

FUTURE ACCOUNTING EDUCATION AND TRAINING REQUIREMENTS FOR ACCOUNTANTS IN EMERGING MARKETS

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Abstract

The wealth of a nation is undoubtedly as dependent upon the development of human capital as upon the accumulation of material capital. One of the professions that is prominent in the development of these resources through education and training globally is accountancy- simply defined as the profession of accounting. Improving the quality of accounting education and training in the dynamic and globalised environment is considered as priority for growth and sustainable development in developing countries that are now referred to as emerging markets. This article attempts to examine and predict the future accounting education and training requirements for accountants that will enable them cope with the challenges of global economy. The article strongly advocates the encouragement of more national professional institutions coupled with local computer software development for use by accountants in banks and other industries in order to achieve sustainable growth and development of emerging market economies. Skill in more than one international language is also desirable for the would-be global accountants.

Introduction

In the present era of industrial revolution and globalisation, it is clear that natural endowment of material resources by itself is not enough to determine a nation's economic well-being. Emphasis has shifted from concentration on the development of natural resources only to the development of manpower. Availability of natural resources must be supported by appropriate manpower capability in order to achieve accelerated development throughout the world. The wealth of a nation is undoubtedly, as dependent upon the development of human resources as upon the accumulation of material capital.

One of the profession that is prominent in the development of these resources through education and training globally is accountancy- simply defined as the profession of accounting.

Accounting as a discipline provides financial and other information essential to the efficient conduct and evaluation of the activities of any organisation including the capital or stock market. As the language of contemporary business, it plays a key role in financing, investing and operating activities in an economy. For instance, in business organisations, financing activities are activities that result in changes in the size and composition of the contributed equity and borrowing of the entity (International Accounting Standards Board -IASB, 1994). Such activities usually involve the provision of necessary funds to start a business and expand it in the future. Investing activities on the other hand, involve the acquisition and disposal of long-term assets (e.g. non-current assets) and other investments not included in cash equivalents. Investing activities are decisions to acquire valuable asset to run a business. Operating activities focus on sales of goods and services, but they also must consider expenses as an important part of sound financial management. They are seen as principal revenue-producing activities of an entity.

Above all, the accountant is a supplier and interpreter of financial or quantitative information to those who must decide. The quality of information and interpretation provided, together with efficiency and effectiveness of its communication will largely determine the quality of decisions made by rational users of accountancy services. If financial statements prepared by accountants are to be of any value to decision makers, users must have confidence in the fairness of the information. These users will have greater confidence in the information if they know that the people who were associated with auditing the financial statements met professional standard of ethics and competence (Libby, Libby, and Short, 1998). Allied to the characteristics of probable future environment, this definition of accounting purpose brings us to a central problem facing accountancy in the future, especially in emerging markets.

The external environment is in a state of rapid technological, commercial and social change. The combined effect of these variables, according to Wilkinson (1986), is such as to prompt the need for more information of better quality to aid decision-making of increasing complexity. A major problem confronting relevant institutions and professional bodies is the education of accountants so that intellectually, they can handle the concepts with which they must deal, and to train them in the range of skills and specific applications likely to confront them in this dynamic and globalised environment.

This article therefore, attempts to examine and predict the future education and training requirements of accountants that will enable them cope with the challenges of the global economy. However, this paper is not a critic of the existing syllabuses developed by the various educational institutions and professional bodies.

What is 'Globalisation'?

The term 'globalisation' is defined in the Oxford Dictionary of Business (1996) as 'the internationalisation of products and services by large firms'. Viewed from a

general perspective, the notion of globalisation is broad and diverse (Akinboye:2007). It encompasses political, economic, socio-cultural and technological dimensions. If a company, for example is globalised, it is said to be operating around the world or carrying out a cross-border economic activities. The globalisation process has evolved in quite a different way in different countries including the emerging markets. It is propelled by a variety of forces of which improvement in Information Technology (IT), financial markets integration, cross-border mergers and acquisitions (M & A), and a general wave of deregulation were the strongest.

The accountant plays significant roles in the financial integration and cross-border mergers and acquisitions (M & A) processes. The term Mergers and acquisitions refers to the aspect of corporate strategy that deals with the buying, selling and combining of different companies that help a growing or distressed company in a given industry grow rapidly without having to create another entity. Where such transactions or dealings cut across different countries, it is said to be cross-boarder mergers and aquisitions or cross-boarder activities. A typical or popular cross-boarder economic activities that is taking place in the global economy in recent times is cross-boarder listing of well to do companies, including banks. Cross-boarder listing in this context, means the practice of listing shares in a company on the Stock Exchange of different countries in order to create a larger market for the shares. The accountants contribute immersely to such activities and for him/her to be effective, he or she is expected to possess not only technical and financial skills, but also language skill.

Why Emerging Market?

The term 'emerging market' is derived from the term 'emerging stock market' (ESM). ESM as defined by the International Finance Corportion (IFC), an arm of the World Bank, refers to stock market in developing countries. Emerging markets received prominence in the 1980s when the former socialistic economies and developing countries embraced the market based system in place of centralised planning and closed or inward-looking system (Chandra, 2008:79).

The Emerging Stock Market (ESM) are often classified into three groups. The first group represents stock markets on Africa (e.g. Kenya, Zimbabwe and Nigeria), Eastern Europe (Hungary and Poland) and former Soviet Union (Belarus and Ukraine). These markets are in the early stages of development and are characterised by few quoted or listed companies, low capitalisation, high concentration, poor liquidity, and high volatility.

The second group represents markets in countries like Brasil, India, Philippines, Parkistan, and China. These markets are fairly developed with high number of quoted companies, good liquidity, and reasonable participation by foreign investors.

The third group represents more mature markets like Hong Kong, Korea and Singapore. These markets are comparable to those in the western countries of Europe and America in terms of Liquidity, trading activity and equity risk premium. China appears to be fastest growing emerging market in the recent time under this category or group. For instance, China's State Council has recently announced plans that permit foreign firm listing on the Shanghai Stock Exchange. The plan, according to Global Finance

Magazine (June, 2009), will also encourage more sophisticated financial products including derivatives and *future contract* (i.e, an agreement to buy or sell a fixed quantity of a particular commodity, currency, or security for delivery at a fixed date in the future, at a fixed price or rate) and, gradually allow international development agencies and foreign companies to issue renminbi (RMB)-denominated bonds The RMB is the official currency of the People's Republic of China.

Understanding of the operations of the ESM demand a proper education and training of the tomorrow's accountant.

The Educational and Training Imperatives

Education is concerned with developing intellectual facility. It encourages people to treat proposals, evidence, arguments and conclusions with insight and healthy scepticism (Wilkinson, 1986). Education equips people to handle new situations thoughtfully and creatively. It focuses on human beings – their timeless and timely problems.

Education does not address a particular problem for solution, but equips the individual to handle any problem which confronts him or her now or in the future. In this last respect, education can be distinguished from training which focuses on the skills, technique, and methods available to solve a specific problem of the moment or a narrow range of such problems. Training usually results in the acquisition of a new skill or a broadened skill. Such skills are expected to enhance performance or output of the employee or worker. Training also broadens the knowledge of the the employee or worker on the job to which he or she is assigned and this obviously makes him or her creative and therefore, more productive.

Training in the skills, techniques, and methods necessary for the accountant to do his job will remain an important aim of professional institutions. However, the precise elements in the training programme will alter markedly and methods employed to effect the programme will also vary.

Some of these changes are already apparent, both to the trainer and trainee due to the rise in information technology and economic integration arising from regional or sub-regional groupings. For instance, the status of a Regional grouping granted the Association of Accountancy Bodies in West Africa (ABWA) in July 2003 by the International Federation of Accountants (IFAC) further attests to these changes but one would be wrong to suppose that IT was the main precursor of all changes in training, or the sole form of change (Wilkinson, 1986).

Traditionally, the accountant was educated and trained in a range of subject areas taught to his or her calling. Some of these were more academic, more in the way of background education, than training. Others were highly practical and of direct utility in the workplace. Economics, Law and Behavioural science fall into the first category, while financial accounting, management accounting, auditing and taxation fall decidedly into the latter. Still others, such as mathematics/statistics seemed to straddle the divide. Through this programme, it was expected that trainees would acquire sufficient skill and experience to make an effective first entry into a role of professional responsibility. Of

course, many did succeed and the basic pattern remains typical of present-day professional examination structures.

In the future, such an approach seems unlikely to meet the demands which will be placed upon it. Indeed, the signs are already with us as more and more organisations see professional qualifications as a necessary preliminary to training rather than a completion of the process. However, many professional institutions have responded to this trend both by reconsidering their syllabuses for professional entry and, particularly, by developing a range of continuing professional education (CPE) programmes so as to meet the future head-on.

Moreover, basic or general education is the minimum level of intellectual achievement necessary for responsible and effective social functioning. In modern circumstances, we must be able to read, write and converse fluently in the official language and tongue of our particular environment. Globalisation has further made a working knowledge of one or more foreign languages a necessity. In addition, we must be able to perform basic mathematical functions, and we must have some general awareness of our social and cultural origins, circumstances and values. Higher institutions (e.g. Universities, Polytechnics and Colleges of Education) in Nigeria for example, are already playing their roles in this regards except the aspect of compulsory foreign language beside English (official language), as is the case of developed economies of Europe and America. In the developed and some emerging markets economies, business or accounting students are made to study one foreign language (e.g. French, Portugese, Spanish, Dutch, etc.) besides their local language. Basic education is also the prerequisite for any serious attempt at intellectual development of the adult. It is expected to bring about some form of improvement in the intellectual, social, cultural and economic progress and development in individuals and society (Ehigie, 2001).

The accountancy professional occassionally suffers from debilitating anti-intellectualism (Wilkinson, 1986). It also endures bouts of intelctual snobbishness according to him. What is required for the future is not a dogma precluding people from student or membership registration unless they hold higher educational qualifications, but the policy founded on the related concepts of free access and continuous opportunity for the intellectual progress.

The education imperative for the future asserts that accountancy as a profession must continue to require basic competences from the new entrant, but at the same time, allow a wide range or routes to intellectual maturity. One of those routes will be through formal further and higher education. An equally valid route, however, should continue to be possible through programmes of professional training, designed with educational objectives in mind.

Special Skill Requirements

The range of specialised skills required of tomorrow's accountant is beyond the scope of this article to predict. Suffice to say that many of these will owe at least as much to other disciplines as to accountancy as presently conceived.

Many changes will also occur in the area of an accountant's basic skills. The following is an indicative inventory only of what might be expected:

(1) Information Technology (IT) Skills

These will include not merely critical familiarity with computer-based accounting programmes (softwares) and their operation, but also the much wider areas of information preparation and dissemination in all their forms. They are likely to include the preparation of data bases and their use in customised expert systems and the use of technology for general problem-solving. For example, using the internet, intranets, extranets, and other networks changes how accounting information systems monitor and track business activities including stock or capital market operations. The online interactive nature of such networks calls for new forms of transaction documents, procedures, and controls by accountants in commerce and industry, and even in governmental agencies such as the Federal Inland Revenue Services (FIRS) operating on electronic tax (e-Tax) system. In addition, e-Commerce (electronic commerce) which is the use of electronic telecommunications technology to conduct business transactions over the Internet anytime, encompasses the entire online process of developing marketing, selling, delivering, servicing, and paying for products and services.

The Internet and related technologies and e-Commerce websites on the World Wide Web(www) and corporate Intranets and Extranets serve as the business and technology platform for e-Commerce marketplaces for consumers and businesses in the basic categories of business-to-consumer (B2C), consumer-to-consumer (C2C) e-Commerce (O' Brien, 2004; Wood and Sangster, 2008). Tomorrow's accountant must be skilled in the e-Commerce environment so as to ensure that data or information retrieved or disseminated are accurate and reliable, and above all, not fraudulent.

IT is also called 'ICT (Information and Communications Technology)'.

(2) Quantitative and Qualitative skills

These will necessarily be of high order – whether to handle sophisticated research designs in the field of auditing and management accounting, for example, or to manage risk or uncertainty.

Traditionally, management accounting systems focused mainly on reporting financial measures. However, in response to the changing environment propelled by forces of globalisation and automated manufacturing techniques (AMT), management accounting systems have begun to place greater emphasis on collecting and reporting non-financial quantitative and qualitative information on key variables such as product (or service) delivery, reliability, after- sale service and customer satisfaction necessary to compete effectively and which also supports an organisation's strategies.

In the words of Drury (2002), 'there has been a shift from treating financial figures as the foundation of the management accounting system to treating them as part of a broader set of measures.'

(3) Communication skills

These will include the full range of communications, especially personal interaction with computer and related technology. Understanding more than one foreign language will also be desirable for the tomorrow's accountant.

(4) Interpersonal skills

Clearly aided by effective communication, these skills area concerns that vast array of processes which permit human beings to interact with one another peacefully, efficiently, ethically and with optimum benefit or profitability. Such skills will be of central importance if the accountants are to remain as effective professionals working or practising in a multi-disciplinary work team.

(5) Design and Special skills

A wider range of aesthetic and creative skill will be required. Some organisations already present accounting information in video form and the hologram has great possibilities for novel forms of presentation. On the principle that a picture is worth a thousand words, we may suppose it to be worth even more numbers (Wilkinson, 1986).

(6) Forensic accounting skills

These involve the application of accounting and auditing skills to legal problems, both civil and criminal. Accountants will be engaged for litigation support and expert witnessing (Robertson and Louwers, 2002). Litigation support can take several forms but it usually amount to consulting in the capacity of helping attorneys or judges document cases and determine damages. Expert witness work on the other hand, involves testifying to findings determined during litigation support and testifying about accounting principles/standards, and auditing standards applications. Some specific areas where forensic audit may be conducted by accountants includes business or employee frauds, cyber-crimes, business economic losses, shareholders and partnership disputes and matrimonial disputes (Messier, 2003). The Institute of Chartered Accountants of Nigeria (ICAN) conduct continuing education courses for accountants and auditors who want to become experts in these fields.

(7) Environmental audit skills

An environmental audit is a management tool comprising a systematic, documented, periodic and objective evaluation of how well organisations, management and equipment are performing with the aim of contributing to safeguarding the environment by facilitating management control of environmental practices and assessing compliance with company policies, which would include meeting regulatory requirements and standard applicable(International Standards Organisation -ISO 14010 and ISO 14011, 1996).

Environmental factors such as pollution has resulted to claims against some business enterprise in recent times. Consequently, an accountant or auditor needs to maintain full awareness of current and future environmental thinking, particularly in relation to effects of substances and technologies used by companies and be skilled on implementation of ISO Guidelines on Environmental auditing.

In offering training in these skill areas, conventional methods will not suffice. New technology must be used to provide some of the answers while human ingenuity should supply the rest.

The day of training by standardised distance learning packages-in-hard copy, video and computer software forms is upon us. Dissemination of information worldwide via telecommunication systems is now with us. The application of such materials at the work-bench, under managed learning environments controlled by the trainee with the objective performance-testing built in, puts a very different light on professional training from what we have seen hitherto.

Summary and Conclusion

Changes in technology and commercial operations have promoted and are being promoted by changes in individual and social needs. Human wants and expectations will require adjustments in the way we think about people and about business and personal relationships. New concepts of work and human contribution, the way we reward people (or the way people are rewarded) and the ethical behaviour we expect, will all demand a level of intellectual insight and spiritual wisdom of a high order. Accountants, given their special role and priviledges in any economy, can expect heavy demands to be made of them for guidance in those areas.

The net result, according to Wilkinson(1986), will be that an accountant's education, however acquired, must in the future include the following components:

- An awareness of philosophy and particularly a critical familiarity with scientific method in theory and practice.
- A working knowledge of applied science and technology, both in general and specific application to his or her own environment.
- Sufficient understanding of economics, politics and sociology to permit the evaluation of complex market, social, and organisational changes.
- A cross-cultural perspective aided, perharps, by familiarity with international languages (e.g. French, Portugese, Japanese, Spanish, Chinese, e.t.c), customs and practices sufficient to survive in business as it will become.

Education is for life, throughout life and for national development. The means to achieving an education in these matters rest with the individual as well as the country, and the accountant will have to achieve it because that will determine his or her fitness for the emerging environment.

The professional accounting institutions of the developed western nations have a long and honourable record of providing accounting education and training outside their countries. So far, this article has dealt with future development in the context of both the developed and emerging market economies. The imbalance need to be addressed.

An important distinction should be made between the needs for accountancy in developed market economies and those of emerging market economies. Many of the latter, for the foreseeable future, at any rate, want reliable and operatable intermediate technology and a trained workforce to match. It is a great sadness to find many of such countries investing in, or being gratuitously supplied with, a technological sophistication which cannot of its nature; alleviate the condition of their population. Furthermore, it is not necessarily in the best interest of such countries to be encouraged into expensive prestige projects (of computerization for example), in emulation of supposed western superiority of thinking.

The consequences of this perception for accounting education and training in emerging market economies are varied. For instance, we should not assume, for reasons of globalisation, that the economic standards available and appropriate in the developed market economies are applicable to all situations. Above all, more local and national professional educational training institutions, as well as local computer software development should be encouraged in order to achieve sustainable growth and development of the emerging market economies. Skill in more than one international language is also desirable for the would-be accountant.

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