Introduction

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The Case for Cases

Professional accountants continue to be recognized for their strong technical knowledge. A strong technical background is still a foundational trait for professional accountants in protecting the public interest. Professional accounting bodies across the globe are recognizing the increased importance of higher-order cognitive skills such as critical thinking, problem solving, and analytical ability. Many accounting professors continue to struggle to find ways to focus on the development of higher-order skills in undergraduate programs.

Case analysis is an important tool for developing these higher-order skills for financial reporting. At the introductory level, short case studies expose the students to a realistic situation and stress the importance that numbers do not always fit neatly into formulas. At the intermediate and advanced levels, more complex cases encourage integrated thinking. Not only do cases mirror real-life decision-making, they encourage critical thinking and help develop professional judgement. Furthermore, they allow students to test their true knowledge of journal entries and accounting theory by attempting to apply the latter in real-life situations.

Cases can be used to help students develop higher levels of knowledge as measured by Bloom's taxonomy.[1] For example, consider Table 1.1, which applies Bloom's taxonomy to accounting education.

In order to solve problems, memorized knowledge of journal entries and generally accepted accounting principles (GAAP) are important. However, Table 1.1 reveals that a student who has memorized this information has only climbed up half the mountain. Students must also be able to apply the knowledge in situations where there is uncertainty. This is where cases become important in developing problem-solving skills, critical thinking, and professional judgement.

What's in a Case?

What makes a case, a case? Many people have different views on this. Most cases involve some sort of real-life scenario where there are one or several issues or problems. You would be expected to identify the issues, understand the implications of the issue, analyze the issue, and then recommend a course of action. The cases may involve quantitative analysis, qualitative analysis, or both analyses.

What makes a case more challenging is the "required" information. Some cases will specify what you should do (e.g., calculate the future tax expense or identify which amortization method the company should use). Others leave the "required" section more open by requesting that you discuss the issues. In the latter, you must decide, for instance, if the future tax expense needs to be calculated in the first place or whether the choice of amortization methods is even an issue. Therein lies the challenge. What is the issue? How should the case be approached?

A successful accountant should not only be able to solve problems that have been identified for her, but more importantly, she should be able to identify the problems in the first place.

It is rare in real life that someone will present you with a problem and provide all the facts needed to solve it. In many cases, identifying the problem and gathering relevant information is a large part of the task.

Accountants are also required to communicate their findings and recommendations back to their manager, their partners, and their clients. Cases require you to determine who the report or memo needs to be addressed to and how to write this in an appropriate and professional manner.

[1]Bloom, B. S. (1956). *Taxonomy of Educational Objectives*, *Handbook I: The Cognitive Domain*. New York: David McKay Co Inc.

Table 1.1 Bloom's Taxonomy As It Applies to Accounting Education

Bloom's Taxonomy—Category	Example of Category	Example of Financial Accounting Knowledge	Educational Tools Available
Knowledge	Recall data or information	• Debits increase assets and decrease liabilities • Credits increase liabilities and decrease assets	• Matching (e.g., terms to definitions) • True and false questions
Comprehension	Understand the meaning, translation, interpolation, and interpretation of instructions and problems. State a problem in one's own words.	• Identifying the accounting issue	• Multiple choice questions • Exercises and problems on individual topics
Application	Use a concept in a new situation or unprompted use of an abstraction. Apply what was learned in the classroom into novel situations in the workplace.	• Recording journal entries	• Recording journal entries • Exercises and problems on individual topics
Analysis	Separate material or concepts into component parts so that its organizational structure may be understood. Distinguish between facts and inferences.	• Applying technical GAAP knowledge to specific situations	• Exercises and problems on individual topics • Cases (e.g., applying technical knowledge to case facts to analyze accounting issues)
Synthesis	Build a structure or pattern from diverse elements. Put parts together to form a whole, with emphasis on creating a new meaning or structure.	• Understanding how various accounting issues come together to make a significant impact on the users and preparers	• Cases (e.g., calculate or revise the earnings per share estimate based on an analysis of various individual accounting issues)
Evaluation	Make judgements about the value of ideas or materials.	• Developing professional judgement • Selecting between alternatives that are equally valid and within the boundaries of GAAP	• Cases (e.g., require students to analyze alternatives and make a recommendation based on the users and reporting landscape)

You must also learn to consider the impact of the environment on your decision-making, including the people involved, such as the financial statement preparers and users. Different people think in different ways depending on their own perspectives. What is right or good for one person may not be right or good for another. For instance, assume that two people are discussing the weather. Both comment that they hope the weather will be good tomorrow. One might be hoping it stays sunny because she has to drive to Montreal. The other might be hoping it snows because he plans to do a lot of skiing. They both want "good weather" but each one has a completely different definition of what "good weather" is at that time. "Good" financial reporting might mean one thing to one person and a completely different thing to another.

Cases sensitize you to these things. Because this way of thinking is often different from what you are used to, you may have problems analyzing cases at first. However, you will eventually catch on and find that the study of accounting is more fulfilling as a result of the use of cases. It is easier to approach this material with a completely open mind than to try to make it fit into a preconceived notion of accounting that may be more narrowly focused.

With cases, there is rarely a single acceptable answer or recommendation. There may be several, even for the same issue. The important thing is how you support your answer or recommendation.

For the most part, each case has a common set of learning objectives with the intent of developing problem-solving and critical thinking skills and professional judgement. The common learning objectives are as follows:

- To develop an ability to identify and assume an assigned role
- To identify and rank the importance of explicit issues

- To understand the importance of hidden (undirected) issues that arise from a detailed analysis
- To identify accounting issues (GAAP compliance issues), assess their implications, generate alternatives, and provide recommendations within the bounds of GAAP to meet the client's needs
- To understand how accounting standards affect financial measures (ratios, covenants, etc.)
- To prepare a coherent report and integrated analysis that meets specific user needs

In addition to the above noted learning objectives, each case will have its own additional learning objectives that are based on the specific technical accounting issues in the case.

The Purpose of This Casebook—Students and Instructors

The purpose of this casebook is to use cases to

- develop problem-solving skills, critical thinking abilities, and professional judgement;
- promote an understanding of the decision usefulness approach to accounting.

Accordingly, all of the cases require the student to understand the implications of financial reporting decisions on the users of the financial statements. A thorough user analysis is required for each case.

For the instructor

The casebook provides a wide variety of cases that can be used in several classroom settings. Some cases are short and focus on a few issues. These cases are well suited to be used as in-class discussion tools. Other cases are longer, more complicated, and deal with several issues. These cases are more suited to be used as assignments or exams.

What's new in this edition? All of the cases have been updated to reflect the most recent changes to the *Chartered Professional Accountants of Canada (CPA Canada) Handbook.* New cases have been added in each of the sections. A new section has been added with cases that provide integration across multiple competencies. Each case comes with a detailed solution and some case solutions have marking guides using an assessment opportunity approach.

New for this edition are cases that are financial accounting based with the additional added opportunity to be used to develop an audit plan. Cases with audit planning memos are designated in the casebook with an icon at the top of the case This will provide further flexibility in choosing cases for your classroom.

For the student

The cases allow you to assume a wide variety of roles and place you in different settings. Common reporting objectives, such as a focus on the debt to equity ratio, management bonuses, and purchase price calculations, are coupled with less common reporting objectives, such as government grant applications, debt versus equity investment decisions, and assessments of the creditworthiness of a company. Why is this important? As professionals, you will be faced with daily issues and decision-making. While it is not possible to provide you with this practice in actual situations, these cases will enable you to go beyond the numbers and integrate the quantitative applications you learn in your textbooks with the qualitative issues that ultimately occur in management decision-making.

Ultimately, the goal of this casebook is to enhance the learning in introductory, intermediate, and advanced accounting courses by exposing the students to situations that cannot be addressed in standard financial accounting textbooks.

Conclusion

This chapter presents the case for cases by introducing the purpose of and need for case analysis. Before attempting to analyze a case, students are encouraged to read the following three chapters. Chapter 2 provides a summary of the case framework approach. Chapter 3 provides a sample case and Chapter 4 discusses the critical aspect of debriefing.