

ACCOUNTING EDUCATION: FILLING COMPETENCIES GAP

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Theme: Smart Partnership between Education and Industry

Abstract

Globalisation has changed the competitive and technological environments in which businesses operate. This in turn has resulted in new expectations of accounting profession. Accordingly, accounting education must change to meet the needs of the profession. In the USA and UK, there is a widespread belief that the current accounting program is inadequate to meet the present and expected needs of the profession. Accounting educators have always been reproved for creating competencies gap, which means that what is important in the workplace, is not being emphasized in the universities. In the Malaysian context, our accounting degree curriculum has already been integrated by other disciplines in order to fulfill the need of current state in accounting profession, but do the local higher institutions still suffer the similar problems and be blamed on the same ground accordingly? This research aims to identify the competency gap probably created by local universities and it will be a basis for reviewing accounting education. In this study, 1,300 questionnaires were sent to accounting graduates from local public universities such as Universiti Malaya, Universiti Kebangsaan Malaysia, International Islamic University, Universiti Utara Malaysia, Universiti Sains Malaysia, Universiti Teknologi Mara, and Universiti Putra Malaysia who are members of Malaysian Institute of Accountants. There were 243 returned questionnaires. Gap analysis found 2 categories of gaps; 1) large gap and 2) small gap. Large gap suggest that the most important competencies in the workplace but less emphasized at their universities are broad competencies such as communication skills, decision-making skills, leadership etc. The small gap suggest that the competencies which almost fulfill the workplace requirement are core competencies such as skill in financial accounting, management accounting, auditing, accounting system & control and taxation. In restructuring the accounting education, this study suggests that more revision and expansion should be placed on broad competencies such as existing marketing, communication, decision-making and leadership courses in the local universities. Finally, co-operation between universities and practitioners is important in bridging the gap.

1.0 Introduction

The global marketplace is changing rapidly. Businesses need to respond more to the changing market, so as to the players in the businesses. The roles and challenges of accountants in this millennium are not similar to the past centuries. Therefore, current economic environment is demanding for the broader contribution from accountants. Traditional services are no longer adequate and some competencies have become obsolete and now this is a time to 'taking out the stock'. Most of the professional bodies especially in the UK and USA have urged that accounting education must be given a new breath in order to fulfill the current needs of marketplace. Current accounting programs are outdated and do not respond to the current state of accounting profession. What is expected in the job place is being taught in universities. Thus, broader perspective and integrated skills must be incorporated in the accounting curriculum revision.

1.0 Motivation of Study

In the Malaysian context, as far as we are concern all the accounting programs have already been integrated multidisciplinary, so do we also suffering with the similar problem and should be blamed on the same ground? As the new millennium gets underway, it is an appropriate time to plan for any expected changes in accounting practice and to discuss the implication of these changes for accounting education.

2.0 Objectives of Study

In order to response to these issues, this study is conducted to fulfill the following objectives:

- ii) Highlight some concerns from high profile accounting institutions; and
- iii) Identify which competencies are important in the workplace but less emphasized in the universities resulting in competencies gap.

4.0 The Competencies Gap

The need for new competencies among accountants has been discussed widely since the 1980's. The debate, concerning the desired professional profile of the future accountant has been productive. It has been a focus of attention for professional bodies, accounting organization, academicians and researchers. The main factor underpinning this debate is the rapid change in the business environment and conditions in which accountants operate and more importantly the lack of awareness among accounting educational institutions on current and future needs. There is a widespread belief that the current accounting program is inadequate to meet the present and expected needs of the profession. Accounting educators have always been reproved for creating the competencies gap, which means that what is important in the workplace, was not being emphasized in the universities. This concern can be seen from several reports issued by high profile accounting bodies.

In 1986, Bedford Committee was appointed by the American Accounting Association to study the current state of accounting profession. The committee came up with Bedford Report “Future Accounting Education: Preparing for the Expanding Profession”. They found that services demanded from accountants are no longer simply those based on understanding, interpreting and applying standards. Creativity and innovation are increasingly required to meet the changing demands of internationally competitive world. The committee also noted that the current university accounting programs have failed to recognize the massive changes taking place in technology, social value and business institution. They determined that successful achievement of an effective education that will meet the future needs will require a revised and expanded curriculum. The full scope of university education should not only specialized in professional education but also general education. Any revision of the curriculum must go beyond technical skills to include communication, problem solving, and analytical and interpersonal skills.

In 1989, the partner of the eight largest international accounting firms issued a document ‘*Perspectives on Education: Capabilities for Success in the Accounting Profession*’. This document was issued due to the concern of these executives regarding the quality and number of accounting graduates available to public accounting practice. This document discusses the current environment in which the accounting profession and accounting education must function. The profession is faced with advancing technology, new regulations, increasing globalisation of commerce and complexity of transaction. These executives provided a list of those competencies they urgently felt are necessary for the practice of accounting. This list will be a basis for revising curriculum and teaching method. Among others broad competencies ought to be concern by universities are communication skill, intellectual skills, interpersonal skill and knowledgeable in business environments.

United Nation Conference on Trade and Development (UNCTAD) reached a similar conclusion with the ‘perspective’ as they came up with a report ‘Global Curriculum for the Professional Education of Professional Accountant’ in December 1988. The report recommended that the development of new accounting curriculum should be able to enhance the ability of accountants to compete in business globally. Hence, the curriculum being developed should cover not only the core accounting discipline but also knowledge in organization and business environment as well as information technology. Similarly, International Federation of Accountant (IFAC) in their bulletin ‘2000 and Beyond – A Strategic Framework for Pre-qualification Education for the Accountancy Profession in the Year 2000 and Beyond’ IFAC (2000) suggested that accountants must be able to function as entrepreneur, financial analyse, global competitor, marketer, effective communicator, consultant, and expert in interpersonal relationship.

The same concerned was reflected in the Future Issues of the American Institute of Certified Accountant (AICPA, 1987) which stated that the current educational process was not dynamic enough to adapt programs in time to respond to rapid change of employment and professional demands. This inertia creates an increasing gap between what accountants do and what is taught in universities. This concern continuous ever

since and in 2000 AICPA took a step forward by endorsing a framework namely '*New Competency Framework for Accounting Education*'. It highly supports the change of accounting curriculum from the content-based to emphasis on personal competency, functional competency and broad business-perspective skills. Interestingly, they also classified marketing and selling as high-opportunity competencies, which was never considered before. Accountants must possess the ability to anticipate and meet the changing needs of client, employers, customers and market better than their competitors. In that sense, Malone and Hyman (2000) expressed that more competition will require a more aggressive marketing orientation but currently, accounting degree programs include only one marketing course 'Principles of Marketing' consequently they suggested that the curriculum of accounting degree programs be revitalized. This phenomena is also experienced in the Malaysia context. As far as we are concern, accounting programs only include not more than two marketing papers.

The Institute of Chartered Accountants in England and Wales (ICAEW) in 1996 issued a statement pertaining to the needs of future accountants. They address that accountants developed strong communication and IT skills, use every opportunity to broaden and extend their business skills. They should shifts their emphasis from task that have traditionally done to those market is now willing to pay for such as business analysis, strategic planning, decision support, information management, combine technical skill and strategic vision, add value by managing and improving their clients, customers and employers. Institute of Certified Australian Accountants (ICAA 1998) urges that accountants should possess people skills, communication and presentation skills, project management skills, change management skills, negotiation skills, international social and culture skills, information technology skills etc.

These issues have been addressed since the past 20 years and the consensus opinion of these high authority bodies in the accounting profession is clear. Any list of competencies restructured and curriculum revision to meet the needs of practice in the 21st century must go beyond technical skills that were traditionally practiced. Therefore, accounting educators are urged to play an important role to bridging the competencies gap.

5.0 Past Studies

Deppe et al. (1991) studied the competencies level among 873 practising accountants in US. There were 27 competencies placed on the questionnaire, which, was classified in 7 groups (Table 1). The results indicated that majority of competencies had been developed in post college employment. Specifically, undergraduate students indicated that 19 of the 27 competencies (70%) had been developed to the greatest degree during their post-college employment experience. Likewise postgraduate students indicated that 15 of the 27 competencies (56%) had been developed during post-college employment. Table 2 provides a summary of these results. Interestingly, the only competency overwhelmingly developed during college experience was knowledge in the fundamental of accounting, auditing and tax. These results are consistent with discussions about the current state of accounting education by Bedford Committee 1996 and Perspective 1989, that accounting programs are heavily oriented towards the development of technical skills.

TABLE 1 List of Broad Competencies

1	Communication Skills
2	Information Development Skills
3	Decision Making Skills
4	Knowledge in Accounting, Auditing and Tax
5	Knowledge in Business and Environment
6	Professionalism
7	Leadership Development

TABLE 2 Summary of Respondents' Perceptions where the 27 Competencies were Developed

Point of Development	No. of Competencies Specified by Respondents With Undergraduate Degree	No. of Competencies Specified by Respondents With Postgraduate Degree
Pre-college	2	2
Undergraduate/Postgraduate program	6	11
Post-college Employment	19	15
Total	27	27

Sumber: Deppe, L.A, Sonderegger E.O, Stice, J.D, Clark, D.C, and Streuling, G.F (1991)

Montano et al (2001) distributed 950 questionnaires to CIMA employers in the UK based organization. This study tried to seek 3 objectives; 1) obtain the opinion regarding to the development of accounting curriculum in term of direction, content, responsibility and design, 2) identified the importance of vocational 22 skills in the workplace which is grouped in 5 categories namely communication skills, problem solving skills, pressure and time management, information technology and others, and 3) determine the gap between the importance level of competencies and the level of competencies exhibited by accounting graduate. Consequently, it is possible to determine those skills considered as important but in which low performance level is exhibited, and therefore identify the areas that should be given more educational attention and corrective action. The study indicated that the employers think that: a) professional bodies and universities when designing new syllabuses should pay attention to workplace requirement; b) the development of vocational skills should be integrated into all subject areas in the accounting curriculum; c) the development of vocational skills is the responsibility of university education etc. The most important skills according to the employers are written communication skills, pressure and time management, and the ability to integrate in work teams. Finally, gap analysis suggested that the low level of competencies have always been exhibited by accounting graduate but most important in workplace are communication skills, organize and delegating task, integrate multidisciplinary knowledge to solve problem, organise workloads to meet conflicting demands and

unexpected requirement. The study concluded that the constant change in the environment in which the accountant's works has created the need for reorientation of accounting in higher education. The objective of reducing the gap between education and practice is included among the aims of program and curriculum reform processes.

6.0 Methodology

A total of 1,300 questionnaires were sent to professional accountants who graduated from local public universities. The samples were drawn from the list of Malaysian Institute of Accountants (MIA) members. Until 2003, the number of MIA members who graduated from local public universities about 4,870, about 15% of total MIA's members (Table 3). There are 7 local public universities recognized by MIA as follows:

- h. Universiti Malaya (UM)
- i. Universiti Kebangsaan Malaysia (UKM)
- j. Universiti Putra Malaysia (UPM)
- k. Universiti Islam Antarabangsa (UIA)
- l. Universiti Teknologi MARA (UiTM)
- m. Universiti Utara Malaysia (UUM)
- n. Universiti Sains Malaysia. (USM)

TABLE 3 The Number of Local Accounting Graduates Registered with Malaysian Institute Accountants until 2003

Universities	No	Percentages %
Universiti Malaya	1,339	27.5
Universiti Kebangsaan Malaysia	555	11.4
Universiti Putra Malaysia	287	5.9
Universiti Islam Antarabangsa	253	5.2
Universiti Teknologi MARA	1,189	24.4
Universiti Utara Malaysia	1,242	25.5
Universiti Sains Malaysia	5	0.1
TOTAL	4,870	100

The total of 1,300 respondents was selected using random table from the MIA's member database. Due to privacy policy, the questionnaires were mailed directly by MIA's staff. The percentages of respondents involved in this research sorted by universities are exhibited in Table 4.

Apart from respondent profile, the questionnaire also incorporated 13 types of competencies, which have been considered through literatures as most important in current workplace for accountants as exhibited in TABLE 5. The competencies set in our questionnaire actually divide two parts namely i) core competencies consist of item no. 1 to 6 and ii) broad competencies consist of item no.7 to 13. For each competency, respondents were asked to: a) rate the importance the competencies in their field of work;

and b) rate the level of emphasis in the university. The scale ranges from 1 – least important/least emphasis to 7 - most important/most emphasis. Both of the rating (a) and (b) will be compared in order to determine competency gap.

TABLE 4 The Percentages of Respondents by Universities.

Universiti	Bilangan	Peratusan %
Universiti Malaya	358	27.5
Universiti Kebangsaan Malaysia	148	11.4
Universiti Putra Malaysia	77	5.9
Universiti Islam Antarabangsa	68	5.2
Universiti Teknologi MARA	317	24.4
Universiti Utara Malaysia	331	25.5
Universiti Sains Malaysia	1	0.1
JUMLAH	1,300	100

TABLE 5 List Competencies Set

	Types of Competency	Important to Your Work (CW)	Level of Emphasis in University (CU)
	<i>A) Core Competencies</i>		
1	Knowledge in Accounting		
2	Knowledge in Auditing		
3	Knowledge in Taxation		
4	Knowledge in Planning & Budgetary		
5	Interpreting and Analysing Financial Statements		
6	Management Control System		
	<i>B) Broad Competencies</i>		
7	Communication Skills		
8	Information Development and Distribution Skills		
9	Decision Making Skills		
10	Knowledge in Business Environment		
11	Professionalism		
12	Leadership Development		
13	Continuous Improvement and Quality Process		

6.0 Results

Response received were 243 about 19% of total distributed questionnaire (TABLE 6). The percentages of response by each university are not much different as percentages distributed to them. For example, 27.5% of 1,300 questionnaires mailed to Universiti Malaya's graduates, we received 24.7% of 243 returned questionnaires. Only 3

respondents failed to indicate their university but we believe they are from local university as the list were drawn from local graduates of MIA's member database.

TABLE 6 Response Rates by Universities

Universities	No. of		Response	
	Questionnaire Distributed	%		%
Universiti Malaya	358	27.5	60	24.7
Universiti Kebangsaan Malaysia	148	11.4	38	15.6
Universiti Putra Malaysia	77	5.9	15	6.2
Universiti Islam Antarabangsa	68	5.2	21	8.6
Universiti Teknologi MARA	317	24.4	58	23.9
Universiti Utara Malaysia	331	25.5	48	19.8
Universiti Sains Malaysia	1	0.1	0	0
Unknown			3	1.2
TOTAL	1,300	100	243	100

This section responses to main objectives of this research. As mentioned in the previous paragraph, respondents were asked to rate the importance for each competencies in their workplace (CW) and also to rate the level emphasis in the university (CU). Using the Friedman Test, mean score of CW is compared with mean score of CU and it will result either the positive or negative gap value. The positive gap indicates that the importance of the competencies in the work place is larger than what had been emphasized in the universities ($CW > CU$). Contrary, the negative gap indicates that universities gave more emphasis to them than what they really need in their field of work ($CU > CW$). A zero gap would indicate that there is an exact match between importance of the competencies in workplace and emphasis of the competencies in the universities. A ranking of the competencies set by order of gap value indicated which specific competencies are most important to accounting student prior entering the workplace. Accordingly, in the revision of the accounting education, local universities are advised to give priority on competencies that creates large positive gap.

Table 7 shows the result of the gap analysis for each competency by rank order. The research suggests that all set of competency results in positive gap except for Knowledge in Taxation (-0.0746). The top rank shows the larger positive gaps which were from broad competencies e.g.; Communication skills (2.0873), Decision Making Skills (1.9474), Leadership Development (1.9119), Continuous Improvement Skills (1.6344), Professionalism (1.6096), Information Development and Distribution Skills (1.5536) and Knowledge in Business Environment (1.5286). The remaining of the positive gaps only indicates a small gap and they were from core competencies e.g.; Knowledge in Planning & Budgetary (1.0925), Management Control System (1.0441), Interpreting and Analysing Financial Statements (0.8106), Knowledge in Accounting (0.2588) and Knowledge in Auditing (0.0667).

TABLE 7: Gap Analysis between Importance of the Competencies in Workplace and Emphasis of the Competencies in the University. (Listed by Rank Order)

Types of Competencies	Mean (Gap)	Rank
Communication Skills	2.0873	1
Decision Making Skills	1.9474	2
Leadership Development	1.9119	3
Continuous Improvement Skills	1.6344	4
Professionalism	1.6096	5
Information Development and Distribution Skills	1.5536	6
Knowledge in Business Environment	1.5286	7
Knowledge in Planning & Budgetary	1.0925	8
Management Control System	1.0441	9
Interpreting and Analysing Financial Statements	0.8106	10
Knowledge in Accounting	0.2588	11
Knowledge in Auditing	0.0667	12
Knowledge in Taxation	-0.0746	13

n = 221, Asymp. Sig. 0.000

7.0 Discussion

It is clear that there is a competencies gap created by local universities pertaining to the broad competencies, which means that local universities have emphasized less on the broad competencies in their current accounting teaching. In Malaysia context, this result confirm the previous studies and still consistent with the concern about the state of current accounting curriculum by accounting bodies in the UK and US. Although accounting program in Malaysia has been integrated interdisciplinary, this research suggests that the result of the current curriculum does not reflect the need of workplace practice. There appears to be a much larger gap of broad competencies mainly on communication skills, decision-making skill and leadership skills. Communications skills for instance, are crucial skills in the business environment but unfortunately it is not

possessed enough by accounting graduates. Not surprisingly, accounting students have always been stereotyped as lack of communication skills by our society. Andrew and Sigband (1984) reported that accounting professionals feel that accounting graduates' abilities in regard to writing report, memos, letters, making speeches and conducting client interviews are inadequate. We must realize that to survive and thrive in the 21st century, accounting graduates will need to offer a full range of services product that requires high communication and marketing skills in order to give their client more convenience. Simmons and Higgins (1993) reinforced their finding by reporting that practitioners feel that greater attention in the accounting curriculum should be placed on oral and written communication skills.

The response from this study also suggests the need for greater partnership and understanding between practitioners and universities in any education reform being undertaken. Practitioners possess unique insight about the result of their professional experience that can be helpful in determining the skills and competencies that should be developed during the university years and those that should be developed by employers. Practitioners should not always blame the universities. Considering the very limited timeframe in the universities, accounting educators are definitely unable to develop all kinds of competencies required by practitioners. Practitioners also have a role to develop the competencies among their staffs, thus current belief held by practitioners that only universities are responsible to develop comprehensive competencies need to be removed. In Malaysia context, Malaysia Institute of Accountants (MIA) and Malaysia Institute of Public Chartered Accountant (MICPA) should co-operate with local universities to study the competencies framework. The co-operation should be able to identify and differentiate which competencies that can be developed in the university and which should be developed during employment era.

1.0 Conclusion

Due to the overwhelming changes in business environment, there is a widespread belief that the current accounting program is obsolete and inadequate to meet the present and expected competencies needed by the profession. This research attempts to identify which competencies or skills are important in workplace but given less emphasis in the universities learning consequently creating competencies gap. This research found that the competencies set which almost fulfill the workplace requirement are core competencies and competencies less emphasized in the universities but important in the workplace is broad competencies. Any restructuring undertaken, revision and expansion should be placed on broad competencies. Finally, co-operation between practitioners and universities is a key point to overcome this problem.

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