

COMPLIANCE LEVEL OF INTERNATIONAL EDUCATION STANDARDS (IES) 2 AMONG THE PROFESSIONAL ACCOUNTANTS BODIES

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Abstract

This study has taken one of the benchmarking methodology from Global Accounting Education 2012 study using IESs compliance as a global benchmark for the reason that IESs are widely-accepted as benchmarks for accounting education. A content analysis approach was utilized to conduct this study. It is known as an unobtrusive research method. It has been adopted by various disciplines such as social sciences, communications, psychology, political science, history, and language studies. First, the study has identified the documents, texts, and related resources on IESs compliance by member bodies. Second, the dimensions of the mandatory standards indicated in bold letters in the IESs are identified to construct data checklist using the pre-determined categories. The final process is to determine the measurement of the dimensions of the mandatory standards as represented by the pre-determined categories. Finding of the present study shows that the incomplete compliance of IES 2 no 3 is not only among the developing countries but also in developed countries. Further investigation on IES 2 compliance in this study shows that in some cases, member bodies do provide one or two courses as part of accounting professional education.

Keywords: Standards Compliance, International Education Standards, Developing Countries

Introduction

Accusations on accountants in many corporate scandals cross cutting the corporate business community for the accounting malpractices and mismanagement of earnings. People generally put the blame on the lack of good education is the root of these situations. With that, it has initiated the International Accounting Education Standards Board (IAESB) of the International

Federation of Accountants (IFAC) to develop the International Education Standards (IESs) for Professional Accountants in addressing the need for greater consistency and best practices in the accounting education process beginning November 2001. The fundamental objective of the IAESB and the rationale of IES establishment are to 'serve the public interest by the world-wide advancement of education and development for professional accountants leading to harmonized standards.' Primarily, the introduction of IESs is to improve the quality of accounting education process in producing potential ethical competent accountants. It is hoped that this effort will increase public confidence and trust toward the accounting profession after it has been tarnished by several accounting tragedies through the pro-active participation of the accounting education process.

For the purpose of liberalization and globalization, IFAC mandates for convergence with the international standards through the IFAC Statement of Membership Obligations (SMOs) to all member bodies worldwide, which include IESs as an attempt to reduce international differences among countries and to increase global mobility among people around the world.

Likewise, the worldwide IESs convergence was officially effective in January 2005 where all IFAC member bodies around the world are required to comply with the pre-qualifications standards represented by IES 1 to 6, whilst the post-qualifications standards represented by IES 7 was effective in January 2006, and IES 8 was effective in July 2008 (Pincus, Saville, & McPeak, 2008). IESs compliant behaviour is thus expected from IFAC member bodies to ensure potential accountants are competent and ethical in exercising their professional competence and due care while upholding professional responsibilities in the name of public interest. Hence, IES compliance will literally not only achieve the objectives of introducing IESs but also the primary objectives of IAESB and IFAC.

IFAC in its IESs has set forth several education and training requirements to ensure that professional accountants and auditors fulfil at least the minimum qualification requirements to be able to serve the public with their professional accounting services. Therefore complying with IES 1 – 6 is specifically stated in the Statement of Membership Obligations (SMOs 2) for all IFAC members. IESs are regularly revised for more clarity and understanding in serving as a useful benchmark for assessing entry requirements into the accounting profession (UNCTAD, 1998, 2008).

However, to date, there has been limited progress in the accounting education harmonization efforts though with existing harmonized IESs for intended qualification requirements. Little is known about the extent of IESs compliance in jurisdictions where the use of IESs is mandatory thus subject to monitoring and enforcement strategies. Therefore the development and implementation of the IESs is a high stake issue for all accounting professionals and academics (McPeak, Pincus & Sundem, 2012). Research about accounting professionalism has become too far removed from the interests of the profession and practitioners (Tilt, 2010), thus studies that concern the accounting education standards and research on the level of IESs compliance are quite scanty (Sugahara & Wilson, 2013).

Most compliance studies have been in settings where the use of IESs is voluntary or not subject to national enforcement. In addition, to date, most IESs compliance studies were employing an interview method in gathering compliance data on a single country and or a couple of countries which do not reflect worldwide IESs compliance. However, this study is focused on

IES 2 compliance level by IFAC member bodies of developed and developing countries. IES 2 is referring to Content of Professional Accounting Education Programs which consist the requirement needed before an accountant is appointed. Among others, students are required to undergo at least two years full-time study in a degree in accounting, or a professional qualification to gain the knowledge in (1) accounting, finance and other related knowledge (financial accounting and reporting; management accounting and control; taxation; business and commercial law; audit and assurance; finance and financial management; and professional values and ethics), (2) organizational and business knowledge (economics; business environment; corporate governance; business ethics; financial markets; quantitative methods; organizational behavior; management and strategic decision making; marketing; and international business and globalization), and (3) information technology knowledge and competences (general knowledge of IT; IT control knowledge, IT control competences; IT user competences; and roles of manager, evaluator or designer of information systems). This investigation over the IES 2 compliance is vital in outlining proper recommendations to all authorized parties in ensuring proper implementation, training, monitoring, and enforcement exercises in shaping the global accounting education agenda and action plan.

Methodology

This study has taken one of the benchmarking methodology from Global Accounting Education 2012 study using IESs compliance as a global benchmark (Karreman, 2013; Karreman & Needles, 2013) for the reason that IESs are widely-accepted as benchmarks for accounting education (UNCTAD, 1998, 2008; Wilson, 2014). Thus the following discussions illustrated the methodology employed and the approach used for analysis to answer the research questions.

Research Design

A content analysis approach was utilized to conduct this study. It is known as an unobtrusive research method. It has been adopted by various disciplines such as social sciences, communications, psychology, political science, history, and language studies. More so, it has also been used broadly to understand a wide range of themes such as social change, cultural symbols, changing trends in the theoretical content of different disciplines (Prasad, 2008).

In guiding the content analysis processes, Krippendorff (1980) and Neuendorf (2002) have proposed three (3) basic processes that is embodied in this IESs compliance study.

First, the study has identified the documents, texts, and related resources on IESs compliance by member bodies. Documents and texts from IFAC's Member Body Compliance Program which are readily available on <http://www.ifac.org/ComplianceAssessment/published.php> are chosen to analyze the content. Meanwhile, the time frame of the compliance assessment reports of member bodies is taken during the IFAC's Member Body Compliance Program continuous exercise from 2005 to 2015 due to various response and submission dates by member bodies in fulfilling the required compliance self-assessment by IFAC. For extended data, the related resources on IESs compliance are available from the websites of the member bodies and partnering institutions when data from the compliance program needed more clarifications on the extent of IESs compliance.

Second, the dimensions of the mandatory standards indicated in bold letters in the IESs are identified to construct data checklist using the pre-determined categories (Bryman, 2008) based on the mandatory bold statements in the respective IESs.

The final process is to determine the measurement of the dimensions of the mandatory standards as represented by the pre-determined categories. Past studies using content analysis have demonstrated three (3) different method of measurement, namely: words (Zeghal & Ahmed, 1990; Deegan & Gardon, 1996), sentences (Hackston & Milne, 1996; Tsang, 1998), and pages (Gray, Kouhy, & Lavers, 1995; Gray, Javad, Power, & Sinclair, 2001). However, there are arguments on the use of words in content analysis, as individual words do not convey any meaning without sentence to provide the context (Milne & Adler, 1999). Whilst the use of proportions of pages for content analysis is said as having the element of subjectivity due to differences in font size, margin and graphics and the differences between one report to another (Hackston & Milne, 1996). Therefore, sentence or phrase measurement is used in this study with less issue of judgement (Unerman, 2000) to observe for the extent of IESs compliance by IFAC member bodies.

In order to get more information regarding the compliance effort, the websites of the member bodies as well as partnering institutions such as universities, polytechnics and other higher institutions of learning were visited.

Result

	Level of Compliance for IES 2			
	Compliant member bodies	Percentage (%)	Noncompliant member bodies	Percentage (%)
Developed Countries (N= 52)	22	42	30	58
Developing Countries (N= 127)	56	44	71	56

Based as the table above, this study indicates that compliance to IES 2 is low. The result shows that only 22 (42%) of the member bodies in the developed countries and 56 (44%) member bodies in the developing countries comply with IES 2. This explains the fact that the majority of the IFAC member bodies have not complied with the IES2. However, member bodies in India fall under those that have complied. The result shows that both Indian member bodies disclose a comprehensive coverage of accounting topics compared to the other member bodies and that trainees have to take many exams over the three stages. It can be seen that the compulsory elements include financial accounting and reporting, management accounting, auditing, tax and law. Financial accounting and reporting is the most common compulsory topic. Economics and quantitative methods are not very common, but these topics may be subsumed into other courses. The result of this study reveals that the majority (more than 50%) of the IFAC member bodies in developed and developing countries have not complied with IES2 specifically the mandatory requirement 3, which requires member bodies to include information technology knowledge and competence. This is parallel with findings by Aleqab, Nurunnabi and Adel (2015) who concluded moderate level of compliance to the development of accounting information system in the Jordanian accounting education system. They highlighted the factors that contributed to moderate

compliance to the information technology curricular among Jordan professional accounting bodies members are due to lack of Arabic textbook, unqualified staff, lack of training, computer laboratories, support from the faculties and finance. However, Jordan is a developing country.

Finding of the present study shows that the incomplete compliance of IES 2 no 3 is not only among the developing countries but also in developed countries. This result may be due to the limited influence or legitimacy of IAESB as the standard setter for professional accountancy education across the globe and their roles in monitoring and enforcement of compliance as mentioned by Crawford et al. (2014). Another possible reason may be due to lack of qualified educators in information technology.

In contrast to these findings, AlMotairy and Stainbank (2014) who found full compliance with IES 2 in Saudi Arabia member bodies. However, it is important to note that AlMotairy and Stainbank studied only the compliance level of IES 2 in Saudi Arabia as developing country, while this study looks at the compliance level among member bodies in both developed and developing. Thus, the conclusion made by comparing the results of this study with AlMotairy and Stainbank has to be made cautiously. Further investigation on IES 2 compliance in this study shows that in some cases, member bodies do provide one or two courses as part of accounting professional education. Normally, the questionnaire would ask for the reason for not offering such courses. Some of the member bodies claimed that they have made a proposal to the government regulatory agency but it is not yet approved. In addition, some member bodies do not directly offer the accounting professional education, but through partnering institutions such as universities or other IFAC member bodies.

Likewise, another possible reason may be due to the level of IT development in the host countries. For example, Kyrgyzstan Union of Accountants and Auditors (KUAA) do not offer IT courses and when asked for the reason, it stated:

“As information technologies are not highly developed in our country and computers are not commonly used, the UAA defines the level of IT knowledge at user's level which is enough for accountancy profession” (Kyrgyzstan Compliance Form, Part 2, p. 9)

Other possible reasons that may affect the level of compliance of IES 2 is the support from all related stakeholders in the compliance effort; in this case, the universities as the education provider; as provided by AlMotairy and Stainbank (2014). They concluded that all policy makers and stakeholders involved in ensuring that Saudi Arabia has the capacity to produce high-quality corporate reports need to be engaged in ensuring that the education programs meet as a minimum the IES requirements. Thus pointing to Aleqab, Nurunnabi and Adel (2015) on the need for faculty support to ensure compliance with IES 2 in an accounting education system.

Conclusion

This study was conducted to examine global IES 2 compliance level, identify the non-compliance IESs by member bodies and discuss the possible reasons for compliant or partially-compliant behaviour among IFAC member bodies in developed and developing countries. The content analysis approach was used in which the documents and texts provided in Part 2 and Part 3 of the IFAC's compliance responses and action plans were analysed. In instances, official

websites of the concerned member bodies, concerned institutions were also visited to elicit the relevant information with regards to IES 2. Self-reporting of IESs compliance by member bodies and researchers' interpretation are the limitations of this study since there may be biases element when reporting the extent of IESs compliance. Another limitation is the language used by member bodies on their websites has limited access to the data required for this study.

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