

The Regulation of Accounting Education in Malaysia: Professionalisation of Academia and Academisation of the Profession?

Hashanah Ismail*, Mazlina Mustapha, Badriyah Minai

Department of Accounting and Finance, Universiti Putra Malaysia, 43400 Serdang, Selangor, Malaysia

*Corresponding author: hashanah@upm.edu.my

Abstract

This paper attempts to conceptualize the relationship between academia and the sole regulating body for accountants in Malaysia, the Malaysian Institute of Accountants, in the supply chain of accounting graduates from local universities to the society of the accounting profession (Chartered Accountants) in Malaysia. There are many routes to becoming an accountant in Malaysia and the Accountants Act 1967 recognizes that only graduates from MIA accredited Accounting degree programs of Malaysian universities can become members of the Malaysian Institute of Accountants without having to acquire any other professional qualifications. This study will trace the quality assurance put in place by the university and the profession to ensure that the graduates do have the requisite skills to join the profession. Over the years other universities started offering accounting programs as well within the framework of the particular university's philosophy and mission making each university a "brand" name. The proliferation of higher institutions offering accounting programs has prompted the Ministry of Higher Education to initiate the "Way Forward" think tank (comprising members of the profession and academic representatives) to deliberate on standardization of curriculum contents and delivery process at institutions of higher learning. The results: *Halatuju 1 (Way forward 1) 2001-2005, Way forward 2:2007-2013 and forthcoming: Way forward 3*. The process of standardization and benchmarking has seen an increasingly prominent role of the profession in setting the scope of academic content, at times bordering on coercion to implement set ways of delivery of content. Has increasing regulation of accounting programmes at universities produced the desired outcome?

Keywords: Undergraduate accounting education; Malaysian Institute of Accountants; regulation; professionalisation

© 2014 Penerbit UTM Press. All rights reserved

1.0 INTRODUCTION

A key ingredient to sustain Malaysia's economic development and support our country's aim to achieve high income status by 2020 is a robust pipeline of highly skilled professionals including accountants. The Economic Transformation Plan (ETP) has identified 12 National Key Economic Areas one of which is business services. Within business services the accountancy sector has been identified as a business opportunity. In order to capitalize on this opportunity, Malaysia must increase the quality of its accountants. The ETP has proposed that the current road to being an accountant be reviewed whereby it is not sufficient for future accountants to have a degree only but must also possess a professional qualifications as well. The proposal from the government to increase the quality of accountants as a national agenda has put the state as the highest level regulator for accounting education in Malaysia and the proposed reform to require additional professional qualification implies that the current "degree in accounting only qualification" is not sufficient for future accountants to deliver the desired level of service quality as envisioned in the ETP.

Regulations can be a significant quality control device (Tower, 1991) and regulations for accounting education at the undergraduate level can take many forms: internal self control by the institutions offering the programme or externally imposed or a combination of both. Regulation is an output of processes akin to political activity (Fogarty *et al.*, 1994). The regulation of accounting at the undergraduate level in Malaysia is of interest to many stakeholders not just the institutions of higher learning but includes the government as represented by the Ministry of Education as well as the Ministry of Finance, the future employers especially the big four audit firms and of course the sole regulatory body for the accounting profession in Malaysia, the Malaysian Institute of Accountants (MIA). Prior studies on professionalization of accountancy have focused on countries such as those in the West e.g. Willmott (1986), Puxty *et al.* (1987), Chua and Poullas (1993) and Seal *et al.* (1996) whilst Hao (1999) examined the experience of China. Given the paucity of literature on recent developments in the professionalization of accountancy in Malaysia coupled with the importance placed on producing quality accountants in the country, it is timely to examine the quality assurance in the delivery of undergraduate accounting education in Malaysia and the involvement of the profession in the delivery process. There are many roads to becoming an accountant in Malaysia but the critical point in the journey is to be able and eligible to register with MIA as a Chartered Accountant before one can call oneself as an accountant. The Accountants Act 1967 specifies the defining moment in Section 14(1) (a) of the Act. For one to be eligible one has to have the recognized qualifications as specified in the First Schedule of the Act. For university graduates their degree must be in the approved list failing which graduates cannot register and thus can never use the title of "Accountant". The act of recognition elevates the value of the degree and such holders need not pursue or possess any additional professional qualifications to register as an accountant. As the sole registering body the

MIA can accredit or withdraw recognition of such degrees if the quality is found wanting. It behooves all accounting degree programme providers therefore to ensure that their programmes are always up to the mark in the eyes of MIA. The power of recognizing a degree bestowed to MIA has given MIA a coercive power in undergraduate accounting education offered by institutions of higher learning in Malaysia. MIA participates in many facets of the delivery process. In the early years there were no formal standard benchmark of minimum standards and the involvement of MIA were ad hoc limited to being invited on occasions such as board of studies, guest lecturer. However as many more universities outside the approved list of the Accountants Act started offering accounting programmes, the need for accreditation prompted MIA to relook at quality controls holistically including direct involvement up front in the whole curriculum development and delivery of the accounting education programme by universities, a regulatory space which has long been the purview of universities only. How has the increasing involvement of the profession into the business of academia affected the delivery of undergraduate accounting education? It is the objective of this paper to trace the extent and nature of professionalization of academia and whether academia is able to reciprocate *quid pro quo* to the profession by enhancing/academising the profession at the same pace and depth as the way the profession has done. The rest of the paper is as follows: the next section presents the analytical framework and overview followed by a discussion on the increasing regulation of the accounting education space. The implications are discussed and the paper concludes.

■ 2.0 ANALYTICAL FRAMEWORK AND OVERVIEW

Professionalisation is used to describe the extent of involvement of the MIA in the delivery of the undergraduate accounting programmes at the university from curriculum design to final accreditation. In the Accountants Act 1967 only three Universities obtained recognition from MIA for their accounting programmes: Universiti of Malaya, Universiti Kebangsaan Malaysia and the Advanced Diploma in Accountancy from Institut Teknologi MARA. The rest of the aspiring accountants in the country then had to pursue the alternative routes of qualifying via sitting for the examinations of the eleven recognized associations as listed in Part II of the First Schedule of the Act. Data for this paper is based on various reports; documentations on university due process of curriculum development and quality control, conference proceedings, quality assurance standards from the profession locally as well as internationally, press reports and specific Acts relating to the accounting profession in Malaysia. Academisation is taken to mean the reverse flow of influence and involvement by academia to the profession. Data is examined using a study of events (historical analysis) following Susela (1996) and the theoretical framework underpinning the discussion of results is based on the regulatory framework of Puxty *et al* (1987) whereby the regulation of accounting education is seen as a product of regulations involving three entities: the state, market and the community. This theory has been used to explain regulation changes over time following Hao (1999, Susela (1996).

■ 3.0 RESULTS AND DISCUSSION

The regulations that have evolved in relation to undergraduate accounting education from the late 1980's till 2013 are summarized in the Table 1. The matrix identifies chronologically the series of events which resulted in new regulations affecting undergraduate accounting education, the source or driver of the regulations, the stakeholders involved and the field or scope of regulation. The regulations come from diverse sources, nationally, internationally and domestic (as in within the institutions themselves).

Regulations take many forms but the mother of all regulations vis-a-vis accounting education at the undergraduate level in Malaysia is the Accountants Act 1967 and amended in 2001. The Act empowers MIA as the sole regulatory body under the Accountant General's office, Ministry of Finance to regulate the profession. From the start therefore regulation is a joint relationship between two legal regulators: the government and the profession. An accountant is born only when registered with MIA. Whilst it is not an examining body MIA recognizes accounting degrees offered by Malaysian universities through the process of accreditation and the relevant universities have to apply for accreditation. To date no degree which has been accredited had their accreditation withdrawn. The due process of accreditation subsequently requires MIA to appoint a task force and inevitably the majority of the task force members are drawn from academia. MIA selects and appoints academia. The task force reports to the Education Committee but MIA at its Education Committee level deliberates on the findings and recommends accreditation approved or not to Council. The motion for approval will have to be tabled at the Annual General Meeting of MIA where the crucial decision is then decided by a show of hands by voting members. Academia can apply to be Associate members of MIA under the revised Accountant Act 2001 but have no voting rights and cannot therefore partake in the voting. Hence whilst MIA has the controlling power, academia can only influence MIA in the matters relating to accounting education by way of representation in the Education Committee and an appointed representation as a Council member. The representative from academia also requires the approval of the Minister of Higher Education.

The involvement of academia and MIA became more participative and manifested in three think tanks. The results: three **Halatuju** reports. The think tanks were initiated by the Ministry of Higher Education although the third report was moved by MIA whilst the earlier two were initiated by the Ministry of Higher Education. The curriculum had to show compliance with the education standards issued by IFAC as well as the Malaysian Qualification Framework of the Ministry's Quality Assurance Division. Halatuju 2 explicitly states that one of its objectives is to "increase the role of MIA" and academia must establish close cooperation with the accounting profession.

Table 1 Regulations and regulators of undergraduate accounting education 1967-2013

Year	Regulation	Regulator	Scope	Effect on Undergraduate Accounting Education
1967, 1972	Accountants Act (Act 62), Act 94	MIA	The profession	Only 3 universities recognised
2001	Act further amended	MIA	The profession	More universities recognized. Academia invited to apply as Associate member. Academia representation
2001	Halatuju 1	MIA	Curriculum Review and standardised	Direct input upfront, influencing university's policy
2006	Halatuju 2	MIA	As above	Greater standardization. Benchmark of accreditation
2006	Action Plan of the National Higher Education Strategy	Ministry	To produce high quality manpower	Review of skills
2006	4 Universities selected as RU	Ministry of Education	Focus of RU universities more on research and post graduate	Priority could lead to less emphasis on teaching
2010	ETP Road Map	Ministry	Accounting opportunity	Need to elevate skills of graduates
2012	AACSB accredited program for UPM	External Body	External benchmarking for quality	Not acknowledged by MIA as extra quality
2012	World bank country Report	External body	Identifies weakness	Need more qualifications
2013	Committee to strengthen the Accountancy Profession	Ministry of Finance	Yet to report	Anticipate need for professional qualifications
2013	Halatuju 3	Jointly	Yet to be implemented	MIA wants framework based financial reporting
2013	MIA President to see Minister of Higher Education –too many universities offering Accounting education	Ministry	Outcome not told	Less universities offering undergraduate programmes. Requirement to have professional qualifications Universities at risk

From the chronology of events it is the government which has brought in the regulator into academia and in the regulatory framework of Puxty *et al.* (1987) we see that three modes of regulation source: the state as personified by MIA, the community (academia) and the market (employees). The three elements in turn produces different regulation structure on academia for the business of delivering quality undergraduate education: MIA plays the role of the “state”, the “community” being academia and the “market” being the graduates and the employers whether private or public. The Halatuju 2 Report (Kementerian Pendidikan Tinggi Malaysia, 2006), documented the deliberations of the Reassessment Committee set up by the Ministry of Higher Education (MOHE). It had its remit as to raise the quality of undergraduate accounting education at least to the level desired by the International Federation of Accountants (IFAC) as per its International Education Standards 1-8, compliance with Quality Standards for public universities in Malaysia as set by the Quality Assurance division of MOHE and to raise the effectiveness of teaching and learning. Five comprehensive recommendations became mandatory from curriculum design and content to linkages and cooperation with industry and MIA, human resource and enhancement of intellectual capital, monitoring and to induce more inflow of practitioners to academia.

With the elevation of 4 universities to Research University status in 2006, the focus of academia may be realigned towards publishing rather than teaching. However research publications by academia have been found to be skewed to academic discourse rather than contributing to skill enhancement of students and also far removed from meeting the needs of practitioners (Dandago and Nor Azlina, 2013). If the quality of soft skills and practical knowledge of accounting graduates do not meet market requirements, then one of the objectives of Halatuju 2 is not met.

■4.0 CONCLUSION

This paper examines the historical development of undergraduate accounting education in Malaysia where the domain of accounting education is looked at as a space whose boundary has been demarcated by various stakeholders. Over the years the delivery or supply chain of accountants has seen an increasing number of institutions of higher learning offering a degree in accountancy and a greater direct involvement on the part of the sole regulatory body of the profession in Malaysia, the Malaysian Institute of Accountants (MIA) as well as professional bodies offering examination based professional qualifications as an added value qualification to an accounting degree. The concern for quality of accounting education has not abated and remains a priority more so when it is also embedded in the government's agenda for business transformation plan of the nation so that Malaysia can produce first class human capital. So while there is commonality in the interest of quality, the role of the universities as the main delivery agent of future accountants are now sandwiched between meeting the demand of the profession to deliver more technical content in the curriculum with that of research emphasis of research status universities to publish as a priority over teaching. Both forces coerce the university, in particular academicians, to comply

with two conflicting demands. Will the momentum to professionalise academia be stronger than the will to academise the profession? This is an agenda which academia should consider and actively pursue in order to sustain their relevance.

References

- Accountants Act, 1967 (Act 94), as at 10th May 1988. International Law Book Services, Kuala Lumpur.
- Chua, W. F. & Poullaos, C. (1993). Rethinking the Profession-State Dynamic: the Case of the Victorian Charter Attempt. *Accounting, Organisation and Society*, 691–728.
- Dandago, K. I. & Nor Azlina, S. (2013). Effects of Focus on Accounting Research on the Quality of Accounting Education in Malaysian Universities. *Asian Economic and Financial Review*, 1371–1385.
- Hao, Z. P. (1999). Regulation and Organization of Accountants in China. *Accounting, Auditing and Accountability Journal*, 286–302.
- Fogarty, T. J., Hussain, M. E. & Ketz, J. E. (1994). Political Aspects of Financial Accounting Standards Setting in the USA. *Accounting, Auditing and Accountability Journal*, 24–46.
- Kementerian Pendidikan Tinggi Malaysia. (2006). *Hala Tuju 2. Laporan Penilaian Semula Program Perakaunan Institusi Pengajian Tinggi Awam Malaysia*. Pusat Penerbitan Universiti (UPENA), UiTM, Shah Alam.
- Puxty, A. G., Willmott, H., Cooper, D. J. & Lowe, T. I. (1987). Modes of Regulation in Advanced Capitalism: Locating Accounting in 4 Countries. *Accounting, Organisation and Society*, 273–291.
- Seal, W., Sucher, P. & Zelenka, I. (1996). Post-socialist Transition and the Development of an Accountancy Profession in the Czech Republic. *Critical Perspectives on Accounting*, 485–508.
- Susela, S. D. (1996). Case of the Malaysian MICPA. Paper accessed at: <http://www/victoria.ac.nz/sac1/6ahic>. Accessed on 1 June 2014.
- The Star. (2013). Action Plan for Accountancy, 6 May 2013. 1.
- (2013). More Accountants needed says MIA Chief, 17 September, 2013. 1.
- Tower, G. D. (1991). *Accounting Regulation as an Instrument of Public Accountability: A Case Study of New Zealand*. Ph.D Thesis submitted to Massey University, New Zealand.