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Teaching and educational notes

Structuring financial statement analysis projects to enhance critical thinking skills development

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Abstract

This paper documents a method of structuring financial statement analysis projects to enhance the development of students' critical thinking skills. The project is structured in a cooperative learning framework in which a student accesses financial statement information from the World Wide Web, performs a financial statement analysis, and then engages in an exercise with other students who have analyzed firms in the same industry. Both the individual and team phases of the project offer opportunities for students to develop several important critical thinking skills. © 2001 Published by Elsevier Science Ltd. All rights reserved.

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1. Introduction

The Accounting Education Change Commission (AECC) has outlined desired capabilities that accounting students should possess. For example, students' intellectual skills should "include the ability to locate, obtain, and organize information and the ability to identify and solve unstructured problems in unfamiliar settings and to exercise judgment based on comprehension of an unfocused set of facts" (AECC, 1990, pp. 307–308). With regard to the knowledge base that students should attain, the AECC believes that the "focus should be on developing analytical and conceptual thinking, not on memorizing professional standards" (AECC, 1990, p. 308).

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The American Institute of Certified Public Accountants (AICPA)'s Core Competency Framework extends the AECC's emphasis of a skills-based rather than content-driven curriculum (AICPA, 1999b). Strategic and critical thinking skills are one of the requisite broad business perspective competencies that the AICPA feels all students should have to succeed in a changing accounting profession (AICPA, 1999a). Consistent with the AECC's recommendations and the AICPA's Core Competency Framework, both Kimmel (1995) and Cunningham (1996) provide suggestions for modifying accounting courses to promote and enhance students' critical thinking skills.

The AECC (1992, p. 250) has also taken the position that the first course in accounting should facilitate future learning, regardless of a student's potential career. Financial statement analysis is cited by the AECC as a necessary skill for lifelong learning regardless of a student's future career choice. Financial statement analysis is a particularly rich setting for developing critical thinking skills in that students may form more than one defensible position. Both Sullivan (1996) and Basu and Cohen (1994) document using financial statement analysis projects in introductory accounting courses.

Financial statement analysis projects are often assigned as group projects. Group activities foster critical thinking skills in a number of ways, including providing students with the opportunity to discuss and debate competing viewpoints. Individual students with weaker critical thinking skills can, however, opt out of participating in portions of a project that are more difficult for them. Thus, students needing the most development may forfeit the opportunity to improve their critical thinking skills. One partial remedy for this potential shortcoming of group activities is to require students to do a project on an individual basis, but this approach does not provide students an opportunity to weigh competing views and improve on team building skills. The project discussed in this paper is structured with both individual and team-oriented phases to mitigate some of the disadvantages and exploit the benefits of individual and group work.

The project's structure requires each student to complete a financial statement analysis independently followed by a cooperative learning team-oriented phase where individual students' analyses are compared against each other. This structure has the potential for enhancing each student's critical thinking ability based on his or her stage of critical thinking development. The individual phase serves as a gateway into the more unstructured group phase of the project. Instructor feedback is provided at the end of the individual phase. This feedback is tailored to each student noting both the strengths and weaknesses of his or her analysis. Students who have not completed a satisfactory financial statement analysis must correct their work before entering the group-oriented phase. The learning gained through the individual phase, along with the instructor feedback, allows students the opportunity to develop their critical thinking skills, and therefore, partially mitigates some of the frustration that may occur if an unstructured project is offered without prior experience.

This classroom project has been used for nine semesters for a total of 17 sections of a first course in financial accounting at a medium-sized Midwestern public university.

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