

# Peggy Bishop Lane on Why Accounting Is the Language of Business

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*Peggy Bishop Lane is the vice dean of the Wharton MBA program for executives and a Wharton adjunct professor of accounting. She sat down with KWHS summer intern Marisa DePuyt, a junior at Wissahickon High School in Ambler, Pa., to discuss the accounting profession, a career that DePuyt hopes to pursue. More than a math whiz, DePuyt better also be a skilled puzzle solver.*

*An edited version of the interview follows.*

**Knowledge@Wharton High School:** Today, I'm speaking with Peggy Bishop Lane, a Wharton professor of accounting. Dr. Lane, thank you for joining us.

**Peggy Bishop Lane:** My pleasure.

**KWHS:** The accounting profession means different things to different people. What is accounting, and what does a job in the accounting field entail? Are all accountants number crunchers?

**Lane:** Accounting involves verifying the numbers and the transactions behind the numbers that the firm is reporting about its performance. As a result, you don't really have to be a number cruncher, because you're not doing a lot of math, but you probably need to be comfortable with numbers and be interested in the messages and the information that they provide.

**KWHS:** Have you ever worked in the accounting field? If so, what was your on-the-job experience like, and what was your favorite part?

**Lane:** I've never worked in accounting per se; I've never been an accountant. In my job out of college, I was a banker and a credit analyst, and I used a lot of financial statements in that job to understand my customer's performance. What I realized at the time was how important it was for me to have understood the accounting behind those numbers. That's where my love of accounting comes from. It comes from trying to understand [the numbers] and use them, as opposed to being an accountant.

**KWHS:** How is accounting essential to business?

**Lane:** Well, accounting is the language of business. It's how businesses communicate about what they're doing to their investors and to their creditors and to anybody interested in the performance of the firm. And so, if you want to understand anything about business or communicate about business, you have to understand accounting, because it is the language.

**KWHS:** If you earn a college degree in accounting, what career paths might you follow? Is it a particularly safe profession for job seekers?

**Lane:** If you're going to study accounting, then one obvious career path is to be an accountant. That means working in one of the big four accounting firms [PwC, Deloitte, Ernst & Young and KPMG] or even in a smaller, national firm or regional accounting firm, as an accountant in the audit function, [which is] verifying numbers and transactions. In addition to working for an accounting firm, you can also think about firms that use accounting information. As someone

who's trained in accounting, you understand financial statements really well. You might be able to go into a career that's finance-focused — maybe into the banking industry or into the internal finance function of a company. So, [it's not just about] being the accountant, but being the person who uses that information. There are a couple of ways that you can go with an accounting degree.

Safe — I don't know if that's necessarily the word I would use to describe it, but I would say there is a lot of demand out there for accountants, and so, from that angle, it makes it safer to pursue [that career] because there's more of an opportunity to be employed when you're done studying. That's a really nice part of the profession. It also gives you a great grounding in business, in general. You'll see as an accountant how a lot of different kinds of businesses work. You'll be exposed to those different industries and different functions, and that might open you up to exploring those even later on in your career.

**KWHS:** In what ways has the accounting industry changed and grown? How is that influenced by technological advances?

**Lane:** Accounting has been a very interesting field to watch over the last 10 or 20 years. It has changed because of a lot of scandals that we've seen in the business world [like the Enron scandal revealed in October 2001]. Because [accounting] is about verifying performance, when you see companies that have tried to hide something about their performance through their accounting, it evokes a change in how accounting is done. We actually see more of an emphasis on understanding what firms do internally to ensure that the information that they're generating is correct and is really reflective of what they're doing. We call [these checkpoints] "internal controls." There's been a new focus on not just evaluating the transactions, but even more so, evaluating what the firm does internally to make sure that the information they're giving the auditors and the accountants is correct. Of course, technology [and] the use of computers have made the verification process different, faster [and] smoother, which has also changed the way that we do some things.

**KWHS:** What is something surprising or unexpected that most people don't know about the field of accounting?

**Lane:** I've got a tactical answer, and I've got more of a big-picture answer for you. From a tactical perspective, I don't think everyone is aware that there's a minimum number of hours required by state — so it can vary by state — in order to be considered a CPA, a Certified Public Accountant. Those numbers of hours could actually require a person to get a master's degree [in accounting]. So, you can't necessarily just go and be a CPA with your bachelor's degree in accounting. You usually have to go on and study a little bit more. Obviously, that takes some time, but what's good about it from the business world perspective, is that you know you're getting really well-trained people [who] have all the knowledge they need in accounting.

[Also], because [accountants are] verifying the numbers and putting their reputations on the line, it's really important to have high integrity in the accounting profession. You would hope that you have that in all business, but for accountants, it's so essential to what they're doing. If you don't feel that the firm has integrity and high ethical standards, then how can you trust what they're saying when they're verifying something? So, making sure that your personal integrity is there and making sure that the people you're working with in your accounting firm also have high integrity [are] important to the success of any accountant in any firm.

**KWHS:** What advice would you give a high school student considering becoming an accountant?

**Lane:** My advice would be to make sure that you really enjoy a puzzle, because that's what the accounting verification audit process is about. As I said, it's not just number crunching; it's not really about math; it's about making sure that all the pieces of the financial picture fit together. If you're the kind of person who likes to solve a puzzle, then you will potentially love to be in the accounting field. Another piece of advice that I would give is as you're studying in

business, make sure that you're studying and paying attention to more than just accounting, because to understand the context of the business is just as important as understanding how you actually account for it. So, make sure that you are aware of the economics behind the business, the finance of the company. Or if it's a company that is in a particular industry [that manufactures] a product, even knowing something about engineering or science will be useful. The other thing you have to do as an accountant is communicate your findings. Being a good writer is important. Don't be very narrow [in your studies]. Make sure that you're a well-rounded person who pays attention to all aspects of a company.

## Questions

What does Peggy Bishop Lane mean when she says, "Accounting is the language of business?"

Why is it not enough to understand math and numbers in order to be a successful accountant? What other skills are valuable?

Read about Enron or another high-profile accounting scandal. How did the company behave unethically, and what did this scandal mean for the accounting profession?

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