

CONTEMPORARY ACCOUNTING EDUCATION: THE UNIVERSE OF ALL POSSIBLE ACCOUNTINGS

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Soft skills or technical skills? How accountants stay relevant in a changing world.



By LACHLAN
COLQUHOUN

Teaching staff about empathy and how to communicate with clients: a panel discussion at the World Congress of Accountants (WCOA) argued that these “soft skills” are just as important to the modern accounting firm as technical skills.

Eight in ten participants in a [World Congress of Accountants](#) (WCOA) session fear that accountants are losing relevance because of emerging technology and innovation.

This was the result from an audience poll in a conference session on the theme of “Shifting from Relevant to Indispensable”, where presenter [Jennifer Warawa](#) asked for a vote on the question.

Among the audience of around 140, the biggest response was from the 44 per cent who said they believed accountants were “moderately” at risk of losing relevance, while 16 per cent said the risk was “significant” and 27 percent replied it was “slight.”

Of the rest of the audience, 16 per cent believed that accountants would “always be relevant” regardless of changes in technology, while the balance of the audience said they were still “grappling” with the implications of change.

Education Act 1989 – s162(4)(a)

Universities have all the following characteristics:

- (i) they are primarily concerned with more advanced learning, the principal aim being to develop intellectual independence;
- (ii) their research and teaching are closely interdependent and most of their teaching is done by people who are active in advancing knowledge;
- (iii) they meet international standards of research and teaching;
- (iv) they are a repository of knowledge and expertise;
- (v) they accept a role as critic and conscience of society.

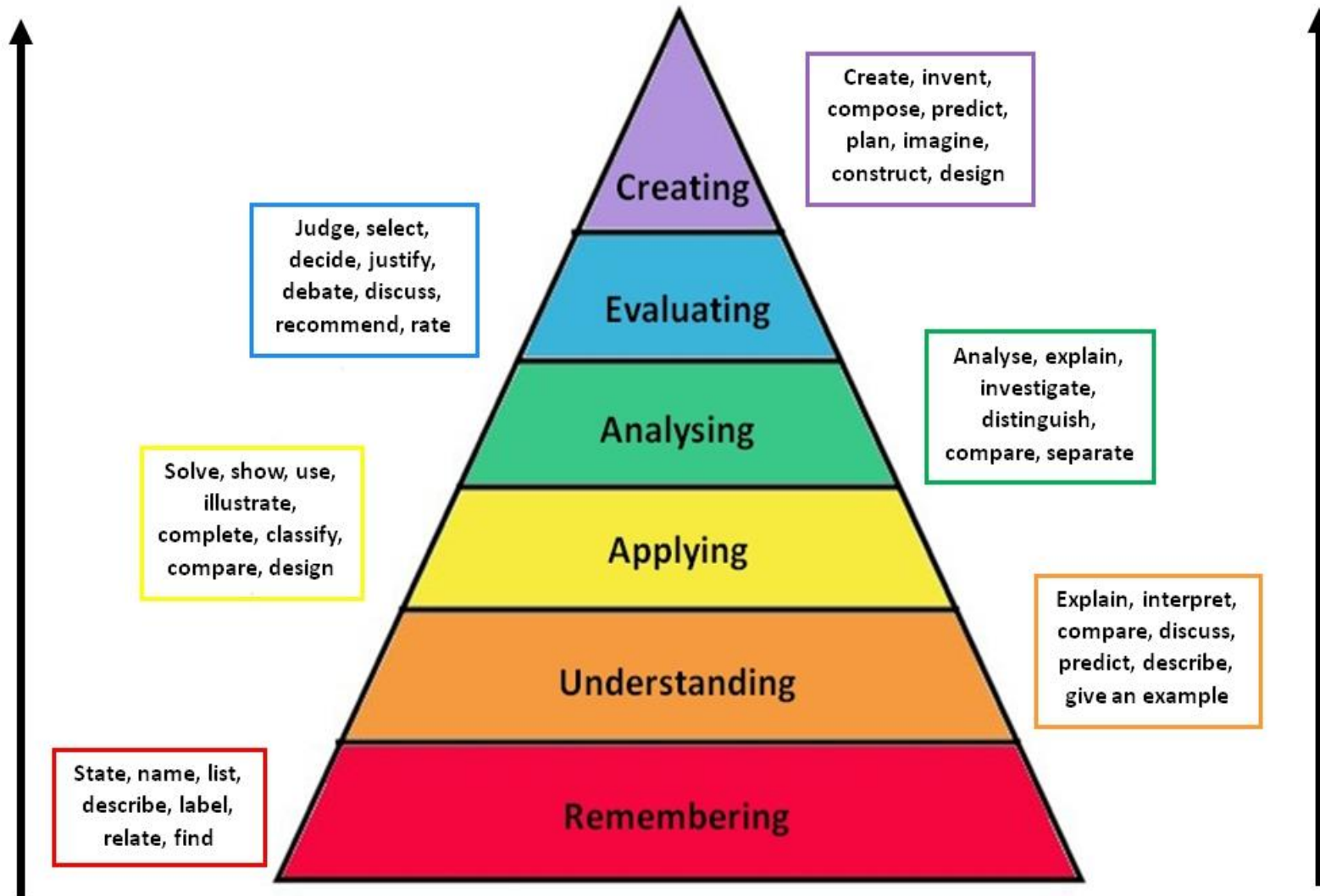
Calls for Changes in Accounting Education e.g. AECC (1991), UN Principles of Responsible Management (VBS 2016)

- Less emphasis on 'rules and techniques' and calculating 'one right answer'
- Develop future business leaders' abilities to confront complex 21st century challenges faced by business and wider society
- Encourage more questioning, critically reflective and analytical attitudes
- Encourage a spirit of 'ongoing inquiry'

Critical Thinking

- “To help students to become critical thinkers is to encourage them to ask questions, to look for evidence, to seek and scrutinize alternatives, to be critical of their own ideas as well as those of others.” (Siegel 1988)
- “(Critical thinking) precludes taking schooling as an instrument for shaping [students’] minds to a preconceived idea. For if they seek reasons, it is their evaluation of such reasons that will determine what ideas they eventually accept.” (Scheffler 2013)
- “Helping students to think for themselves – a university education is at least partly about gaining a measure of intellectual independence.” (Brown 2000)

Bloom's Taxonomy



Teaching Philosophy

- Challenging tradition accounting education and practice:
 - **What** is accounted for
 - **How** it is accounted for
 - **Who** is accounted for
- **Dialogic** approach to teaching
 - Co-learning and collaboration with students

Teaching Philosophy

- Accounting education – teaching the social and political contexts of accounting
- Changing views of corporate accountability and new trends in external reporting
- Learning objectives:
 - Reflect your (students') existing assumptions and beliefs about the objectives of accounting
 - Look at accountability and external reporting issues from different points of view
 - Read and think critically

What is accounting?

“The objective of general purpose financial reporting is to provide **financial information** about the reporting entity that is useful to existing and potential **investors, lenders and other creditors** in making decisions about providing resources to the entity.”

Para. OB2 of NZ Framework

Limitations of Traditional Financial Reporting

- Objective of financial reporting: focuses on **financial** information needs of **shareholders** and **capital markets**.
- Concept of 'reporting entity': transactions and events that do not directly impact the reporting entity's financial position/performance are ignored
- Narrow view of corporate performance:
 - Focus on shareholders/capital markets e.g. in **materiality judgements** about *what* to report, *why* and *to whom*
 - Limited regard to other stakeholders (e.g. employees, suppliers, consumers, indigenous peoples, public at large) unless there is a financial benefit to the company.
 - Too much emphasis on short-term financial results?

What is accounting? – REVISED

“The objective of accounting is to provide financial and non-financial information that is useful to stakeholders for decision-making and accountability purposes”.

WHAT IS ACCOUNTING?

Organisation:
For-profits and Public
Benefit Entities

Users of Information/
Stakeholders:

- Management
 - Investors
- Creditors/Lenders
 - Customers
 - Employees
 - Communities
 - Environment
 - Citizens
 - Taxpayers

For
Decision
Making and
Accountability

Recording, reporting, and analysing
information

& Communicating to...

Information about the entity's:

- Profitability
- State of operations
- Ability to pay obligations
- Tax obligations
- Sustainability – economic, environmental, and social

Need for more critical reflection on the impacts and purposes of accounting?

- “Accounting is clearly technical, but it is much more than that since how and what we account for affects everyone in society; there is a ‘public interest’ at stake... accountants (and others) need to promote and support efforts to make governments and society aware of these impacts and to stimulate debate about the purposes of accounting” (Cooper & Morgan 2013, pp.418-19)
- Hines (1988), in communicating reality, accountants also help to construct reality.

“In communicating reality we construct reality” – Hines (1988)

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FINANCIAL ACCOUNTING: IN COMMUNICATING REALITY, WE CONSTRUCT REALITY*

RUTH D. HINES

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At first I saw Don Juan simply as a rather peculiar man who knew a great deal . . . but the people . . . believed that he had some sort of “secret knowledge”, that he was a “brujo”. The Spanish word brujo means, in English . . . sorcerer. It connotes essentially a person who has extraordinary . . . powers.

I had known Don Juan for a whole year before he took me into his confidence. One day he explained that he possessed a certain knowledge that he had learned from a teacher, a “benefactor” as he called him, who had directed him in a kind of apprenticeship. Don Juan had, in turn, chosen me to serve as his apprentice, but he warned me that I would have to make a very deep commitment and that the training was long and arduous . . .

The background consists of a solid blue upper section and a dark blue lower section. A white geometric shape, resembling a stylized 'V' or a notch, is positioned on the left side, separating the two color fields.

Changing views of corporate accountability and new trends in external reporting

Differing Views of Corporate Accountability

○ Milton Friedman:

- Corporations have no social responsibility beyond profit-maximisation for shareholders.
- “Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can” (Friedman 1962, p.133).
- “... there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Friedman 1970).

Differing Views of Corporate Accountability

Alternative views

- “... a faith in a harmony of interests between capital markets and societal well-being has always been fragile and disputed” (Cooper & Morgan 2013, p.420).
- Corporations should be managed in a way that recognises the impacts of corporate activity on a broad range of stakeholders, rather than focusing on maximising shareholder wealth.
- Corporations are (or should be) **accountable** for their social and environmental impacts – including having responsibilities to future generations in relation to sustainability.

Companies Act 1993

An Act to reform the law relating to companies, and, in particular,—

- (a) to reaffirm the value of the company as a means of achieving economic and social benefits through the aggregation of capital for productive purposes, the spreading of economic risk, and the taking of business risks; and
- (b) to provide basic and adaptable requirements for the incorporation, organisation, and operation of companies; and
- (c) to define the relationships between companies and their directors, shareholders, and creditors; and
- (d) to encourage efficient and responsible management of companies by allowing directors a wide discretion in matters of business judgment while at the same time providing protection for shareholders and creditors against the abuse of management power; and
- (e) to provide straightforward and fair procedures for realising and distributing the assets of insolvent companies

**“Universe of all possible
accountings” (Gray 2002)**

And from
different
perspectives

Management
accounting

Social &
environmental
accounting

Financial
accounting

SER and corporate accountability

- Various terms used for SER:
 - Corporate responsibility reporting
 - Triple bottom line reporting
 - Sustainability reporting
 - Integrated reporting

SER and corporate accountability (cont.)

- SER involves accounting:
 - for different things (i.e. other than strictly financial transactions);
 - in different media (i.e. other than strictly financial reports);
 - to different users (i.e. not only providers of finance); and
 - for different purposes (i.e. not only to enable decision-making where success is judged in financial terms).
- Those with broader understandings of accountability support broader types of accounting.

SER – Reporting Guidelines and Legislation

- Reporting guidelines and voluntary standards that companies can adopt:
 - Global Reporting Initiative (GRI) – *Sustainability Reporting Guidelines*
 - International Integrated Reporting Council (IIRC) – *International Integrated Reporting Framework*
 - Social Accountability International – SA8000 standard
 - AccountAbility – AA1000 standards
- Legislation exists in some countries e.g. France, Denmark, the Netherlands, South Africa, Spain, Sweden, EU disclosure requirements

Examples of SER Reports





<http://www.victoria.ac.nz/sacl>

