INTRODUCING SUSTAINABILITY REPORTING INTO THE FINANCIAL ACCOUNTING CURRICULUM

Schlesinger, Warren
Ithaca College

Libby, Patricia
Ithaca College

Geiszler, Matthew
Ithaca College

ABSTRACT
Sustainability reporting or corporate responsibility reporting is a fact of life for the vast majority of major American corporations. According to the 2011 KPMG Report on Corporate Responsibility Reporting, 95% of the world's 250 largest corporations now report on their corporate social activities. All of the Big Four international accounting firms, PwC, KPMG, E&Y, and Deloitte, offer services in the area of sustainability and corporate responsibility reporting. Where in the core business school curriculum should corporate responsibility reporting be introduced? This paper will describe two efforts the School of Business at Ithaca College made to introduce corporate sustainability reporting in its introductory financial accounting classes.

INTRODUCING SUSTAINABILITY INTO THE FINANCIAL ACCOUNTING CURRICULUM

The first effort in 2011 can only be described as an abject failure. But failure is a great motivator and great training for moving up the learning curve. This paper will describe the effort made to introduce sustainability reporting in the 2011 introductory financial accounting course, how it was assessed, and why it was evaluated as having failed. The paper will then describe the lessons learned and the very different 2012 effort to introduce corporate social responsibility reporting. The 2011 effort used a traditional evening lecture format in a large auditorium setting with faculty and student presenters whereas the 2012 effort focused on active learning using a case study. The 2012 model required each faculty member to take responsibility for covering the topic in his or her own classes, for students to do outside readings, and students were required to work together in groups to analyze and present their findings from a corporate responsibility reporting case.

The paper reports how the fall 2012 effort to cover corporate responsibility reporting in the financial accounting classes was assessed and the results of that assessment. Suggestions will be offered on how other schools might incorporate this approach into their financial accounting classes.

2011 EFFORT
The mission statement for the School of Business at Ithaca College states in part:

> Our degree programs align theory with practice within the global and ethical decision-making context necessary to foster sustainable enterprises.

In order to live up to the mission statement, the school has been exploring a number of ways to incorporate sustainability into the curriculum. It is currently introduced in the required introductory survey course, World of Business, but coverage lasts for only a week. The topic is briefly addressed as well in the junior level applied ethics course, the operations management class and to some extent in the capstone strategic management class. In an effort to incorporate sustainability throughout the curriculum, the faculty's sustainability committee recommended in 2011 that each department develop a plan for developing a module to be taught in at least one of the core courses that each department teaches. The accounting department chose to develop a module that would be taught to students in all financial accounting sections.

The 2011 sustainability module was developed by accounting students in Beta Alpha Psi honor society under the supervision of one faculty member. These students then delivered the module in a large lecture format during the evening to all of the students in the six sections of financial accounting. The initial presentation focused on the history of the Global Reporting Initiative, the content of a sustainability report according to GRI standards, and an a brief overview of one company's sustainability report (GE). Students were then given an assignment to review one of two company's sustainability reports, to answer some questions about those reports (see Appendix A) and to be prepared to discuss those reports at the next meeting one week hence. In addition, students were tested on the material presented in the two lectures on a subsequent exam in their financial accounting classes. The test questions included asking the students whether they thought the sustainability module should be offered to students again next year.

The effort to incorporate a sustainability module into the financial accounting curriculum using student presentations during two extra evening presentations did not work. Table one shows that on questions addressing the content contained in GRI reports the best students did on any one question resulted in less than half the students getting the question right. This very basic question asked if the GRI standards were mandatory or voluntary. On the most difficult question comparing GRI standards and GAAP (Generally Accepted Accounting Principles), only 19% scored the correct answer which is only slightly better than one would expect from random answers. On the evaluative question as to whether the sustainability module should be offered again next year 26% of respondents disagreed and an additional 30% strongly disagreed. In total, only 17% agreed (14%) or strongly agreed (3%) that the sustainability module should be offered again.

The 2011 effort to incorporate sustainability issues into the accounting curriculum clearly did not further the mission of the school. Students did not learn very much and felt strongly that the effort to incorporate sustainability into the accounting curriculum should not continue.

2012 EFFORT
The School of Business faculty sustainability committee wanted a second effort made to incorporate sustainability into the curriculum in the financial accounting class (as well as other classes in the core curriculum). The sustainability curriculum for financial accounting was completely redrawn. The accounting faculty teaching the core financial accounting sections all agreed that they would cover the topic during a regularly scheduled class time (not in an extra

night class) and that each of us would deliver the material rather than relying on student presenters. However, in order to maximize student participation we agreed to use a common case prepared by Ernst and Young, "TBL Technology Considers Sustainability Reporting" (E&Y 2011).

The case challenges students to explore sustainability issues by asking students to decide whether a company (TBL Technology) should issue a sustainability report. Students examine the question from a variety of perspectives (CEO, CFO, Chief Sustainability Officer and the Audit committee chair). The case guides the students through the issues by asking students to answer ten questions related to the case. Students were divided up into groups of four students and were required to prepare a written report as well as to be prepared to discuss the case in class. Prior to the case being assigned, students were encouraged to read a number of online sustainability articles including Six Growing Trends in Corporate Sustainability produced by E&Y (E&Y 2012). In addition, in a class prior to the case discussion, each faculty member led a discussion about corporate sustainability reporting using a common set of power point slides.

The learning objectives for this sustainability reporting assignment were developed by the faculty teaching the course and were as follows:

1. Increase your awareness of Global Reporting Initiative (GRI) reporting standards for sustainability reports.

2. Identify information normally contained in a sustainability report that follows GRI standards.

3. Explain the perceived value to a firm of issuing a sustainability report.

Results for 2012 were significantly improved from 2011. The comparative results in Table 1 show that students did significantly better in scoring on questions related to content as well as in evaluating whether the effort to incorporate sustainability into the financial accounting curriculum should continue. On the most basic question asking if the GRI standards were mandatory or voluntary 73% of the students got the question correct compared to 47% in 2011. On the most difficult question comparing GRI standards and GAAP (Generally Accepted Accounting Principles), 30% of the students got the question correct. While this is not a satisfactory result and it shows improvement is needed, only 19% answered the question correctly in 2011. On the evaluative question as to whether the sustainability module should be offered again next year 50% either agreed or strongly agreed with 33% neutral. This was very different from 2011 when only 17% thought the sustainability presentation and assignments should be offered again.

CONCLUSION

Many business schools are making great strides in incorporating sustainability issues into their curriculum. "According to the most recent Beyond Grey Pinstripes survey, a biennial ranking of business schools' social and environmental leadership sponsored by WRI and the Aspen Institute, 54 percent of participating institutions now require a course in ethics, corporate social responsibility, sustainability, or business and society, up from 45 percent in 2003." Some, such as the Bainbridge Graduate Institute have built their entire MBA with a sustainability focus. What is needed for a well-rounded education, however, is for all disciplines within the business curriculum to incorporate sustainability issues into their curriculum. We have learned that using a case study to explore sustainability reporting issues in a financial accounting class is much more successful than a traditional lecture format.

TABLE ONE

I. The Sustainability Module should be offered again next year in financial accounting classes.

	2012	**2011**
Strongly Agree	17%	3%
Agree	33%	13%
Neutral	33%	28%
Disagree	12%	26%
Strongly Disagree	5%	30%
Total	100%	100%

II. Content Questions % correct (see below for questions)

Question	2012	2011
1. GRI Framework	73%	47%
2. GRI Ratings	60%	25%
3. GRI and GAAP Standards	19%	30%

1. The Global Reporting Initiative (GRI) framework for sustainability reporting
   a. is the required standard for sustainability reporting according to the Financial Accounting Standards Board (FASB).
   b. is the required standard for sustainability reporting according to the Securities& Exchange Commission (SEC).
   c. is only required for those companies using International Financial Reporting Standards (IFRS).
   d. is a voluntary set of standards companies may choose to follow in preparing a sustainability report.

2. Under the GRI framework
   a. All sustainability reports must be audited by an independent accounting firm or other independent organization.
   b. Companies whose reports are audited automatically receive an A rating for their sustainability reports.
   c. Companies whose reports are audited automatically receive an increase in their rating for their sustainability reports from an A, B or C rating to an A+, B+ or C+ rating.
   d. The GRI framework does <u>not</u> address the issue as to whether a sustainability report should be audited.

3. Which of the following principles, guidelines or constraints apply or are discussed in both sustainability reporting under the GRI and under GAAP (Generally Accepted Accounting Principles).
   a. Matching
   b. Materiality
   c. Revenue Recognition
   d. Balance

REFERENCES

E&Y (2011) *TBL Technology Considers Sustainability Reporting*, http://www.ey.com/Publication/vwLUAssets/CCaSS_case_study_first_time_sustainability_reporting/$FILE/CCaSS_case_study_first_time_sustainability_reporting.pdf

E&Y (2012) *Six Growing Trends in Corporate Sustainability*, http://www.ey.com/US/en/Services/Specialty-Services/Climate-Change-and-Sustainability-Services/Six-growing-trends-in-corporate-sustainability_overview

World Watch Institute (2012) *"Sustainability" is Growing Theme of Business Schools*, http://www.worldwatch.org/node/4687