THE EFFECTS OF GLOBALIZATION ON ACCOUNTING
EDUCATION: INTERNATIONAL REGULATIONS AND RECENT
DEVELOPMENTS

Yasemin Köse*

ABSTRACT

Globalization is increasingly influencing financial markets. In age of increasing global trade and a global
production a greater need emerged for integrated capital markets worldwide. Integrated capital markets resulted in
arrangements made for standardizing accounting and auditing practices. Internationalization of accounting and
auditing standards is heavily influencing accounting education yielding a prevailing need for global accounting
education. International organizations like United Nations Trade and Development Conference (UNCTAD),
International Federation of Accountants (IFAC) and International Association for Accounting Education and
Research (IAAER) have met that need by developing guidelines, standards and codes which directly affect
accounting education. These standards and guidelines are generally related with the curriculum, professional
competencies and ethics. This study aims to present the effects of globalization on accounting education and
developments of international guidelines and directives.

Key words: globalization, accounting education, international education standards.

INTRODUCTION

The quality of accountancy education plays a vital role in shaping the accounting system of
that country. According to Saudaragan (2004) there is a relationship between the economic
development level and the recognition of the profession in any country. In fact the quality
of information produced by the accounting system affects political, legal and education
system beside economic system.

In any country accounting system continuously develops under the influence of factors
such as cultural and legal structure, tax codes, and relationships between business and
capital owners as well as economics environment. The diverse mix of these factors yield
diverse national accounting systems. With the development of international financial
markets and firms which seek capital in these markets a need for minimizing differences in
accounting applications has emerged. Accounting harmonization has been on the agenda
since 1970s. As a result of harmonization efforts, international accounting and auditing
standards have been developed which have a significant influence on accountancy

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education. Some international organizations have developed education standards and guidelines for standardizing accounting education.

The work of UNCTAD in 1999, is one of the most comprehensive projects which determines the criteria for accountancy education and professional qualifications (UNCTAD: 1999). This report suggests a model curriculum. Another guideline shaping global education is made by IFAC’s Education Committee (EDCOM), which has published International Accounting Education Standards (IFAC: 2003). These standards are to be applied commencing the year of 2005. The purpose of these standards is to encourage high quality of professional accountants’ performance around the world.

This paper outlines developments and effects of international guidelines shaping global accounting education. The first part of the paper presents effects of globalization on accounting education. The second part summarizes international arrangements by various organizations.

1. GLOBALIZATION AND ACCOUNTING EDUCATION

Globalization is not a new phenomenon. According to Altbach 2004 (p.3) globalization is the broad economic, technological and scientific trends that directly effect higher education and are largely inevitable. Politics and culture are also part of the new global realities. Altbach adds that academic systems and institutions may accommodate these developments in different ways, but they cannot ignore them. These include information technology in its various forms, the use of common language for scientific communication and the imperatives of both mass demand for higher education (massification) and societal needs for highly educated personnel. In this study globalization of accounting education includes: accommodating accounting trends about curriculum; teaching instruments and methods; and educator’s qualifications and ethics rules. The term education means both academic and practical education leading to professional certification.

Globalization is clearly a growing influence in financial markets. The need for global accounting education is triggered by developments of financial markets and dismantling of barriers to trade. These in turn resulted in greater harmonization of accounting standards. In particular, there are unquestionably three main catalysts for global accounting education: (1) accounting harmonization efforts; (2) accreditation standards; (3) requirements of reciprocity.
Accounting Harmonization is a process of minimizing rather than eliminating international differences in accounting standards, applications and professional qualification programs. Harmonization efforts aim to provide comparable and understandable financial information so that investors can take more rational decisions which in turn results in more efficient capital markets which enable companies on any stock market in the world to use a single set of financial statements. There are various organizations which shape financial reporting practices of capital markets (Lakshman and Reid: 2002).

Table 1: International Guidelines, Standards and Codes Shaping Financial Reporting.

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<tr>
<th>GUIDELINE, STANDARD OR CODE</th>
<th>PROMULGATED BY</th>
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<tbody>
<tr>
<td>Principles of Corporate Governance</td>
<td>Organization for Economic Cooperation and Development (OECD)</td>
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<tr>
<td>Code of Best Practices on Fiscal Transparency</td>
<td>International Monetary Fund (IMF)</td>
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<td>Code of Good Practices on Transparency of Monetary and Financial Policies</td>
<td>International Monetary Fund (IMF)</td>
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<td>Implementation of the Objectives and Principles of Securities Regulation assessment surveys</td>
<td>International Organization for Securities Commissions</td>
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<td>International Accounting Standards</td>
<td>International Accounting Standards Board</td>
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<td>International Standards on Auditing</td>
<td>International Auditing and Assurance Standards Board</td>
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<tr>
<td>Banking Supervision Guidelines</td>
<td>Basel Committee on Banking Supervision (BCSB) of the Bank for International Settlements</td>
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These organizations are generally agreed upon harmonized accounting standards. Realizing the problems associated with accounting diversity, IOSCO endorsed the IAS issued by IASB as the global standards for cross-border listings. IAS are accepted by the EU countries. EC forced member countries to be in compliance with the IAS for publicly held companies from 2005 on (EU: 2002). This movement has encouraged a strong stimulus for internationalizing accounting education in Europe. As a result of these developments need for professionals who can apply IAS has emerged throughout the world (Al-Hashim and Weiss: 2004). In fact, since 1990s accounting educators and professional bodies have made calls for internationalizing the accounting curriculum (IFAC:1994, AASCB:1993, UNCTAD:1993, UNCTAD:1999).
According to the discussion paper of IFAC (1994) there is a need for developing accounting courses that focus on basic concepts and standards and their application in real world environments, and the relevant international and ethical issues. Learning to learn involves developing skills, knowledge and professional orientation that help students learn more effectively, and to use these learning strategies to continue to learn throughout their lifetime as new knowledge and skills are required. The need for international dimensions in accounting education and practice is recognized by the AICPA as well. According to the AICPA international aspects of accounting should be addressed throughout the accounting portion of the curriculum.

The use of an international accounting curriculum can meet accountants information need for preparing internationally recognized financial reports. According to McClure (1998) there are at least two objectives to be achieved through internationalizing the accounting curriculum: (1)To develop student skills for preparing and interpreting financial statements according to national and international accounting standards and (2) To show students that accounting rules are not natural laws but can and do vary legitimately from country to country (and over time ), depending on the cultural values of the society in which they are used, and accounting is a continually evolving system responding to changes in its environment (p.160).

Accreditation standards provide guidance and a framework within which accounting programs will be reviewed for overall high quality and for effectiveness in the achievement of self selected missions (AASCB:2004). ‘Accounting accreditation’, on the other hand, seeks to improve accounting education in order to prepare students to serve the needs of the society that are met by the discipline and profession of accounting. Accounting accreditation is an elective extension of business accreditation. The Association to Advance Collegiate Schools of Business (AASCB) informs that international accounting accreditation cannot be earned without earning business accreditation prior to or concurrent with accounting accreditation (p.3). The work of AACSB titled ‘Eligibility Procedures and Standards for Accounting Accreditation’ presents key factors for accreditation as:

- The qualifications, development and involvement of the Faculty;
- The design and effectiveness of the curriculum;
- The nature and effectiveness and resources needed and used for instructional and learning purposes;
- The academic preparation and capabilities of entering students;
- The processes in place to plan, assess, and assure quality; and
- The intellectual contributions of the faculty.
To achieve accreditation accounting programs must be guided by a well-defined mission. Global accounting education requires integration of international accounting issues to be included in the accounting curriculum. In addition, the AASCB Business curriculum requires that global subjects must be included in the program.

*Requirement of reciprocity* is the other factor accelerating globalization in accounting education. *Reciprocity* is a term commonly used by professional and occupational licensing bodies in many countries, meaning mutual recognition (Gupta; 1992). Two independent bodies guarantee each other’s members certain commercial and professional privileges. Mutual recognition of accountancy qualifications is ruled by the *GATS*, by *IFAC* and *regional directives* and by *agreements between countries*. One of the most important issues for accountancy profession is the dismantling of trade barriers for services through agreements regulated by regional and international agreements as NAFTA (The North American Free Trade Agreement) and GATS (General Agreement for Trade and Services). Free movement of the professionals depends largely on bilateral or multilateral agreements for reciprocity between countries. For example the USA, Canada and Australia have agreement for recognition for professional qualifications.

The GATS is an international trade agreement that came into effect in 1995 and operates under the umbrella of World Trade Organization. Procedures for mutual recognition are determined by the GATS. The GATS requires that all countries have procedures to verify qualifications of professionals from other countries. Rules set out by GATS are meant to ensure the same privileges for foreign providers and domestic counterparts, to remove discriminatory obstacles and to provide transparency. However, there is a considerable international diversity in accountants’ educational backgrounds which can be resolved through global accounting education.

2. **GLOBAL REGULATIONS IN ACCOUNTANCY EDUCATION**

This section examines the response of international bodies and educators to the need for global accounting education. These bodies are EU, UNCTAD, IFAC and IAAER. These standards and guidelines are generally related with the *curriculum, professional competencies* and *ethics*.

2.1 **EUROPEAN UNION**

The EU strives to build confidence in European Capital Markets and endeavours to improve the quality, comparability and transparency of financial information provided by companies. Community legislation in this area is based largely on two accounting directives. The Eighth directive deals with the competency of accountants who may be authorized to perform audits. Minimum requirements for auditors are prescribed in Article 4 and Article 8 as follows:
- Pre-qualification education and training: Sufficient theoretical education must be proved by a university degree or its equivalent (article 4).
- Practical experience: In order to guarantee the practical application of the theoretical knowledge, practical training of at least three years must be carried out (article 8).
- Test of professional competence: Furthermore, candidates have to pass an examination of professional competence organized or recognized by the state at a graduate level.

8. Directive also determines subjects required for auditors. Table 2 shows these theoretical subjects for professional examination (Article 6).

<table>
<thead>
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<th>Table 2: Subjects Required by the 8. Directive.</th>
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<tr>
<td>Auditing</td>
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<td>General Accounting</td>
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<td>Cost and Management Accounting</td>
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<td>Accounting Standards</td>
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<tr>
<td>Law</td>
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<tr>
<td>Information and Computer Systems</td>
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<tr>
<td>Mathematics and Statistics</td>
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The EU works toward adapting the rules regarding financial information provided by companies that are currently applied within the EU to the needs of international capital markets. Its main goal is to ensure that the European Accounting Directives are compatible with International Accounting Standards.

2.2 **UNCTAD**
Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) which is a sub organization of United Nations Conference on Trade and Development (UNCTAD) have made efforts to improve the transparency of financial information produced by companies in cooperation with the international organizations. 109
such as World Bank and OECD. As a result of these efforts UNCTAD reported a model curriculum for accountancy education. The model curriculum has been influential particularly in developing countries. In this report, a guideline for a model curriculum and qualifications necessary for professional accountants, and a model curriculum for professional education of professional accountants are presented.

The purpose of the detailed curriculum is ‘to describe for the international community the technical subject areas that an individual must master to become a professional accountant’ (UNCTAD:2003). The model curriculum provides a standard for mutual recognition, gives opportunity to educators and business owners for comparing foreign student characteristics, supports free movement of Professional accountants, and supports GATS. In 2003 the model curriculum was revised (UNCTAD:2003). This model curriculum can be used as a starting point by countries wishing to bring their system of qualification into line with global requirements.

The model curriculum consists of 4 main parts: Organization and Business Knowledge; Information technology; Core (Basic) Accounting Finance and Related Knowledge, and Elective (Advanced) Accounting, Finance And Related Knowledge.

**Organizational and business knowledge module** consists of: module on economics, module on quantitative methods and statistics for business, module on general business policies, basic organizational structure and organizational behavior, module on management functions, practices and operations management, module on marketing and module on international business. **Information technology module** has no sub models. **Core (Basic) Accounting Finance and Related Knowledge Module** have ten subjects; basic accounting, financial accounting, advanced financial reporting, management accounting, taxation, accounting information systems (AIS), business and commercial law, assurance and auditing Fundamentals, business finance and financial management and knowledge integration – a capstone. **Elective (Advanced) Accounting, Finance And, Related Knowledge** have following modules; advanced financial reporting and accounting for specialized industries, advanced management accounting, advanced taxation, advanced business and commercial law, advanced assurance and auditing, advanced business finance and **accounting internship**.

### 2.3 IFAC

In order to assist to achieve a common education foundation throughout the world, IFAC’s Education Committee (EDCOM) has developed International Education Standards (IES) for Professional Accountants released in October 2003. ‘IES prescribe the essential elements of education to become a professional accountant and the ongoing education requirements once qualified’ (Allen and Egan: 2004). These standards can be seen in Table 3.
IFAC members around the world (159 professional bodies in 118 countries) are expected to comply with the requirements of IES from the year 2005 on. IES 2 Content of Professional Accounting Education Programs has a particular importance for accounting education at an undergraduate level. This standard prescribes the subjects which should be covered during the education of the profession members. These subjects are:

- Accounting, Finance and Related Knowledge,
- Organization and Business Knowledge,
- Information Technology knowledge.

Accounting, Finance and Related Knowledge consists of the following subjects; financial accounting and reporting, management accounting and control, taxation, business and trade law, auditing, financial management and professional values and ethics.

The application of IES is not legally required. The question is then why should IES be applied? According to Allen and Egan (2004) the benefits of IES include:

- Providing a consistent global framework to prepare professional accountants to make positive contributions to the profession and society,
- Promoting consistency and convergence in the accounting education processes adopted throughout the world,
- Advancing convergence in the application of international technical and practice standards by ensuring a common base of accounting education and practical experience for all professional accountants,
- Supporting greater mobility of competent professional accountants, and
- Contributing to greater mutual recognition and cooperation among professional accountancy bodies and over different time periods.
IFAC and UNCTAD both share the objectives of achieving greater transparency and accountability with a view to strengthen the international financial system (UNCTAD: 2004). The two bodies join their forces in areas of: education and training of accountants; corporate governance; participation transparency and good governance practices for sustainable economic growth.

### 2.4 IAAER

*With recent scandals involving the accounting profession such as the Enron and WorldCom cases, isn’t it wise for us as accounting instructors to consider what our ethics should be in the accounting classroom? Shouldn’t we set the example for our students beginning with the first accounting course (Needles: 2002, p.1)?*

The International Association for Accounting Education and Research (IAAER) is the worldwide association of accounting academics. The association is committed to promoting excellence in accounting education and research on a worldwide basis. It aspires to maximize the contribution of accounting academics to the development and maintenance of high quality, globally recognized standards of accounting education, research and practice. In 2002 a Global Code of Ethics of Accounting Educators was developed by an IAAER task force that included academics from seven countries (IAAER: 2002). The code aims to promote excellence in accounting education and research on a worldwide basis. The code consists of three main parts as follows:

1) **Responsibilities in Accounting Education**: (a) Educational responsibilities, (b) Basic Principles of teaching, and (c) Tenure and promotion evaluation Standards for Accounting Educators.


3) **Responsibilities to the Accounting Profession**: Professional Responsibilities, Professional Character and Professional Development.

(a) **Educational responsibilities** consist of three parts. (1) Accounting educators accept responsibility for competent, inspirational, scholarly instruction. (2) Accounting educators respect for the integrity and teaching scholarship of academic colleagues requires unbiased, cooperative interaction with colleges at home and abroad. (3) Educational responsibility requires maintaining basic principles of teaching and collegial evaluation standards.

(b) **Basic Principles of teaching** are: (1) teaching and a concern for student learning play a central role for the accounting educator; (2) Teaching scholarship deserves evaluation and reward; Rewards for and improvements in teaching demand peer evaluation, collegial criticism, and the capability of addressing problem solving as a scholar; Teaching
scholarship is open to use and review by one’s peers. (3) Professional ethics should pervade the teaching of accounting; (4) Proper counsel of students is integral to effective teaching.

(c) Tenure and promotion evaluation Standards for Accounting Educators are: (1) Accounting education administrators should clearly explain the major criteria for evaluating accounting educators for promotion and tenure. (2) Tenure evaluators/promotion committees should apply criteria consistently. The evaluation process should provide guidance for the future. (3) Institutional evaluators should provide institutional policy on tenure and promotion to outside reviewers. (4) Outside reviewers should evaluate the teaching, research, and service record with consistency and freedom from bias. A reviewer must inform an institution of a conflict of interest.

CONCLUSION
As mentioned earlier in this study globalization is inevitable. The need for global accounting education is triggered by developments of financial markets and dismantling of barriers to trade. As a result of these developments, three main catalysts for global accounting education have to be mentioned: (1) accounting harmonization efforts; (2) accreditation standards; (3) requirements of reciprocity. In order to meet this need, there have been various attempts to guide accounting education by regional and international organizations.

The model curriculum, IES and the Code of ethics are all meant to improve accounting education. However, the arising question is whether these guidelines will be applied by all interested parties without sanctions.

REFERENCES


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