Informing the International Accounting Education Standards Board: A Summary of IAAER/ACCA Research Projects

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The International Accounting Education Standards Board (IAESB) sets global standards for accounting education and development. Created as an independent body by the International Federation of Accountants (IFAC) in 2003, the IAESB issued its first standard in 2005 and has produced a total of eight standards to date. Currently, its standards are being revised to be consistent with the *Framework for International Education Standards for Professional Accountants* issued by the IAESB in 2009.

To help the IAESB establish and maintain a conceptual and empirical basis for its standards, the International Association for Accounting Education and Research (IAAER), with funding from Association of Chartered Certified Accountants (ACCA), issued a call for proposals in 2008 to select research projects for funding.

The Call considered research directed at developing theory and evidence to inform the IAESB's standard-setting agenda. Funded projects were intended to address items identified in IAESB's work plans or other items of importance to the setting of International Education Standards (IESs). Research projects with international relevance were particularly encouraged, as were those with a multi-disciplinary approach.

Research on education standard-setting is one way accounting academics can help the IAESB meet its goal of "establishing and promoting adherence to high-quality professional standards." A second round of IAAER/ACCA research projects is just beginning. Complete papers for the four projects summarized below are available on the IAAER website at www.iaaer.org/research/2010_IAESB.htm.

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The Four Research Projects

From the 29 proposals submitted, four were selected for funding. The selected research teams presented their results to the IAESB and educators at a Research Forum held in conjunction with the World Congress of Accounting Educators and Researchers, which was held in Singapore in November 2010.

Following are summaries of the four selected research projects. The full research papers can be found on the IAAER website.

Continuing Professional Development in the Asia-Pacific Region

Title:	***Access to CPD Opportunities and Resources to Assist Professional Accountants to Meet Their Life Long Learning: Evidence from the Asia-Pacific Region.***
Authors:	Paul De Lange, Beverley Jackling, and Themin Suwardy

Overview

This research study investigated accounting practitioners' perceptions of the effectiveness of the delivery of Continuing Professional Development (CPD) in the Asia-Pacific Region. This study also addressed issues relating to International Education Standard (IES) 7, "Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence" and focused on the effectiveness of different CPD activities in developed and emerging market economies. It identifies ways of improving access, relevance, and delivery of CPD.

Differences between CPD perceptions in developed and emerging economies were a major focus of this study. An analysis of differences between Australian and Chinese respondents indicated that a greater proportion of respondents from Australia (a developed economy) were satisfied with the quality and appropriateness of their CPD experiences, compared with Chinese respondents (from an emerging economy).

Major challenges for CPD activity in the Asia-Pacific Region included cost of CPD activities, location of the CPD activity, and flexibility in choice of CPD activities.

Research

Data were obtained from two primary sources: 1) practitioner interviews/focus groups, and 2) a larger sample of self report questionnaires. A total of 1,310 responses were received from members of Professional Accountancy Organizations (PAOs) across the Asia-Pacific region. More than two-thirds of the respondents reported completing at least 25 hours of CPD during the previous 12 months, which is in line with guidance in IES 7. In most cases, the respondents chose their own CPD activities, such as self-directed learning and attending conferences / workshops, which were primarily directed at their personal developmental needs and current work needs. Forty percent of the respondents reported that less than half of the cost of their CPD activities was funded by their organization or employer.

The respondents agreed with IES 7 that CPD activities are relevant to their professional development and professional standing in the community, allowing them to maintain and improve their technical knowledge and professional skills. To a lesser extent, a majority also rated their CPD activities as high quality, a good value in relation to cost, and that it enhanced their employability and marketability. CPD is also seen as a way to demonstrate to the community that professional accountants are keeping up to date with knowledge.

Input (as measured by hours) is still the primary CPD measurement model, but respondents suggested that different types of CPD activities be

awarded different hours. The use of input hour as a measurement for fulfillment of CPD requirements is also a pragmatic approach because respondents find it easy to keep track of their CPD activities using this measure.

As many professional accountancy organizations embrace technology in their delivery of CPD activities, there was evidence that online CPD activities are overall effective and expected to grow in the future. Respondents were generally supportive of online CPD activities but were of the view that, although they increase access to CPD, online CPD at present does not offer a broad range of CPD activities.

Findings and Recommendations

Overall, the study found that CPD activities were generally viewed from a compliance perspective by accountants, as well as a means of obtaining relevant technical updates. Although online activities were viewed as useful, respondents recognized the importance of interaction and informal knowledge acquisition obtained from face-to-face learning environments. The research provides insights for IFAC members and its associates in terms of various aspects of CPD linked to delivery methods that enhance the quality of learning outcomes. Recommendations to the IAESB and professional accountancy organizations include:

1. A one-size-fits-all approach to CPD is inappropriate; member PAOs should consider offering CPD activities aimed at staff at different levels within an organization.

2. Greater resources need to be dedicated to address the regional differences in CPD activities. It is clear from this study that satisfaction with CPD experiences is less for professional accountants in developing economies than for those in developed economies.

3. The focus of CPD activities needs to shift from a compliance mentality to more fully embracing the ethos of life-long learning and adopting a professional development approach to CPD. This requires making available CPD activities that stimulate debate of current issues facing the profession, as well as the development of a more sophisticated multi-tiered CPD approach across the roles and levels of organizational responsibility of accounting professionals.

Further information relating to this research study can be obtained by consulting the final report, *Access to CPD Opportunities and Resources to Assist Professional Accountants to Meet Their Life Long Learning: Evidence from the Asia-Pacific Region*.

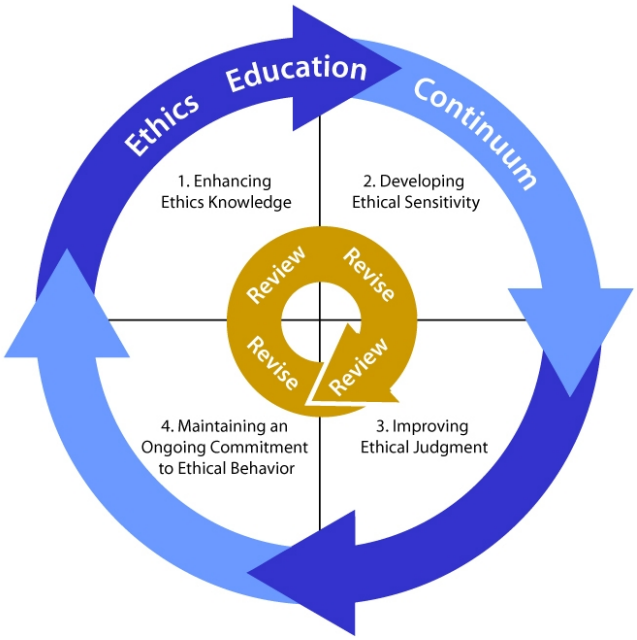
Ethics Education and Training

Title:	***Does Education and Training in Ethics Affect the Ethical Awareness of Practicing Accountants?***
Authors:	Paul Ervin L. Black, F. Greg Burton, Salvador Ruiz-de-Chavez, Sam Hardy, Lee H. Radebaugh, Edson Luiz Riccio, and Kevin D. Stocks

Overview

This research study examined the usefulness of professional ethics training on three stages of ethical development: Moral Motivation, Moral Reasoning, and Ethical Intention. This study also examined: 1) whether professional ethics training makes a difference in an accounting professional's ethical motivation, reasoning, and intention, and 2) whether factors such as culture and demographic factors affect the usefulness of ethics training. The four stages of the Ethics Education Continuum (EEC) of International Education Practice Statement 1, *Approaches To Developing And Maintaining Professional Values, Ethics, And Attitudes (October 2007)*, was the basis for analysis:

Stage 1—Enhancing Ethics Knowledge
Stage 2—Developing Ethical Sensitivity
Stage 3—Improving Ethical Judgment
Stage 4—Maintaining an Ongoing Commitment to Ethical Behavior



The Ethics Education Continuum. Source: IAESB

The empirical analysis investigates whether ethics training changes moral motivation, moral reasoning, and ethical intention, which essentially paralleled stages 2, 3, and 4 of the EEC.

Research

The research team sent out questionnaires to 105,000 individuals. While 3,143 subjects responded, there were only 1,692 usable responses, for a response rate under 2.0%. Of the usable responses, 14.0% were from Africa, 39.5% from Anglo countries, 9.7% from Confucian countries, 8.8% from Eastern Europe, 10.3% from the Middle East, and 9.0% from Southeast Asia.

Each subject answered questions about previous ethics training and whether they had completed an ethics module as part of the certification/qualifying process and when, if applicable, the ethics module was completed. In the sample, 38.0% had a professional ethics course as part of their accounting certification/chartering process, 76.0% had ethics training in some other way, and 38.0% had ethics training within the last 18 months.

Each subject also received a cultural dimension score on each of five characteristics: 1) Power Distance–the extent to which the less powerful members of an organization, institution, or family accept and expect that power is distributed unevenly; 2) Individualism/Collectivism–the extent to which individuals are expected to look after themselves and their immediate family versus being part of a society where individuals are integrated into strong, cohesive in-groups, often extended families; 3) Masculinity/Femininity–the focus on assertive and competitive roles versus modest and caring roles; 4) Uncertainty avoidance–extent to which persons are uncomfortable with unstructured situations and are more comfortable with strict laws and rules; and 5) Confucian Dynamism–long-term orientation versus short-term orientation.

Finally, the subjects completed research instruments that provided seven different dependent variables measuring various aspects of their moral motivation, reasoning, and intention. All of the instruments were developed and tested elsewhere in the ethics literature.

Findings and Recommendations

Results on moral motivation measures indicate that, on average, participants who are from African countries, have an accounting degree, are older, and are audit-qualified are more likely to be morally motivated. Further, professional ethics training has more of an impact in Middle Eastern countries than it does elsewhere, and professional ethics training leads to higher levels of moral motivation in low-masculinity cultures than in high-masculinity cultures. Finally, the older a participant is, the more helpful professional ethics training is in increasing moral motivation.

There are no significant correlations between professional ethics training and any moral reasoning measures. Subjects who had other ethics training, are from Anglo countries, have higher masculinity and individualism scores, are older, and are more educated score higher on moral reasoning. There is some evidence that professional ethics training is not as beneficial or is not as long-lasting for those who are audit qualified. In addition, a higher level

of education combined with professional ethics training increases moral reasoning, as does recent ethics training combined with professional ethics training.

Professional ethics training is linked to higher ethical intentions for those who recently had ethics training. This helps to confirm the recency effect found for moral reasoning measures. Subjects that are from Anglo countries, have higher masculinity and individualism scores, are older, and are employed in an accounting job also score higher on ethical intention measures. In addition, professional ethics training is associated with higher ethical intentions for those from non-Anglo countries. This result indicates that professional ethics training could be more beneficial for participants from non-Anglo countries than for those from Anglo countries.

In summary, the research results indicated that professional ethics training does have an influence on practicing accountants, although it is not large. The effect depends on the subjects' cultural background, other ethics training, and demographic factors. Another important finding is that the more recent professional ethics training is associated with higher moral reasoning and ethical intentions scores, although the influence of this training fades with time. Standard-setting bodies should recognize the importance of recent ethics training as they set standards providing for continuing professional ethics training.

Those who are involved in ethics standards-setting and ethics training should also be aware that the effectiveness of ethics education and training varies depending on the ethical development stage and is affected by cultural factors as well as demographic factors, such as gender, education levels, age, and religiosity as well as the culture and demographics of the individuals receiving the training. The effects of training may likely have different outcomes depending on these factors.

Further information relating to this research study can be obtained by consulting the final report, *Does Education and Training in Ethics Affect the Ethical Awareness of Practicing Accountants*.

Non-Technical Skills

Title:	***Searching for Good Practice in the Development and Assessment of Non-Technical Skills in Accountancy Trainees – A Global Study.***
Authors:	Elizabeth Gammie, Erica Cargill, and Susan Hamilton

Overview

This research study explored good practice in the development and assessment of non-technical skills. A review of the educational literature highlights the importance of non-technical skills to the battery of competencies that a qualified professional accountant must display. This study does not provide a global overview of accountancy education practice within this area, and an overall analysis of the questionnaire responses has not been provided. It does, however, provide several examples of good practice across various components of the educational process, against which professional accountancy organizations can compare their practices with a view to making any improvements where required for the development and assessment of non-technical skills.

Research

The research team used questionnaire responses from 18 Professional Accounting Organizations (PAOs) to review educational practices and to assess them in relation to the educational literature. The data provided in the questionnaire responses provided a platform from which further investigation could be undertaken. This was done via a review of additional material provided by way of an addendum to the completed questionnaires, reviewing relevant educational documents on

PAOs' websites as directed by questionnaire respondents, and seeking additional clarification and detail by way of email as necessary. The results of the searching for good practice review are provided by way of themes.

Findings and Recommendations

While requirements to become a qualified accountant differ across jurisdictions, three strands of educational development were found to be common: university education, professional education, and work experience. Each has a role to play in developing the technical and non-technical skills of a newly qualified accountant.

PAOs set requirements for admission for individual members, so these organizations must specify the capabilities required and the level at which each must be met. Each PAO develops its own individual framework to address the capabilities required of a qualified accountant with their membership. The logical extension to this is for PAOs to develop a framework that specifies the level of technical and non-technical skill development required within each strand of educational development. Universities and other education and development providers can then use these frameworks for curriculum development, and the organizations can evaluate such programs against the framework to ensure that graduates are competent at the requisite level for each identified skill.

Assessment is essential to the educational process, driving both teaching and learning. If non-technical skills are not adequately assessed, they will be marginalized—students will concentrate on the skills that determine success in the assessment. The best PAOs and education providers assess non-technical skills prior to the final admitting examination in order to maximize the potential for developing these skills throughout the training period. The assessment should also mirror the real life environments of newly qualified accountants. Therefore, PAOs should design their assessment scenarios around a real-world, multidisciplinary context and permit candidates to use word processing and spreadsheet packages in the design of their solutions.

PAOs agree that workplace experience is also an integral part of becoming a qualified accountant. However, for this learning to be effective, the skills developed during the work experience need to be assessed; otherwise students will not pay sufficient attention to this aspect of their development. To avoid some of the criticisms leveled at work-based assessment, the best PAOs use an evidence-based narrative approach to base assessment of a candidate's competence on either documentation or observation. A good assessment instrument, which could be web-based for ease of completion, incorporates different levels of achievement to encourage students to chart their development and address any shortfalls in their performance as they progress through their training contract. This approach helps persuade students to reflect on their performance and hence develop their reflective capacity, which is deemed a fundamental tool for continually improving professional competence. Finally, to increase the inter-reliability of assessors, PAOs should provide formal assessor training and sufficient guidance for both parties in the assessment process.

Further information relating to this research study can be obtained by consulting the final report, *Searching for Good Practice in the Development and Assessment of Non-Technical Skills in Accountancy Trainees – A Global Study*.

IES 2, 3, and 4 Compliance

Title:	***IES Compliance and the Knowledge, Skills and Values of IESs 2, 3, and 4.***
Authors:	Louise Crawford, Christine Helliar, Elizabeth Monk, Maria Mina, Claudio Teodori, Monica Veneziani, Simeon Wanyama, and Khalid Falgi

Overview

This research study was undertaken to inform the IAESB on: 1) the context within which IFAC members endeavor to meet their IFAC membership obligations; 2) the extent to which the knowledge, skills and values of International Education Standards (IES) 2, 3, and 4 have been incorporated into accounting programs in different countries; 3) the teaching methods used in the training of accountants; and 4) who has responsibility for teaching IES 2, 3, and 4.

Research

The research was based upon a review of IFAC's Compliance Program documentation and professional body websites for 21 professional Professional Accountancy Organizations (PAOs) in 12 countries. The second part of the study examined how IES 2, 3, and 4 are embedded into the curriculum in various countries. It also examined whether there are any differences in focus among the three IESs in the method of teaching, and where the knowledge, skills, and attitudes are being learned. A questionnaire survey was drafted in English for academics and professional firms. These two surveys were piloted, and once finalized, the questionnaires were given to Italian, Spanish, Arabic, and Russian speakers for translation.

Findings and Recommendations

Examination of IFAC compliance questionnaires showed a lack of consistency, quality, quantity, and rigor of responses to the IFAC Compliance Program questionnaires. In addition, the websites of the PAOs often provide little detail about their training programs. Finally, every PAO appears to have exceptions to the recommended IES requirements. This made it hard for the research team to compare compliance with IESs across different PAOs.

<u>Entry into a program of professional training</u>

The membership rules for each of the 21 PAOs surveyed, including requirements for entry into a professional accounting program, are set by either the professional body (12) or the government (9). Of those who set their own requirements, 10 of them require an undergraduate degree, of which three stipulate an accounting-relevant degree. Two require only a secondary education.

Seven of the nine PAOs operating where the state regulates professional accountancy education require only secondary education as a minimum entry requirement, and two require a university degree in an accounting or economic field. In the Latin American countries reviewed, a university accounting degree comprises the entire Initial Professional Development (IPD) for entry to membership. All other PAOs require further professional examinations and practical experience before being eligible for membership.

<u>Knowledge, skills, ethics, values and attitudes</u>

All PAOs in the study require education in financial accounting and reporting, management accounting, auditing, tax, and law. A few also include economics and quantitative methods. In all but two countries, the selected PAOs also require a period of formal and documented practical experience before admission. However, specific requirements vary enormously.

Specific topic requirements vary across the PAOs, and no consistent picture emerges. Eleven disclose that they include the development of the skills, values, ethics, and attitudes of IES 3 and 4 throughout their professional accountancy education programs and practical experience requirements. There are less than five PAOs that apparently do not require any ethics development or assessment.

<u>Assessment and access to membership</u>

Most PAOs have a uniform assessment throughout the world. Where professional bodies do not require a degree prior to taking qualifying exams, the candidates usually have longer and frequent exams. For eight PAOs the assessments are operated at least partly through the universities. Only two countries surveyed include a high-level final stage case study in their assessment, and two include scenario-based oral exams. Latin America is different, in that it relies on universities to both deliver and assess pre-qualification education.

In some countries, professional membership automatically allows members to practice as accountants, but in other jurisdictions members apply to the state/government for a license. There are also a few countries where anyone can call themselves a professional accountant without being a member of any professional body.

Academic questionnaire results

The study next examined how 142 academic accountants (111 of them from the UK) view the requirements of IES 2, 3, and 4. The most commonly taught professional knowledge topics are financial and management accounting, but the number of courses in each varies greatly. Some countries teach the entire range of topics, while others focus more on traditional accounting topics—with the less commonly taught topics being IT and international business and globalization. Academics believe that most professional knowledge is learned at universities, with PAOs and professional firms playing a lesser role. The professional knowledge topics are assessed more than professional skills or ethics.

The most commonly taught professional skills are intellectual skills and technical and functional skills. In contrast, organizational and business skills are not as commonly taught. There is much diversity in where these skills are learned, but in most countries it is either at university or in practical experience with professional firms, with an emphasis on the latter.

Traditional teaching methods, such as lectures and tutorials/workshops, are a frequently used form of teaching all topics, including professional skills and ethics, in the universities. Cases are also very popular, but there is little use of role play or simulations.

Professional firms' questionnaire results

The final part of the analysis examines responses from professional firms, comparing what they teach candidates to what universities teach. In contrast to university faculty, professional firms think that candidates learn knowledge, skills, and values more through accounting firms and PAOs, with an emphasis on the first. Thus there is a gap in the understanding of where these skills are actually learned. Professional firms and academics also teach different aspects of accounting knowledge. The firms focus on audit knowledge, financial accounting, and IT. Firms also emphasize skills more than do universities, and they focus on personal, interpersonal, and communication skills, while academics focus more on intellectual, technical, and functional skills. Both professional firms and academics teach professional values, ethics, and attitudes, especially professional behavior and personal skills that enhance such behavior, although professional firms place a greater emphasis on independence.

Further information relating to this research study can be obtained by consulting the final report, *IES Compliance and the Knowledge, Skills and Values of IESs 2, 3, and 4.*

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