

# **CHAPTER ONE**

## **OVERVIEW**

### **1.1. INTRODUCTION**

The chartered accountant designation is recognized world-wide as a mark of excellence, inspiring respect and confidence. Not only are they the elite of their profession, they maintain the highest professional and ethical standards. Chartered accountants are justly proud of their title because it denotes the independence and objectivity that are the cornerstones of the profession. In today's complex business world, chartered accountants work at the heart of business, offering their skills to a range of organizations and providing solutions to a wide variety of business problems. (Institute of Chartered Accountants of Australia, 2001).

The recent amendments to the Accountants Act 1967, has brought about, amongst others, a common designation of Chartered accountant" for all Malaysian Institute of Accountants (MIA) members irrespective of whether they were public accountants or registered accountants. It was explained that in the era of globalisation and information technology, accountants would not be differentiated by titles; but by their professional attitude and conduct (Abdul Samad Haji Alias, 2001). Amending Section 7 (e) of the above Act, by substituting for the words "public accountants or registered accountants" the words "chartered accountants", facilitated the change.

This study is undertaken to gather and analyse the views of members of the accounting fraternity in public practice, commerce and industry, institutions of higher learning and the public sector and other selected interest groups such as employers of accountants and undergraduates relating to the common designation of chartered accountants for all MIA members. Their views should shed some light on whether the holders of the designation are qualified enough to justify its conferment or is there a need to refocus accounting education or revise the accreditation process currently in place to produce more broadly and capably educated accountants who would be more useful and relevant to a rapidly changing world.

## **1.2. BACKGROUND TO THE STUDY**

The concern for the quality of accounting education and the emphasis on the need to constantly change and upgrade its standards is nothing new. The International Federation of Accountants (IFAC) has its own education committee, whose mission is the worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest. It was formed to develop standards, guidelines, discussion papers and other information documents on both prequalification education and the training of accountants and on continuing professional education for members of the accountancy profession. (Education Committee, IFAC, 1998).

Since the mid-1980s, accounting education in the Anglo-American world has been experiencing fundamental change (Porter and Carr, 1999). This led to

the birth of the Accounting Education Change Commission (AECC), changes in the profession's entry requirements, the introduction of the 150-hour educational requirement by the American Institute of Certified Public Accountants (AICPA, 1988) and the new accreditation requirements of The International Association for Management Education (AACSB). Porter and Carr (1999) state that historically "accounting programmes have been somewhat prescriptive in nature and dominated by specialized accounting education courses". Such programmes are out of step with the changed demands of the accounting profession and may leave graduates ill-equipped to deal with the challenges they meet in the new, rapidly changing, globally orientated commercial environment.

Similarly the AECC (1990) noted:

*The need for changes has arisen because accounting programmes have not kept pace with the dynamic, complex, expanding and constantly changing profession for which students are being educated.*

It emphasized the importance of accounting graduates possessing general knowledge, intellectual skills, interpersonal skills, communicational skills, organizational and business knowledge and skills and personal capabilities.

The rapidly changing environment necessitates the accounting profession to respond to the challenges brought about by these changes or lose credibility. These changes are a consequence of globalisation of the business scene and included the emergence of strategic economic and trade

alliances and the rapid improvements in communication and information technology. (Ahmad Mustapha Ghazali, 1999). "Accountants must now deal with accounting standards that transcend political boundaries, and assume a responsibility beyond that of merely financial reporting". In meeting these challenges, Ghazali (1999) described the attributes of today's accountant to include entrepreneurial skills, financial analysis, skilled salesperson, a good communicator and negotiator, public relations skills and a strategist.

In New Zealand, there is only one professional accountancy body, viz., the Institute of Chartered Accountants of New Zealand (ICANZ). The process of moderating and accrediting relevant postsecondary institutions' academic programmes is relatively straightforward. They accredit the accountancy degrees of the New Zealand universities and polytechnics for satisfying the Institute's entry requirements. In 1991, Massey University's Department of Accountancy shared concerns about the inability of existing accounting programmes to prepare students adequately for the dynamic complex business environment they enter upon graduation and established a Curriculum Review Team (CRT). (Porter and Carr, 1999).

IFAC (International Education Guideline 9 1996), sets forth recommendations as to the education and experience needed by prospective professional accountants to become qualified and to exercise their profession effectively and responsibly. The recommendations are directed toward establishing:

- ☪ the goal of accounting education and experience; its components of knowledge, skills and professional values; and the elements on which education and experience for all professional accountants should be founded;
- ☪ the minimum benchmarks of professional education and experience that professional accountants should meet in order to obtain membership in their professional body and to exercise their profession; and
- ☪ the criteria for the assessment of professional competence

IFAC states that the goal of accounting education and experience must be to produce competent professional accountants capable of making a positive contribution over their lifetimes to the profession and society in which they work. The maintenance of professional competence in the face of the increasing changes they encounter make it imperative that accountants develop and maintain an attitude of learning to learn. The education and experience of professional accountants must provide a foundation of knowledge, skills and professional values that enables them to continue to learn and adapt to changes throughout their professional lives. (International Education Guideline 9, 1996).

The prerequisites for qualifying as a chartered accountant in other countries provide valuable input to this study. A comparative study through references from their respective websites, enables us to ascertain what should be the essential pre-qualifications needed before a person is designated as a

chartered accountant in Malaysia. A summary of the comparative study is given in Table 1.1.

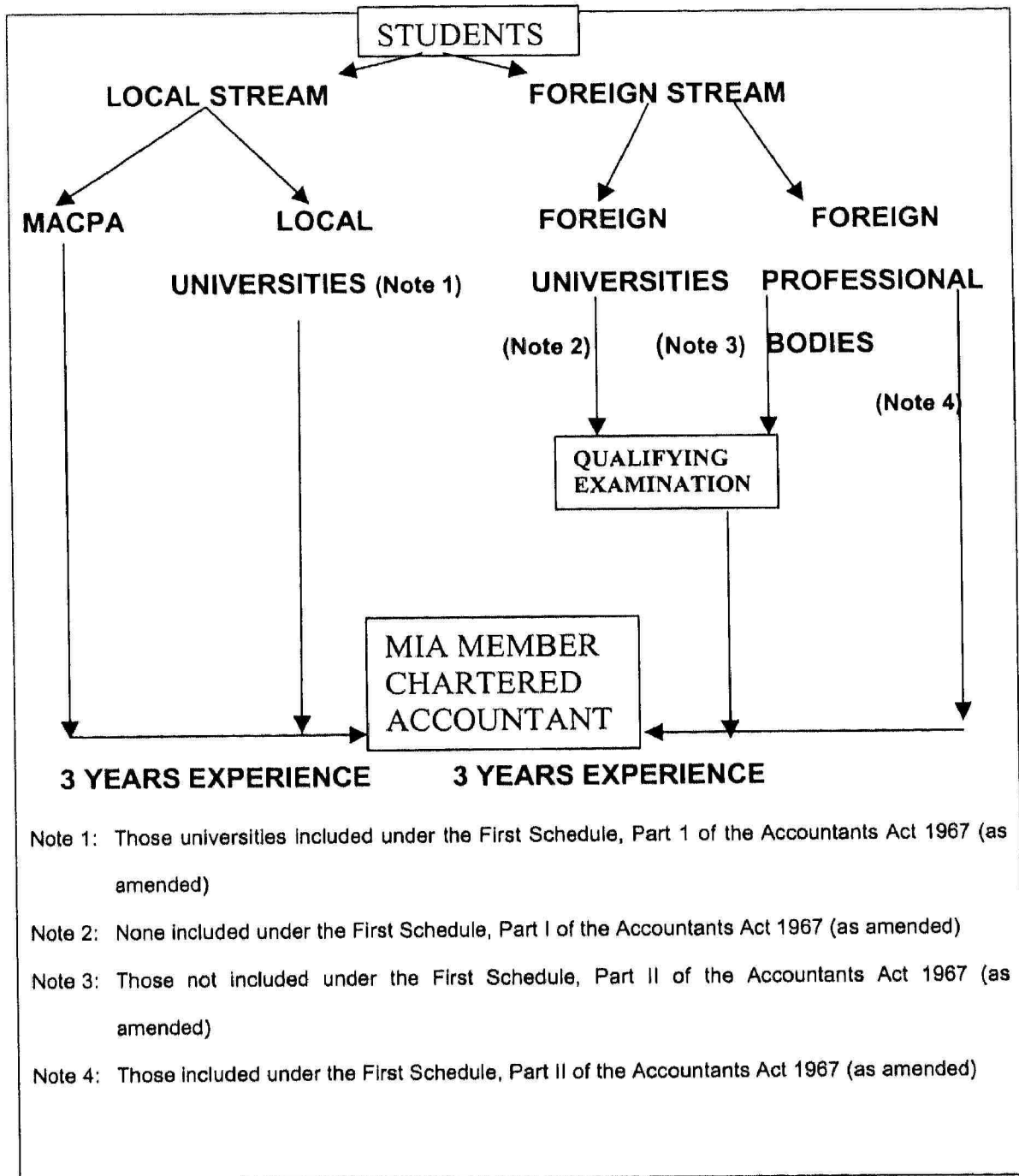
**TABLE 1.1 COMPARATIVE ROUTES TO BECOMING A CHARTERED ACCOUNTANT**

	<b>England &amp; Wales, Ireland, Scotland, New Zealand, Australia, Canada, India</b>	<b>Singapore &amp; Hong Kong</b>
<b>Pre requisites</b>	Degree or recognized equivalent qualification	Degree or recognized equivalent qualification
<b>Years of experience</b>	3 years training with a recognized member firm (professional) *	3 years training with a recognized member firm (professional)*
<b>Professional examination</b>	Competency examination at the end of the training period	Not applicable
<b>Designation</b>	CA	CPA

\* Years of experience differ for India (4 years), Ireland (3 to 4 years depending on entry qualifications) and Hong Kong (3 to 5 years depending on entry qualifications)

Currently in Malaysia the route to becoming a chartered accountant is depicted in the Figure 1.1.

**FIGURE 1.1. The Route To Becoming A Chartered Accountant in Malaysia**



Accounting graduates from local universities and professional bodies both foreign (with the exception of those not listed under the First schedule of the Accountants Act) and the Malaysian Association of Certified Public Accountants, are eligible for membership with the Malaysian Institute of Accountants (MIA) i.e. hold the designation of Chartered accountant, after three years of accounting work experience. Graduates from foreign universities have to sit for a qualifying examination.

In the other countries (e.g. England and Wales, Scotland, Japan, New Zealand etc.) graduates have to undergo, in addition to a period of practical experience, a professional competence examination. In Malaysia graduates with three years experience can apply to join MIA, and also apply for a license to practice from the Treasury, (if the experience is in auditing obtained in a public accounting firm). If he presents himself well, he can obtain it and start a (accounting) firm although they have no professional accounting qualifications. (Abdul Samad Haji Alias, 2001). Therefore the question is should there be some form of assessment conducted to ensure that these accountants have the required competence and proficiency to practice.?

Malthus & Robertson (2001) state that the career paths of chartered accountants in the UK is "the collective effort of the Institute (ICAEW) and the service providers" i.e. the institution of higher learning both public and private, the employers and the regulatory bodies should work together to ensure that the accountants have the proficiency and competence to deliver what is



reasonably expected of them. They comment further "to protect the public interest, and the interest and reputation of its members, the Institute needs to gain an assurance that the educational process of its service providers are producing candidates with the appropriate range and level of capabilities. It therefore needs to assess the assessors".

On the issue of competency, the professional programmes which are frequently a feature of preparation for the profession, involve the provision of education and assessment specifically designed to meet the needs of the member body or certifying authority. They have a strong professional focus. In general, they aim to apply knowledge and skills gained in earlier studies to professional problems of a nature likely to be encountered by the newly qualifying professional accountants. (Simyar, 1996).

### **1.3. PROBLEM STATEMENT**

A chartered accountant is part of a strong and distinguished team of professionals who work in industry, government, public practice and education. They provide a wide variety of services including assurance and financial management expertise, non-financial performance measurement, corporate control, strategic counsel, information technology, consulting and human resource management. (Canadian Institute of Chartered Accountants, 2001). In short they are top business professionals. Our changing economic environment, with its emphasis on enterprise, initiative and technology has

resulted in a dynamic business culture in which accountants play a key role. (Institute of Chartered Accountants of Ireland, 2001).

The question to be asked now is:

1. Are major areas that the accountant will be exposed to and be expected to handle professionally covered extensively in the educational curriculum?
2. Does the three-year experience provide the aspiring chartered accountant with the necessary exposure, experience and professional capability to face similar situations in future?
3. How can we gauge his level of competence and proficiency and confidently accredit him to hold himself out as an accountant?

#### **1.4. OBJECTIVES OF THE STUDY**

Having identified the key problem questions, the purpose of this study is to obtain the perception of accountants in relation to the adequacy of our accounting education system to produce graduates who are ready to meet the realities of the working environment, ascertain the adequacy of post graduation practical training and recommend whether there is a need for an assessment of competency whereby we can bestow upon the successful candidates the designation of a chartered accountant, with a confidence that they are on par with their counterparts in the international arena.

## **1.5. METHODOLOGY / DATA COLLECTION TECHNIQUES**

This section relates to the procedure and mode of investigating the research problem i.e. whether the current process in Malaysia provides the necessary assurance with regard to the competence of persons being certified as chartered accountants. It involves systematic observations, classification analysis and interpretation of data for a critical evaluation.

Survey researchers (Kinsey, 1984) have studied beliefs, opinions, attitudes, motivations, and behaviour by selecting a sample of people to learn interrelationships among variables. The methods of obtaining survey information include personal interviews, mail questionnaires and discussion with target groups.

A normative approach has been adopted in this research because the literature (Paten & Williams, 1990; Tho and Ho, 1992; Simyar, F,1996; Nelson, Bailey & Nelson, 1998; Porter & Carr,1999; S.Susela Devi, 2001), has shown a strong consensus amongst members of the accounting fraternity that there is a need for a revamp of the accounting education and a need for continuing education for accountants. The research itself focuses on three aspects; the entry qualifications into university / colleges, the accounting education curriculum and the post graduate training and assessment process.

An assessment has to be done on the adequacy of entry requirements to local universities, which comprise of Sijil Tinggi Persekolahan Malaysia

(STPM), a relevant Diploma or a Matriculation Certificate. The secondary school system in Malaysia is basically examination orientated with emphasis on rote memorization and scoring good marks in public examinations. At university, the students are required to think with an open mind and analyse situations with the view of obtaining a feasible solution.

The pre-university education should prepare potential undergraduates for university life so that they will feel comfortable and fit in well when they commenced university education, otherwise it would be a total culture shock. We should also ascertain how the pre-university curriculum should be restructured to re-orientate students from a rigid knowledge accumulation platform to a one of "learning to learn".

The curriculum of the courses of study, upon the successful completion of which the candidate is conferred a degree recognized by MIA, was scrutinized to ascertain their ability to prepare students adequately for the business and accountancy arenas they would enter upon graduation. Syllabus content and methods of teaching / delivery should be redesigned to "create greater educational value for their customers (students)". (Elliot; 1992)

Mail questionnaires were used to gather the opinions of relevant stakeholders namely past and present students, employers employing currently accredited members of MIA, the academia, who may be compelled to comply with the current curriculum due to bureaucratic coercion despite acknowledging its

irrelevance, members of professional bodies and chartered accountants from foreign institutes who could shed some light on their experiences, which though difficult, is serving them well now in reaping the fruits of their efforts.

Finally, reflections on the performance of post three-year experience graduates, provided a yardstick to measure the level of competence exhibited and determine whether parties associated with them in the business arena are satisfied with their services.

In attempting to obtain a representative sample of the target population of accountants in Malaysia, a structured questionnaire was sent out to 1,000 accountants, representative of members from the different professional bodies, university graduates both local and foreign, and including those with no tertiary qualifications but occupy the designated role of an accountant in an organization due to years of experience. The questionnaire was divided into three sections comprising accounting education, post graduation education and the significance of the single designation (chartered accountant). Opportunity for open-ended responses was made available in the questionnaire by way of additional space for comments, thus not restricting the respondents' expression of opinions.

Another technique used was to interview accountants, employers, members of the academia, and students, both graduates and undergraduates, based on open-ended questions. This is because sometimes the interpersonal

interview influences the answer given by the respondents as it gives true and reliable information (Moser, 1969 and Fowler, 1984).

Statistical analysis facilitated an identification of any association between the answers to questions concerning the characteristics of respondents (age, gender, education, professional background and occupation) and questions concerning respondents' experiences, attitudes and perceptions towards the competency and proficiency of accounting graduates. This is achieved through a series of cross tabulations.

## **1.6. CONCLUSIONS**

Chartered accountants hold themselves out as experts in the industry, and rank highly in the eyes of users of their services. This dignity and esteem should not be comprised and therefore all efforts must be made to ensure that the members of this fraternity should have the knowledge and the professional competency to uphold the public's expectation of them.

This study seeks to ascertain whether there is a need for assessing the professional competency of accounting graduates in addition to the completion of the mandatory three-year experience required for admission as a chartered accountant.