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CONFERENCE PANEL REPORT

Accounting Education: The Impact of Globalization

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ABSTRACT *This report investigates the impact of globalization on accounting education as set forth by members of a panel at the annual meeting of the American Accounting Association held in New York in August 2009. It addresses the work of the International Federation of Accountants (IFAC) and the International Accounting Education Standards Board (IAESB) in coordinating accounting education globally, research by the International Association for Accounting Education and Research (IAAER) in support of the IAESB, the work of the International Accounting Standards Committee Foundation (IASC Foundation) and its impact on accounting education, and the impact of globalization on accounting education in Japan.*

Introduction

What is the impact of globalization on accounting education? This report examines this issue through the views of members of a panel at the annual meeting of The American Accounting Association meeting in August 2009.¹ Naturally, the adoption of International Financial Reporting Standards (IFRS) in most countries of the world has a great impact, but it is only part of a wider movement that includes the globalization of business. Even small enterprises are extensively involved with global supply chains and the recently-issued *IFRS for Small and Medium-Sized Entities (SMEs)* by the International Accounting Standards Board (IASB) immediately provides a simplified set of accounting standards for private companies. Accounting and auditing firms are global organizations or parts of global organizations. In this context, ‘international accounting education’ is not just a subset or specialty in accounting education: accounting education has become synonymous with international accounting education.

In summary, this report addresses:

- The work of the International Federation of Accountants (IFAC) and the International Accounting Education Standards Board (IAESB) in coordinating accounting education globally.
- Research by the International Association for Accounting Education and Research (IAAER) in support of the IAESB.

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- The work of the International Accounting Standards Board (IASB) and its impact on accounting education.
- The impact of globalization on accounting education in Japan.

Globalization and Accounting Education—the Role of the IAESB and Academia

Both IFAC and IAESB play prominent roles in the globalization of accounting standards. IFAC is a global organization for the accountancy profession, which consists of a network of 157 member bodies in 123 countries and represents 2.5 million professional accountants. The stated mission of IFAC is as follows:

- To serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies.
- Establish and promote adherence to high quality professional standards.
- Further the international convergence of such standards.
- Speak out on public interest issues where the profession's voice is most relevant.

In addition to IFAC, the IAESB also plays a significant role in the globalization of accounting standards. The IAESB has set objectives of:

- Establishing a series of internationally-relevant standards and other pronouncements reflecting good practice in the learning, development and assessment of professional accountants.
- Developing education benchmarks for measuring the implementation of International Education Standards.
- Advancing international debate on emerging issues relating to the learning, development and assessment of professional accountants.

Standards issued by the IAESB are subject to a full due process overseen by a public oversight mechanism, helping to ensure transparency in development and independence in content. Members of the IAESB include practicing accountants, academics, and representatives from business, the forum of firms and the public.

The IAESB issues International Education Standards, which contain guidelines for teaching accounting globally. These standards can assist global accounting education by providing a global framework for education, prescribing the range of professional knowledge, professional skills, professional values, ethics and attitudes required, instilling an attitude of lifelong learning, and providing a foundation for the application of professional and technical standards. To date, the IAESB has formulated eight International Education Standards and three International Education Practice Statements. Other IAESB pronouncements include Information Papers, International Education Papers, and Tool Kits. The IAESB will engage the academic community by encouraging it to assist in developing and reviewing IAESB pronouncements, commenting on Strategic Plan development, providing academic research and assisting in training the professionals of the future.

Globalization and Accounting Education—the Role of IFRS in Accounting Education

The panel discussed the notion of global financial reporting standards. Such global standards are necessary for several reasons. First, these global accounting standards provide a common framework that enhances the globalization of capital markets. The world's economies are becoming increasingly interdependent, as illustrated by the 2008 financial

crisis, and global standards allow financial performance to be better understood. These standards also strengthen accounting and auditing practices throughout the world, as accountants and auditors only have to familiarize themselves with one set of standards. Global standards also improve the quality of information. High-quality information facilitates the allocation of global capital.

Other benefits of global standards are that they facilitate the efficient allocation of capital globally by attracting investment through transparency, reducing the cost of capital, and increasing world-wide investment. Further, global standards should result in the reduction of costs and increased efficiency through standardization of information systems, elimination of wasteful international reconciliations, audit efficiencies, and synergies in the education and training of accounting professionals.

It is encouraging that the majority of the *Fortune Global 500* companies are likely to use IFRS (or word-for-word IFRS equivalents) by 2015. IFRS are currently also required or permitted to be used for financial reporting by some or all domestic private entities in nearly 100 jurisdictions. Following the issue of the *IFRS for SMEs* by the IASB in July 2009, many of these jurisdictions are likely to require or permit use of the *IFRS for SMEs* by domestic private companies. World bodies (including the World Bank, IFAC, FEE, AICPA and others) issued welcoming press releases supporting the use of *IFRS for SMEs* by unlisted entities. In the USA, SMEs that choose to do so can adopt IFRSs or the *IFRS for SMEs*. In most other jurisdictions, the use of IFRSs and the *IFRS for SMEs* depends on local law.

The panel also discussed the movement towards ‘principles-based standards.’ Principles-based standards will be beneficial because they function well across the world’s jurisdictions and accommodate different legal frameworks, as well as reducing financial structuring opportunities. Additionally, principles-based standards faithfully represent the underlying economic transactions and events.

Another issue facing the global accounting profession today is the task of teaching principles-based standards to students. Mr Wells offered several suggestions. When a requirement in IFRSs is based on the IASB’s *Framework for the Preparation and Presentation of Financial Statements* (the *Framework*), it can appropriately be referred to as a principle (or a principle-based requirement). When explaining a principle-based requirement the educator can build from the objective of financial reporting through the concepts set out in the *Framework* to the principle in a particular IFRS and explain how ‘good’ rules (e.g. application guidance) give effect to the principle. When a requirement is not based on the *Framework*, the educator could provide reasons why the standard-setter deviated from the *Framework*. Educators could also teach students to make accounting judgments and discuss areas of judgment in each IFRS. The educator could also use case studies to test the students’ understanding. In addition to traditional sources of teaching material, the educator could consider published regulatory decisions, observer notes supporting International Financial Reporting Interpretations Committee (IFRIC) agenda decisions, and press articles in conjunction with IFRS financial statements.

IAAER/ACCA Research Projects: Supporting the Agenda of the International Accounting Education Standards Board

The International Association for Accounting Education and Research (IAAER) is a global not-for-profit organization the mission of which is to promote excellence in accounting education and research on a worldwide basis and to maximize the contribution of accounting academics to the development and maintenance of high quality, globally-recognized standards of accounting practice.

IAAER carries out the Association's mission by engaging in, *inter alia*, the following activities:

- Bringing an objective, research-based, academic voice to the development and approval process of international accounting and auditing standards through its relationships with various international bodies.
- Participating in the development of International Accounting Education Standards through representation on IFAC's International Accounting Education Standards Board (IAESB).
- Communicating with individual members and academic and professional association members through the IAAER newsletter (*COSMOS Accountancy Chronicle*), the IAAER web site (www.iaaer.org), and other means.
- Commissioning research projects in collaboration with its sponsors (i.e. KPMG and ACCA) that contribute to the development of advances in international accounting and educational standards.
- Promoting the development of accounting faculty internationally, in cooperation with national and regional academic accounting associations, through the organization and sponsorship of international conferences, international symposia and workshops, and through international doctoral and new faculty colloquia.

The IAAER is working on four research projects in support of the IAESB. IAAER is playing an administrative role and the funding for the projects is provided by the London-based Association of Chartered Certified Accountants (ACCA). The final deliverables are scheduled for presentation at the World Congress of Accounting Educators in Singapore in November 2010. The purpose of the IAAER's research is to evaluate the existing state of accounting education globally, evaluate and identify best practices, and determine how the good practices can be disseminated broadly.

There are currently four projects that are ongoing. Project No. 1 is an effort to determine how different methods of ethics education affect the ethical learning and decision-making skills of accounting professionals across different cultures, educational backgrounds, and organizations.

Project No. 2 aims to identify whether there are differences in perceptions of the effectiveness of CPD activities between developed and emerging market economies within the Asia Pacific region.

Project No. 3 searches for best practices in the development and assessment of non-technical skills in accountancy trainees. The study will attempt to uncover which non-technical skills should be developed during the initial professional education stage, the most effective method of developing these skills, how the skills should be assessed, and examples of good and/or innovative practices from the global population of bodies providing initial professional education programs in accounting.

Project No. 4 studies accounting education standards in three regions of the world. Using web-based surveys and interview techniques, the team is trying to identify the level of awareness of IESs in universities and other relevant bodies, as well as the impact of IESs on accounting education program design, teaching approach and assessment methods.

The Impact of Globalization on Accounting Education in Japan

Japan established Accounting Schools in 2005 to educate future accountants in global standards. International Education Standards were implemented in these schools. In 2006, Japan changed its policy from harmonization with IFRS to convergence, and in

2009 it moved from convergence to adoption. Under Japan's plan of adoption, it will have the option to apply the standards in 2010 and will have to make an official decision by 2012. If the decision is made, mandatory application will be required in 2015 or 2016.

In order to build human resources with an understanding of IFRS, a review must be conducted on the education of students and educators at universities and graduate schools. Additionally, cooperation with CPAs, regulators and other administrative bodies must be strengthened.

Japan is offering BATIC (Bookkeeping and Accounting Test for International Communications), which tests for knowledge of US-GAAP and IFRS. Japan has also established a Japanese Association for Accounting Education and Research (JAAER) and Japan Foundation for Accounting Education and Learning (JFAEL). JFAEL will mainly address CPA education. Additional measures that should be taken forward are the translation of IFRS and the development of textbooks on IFRS that teach the principles-based approach.

Conclusion

An inescapable conclusion from these discussions is that globalization is having an important impact on accounting education and accounting educators. Not only does it impact the curriculum, it also places demands on both instructors and students. As international standards and practice become fully integrated into accounting education generally, the specialized topic 'international accounting education' will no longer exist. It is also clear that many global organizations, including the IASB, IAESB, IFAC ACCA, and IAAER, are working through standard setting, research, and education to address the opportunities and challenges of globalization. Further, educators and professionals in individual countries, such as Japan, are working to address issues of globalization. These ongoing efforts are works in progress and it may take years for accounting educators to make the transition to the global environment fully. Nevertheless, the trend is undeniable.

Note

¹The panel included Belverd E. Needles Jr, Vice-President Education—American Accounting Association (AAA), DePaul University (Moderator); Mark Allison, Chairman, International Accounting Education Standards Board (IAESB); Gary Sundem, VP—Education, International Association for Accounting Education and Research (IAEER), University of Washington; Michael Wells, IASC Foundation, Director, IFRS Education Initiative; Kazuo Hiramatsu, American Accounting Association (AAA), Vice-President-International, Kwansei Gakuin University. Every effort is made to reflect the presentations accurately, but the responsibility for assertions in this article lies with the author.