

Accounting Education for the 21st Century

The Global Challenges



Edited by

Jane O. Burns
Texas Tech University

and

Belverd E. Needles, Jr.
DePaul University

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TABLE OF CONTENTS

Introduction	i
Global Views of the Needs and Future of Accounting Education	
The Changing Face of the Profession — Green Ink Fortified by Vintage Wine <i>Peter D. Agars</i>	1
Global Challenges for Accounting Education <i>Gerhard G. Mueller</i>	7
The Skills and Competencies of Accountants <i>Murray C. Wells</i>	19
Accounting Education in China and Russia	
Accounting Education in China <i>Barry J. Cooper, Tang Yun Wei, and Lynne Chow</i>	23
A Western Accountancy Programme for the People's Republic of China <i>Barry J. Cooper and Anthea L. Rose</i>	29
Accounting Practices and Education in Russia and Other Republics of the C.I.S. <i>Adolf J. H. Enthoven and Jaroslav V. Sokolov</i>	35
Accounting Education in Russia (Existing Approaches and Changes) <i>Valery V. Kovalev and Jaroslav V. Sokolov</i>	42
Recent Developments in Accounting Education in Russia <i>Lorraine T. Ruffing</i>	45
Reform of Economic Systems and University Accounting Education in China <i>Yu Xu-ying</i>	51

Accounting Education in Developing Countries

Developments in Indonesian Accountancy <i>Katjep K. Abdoelkadir and Hadori Yunus</i>	59
Accounting Education in the Perspective of Economic Development in India: In Retrospect and Prospect <i>Bhabatosh Banerjee</i>	73
The Impact of Accounting Education on Economic Development in the Caribbean <i>Robertine A. Chaderton</i>	81
Accounting, Development, and the IFAC Guidelines <i>G. D. Donleavy</i>	92
Future Problems and Challenges of Accounting Education in Small States <i>Charles A. Francalanza</i>	102
Action and Results Oriented Research and Consultancy Approach to Third World Accounting Education and Professional Development <i>J. B. Ato Gharthey</i>	109
A Comparison of Accounting Education Systems in Australia, the United States of America, and the People's Republic of China <i>Yi-fen (Grace) Hu and John A. Marts</i>	117
Aligning Accounting Education and Training to the Skills Needs in Developing Nations: The Case of SADCC <i>Shabani Ndzingo</i>	126
Enhancing Accounting Education in Developing Countries: The Case of Iran <i>Adel M. Novin and Ali Saghafi</i>	134
Accounting Education Development in Papua, New Guinea <i>Fabian Pok</i>	138
Needs of Accounting Education in Developing Countries: An African Case Study <i>R. S. Olusegun Wallace and Maurice Pendlebury</i>	149

Accounting Education in Developed Countries

An Accounting Education Program for the 21st Century: A Canadian Experiment <i>Z. Jun Lin and Al Hunter</i>	162
Cross-Cultural Influences on Audit Quality: A Comparison of Pacific Rim, European, and North American Audits <i>James C. Lampe and Steve G. Sutton</i>	170
Customizing the Education Needs of Accounting Professionals: Two Australian Case Studies <i>Jillian C. Phillips, R. H. Keith Sloan, and John Dekkers</i>	179
An International Survey of Accounting Programs <i>Barbara Powell Reider and Donald N. Hester</i>	187
Implications for Proposed Changes in Accounting Education: The New Zealand Experience <i>Kenton B. Walker and Lawrence A. McClelland</i>	195
Australian Government Policy on Higher Education: Impact on Accounting Education <i>Joan D. Wells</i>	202
Strategies for Change in Accounting Education: The U.S. Experiment <i>Doyle Z. Williams</i>	207

Instructional Innovations in Accounting Education

Some Exploratory Applications of Suggestive Accelerative Learning and Teaching (SALT) in Accounting Education <i>Kwabena Anyane-Ntow</i>	213
Extraterrestrial Transport, Inc. (ET ²): An Out-of-this-World Instructional Innovation for Teaching Management Accounting <i>Cathleen S. Burns and Sherry K. Mills</i>	217
Teaching Abroad: How to Develop a Summer International Accounting Program <i>Michael F. Cornick</i>	224
Teaching "The Language of Business" as a Language: An Audio Approach to Elementary Accounting <i>Curtis L. DeBerg</i>	227
Experiential Learning Theory: An Application with Individualized Problems on Foreign Currency Restatement <i>Orapin Duangploy and Guy W. Owings</i>	238
Application of Technology in Accounting Instruction <i>Linda Garceau and Robert Bloom</i>	247
Expert System-Driven Accounting Education: A Summary of Empirical Findings on the Reduction of Professorial Control <i>Paul M. Goldwater and Timothy J. Fogarty</i>	253
Innovations in Accounting Education <i>John W. Hardy, Jay M. Smith, and Larry A. Deppe</i>	264
Designing, Writing, and Implementing Courses for an IT-Integrated Professional Accounting Program <i>David Harrison</i>	271
Open Learning for Accountancy Education <i>Michael G. Harvey, Anthea L. Rose, and Stephen Wellings</i>	284
Computing in Introductory Financial Accounting Courses: A U.K. Example <i>Ruth King and John Whittaker</i>	289
The Process of Academic Quality Improvement in the Accounting and Business School of the National Autonomous University of Mexico <i>Salvador Ruiz-de-Chávez and Alfonso Orozco</i>	299
Using BITNET for International Accounting Education: A Japan-U.S. Study <i>Ichiro Shiina, M. Susan Stiner, and Frederic M. Stiner, Jr.</i>	305
Accounting Internship: Expectations and Actual Experience <i>Susan Teo and Joanne Tay</i>	311
The Use of a Computer Competency Exam Requirement in Undergraduate Accounting Programs: The Experience of University of Hawaii <i>David C. Yang</i>	318
Using International Data Sources to Assess Audit Risk <i>Douglas E. Ziegenfuss</i>	323

Performance Evaluation in Accounting Education

UNT Accounting Change Program Evaluation: Empirical Examination of Baseline Competencies <i>Frieda A. Bayer, William A. Luker, Robert H. Michaelsen, and Neil Wilner</i>	329
Integrating Communication Skills into the Accounting Curriculum: Evaluating Writing Assignments <i>Edward A. Becker and Thomas G. MacLennan</i>	331
An Innovative Assessment Tool in the Accounting Curriculum: An Accounting Capstone Course Focusing on the Public Sector <i>Steven C. Dilley and Susan C. Kattelus</i>	336
Cognitive Complexity and Accounting Education <i>Robert L. Hurt</i>	346
Performance of Students in Introductory Accounting Courses: A Case Study <i>Can Simga Mugan and Gulnur Muradoglu Sengul</i>	353
Accounting Students' Performance Evaluation: Does the Examination Format Matter? <i>Mahmoud M. Nourayi</i>	359

Ethics and Professionalism in Accounting Education

Integrating Ethics into Financial Management Courses: A Role-Play Approach <i>Kate M. Brown</i>	370
Integration of Ethics into Tertiary Accounting Programmes in New Zealand and Australia <i>F. C. Chua, M. H. B. Perera, and M. R. Mathews</i>	375
Comparing Accountants' Perceptions Towards Marketing and Advertising in Hong Kong and Malaysia: A Preliminary Study <i>Thomas C. H. Wong, Oliver H. M. Yau, Abdul Latif Shaikh Mohamed Al-Murisi, and Abdul Aziz Abdul Latif</i>	386

International Accounting Standards

IASC and Globalization: Can the Problem of Noncompliance be Overcome? <i>Fouad K. AlNajjar</i>	395
Synchronizing International Accounting Standards through Expert Systems <i>Man C. Maloo and Motichand Maloo</i>	403
How are Accounting Standards Justified? An Anglo-American Perspective <i>Michael J. Mumford</i>	412
Disclosure Pattern of Japanese Firms and Internalization of Capital Transactions: Education Needs in the Changing Economy <i>Ellie Okada-Onitsuka</i>	419 ✓

Further Issues in Accounting Education

Accounting Education Changes for the Future <i>Dale Bandy</i>	427
Is Accountancy a Profession? Implications for Education <i>Tonya K. Flesher and Dale L. Flesher</i>	432
Vocational or Liberal? The Future of Accounting Education as an Analogy for the Higher Education Debate <i>Victor L. Honigberg</i>	437
The Direction of Accounting and Accounting Education: Raising Crucial Questions in Terms of an Integrated Framework <i>Hideyuki Kamiryo</i>	444
Multientry Multiexit Accounting Education <i>J. E. McLachlan and V. Wood</i>	452
Taxation of Foreign Scholars in the United States: A Barrier Hindering International Accounting Education <i>Cherie J. O'Neil and Joseph W. Antenucci</i>	459
The Search for a Better Accounting System: The Overlooked Concern <i>Martin Putterill, Roger Debreceeny, and Darien Kerkin</i>	465
Incorporating Practical Significance Results in Accounting Education Research: The Use of Effect Size Information <i>David E. Stout and Thomas L. Ruble</i>	473
Towards Understanding the Gap between Accounting Research and Practice <i>Siva Velayutham and Asheq Rahman</i>	478
Appendix: Seventh International Conference on Accounting Education Program	489

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Introduction

There is little disagreement that the world economy has entered an era of global interaction on a scale rarely experienced before. Financial markets in various parts of the world operate twenty-four hours a day as capital seeks involvement in this global economy. Countries that are still mostly agrarian are forming active stock markets. Trade agreements in the European Community and North America, the breakup of the former Soviet Union, the emergence of China as an economic power, and the commercial development of many countries in Southeast Asia and South America are just a few examples of the forces at work. After a long period of indifference, the importance of international accounting standards and international auditing standards to the free flow of capital throughout the world has resulted in heightened interest in the work of the International Accounting Standards Committee on international accounting standards and the International Federation of Accountants on international auditing standards. Within emerging countries, business enterprises must develop internal management controls that allow them to compete in a world market. Government units, consequently, must work with and regulate this growing market economy. The rapid, and sometimes startling, social, political, technological, and economic changes that are taking place in the world economy have led to increasing recognition of the key role that accounting and accountants in all countries play in the process of economic development. This recognition, in turn, emphasizes the need for quality accounting education.

The purpose of this publication, "Accounting Education for the Twenty-First Century: The Global Challenges," is to provide an up-to-date view of the state of accounting education throughout the world and to focus on the global challenges facing accounting education as we approach the Twenty-First Century. It consists of sixty-five papers that have been carefully edited and organized for the reader into the following nine parts:

- Part I: Global Views of the Needs and Future of Accounting Education
- Part II: Accounting Education in China and Russia
- Part III: Accounting Education in Developing Countries

- Part IV: Accounting Education in Developed Countries
- Part V: Instructional Innovations in Accounting Education
- Part VI: Performance Evaluation in Accounting Education
- Part VII: Ethics and Professionalism in Accounting Education
- Part VIII: International Accounting Standards
- Part IX: Further Issues in Accounting Education

This book contains the refereed and plenary papers presented at the Seventh International Conference on Accounting Education, which was held October 8-10, 1992 at the Marriott Crystal Gateway Hotel in Arlington, Virginia, USA. At this conference, 440 accounting educators and professionals from forty-eight countries came together to share their views on how accounting education in their countries and/or regions of the world are, or should be, addressing the changes taking place in the last decade of the Twentieth Century.

Papers submitted for the program were reviewed by the Seventh International Conference on Accounting Education Task Force, a committee of the International Accounting Section (IAS) of the American Accounting Association. Committee members, appointed by 1991-92 IAS President Juan Rivera, were:

- Jane O. Burns, Chair
Texas Tech University
- Abdel A. Agami
Old Dominion University
- Shirley Dennis-Escoffier
University of Miami (Florida)
- Michael A. Diamond
University of Southern California
- Thomas G. Evans
University of Central Florida
- Gary K. Meek
Oklahoma State University
- Walter F. O'Connor
Fordham University
- Lee H. Radebaugh
Brigham Young University
- James A. Schweikart
University of Richmond

Authors submitted their papers to the chair of the Task Force. The chair assigned the papers to

the committee members, based on their knowledge about the paper topics. Each committee member selected knowledgeable individuals to participate in the review process. All papers were subject to a blind review and were evaluated by two or more reviewers. Each committee member summarized the reviews for each paper for which he or she was responsible and forwarded a recommendation to the committee chair. Papers were accepted, based on these recommendations, by the committee chair.

The Arlington, Virginia USA (1992) conference represented by this publication was sanctioned by the International Association for Accounting Education and Research (IAAER) and hosted by the American Accounting Association (AAA). It honored a tradition of similar conferences that began thirty years ago in Urbana, Illinois, USA (1962), and that continued through conferences held in London (1967), Sydney (1972), Berlin (1977), Monterey (1982), and Kyoto (1987).

IAAER was the idea of Professor Seigo Nakajima and came into being in advance of the Kyoto conference. Professor Nakajima and his colleagues sought support for the Kyoto Conference from the international academic community. He proposed a small association with a wide geographical spread. Early in 1984, through a mail process of nomination and election, Paul Garner, Dean Emeritus of the University of Alabama (USA), was elected the inaugural President. Professor Nakajima then convened a meeting in Toronto, August 1984, at which Professor Garner was installed as President. At that meeting, a constitution was approved and John Brennan, University of Saskatchewan (Canada), was elected as the first Secretary/Treasurer. Four vice-presidents representing different geographical regions of the world were subsequently elected, again by a mail ballot conducted by Professor Brennan. The vice-presidents were Professors Edward Stamp (Europe), Vernon Zimmerman (North America), Murray Wells (Australia and the Pacific), and Seigo Nakajima (Asia).

The main function of the IAAER in 1984 was to sponsor the Sixth International Conference on Accounting Education. The presence of an international sponsoring body enabled the Conference Organizing Committee to obtain financial support for the Conference from the Japanese Science Council. The Conference was an outstanding success and afterwards the Organizing Committee was left with a surplus of \$10,000 US.

It would have been entirely proper for the Organizing Committee to have donated the \$10,000 to the Japan Accounting Association, which ac-

cepted the responsibility for the Conference. However, to the great credit of Kyojiro Someya, Seigo Nakajima, and the Japan Accounting Association, the funds were donated to the IAAER in order to provide seed funding for the Seventh International Conference. At that time, Professor Garner conducted an informal mail survey of the IAAER members and resolved to continue the Association with the following objectives:

1. The International Conference would be held every five years in conjunction with the World Congress of Accountants.
2. A central information source on conferences, seminars, and exchange opportunities for academic accountants would be provided.
3. The infrastructure for cooperation and the exchange of information between national academic accounting bodies would be provided.
4. Research and publications in international accounting would be sponsored.
5. The IAAER would act as the international representative and contact point for academic accountants, as required by such bodies as the United Nations, the International Federation of Accountants (IFAC), and other international agencies.
6. The IAAER would liaise closely with the IFAC on all matters relating to accounting education and research.

Following acceptance of the objectives listed above in Autumn 1988, Murray Wells was elected President and the Executive Committee was reconstituted. The new Committee consisted of Sidney Gray (V-P Europe), Belverd E. Needles, Jr. (V-P North America), Kyojiro Someya (V-P Asia), and Don Trow (V-P Pacific). Norlin Rueschhoff was elected Secretary/Treasurer and later became Editor of the newsletter "*Cosmos Accountancy Chronicle*."

The new Executive Committee arranged with Gerhard Mueller, President of the American Accounting Association, for the AAA to take responsibility for the Seventh International Conference. The AAA, in turn, appointed a Planning Committee with Belverd E. Needles, Jr. as its Chairman. More recently, the IAAER also resolved that the same format be followed in the future and asked the French Accounting Association to accept responsibility for the organization of the Conference in 1997 when the World Congress will be held in Paris.

The editors wish to acknowledge the planning committee of the Seventh International Conference on Accounting Education which consisted of:

- Belverd E. Needles, Jr., Chair
DePaul University
- Tom A. Gavin
University of Tennessee at Chattanooga
- Sidney J. Gray
Warwick Business School
- Morley W. Lemon
University of Waterloo
- William Markell
University of Delaware
- Seigo Nakajima
Ferris Jogakuin Women's College
- Walter F. O'Connor
Fordham University
- Norlin G. Rueschhoff
University of Notre Dame
- Murray C. Wells
University of Sydney
- Jane O. Burns, Chair, Paper Selection Committee
Texas Tech University
- Juan M. Rivera, Chair, International Accounting Section
University of Notre Dame
- André Zund, AAA Board Liaison
An Der Hochschule St. Gallen

Their help and encouragement is very much appreciated. We also want to thank Murray C. Wells for his assistance in providing information for the above history of the IAAER and JoNoel Lowe for her editorial services in preparing this manuscript for publication. We also want to thank staff members of the American Accounting Association, Beverly Harrelson, Assistant Publications Coordinator; Sara Laurie, Proofreader; and Laurie Rayburn, Publications Coordinator, for their fine work in editing, proofing, and producing this large and complex work. Finally, we appreciate the support of Paul Gerhardt, Executive Director of the American Accounting Association.

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Global Views of the Needs and Future of Accounting Education

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The Changing Face of the Profession — Green Ink Fortified by Vintage Wine

Peter D. Agars

INTRODUCTION

I am very honoured to address this distinguished Conference of accounting educators — a conference of people who mould the future of the profession.

The International Conference on Accounting Education and the International Federation of Accountants (IFAC) go back a long way — your conference has been held immediately prior to World Congresses of Accountants for 30 years. We have also had links between IFAC's Education Committee and educators through the work of some very dedicated people. But I believe that this has not been enough and that we need to look at a number of other avenues that we can use to collaborate in achieving our complementary goals.

A THEME : “GREEN INK FORTIFIED BY VINTAGE WINE”

In choosing a theme for this address I looked for something that builds upon the strong foundations of the profession (the green ink) and also reflects the progress and maturing of our international profession (the vintage wine). Your President, Professor Murray Wells, will also attest that as a South Australian, I have a natural interest in vintage wines.

The foundation of our profession's development — *the green ink phase* — provided a strong focus on roles that were the exclusive preserve of the accountant and only the accountant — for example, auditing. From this arose a set of values, ethics, and standards of technical services of which we are justifiably proud. We should never undervalue these strengths.

However, the world we serve and seek to influence has been changing rapidly, and some of our values and attitudes have not kept pace and are in need of change. For example:

- In many countries the public practice area was regarded as *the* profession. Traditional notions of independence could conceive of only a self-employed professional being truly independent — hence only the self-employed public practitioners could be thought of as professional accountants.

- The traditional audit dominance of the profession tended to shape the core of accounting education. Many saw audit as *the* heart of the profession, which every undergraduate should study.
- This tended to emphasise the profession's historical roles — such as analysing and attesting to past results rather than building on this analysis to help enterprises produce better future results.
- There was a strong focus on methods and techniques — the green ink pens — rather than on a broader education in concepts and processes.
- The tools of the profession were largely manual and transactional rather than electronic and analytical.
- Accounting for the young graduate was often more akin to the sweatshop of apprentices than the rigorous challenge of young professionals and their integration into the wider business enterprise environment.

If this traditional role of accounting is the *green ink*, what is the *vintage wine phase* of our development? It is a reflection of many changes that have already taken place and some yet to come.

- It reflects the maturing of our profession with
 - A recognition of professionalism across the broader spectrum of accounting — not only in public practice but also in commerce, industry, government, and education.
 - A recognition of the extensive common ground in technical concepts across all of these areas.
 - A profession that is truly global in its outlook and services.
- It reflects the mellowing of the traditional view of a profession that required a dominant technical preparation. Abilities to analyse and evaluate, to exercise judgment, to understand a broad range of economic, social, and ethical concepts and values and to communicate ef-

Peter D. Agars is Deputy President, The International Federation of Accountants.

fectively with a wide range of people have become equal in importance to the solid foundation of technical excellence.

- It reflects the long-term view that the vintage winemaker must subscribe to. It nurtures a strong commitment to the future needs of the profession, and the society it serves rather than a short-term response to the immediate pressures of the day. It recognises that the education programs of today must be designed to meet the needs of the accountant of the year 2000 — not the needs of yesterday or today.
- It also reflects a commitment to quality — the kind of quality we expect from the results of vintage planning, a quality that is driven by client or enterprise needs rather than by the whims of a profession.

THE RELEVANCE TO IFAC

How can IFAC contribute to this maturation and customer satisfaction process? The first part of the answer to this question is to give a brief overview of IFAC. The second part is IFAC's strategic plan, which I will come to shortly.

IFAC was formed in 1977 by the world's major national accountancy bodies. It was established as the peak international body for the profession with the overriding objective of developing and enhancing a coordinated worldwide profession with harmonised standards.

IFAC promulgates, through the work of its Council and various committees, a range of standards and other pronouncements on audit, education, ethics, financial and management accounting, public sector, and other professional matters. It also promotes the objects of the profession through a network of other international organisations, professions, regulators, and so on. In round terms, it represents some 110 national professional bodies covering one million accountants in 80 countries.

IFAC also supports the work of the International Accounting Standards Committee and the harmonisation of accounting standards, but IFAC does not control the program of IASC. However, both organisations share the same national accountancy bodies as constituents.

IFAC encourages and recognises four regional organisations (FEE, IAA, CAPA, and ECSAFA), which perform vital roles in the national and regional development of the profession.

During the first 15 years of IFAC's existence, it has achieved the majority of its initial objectives

— principally to build a robust and respected international framework for the profession, with a strong representation from all major regions of the world, and to develop and promulgate a set of core professional standards and pronouncements. IFAC is now poised to lead the second phase of development of the international profession — hence the release of the publication *Towards the 21st Century - Strategic Directions for the Accountancy Profession*.

STRATEGIC DIRECTIONS

The mission of IFAC has been restated as follows:

The International Federation of Accountants (IFAC) is the worldwide organisation for the accountancy profession. The mission of IFAC is the development and enhancement of the profession to enable it to provide services of consistently high quality in the public interest.

To achieve this, IFAC Council has adopted five objectives, namely:

- Enhance the standards and development of the profession by issuing technical and professional guidance and by promoting the adoption of IFAC and IASC pronouncements.
- Foster a strong and cohesive profession by providing leadership of emerging issues, coordinating with regional organisations and member bodies, and assisting them to achieve strategic objectives.
- Assist with the formation and development of national and regional organisations which serve the interests of accountants in public practice, commerce, industry, public sector, and education.
- Promote the profession's role, responsibilities, and achievements in advancing the interests of member bodies and in serving the public interest.
- Liaise with international organisations to influence the development of efficient capital markets and international trade in services.

Each objective is supported by a set of strategic directions and by a number of ongoing activities.

It would take more time than I have available to address these in detail. I would like to discuss just three major issues that are inherent in these objectives and will be strong influences on accounting education.

BROADENING THE BASE OF THE PROFESSION

The first of these areas is the broadening of the base of the profession. Whereas many professional accountancy bodies were established to serve the needs of the public practice arena of the profession, these now have a majority of members in commerce, industry, government, and education.

Figure 1 shows that in a sample of national professional bodies, public practitioners are generally below 50 percent of members. Indeed, less than 50 percent of the accountants represented by member bodies of IFAC are in public practice.

This is one of the key features of the changing face of the profession, and it has a dramatic impact on the education requirements of accountants. All accountants must have a strong core of education in accounting, economics, information technology, business law, social sciences, and quantitative methods to enable them to adapt to the changing business environment.

However, some areas such as auditing and taxation, which were once regarded as core subjects, are now more appropriately dealt with as specialist options at the fourth year or postgraduate level. Other specialist areas could include treasury, information technology, and management account-

ing. I am sure that we could have a long debate over what are the appropriate accounting specializations. Too often these are thought of in terms of where accountants practice their profession (e.g., the public sector) rather than in terms of the specialist body of technical knowledge required for a particular branch of accounting.

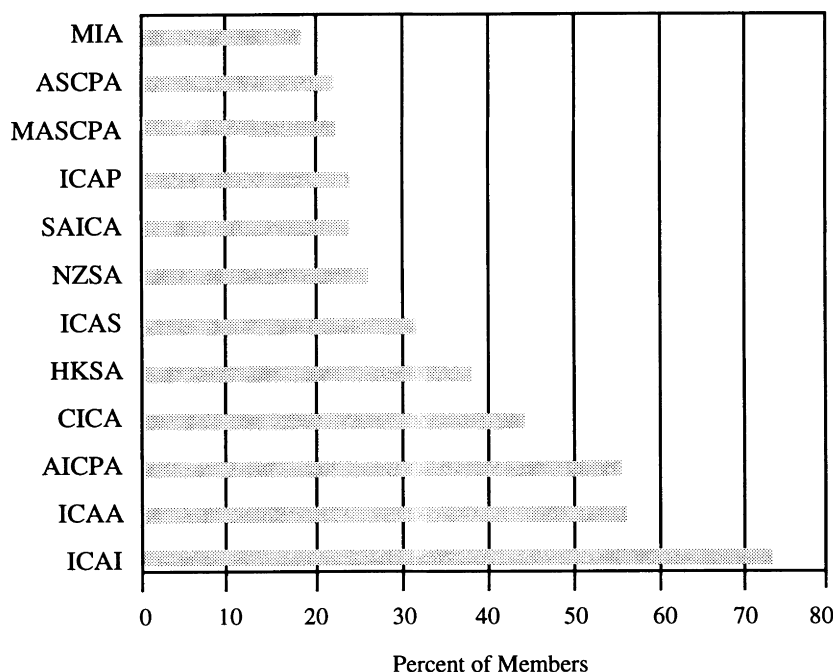
The concept that I am advocating here is not revolutionary. It has been put forward by many educators and is generally consistent with the 1986 report of the American Accounting Association Committee on the Future Structure, Content and Scope of Accounting Education (the Bedford Committee).

INFORMATION TECHNOLOGY

The second major issue is information technology. The complexity of corporate and governmental management; global competition; real-time commercial dealings with suppliers, financiers, and customers; and a demanding regulatory environment produce a dependence on information technology that was virtually nonexistent 20 years ago.

Information technology is having a profound impact on the role, knowledge, and skill needs of the accountant and the rapid pace of development will not abate. There is no area impacted more by this than accountancy education.

FIGURE 1
Members in Public Practice



The traditional response by many professional accountancy bodies and by IFAC has been to contemplate information technology mainly as a tool for use by accountants. Their focus has typically been on how to build information technology skills training into the undergraduate program and continuing education offerings.

Certainly information technology is presenting accountants with an array of new sophisticated tools for accounting functions but this line of thinking is rather limited.

Information technology is transforming the way organisations are structured, managed, and do business. Organisations of any substantial size need an information manager who can not only advise on the application of information technology to financial processing and reporting tasks but who can also

- Advise on the use of information technology to integrate financial and nonfinancial operating information.
- Use information technology for business analysis and business planning tasks.
- Advise on strategic investment in technology for internal and external purposes, such as linking with supplier and customer systems.

Functions of this nature are a logical extension of the professional accountant's role, both as the internal information manager and as the external adviser on these areas to clients. In an environment in which businesses are moving to open systems where they are not dependent on a single hardware brand, they often need independent external advice on the most cost-effective investment. Businesses should be able to turn to their professional accountant to evaluate the advice of the hardware and software vendors.

To enable it to evaluate the present and future impact of information technology on the accountant and the profession generally, IFAC Council commissioned a task force study, resourced by the Australian profession but advised by a panel of professionals from 11 countries. The task force has recently completed a report of exceptional quality and insight.

The report urges the profession to adopt a new vision for the role of the accountancy profession in relation to information technology.

The task force believes that

the accountant must become a skilled manager of the change process, must be able to determine the need for and form of strategic investment in information technology, and must be able to manage the associated risks. This contrasts heavily with

the image of the accountant as being backward looking, risk averse and slow to move.

The report suggests that business forces and information technology interact to provide a central technology application theme of connectivity. Technical connectivity will catalyse other forms of connectivity such as between

- Financial and nonfinancial information.
- Accounting and nonaccounting managers/departments.
- Clients and public accountants.
- Public practices and government/private institutions.
- Accounting systems with manufacturing systems incorporating robotics and process control.

The report discusses the impact of information technology on the various specialist functions and users. Among its 26 action recommendations are a number that impact on accountancy education. These relate to

- Expanding the definition of accountancy to encompass business information management and control.
- Defining, implementing, and monitoring the minimum levels of information technology competency required by accountants in various fields of practice.
- Creating specialist information technology programs and designations.
- Ensuring that accounting educators are able to maintain a knowledge of the "state of the art" of accounting business application by information technology.
- IFAC's taking a proactive role in research, information exchange, and other areas.
- IFAC's Education Committee working closely with member bodies, accounting educators, and other relevant parties.

The task force also concluded that the continuing professional education delivered by the professional accountancy bodies, as it relates to information technology, has at best been ad hoc and at worst nonexistent. In general, it has concentrated on skills acquisition in generic tools such as spreadsheets, not on broader management issues and specialist user requirements.

DEVELOPING NATIONS

The third major issue I would like to discuss is developing nations.

IFAC is often urged to do more to help advance the profession in developing nations, and this is an imperative under the strategic plan produced by IFAC.

In some countries, it is a matter of trying to assist in the founding of an accountancy profession as no structure or pool of professional skills currently exists. In some other countries still ravaged by civil unrest, it is almost impossible to ascertain whether any semblance of a profession even exists.

For these reasons, IFAC works mainly through regional organisations that understand local cultures and practices and have highly developed networks.

The solution to the problems of the profession in a developing nation and the way the solution is delivered may need to be quite different to what traditionally occurs in other countries.

To illustrate this point, developing nations often face serious problems in the management of their not-for-profit public institutions such as municipal corporations, hospitals, research centres, and universities. Many of these suffer from financial crisis, mismanagement, and a general lack of accounting and financial management skills. The proper functioning of these is fundamental to economic growth, but the free-market development of a local accountancy profession is likely to accord these institutions a low priority for the allocation of scarce accounting skills.

A plan for the development of a local accountancy profession may need to accord special attention to the education of accounting students in the specific requirements of not-for-profit public institutions as part of the prequalification education program. Otherwise the profession may not play a vital role in improving the economic performance of this crucial sector of a developing nation's economy.

IFAC has already produced technical and professional guidance that is of particular assistance

to developing nations, and it has sponsored and funded some specific projects. However, a great deal more needs to be done, and the resource needs are so great that they exceed what might be considered realistic expectations of the profession from developed nations. For this reason alone, response by the profession must be delivered in partnership with international finance and aid organisations.

The profession's response to the needs of developing nations must be within a clearly defined structure of objectives, activities, and roles. Figure 2 is one option of framework needed. No doubt there are others.

CONCLUSION

IFAC Council has devoted considerable time during the past two years to formulating a vision for the accountancy profession to guide it into the 21st century.

IFAC recognises the value of the collective expertise of the national professional bodies and accounting educators in helping to achieve this vision. I am confident that through consultation and joint enterprise, core parameters will emerge for the education of accountants of the future. Together we can shape these parameters, formulate future concepts, and challenge our profession's tradition thinking.

The historical areas of the profession have already broadened to encompass new ideas and embrace new markets. The green ink has been fortified by the vintage wine in *practice*. It is our joint responsibility to ensure that the *education* of the profession is also fortified. Like all good winemakers, we must continue to improve the blend to produce even better results and to increase our share in the marketplace.

I look forward to the opportunity to meet with your association in the near future to discuss these issues that are of paramount importance to us all.

FIGURE 2
A Framework for Accounting Development in Emerging Nations



Global Challenges for Accounting Education

Gerhard G. Mueller

It is a singular professional honor for me to address this seventh International Conference on Accounting Education. I have attended all earlier venues of this quinquennial gathering except the inaugural meeting at the University of Illinois in 1962. This is the first time that the Conference has returned to the United States in the intervening thirty years.

At the second ICAE in London (1967), I presented a paper on curriculum aspects of international accounting. It was my proposition then (as it is now) that a separate international accounting course ought to be taught until full curriculum infusion of international accounting topics occurs. But I also stated, "In time a separate course on the subject will wither away at most institutions." Of course, the projected time frame was too optimistic, but the proposition itself still stands.

It is also worth recalling, ever so briefly, that in the spring of 1966 the Committee on International Accounting of the American Accounting Association based its recommendations for curriculum attention to international accounting matters on the following "practical reasons":

1. Expansion of international business and investment activities along with the related demands for international financial reporting, auditing, and accounting and auditing standards;
2. Emergence of international corporations (companies) owned and controlled in more than a single country;
3. Efforts toward economic regionalization and the consequent need for accounting developments transcending national boundaries;
4. Advancement of accounting thought on a multinational scale to foster better insight into conceptual matters and to avoid unnecessary duplication of research efforts.

These "reasons" are as valid today as they were 26 years ago—only more so! Has the international accounting field progressed much during the past quarter century? In a volume sense, there has been important progress. Twenty-five years ago we were largely talking about international accounting—and today we are doing it. Technical, managerial, pro-

fessional and regulatory attention to international accounting are certainly pervasive in today's environment. At the same time, some dark clouds are casting long shadows over the entire enterprise of higher education as well as the field of accounting in general. If the ship as a whole is threatened, we must do more than simply rearrange deck chairs. The challenges of the 1990s critically surpass those of the 1960s. I have every confidence that we can meet the challenges now facing us, but it will take new thinking, new commitment and new leadership. New wine in old bottles is not enough!

THE NEW HIGHER EDUCATION ENVIRONMENT

Hardly a day goes by without some major media attention to higher education. In the United States, books are published about *Profscam* and *Professors Who Seldom Teach*. Politicians from California to the United Kingdom are using budget reductions as enforcement techniques toward greater system efficiency and effectiveness. Most of Eastern Europe and the former Soviet Union suffer from an education gap since political polemics were the foundation of their erstwhile educational framework. In Mexico a massive student protest prevented the imposition of modest enrollment fees at the National University. In many developing countries the traditional university is condemned as elitist, colonialist, and largely irrelevant. For present purposes, three factors stand out among the many worldwide criticisms of higher education.

Higher Education is Now Big Business

In Japan new universities are springing up continually. Cambridge and Oxford in the United Kingdom now have management programs, and oil revenues in OPEC countries have become a major funding variable for indigenous universities. Since I know the situation best in the United States, I will use it as an example. Latest available statistics from the *Chronicle of Higher Education* (Au-

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gust 26, 1992) indicate that there are 3,559 operating colleges and universities in the United States. These institutions serve a total student enrollment of 13,710,150. Faculty members total 379,373. Of the present U.S. total population, 20.3 percent hold bachelors, graduate, or professional degrees. Annual expenditures of public institutions add to \$85.8 billion and those of private institutions come to \$48.9 billion. Thus, in the United States alone we spend 1 and 1/3 trillion dollars each year on higher education. This is big business indeed!

Growing Globalization of the Environment

It is unnecessary to enumerate the pervasive globalization characterizing our present environment at an enclave like ICAE. Virtually all recent international accounting textbooks, handbooks, and research studies identify and analyze the dimensions of this globalization so that reiteration here would be redundant.

Widespread bureaucratization of higher education. It is my considered judgment that higher education is falling prey to more and more bureaucratic inroads. The big business dimensions already identified naturally spawn complex bureaucracies. As social institutions, colleges and universities are coerced into serving as role models for wide ranging social programs—comparative worth compensation schemes, equal opportunity and environmental protection pursuits, special recognition of animal rights, accommodations of alternative lifestyles and broad implementation of “political correctness.” Aside from role modeling of social programs, faculty collective bargaining units influence curricula, faculty workloads, and often general employment conditions. Is university governance still the unequivocal domain of faculty or are various cadres of bureaucrats directly or indirectly managing most of what we do? Is the present management model of higher education truly in the public interest?

Today's Accounting Education Environment

The venerable tradition of accounting education is beyond question. It is a heterogeneous tradition in that there are strong feelings supporting university-level education for the profession, countered by equally strong feelings that institutes of practicing accountants should provide the requisite education. In my conference address five years ago at Kyoto I outlined different conceptual frameworks of our discipline and the corresponding educational approaches.

The majority of countries around the globe allocate to universities the task of accounting education. In my own country, the United States, this is a tradition of long standing. All U.S. professional accounting societies and institutes have long standing interests in accounting education and maintain generally well-funded education divisions and committees. This is especially the case for the American Accounting Association (AAA).

During the 1970s a wave of criticism broke over accounting education in the United States, which eventually led to a major survey among the AAA membership concerning the state of the art of accounting education in the United States. Professors Gary Previts and Joseph J. Schultz, Jr. were directly associated with this survey, whose results were published in 1989 as Accounting Education Monograph No. 10, *Reorienting Accounting Education: Reports on the Environment, Professoriate, and Curriculum of Accounting*. The general picture painted by this report was dark. Little curriculum innovation was reported, teaching methods employed were perceived to be stale and tradition bound, and professors found greater rewards and satisfactions in research.

These results only confirmed the 1985 special report of the American Accounting Association on the future, structure, content and scope of accounting education. The report is entitled “Future Accounting Education: Preparing for the Expanding Profession” (i.e., The Bedford Committee Report). Then, in 1989, in an unusual demonstration of interfirm unity, the (then) Big Eight professional accounting service firms published their white paper, *Capabilities for Success in the Accounting Profession*. The clear message of this practitioners' report was also concern over the quality and direction of accounting education. The white paper made it clear that “our focus is not on specific course content or the number of hours in the curriculum, but on the capabilities needed by the profession that should be developed through the educational process.”

Against this background, the Accounting Education Change Commission (AECC) was established in 1989. During the course of this conference you will hear more about the AECC's purpose, direction of work, grants program, and public pronouncements. The AECC exists because of what I labeled the “malaise” in accounting education today (*Chronicle of Higher Education*, May 10, 1989).

Impotence of Accounting Research

Regrettably, we are faced with a similar problem in accounting research. If left uncorrected, a serious

stalemate may well result. In essence, the crisis in accounting research is "market failure." In the last 20 or so years, accounting research has had no significant impact on the practice of accounting or accounting regulation. Accounting research is said to lack innovation. There has been no progress on fundamental issues in accounting and there appears to be no discernible demand for academic accountants or for accounting research by accounting firms, by industrial firms, or by regulators.

To address this issue, New York University hosted a panel discussion on the subject in November 1990 among recognized accounting researchers, practitioners, standard setters, and regulators. Since many of you have probably not seen the communique from this panel meeting, it is reproduced below (*1989-1990 Activities Report*, the Vincent C. Ross Institute of Accounting Research, New York University, pp. 5-7).

A STATEMENT OF THE STATE OF ACADEMIC ACCOUNTING

The Problem

There is a widespread sense among accounting researchers and practitioners that academic accounting, particularly on the research level, currently faces a serious crisis. Following are some symptoms of this crisis:

1. Unlike many other professional disciplines (e.g., finance, medicine, architecture), accounting research does not lead practice and/or policymaking. Indeed, it is difficult to recall one accounting research innovation in the last 20 or so years that has had a significant impact on the practice of accounting (having been adopted by CPA firms or by industry), or that meaningfully affected accounting regulation. Audit sampling and human information processing in auditing research are exceptions that prove the rule. In fact, much accounting research (e.g., economic consequences of regulation) tends to significantly lag real-life developments.
2. Most academic research areas are characterized by cycles of significant innovations—i.e., new ideas and concepts that periodically revolutionize the field, such as rational expectations in economics and options models in finance. Such innovations in accounting research are practically nonexistent. Indeed, information content studies in financial accounting and agency theory in managerial accounting have been imported from other disciplines. There do not appear to be any built-in regenerative forces in accounting research.
3. Despite considerable research effort, it does not seem that we are any closer now than we were 20-30 years ago to addressing the fundamental issues in accounting, such as the optimal choice of accounting standards and the optimal structure of accounting institutions. This lack of progress is clearly manifested in accounting textbooks which are virtually no different today than those that were in use decades ago. Not surprisingly, the same is true for accounting instruction. There thus appears to be a general lack of progress in addressing fundamental accounting issues and in the instruction of accounting.
4. There appears to be no discernible demand for academic accountants or for accounting research by accounting firms (except in auditing), by industrial firms or by regulators. A strong demand for academicians exists in most other professional disciplines, such as finance, computer science and the biotechnology industry. During the late 1970s and early 1980s, both the FASB and the SEC initiated a few research projects (e.g., the FASB's financial instruments project). There appears to be a general lack of appreciation by our constituencies of accounting research. These constituencies are, of course, partly to blame for the lack of interest. But some of the fault also lies with us.
5. On the education front, in the last decade, the MBA student majoring in accounting has become an endangered species. Accounting is essentially a mere service area in graduate business schools, facing potentially diminished clout, budget support and supply of Ph.D. candidates. While the low salaries paid by accounting firms to MBAs is clearly an important factor in the disappearance of accounting majors in MBA programs, the lack of significant research and teaching innovations have also contributed to this troubling phenomenon. In some schools, deans are already questioning the justification of paying high compensation for accounting faculty who merely provide service courses. Indeed, the way accounting is currently taught does not provide "high-powered" (and high salaried) accounting researchers an advantage over broadly trained practitioners.

Thus, we seem to be witnessing a "market failure" phenomenon in academic accounting, particularly