Challenging the dominance of formalism in accounting education: An analysis of the potential of stewardship in light of the evolution of legal education

In Memoriam Ted O'Leary 1950–2014

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ABSTRACT

In this article we draw parallels between law and accounting in order to articulate the concept of "accounting formalism," which refers to both a theory of accounting practice and a methodology of accounting education. We argue that accounting formalism reigns supreme in contemporary accounting education, and we contrast this with the fate of legal formalism, which, while remaining the dominant mode of legal education, nonetheless declined considerably in influence during the twentieth century. We suggest that the dominance of formalism has resulted in an undue emphasis on the technical aspects of accounting education and a relative pedagogical neglect of the social, critical and ethical dimensions. Drawing on two largely separate discourses in accounting – that which surrounds the role of stewardship/accountability and that which focuses on accounting education – we argue that stewardship/accountability has the capacity to act as the ideal conduit for integrating formalist and anti-formalist perspectives in accounting theory and thereby provide an appropriate and necessary challenge to the dominance of formalism in accounting education. In addition, we propose that stewardship/accountability, as part of the living law (i.e., the moral or customary tradition) of accounting, has the capacity to provide the conceptual foundations for challenging formalism across the inter-related social, critical and ethical dimensions of accounting theory and education. We suggest that such a challenge would bring about multifarious benefits, not only for all those who participate in and thereby constitute the accounting academy, but also for other stakeholders dissatisfied with the trajectory of the current formalist-dominated mode of accounting education.

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1. Introduction

In recent years, debates about the role of stewardship/accountability in financial reporting have attracted significant attention from accounting practitioners and academics alike. Meanwhile, grave concerns about the state of accounting education worldwide are voiced with increasing frequency in the practitioner and academic accounting literatures. In this article we seek to draw on the largely ignored intersection between these two discourses to highlight an issue which, to date, has not received attention: the potential of stewardship/accountability to challenge what we characterize as the dominance of accounting formalism in accounting education.

We derive the term, “accounting formalism,” from the well-known juridical phenomenon, “legal formalism,” which denotes first a theory of adjudication and, second and as a consequence of that theory, a methodology of legal education. We characterize accounting formalism as a theory of accounting practice and a methodology of accounting education that emphasizes strongly the technical elements of accounting while at the same time marginalizing its social, critical and ethical dimensions. We argue that the dominance of accounting formalism within the accounting academy reinforces a skewed view of the social, critical and ethical roles of accountants. In this formalist context we suggest that stewardship/accountability can play two important roles: it can enable the integration of formalist and anti-formalist perspectives in accounting theory, and it can thereby act as a conduit for fostering crucial anti-formalist strands within both accounting education and research, which we consider as being in symbiotic relationship within the academy.

There are many references in the literature to the impact of the excessive dominance of accounting formalism within accounting pedagogy. For example, Dichev, Graham, Harvey, and Rajgopal (2013) report that many chief financial officers (CFOs) are seriously concerned with perceived shortcomings in the training of accountants; Sikka (2009) suggests that the training of auditors has not kept pace with the complexities of the contemporary financial world and that weaknesses in the educational system in this respect may have profound implications for the performance of auditors over time; and a report commissioned by the Institute of Chartered Accountants of Scotland (ICAS, 2006) questions whether today’s young accountants are equipped with the foundation required for developing their professional judgment skills over the past century been repeatedly documented in the literature (cf. Boyce, 2004, 2008; Cooper, Everett, & Neu, 2005; Diamond, 2005; Correll, Jamal, & Robinson, 2007). We suggest that this critical literature is best characterized as an attack on accounting formalism and its over-emphasis on accounting’s technical elements. The task of challenging formalism in the accounting academy is neither trivial nor new (Cooper, 2014). Recent scholarship (e.g., Carmona, 2013; Chabrak & Craig, 2013; Graham, 2013), and less recent but highly influential studies (e.g., Lowe, Puxty, & Laughlin, 1983; American Accounting Association, 1986 (the Bedford Report); Hoskin & Macve, 1986; Power, 1991; Albrecht & Sack, 2000; Gray & Collison, 2002; Boyce, 2004) have undoubtedly had an important impact, although the battle for change is clearly an ongoing – and increasingly urgent – endeavor (Boyce & Greer, 2013; Hopper, 2013; Wilson, 2014).

Experience within a comparable discipline – law – offers an interesting counterpoint to the landscape of contemporary accounting education. The systems of legal and accounting education are similar in many respects—for example, both systems are oriented towards producing members of modern professions and, structurally, both are also typically divided into two component parts, namely, university education and professional-school education (with the latter often incorporating periods of apprenticeship or internships). In this article we suggest that “accounting formalism” shares strong commonalities with legal formalism, which is a theory of adjudication and a methodology of legal education. These commonalities with legal formalism exist not only because of their shared internal formalistic elements but also because, at a more general level, accounting formalism represents accounting knowledge as existing in a “hermetic logical universe” (Leiter, 1997, p. 372), that “operates by means of a distinctive system of conceptual thought” (Loughlin, 1992; p. 22)—to refer to just two ways in which legal formalism has been described.

However, any comparison must of course be mindful of fundamental differences as well as of similarities (Murphy & Weber, 2010; pp. 201–202). A key difference between the law and accounting domains is that, whereas legal formalism has over the past century been repeatedly challenged by anti-formalist ideology rooted in a broad range of disciplines, accounting formalism retains its traditional hegemony as both a theory of accounting practice and a methodology of accounting education. The challenges to legal formalism may not have displaced it from its dominant position in legal education, but they have nonetheless undermined significantly its previous hegemony. The specific challenges that have profoundly altered both perceptions of the adjudicative process and the nature of legal education are rooted in the success of alternative philosophical and jurisprudential perspectives in permeating and influencing the legal academy as an intellectual space as well as a pedagogical site, and this influence has in turn altered the nature and self-understandings of the legal...
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