richardson, 2005), accounting practitioners ranked new hires' knowledge of management accounting topics. Spreadsheets were not explicitly mentioned, but the data indicated that new hires were under-prepared on many management accounting topics related to spreadsheets.

### 2.2. Studies related to accounting practitioner ratings of the importance of spreadsheets

A second set of eight studies concern the importance of spreadsheets. The Ragland and Ramachandran (2014) study was also the most significant in this group since they measured spreadsheet importance in terms of the same set of 14 spreadsheet features mentioned earlier. The primary result was that accounting students tend to underestimate the importance of many of the features measured when compared to opinions expressed by new hires in public accounting firms. Furthermore, the accounting practitioners perceived Excel features related to problem-solving and decision support (e.g., VLOOKUP and IF/THEN functions) were more important than student perceptions of these features.

Three additional studies surveyed accounting practitioners about the general importance of spreadsheets/spreadsheet skills in accounting (Ahadiat, 2008; Beaman & Richardson, 2007; Rai et al.,

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