



Leveraging Change

— The New Pillars of Accounting Education

Des parties du présent document ont été traduites en français.

Edited by Irene M. Wiecek, FCA and Gordon Beal, CA, M.Ed



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The Canadian Institute of Chartered Accountants (CICA) and the University of Toronto (through the CA/Rotman Centre for Innovation in Accounting Education and the Master of Management & Professional Accounting Program at University of Toronto) publish this document for informational and educational purposes.

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Foreword

Ours is a time of incredible change in the accounting world. Within a few short years, a new, multi GAAP environment has emerged, with the adoption of IFRS, new accounting standards for private enterprises, and the evolution of not for profit standards. Thus it has never been more important for the accounting profession and accounting and business educators to work together to determine how best to prepare tomorrow's accountants.

In November 2010, the Canadian Institute of Chartered Accountants (CICA) partnered with the University of Toronto to respond to this challenge. The result was *Leveraging Change – The New Pillars of Accounting Education*, a one-day symposium during which leading academics from Canada, the United States, and the United Kingdom explored five new pillars of accounting education along with 100 delegates from across the country.

The five new pillars (the “Pillars”) were identified for the symposium as accounting principles and concepts; ethical decision-making; professional and personal attributes; professional judgment, and integration. The Pillars are not based on a formal research process. Rather, they emerged from an extended dialogue among the CICA, the University of Toronto and other interested academics. The Pillars re-position and re-emphasize areas that have long been of interest to educators and to the accounting profession alike.

In preparation for the Symposium, leading academics and accounting professionals were invited to submit thought papers on each Pillar. The authors then shared their papers and perspectives through numerous conference calls. During the Symposium itself, fifteen thought papers were presented. Those fifteen papers are collected here in this volume.

The objective of the Pillars Symposium was to begin the process of rethinking accounting education by articulating the questions that accounting educators need to ask. The papers presented in this book raise those questions eloquently, and so begin this important discussion for us all.

Tim Forristal, CA
Vice President, Education
Canadian Institute of Chartered Accountants

Acknowledgements

The *Pillars of accounting education* project is a joint initiative between the Canadian Institute of Chartered Accountants (CICA) and the University of Toronto. Its objective is to rethink accounting education. The initial symposium was sponsored by the CICA and the University of Toronto (through the CA/Rotman Centre for Innovation in Accounting Education and the Master of Management & Professional Accounting Program at University of Toronto, Mississauga).

Avant-propos

Le monde de la comptabilité est en pleine mutation. En quelques années seulement, nous sommes passés aux PCGR multiples : IFRS, normes pour les entreprises à capital fermé et normes pour les organismes sans but lucratif. Dans ce contexte, il importe plus que jamais que la profession comptable et les professeurs de comptabilité se concertent afin de trouver la meilleure façon de préparer les comptables de demain.

Dans le but de relever ce défi, l'Institut Canadien des Comptables Agréés (ICCA) a conclu une entente avec l'Université de Toronto en novembre 2010. Le résultat : un symposium d'une journée, intitulé *Leveraging Change - The New Pillars of Accounting Education*, qui a permis à des universitaires de premier plan du Canada, des États-Unis et du Royaume-Uni de définir, avec plus de 100 délégués de partout au pays, les cinq nouveaux piliers de la formation en comptabilité.

Ces cinq nouveaux piliers sont les suivants : principes comptables (principes généraux), prise de décisions fondée sur l'éthique, jugement professionnel, qualités professionnelles et personnelles, et intégration. Ils ne sont pas issus d'un processus de recherche, mais plutôt d'un dialogue intense entre l'ICCA, l'Université de Toronto et divers universitaires intéressés par le sujet. Ces piliers viennent réaffirmer l'importance de sujets qui intéressent depuis longtemps les professeurs et la profession comptable.

En vue du symposium, d'éminents universitaires et comptables ont été invités à présenter des documents de réflexion sur chaque pilier. Les auteurs ont alors discuté de leurs documents et de leurs perspectives au cours de nombreuses conférences téléphoniques. Durant le symposium lui-même, quinze documents de réflexion ont été présentés, et ce sont ces documents que vous trouverez dans le présent ouvrage.

L'objectif des piliers du symposium était d'amorcer une réévaluation de la formation en posant les questions sur lesquelles les professeurs de comptabilité doivent se pencher. Les documents contenus dans le présent ouvrage posent ces questions de façon éloquente, ce qui nous aidera tous à entamer un important dialogue.

Tim Forristal, CA
Vice-président, Formation
L'Institut Canadien des Comptables Agréés

Remerciements

Le projet *Pillars of accounting education*, dont l'objectif est de repenser la formation en comptabilité, est une initiative conjointe de l'Institut Canadien des Comptables Agréés (ICCA) et de l'Université de Toronto, qui ont commandité le symposium initial (par l'entremise du CA/Rotman Centre for Innovation in Accounting Education et du programme de maîtrise en gestion et comptabilité professionnelle de l'Université de Toronto-Mississauga).

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Le 22 novembre 2010

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Overview

Welcome Address:

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Opening Remarks – The Pillars:

Irene M. Wiecek, FCA, Senior Lecturer,
 Accounting, Rotman School of Management,
 University of Toronto; Director, CA/Rotman
 Centre for Innovation in Accounting
 Education

Keynote: Challenges and Trends in Teaching and Learning: Implications for Accounting Educators

Julia Christensen Hughes, PhD, MBA, Dean,
 College of Management and Economics,
 University of Guelph

Teaching Principles-Based Accounting – The Conceptual Framework

Speaker:

Michael Wells, Director, IFRS Education
 Initiative, IFRS Foundation

Discussants:

Gary Poole, PhD, Associate Professor,
 School of Population & Public Health,
 University of British Columbia,
 Daniel Coulombe, CA, PhD, Associate
 Professor, Laval University

Ethics and the Accounting Profession

Speaker:

Brad Agle, PhD, George W. Romney
 Endowed Professor, Professor of Ethics and
 Leadership, Fellow, Wheatley Institution,
 BYU, Marriott School of Management,
 Brigham Young University

Discussants:

Leonard J. Brooks, FCA, MBA, Professor,
 University of Toronto, Joan Conrod, FCA,
 MBA, Professor, Dalhousie University,
 Maureen P. Gowing, PhD, CMA, Associate
 Professor, Odette School of Business

Lunch Presentation – Professional Judgment: A Renewed Importance

Tricia O'Malley, FCA, past Chair,
 Canadian Accounting Standards Board

Teaching the Fine Arts of Being a Professional Accountant

Speaker:

Susan Wolcott, PhD, CPA, CMA, Thought
 Leader, CA School of Business

Discussants:

Sandy Hilton, PhD, CA, MA, Accounting
 Instructor, University of British Columbia,
 Michel Magnan, PhD, FCA, ASC, C.Dir.,
 Professor and Lawrence Bloomberg Chair in
 Accountancy, Fellow CIRANO, John Molson
 School of Business, Concordia University

Integration of Finance, Strategy, Information Technology, Economics, Business, Tax and Law

Speaker:

Irene M. Wiecek, FCA, Senior Lecturer,
 Accounting, Rotman School of Management,
 University of Toronto, and Director, CA/
 Rotman Centre for Innovation in Accounting
 Education

Discussants:

Norman Sheehan, PhD, CGA, CMA, MBA,
 Associate Professor, Edwards School of
 Business, University of Saskatchewan,
 Nancy Vanden Bosch, CA, CMA, MAcc,
 Robert Harding Teaching Fellow, School
 of Accounting & Finance, University of
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 University of Ontario Institute of Technology

A Message from Standards:

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Summation – Closing Remarks:

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Survol

Allocution d'ouverture :

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Thème central : Challenges and Trends in Teaching and Learning: Implications for Accounting Educators

Julia Christensen Hughes, Ph.D., M.B.A.,
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Economics, Université de Guelph

Teaching Principles-Based Accounting – The Conceptual Framework

Conférencier :

Michael Wells, directeur, IFRS Education
Initiative, IFRS Foundation

Experts invités :

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Université de la Colombie-Britannique;
Daniel Coulombe, CA, Ph.D., professeur
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Ethics and the Accounting Profession

Conférencier :

Brad Agle, Ph.D., professeur, chaire
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Experts invités :

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M.B.A., professeur, Université Dalhousie;
Maureen P. Gowing, Ph.D., CMA, professeur
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Dîner-conférence : Professional Judgment: A Renewed Importance

Tricia O'Malley, FCA, ancienne présidente du
Conseil des normes comptables du Canada

Teaching the Fine Arts of Being a Professional Accountant

Conférencière :

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Irene M. Wiecek, FCA is the Canadian co-author of *Intermediate Accounting* (Wiley) a fully integrated IFRS text and the Canadian and U.S. editions of the *IFRS Primer: International GAAP Basics* (Wiley). She was selected by Ernst & Young to join a team of U.S. academics and partners to create an IFRS curriculum for North American universities and colleges. At the University of Toronto, Irene is Associate Director of the Master of Management & Professional Accounting Program (University of Toronto, Mississauga) as well as founding Director of the CA/Rotman Centre for Innovation in Accounting Education. She teaches at both the graduate and undergraduate levels and is the recipient of the MMPA Award for Teaching Excellence as well as Dean's award for contributions to accounting education. Irene has been involved in professional development and education for many years, sitting on numerous committees and teaching and developing educational materials for the Institute of Chartered Accountants of Ontario as well as the Canadian Institute of Chartered Accountants (including the IFRS Immersions courses). Irene articulated with KPMG.

JULIA CHRISTENSEN HUGHES (Keynote Speaker)

Dr. Julia Christensen Hughes is Dean of the College of Management and Economics at the University of Guelph in Ontario. She is also past-president of the Society for Teaching and Learning in Higher Education, a predominantly Canadian organization committed to enhancing the quality of teaching in learning in post-secondary institutions. A long-time advocate for educational reform, her research interests include academic integrity, student-centered learning, curriculum assessment and development, universal instructional design, and organizational effectiveness. An award winning instructor, educational consultant, and frequent keynote speaker, Dr. Christensen Hughes has facilitated several national events in support of the scholarship of teaching and learning and the teaching-research-learning nexus. In 2007, she was the recipient of the Edward F. Sheffield Award from the Canadian Society for Studies in Higher Education for the author judged to be most excellent in the *Canadian Journal of Higher Education*. In 2008, she was honoured with the John Bell Award from the University of Guelph for outstanding contributions to education.

MICHAEL WELLS

Michael Wells leads the education initiative of the IFRS Foundation. He qualified as a South African chartered accountant with Ernst & Young before being seconded to work out of the firm's Detroit office.

He subsequently joined the academic world and became the Associate Professor responsible for the financial accounting section of a South African university. He also served as an independent evaluator of professional qualifying examinations. He is a member of a number of international accountancy education advisory groups.

GARY POOLE

From 2000 to 2010, Gary Poole directed the Centre for Teaching and Academic Growth and the Institute for the Scholarship of Teaching and Learning at UBC. From 2000 to 2004, he was the president of the Society for Teaching and Learning in Higher Education, and is currently the president of the International Society for the Scholarship of Teaching and Learning. Gary has won an excellence in teaching award from SFU and a 3M Teaching Fellowship. In his years at UBC, he has received two teaching awards, plus a Queen's Golden Jubilee Medal for contributions to Higher Education and a Lifetime Achievement Award from STLHE.

He is the co-author of "Effective Teaching with Technology in Higher Education," and "The Psychology of Health and Health Care: A Canadian Perspective." Gary is also an associate professor in the School of Population and Public Health in UBC's Faculty of Medicine and Senior Scholar in the Centre for Health Education Scholarship.

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Daniel Coulombe is a Chartered Accountant and Professor of Accounting at Université Laval since 1985. He holds a PhD from The University of British Columbia, a Bachelors degree and a License in Accounting from Université Laval. He currently teaches financial statement analysis at the MBA and Executive level. Professor Coulombe served as visiting professor at INSEAD, University of Graz, Université Pierre Mendès Grenoble, The Amsterdam School of Business, and the Université de Tunis.

Professor Coulombe's research interest includes financial accounting, IPO, corporate governance and pensions. His research appeared in a variety of academic and professional journals. Professor Coulombe also served as President of the Canadian Academic Accounting Association, on the Academic Advisory Council of the CICA, is currently a member of the board of a retirement pension fund and also serves on audit committees.

BRAD R. AGLE

Brad Agle (PhD, University of Washington) is the George Romney Endowed Professor, Professor of Ethics and Leadership in Marriott School of Management, and a Fellow in the Wheatley Institution at Brigham Young University. Previously, he spent 17 years as a professor in the Katz Graduate School of Business at the University of Pittsburgh, where he also served for eight years as the inaugural director of the Berg Center for Ethics and Leadership.

Dr. Agle is an active researcher with articles in the top journals in management and ethics. He is also a recipient of multiple teaching awards, including Distinguished Professor of the Year honors. His teaching brought the University of Pittsburgh the distinction of being the #2 ranked eMBA program in the world in business ethics by Business Week. He also created the Certificate Program in Leadership and Ethics, the world's first integrated undergraduate specialty in ethical leadership in business.

LEONARD J. BROOKS

Leonard J. Brooks (FCA) is a Professor of Business Ethics & Accounting at the Rotman School of Management, University of Toronto. He is Director, Master of Management & Professional Accounting Program and Director, Diploma in Forensic Accounting (DIFA) at the University of Toronto Mississauga. Professor Brooks teaches business and professional ethics and governance in the graduate and executive programs of the University. He has authored or co-authored the following books: *Business & Professional Ethics for Directors; Executives & Accountants, 5e (2010)*; *Ethics & Governance: Developing and Maintaining an Ethical Corporate Culture, 3e (2008)*; *Principles of Stakeholder Management (1999)*; and *Canadian Corporate Social Performance (1986)*. He has contributed the following chapters to significant publications: "Conflict of Interest in the Accounting Profession" in *Conflicts of Interest in the Professions (2001)*; "Earnings Management" in *Finance Ethics: Critical Issues in Financial Theory and Practice (2010)*; and "Corporate Responsibility" in the *Encyclopedia of Applied Ethics (2010 forthcoming)*.

He was the Founding Editor of the *Corporate Ethics Monitor*, and served for 14 years as a member of the Editorial Board of the *Journal of Business Ethics (JBE)*. His articles have been published in several journals including the *JBE*, *Accounting Organizations & Society*, and *Business & Society*, as well as others.

JOAN E. D. CONROD

Joan E. D. Conrod has been recognized for teaching excellence through awards such as the Faculty of Management Teaching Excellence Award, the PWC Leaders in Management Education Award, the Dalhousie University Alumni Award for Teaching Excellence and the AAU Distinguished Teacher award. She has been chosen as the Commerce Professor of the year award eight times. Her publications include the text *Intermediate Accounting*, with Tom Beechy; and a variety of case material and other publications.

Joan has a B Comm. from Dalhousie University, an MBA from the University of Toronto, and is a Fellow Chartered Accountant. She has been a Vice-Chair of the Dalhousie University Senate and a member of the Board of Governors. She is a past president of the Canadian Academic Accounting Association. Joan has a lengthy history of involvement in professional accounting education. She taught financial and managerial accounting courses to CA students across Canada, but particularly in Atlantic Canada, for 20 years. She has served on CA education committees at the local, regional and national levels.

MAUREEN P. GOWING

Maureen P. Gowing joined the Odette School of Business January 1, 2005. Dr. Gowing joined Odette from the John Molson School of Business at Concordia University in Montreal. She has supervised both Ph.D. and Masters' students, developed and taught Ph.D. research seminars as well as MBA and undergraduate courses in both managerial and financial accounting prior to obtaining her Ph.D. She is a CMA and has acquired extensive experience in valuation working as a financial analyst in the oil and securities industries, and did forensic work at the Vancouver Stock Exchange. Dr. Gowing works with a team conducting research on the effects of personal values on ethical reasoning. She has published in academic journals such as the *Journal of Business Ethics* and *Business Ethics a European Review* and is co-author of two texts, *Cost Accounting: A Managerial Emphasis* (2009) and *Financial Accounting* (2011, forthcoming). Dr. Gowing is a member of the Academic Advisory Committee of the Canadian Institute of Chartered Accountants and a member of the editorial board of *Contemporary Accounting Review*.

TRICIA O'MALLEY (Keynote Speaker)

Tricia O'Malley was Chair of the Accounting Standards Board from July 2009 to October 2010. Ms. O'Malley previously served as the first full-time Chair of the AcSB, from 1999 to 2001. She left the AcSB to become a founding member of the International Accounting Standards Board (IASB) in London, UK, and served on the IASB from 2001 until 2007. From 2007 to 2009, she has served on the staff of the IASB as Director of Implementation Activities. Before joining the AcSB in 1999, Tricia was a partner in the National Assurance and Professional Practice Group of KPMG Canada where she consulted with partners and staff on complex client accounting issues, with particular emphasis on financial instruments and structured finance transactions.

Tricia was a member of the AcSB's Emerging Issues Committee from its inception in 1988 until 1997, when she was appointed Vice Chair of the Board. She was chair of the Ontario Securities Commission's Financial Disclosure Advisory Board (1992 to 1999), was a member of the Independent Advisory Committee on Accounting and Auditing Matters of the Auditor General of Canada (1993 to 2004), and is a Past President of the Canadian Academic Accounting Association.

SUSAN K. WOLCOTT

Susan K. Wolcott is an educational consultant and Thought Leader for CA School of Business. She works with educators around the world on critical thinking development, competency assessment, and curriculum innovation. Susan is co-author of a cost accounting textbook which focuses specifically on the development of critical thinking skills. Her publications include a chapter on critical thinking assessment in *Assessment of Student Learning in Business Schools: Best Practices Each Step of the Way* and assessment materials for the AICPA *Educational Competency Assessment* web site.

Susan is a part-time Professor at IE Business School and Aalto University. She has won awards for teaching excellence at IE Business School and University of Denver. Prior to academia, she worked in public accounting for ten years (including Coopers & Lybrand). She holds Ph.D. and MS degrees in Accounting and Information Systems from Northwestern University and a BBA in accounting from University of Portland.

SANDY HILTON

Sandy Hilton is currently an accounting instructor at UBC-Okanagan. He graduated with a PhD in Accounting from the University of Waterloo in 2003. He is actively involved in the accounting profession and in accounting education as the Chair of the Education Committee for the Canadian Academic Accounting Association, Associate Editor for *Issues in Accounting Education*, Council member for the Institute of Chartered Accountants of BC, member of the CICA's Competency Map Committee, and Treasurer and Governor for BC's Chartered Accountant Education Foundation.

Hilton's research primarily focuses on curriculum and assessment issues within accounting education. He recently co-authored an article that explored the educational effects of different methods of forming groups. He is working on projects that examine implementation of the competency-based education model, the learning effects of peer-marking well-structured assignments, and the characteristics of authors of seminal works in accounting research.

MICHEL L. MAGNAN

Michel Magnan is a Professor and the Lawrence Bloomberg Chair in Accountancy at the John Molson School of Business of Concordia University. He holds a Ph.D from the University of Washington (Seattle). His research and professional interests encompass financial statement analysis, governance, executive compensation, ethics and the environment, and corporate disclosure. His research has been published in over 90 papers in academic and professional journals. He is actively involved within the professional accounting community, having served on committees at the CICA and at Ordre des CA du Québec. He served as Editor of *Contemporary Accounting Research* between 2007 and 2010. He is frequently quoted in the media on financial reporting and governance issues.

NORMAN T. SHEEHAN

Dr. Norman T. Sheehan is an Associate Professor in the Department of Accounting at the Edwards School of Business. His areas of teaching and research interests include strategy formulation, management control systems, risk management and corporate governance. He teaches management control and strategy within the Department and also participates in the Executive CMA Program and the Effective Executive Program. Norman enjoys hockey, indie music and developing pedagogical exercises that engage his students and promote competency building.

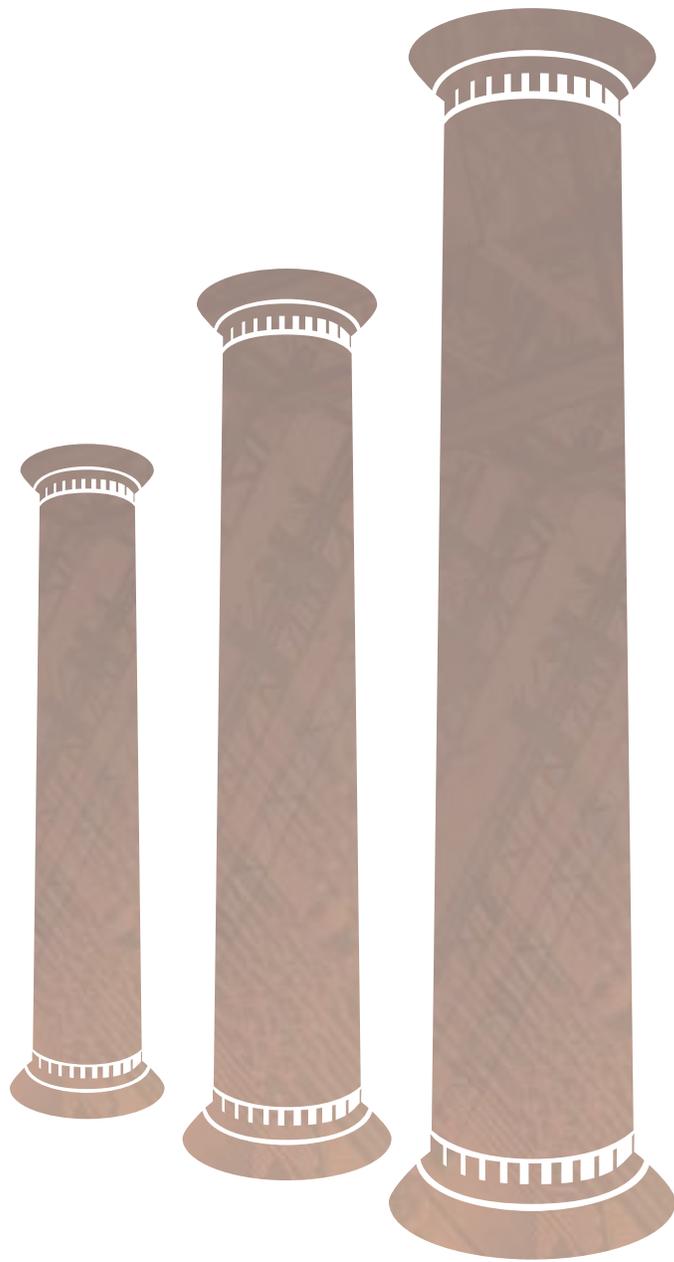
NANCY VANDEN BOSCH

Nancy Vanden Bosch is the Robert Harding Teaching Fellow at Waterloo's School of Accounting and Finance and a 2010 recipient of Waterloo's Distinguished Teacher Award. She joined the School in 2002 after a 15 year career in management consulting with Deloitte, spending the final five years as a partner in its telecom industry strategy practice. Nancy has designed and taught various business strategy courses for accounting and finance majors in the School's undergraduate and graduate programs and has frequently authored the case for an annual integrated case competition. Nancy is currently leading the implementation of program changes resulting from the design of a learning model for the School's programs. She is a Waterloo grad (MAcc 1986), a Chartered Accountant, and a Certified Management Accountant.

JANE M. BOWEN

Jane M. Bowen, CA has been involved in professional development and education for CAs for many years. Jane has been a seminar leader at the Institute of Chartered Accountants of Ontario's School of Accountancy and is currently the Coordinator for the Professional Practice portion of the School. She currently lectures in financial accounting and audit at the University of Ontario Institute of Technology (UOIT) in Oshawa. In the area of standard setting, she is a member of the Canadian Academic Accounting Association Financial Accounting Exposure Draft Response Committee. Jane has also been involved in the preparation and presentation of numerous professional development courses for Chartered Accountants including: Professional Practice Update, Auditing Refresher, Accounting and Auditing within the Not-for-Profit sector, and Accounting for Income Taxes. Jane is also the co-author of two publications, *Guide to Preparing Financial Statements*, and *Designing and Using Effective Analytical Procedures*, published by Carswell.

An Introduction to
the “New” Pillars of Accounting Education



An Introduction to the “New” Pillars of Accounting Education

Irene M. Wiecek

Although this paper is entitled the “new” pillars of accounting education, much of what is new isn’t really new at all. Academics and scholars have been researching and discussing issues including ethics, professional judgement and conceptual frameworks as foundations of accounting for many years. Why is the time ripe to take a fresh look at accounting education? What is the impetus for change? Certain catalysts for change have emerged relatively recently including globalization of accounting standards while some have been building and have just now reached the critical mass stage.

Researchers in the field of education continue to contribute to a growing body of knowledge relating to education. This affords accounting educators a very rich pool of wisdom upon which to draw. A great opportunity exists to reach between the two bodies of knowledge (accounting and education) and build bridges. The first part of the paper links research on challenges and change relating to education in general to the field of accounting education, drawing on the work of Christensen Hughes and Mighty (2010). Richard Mayer in the foreword to the book “How Learning Works – Seven Research-Based Principles for Smart Teaching” (Ambrose et al 2010) talks about the significance of connecting research in the area of learning with the teaching arena and the importance of helping teachers understand how research in the science of learning can improve teaching. So in a large part – the paper is about making connections.

The pillars of accounting education, which may be used as a framework to support and focus change activities, are introduced and defined. They include:

1. Accounting principles and concepts
2. Ethical decision-making
3. Professional judgement
4. Professional and personal attributes
5. Integration.

The purpose of this paper is not to present answers – rather it is to ask the questions that must be asked so that we can move forward on the path of change. In summary the paper brings the more general discussions regarding the need for change in education into the accounting arena and suggests some first steps in moving down the road of change.

Why now? Pressures and challenges

There are forces at work that affect university and college education in all fields and those that are more specific to accounting education. Summerlee and Christensen Hughes (2010) note and discuss several pressures for change that relate to university education in general, suggesting that universities must embrace change or risk obsolescence. Some of the pressures that they identify include the following:

- Ubiquity of information
- Concerns about employability skills
- Increasing pressures regarding accessibility
- Changing student demographics

They argue that what is now needed is a “period of reflection, reformation, and renaissance”. An overview of each of these points is presented below and discussed in the context of accounting education. Several questions are posed that deal with how we might change the learning environment in the field of accounting to provide a more rich and fruitful environment.

Ubiquity of information – Summerlee and Christensen Hughes talk about how the educational landscape has changed due to information explosion and democratization, largely due to the internet. Educators and students have access to so much more information than in the past. Where access to up-to-date information used to be a significant constraint in learning environments, now the issue is really about having too much information and information that is unfiltered and unsorted. For instance, when researching a topic using one of the many search engines now available, the search will most often yield an impossible number of resources or varying degrees of quality and reliability. There are two issues here – one relates to the amount of information available and how students cope with it and the other relates to information and the role of the professor or educator.

Accounting, as a distinct discipline and profession, has a well defined body of knowledge. In addition to original academic and applied research, there is a growing body of accounting/ financial reporting standards that are published by national and international standard setting bodies and lay out rules and/or principles that dictate how economic events and transactions should be reflected in financial statements. Along with their text books, accounting students have access to a significant amount of information including research, accounting standards (existing and proposed, international, national and local), company annual reports, securities filings, investor analyses, newspaper articles, research, podcasts, minutes of meetings and much more.

Standard setters such as the International Accounting Standards Board (IASB) publish not only existing and proposed standards but also minutes of all meetings and issues discussed by the Board. These minutes provide a very rich review of and insights into the standard setting process as well as context, but for a given topic, the amount of information increases exponentially especially since public accounting firms and others add to and publish commentary on these discussions. The intent regarding making this type of information available is to involve interested parties in the standard setting process. Much of the information available to accounting students is freely available in the interests of transparency and sharing. However, free access to this burgeoning body of knowledge while well intentioned, presents an overwhelming challenge.

Equally relevant is the issue of availability of material such as solutions. Accounting students must master quantitative skills as well as qualitative skills. Often accounting educators will facilitate the development of mastery by assigning problems, exercises and cases. Educators may want the solutions restricted so that the students will try to figure out the solution on their own. However, increasingly, solutions to exercises, cases, assignments and past tests/ exams are finding their way into the public information arena. The internet facilitates this transfer since the solutions are digitized. The learning is different when a student looks at the answer before attempting the question. It is less about struggling with what needs to be done and how to go about doing it (a more open ended challenge) and more of puzzling how to get from point A (the question) to point B (the solution in hand), a more directed exercise with less uncertainty. While the latter type of learning is important, so is the former. It is no longer safe for educators to assume that the answers to this type of material are not in the public domain. Therefore, educators may have fewer opportunities to facilitate this type of open ended challenge as a learning opportunity and indeed may need to search for new ways to facilitate open ended learning.

So we have an issue of too much information – perhaps too much to cope with for both student and educator, and we have the issue of symmetry of access – educators must generally assume that students can access most of what they themselves have access to thus causing the educators to adjust their strategies for learning and teaching.

Ambrose et al (2010) note that “how students organize knowledge influences how they learn and apply what they know.” They further note that experts organize knowledge in very different ways from novice learners – making many more interconnections and linkages. It is the ability to organize and link information that helps experts become experts. The information explosion is therefore a double-edged sword. On the one hand, access to information is valuable on so many levels however, if we do not help our students to sort, sift and identify/organize relevant, high quality information, can they ever move beyond the novice learner stage?

Looking at the information overload issue, the following questions are relevant. How can students navigate the complex body of knowledge? How can they sift the information in a meaningful way? How can they determine which resources are more relevant and trustworthy? How should they divide their time between accessing and studying the various resources? How important is it for students to internalize information that is always readily accessible (for instance the accounting standards)?

Looking at the issue regarding the role of the professor, some additional questions arise. No longer does the educator mete or parse out carefully controlled bits of information in hopes of challenging the students and exposing them to the body of knowledge in an organized way. The role is no longer so much a gatekeeper role under which the educator takes the students on a learning journey, exposing them to bits and pieces of the body of knowledge along the way. It may be less about the educator having exclusivity in terms of expertise and access although an important role still exists for the professor to guide the students to the more important parts. Has the role of the professor therefore changed, given free, equal and symmetrical access to information? What are the appropriate learning objectives in this type of environment? How is learning best facilitated? Should learning environments focus more on information management skills? Given that many educators may be struggling with the expanding and changing body of knowledge themselves, hoping to stay one step ahead of the students, how can they sustain their role as the expert?

Concerns about employability skills – Summerlee and Christensen Hughes refer to the work of Evers, Rush and Berdrow (1998) who note the need for employees who can think creatively, communicate effectively, work collaboratively, solve complex problems, understand issues from multiple and global perspective, manage themselves and tasks and other and provide leadership for innovation and change.

These employee effectiveness skills are often referred to in the accounting profession as professional competencies. For instance, the Canadian Institute of Chartered Accountants (CICA) *Competency Map* (2010) defines competencies to include: (i) ethical behaviour and professionalism, (ii) personal attributes such as accountability, adaptability to change and the ability to self manage, take initiative and add value; and (iii) professional skills such as communication, problem solving and management. In the past decade, professional accounting bodies have migrated the focus of their exams such that they assess competence. As an example, the Canadian Chartered Accountancy exams have assessed student performance on a competency basis since 2003.

Do our accounting courses and programs facilitate development of these and other competencies and skills/professional attributes? Are traditional education delivery systems capable of supporting this development? Given the information explosion, discussed earlier, how do educators cope? There is more of everything that needs to be embedded in the learning than ever before so what is the best balance between content and competencies? Are these skills/behaviours even teachable? Many ethics professors acknowledge the challenges with teaching ethics for instance. Similarly, there are challenges relating to teaching and learning effective communication skills especially where English may not be a first language for the student.

Increasing pressures regarding accessibility – The Association of Universities and Colleges of Canada note in their 2008 report on trends in education, that between 1987 and 2006, student enrollment grew by 56% whereas full-time faculty growth trailed at 18%. Thus, one may conclude that more students are being taught by fewer full-time faculty members. Who then is teaching our accounting students?

Since accounting is a well established profession, accounting students benefit not only from having interaction with accounting faculty members who are lead researchers but also those who have practical experience in the profession. Although many research stream faculty members also have experience in the profession, often experienced accounting professionals are hired into full-time non-research stream positions (referred to as teaching stream positions). Thus, students are exposed in a positive way, to differing perspectives and a melding of the research with the application. As noted by the statistics given above however, faculty may be hired as sessional or part-time instructors.

While on the one hand, there is much to be gained by having faculty who remain active in the profession and share this expertise by teaching on a part-time basis. On the other hand, as a

general rule, full-time faculty members (whether they be research or professionally oriented) have as their main focus, teaching and research as well as a longer term time horizon in terms of pedagogical development. Given the significance of helping students to develop competencies and skills as well as master a significant body of accounting knowledge, pedagogical design is extremely important.

Is a shift away from full-time faculty a cause for alarm? Are class sizes growing? What is the optimal mix of research stream faculty and teaching/professional stream faculty? Are incentive systems for non full-time faculty structured to support the same pedagogical mandates as full-time faculty? Where part-time/sessional faculty members are used, should the course pedagogy be uniform across all sections? What, if any is the role of full-time faculty where courses are taught by non-full-time faculty?

Changing student demographics - Summerlee and Christensen Hughes discuss amongst other things, the learning preferences of millennials¹ which include “teamwork, experiential activities, structure and use of technology” according to Oblinger (2003). They argue that universities should pay more attention to the expectations, abilities and habits of students. Gardner (Chen, Moran and Gardner, 2009), in applying his Multiple Intelligences theory to education would support this, going one step further, explicitly challenging educators to consider individuals as individuals (as opposed to part of a group). He notes that educators “should take differences among individuals seriously and should... craft education so that each individual can be reached in an optimal manner..”. Schwartz and Fischer (2003) note that there is insufficient emphasis placed on allowing the student to “construct their own understanding.” These views support a more tailor-made approach to learning.

Accounting programs attract their fair share of the millennials. If we argue that individuals, by definition are individualistic, the question arises as to whether we try to generalize to a group (whether it be millennials or other) or tailor the learning environment to the individual? If we choose to consider individualistic learning preferences, how do we identify them for each student and keep up with the changes i.e. who comes after the millennials and what will their learning preferences be? Do we have mechanisms for adapting our learning environments on a timely basis? Do we know how to adjust the learning environment to support differing learning preferences? Is a constantly changing learning environment optimal or even possible given fiscal constraints that universities and colleges face?

Aside from those factors discussed by Christensen Hughes and Mighty, there are numerous other factors/catalysts for change in accounting education. These are discussed below.

Technology and opportunities to use technology - When we look at where most educational institutions were even a decade ago in terms of technology, most would agree that the changes have been pretty profound. As a general statement - an increasing number of universities, colleges and students have access to and are making effective use of computer facilities in facilitating learning. This is changing for instance the way libraries are used. Although many students use libraries to physically study in, the reality is that they can access most information from home or outside the library. Libraries used to make a significant distinction between regular hard copy resources and e-resources. Now that line is blurring. If a resource is not available in electronic format, it is often scanned in and made available online. This feeds into the ubiquity of information issue discussed earlier.

Many students use laptops in class to take notes and at home to do homework. The thought process in capturing thoughts and generating a piece of writing may be different on the computer than by old fashioned pen and paper.

An increasing number of educational institutions are making use of online learning platforms such as Blackboard for their courses - allowing an interface between the student and professor and/or university/college - once again - from afar. These platforms allow students to do things such as download class notes and readings, check their grades, submit assignments and engage in online chats and interactions. In addition, there are more and more online courses and programs that are administered over the internet that do not even require face to

1 Millennials are defined as individuals being born during or after 1982 as noted by Strauss and Howe (1991 and 2000).

face learning. Software such as Turnitin² is regularly used to check student papers for plagiarism. Turnitin describes its product as the leading academic plagiarism detector.

In the text book arena, many textbook publishers have invested in online elearning environments as well. For instance, Wiley, McGraw Hill and Pearson (publishers of accounting texts amongst others) all have on-line learning environments which allow access to e-texts, assignments/tests (that may be completed and graded online), support materials and a multitude of other resources.

On the professional accounting front, increased use of technology to support learning is also evident. Professional accounting bodies, standard setters, and companies use podcasts, webinars and other online tools for continuing post certification education and to help educators keep abreast of changes. Professional accounting exams have migrated towards computerization. For instance as of 2009 CA exams must be written using computers and special software (Securexam). CPA exams have been computerized since 2004.

At a macro level, how do educators best make use of the additional educational opportunities afforded by online platforms? Can/should online/distance course/programs take the place of face to face learning? If not, what is an appropriate balance between face to face learning and distance learning? At a more micro level, should students be allowed to use laptops in class (especially where they have access to the internet which may cause distractions)? If students are used to generating papers and other written work on the computer (and thus potentially engaging in different thought processes) should they write tests/exams on computers?

Global move to IFRS (International Financial Reporting Standards) – Although accounting educators might see the move to IFRS being the main reason for educational change, in reality, it is just one of many. That being said, it is nonetheless an issue which is very visible and is causing concern for many educators. Over 100 countries now require or allow IFRS and others are considering moving over to this international language of business. For instance, countries in the European Union, Australia, South Africa, Brazil and Chile require IFRS for the consolidated financial statements of public companies. India is phasing in IFRS over the period 2012-2014. Many others are either transitioning to or being influenced by IFRS.³

The US, while still using its own national GAAP (referred to as US GAAP), is deliberating whether to move over to IFRS. The Securities and Exchange Commission (SEC) currently allows foreign filers to use IFRS but not US companies. The issue of whether to move to IFRS is more problematic in the US as IFRS is more principles-based and requires more judgement than existing US GAAP. Regardless of whether the SEC eventually allows IFRS to be used for US companies, there is growing demand amongst US educators to bring IFRS into the curriculum. Arguments to support inclusion of IFRS in the US accounting curriculum include the following:

- As noted above, foreign filers already use IFRS in the US,
- Global companies based in the US may use IFRS as a common international language especially when they list on global stock exchanges outside the US,
- Knowledge of IFRS will afford accounting graduates greater mobility, and
- The CPA examinations now require knowledge of IFRS.

Over the past few years GAAP has expanded significantly. As of January 1, 2011, Canada has multiple GAAPs including but not limited to the following:

1. IFRS for public companies
2. Accounting Standards for Private Enterprises – ASPE (private enterprises may also choose to use IFRS)
3. Not for profit organizations
4. Pension plans
5. Government.

² www.turnitin.com.

³ Deloitte, on its IFRS website www.iasplus.com has an excellent annual downloadable publication entitled IFRS in your Pocket. This booklet has a chart that notes the countries where IFRS is required or permitted including notes about countries that are transitioning to IFRS.

Consequently Canadian educators and students need to consider many GAAPs, including IFRS. Similar to Canada, separate national GAAPs still exist in many IFRS jurisdictions for financial statements other than consolidated statements and for entities other than public for-profit companies. Thus, many educators are facing a multiple GAAP environment.

From a pedagogy perspective, there are two issues. One issue deals with the increasing number of GAAPs. The other is more subtle and yet at the same time, more profound. It relates to the nature of the standards themselves. IFRS is more principles-based requiring more use of judgement and tolerance for differing points of view. While pre-IFRS Canadian GAAP leaned towards use of principles, US GAAP is more prescriptive and rules based. Teaching decision-making using standards that require more judgement may be quite different from teaching accounting with a more prescriptive set of standards.

Given that it is difficult to teach one GAAP let alone several, how do educators manage with multiple GAAPs? How do they teach/facilitate the development of professional judgment? What is the best way to expose students to differing decision-making models given a GAAP that is more principles based (such as IFRS), requiring greater use of professional judgement, versus a GAAP which is more prescriptive (US GAAP), requiring less judgement?

Recognition that current accounting standards body of knowledge is becoming unmanageable – Earlier, this paper discussed the general issue of ubiquity of information however, it may be worthwhile to revisit this information issue specifically looking at IFRS and US GAAP and the rate of change issue. Over the past two years, IFRS and US GAAP have changed dramatically – partly due to the overhauls of a significant number of core standards.⁴ This will continue for the next several years as core topics such as revenue, leases, pensions, financial instruments and others are rewritten to reflect the new conceptual framework.⁵ Change has become a constant in terms of accounting standards.

Countries with prescriptive financial reporting standards such as the US have been struggling with the issue of an unwieldy, voluminous body of knowledge for a number of years. For instance, currently there are over 100 standards dealing with revenue and gain recognition in US GAAP. In the past two years, the US Financial Accounting Standards Board (FASB) has brought together and organized/renumbered the huge number of standards that exist in US GAAP. This is known as the codification project. Even though this project has streamlined the body of knowledge, the volume of guidance under US GAAP for many topics is still breathtaking.

How do educators teach and students learn a changing, growing set of standards? How do educators get up to speed (and keep up to speed given the rate of change)? Where the body of knowledge is more prescriptive (such as US GAAP), how do educators deal with the sheer volume of information?

Financial crisis – The International Monetary Fund (IMF) in its Global Financial Stability report (2010) noted that they estimated crisis related bank write-downs over the period 2007 to 2010 to be \$2.2 trillion – a staggering number. Some feel that there was insufficient transparency in the financial statements regarding complex financial instruments and that compensation packages based on annual results and short term indicators may have contributed.⁶ Were accountants at fault? Many stakeholders in the capital marketplace stepped up to examine whether there were steps that could be taken to ensure that this type of crisis would not recur. For instance, there has been a flurry of activity in terms of accounting standard setting relating to standards thought to be connected to the financial crisis. Indeed, the IASB has divided its projects into segments – the most pressing being called “Financial Crisis Related Projects”.⁷ As other capital market participants are examining what, if any role they might

4 The IASB and the Financial Accounting Standards Board (FASB) have been working on converging IFRS and US GAAP under the Norwalk Agreement (a memorandum of understanding originally signed by both standard setters in 2002). The commitment to continue to work together has been subsequently reaffirmed under memorandums of understanding with the hope to complete a significant amount of the convergence work by 2011. The boards plan to continue to work together beyond 2011.

5 The IASB on its website www.iasb.org publishes a standards work plan which is updated frequently. The work plan lists all standards being worked on and notes when new standards will be issued.

6 The IMF in its document entitled *Initial Lessons of the Crisis*, (2009) noted that accountants need to make clear the nature of price uncertainty and that standard setters might consider better guidance and principles for mark-to-model valuation, information on the variance around fair value calculations and data on price history (see page 5).

7 The IASB began in 2009 to categorize its projects into three major categories including: (1) Financial crisis related projects, (2) Memorandum of Understanding projects (joint IASB and FASB) and (3) Other.

have played in the financial crisis, educators should similarly take the opportunity to reflect on the financial crisis and whether the education system contributed to the problem by preparing graduates who were ill-equipped.

In hindsight, did flaws or omissions in accounting education contribute to the financial crisis? Will accounting graduates be ready to face the next crisis? How can educators better prepare accounting students to deal with these and other types of issues?

Some or all of these factors noted above are certainly causing accounting educators to question what they are doing and perhaps make adjustments to the accounting learning environment.

The five pillars

Change is difficult. Where do we start? Having some sort of structure or framework to serve as a focal point to think about change will allow a more organized and cohesive approach. The pillars are such a framework⁸. The framework recognizes and articulates five basic foundations of accounting education. This paper identifies these foundations as the “new” pillars of accounting education as follows:

1. Accounting principles and concepts
2. Ethical decision-making
3. Professional judgement
4. Professional and personal attributes
5. Integration.

These pillars are interconnected and interrelated however they have been identified separately so that educators may study them more closely. Some of the pillars are relatively self explanatory (ethics), and some need more explanation (integration). Brief thoughts about the pillars follow.

Accounting principles and concepts

As things get more complicated due to an expanding and changing body of knowledge, things may actually become more simple. Once educators understand that they cannot teach everything, it is quite liberating. While in the past, many accounting faculty may have thought that they must teach the most current financial reporting standards and keep updating the students, most now acknowledge the impossibility of this task especially given the issues of information overload, unwieldy changing financial reporting standards, and multiple GAAPs. By the time students graduate, accounting standards will have likely changed. Educators must therefore decide what they can teach – i.e. what learning can be facilitated.

The financial reporting conceptual framework is an excellent place to start. The purpose of the conceptual framework is to ground the body of knowledge and lay foundations to support application standards. If students understand the conceptual framework, in theory, they should be able to reason their way through accounting problems. In addition, they should have greater insights into the various specific standards in any of the multiple GAAPs, and how and why the standards might differ.

This assumes however that the body of knowledge is internally consistent and that all standards are consistent with the conceptual framework. Unfortunately this is not the case. Note that the conceptual frameworks in many bodies of accounting standards such as IFRS and US GAAP, evolved after many of the standards were written. Although better late than never, this causes some problems as it may result in standards that are not consistent with the framework. The IASB is currently redeliberating and rewriting its conceptual framework and so this problem is likely to persist in the mid term i.e. once they have completed the project, they will have to cycle back to existing standards and retrofit them for consistency. Despite this, the

⁸ The framework and pillars resulted from discussions and meetings with the Canadian Institute of Chartered Accountants – specifically, Tim Forristal, Gord Beale and Jylan Khalil. The framework was first presented at a Symposium on Accounting Education entitled *Leveraging Change – The New Pillars of Accounting Education* in Toronto (November 2010). It was sponsored by the University of Toronto and the Canadian Institute of Chartered Accountants.

concepts outlined in the conceptual framework are foundational by definition and therefore should be foundational in accounting education. They are the touchstone. Educators can start with what is there now and use those as foundations. Anchoring study in a conceptual framework also helps deal with the change issue as conceptual frameworks generally change at a slower pace and less dramatically.

Ethical decision-making

Accounting and business educators have discussed the issue of ethics in accounting and business education for many years. Each time society goes through significant negative events such as bankruptcies and financial crises, the question arises as to whether ethics (or lack thereof) played a role. Many discussions have revolved around whether to integrate ethics into each course or have a self standing course. Similarly many discussions have and continue to revolve around whether ethics can be taught or not. It's time to move forward. Given the number of corporate scandals, financial crisis and bankruptcies, we must be able to do a better job in our accounting programs. Ethical decision making is at the very core of what makes a professional a professional.

Professional judgement

Professional judgement in accounting involves using expertise to deal with uncertainty in making sound judgments. Professionals and educators need it and educators would like to help accounting students develop it but how can they best do so? Since sound judgment is a hallmark of the accounting (and indeed any) profession, can educators afford not to try? It's time to examine the best practices in other professions. Educators may not be able to turn students into experts but certainly they can start them down the path and help them learn to make judgements in the face of uncertainty.

Professional and personal attributes

Accountants should be able to walk and talk as well as number crunch. Our education systems should facilitate this. The list of professional attributes or competencies includes communication, analytical and creative thinking and decision-making, working with others, leadership, self management, adaptability, initiative and others. All of these are important in producing better graduates who will be able to add value in whatever environments they work in.

Integration

Accounting by its nature is integrative. It draws on the disciplines of law, economics, finance, strategy, mathematics and others. It involves humans and human decision-making. It is about communicating and making sense of economic events. More emphasis needs to be placed on understanding the economics and legalities of business transactions and economic events. If accounting students do not understand the business – how can they possibly hope to produce or audit a set of financial statements that are meant to reflect the business? It is time to sort out how we anchor accounting education with a good understanding of the economics and legalities of running a business and the related human issues.

These pillars reflect some fundamentals of the accounting profession and some trends. Specifically, they reflect the evolving acknowledgement of professional accounting as competency based, the renewed emphasis by standard setters on a robust and useful conceptual framework, a renewed global acknowledgement of the value of principles based standards and the related, centrality of professional judgement. They also reflect the call to arms to produce more ethical decision makers. Finally they remind everyone that accounting is about communicating information about economic events and therefore, students must understand what they are accounting for.

Could there be additional pillars? Certainly. Are these five unique and mutually exclusive? Absolutely not – there is much overlap but each pillar is significant in and of its own rights to stand as a beacon – to attract attention and thoughtful reflection.

The path

In order to move forward educators need to start creating a pathway. How do educators move forward down that path? There are some general challenges. Firstly – there is the challenge of change. Educators who have attempted change and been successful or unsuccessful know that it is very difficult process. People generally resist change so change may be painful. Secondly, there is the challenge of resourcing. Change costs money – who should pay? How do educators make a successful case for accessing scarce resources? Thirdly, change of this magnitude involves breaking down barriers – between disciplines, between academic environments and the profession, between students and educators and between educators themselves. Fourthly, this type of change involves moving out of comfort zones/areas of expertise – something not so easy to do given that most educators tend to see their own value in their area of expertise.

This paper lays down a challenge to start the change conversation in the accounting education arena – a conversation which will prompt some gritty discussion about the fundamental issues and establish some foundational principles for accounting education.

Specifically, accounting educators need to:

1. Agree on what they want to do. This will likely vary from institution to institution and differ depending on whether the education is at the undergraduate or graduate level. In addition, this will differ depending on the role that professional accounting bodies and the accounting profession plays in education beyond university/college. There is no one right way to facilitate learning. As in all things it depends on many individualistic factors.
2. Identify constraints and determine ways to circumvent/change/rebuild education infrastructure. At a minimum, educators need to identify what they can change and what they cannot (funding models, classroom sizes, full-time versus part-time faculty, other).
3. Try different things and share what works and what does not.
4. Get excited about the new era for accounting education and take up the more general call to action as sounded by Julia Christensen Hughes and Joy Mighty to bring research on education into the learning environment so that our students can benefit from it.

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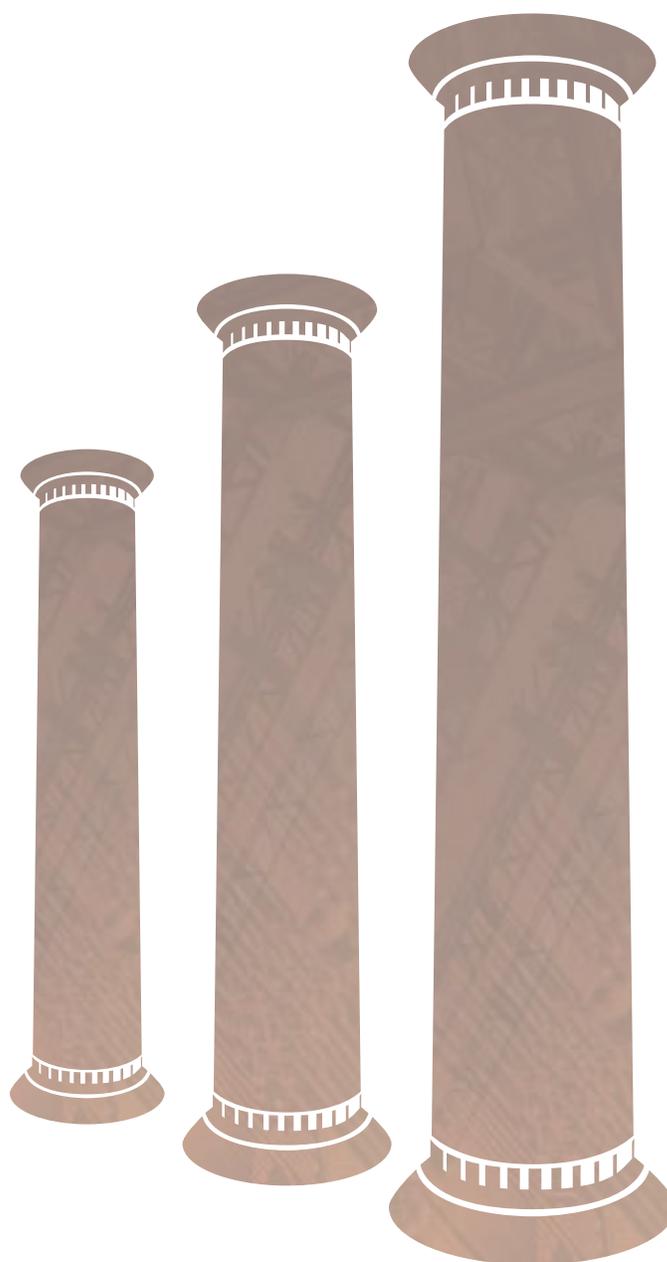
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Précis



An Introduction to the “New” Pillars of Accounting Education

Irene M. Wiecek

Although this paper is entitled the “new” pillars of accounting education, much of what is new isn’t really new at all. Academics and scholars have been researching and discussing issues including ethics, professional judgement and conceptual frameworks as foundations of accounting for many years. Why is the time ripe to take a fresh look at accounting education? What is the impetus for change? Certain catalysts for change have emerged relatively recently including globalization of accounting standards while some have been building and have just now reached the critical mass stage.

Researchers in the field of education continue to contribute to a growing body of knowledge relating to education. This affords accounting educators a very rich pool of wisdom upon which to draw. A great opportunity exists to reach between the two bodies of knowledge (accounting and education) and build bridges. The first part of the paper links research on challenges and change relating to education in general to the field of accounting education, drawing on the work of Christensen Hughes and Mighty (2010). Richard Mayer in the foreword to the book “How Learning Works – Seven Research-Based Principles for Smart Teaching” (Ambrose et al 2010) talks about the significance of connecting research in the area of learning with the teaching arena and the importance of helping teachers understand how research in the science of learning can improve teaching. So in a large part – the paper is about making connections.

The pillars of accounting education, which may be used as a framework to support and focus change activities, are introduced and defined. They include:

1. Accounting principles and concepts
2. Ethical decision-making
3. Professional judgement
4. Professional and personal attributes
5. Integration.

The purpose of this paper is not to present answers – rather it is to ask the questions that must be asked so that we can move forward on the path of change. In summary the paper brings the more general discussions regarding the need for change in education into the accounting arena and suggests some first steps in moving down the road of change.

Les «nouveaux» piliers de la formation en comptabilité : introduction

Irene M. Wiecek

Bien que le titre de cette communication contienne le mot «nouveaux», il n'y a là rien de vraiment nouveau. L'éthique, le jugement professionnel et les cadres conceptuels, fondements de la comptabilité, sont sujets de recherches et de débats pour les universitaires depuis nombre d'années. Alors pourquoi le moment serait-il venu d'envisager la formation en comptabilité sous un jour nouveau? Pourquoi des changements sont-ils nécessaires? Des agents de changement, comme l'internationalisation des normes comptables, ont fait leur apparition depuis un certain temps, tandis que d'autres sont en progression et viennent d'atteindre une masse critique.

Les chercheurs en sciences de l'éducation ne cessent de contribuer à accroître la somme des connaissances en cette matière, qui constitue une grande richesse que les enseignants en comptabilité peuvent exploiter. C'est une occasion formidable d'établir des liens, de jeter des ponts entre la comptabilité et la pédagogie. Dans la première partie de cette communication, nous appuyant sur les travaux de Christensen Hughes et Mighty (2010), nous établissons des rapprochements entre les recherches sur les défis et les changements en matière de pédagogie en général et le domaine de la formation en comptabilité. Dans sa préface à l'ouvrage *How Learning Works – Seven Research-Based Principles for Smart Teaching* (Ambrose et coll., 2010), Richard Mayer parle de la nécessité d'un arrimage entre la recherche sur l'apprentissage et la réalité de l'enseignement et de l'importance d'aider les enseignants à comprendre comment la recherche en sciences de l'apprentissage peut contribuer à améliorer leurs interventions. Il est donc beaucoup question d'établir des liens.

Viennent ensuite la présentation et la définition des piliers de la formation en comptabilité, qui peuvent servir de cadre de référence pour les changements à apporter. Ces piliers sont les suivants :

1. Les principes comptables (principes généraux)
2. La prise de décisions fondée sur l'éthique
3. Le jugement professionnel
4. Les qualités professionnelles et personnelles
5. L'intégration.

Le but de cette communication n'est pas d'offrir des réponses, mais plutôt de poser les questions qu'il faut pour nous faire progresser sur la voie du changement. En résumé, elle vise à amener sur la scène comptable les débats de nature générale qui ont cours sur la nécessité d'un changement en matière d'éducation et propose quelques premiers pas à faire dans cette direction.

A Framework-Based Approach to Teaching Principle-Based Accounting Standards

Michael J.C. Wells

Although there is overwhelming support for ‘principle-based’ accounting standards, it appears that there is not agreement on the meaning of ‘principle-based’.⁽¹⁾ The same could be said for ‘Framework-based’ teaching. In this paper, to avoid confusion, IFRS requirements are principle based only when they are consistent with the concepts set out in *The Conceptual Framework for Financial Reporting*, and ‘Framework-based’ teaching relates those concepts to the particular IFRS requirements being taught.

This paper describes the main concepts in the *Conceptual Framework* and relates them to Framework-based teaching of IFRSs. In doing so, it explores the benefits and the limitations of Framework-based teaching.

Two main conclusions are reached. First, because the objective of the *Conceptual Framework* is to facilitate the consistent and logical formulation of IFRSs, Framework-based teaching provides students with a cohesive understanding of IFRSs by relating the requirements in IFRSs to the objective of IFRS financial information and the concepts that underlie IFRSs and inform its development.

The second conclusion relates to teaching students to make the judgements that are necessary to apply IFRSs. To a large extent, IFRS financial statements are based on estimates, judgements and models rather than exact depictions. The *Conceptual Framework* establishes the concepts that underlie those estimates, judgements and models.⁽²⁾ Therefore, it provides a basis for the use of judgement in resolving accounting issues.⁽³⁾ By relating those concepts to the particular IFRS requirements being taught, Framework-based teaching enhances the ability of students to exercise the judgements that are necessary to apply IFRSs and better prepares them to continuously update their IFRS knowledge and competencies in the context of life-long learning.

Discussant comments:

Gary Poole

- Asks the question - what might be required to link framework-based teaching to framework-based learning?
- Introduces the term *threshold concepts* (Meyer and Land 2003) and notes the subjective nature of accounting.
- Notes the importance of emphasizing the development of the ability to make judgements based on a framework.

Daniel Coulombe

Asks the following questions:

- What is a framework based approach to teaching – is there consensus?
- How do we deal with the changing nature of the conceptual framework and the fact that the IFRS framework is different from the Canadian conceptual framework?
- Do our educational materials such as text books incorporate this type of learning?

1 See paragraph 34 of Section C of the *Report of the IASC Foundation Trustees on Part 2 of their Constitution Review* (April 2010).

2 See paragraph OB11 of the *Conceptual Framework* (September 2010).

3 See paragraph 8 of the *Preface to IFRSs* (July 2010).

Une méthode fondée sur le Cadre conceptuel pour l'enseignement de normes comptables fondées sur les principes

Michael J.C. Wells

Malgré la grande popularité des normes comptables «fondées sur les principes¹», le sens de cette expression ne semble pas faire consensus, tout comme la notion d'enseignement «fondé sur le Cadre conceptuel». Afin d'éviter toute confusion, nous avons convenu de considérer que les dispositions des IFRS sont fondées sur des principes seulement lorsqu'elles sont conformes aux notions exposées dans le *Cadre conceptuel de l'information financière*, et que l'enseignement «fondé sur le Cadre conceptuel» consiste à rattacher ces notions aux dispositions particulières des IFRS enseignées.

Notre communication consiste à décrire les principales notions du Cadre conceptuel, à les mettre en rapport avec l'enseignement des IFRS fondé sur le Cadre conceptuel et, ce faisant, à explorer les avantages et les limites de cette méthode d'enseignement.

Deux grandes conclusions se dégagent. La première permet d'affirmer que, le Cadre conceptuel ayant pour objectif de favoriser l'élaboration cohérente et logique des IFRS, l'enseignement fondé sur le Cadre conceptuel permet aux étudiants d'acquérir une vision intégrée des IFRS en en rattachant les dispositions aux objectifs des informations financières résultant de leur application ainsi qu'aux notions sur lesquelles reposent ces normes et qui en orientent le développement.

La deuxième conclusion est liée à la façon d'enseigner aux étudiants à exercer le jugement nécessaire à l'application des IFRS. Les états financiers IFRS sont en grande partie fondés sur des estimations, des jugements et des modèles plutôt que sur des règles précises. Le Cadre conceptuel définit les notions sur lesquelles reposent ces estimations, jugements et modèles². Il offre donc des lignes directrices qui orientent le jugement au moment de résoudre des questions d'ordre comptable³. En associant ces notions aux dispositions particulières des IFRS qui sont enseignées, la méthode fondée sur le Cadre conceptuel permet d'accroître la capacité des étudiants à exercer le jugement requis pour appliquer les IFRS et les prépare adéquatement à tenir à jour leurs connaissances et leurs compétences sur les IFRS dans un contexte d'apprentissage permanent.

Commentaires des participants à la discussion :

Gary Poole

- Il soulève la question de ce qu'il faudrait faire pour rattacher l'enseignement fondé sur le Cadre conceptuel et l'apprentissage fondé sur le Cadre conceptuel.
- Il emprunte le terme «notion seuil» (*threshold concepts*, Meyer et Land, 2003) et souligne la nature subjective de la comptabilité.
- Il souligne l'importance de mettre l'accent sur le développement de la capacité des étudiants à exercer leur jugement de façon structurée.

Daniel Coulombe

Il soulève les questions suivantes :

- Qu'est-ce qu'une méthode d'enseignement fondée sur le Cadre conceptuel? La notion fait-elle consensus?
- Comment peut-on composer avec la nature changeante du Cadre conceptuel et les différences entre le Cadre conceptuel canadien et celui des IFRS?
- Notre matériel pédagogique est-il adapté à ce type de formation?

1 Voir le paragraphe 34 de la section C du *Report of the IASC Foundation Trustees on Part 2 of their Constitution Review* (avril 2010).

2 Voir le paragraphe OB11 du Cadre conceptuel (septembre 2010).

3 Voir le paragraphe 8 de la Préface aux IFRS (juillet 2010).

Business Ethics Education, Why Bother? Objectives, Pedagogies, and a Call to Action

Bradley R. Agle and Ty C. Crossley

With significant ethical lapses contributing greatly to the latest round of economic troubles, there can be no question that the moral development of business people is of vital concern to our society. Business schools have the potential to significantly impact the ethics education of future leaders. Therefore, in this paper, we provide a brief review of the literature outlining the objectives of ethics education in our nation's business schools, and then tie these objectives to the various elements of a students' overall collegiate educational experience. Based on this review, we suggest that the field needs to adopt a call to action – one that acknowledges the limitations of what can be done, but more importantly explicitly states that our aspiration must be the virtuous behavior of our students throughout their careers. We then examine the reasons the field has shied away from such a bold endeavor, and suggest reasons why the time has come to reject all timid approaches and adopt a more explicit approach to business ethics education.

Discussant comments:

Leonard J. Brooks

- Notes that professional accountants need ethics education not only as it pertains to business ethics but also professional ethics.
- Relates the observations noted in the paper to the area of professional ethics education.
- Considers status and barriers to ethics education for professional accountants.

Joan E. D. Conrod

- Notes that many accounting programs already follow the approach to ethics that is dealt with in the thought paper as required by the AACSB.
- Questions whether this is effective and suggests some reasons why it is not.
- Asks the question as to whether educators should examine our own ethical climate.
- Challenges educators to become more serious about academic integrity.

Maureen P. Gowing

- Discusses the existence of an institutional divide between the profession of accounting and the academy noting that they have differing roles in society.
- Asks educators to develop more clarity about the harm they may do and the benefits that will accrue.
- Raises the issue of change management and who will bear the expected burdens and reap the benefits regarding the change.

Enseignement de l'éthique des affaires : pourquoi s'en faire? Objectifs, méthodes pédagogiques et appel à l'action

Bradley R. Agle et Ty C. Crossley

La récente tourmente économique étant en grande partie attribuable à de sérieux manquements à l'éthique, nous sommes obligés de reconnaître l'importance vitale du développement moral des gens d'affaires pour la société. Or, les écoles de gestion ont la possibilité d'influencer grandement l'éthique des futurs dirigeants. Nous débutons donc par une brève revue de la documentation qui résume les objectifs de l'enseignement de l'éthique dans nos écoles de gestion, et nous rattachons ces objectifs aux différents éléments de l'expérience éducative vécue par les étudiants de premier cycle. Cette revue nous amène à conclure à la nécessité pour le milieu universitaire de lancer un appel à l'action qui, tout en reconnaissant les limites de ce qu'il est possible de faire, exprime clairement notre idéal de voir nos étudiants adopter un comportement vertueux tout au long de leur carrière. Nous examinons ensuite les raisons pour lesquelles le milieu s'est jusqu'ici soustrait à cet effort audacieux, et nous tentons d'expliquer pourquoi le temps est venu de repousser toute approche timide et d'adopter une approche plus draconienne en matière d'enseignement de l'éthique des affaires.

Commentaires des participants à la discussion :

Leonard J. Brooks

- Il souligne que les professionnels comptables doivent se doter d'une formation en matière non seulement d'éthique des affaires, mais également de déontologie.
- Il fait le lien entre les observations des auteurs et le domaine de la formation en déontologie.
- Il aborde la situation de l'enseignement de l'éthique pour les professionnels comptables et les obstacles qui l'entravent.

Joan E. D. Conrod

- Elle souligne que bon nombre de programmes de comptabilité suivent déjà, comme l'exige l'AACSB, l'approche en matière d'éthique dont ont parlé les auteurs.
- Elle met en doute l'efficacité de cette approche et énumère quelques raisons à l'appui de sa position.
- Elle avance que les enseignants devraient peut-être se pencher sur leur propre climat éthique.
- Elle met les enseignants au défi de devenir plus sérieux sur le plan de l'intégrité pédagogique.

Maureen P. Gowing

- Elle mentionne l'existence d'un fossé institutionnel entre la profession comptable et le milieu universitaire, et elle souligne la différence de leurs rôles dans la société.
- Elle demande aux enseignants d'être plus conscients des dommages et des avantages qui pourraient découler de leur approche.
- Elle soulève la question de la gestion du changement et se demande qui portera les fardeaux qui s'annoncent et qui récoltera les avantages du changement.

Professional Attributes: Teaching the Fine Arts of Being a Professional Accountant

Susan K. Wolcott

With the recent proliferation of technical knowledge (such as IFRS) that must be taught in accounting programs, accounting education is at a crossroads. Accounting courses and programs are currently being revised and perhaps even overhauled, making this an opportune time to also rethink educational approaches. This re-examination necessarily includes consideration of the knowledge and skills needed by accounting graduates—as well as the effectiveness and efficiency of educational methods.

In this paper, I propose that accounting educators significantly increase the emphasis in their courses on developing students' cognitive skills. These skills underlie most, if not all, of the competencies that accountants need for professional success. Greater attention to cognitive skills beginning with introductory courses is likely to improve student learning of technical knowledge as well as enhance the non-technical attributes that define a professional accountant. In addition, this paper addresses accounting educators' concerns about increases in course content volume by introducing a theoretically sound and efficient way to integrate the teaching and learning of technical knowledge with the professional attributes (i.e., non-technical skills) expected of today's accounting graduates.

Discussant comments:

Michel L. Magnan

- Uses the thought paper as a starting point to draw general observations on the education and judgement profiles of professional accountants which underlie their judgement.
- Focuses on the following questions/issues:
 - What is professional accounting?
 - How do we define professional judgement?
 - Who are we attracting?
- Notes that professional accounting judgement goes beyond accounting.
- Asks if accounting faculty are up to the challenge of helping students to develop professional judgement.

Sandy Hilton

- Notes that the model presented by Wolcott is a substantial cornerstone for further work in this area.
- Discusses why educators need to consider the broader problem-solving literature before applying Wolcott's model.
- Identifies a potential limitation of the King and Kitchener model of reflective judgement.
- Proposes an additional model.

Caractéristiques professionnelles : enseigner l'art subtil de la profession comptable

Susan K. Wolcott

En raison de la récente prolifération de connaissances techniques (dont les IFRS) qui doivent maintenant faire partie des programmes d'enseignement, la formation en comptabilité se trouve à une croisée de chemins. Les cours et les programmes de comptabilité font actuellement l'objet d'une révision, quand ce n'est pas d'un remaniement complet. Le moment est donc idéal pour reconsidérer les approches pédagogiques, ce qui entraîne nécessairement un examen des connaissances et des compétences que doivent posséder les diplômés en comptabilité, ainsi que de l'efficacité et de l'efficience des méthodes d'enseignement.

Dans ma communication, j'invite les enseignements en comptabilité à mettre davantage l'accent, dans leurs cours, sur le développement des habiletés cognitives des étudiants. Celles-ci représentent la base de la plupart, voire de l'ensemble des compétences que les comptables doivent posséder pour réussir sur le plan professionnel. Une attention accrue envers les habiletés cognitives dès les cours d'introduction aura vraisemblablement une incidence positive sur l'acquisition par les étudiants des connaissances techniques et des attributs non techniques qui sont l'essence même du professionnel comptable. Ma communication répond en outre aux préoccupations des enseignants quant à l'augmentation du volume de matière des cours en introduisant une façon rigoureuse et efficace de combiner l'enseignement et l'apprentissage des connaissances techniques et des attributs professionnels (soit les compétences non techniques) qu'on exige de nos jours des diplômés en comptabilité.

Commentaires des participants à la discussion :

Michel L. Magnan

- Prenant les propos de l'auteure pour point de départ, il formule des observations générales sur l'incidence qu'ont, sur l'exercice du jugement par les professionnels comptables, leurs profils en matière de formation et de jugement.
- Il insiste sur les questions suivantes :
 - Qu'est-ce qu'un professionnel comptable?
 - Comment définir le jugement professionnel?
 - Quelle clientèle attirons-nous?
- Il souligne que le jugement d'un professionnel comptable va plus loin que la stricte comptabilité.
- Il se demande si les écoles de comptabilité sont à la hauteur pour ce qui est de favoriser le développement du jugement professionnel chez les étudiants.

Sandy Hilton

- Elle souligne que le modèle présenté par Wolcott constitue une pierre angulaire pour les travaux futurs sur le sujet.
- Elle fait valoir que les enseignants doivent tenir compte de la littérature générale en matière de résolution de problèmes avant de mettre en œuvre le modèle de Wolcott.
- Elle désigne une éventuelle limite du modèle de jugement réflexif de King et Kitchenier.
- Elle suggère un autre modèle.

Integration in Accounting Education

Irene M. Wiecek

As the accounting body of knowledge continues to expand and change, accounting faculty and practicing accountants are continually challenged to seek more effective ways to facilitate learning. By connecting and linking the various disciplines within the field of accounting as well as research with practice, we have an opportunity to create a richer learning environment.

Integration means many things to many people. Generally, it means to combine the parts into a whole. This paper begins the discussion at a macro level taking a look at Boyer's (1990) integrated view of scholarship which includes a definition of integration. The paper looks at the parts that make up scholarship in a university or college environment (research, integration, application and teaching). How are the parts connected/interconnected? Is it possible to achieve a balance between them?

The second part of the paper looks at how Boyer's model might be overlaid on the accounting profession. The accounting profession mirrors the university/college learning environment in many ways although at a more applied level. The two environments are linked and inform each other.

The third part takes a deeper look at integration issues specific to the accounting profession and accounting education. Finally, the fourth part presents a very concrete example of an integration rubric that may be used to facilitate learning in an integrative manner for a specific topic - revenues.

Discussant comments:

Norman T. Sheehan

- Notes that current accounting education environments focus on analysis and functional specialization rather than synthesis and cross-functional integration.
- Notes that in most accounting programs, there is little inter-disciplinary, integrative, synthetic or holistic thinking required of undergraduate students.
- Comments that few universities have been successful in achieving a balance between the various parts identified by Boyer.
- Challenges include the academic career system and the fact that students lack foundational knowledge required to think integratively.

Jane Bowen

- Comments that although many believe in integrative education, we may have differing views of what this means and therefore need to define what we mean by integration in order to begin a dialogue across disciplines.
- Notes that the view of integration presented in the paper is a broader version of the view that is taken, for instance, in the CA Competency Map as published by the CICA.
- Looks at specific examples of some of the challenges raised by the paper and notes that the practicalities and limitations regarding integration are the real problems.
- Concludes that if we make changes to accounting education, this must include changes in the evaluation systems.

Nancy Vanden Bosch

- Notes that integration is required to demonstrate the three fundamental dimensions of professional work - to think, to perform and to act with integrity (Shulman, 2005).
- Notes that the dimensions of integration as discussed in the paper are generally consistent with the scope of learning outcomes at the School of Accounting and Finance, University of Waterloo.
- Reiterates that it is important to help students develop the ability to integrate ideas from disciplines or spheres into a coherent whole and to communicate that integration to others (Gardner, 2007).
- Proposes an integrative four-course sequence and notes the importance of the role of the professor as a coach who must facilitate the integration.

L'intégration dans l'enseignement de la comptabilité

Irene M. Wiecek

L'ensemble des connaissances en comptabilité ne cessant de croître et d'évoluer, les enseignants et les praticiens de la comptabilité se retrouvent constamment à la recherche de leurs méthodes d'apprentissage plus efficaces. À cet égard, il est possible de créer un environnement davantage propice à l'apprentissage en établissant des liens entre les différentes disciplines de la comptabilité et en rattachant la recherche à la pratique.

Bien que le mot «intégration» véhicule généralement l'idée de combinaison des parties en un tout, son sens change selon l'interlocuteur. Nous commençons donc par examiner la notion à un niveau général en regardant du côté de la vision intégrée de l'expertise professorale (*scholarship*) de Boyer (1990), qui comprend une définition de l'intégration. Nous nous penchons sur les différents aspects de l'expertise professorale (recherche, intégration, application et enseignement), sur les liens entre ces aspects et sur la possibilité d'atteindre un équilibre entre eux.

Dans la seconde partie de notre communication, nous examinons la façon dont le modèle de Boyer peut se superposer à la profession comptable. Celle-ci reflète le milieu d'apprentissage universitaire ou collégial de différentes façons, mais à un niveau plus pratique. Les deux milieux sont liés et s'échangent des informations.

La troisième partie approfondit les questions d'intégration propres à la profession comptable et à la formation en comptabilité. Enfin, la quatrième partie présente un exemple concret d'une rubrique d'intégration pouvant être utilisée pour faciliter l'apprentissage intégrateur pour un sujet précis, soit les produits.

Commentaires des participants à la discussion :

Norman T. Sheehan

- Il souligne que les milieux d'apprentissage actuels en comptabilité ciblent l'analyse et la spécialisation fonctionnelle plutôt que la synthèse et l'intégration interfonctionnelle.
- Il mentionne que la réflexion interdisciplinaire, intégrée, synthétique ou holistique qu'on attend des étudiants de premier cycle est peu présente dans la plupart des programmes de comptabilité.
- Il fait remarquer que peu d'universités ont réussi à atteindre l'équilibre entre les différents aspects désignés par Boyer.
- Il indique que les défis se trouvent dans le modèle de cheminement de carrière que suivent les professeurs et dans le fait que les étudiants ne possèdent pas les connaissances de base requises pour réfléchir de façon intégrée.

Jane Bowen

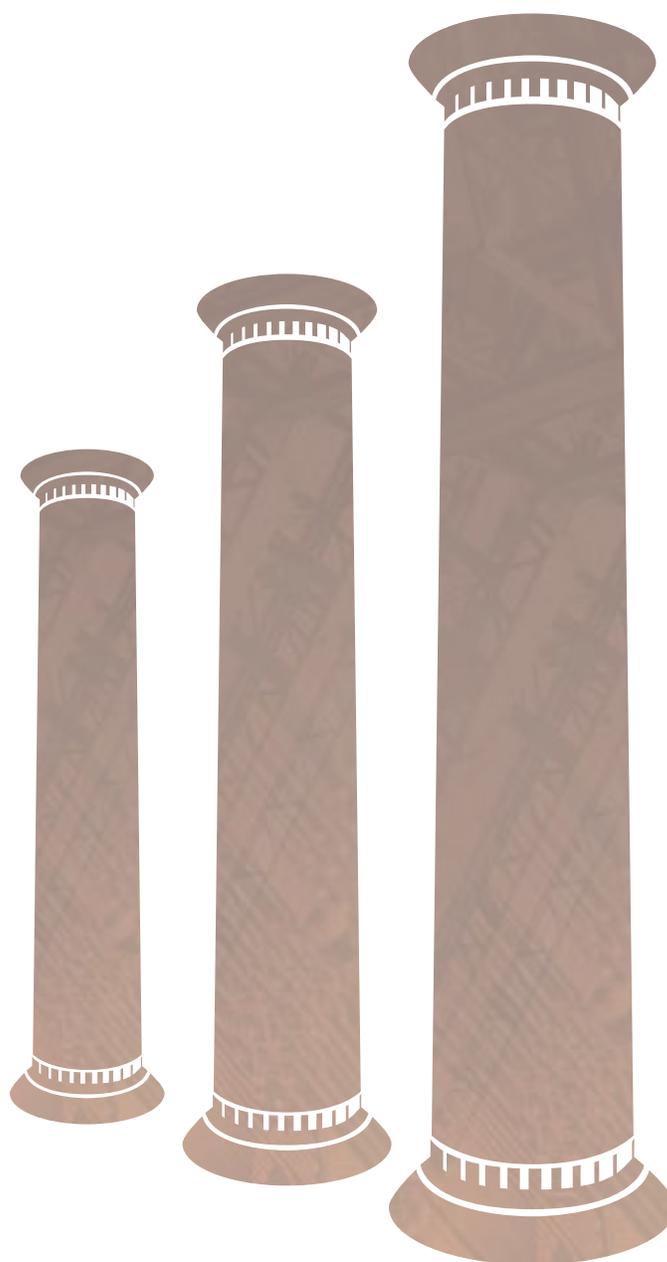
- Elle fait remarquer que, malgré le nombre important de personnes qui croient aux vertus de l'enseignement intégré, la notion pourrait être interprétée de différentes manières, et c'est pourquoi il faut définir l'intégration avant de pouvoir amorcer un dialogue interdisciplinaire.
- Elle souligne que la notion d'intégration qui a été présentée est une version élargie de celle adoptée entre autres pour la grille de compétences des CA publiée par l'ICCA.
- Évoquant des exemples précis illustrant certains des défis mis de l'avant par l'auteure, elle mentionne que les vrais problèmes se trouvent dans les considérations d'ordre pratique et les limites relatives à l'intégration.

- Elle conclut en disant que si l'on apporte des changements à la formation en comptabilité, il faut aussi en apporter aux systèmes d'évaluation.

Nancy Vanden Bosch

- Elle indique que l'intégration est nécessaire pour illustrer les trois aspects fondamentaux du travail professionnel, soit la réflexion, l'exécution et l'intégrité dans l'action (Shulman, 2005).
- Elle souligne que les aspects de l'intégration dont il a été question sont généralement conformes aux résultats d'apprentissage de l'école de comptabilité et de finance de l'Université de Waterloo.
- Elle rappelle l'importance d'aider les étudiants à développer leur capacité d'intégrer et de communiquer en un tout cohérent les idées provenant de différentes disciplines ou sphères d'activité (Gardner, 2007).
- Elle suggère une série de quatre cours intégratifs et souligne l'importance du rôle d'accompagnateur de l'enseignant, qui doit faciliter l'intégration.

Accounting Principles and Concepts



A Framework-Based Approach to Teaching Principle-Based Accounting Standards

Michael J.C. Wells

The views expressed in this paper are those of the author and are not necessarily those of the IFRS Foundation or the International Accounting Standards Board (IASB). Official positions of the IFRS Foundation and the IASB are determined only after extensive due process and deliberation.

Acknowledgements

In developing the ideas in this paper the author has benefited from comments from those who attended a series of sessions on teaching principle-based accounting standards held in Amsterdam, Bucharest, Milan, New York, Sao Paulo, Singapore, Tokyo, Toronto and Zurich. The sessions were organised by the IFRS Foundation, and some were arranged jointly with others including the International Association for Accounting Education and Research (IAAER) and the International Section (IAS) of the American Accounting Association (AAA). After taking account of comments from the delegates at this symposium the author will submit the paper to *Accounting Education: An International Journal* for possible publication in a special edition of that journal dedicated to teaching International Financial Reporting Standards (IFRSs).

Introduction

Although there is overwhelming support for 'principle-based' accounting standards, it appears that there is not agreement on the meaning of 'principle-based'.⁽¹⁾ The same could be said for 'Framework-based' teaching. In this paper, to avoid confusion, IFRS requirements are principle-based only when they are consistent with the concepts set out in *The Conceptual Framework for Financial Reporting*, and 'Framework-based' teaching relates those concepts to the particular IFRS requirements being taught.

This paper describes the main concepts in the *Conceptual Framework* and relates them to Framework-based teaching of IFRSs. In doing so, it explores the benefits and the limitations of Framework-based teaching.

Two main conclusions are reached. First, because the objective of the *Conceptual Framework* is to facilitate the consistent and logical formulation of IFRSs, Framework-based teaching provides students with a cohesive understanding of IFRSs by relating the requirements in IFRSs to the objective of IFRS financial information and the concepts that underlie IFRSs and inform its development.

The second conclusion relates to teaching students to make the judgements that are necessary to apply IFRSs. To a large extent, IFRS financial statements are based on estimates, judgements and models rather than exact depictions. The *Conceptual Framework* establishes the concepts that underlie those estimates, judgements and models.⁽²⁾ Therefore, it provides a basis for the use of judgement in resolving accounting issues.⁽³⁾ By relating those concepts to the particular IFRS requirements being taught, Framework-based teaching enhances the ability of students to exercise the judgements that are necessary to apply IFRSs and better prepares them to continuously update their IFRS knowledge and competencies in the context of life-long learning.

(1) See paragraph 34 of Section C of the *Report of the IASC Foundation Trustees on Part 2 of their Constitution Review* (April 2010).

(2) See paragraph OB11 of the *Conceptual Framework* (September 2010).

(3) See paragraph 8 of the *Preface to IFRSs* (July 2010).

What does ‘principle-based’ standards mean?

In January 2010, in response to overwhelming support for ‘principle-based’ accounting standards, the IASC Foundation⁽⁴⁾ Trustees amended the Foundation’s Constitution to include explicit reference to the development of principle-based standards in the objectives of the Foundation.⁽⁵⁾ However, the Trustees did not define the concept of ‘principle-based’ standards. They concluded only that the amendment to the Constitution is designed to underline the fact that a single set of robust and well-understood standards is far more effective in promoting high quality financial reporting than a complex and diverse body of accounting literature.⁽⁶⁾

In this paper, ‘principle-based’ standards has a narrower meaning—IFRS requirements are considered to be principle-based only when they are consistent with the concepts set out in the *Conceptual Framework*. That narrower view is consistent with the objective of the *Conceptual Framework*—to facilitate the consistent and logical formulation of IFRSs⁽⁷⁾. Therefore, such principle-based standards should be robust and more easily understood than previous standards. Consequently they should also be more effective in promoting high quality financial reporting.

Not all IFRS requirements are principle-based. Some IFRSs predate the *Conceptual Framework*⁽⁸⁾ (e.g. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*). Since adopting the *Conceptual Framework*, application of the cost constraint⁽⁹⁾ results in IFRS requirements that do not maximise the qualitative characteristics or other main concepts in the *Conceptual Framework*. Because the cost constraint is set out in the *Conceptual Framework*, its application is not inconsistent therewith. Nevertheless, it is helpful to explain to students why for some IFRS requirements the IASB concluded that it was cost-beneficial not to maximise the qualitative characteristics. Their reasons are usually set out in the Basis for Conclusions that accompanies, but does not form part of, the IFRS. In this paper, IFRS requirements that are not based on the concepts are referred to as broadly stated requirements. The example that follows illustrates the difference between a broadly stated requirement and a principle-based requirement.

The broadly stated requirement for the classification of leases could be paraphrased as a question—at the inception of the lease does the lease transfer significantly all the risks and rewards incidental to ownership of an asset?⁽¹⁰⁾ If the answer to that question is yes, the lease is a finance lease (sometimes called a capital lease). If the answer is no, the lease is an operating lease. The distinction (finance or operating) is important because the accounting for a finance lease is very different from the accounting for an operating lease. For some leases it can be difficult to determine whether the lease transfers substantially all the risks and rewards of ownership, particularly when leases have been designed to achieve a particular accounting treatment (e.g. off balance sheet financing). If the IASB were to provide additional rules (sometimes referred to as ‘bright lines’) to give effect to the broadly stated requirement, this could have the unintended consequence of helping financial engineers to structure lease transactions artificially as operating leases.

Nevertheless, some might think of the broadly stated lease classification requirement (sometimes referred to as the operating lease and finance lease models) as being principle-based. However, the broadly stated requirement has been criticised for failing to meet the needs of users of financial statements because it does not provide a faithful representation of leasing

(4) In 2010 the IASC Foundation became the IFRS Foundation (see section 1 of the *IFRS Foundation Constitution* (January 2010)).

(5) See section 2(a) of the *IFRS Foundation Constitution* (January 2010).

(6) See paragraph 34 of Section C of the *Report of the IASC Foundation Trustees on Part 2 of their Constitution Review* (April 2010).

(7) See paragraph 8 of the *Preface to IFRSs* (July 2010).

(8) The *IASB Framework* was approved by the IASC Board (the predecessor to the IASB) in April 1989 for publication in July 1989, and was adopted by the IASB in April 2001. In September 2010 it was superseded by *The Conceptual Framework for Financial Reporting*.

(9) When setting IFRSs the IASB assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide that information—see paragraph QC38 of the *Conceptual Framework* (September 2010).

(10) See paragraph 8 of IAS 17 *Leases* (2003).

transactions. In particular it omits relevant information about rights and obligations that meet the definitions of assets and liabilities in the *Conceptual Framework*.⁽¹¹⁾ Consequently, in this paper, the broadly stated requirement is not considered principle-based.

In August 2010 the IASB proposed new requirements for the accounting for leases. In accordance with those proposals, at the date of the commencement of a lease, a lessee would recognise in the statement of financial position a right-of-use asset and a liability to make lease payments.⁽¹²⁾ If adopted, the proposed requirements would establish principles consistent with the *Conceptual Framework* for lessees to apply in reporting relevant and representationally faithful information to users of financial statements about the amounts, timing and uncertainty of the cash flows arising from leases.⁽¹³⁾ Consequently, the proposed requirements are principle-based.

The purpose of the *Conceptual Framework*

The purpose of the *Conceptual Framework* is to facilitate the consistent and logical formulation of IFRSs.⁽¹⁴⁾ IFRSs are designed to apply to the general purpose financial statements and other financial reporting of profit-oriented entities.⁽¹⁵⁾

By defining the objective of general purpose financial reporting and addressing the concepts underlying the information presented in general purpose financial statements the *Conceptual Framework* provides the consistent basis on which the IASB sets IFRSs.

Without the *Conceptual Framework*, individual IASB members would apply their own concepts when setting IFRSs and agreement among IASB members would require the intersection of those personal frameworks. Consequently it would probably be harder to achieve the level of agreement required to issue an IFRS⁽¹⁶⁾ and IFRSs would almost certainly be less internally consistent and their requirements more transient. Moreover, the complex and diverse body of requirements that would result would almost certainly be less well-understood and therefore less effective in promoting high quality financial reporting.

For the avoidance of doubt, this paper does not suggest that anything in the *Conceptual Framework* overrides any requirement in an IFRS. IFRSs are clear on this issue—if there is a conflict between an IFRS requirement and the *Conceptual Framework*, the IFRS requirement prevails.⁽¹⁷⁾ Only when IFRSs do not specify the accounting for a particular transaction or event, and the accounting for such a transaction or event cannot be determined by analogy to the requirements for similar items in accordance with IFRSs is the *Conceptual Framework* used to determine an entity's accounting policy for that transaction or event.⁽¹⁸⁾

What does 'Framework-based teaching' mean?

For the purposes of this paper 'Framework-based teaching' relates the concepts in the IASB's *Conceptual Framework* to the particular IFRS requirements being taught.

Framework-based teaching can be used at all levels at which IFRSs are taught. However, the quantum of IFRS requirements covered would vary depending upon the objectives of the course and level at which IFRSs are taught.

Because Framework-based teaching is rooted in the concepts that underlie IFRSs such teaching lays the foundations for a more robust and cohesive understanding of the requirements in IFRSs. Because the *Conceptual Framework* establishes the concepts that underlie the estimates, judgements and models on which IFRS financial statements are largely based, Framework-based teaching enhances the ability of students to exercise the judgements that are necessary to apply IFRSs by relating those concepts to the particular IFRS requirements

(11) See the part of the introduction and invitation to comment on exposure draft *Leases* (August 2010) that sets out why the IASB and the FASB published that exposure draft.

(12) See paragraph 10 of exposure draft *Leases* (August 2010).

(13) See paragraph 4 of exposure draft *Leases* (August 2010).

(14) See paragraph 8 of the *Preface to IFRSs* (July 2010).

(15) See paragraph 9 of the *Preface to IFRSs* (July 2010).

(16) For information about the approval required to publish an IFRS see section 36 of the IFRS Foundation Constitution (January 2010).

(17) See the introduction to the *Conceptual Framework* (September 2010).

(18) See paragraphs 10 and 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (2003).

being taught. It also better prepares students for effective life-long learning, particularly because the requirements in IFRSs are likely to continue to evolve.

When the IASB has published a discussion paper or proposed standard (exposure draft) that, if adopted, would replace the current IFRS requirements being taught, teaching using a Framework-based approach can easily be enriched by discussing the extent to which the proposed requirements are more consistent with the objective and concepts set out in the *Conceptual Framework*.

Similarly, in jurisdictions in which IFRSs coexist with local general purpose financial reporting standards (local GAAP) that are based on a similar conceptual framework, Framework-based teaching provides an effective and efficient basis for simultaneously teaching both sets of standards.

Framework-based teaching is effective in both of the circumstances described above because discussions about which requirements (or proposed requirements) are more likely to result in the presentation of financial information that is more consistent with the objective and concepts set out in the *Conceptual Framework* is rooted in the concepts that underlie IFRSs and therefore develops a robust and cohesive understanding of the requirements. The judgements the students make in performing the comparative Framework-based analysis will also enhance their ability to exercise the judgements that are necessary to apply IFRSs. This approach of evaluating more than one set of requirements should also better prepare the students to be proficient in the use of continually evolving accounting standards. Students are also likely to find the comparative analysis interesting.

Framework-based teaching of IFRSs

The objective of general purpose financial reporting and the main concepts in the IASB's *Conceptual Framework* that flow from the objective are central to Framework-based teaching of IFRSs. In this part of this paper the objective of general purpose financial reporting and the concepts relevant to Framework-based teaching of IFRSs are described. The paper also identifies some of the less well-developed 'concepts' in the *Conceptual Framework* that are, in the author's view, less relevant to a Framework-based teaching.

The objective of general purpose financial reporting

Because other aspects of the *Conceptual Framework* flow logically from the objective of general purpose financial reporting, a good understanding of the objective is fundamental to Framework-based teaching.

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. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit.⁽¹⁹⁾ To assess an entity's prospects for future net cash inflows, existing and potential investors, lenders and other creditors need information about the resources of the entity, claims against the entity, and how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources.⁽²⁰⁾

The objective clearly identifies as the users to whom general purpose financial reports are directed, existing and potential investors, lenders and other creditors.⁽²¹⁾ Many of those users cannot require the reporting entity to provide information directly to them and must rely on general purpose financial reports for much of the information they need.⁽²²⁾ Consequently, these are the primary users of financial statements.

Some incorrectly believe that management, prudential regulators or tax authorities (who are not existing or potential investors, lenders and other creditors) are the primary users to whom

(19) See paragraph OB2 of the *Conceptual Framework* (September 2010).

(20) See paragraph OB4 of the *Conceptual Framework* (September 2010).

(21) See paragraph OB2 of the *Conceptual Framework* (September 2010).

(22) See paragraph OB5 of the *Conceptual Framework* (September 2010).

general purpose financial reports are directed. Framework-based teaching provides a robust framework for dispelling those misconceptions.

Framework-based teaching relates the accounting and reporting of the entity's economic resources, claims, and changes in resources and claims against the entity, and other transactions and events to the objective of financial statements. To do so teachers must first teach their students the economics of a particular transaction or event. Then, the teacher could, for example, ask the question—what information about the resulting economic resources of the entity or resulting claims against the entity (and changes in those resources and claims) would be useful to existing and potential investors, lenders and other creditors to help them assess the prospects for future net cash inflows to the entity? The teacher could then introduce the relevant IFRS requirements and any proposed improvements⁽²³⁾ to those requirements, and the class could discuss those requirements in the context for which they were developed.

Consider, for example, teaching the financial reporting of investment property. The class could first discuss the economic rationale for acquiring investment property. Then the teacher could ask the students to assume that they have invested in a start-up investment property entity and ask the question—what information about that entity's investment property (the economic resource) would you find most useful to assess the entity's prospects for future net cash inflows? I have generally observed that in response to this question most students quickly identify rental returns and changes in market value of the property as relevant information. If given more time, students—particularly those that study economics or finance but not necessarily accounting—also identify claims against the property and more detailed information about the property valuations as being important. Then, by relating the IFRS requirements for the accounting and reporting of investment property being taught (and this might, but need not, be all the requirements) to the objective of financial reporting the class provides a meaningful learning experience.

Qualitative characteristics

The qualitative characteristics of useful financial information identify the characteristics of information that are likely to be most useful to the existing and potential investors, lenders and other creditors for making decisions about the reporting entity on the basis of information in its financial report.⁽²⁴⁾

The *Conceptual Framework* distinguishes between the qualitative characteristics that are the most critical (fundamental qualitative characteristics of *relevance* and *faithful representation*) and those that are less critical but still highly desirable (the enhancing qualitative characteristics of *comparability*, *verifiability*, *timeliness* and *understandability*).

Reporting financial information that is relevant and faithfully represents what it purports to represent helps users make decisions about which they are more confident. If financial information is to be useful, it must be relevant (i.e. it is capable of making a difference in the decisions made by users because it has predictive value⁽²⁵⁾, confirmatory⁽²⁶⁾ value or both⁽²⁷⁾) and faithfully represents what it purports to represent.⁽²⁸⁾

Neither a faithful representation of an irrelevant phenomenon nor an unfaithful representation of a relevant phenomenon helps users make good decisions.⁽²⁹⁾ Consequently, relevance and faithful representation are fundamental characteristics.⁽³⁰⁾

Some incorrectly believe that conservatism (sometimes referred to as prudence)—the practice of overstating liabilities or understating assets and consequently understating profit for

(23) Proposed IFRS requirements take the form of IASB exposure drafts. Other more tentative views that form part of the IASB's due process for developing IFRS requirements are presented in IASB discussion papers.

(24) See paragraph QC1 of the *Conceptual Framework* (September 2010).

(25) Financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes (see paragraph QC8 of the *Conceptual Framework* (September 2010)).

(26) Financial information has confirmatory value if it provides feedback (confirms or changes) about previous evaluations (see paragraph QC9 of the *Conceptual Framework* (September 2010)).

(27) See paragraph QC7 of the *Conceptual Framework* (September 2010).

(28) See paragraph QC4 of the *Conceptual Framework* (September 2010).

(29) See paragraph QC17 of the *Conceptual Framework* (September 2010).

(30) See paragraph QC5 of the *Conceptual Framework* (September 2010).

the period—is a qualitative characteristic. Framework-based teaching debunks this myth and focuses learning on the fundamental qualitative characteristic of faithful representation (i.e. to the extent possible it is complete, neutral and free from error)⁽³¹⁾ that underlies IFRSs.

The usefulness of financial information that is relevant and faithfully represented is enhanced if it is *comparable, verifiable, timely* and *understandable* (the enhancing qualitative characteristics).⁽³²⁾

Comparability means information that can be compared with similar information about other entities and with similar information about the same entity for another period or another date.⁽³³⁾

Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.⁽³⁴⁾

Timeliness means having information available to decision-makers in time to be capable of influencing their decisions.⁽³⁵⁾

Classifying, characterising and presenting information clearly and concisely makes it *understandable*.⁽³⁶⁾ Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.⁽³⁷⁾

Enhancing qualitative characteristics should be maximised to the extent possible. However, the enhancing qualitative characteristics, either individually or as a group, cannot make information useful if that information is irrelevant or not faithfully represented.⁽³⁸⁾

In the absence of the effects of enhancing characteristics, applying the fundamental qualitative characteristics involves identifying an economic phenomenon⁽³⁹⁾ that has the potential to be useful to users of the reporting entity's financial information and then identifying the type of information about that phenomenon that would be most relevant if it is available and can be faithfully represented. If that information is not available or cannot be faithfully represented, the process is repeated with the next most relevant type of information.⁽⁴⁰⁾ Moreover, general purpose financial reports cannot provide all the information that every user finds relevant, and reporting financial information imposes costs. Consequently, the IASB assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide that information.⁽⁴¹⁾ Application of the cost constraint is a reason why the IASB might not require presentation of particular information about a phenomenon that is the most relevant and can be faithfully represented.

Applying the enhancing qualitative characteristics is an iterative process that does not follow a prescribed order. Sometimes, one enhancing qualitative characteristic may have to be diminished to maximise another. For example, a temporary reduction in comparability as a result of prospectively applying a new IFRS may be worthwhile to improve relevance or faithful representation in the longer term. Appropriate disclosures may partially compensate for non-comparability.⁽⁴²⁾

(31) See paragraph QC12 of the *Conceptual Framework* (September 2010).

(32) See paragraph QC19 of the *Conceptual Framework* (September 2010).

(33) See paragraph QC20 of the *Conceptual Framework* (September 2010).

(34) See paragraph QC26 of the *Conceptual Framework* (September 2010).

(35) See paragraph QC29 of the *Conceptual Framework* (September 2010).

(36) See paragraph QC30 of the *Conceptual Framework* (September 2010).

(37) See paragraph QC32 of the *Conceptual Framework* (September 2010).

(38) See paragraph QC33 of the *Conceptual Framework* (September 2010).

(39) Economic phenomena are information about the reporting entity's economic resources, claims against the reporting entity and the effects of transactions and other events and conditions that change those resources and claims (see paragraph QC2 of the *Conceptual Framework* (September 2010)).

(40) See paragraph QC18 of the *Conceptual Framework* (September 2010).

(41) See paragraph QC38 of the *Conceptual Framework* (September 2010).

(42) See paragraph QC34 of the *Conceptual Framework* (September 2010).

Relate IFRS requirements to the qualitative characteristics

Framework-based teaching relates the accounting and reporting of the entity's economic resources, claims, and changes in resources and claims against the entity, and other transactions and events to the objective of financial statements and the qualitative characteristics of financial information. This can be done in a number of ways.

For example, when teaching the IFRS requirements for correcting prior period errors a teacher could ask the class to evaluate possible approaches to account for the correction of prior period errors. The students should experience little difficulty in identifying retrospective restatement and prospective correction as possible alternatives. The teacher could then ask the class to consider which alternative would present information that would be most relevant if it is available and can be faithfully represented and maximises the enhancing qualitative characteristics to the extent possible.

Because retrospective restatement more faithfully represents relevant information about the phenomenon in a manner that enhances its comparability with similar information about other entities and with similar information about the same entity for another period or another date, students should have little difficulty in identifying retrospective restatement as the appropriate accounting treatment for the correction of prior period errors. The students should now understand why IFRSs require prior period errors to be corrected retrospectively. Consequently, the students are much more likely to remember the requirement than would be the case if the requirement was taught as a random rule unrelated to the *Conceptual Framework*.

This example can also be used to discuss materiality. Because immaterial prior period errors could not reasonably be expected to affect a user's decision made on the basis of the financial statements, they need not be corrected, and if they are corrected that correction is made prospectively. In discussing a range of scenarios in which prior period errors vary in size or nature, or both, (and in a variety of circumstances) the teacher starts to develop the students' capacity to make judgements about materiality.

Some incorrectly believe that the matching of revenue to the expenses incurred in earning that revenue (sometimes referred to as 'matching') is a qualitative characteristic or an underlying assumption of IFRS-compliant financial information. Framework-based teaching debunks this myth and focuses learning on the meaning of accrual basis of accounting that underlies IFRS financial information. The accrual basis of accounting is elaborated on below under the headings *elements* and *recognition*.

Accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. Information about a reporting entity's financial performance during a period, reflected by changes in its economic resources and claims (other than by obtaining additional resources directly from investors and creditors) is useful in assessing the entity's past and future ability to generate net cash inflows. In many circumstances, the accrual basis results in income and expenses being recognised in the same period as it would be recognised if matching were used. In other circumstances, the amount or timing or both would differ. In the latter circumstances some find the result of accrual accounting counter-intuitive. The author suggests this is because these persons are analysing the accounting issues using a personal framework rather than the concepts of the *Conceptual Framework*.

Elements

The primary financial statement elements (assets and liabilities) are the ‘building blocks’ of IFRS financial reporting. They are defined as follows:

- An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.⁽⁴³⁾
- A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.⁽⁴⁴⁾

All other elements (equity, income and expenses) are defined with reference to assets and liabilities thereby providing robustness to the concept of accrual accounting that underlies IFRSs. Equity is the residual interest in the [carrying amount of the recognised] assets of an entity after deducting [the carrying amount of] all of its [recognised] liabilities.⁽⁴⁵⁾ Income and expenses are changes in assets and liabilities (other than transactions with equity holders, i.e. other than transactions with owners in their capacity as owners).⁽⁴⁶⁾

Without the accrual basis of accounting, management would have wide discretion in determining profit for the period. For example, in years of unusually high profitability management might be tempted to smooth earnings by creating a provision for maintenance work for which no present obligation exists at the reporting date. Conversely, in years of unusually low profitability management might be tempted to increase profit falsely by reversing part of that provision. IFRSs do not permit this practice—in the absence of a present obligation as a result of a past event (sometimes called the obligating event) there is no liability to recognise.⁽⁴⁷⁾

Consistently with the *Conceptual Framework*, financial performance (i.e. comprehensive income) is measured as the net of all income and expenses for the period, which are determined by reference to all changes in assets and liabilities in the period (except for equity transactions). The term comprehensive income (rather than profit or loss or net income) is used because IFRSs require some (and permit other) specified items of income and expense to be recognised outside of profit or loss in the statement of comprehensive income. These exceptions are made at the standards level (i.e. in individual IFRSs) and for reasons outside the concepts set out in the *Conceptual Framework*.⁽⁴⁸⁾

The part of the *Conceptual Framework* that provides the concepts for the elements of financial statements is in the author’s opinion sufficiently robust to support Framework-based teaching. Framework-based teaching involves identifying the elements (e.g. assets and liabilities) that arise from a particular transaction or event. For example, the teacher could ask students to discuss the extent to which the accounting and reporting of a particular transaction results in financial information that faithfully represents the assets, liabilities, income and expenses that arise from the reporting entity entering into that transaction and could be useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. The more principle-based the IFRS requirement being taught, the more effectively it can be related to the concepts in the *Conceptual Framework*.

By discussing the conceptual issues that the IASB debates when setting IFRSs teachers help develop their students’ ability to make the judgements that are necessary when applying IFRSs.

The IASB and its staff sometimes experience difficulty in deciding whether assets and liabilities arise in particular circumstances. Recent examples include deciding whether an asset exists for entities participating in rate-regulated activities when they receive a right to adjust future prices to recover costs incurred in the current period and in deciding whether a liability (or income) exists upon receiving tradable certificates in particular emission trading schemes. The author suggests that the difficulties could arise either from deficiencies in

(43) See paragraph 4.4(a) of the *Conceptual Framework* (September 2010).

(44) See paragraph 4.4(b) of the *Conceptual Framework* (September 2010).

(45) See paragraph 4.4(c) of the *Conceptual Framework* (September 2010).

(46) See paragraph 4.25 of the *Conceptual Framework* (September 2010).

(47) See paragraph 14(a) of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (2001).

(48) See paragraph BC15 of the Basis for Conclusions on exposure draft *Presentation of Items of Other Comprehensive Income: Proposed amendments to IAS 1* (May 2010).

the concepts (i.e. the definitions of the elements as set out in the *Conceptual Framework*) or from individuals applying their personal frameworks (rather than the *Conceptual Framework*) when analysing the accounting issues. The IASB expects to reconsider the definitions of the elements of financial information in Phase B *Elements and recognition* of its *Conceptual Framework* project. A time frame for that project is yet to be determined.

At the standards level, individual IFRSs are dedicated to the accounting and reporting of particular items. Consequently, it is important to develop the students' ability to identify the appropriate IFRS to apply in accounting for a particular item. For example, the purpose for which the reporting entity holds a property determines whether it is accounted for in accordance with IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment* or IAS 40 *Investment Property*. In some circumstances, determining the appropriate classification of an element requires significant judgement—for example, the classification of some hotels, bars, nursing homes and similar property as property, plant and equipment or investment property. Some hotels are essentially investments, whereas others are operating properties. IFRSs do not provide detailed rules to specify whether these properties should be classified as investment property or as property, plant and equipment (i.e. owner-occupied property). Instead, IFRSs require the classification to be made on the basis of general principles that apply when an entity provides ancillary services.⁽⁴⁹⁾ In some circumstances significant judgement must be exercised to determine whether ancillary services are so significant that a property does not qualify as investment property (e.g. when the owner of a hotel transfers some responsibilities to third parties under a management contract, judgement is applied to determine whether the owner's position is, in substance, that of a passive investor or the owner has simply outsourced the day-to-day functions while retaining significant exposure to variation in the cash flows generated by the operations of the hotel.⁽⁵⁰⁾

Similarly, the degree of influence that an investor exerts over an investee determines whether the investee is a subsidiary (accounted for in accordance with IAS 27 *Consolidated and Separate Financial Statements*), a jointly controlled entity (accounted for in accordance with IAS 31 *Interests in Joint Ventures*), an associate (accounted for in accordance with IAS 28 *Investments in Associates*) or a passive investment (accounted for in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*). In some cases significant judgement may be required in determining whether an investor exerts control, joint control or significant influence.

To support class discussions on IFRS classification judgements a teacher could, for example, make use of: (i) the Basis for Conclusions on the relevant IFRS (which sets out the IASB's reasons for deciding on the requirements of the relevant IFRS); (ii) relevant extracts from published financial statements that document the judgements that management has made in applying the entity's accounting policies that have the most significant effect;⁽⁵¹⁾ and (iii) relevant published regulatory rulings that document the judgements made by those regulating IFRS financial statements. By discussing the classification judgements made by others in applying IFRSs in particular circumstances students should start to develop their ability to make the judgements that are necessary to apply the classification requirements of IFRSs. Understanding those judgements in the context of the objective of general purpose financial reporting and the qualitative characteristics of financial information and understanding the reasons why the IASB prescribed particular requirements to give effect to that objective, provides a cohesive understanding of the requirements and should enhance the student's ability to apply IFRSs.

(49) See paragraphs BC37-BC39 of the Basis for Conclusions on IAS 40 (2003).

(50) See paragraphs 11-13 of IAS 40 (2003).

(51) See paragraph 122 of IAS 1 *Presentation of Financial Statements* (2007).

Recognition

Consistently with the concept of accrual accounting set out in the *Conceptual Framework*, IAS 1 *Presentation of Financial Statements* specifies that an entity using the accrual basis of accounting recognises items as assets, liabilities, equity, income and expenses when they satisfy the definitions and recognition criteria for those elements.⁽⁵²⁾ An item that meets the definition of an element should be recognised if:

- (a) it is probable that any future economic benefit associated with the item will flow to or from the entity; and
- (b) the item has a cost or value that can be measured with reliability.⁽⁵³⁾

The concept of probability is used in the recognition criteria to refer to the degree of uncertainty that the future economic benefits associated with the item will flow to or from the entity.⁽⁵⁴⁾ However, the *Conceptual Framework* does not specify whether the recognition threshold is not satisfied only when there is no probability of a cash flow occurring or whether a higher level (e.g. greater than 50 per cent) is necessary to trigger recognition. Consequently, the recognition criteria determined at the standards level are not consistent across IFRSs.

Some IFRSs give effect to this concept by requiring recognition of an item that meets the definition of an element only if it is more likely than not that the future economic benefit associated with the item will flow to or from the entity (e.g. in determining whether a liability is recognised for a particular present obligation).⁽⁵⁵⁾ In such cases, the outcome is binary—if the probability of the outflow is greater than 50 per cent a liability is recognised (conversely, if the probability of the outflow is 50 per cent or less, the obligation is not recognised as a liability, i.e. it is excluded from the entity's statement of financial position).

Other IFRSs require recognition of elements that meet the definition of an element (e.g. asset or liability) and reflect the uncertainties associated with the likelihood of cash flows occurring in respect of particular rights or obligations in the measurement of that asset or liability—for example, when measuring an item at fair value.

With a view to establishing more robust concepts for the recognition of the elements of financial statements the IASB has an active agenda project to improve this aspect of its *Conceptual Framework*. Once that project is completed, the author expects that those concepts will better support Framework-based teaching of IFRSs. In the meantime Framework-based teaching of the recognition criteria at the standards level is limited mainly to relating the required recognition criteria in individual IFRSs to the objective of general purpose financial statements and to the qualitative characteristics of financial information as modified by the cost constraint.

Measurement

Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the statement of financial position and statement of comprehensive income.⁽⁵⁶⁾ To a large extent, IFRS measurements are based on estimates, judgements and models rather than exact depictions. The *Conceptual Framework* establishes the concepts that underlie those estimates, judgements and models.⁽⁵⁷⁾ Framework-based teaching encourages students to develop their ability to make the necessary estimates and other judgements in measuring the recognised elements and in determining the monetary amounts of other disclosures.

The part of the *Conceptual Framework* that is supposed to provide concepts for the measurement of elements (primarily assets and liabilities) is, in the author's opinion, not sufficiently robust to fully support Framework-based teaching. With a view to establishing more robust

(52) See paragraph 28 of IAS 1 (2007).

(53) See paragraph 4.38 of the *Conceptual Framework* (September 2010).

(54) See paragraph 4.40 of the *Conceptual Framework* (September 2010).

(55) See paragraph 23 of IAS 37 (2001).

(56) See paragraph 4.54 of the IASB's *Conceptual Framework* (September 2010).

(57) See paragraph OB11 of the *Conceptual Framework* (September 2010).

concepts for the measurement of the elements of financial statements the IASB has an active agenda project to improve this aspect of its *Conceptual Framework*. Once that project is completed the author expects that those concepts will better support Framework-based teaching of IFRSs. In the meantime Framework-based teaching of the measurements required at the standards level is limited mainly to relating the required measurements in individual IFRSs to the objective of general purpose financial statements and to the qualitative characteristics of financial information as modified by the cost constraint. For example, the teacher could ask students to consider the measurement basis the IASB adopts in a standard against the relevance and representational faithfulness criteria.

When the IASB permits a choice of measurement basis (e.g. after initial recognition IAS 40 *Investment Property* allows an accounting policy choice of either the cost-depreciation-impairment model or the fair value model)⁽⁵⁸⁾ the class could discuss why IFRSs includes that choice, and how that choice could affect users of general purpose financial statements. The discussions need not be limited to circumstances in which IFRSs provide a choice between measurements. The teacher could ask students to compare the specified IFRS measurement for a particular item with other measurement candidates that the IASB could have specified for that item, but did not. For example, the teacher could ask students to compare the 'lower of cost and net realisable value' measurement requirement for inventory⁽⁵⁹⁾ with other possible measurement candidates (e.g. current market price), in the context of informing decisions to buy, sell or hold equity and debt instruments or to provide or settle loans and other forms of credit. Part of that discussion would be dedicated to comparing and contrasting the judgements that are necessary to apply the IFRS requirements (e.g. the cost allocation assumptions, flow assumptions and impairment bases for historical cost inventory accounting) with those for current market price. The comparative analysis enhances the students' ability to exercise judgement when apply IFRSs.

Perhaps because the measurement part of the *Conceptual Framework* is weak, the IASB frequently encounters controversy when specifying measurement requirements for particular assets and liabilities. By discussing the IASB's reasons for specifying (or proposing) particular measurements for particular items, teachers help develop students' ability to make the judgements that are necessary to apply the measurement requirements in IFRSs.

To support class discussions on the measurement of particular items, teachers could, for example, make use of the following material: (i) the part of the Basis for Conclusions on IFRSs that sets out the IASB's reasons for specifying a particular measurement; (ii) extracts from financial statements that disclose information about the assumptions management makes about the future, and other major sources of estimation uncertainty at the end of the entity's reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the entity's assets and liabilities within the next financial year;⁽⁶⁰⁾ and (iii) the published regulatory rulings that document the judgements about particular measurements made by those regulating IFRS financial statements. By discussing the judgements made by others in applying the measurement requirements of IFRSs in particular circumstances students start to develop their ability to make the judgements that are necessary to apply the measurement requirements of IFRSs. Understanding those judgements in the context of the objective of general purpose financial reporting and the qualitative characteristics of financial information, and understanding the reasons why the IASB prescribed particular requirements to give effect to that objective, provides a cohesive understanding of the requirements and should enhance the student's ability to apply IFRSs.

(58) See paragraph 30 of IAS 40 *Investment Property* (2003).

(59) See paragraph 9 of IAS 2 *Inventories* (1993).

(60) See paragraph 125 of IAS 1 *Presentation of Financial Statements* (2007).

Conclusion

Because the objective of the *Conceptual Framework* is to facilitate the consistent and logical formulation of IFRSs, adopting a Framework-based approach to teaching IFRSs provides students with a cohesive understanding of IFRSs by relating the requirements in IFRSs to the objective of IFRS financial information and the concepts that underlie IFRSs and inform its development. That understanding enhances the ability of students to exercise the judgments that are necessary to apply IFRSs and better prepares them to continuously update their IFRS knowledge and competencies in the context of life-long learning.

It is acknowledged that the Framework-based approach to teaching IFRSs cannot be applied fully to those parts of the *Conceptual Framework* that are underdeveloped and when particular IFRS requirements are inconsistent with the *Conceptual Framework*. However, those exceptions are expected to diminish as the IASB finalises its project to complete and improve its *Conceptual Framework* and because IFRSs are expected to become increasingly principle-based as the standards are amended and replaced.

From: *A Framework-Based Approach to Teaching Principle-Based Accounting Standards* by Michael J.C. Wells

Discussant's comments by Gary Poole

What happens when someone with a general interest in pedagogy is presented with examples of concepts that must be taught in a discipline with which the person has virtually no familiarity? That question is particularly relevant in this case. As a psychologist, I have never before encountered the International Framework for Reporting Standards (IFRS). In his paper, Professor Wells does a very good job of explaining the role of these standards in bringing clarity and uniformity to accounting procedures. He also makes the point that such standards inform accounting judgement at least as much as they provide directives for accounting action. Thus, Professor Wells provides clear justification for what is called framework-based teaching. To answer the question posted at the beginning of this paragraph, then, in responding to Professor Well's paper, I will focus on what I think might be required to connect framework-based teaching to framework-based learning."

An important purpose of Professor Wells' paper is to provide strong justification for an IFRS-informed curriculum. The framework makes clear what should be taught. Such discipline-based assertions about the importance of particular concepts invites an application of Meyer and Land's (2003) notion of "threshold concepts." As the term implies, threshold concepts open doors to disciplines. In addition, they help students understand other concepts in relation to the threshold, and to develop an identity within a discipline. In short, the framework that Professor Wells espouses is an important way to help students start to "think like accountants."

When teachers of accounting are asked to identify threshold concepts from their various sub-disciplines, they often refer to the subjective nature of accounting. They state that students come into the field with the misconception that accounting decisions are highly objective. Before students can progress in the discipline, therefore, they must understand its subjectivity. We are reminded of this by Professor Wells' frequent reference to accounting "judgement" in his paper. For example, Wells says: "To a large extent, IFRS financial statements are based on estimates, judgements and models rather than exact depictions. Therefore, it provides a basis for the use of judgement in resolving accounting issues" (p. 2).

Those who accept the notion of threshold concepts (and I am one of those who do) would say that students could not come to appreciate the framework-based concepts presented in Professor Wells' paper until they had a clear grasp of the nature of subjectivity in accounting.

Threshold concepts are not only foundational and identity creating, they can also be troublesome – arousing some angst within the learner. This may be caused by the illusive nature of the concepts or by the fact that such concepts challenge other concepts the student brings into the learning environment.

An example of something that might prove "troublesome" or challenging is: "Some incorrectly believe that management, prudential regulators or tax authorities (who are not existing or potential investors, lenders, and other creditors) are the primary users to whom general purpose financial reports are directed. Framework-based teaching provides a robust framework for dispelling those misconceptions" (p. 7).

And another:

"Some incorrectly believe that conservatism (sometimes referred to as prudence)—the practice of overstating liabilities or understating assets and consequently understating profit for the period—is a qualitative characteristic. Framework-based teaching debunks this myth and focuses learning on the fundamental qualitative characteristic of faithful

representation (i.e. to the extent possible it is complete, neutral and free from error)¹ that underlies IFRSs” (p. 9).

Professor Wells identifies two important objectives of framework-based teaching: 1) Framework-based teaching enhances the ability of students to exercise the judgements that are necessary to apply IFRSs by relating those concepts to the particular IFRS requirements being taught. 2) It also better prepares students for effective lifelong learning, particularly because the requirements in IFRSs are likely to continue to evolve.

Thus, he is not talking exclusively about content in his paper (e.g., memorizing the framework). Rather, he is also emphasizing the development of the ability to make judgments based on the framework.

How, then, can we improve students' abilities to make these judgements? We might answer this question by listing ideas for framework-based teaching. Professor Wells does this, referring primarily to in-class discussion questions. Professor Wells suggests:

“Framework-based teaching relates the accounting and reporting of the entity’s economic resources, claims, and changes in resources and claims against the entity, and other transactions and events to the objective of financial statements. To do so teachers must first teach their students the economics of a particular transaction or event. Then, the teacher could, for example, ask the question—what information about the resulting economic resources of the entity or resulting claims against the entity (and changes in those resources and claims) would be useful to existing and potential investors, lenders and other creditors to help them assess the prospects for future net cash inflows to the entity? The teacher could then introduce the relevant IFRS requirements and any proposed improvements² to those requirements and the class could discuss those requirements in the context for which they were developed.”

If we are to make the leap from framework-based teaching to framework-based learning, we need to focus more attention on what the student is doing. For example, we might want students to engage in actual problem solving that would allow them to practice the judgements in question.

Socratic pedagogy, in which the teacher asks a series of questions to which there are known answers, can certainly help students gain the necessary understanding of the concepts in question. The teacher might also want to try using clickers or some other pedagogy that ensures all the students actually consider the questions and get where he wants them to go in terms of conceptual understanding. At the same time, we are told that one of the key objectives of framework-based teaching is to “exercise judgement,” implying an ability to apply a framework to judgements about a particular situation.

Of course, cases are often used in the teaching of business-related concepts to help students learn how to apply those concepts to realistic accounting challenges. The concepts presented in the thought paper would lend themselves well to the use of cases. A good example is: “In some circumstances, determining the appropriate classification of an element requires significant judgement—for example, the classification of some hotels, bars, nursing homes and similar property as property, plant and equipment or investment property” (p. 15).

The question here is when should the case be introduced? In a PBL approach, the case is introduced before the concepts related to the classification of hotels are presented. In this scenario, students would be responsible for researching these concepts. Alternatively, the case could be introduced after the concepts have been taught. In this way the case is used to reinforce the concepts. Either would be better than a class discussion of these concepts without the use of an application.

The author predicts that: “By discussing the classification judgements made by others in applying IFRSs in particular circumstances students should start to develop their ability to make the judgements that are necessary to apply the classification requirements of IFRSs.” This may be true, but it should also be considered that the students will start to develop these

1 See paragraph QC12 of the *Conceptual Framework* (September 2010).

2 Proposed IFRS requirements take the form of IASB Exposure Drafts. Other more tentative views that form part of the IASB’s due process for developing IFRS requirements are presented in IASB Discussion Papers.

abilities in “lifelong” ways if they get a chance to make the judgements themselves, even if this means making some mistakes along the way.

References

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From: *A Framework-Based Approach to Teaching Principle-Based Accounting Standards* by Michael J.C. Wells

Discussant's comments by Daniel Coulombe

Let me start first by saying that for the most part I agree with the principal conclusions of Michael, which are:

- Framework-based approach to teaching (FBAT) helps provide students with a cohesive understanding of IFRS;
- FBAT provides a basis for the use of judgment in resolving accounting issues.

I am not sure if there is a clear consensus on FBAT, so in my discussion I want to comment on the definition of the *Conceptual framework*. I also want to address some elements that I believe should be part of FBAT, especially with respect to the development and evolution of the *Conceptual framework*. Finally I want to raise some questions as to how and when to incorporate the FBAT approach.

Conceptual framework

We probably all know that IASB-FASB are currently undertaking a revision of the *Conceptual Framework*, with the objective of creating a sound foundation for future accounting standards that are principle-based, internally consistent and internationally converged. I will refer to it at the "*New Conceptual Framework*". The project started in 2004, the IASB-FASB are currently working on the *Reporting Entity, Measurement and Elements and Recognition* chapters. Michael refers to the recently published chapters 1 and 3 of this new framework, *The Objective of General Purpose Financial Reporting and Qualitative Characteristics of Useful Financial Information*.

According to Michael, standards consistent with this *Conceptual Framework* should be robust and more easily understood than previous standards. He suggests that IFRS requirements are considered to be principle-based only if they are consistent with the concepts set out in the *Conceptual Framework*, referring to other non consistent standards as broadly-stated. And finally he acknowledges that *Framework-based approach to teaching IFRS* cannot be applied fully to those parts of the *Conceptual Framework* that are underdeveloped and to IFRS inconsistent with the framework. My understanding is that Michael focuses on the "*New Conceptual Framework*", currently under development, that should eventually be consistent with all IFRS.

I am not quite sure about the meaning of broadly-stated standards. I do not think this should imply that prior standards are not principle-based or are necessarily inconsistent with our *Current Conceptual Framework*. For example, some of us still refer to conservatism and to the matching concept (or principle) as the foundation of certain existing standards, that perhaps would now be qualified as "broadly-stated".

We are living through a challenging period, to say the least. It seems that every single standard is modified, updated, or expected to be modified in the near future. In the last few years we planned the adoption of IFRS, including many changes to our current GAAP for convergence purposes. We developed GAAP for Private Enterprises and now expect new GAAP for Non-For-Profit Organizations. As I just mentioned, the *Conceptual framework* is changing, and we see forthcoming a whole set of modifications to our "brand new IFRS" (i.e. leases, pension, consolidation, revenue recognition). I have the opportunity to serve on an Audit Committee, and in our recent audit planning meeting, our auditors provided us with a 16 page document covering current standard development activities, with a short paragraph of explanation for each of the 58 different items. Way back when I wrote my UFE the most difficult issue was the new standard accounting for leases, and I don't believe there were more than one or two outstanding exposure drafts.

This important transition period makes our teaching more difficult. I believe one way you can make sense of all these changes is to have some kind of logic. As we are in a transition period, our teaching should refer to the *Current* as well as the *New Conceptual Framework* to help students integrate all these changes. Further IFRS that are currently inconsistent with the *Conceptual Framework* must rely on principles or arguments that perhaps belong to the *Current* as opposed to the *New Conceptual Framework*. We can also argue that current developments are not always coherent and consistent with the framework. Unfortunately, we are developing and adapting a lot of standards to address some business problems, and we are revising the framework afterwards creating a “cart-before-the-horse problem”. Teaching that a standard is inconsistent with our framework for good or bad reasons is according to me, consistent with a *Framework-Based Approach to Teaching*.

The evolution of the *Conceptual Framework*

The last thing we should do is to give the impression to the students that accounting is some kind of a “pure” science, and that our new framework is flawless. I think that part of the *Framework-based approach to teaching* is also to emphasize how the *Conceptual framework* came about and how it continues to evolve politically and scientifically. A good example of this is the recent publication by Patricia O’Brien in *Accounting Perspectives*¹, in which she criticizes some aspects of the new framework, stating: “*The conceptual framework convergence project ...is altering the concepts to advance a particular model of financial reporting*”. That quote suggests ex-post rationalization and political choices behind the convergence project. To me this is also part of a *Framework-Based Approach to Teaching*.

As I mentioned earlier, the *Conceptual Framework* is changing with an objective of creating a sound foundation for future accounting standards that are principle-based, internally consistent and internationally converged. But we all know that business changes faster than accounting can adapt. As a result, accounting has adapted with a lag and we may incorporate some ex-post rational to our thinking. We also know that it is a political process and not a pure science. Hence our revised framework will reflect all these constraints.

What do we teach in a FBAT approach? I believe we have to rely on the *Current Conceptual Framework* and forthcoming changes. Michael gives examples of how one can introduce FBAT. I think these are good examples, but I believe we should go further. We have no choice to criticize the framework, to show inconsistencies, and to explain why some changes came about. For example, how do we teach the new exposure draft on leases? We can all agree that the inconsistent current practice lead to some potential interpretation problems. Although Michael claims that this new draft is consistent with the current definition of an asset, in my mind the new lease approach draws on the “unpublished” forthcoming definition of an asset, as I am not convinced about the “control” criteria of the current definition. The “right” notion is much more inclusive. To me this is a good example of the ex-post nature of the framework. If we are changing the framework, it is must be because the “theory” does not fit the practice anymore.

When and how to integrate a Framework-Based Approach to Teaching?

I believe most accounting professors teach with a FBAT. We have been doing it before the recent publication of Concepts No. 8. Some of us might have already integrated discussions on the forthcoming revisions based on the documents and decisions available. But most of our text books have not yet incorporated these changes.

I don’t pretend to have solutions to all problems; my point here is more to raise questions than provide answers. My particular view on the subject may not be generalized to other situations as it depends on how your program is structured and what “freedom” you have in teaching accounting. Sometimes these constraints limit the capacity to use a FBAT.

From my own experience in early undergraduate courses, the *Conceptual Framework* is not the most appealing accounting subject to students. Many prefer finding the right number that will have the balancing effect required. Students are often asking if the accounting theory chapter is important for the exam. But of course all of this was before the current challeng-

1 O’Brien, P. C. 2009. Changing the Concepts to Justify the Standards. *Accounting Perspective* 8(4): 263-75.

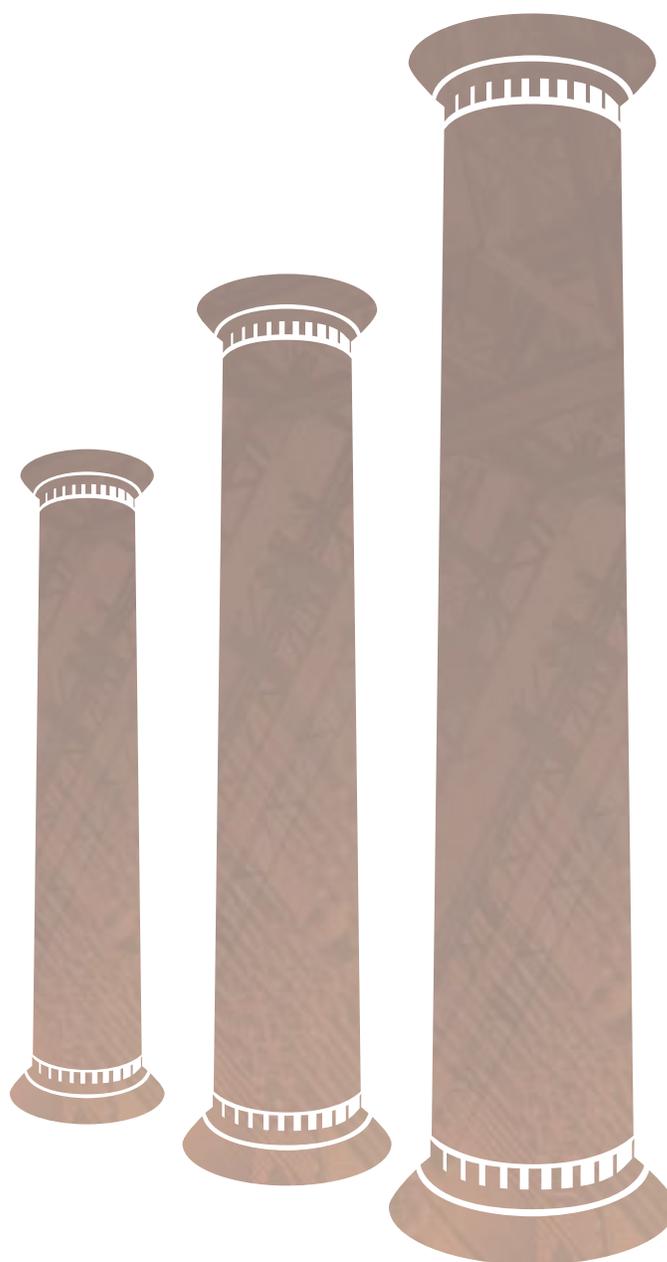
ing period I explained earlier. Is it more appealing nowadays? Perhaps the big challenge is to move the framework out of chapter 1.

I believe we have to widen our approach and bring the current framework as well as the forthcoming changes into our teaching. We have to teach the limits, the weaknesses and the strengths, the adaptations to the framework, the research findings as well as the political process involved in the development of our framework and standards. Michael's suggestion to refer to the basis for conclusion is appropriate at this level.

I am more involved nowadays into teaching at the MBA and Executive level. But I do introduce more and more elements of the FBAT into my teaching as I think it helps students understand current and forthcoming standards as well as develop aptitudes to discuss with professional accountants and auditors in the near future.

Finally, IFRS are more general than the current Canadian GAAP, leaving more room for interpretation and judgment in implementation. Hence, it is probable that some aspects of the current Canadian practice will remain after the adoption of IFRS, which may temporarily limit the use of judgment, but inevitably if IFRS remain general, professional judgment will play a bigger role. I believe FBTA will be necessary to address this issue.

Ethical Decision-Making



Business Ethics Education, Why Bother? Objectives, Pedagogies, and a Call to Action

Bradley R. Agle and Ty C. Crossley

With significant ethical lapses contributing greatly to the latest round of economic troubles, there can be no question that the moral development of business people is of vital concern to our society. Business schools have the potential to significantly impact the ethics education of future leaders. Therefore, in this paper, we provide a brief review of the literature outlining the objectives of ethics education in our nation's business schools, and then tie these objectives to the various elements of a students' overall collegiate educational experience. Based on this review, we suggest that the field needs to adopt a call to action – one that acknowledges the limitations of what can be done, but more importantly explicitly states that our aspiration must be the virtuous behavior of our students throughout their careers. We then examine the reasons the field has shied away from such a bold endeavor, and suggest reasons why the time has come to reject all timid approaches and adopt a more explicit approach to business ethics education.

Recently we've been impressed that the U.S. aviation industry went two and a half years without a single fatality. This achievement comes in the face of thousands of flights daily, varying and severe weather conditions, complex and integrated communications systems, multifaceted airplane technology, and human operators in airplanes, ground crews, and air traffic control. Meanwhile, our business system has recently and repeatedly come crashing down with many and varied casualties. With each new cycle we are able to tick off a new list of disasters – the latest being AIG, Countrywide, Freddie Mac, Fannie Mae, Madoff, Stanford Financial, etc. What have the airplane manufacturers, airlines, Federal Aviation Administration, National Transportation Safety Board, Airline Pilots Association, and others associated with commercial flight in the United States done to create such a reliable system, and what do we in the business sector need to do to create a comparable system? And, equally important, as professionals in the area of business ethics, can we point to any similar successes for our efforts?

What should our barometer of success be as business ethics professors? Can we ever hope to create business systems free of the types of abuses we've seen repeated again and again? Can we dream of a day when our research and teaching efforts help produce virtuous business people of outstanding moral character, with the determination to successfully navigate the difficult task of acting ethically within an organizational context, and then who as leaders create systems that are as reliable as the airlines in avoiding disastrous ethical crashes in their organizations? If this is not the Big Hairy Audacious Goal (BHAG) (Collins & Porras, 1994) of our profession, what is it, or should it be? And if not, why should we bother to teach business ethics? What is our objective?

In this paper, we provide a brief overview and history of ethics education in business schools. We then turn to a discussion of the objectives of business ethics education. Based on a review of the literature, we provide a list of objectives, and then match these objectives with various elements of a student's overall collegiate experience where we believe these objectives can be met. We then examine the arguments against the adoption of these objectives, finally arguing that in order for business systems to improve, a call to action in adopting these objectives must be adopted.

Seeking answers

The ethical breaches discussed above occur at three general levels: individual, organizational and institutional. Leaders in government, business, non-governmental organizations and others are seeking answers to how we create more virtuous business systems. Business schools are the traditional place that future leaders are trained. Therefore, it seems incumbent on those of us in the profession to work diligently to figure out how we can help future business

leaders to act ethically themselves, as well as to develop organizational and institutional systems that lead toward such virtuous business systems.

Indeed, various groups in society are calling on business schools to develop such future business leaders. The AACSB, the accrediting body of business schools, has required that business programs include ethics instruction as part of their curricula. The Business Roundtable has set up an institute for business ethics at the Darden Business School to promote ethical behavior in business. Business ethics professional associations such as the Ethics and Compliance Officers Association and the Fellows program of the Ethics Resource Center have called on business schools to strengthen their instruction in business ethics and ensure that every student has a course in business ethics. As in all areas of endeavor, society looks to universities to provide some of the solutions to its challenges. It is one of the primary reasons that society makes such large financial investments in its universities. Are we as a field ready to answer that challenge?

The objectives of business ethics education

So, if we accept the challenge, what does such a challenge entail? Or, in other words, what are the objectives of business ethics education and how can they best be met? In our review of the literature on this question, we identified 35 separate objectives that scholars have mentioned. In this paper, we will only discuss those objectives most commonly mentioned. Nearly half of those who have written about the aims of business ethics education feel that one of the primary aims ought to be to help students develop ethical decision-making skills. In summary, these authors agree that what students really need is a set of tools that they are competent and confident in using to help them make important ethical business decisions. In order to achieve both competency and confidence, students must not only be given a set of analytical decision making tools, but also develop analytical thinking skills, learn to think for themselves, and gain experience in ethical decision making. Warren (1995:17) argues that “strengthening the students’ capacity to engage in moral reasoning can enhance integrity by helping them make better decisions in difficult cases, by providing support to intuitively held views and improving consistency in moral judgments.” As Warren (1995) articulated, the most widely suggested aim of business ethics education intends to improve student’s ability to make virtuous decisions by empowering students with a proven set of ethical decision-making tools.

The second most called for objective of business ethics education is to help students develop moral awareness. Essentially, those who argue for more morally aware graduates are calling for students to be taught to recognize moral issues, to be introduced to ethical dilemmas that they will face in the business world, to understand the consequences of ethical decisions, and to understand both their responsibilities and the expectations of society to live according to ethical principles. Simply stated, the consensus is that efforts to help students become more morally aware should aim to help students become more perceptive of ethical issues and to understand their responsibility as ethical decision makers. The maturing of students into professionals who consistently make virtuous choices is a process that begins at graduation and extends throughout professional life. A student cannot be expected to be perfectly morally aware upon graduation. The authors Felton and Sims (Felton & Sims, 2005; and Sims & Felton, 2006) appropriately acknowledge that the acquisition of moral awareness is refined over time and requires repeat attention and fine-tuning throughout one’s career. Consequently, the professional must never become complacent with his development of virtue. A great deal of the onus is therefore on society, and the professional world, to refine our professionals’ ethical skills and abilities.

The third most recommended objective of business ethics education is to help students gain an understanding of their own values and principles. Solberg, Strong & McGuire (1995: 79-80) emphasize that “typical undergraduates are in a period of moral transition, seeking to discover a set of ethical standards suitable for them.” Therefore, business ethics instruction, according to Solberg et al, particularly at the undergraduate level, has incredible potential to influence students to behave ethically. Thus, one of the first steps to help students to behave ethically in business is to help students identify where they stand relative to their own values and principles. Hartman (2006:69) claims that “a business ethics course can improve students’ character by helping them think critically about their values and realize [those

values] in practice.” Our goal should be to educate the whole being. This includes helping students convert beliefs and understanding of values and principles to practice. Strength to act ethically, in large measure, comes from within. Therefore, it is essential for students to understand their standards, values, and principles and to be able to check them with society’s adopted principles of virtue.

The fourth most widely published objective of business ethics education is to help students understand the interactions of business and society. Ethical decisions are far reaching. They not only affect those immediately involved, but they have a rippling effect that may impact countless others. Especially in today’s international economy, we witness how the effects of an individual’s ethical decisions may quickly spread around the world. Students must be taught to be cognizant of all the key players and stakeholders who might be affected by ethical decision-making. In other words, students must be aware of the “social dimensions of business decision-making” with the hope that understanding will serve as a catalyst to virtuous action (LeClair, Ferrell, Montuori, & Willems, 1991:291).

We have chosen to classify the above-mentioned objectives of business ethics education as cognitive competence, behavioral competence, managerial competence, or other competence based upon Rossouw’s competency model (Rossouw 2002). Other common suggested aims of business ethics education include the following: help students understand that ethics is complex, and that ethics is an important aspect of all business decisions, help students become effective advocates for ethical positions, help students act morally and develop their own ethical standards, character, and moral courage, help students to translate moral theories into business decision-making, and understand the laws and regulations relative to their profession, help students understand how to be an ethical leader, learn to develop organizational ethics infrastructure, and understand the various sociological and psychological phenomena that will likely effect their behavior, legitimize the importance of ethics in business, and develop practical solutions to ethical dilemmas.

Utilizing the entire collegiate experience in meeting the objectives of business ethics education: pedagogies

One of the most repeated questions regarding business ethics education is whether it should be provided through stand-alone courses in business ethics or through integration in other disciplinary courses. Most business ethicists would reply that the answer is “both”. There are certain objectives to business ethics that can best be met in a dedicated course while other objectives can best be met through disciplinary courses. Because the development of integrity is a difficult challenge, we believe that such an undertaking requires a holistic approach to the subject. Just as businesses have found that a rigorous ethics culture requires various elements of leadership example, organizational infrastructure, training, communication, selection, etc., so too does the development of individual integrity require a number of elements – in addition to the stand-alone course and ethics integration.

What elements of a student’s collegiate experience can we think about influencing? The most obvious are their courses – stand-alone ethics, philosophy, or theology courses, elective ethics courses, and required and elective disciplinary courses. Another important part of their experience is their extra-curricular activities, such as participation in clubs, athletic teams, student government, study-abroad, volunteering, etc. Students also become a part of their university and can be influenced by experiencing how their organization functions from an ethics perspective, including things such as honor codes, organizational codes of ethics, organizational ombudsmen and ethics officers, ethics hotlines, etc. Finally, most students will hold a job at some point in their collegiate experience.

Given that we have various business ethics objectives, and elements to a student’s collegiate experience, it seems to make sense to examine how we might best match the objectives with the student objectives. As an example of such matching, we postulate that ethical decision-making skills can best be developed in stand-alone ethics courses taught by appropriately trained faculty members. We might also argue that such a stand-alone course provides a very effective arena for the examination of personal values.

Because ethical sensitivity will naturally be heightened in a stand-alone ethics course, and thus a stand-alone ethics course can be useful in meeting the objective of increasing a

students' moral awareness, we believe that ethical awareness can best be developed in discipline-specific courses and through the integration of assignments from the students' work experience. Looking for ethics issues in coursework not formally associated with ethics forces a student to develop a higher moral sensitivity. In addition, students' understanding of various laws, regulations, and ethics issues attendant to various professions can best be learned in discipline-specific courses. While professors trained in ethics are likely to provide better education in ethical decision-making, they are not at all capable of having the intimate knowledge of the ethics issues associated with various professions like their business discipline-trained colleagues. Thus, teamwork among colleagues in the business school is essential.

While various aspects of ethical leadership can be discussed and concepts learned in an ethics or leadership course, moral leadership and character can best be developed in extra-curricular activities such as volunteering, study-abroad, or serving in leadership positions in organizations, etc. For example, we've seen students learn the concepts of developing and enhancing an ethics infrastructure for an organization in class. We've also assigned students to develop and enhance such structures in organizations they are a part of (clubs, student government, volunteer organizations, etc.). The increased knowledge gained from actually attempting to do these things as opposed to simply learning the concepts has been geometric. Also, objectives such as development of empathy are very difficult to accomplish in a classroom. However, various professors have reported phenomenal results from having students engage in service-work, volunteer trips to underprivileged areas, etc. There are also various dangers to such endeavors such as making students feel that they have been forced to engage in "volunteer" work that have to be watched out for. Nevertheless, there are things that can only be accomplished outside of a classroom setting. Noted ethicist Derek Bok suggested the following:

"Moral responsibility cannot develop through rules and penalties alone. It must grow out of a genuine concern for others and a desire to respect their legitimate interests. *The best way of acquiring such concern is to experience situations in which one can appreciate the effects of one's actions on others and understand how one's own interests are affected in return*" (Bok, 1988:9)

As a final example of matching, we submit that the university as an organization can provide powerful modeling for students. The university is the primary organization the students will be a part of during several of their most important developmental years. Therefore, aspects of the organization such as ethics and honor codes, ethics training, ethics officers and ombudsman, etc. can have a strong modeling effect on students. When they enter organizations or become leaders in those organizations, they should be able to draw not only on the knowledge they gained in their classes, but also based on their experience being a part of the university organization for four or more years. These are just a few examples of how we might be able to think about using the student's entire collegiate experience to meet our ethics objectives. Derek Bok suggests the following:

"Like it or not, [universities] will affect the moral development of their students by the ways in which they administer their rules of conduct, by the standard they achieve in dealing with ethical issues confronting the institution, by the manner in which they counsel their students and coach their athletic teams. The only question is whether they choose to proceed deliberately and with forethought." (Bok, 1988:6)

Reasons why some do not agree/embrace objectives of business ethics education

While society is looking to business schools for solutions to business problems, many within the academic community argue that we cannot provide such solutions. Some argue that business schools should not be expected to meet the objectives we've laid out in this paper. Or, some might argue that while it is possible to provide intellectual understanding of ethics, we should not be held to the standard of a positive change in behavior. While knowledge in and of itself is valuable, we argue that business ethics can not expect to receive a special place in the curriculum of a business school unless it can provide value – in this case to produce more ethical businesspeople and business leaders. We would make the same argument for any required class in a business school curriculum – that it should not be a required class

unless it can be demonstrated that students will be better businesspeople because of the class, experience, etc.

Several of the arguments put forth by those who argue against holding business schools to the standard articulated above include the following: 1) a student's ethical character is already formed before they get to college and can not be changed; 2) educators lack either the capacity to teach ethics, or the necessary resources (time and/or curriculum); 3) the influence of ethics instruction cannot be adequately measured; 4) ethics instruction is a form of indoctrination; etc. While not generally articulated, another potential issue is that we as a profession would prefer not to be held accountable.

Concerning these arguments we make the following comments: first, the question of whether a student is completely formed ethically is an empirical question upon which the evidence weighs against the argument. As anecdotal evidence, Beggs, Dean, Gillespie, and Wiener (2006: 6) contend:

We believe—from our own personal development and from our experiences with friends and students—that we do not come to higher education as finished persons; rather, we come with room to grow . . . and to become better, even a great deal better. We know that lives are transformed, often in enormous ways, during these years. Thus, we believe that we can have a positive impact on the ethical conduct of our students.

Empirical evidence also favors the idea that ethical character can and is changed in college. For example, King and Mayhew (2002:264) write: “one important conclusion is that dramatic gains in moral judgment are associated with collegiate participation, even after controlling for age and entering level of moral judgment.”

The second argument against our articulated standards deals with resource issues - not enough training in ethics, time in the curriculum, etc. While there is great truth in this argument - organizations constantly deal with resource constraints - the solution is one of priority. If this area is a priority, the resources are available. This is a matter of leadership, not an intractable problem.

The third argument against our standard is that it is very difficult to measure the influence of an ethics educational experience on actual business behavior. To this we respond with the following statement: when deciding on whether or not to do research, the primary question should not be “how difficult is this research,” but rather, “how important is this research.” Without a doubt, research of this nature is difficult, but no more difficult than trying to find a cure for cancer, or any number of other difficult, but important research areas. Elsewhere, the first author has written about unique research issues in this area (Weaver & Agle, 2002). However, while difficult, they are not intractable.

The fourth argument against our standard is that such ethics instruction would be indoctrination, and that this is inappropriate in educational settings. To this argument Etzioni replies as follows:

“There is no ethically neutral teaching. Everything that happens in the classroom communicates an ethical position. The only difference between business ethics courses and all others is truth in advertising: Ethics courses state explicitly when value positions are communicated; the regular curriculum embodies hidden assumptions of which even the professor may be unaware” (Etzioni, 1989:18).

Finally, while most people prefer to not be accountable if possible, normative ethics suggests that accountability is an important virtue for properly functioning organizations and institutions in society. While it is particularly understandable to not want to be held accountable when not given necessary resources, decision-making authority, etc., we believe it is in the best interests of the field as a whole and for society in general for those in the profession to accept such accountability, recognizing that accountability generally encourages achievement.

Thus, we call on the field to accept the responsibility of developing future business leaders who will act ethically in the business world and who will create and lead organizations of integrity. Such an endeavor, which is already underway in many places, will require sustained and dedicated effort, years of innovation and research, and commitment and leadership from professionals in the field. We think the price to be paid is well worth the investment.

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From: *Business Ethics Education, Why Bother? Objectives, Pedagogies, and a Call to Action* by Bradley R. Agle and Ty C. Crossley

Discussant's comments by Leonard J. Brooks

Ethics Education for Professional Accountants

Professional accountants (PAs) require ethics education covering both business and professional ethics in order to discharge their mandate fully and appropriately. Therefore the business ethics issues and observations raised by Agle and Crossley (A & C) are applicable to the education of PAs, and are well made in my opinion. Consequently, the focus of the comments that follow is: (1) to relate A & C's observations to the ethics education needed for professional accountants (PAs), and (2) to consider the status and barriers to ethics education for PAs. To facilitate the comments, the public's ethical expectations for professional accountants are used to develop the elements and four ethics dimensions needed for a PA to discharge her or his mandate. The status of ethics education is estimated on those dimensions. Suggestions are offered to counter the barriers to the achievement of higher levels of achievement on the dimensions identified.

Brad Agle and Ty Crossley (A & C) have presented an excellent historical touchstone document for those interested in considering the purposes and pedagogies for delivering business ethics education. While I look forward to Brad Agle's presentation for suggestions of innovative approaches, since I agree with A & C's observations and conclusions, the focus of my comments is: (1) to relate their observations to the ethics education needed for professional accountants (PAs); (2) to consider the status and barriers to ethics education for PAs; and (3) to propose some creative ideas and solutions for consideration. That said it is important to note that professional accountants need to understand business ethics as well as the ethics related to their profession.

Professional accountants need to understand business ethics

In order to correctly account for business transactions and prepare useful financial statements and disclosures, PAs need to understand business activities, practices, and pitfalls. To audit effectively, auditors have to understand the business model of the organization and the business transactions involved, as well as the threats, challenges, motivations of personnel and so on. Past financial scandals have underscored that the accuracy of financial reporting and of audit opinions on them is based upon the strength of the culture of integrity of the organization involved. Increasingly, PAs are expected to discover fraud, or at least recognize it and take appropriate action when presented with it. PAs are involved in risk management programs designed to uncover potential problems, and business ethics risks that can damage reputation and organizational prospects in so many ways are becoming an essential part of those programs. Because of their functional reliance on a corporate culture of integrity and their understanding of how to develop and maintain such a culture, PAs are uniquely equipped to play an important role in the application of business ethics principles and processes for the betterment of all in the future. From a functional viewpoint, without a full understanding of business ethics, a PA can be likened to a beautiful guard dog that is partially blind, hard of hearing, lacking a useful sense of smell, and in doubt about when to bark - in short, good looking and full of good intentions but unable to perform effectively.

Ethical expectations for professional accountants drive education coverage

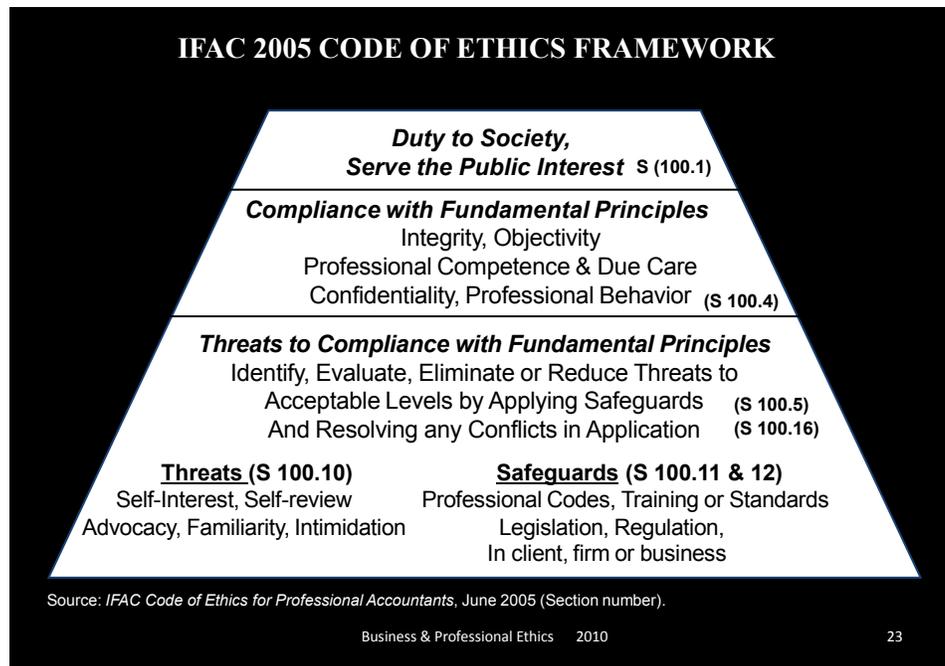
Primary responsibility: serve the public interest

In addition to a sound understanding of business ethics, there are specific professional behavioural expectations held by the public, regulators, investors, clients, employers, fellow professionals and others that PAs must meet depending on their professional role independent of the extant level of business ethics. For example, according to the soon to be world-dominant IFAC Code of Ethics¹, PAs' primary responsibility is to serve the public interest (society as a whole, not just the interest of a client, or the profession or the professional) through compliance with the following fundamental principles, all of which have ethical roots:

- Integrity,
- Objectivity
- Professional Competence & Due Care
- Confidentiality, and
- Professional Behavior.²

PAs are expected to understand and deal with any threats to compliance with these principles such as self-interest, self-review, advocacy, familiarity and intimidation; either through their own actions or through the safeguards posed in professional codes, standards, legislation and regulations, and in the client firm or business. These expectations, which are at the ethical core of PAs, are presented in Exhibit 1.

Exhibit 1: IFAC 2005 Code of Ethics Framework



Source of framework diagrams: Business & Professional Ethics for Directors, Executives & Accountants, 5e, Leonard J. Brooks & Paul Dunn, South-Western Cengage Learning, 2010, pp. 363, 375.

Note: A revised version of the IFAC Code was issued in April 2010, to be effective January 1, 2011.

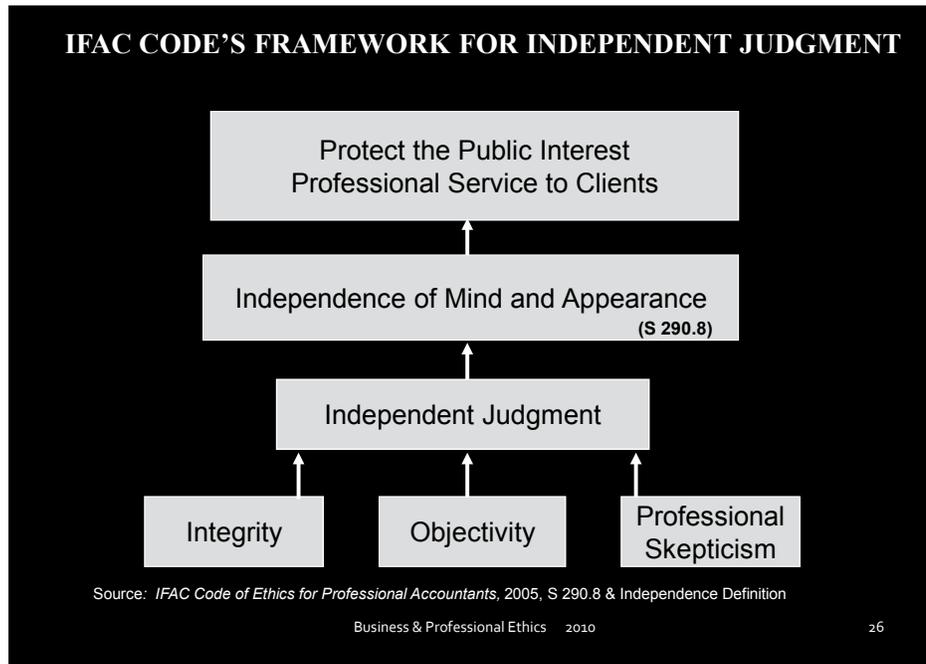
1 IFAC Code of Ethics for Professional Accountants, June 2005. A slightly revised version, issued in April 2010, to be effective January 1, 2010, may be downloaded from www.ifac.org

2 Ibid. Section 100.4.

Independence and independent judgment: conflicts of interest

Central to protecting the public interest and providing professional service to clients is the actual exercise of independent judgment, as well as the appearance of having and of exercising an independent mind when making decisions related to accounting disclosures or audit matters. Without doubt, the recognition, and avoidance and/or management of conflicts of interest that would erode independent judgment are among the most important ethical challenges facing PAs and professional accounting as a whole. Understanding the ethical expectations of society for the integrity, objectivity and exercise of professional skepticism by a PA cannot be underestimated. The IFAC Code portrays the elements related to independent judgment as noted in Exhibit 2.

Exhibit 2: IFAC Code's Framework for Independent Judgement



Source of framework diagrams: *Business & Professional Ethics for Directors, Executives & Accountants*, 5e, Leonard J. Brooks & Paul Dunn, South-Western Cengage Learning, 2010, pp. 363, 375.

Note: A revised version of the IFAC Code was issued in April 2010, to be effective January 1, 2011.

It is evident that virtually none of the serious financial scandals that have rocked the financial markets have resulted from PAs not knowing how to record transactions. Instead, the scandals resulted from the exercise of bad judgment or from a lack of courage to report problems – they were ethical failures related to conflicts of interest or lack of moral courage, not to a lack of technical understanding of accounting transactions.

Role of a professional accountant: fiduciary duty

Intertwined with the topics of primary duty, important principles, independent judgment, conflicts of interest is the necessity of understanding the role of a fiduciary and the duty of a fiduciary to clients and others who rely upon the fiduciary's expertise. PAs must understand that the expectation is widely held that they will serve the best interests of their stakeholders in ways that justify higher levels of trust than businesspeople who are not members of a recognized profession. Reputation and status depend upon adherence to principles imbedded in professional codes, which take precedence over corporate codes and/or loyalty to senior executives or other leaders.

Role of a professional accountant: confidentiality

Professional codes are not always easy to understand or interpret as is the case with the requirement for Confidentiality. Many PAs have taken the view, for example, that the requirement to maintain confidentiality over the data of an employer or audit client is absolute. But there are exceptions, and the rule was never intended to protect criminal activity, or to permit misrepresentations. Needless to say, it is very difficult to properly and effectively report problems discovered unless an effective reporting mechanism is present.

Role of a professional accountant: advocacy as an ethics and governance expert – tools needed

A full understanding of reporting problems should lead a PA to appreciate the need for a protected whistle blowing program. Similarly, the appreciation of the need for and elements of a culture of integrity places the PA in position to assist their employer and clients by sharpening their understanding of why and how to build and maintain such a culture. However, in order to provide such assistance effectively, a PA should understand the language and constructs of ethics and governance sufficiently to be able to explain best practices clearly and to recognize common pitfalls. This requires an understanding of basic business ethics terminology, ethical principles, ethical decision making frameworks and applications, and how recent major ethical scandals arose. These topics are normally found in typical business ethics programs – hence it makes sense for PAs to be exposed to both business ethics and professional ethics education.

Role of a professional accountant: values and moral courage

PAs are supposed to act ethically – but this takes more than knowledge of principles and tools, it requires personal values that are offended by unethical behaviour and the moral courage to report ethical risks and misdeeds even though retribution may follow. The development of personal values and moral courage can be assisted by exposing students to cases where PAs did not raise the alarm, but could and should have done so. Instructors need to positively point out the ethical course of action and how much better the overall result would have been. PAs need to do more than think ethical thoughts – they need to act on them.

Status and barriers to ethics education for professional accountants

Agle and Crossley have documented the reasons often advanced for not teaching business ethics in either a stand-alone course, or integrated into normal subject-matter courses, and I agree that a combination of both approaches is most effective.

However, as to the status of ethics education for PAs, in keeping with our approach to accounting education in Canada, I believe it is helpful to consider our progress on four dimensions of achievement in ethics education: (1) general awareness of issues; (2) understanding of ethical principles and ethical decision making (EDM); (3) application of ethical principles and ethical decision making at a professional level, and (4) personal awareness and development of values and moral courage. Based on these four dimensions, my experience suggests the following current levels of achievement:

Dimension of Ethics Education	Business Ethics	Professional Ethics
1. General awareness of issues	Most programs	Most programs
2. Understanding principles and EDM	Less than 30%	Less than 60%
3. Application of principles and EDM	Less than 25%	Less than 40%
4. Personal awareness & development	Less than 25%	Less than 50%

Unlike the teaching of business ethics, most programs educating PAs do include professional ethics because the PA instructors do see the need for it. However, the level of achievement on each dimension is far less than what it should be.

Based on my experience, it is most unlikely that satisfactory attainment of dimensions 2 and 3 can result unless a stand-alone course or short module is employed. In integrated ethics/subject-matter courses, the time pressures required to cover existing subject-matter topics are just too great to allow much time to be devoted to ethics issues beyond the issues awareness level. As well, the current low level of interest and ethics training of subject-matter instructors is often used to rationalize very sketchy ethics coverage at the general awareness level and almost no treatment of ethics principles and EDM techniques. Offering a stand-alone course has been slow to catch on – I would guess that the percentage of business and PA programs that have a stand-alone ethics course or module is between 25% and 50% – because of overall curriculum resource issues and the lack of instructors who are willing to teach ethics material because they have never had any formal instruction on it. As a result, the ethics education of PAs is better than for business students in general, but still far short of what it should be. It is noteworthy that in the U.S. a slowly growing number of states (Texas and California among them) have made a stand-alone ethics course a mandatory licensing requirement for potential PAs. As I see it, in most jurisdictions, the ethics education of PAs is deficient on both (a) breadth of issues and on (b) the depth of treatment on those issues. I have four suggestions for moving forward.

Four innovative suggestions for moving forward

1. **A Reality Check:** I think it is time for business and professional accounting educators to face reality by assessing how their programs compare with the suggestions made above for breadth of issues covered and also for the depth of that coverage in terms of the four dimensions presented.
2. **A Stand-alone Ethics Module:** Although I recognize that arguing for a stand-alone course has not been successful in the past, the introduction of a shorter, mandatory, stand-alone ethics module is more feasible and is essential to enable the higher level, depth of coverage required in dimensions 2, 3, and 4.
3. **Partner with a Philosopher:** I am not suggesting that the teaching be turned over to a philosopher for there are few with an interest and experience in business matters and even fewer who can make this important subject relevant for business students. However, if you can find a philosopher with the right interest, experience and talent, an interested PA instructor should be partnered with the philosopher to give both some guidance on the issues with which the other is familiar.
4. **An Ethics Boot Camp for Instructors:** I believe that a PA with interest and a modest amount of preparation or training can teach a stand-alone ethics course or module for PAs, and enjoy success. To facilitate this, I would be pleased to contribute my personal time to organize and participate in a weekend ethics instruction boot camp for interested PAs and subject-matter instructors. Who knows, perhaps a sponsor may be found.

Concluding comment

For PAs, ethics cannot be a spectator sport – our mandate requires informed action. What is your role going to be – taking a beautiful but impotent guard dog for a walk in the park, or providing the education that the public expects?

From: *Business Ethics Education, Why Bother? Objectives, Pedagogies, and a Call to Action* by Bradley R. Agle and Ty C. Crossley

Discussant's comments by Joan E.D. Conrod

A young CA in a small town leaves her position with a public practice firm and joins a high profile, high growth business in a small town. The company has won awards and grants for entrepreneurship, and has had double-digit consistent growth over the last few years. It is becoming a significant employer. She rapidly discovers that they have been shipping merchandise to a warehouse in the Caribbean when quarterly sales targets are not met. Sales are booked when shipped. This merchandise has NOT been resold, for the most part, nor has it been paid for. She discovers that the warehouse is owned by one of the company shareholders.

What do we want this person to do at this point?

What can we have done in her past to help her make this decision?

The call to action provided to us in the Agle/Crossley paper suggests a blend of a dedicated ethics course, targeted ethics coverage in subject-specific courses, and application project based on situations in the students' life.

We largely do these things now. Under AACSB rules, we are required to have a stand-alone ethics course. This course is not in our faculty (again, AACSB influences; we need to have courses outside our faculty), and the course tends to be pretty philosopher-based or theoretical in nature. Most business school courses for accounting majors – audit, tax, financial reporting – tend to shed some light on specific ethical challenges. We don't do a lot of the project work aspect, but remember that it is hard to make sure the student is placed somewhere that it would be appropriate. We have open windows for these things – work term reports, etc. so some is done.

But is it effective? I don't think so. Some of the reasons:

- It is too easy to pick high road in cases and questions. The high road is obvious, and the costs are easily absorbed and justified as “worth it.”
- There is too much content in classes now....ethics are not tested a lot outside the ethics course. Students don't pay much attention to material in crowded classes that is not examined.

And I'm concerned about what we model in university. Because...they cheat. The one clear ethical situation all students experience is in the area of *academic integrity*. The consequences of the high road and the selfish benefits of the low road are completely clear to them. They often pick the low road. (See university statistics, Exhibit 1; note that high and low %'s may be because of vigilance of instructors, not behavior of students)

Perhaps we should examine our own ethical climate. Are we good at demonstrating ethical behavior? Do you know any colleagues who:

- Re-use tests when they know or have reason to believe that these tests are available to students from prior years?
- Don't invigilate appropriately, or only partially enforce exam rules meant to establish exam integrity?
- Fail to follow up on cases of copied assignment, or cheating in tests? This might be for a variety of reasons, but perhaps because the process is too time-consuming and they have “better things” to do with their time.
- And in broader integrity issues, fail to prepare properly for class? Fail to update material that would be of benefit to students? Omit assignment material that they know would be good for students because they don't want to monitor or deal with the copying issues?

Grade in a biased way? Give in to complaining students who are unhappy with their (well deserved) low grades?

If you have colleagues like this, what sanctions are in place against their behavior? What follow up is there on this behavior?

Are we in fact *in* an ethical climate? Is this an environment where ethical or moral backbone is forged?

However, where is every young accounting professional in a real business environment? Where that student would see ethical situations on a regular basis? *Should* see ethical behavior that can be modeled?

In my opinion, the professional bodies are not anxious to establish or monitor expectations on the practical experience element. The profession will monitor hours, (inputs) but not behaviors (outputs). This is a critical period for the young professional accountant, developing key integration skills and new professional skills, and without learned behaviors that must be unraveled. I see no reason why there can't be a formal one-on-one mentor appointed (the CMAs do this, I might add). This mentor might have the responsibility to have several targeted conversations concerning ethical dilemmas.

So *my* call for action: At universities, we need to get much more serious about academic integrity and the way we interact with that process. Second, the articling period should be used as a platform for ethics applications, on a one-to-one basis.

And my young CA? She resigned. She went to the RCMP and provided evidence for criminal fraud charges. She personally contacted all the groups that she was aware were relying on the financial statements to inform them of her concern with the integrity of the financial statements. And...She was unemployed for a while.

What motivated her behavior?

I wish we knew.

I hope it happens for all young professionals.

Exhibit 1 : Extracts from Faculty Discipline Process 2008-2009 Annual Report, Dalhousie University Senate.¹

5. Distribution of Students with Proven and Ratified Allegations per Full Class Equivalents by Faculty

The chart describes the number of students with proven and ratified allegations per 1000 full class equivalents broken down by Faculty.

Faculty/Unit	Full Class Equivalents (FCE)	Proven Allegations per 1000 FCE	Full Class Equivalents (FCE)	Proven Allegations per 1000 FCE
Dec 1/07		*2007-2008	Dec 1/08	2008-2009
Architecture and Planning	1,233	0	1,309	0
Arts and Social Sciences	14,842	3.1	14,515	1.6
Computer Science	836	7.2	873	6.9
Dentistry	1,864	0	1,841	0.5
Engineering	4,137	1.0	4,198	2.6
Graduate Studies	n/a	n/a	n/a	n/a
Health Professions	8,021	2.5	8,212	3.7
Law	2,501	0.8	2,576	2.3
Management	5,943	0.7	5,952	4.4

¹ from http://senate.dal.ca/Files/reports/2008-09_Faculty_Discipline_Process_Annual_Report_with_Append.pdf, accessed October 31, 2010.

Faculty/Unit	Full Class Equivalents (FCE)	Proven Allegations per 1000 FCE	Full Class Equivalents (FCE)	Proven Allegations per 1000 FCE
Medicine	3,631	2.2	3,791	2.4
Science	14,131	1.4	14,191	2.2
University of King's College	1,898	1.1	1,919	1.6
Totals	59,037	1.9	59,377	2.5

10. Types of Proven and Ratified Allegations

- a) Plagiarism: 98 (excluding unauthorized collaboration)
- b) Self-Plagiarism: 7
- c) Irregularities in the presentation of data from experiments and field studies: 1
- d) Cheating on exams: 9
- e) Unauthorized collaboration: 22
- f) Sharing of assignments or data: 2
- g) Unauthorized materials in possession during exams: 3
- h) Aiding in the commission of an academic offence: 2
- i) Cheating on exams AND Aiding in the commission of an academic offence: 2
- j) Plagiarism AND Unauthorized materials in possession: 1

From: *Business Ethics Education, Why Bother? Objectives, Pedagogies, and a Call to Action* by Bradley R. Agle and Ty C. Crossley

Discussant's comments by Maureen P. Gowing

The Challenge, Privilege, Burden of Duty: Institutional Challenges to Teaching, Training, Doing Ethics

Salient features of the situation

There is an institutional divide between the profession of accounting in Canada and the academy. We have a different role in society. As social actors we are expected to undertake different burdens of duty and we enjoy different privileges. Our legitimacy flows from how well we do what society expects of us. Expertise and ethics supported by legislation defines professions. Professions have the right to determine criteria that identify knowledge from fluff, to create knowledge, and communicate knowledge as systems of belief used by us all (Alexander & D'Aunno, 1991; Freidson, 1994, 1986).

The profession of accounting is inextricably entwined with business which makes observable economic subsets of social interactions. That is not what academics are inextricably entwined with. We, for better or worse, are not a self-regulating profession. We are for the most part unionized labour pools defined by a negotiation between the government, administrators of the university and the representatives of the union. Some of us happen to have professional certifications but if we are tenured, it is unlikely we continue to practice in the accounting profession to earn our livelihood. Our burden of duty falls to our employer – the academy.

So what? It's a levels of analysis issue – society calls on me as an academic to bear the burden of duties identified for a tenured instructor in the business faculty of a university in Ontario, Canada. The governmental, university, and the educational silos limit my capacity to teach only those topics considered within my expertise and professional qualification. My colleagues in business, humanities, philosophy, would be dismayed if I overstepped those limits. But, in fact it is unfashionable to admit that instruction and teaching is the primary activity for which I've been hired.

My primary duty is the production and dissemination of knowledge through appropriate outlets – next is teaching. I ignore fashion at peril of my job. And so, as an institutionalized entity called a tenured accounting instructor I chose to fulfill my primary duty of research by examining ethics and moral reasoning among accounting students at various levels and accounting practitioners. Pause to reflect – why is it that our epistemological discoveries are occasionally published in academic journals with subscription bases of perhaps 2,000? Our work as legitimate and excellent as it may be is not widely communicated. We are for the most part very intelligent and highly trained in the appropriate exploration of ideas, cognitive constructs, ideals and their application. We are dangerous and institutionally confined to a far more narrow duty of communication that is any member of a profession.

But I'm fortunate that the university for which I work is well into the AACSB certification process at long last. We will not be certified without a business ethics course – and indeed we have one. If there is a call to teach ethics, for better or worse, we have answered that call and two of our tenured instructors teach sections of a mandatory business ethics course. I am not one of them. I have not been asked nor would I venture to critique the content of the course taught by those instructors residing in a different instructional silo from mine.

What purpose (benefits) will be achieved?

So what's to discuss? Well first is that if indeed there is a big hairy audacious goal to be achieved by teaching business ethics, there are a lot of other stakeholders who must be convinced to go beyond the minimum required for AACSB certification – the for-profit busi-

nesses, the Ministry of Education, the Board of the university, the donors, the university executive, the faculties, the students, their parents, the instructors in the business faculty, and last but not least for me, the accounting profession. Resources are extremely scarce, salaries are being frozen, people laid-off – is teaching a business ethics course an appropriate response to the eternal shocks to society that we are experiencing and have experienced?

Let us assume that the appropriate stakeholders have overcome their conflicts to provide a consensus and resounding ‘yes’ to that question. Each stakeholder has considered all the relevant and truthful information available and provided fully informed consent. In true Habermasian style, justice has been served because all who could be affected have been consulted, all have been heard, and all have agreed it is in the best interests of society (not merely their narrow self-interest as a stakeholder) to teach a dedicated business ethics course – not an accounting professional ethics course – but a business ethics course. Assume that everyone has behaved ethically. Now how about the pragmatics?

How will the benefits be measured and distributed? How will the burdens be measured and distributed?

Ethics is only part of a just society, a necessary part but not sufficient. Before spending resources that belong to a collective – that is taxpayers’ dollars – ask who expects what? For example do corporations want morally aware employees who will progress through the ranks to become executives and leaders? Does the Ministry want students who are morally aware who will freely choose to enter into for-profit business? Do we want to be morally aware ourselves? Do students? My opinion is generally, no because this implies change, enormous change away from a standardized output unit called an undergraduate to an astute, self-aware, critical, and reflective human being capable of independent thought and free of fear.

“For in much wisdom is much grief; and (s)he that increaseth knowledge, increaseth sorrow”(Ecclesiastes, 1: 18). Knowledge, wisdom are fierce, they cause transformation and harm as well as benefit.

Truth and me

Here is an idiosyncratic topic for an ethical dilemma to which I introduce my students. Imagine you are an MBA business graduate working in forensics for a for-profit stock exchange in Canada. Your task is to analyze financial and non-financial data files, routinely analyzed prior to permitting companies to list and trade shares on the exchange. Recently, thanks to perestroika and glasnost, Eastern Europe has opened for business and seeks equity dollars to grow here in Canada and in Eastern Europe. A file comes across your desk as a matter of routine surveillance – you have the authority to request any and all additional data you believe you require from the prospective company to verify their claims. You suspect the prospectus data and communicate your comprehensive request for backup documentation to the company’s executives. You have performed the duties for which the exchange pays you.

The putative CEO of the company asks for an interview to discuss your request and, as a matter of interactional and structural justice you agree. About 2 days prior to the interview you receive a call from your surveillance Vice-President informing you that under no circumstances should this file proceed to listing. The RCMP has followed protocol and informed the Vice-President that the CEO and other members of the executive team are under global investigation for human smuggling, sex slavery, extortion, and drug trafficking. The RCMP suspects this listing is simply a front for money laundering. You ask for the name of the RCMP informant, receive it, call to verify the file facts with the RCMP facts and they are about the same set of individuals. You inform the Vice-President of the interview date and time and you both agree to be present when the CEO arrives. You then inform the CEO that the Vice-President will also attend the interview to respond to any questions with a higher level of authority.

The putative CEO arrives 2 days later in your office. The Vice-President does not – a voice mail message informs you that a more pressing meeting has been called at which the Vice-President’s presence is required. You proceed alone with the interview during which it becomes evident the CEO’s purpose is to avoid providing further documentation to you. You insist and he threatens your life if you proceed to enforce the legal limits of your authority. Bearing in mind that car bombs have recently killed other stock exchange participants, this is

a credible threat. You diligently have taken notes and turn them over to your Vice President along with a formal complaint of a felony. It is not legal in Canada to utter a death threat.

No follow-up is undertaken, no reassurance provided This was not a hypothetical dilemma – it was, and remains a fact of my experience. I blocked the listing, and I quit the job about a month later to pursue my Ph.D. This is my experienced reality of for-profit business in Canada from the side of those who are supposed to be the good guys. This company never did list but a similar company with the same board, CEO and executive team did. Personal experience – let’s talk what this type of experience does to a mid-level administrator with a very mid-level salary in a very ordinary mid-level country.

I guarantee it changed my life. I learned that fraud is institutionalized. Enforcement too is a business, subject to constraints and criteria before undertaking any prosecutions. Enforcement excluded my protection in this instance to protect the enforcement process itself and perhaps achieve a greater benefit in the longer run. Sometimes there is a larger purpose to be served by restraint. But this is merely my truth and one that took a great deal of time to understand. Let’s get of people together with enforcement experiences and gain a grass roots understanding of what the personal effect is of an unwilling personal enforcement contribution to social welfare.

I have seen nothing from Dr. Rosen in the last 6 or 7 years and I miss him. I looked forward to his disclosures of real results from real forensics, real audits, real legal cases, real exchange and securities enforcements (or lack thereof). It resonated with me and he had the courage to say what needs to be said. He shone light where it needed shining – but what has come of it? The accounting standard setting, practices, and subsequent business of enforcement continue with little change. But Dr. Rosen is only one voice – he does not even constitute a stakeholder. He is a voice of experience, of academic accomplishment, and of professional expertise. He has, in my opinion, spoken the truth at the heart of ethics.

Rather than begin with morals, values, courage, begin with truth telling – not confession but truth telling. That is the audacious goal – no hiding behind theories, surveys, self-assessments and ideals but get down to truth, told by people who lived it. Be forewarned that this course of action could do harm – it is risky to tell the truth, to hold to the truth, to insist that truth prevail. Ask any enforcer; read about the consequences they endured because they spoke truth to power in a compelling but inconvenient way.

Leadership from professionals in the field

Despite our protestations, we are not a profession. There is no profession of philosopher or scientist. We are not physicians, engineers, lawyers, or accountants. We have no professional academic code of conduct that supercedes any and all organizational codes. We have no professional body to which we pay annual membership dues for the privilege of retaining a certification. We have no self-enforcement agency that undertakes public hearings and acquits or convicts our members of professional misconduct. We are not self-regulated in any of the ways in which genuine professionals are. We do not obtain an academic certification specific to our training but a generalized doctorate in philosophy irrespective of our training. We are an epistemological entity, not professional one. We may claim production of knowledge – others decide whether it is knowledge or fluff – in fact those others are professionals.

We have the causality backwards. The professionals define for us what epistemology is, not us. Professionals determine the criteria of knowledge, not us. Professionals define business ethics, not us. Given those pre-existing conditions we go out and discover knowledge, apply it, communicate the results. We’re the Jacques Cartiers, Galileos and Vasco de Gamas of the world, not the Popes, and Princes, who request and pay for discovery. As important as our discoveries may be, without the imprimatur of a profession they remain unknown, misunderstood, misplaced, and misapplied. To begin we need members of a profession or many professions who will set the criteria that determine knowledge of ethics within which we will work.

We are not alone; most business practitioners are not members of a profession either. Those who are owe a duty of care to their individual professions, a duty under law both to the owners of their firm and for compliant corporate governance, as well as a vaguely described responsibility to avoid harming the opportunities to improve social welfare. They practice in an ethically challenged environment where conflict of interest is routine – even absent any assumption that humanity is no more nor less than out for its idiosyncratic self at any level of analysis.

Conclusion

I share the passionate desire to teach but not preach ethics, to achieve the purpose of improvement in the level of decency in our interpersonal acts in business. I see no inherent evil in wealth no inherent virtue in poverty and therefore I have no bias against the honest pursuit of wealth.. Brad Agle's call is well-placed and he has punctured the superficial and specious arguments against undertaking this challenge. What I add to my acceptance is a request for us to develop more clarity about the harm we will do, the benefits that will accrue, the changes for which we will be responsible. Move from pathos, the call to the heart on to the rhetorical frames of ethos and logos. Change management begins with passion but succeeds with discipline and an honest disclosure of how the expected burdens and benefits will be distributed.

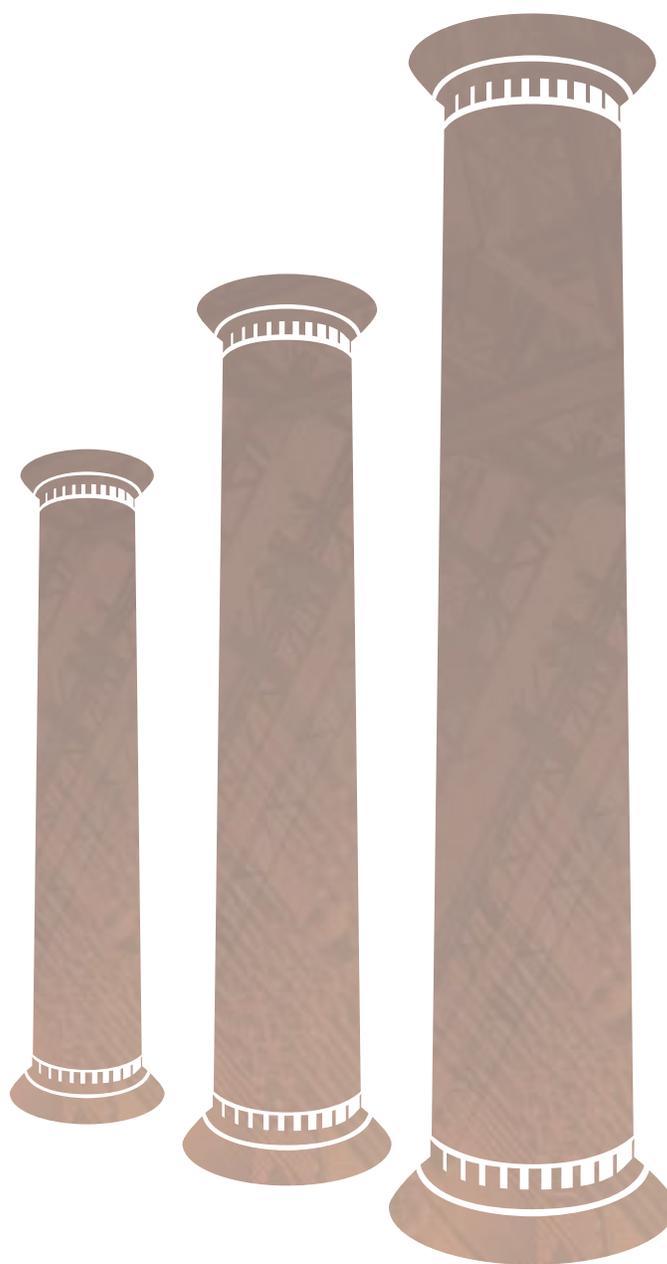
We need to know our place in the institutional environment and we cannot determine that without discussion with those whom we serve. Ethics sits at the intersection of human and property rights. But both are simply ideas that somehow people differ from other natural entities, including property and ideas that such a thing as human right makes sense (Meyer, 1987). Underlying this body of knowledge labeled ethics, is the assumption that joint effort somehow should provide joint benefit to people, not merely to those who privately own property. Indeed the ownership of property is itself an idea that such a thing as a property right makes sense. Maximizing wealth arising from deployment of property rights is right only when it achieves the good, the preservation and expansion of human rights. The purpose of ethics is to illuminate the right way to achieve the good. Easier stated than accomplished when no consensus currently exists regarding what is good, much less what is the right means to achieve the good outcome.

It is not clear how to strike an appropriate, if temporary, balance between these two social ideas, and yet equally, protect both. The measures of value of each set of rights are incommensurate and it seems dangerous to put a price tag on human rights as if they were property rights (Meyer, 1986). Nevertheless from an institutional perspective, the pursuit of business goals is exquisitely defined by this recurring conflict.

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Professional and Personal Attributes



Professional Attributes: Teaching the Fine Arts of Being a Professional Accountant

Susan K. Wolcott¹

Introduction

One day during a junior-level cost accounting course, one of my colleagues tried an experiment. The topic was cost-volume-profit (CVP) analysis with a sales mix. Prior to class the students were told to read the chapter and complete a homework assignment. The class session included discussion of the homework assignment. At the end of class, the professor asked students to write a paragraph on the following question: “When using CVP analysis for planning, how is it possible that managers might not know for certain what the sales mix will be?” After collecting and reading student responses, my colleague was surprised to learn that a large proportion of students did not know the meaning of the term “sales mix.” These students had completed a homework assignment involving calculations and discussed the calculations during class, but they had not thought about what the various terms used in the formula mean—or about how uncertainty in the data used for CVP analysis might affect an organization’s planning. In other words, the students had learned little, if anything, about CVP analysis and its use—other than to replicate computations shown in the textbook.

This problem—of students “going through the motion” without learning—is not unique to accounting. In a study of science graduate students, Schwartz and Fischer (2003, 24) commented that students’ “success in high school and college science courses had been based on evaluations of how well they recalled...knowledge, not how they made sense of this information.” The authors argued that a major flaw in many classrooms is that the teacher presents knowledge without attending to the students’ need to construct their own understanding. Students, accustomed to being told what to memorize, lack the patience needed to struggle with problems on their own; they want professors to provide information that can be repeated back, with no processing. Schwartz and Fischer recommended that professors engage students in discussions to clarify what students believe and why. As my colleague learned when she asked students to explain their understanding of the sales mix, these discussions can lead to new insights about what students do and do not know—as well as to opportunities to engage students at a deeper level.

With the recent proliferation of technical knowledge (such as IFRS) that must be taught in accounting programs, accounting education is at a crossroads. Accounting courses and programs are currently being revised and perhaps even overhauled, making this an opportune time to also rethink educational approaches. This re-examination necessarily includes consideration of the knowledge and skills needed by accounting graduates—as well as the effectiveness and efficiency of educational methods.

In this paper, I propose that accounting educators significantly increase the emphasis in their courses on developing students’ cognitive skills. These skills underlie most, if not all, of the competencies that accountants need for professional success. Greater attention to cognitive skills beginning with introductory courses is likely to improve student learning of technical knowledge as well as enhance the non-technical attributes that define a professional accountant. In addition, this paper will address accounting educators’ concerns about increases in course content volume by introducing a theoretically sound and efficient way to integrate the teaching and learning of technical knowledge with the professional attributes (i.e., non-technical skills) expected of today’s accounting graduates.

¹ I would like to thank Leslie Eldenburg (University of Arizona), John Gunn (CA School of Business), Fred Phillips (University of Saskatchewan), and Karen Pincus (University of Arkansas) for providing comments and suggestions on this paper. I would also like to thank Sandy Hilton (University of British Columbia) and Michel Magnan (Concordia University) for their thoughtful comments at the CICA Accounting Educators Symposium.

Competencies for the professional accountant: technical knowledge and professional attributes

Differences of opinion exist regarding the detailed competencies that an accountant should possess to be deemed a “professional accountant.” However, accounting educators tend to think of what they teach as falling into two broad categories: (1) technical knowledge of accounting methods and practices and (2) professional attributes, which include qualities and skills such as communication, critical thinking, leadership, ethical behaviour, professional demeanour, and teamwork.² Professional organizations such as The Canadian Institute of Chartered Accountants (CICA) have developed detailed competency maps. The CICA’s *UFE Candidates’ Competency Map* describes specific competencies (i.e., technical knowledge) in conjunction with pervasive qualities and skills (i.e., professional attributes) needed to become a Chartered Accountant (CA).

Unfortunately, accounting educators have little theory to guide informed and systematic decisions about how to teach professional competencies. Without a guiding theory, it is difficult to address practical issues such as “How early in an accounting program should students begin to focus on more than technical knowledge?” or “What level(s) of knowledge and other attributes should accounting students achieve before entering a precertification program to ensure adequate competency for becoming a CA?” or “If students demonstrate a particular level of knowledge and other attributes at the end of one course, should they be expected to exhibit the same level at the beginning of the next course?”

Models of adult development

During the past 35 years, the field of positive adult development has emerged to address changes in the capabilities of adults and the contexts in which change occurs (see, for example, Demick and Andreoletti, 2002; and Hoare, 2006). Numerous models exist that accounting educators can use to understand their students’ characteristics, design teaching and learning experiences that are likely to encourage development in higher education and professional settings, and assess student performance. Several prominent examples are listed below.³

- Bandera: Self-efficacy theory (e.g., Bandera, 1997)
- Basseches: Dialectical thinking (e.g., Basseches, 1984)
- Carstensen: Socioemotional selectivity theory of social-motivational life span development (e.g., Carstensen et al., 1999)
- Commons: Model of hierarchical complexity (e.g., Commons, 2007)
- Day, Harrison and Halpin: Integrative theory of leader development (e.g., Day et al., 2009)
- Erikson: Theory of social development (e.g., Erikson, 1963, and Erikson and Erikson, 1998)
- Fischer: Dynamic skill theory (e.g., Fischer, 1980, and Fischer and Bidell, 1998)
- Greenhaus: Career management model (e.g., Greenhaus et al., 2010)
- Kegan: Model of psychological development, including leadership and change (e.g., Kegan, 1982 and 1994, and Kegan and Lahey, 2009)
- King and Kitchener: Reflective judgment model (e.g., King and Kitchener, 1994, and Kitchener et al., 2006)
- Kohlberg: Stages of moral development (e.g., Kohlberg, 1981, and Rest et al., 1999)

2 Other common terms for *technical knowledge* include: formal knowledge, explicit knowledge, declarative knowledge, professional knowledge, content knowledge, traditional knowledge, functional competencies, specific competencies, and technical and functional skills. Other common terms for *professional attributes* include: procedural knowledge, tacit knowledge, conditional knowledge, soft skills; pervasive qualities and skills; generic skills; employability skills; personal competencies; professional capability; distinguishing characteristics, professional skills; professional abilities; core skills; key skills; fundamental skills and values; professional values, ethics and attitudes; intellectual abilities; behavioral skills; and personal, intellectual, and interpersonal skills.

3 Piaget’s theory of cognitive development (e.g., Piaget and Inhelder, [1969] 2000) is omitted from this list because Piaget focused on development only through adolescence. Several of the listed models extend Piaget’s work to adult development.

- Loevinger: Stages of ego development (e.g., Loevinger, 1976, and Hy et al., 1996)
- Perry: Forms of intellectual and ethical development (e.g., Perry, 1970)
- Schön: Reflective practice (e.g., Schön, 1983 and 1987, and Ferry and Ross-Gordon, 1998)
- Torbert: Stages of professional constructive development (e.g., Torbert, 1987 and 1994)

Some of these adult development models have already been introduced to accounting research. For example, Kohlberg's stages of moral development are used frequently for ethics education or to study moral behaviour in accounting (e.g., Abdolmohammadi et al., 2010; Frank et al., 2010; Mintchik and Farmer, 2009; Shawver and Sennetti, 2009; Svanberg, 2008; Ge and Thomas, 2008; Ho and Lin, 2008; Thorne, 2000; and Jeffrey, 1993). Several intellectual development models have been applied to critical thinking and other competencies in accounting (e.g., Mintchik and Farmer, 2009; Wolcott et al., 2002; Wolcott and Lynch, 2002 and 1997; Phillips, 2001 and 1998; Wolcott, 2000 and 1998; Cunningham, 1996; Francis et al., 1995; Jones and Davidson, 1995; Kimmel, 1995; Rodgers, 1992; Wyer, 1987; Amernic and Enns, 1987; Amernic and Beechy, 1984; and Shute, 1979). But which of these adult development models can be used to establish a theoretically sound way to efficiently integrate a large number of accounting competencies?

Well-specified models that are relevant to a wide variety of competencies include the cognitive development models of King and Kitchener, and Perry. These models describe sequential performance levels that are supported both theoretically and empirically. In addition, these models can be applied to many different types of competencies because they address underlying patterns of thinking that are common across competencies.⁴

Two central ideas from models of cognitive development are particularly useful for accounting education: (1) cognitive attributes/skills can be organized into levels (also called stages) and sequenced from less to more complex and (2) each lower cognitive level lays the foundation for the next-higher level. In these hierarchical models, *development* refers to a progression from less complex cognitive attributes/skills to more complex attributes/skills.

Competency development requires students to transition from typically low-level thinking to the higher-level thinking associated with professional competency. Fischer's dynamic skill theory is concerned with the processes that people use to construct new skills over time, including the recurrent need to revert to lower-level skills when placed in a new or emotion-laden situation (e.g., Fischer and Pruyne, 2003; Hofer and Pintrich, 1997, p. 122).⁵ In other words, students do not necessarily achieve a particular level of skill and then demonstrate it consistently. Stable performance of high-level competency may require considerable time including practice in multiple contexts (e.g., courses and topical areas) and guidance to create generalized approaches to apply in new situations. As pointed out in the introduction, Fischer also emphasizes that learning requires students to construct their own meaning; it is not sufficient to simply memorize knowledge as presented by professors (Schwartz and Fischer, 2003). For this reason, assignments such as cases that engage students in deeper thinking are more likely to encourage development (consistent with the recommendations of many accounting educators).

The next section introduces details of King and Kitchener's reflective judgment model and demonstrates how it applies to professional competencies for accountants. The reflective judgment model is selected over alternative cognitive development models because:

- The reflective judgment model is seen by developmental psychology experts as noteworthy for the extent of its descriptions especially for higher cognitive levels, specification of epistemological assumptions (i.e., beliefs about knowledge) used in reasoning at each level, and validation with both longitudinal and cross-sectional data from male and female subjects (Hofer and Pintrich, 1997).⁶
- Fischer has applied skill theory to the reflective judgment model (e.g., Fischer and

4 This idea will be clarified later in the paper.

5 I have noticed this behavior among students even within a single course, especially on tasks such as ethical dilemmas that generate an emotional response or in examination situations that increase anxiety. Even more variation in performance may occur across courses.

6 Additional comparisons of cognitive development models can be found in Kurfiss (1988), Pascarella and Terenzini (1991), and Francis et al. (1995).

Pruyne, 2003), providing guidance for teaching and learning.

- Reflective judgment influences thinking in a broad range of contexts, including ethical reasoning (e.g., King and Kitchener, 1994, 205-212; Wolcott, 2007).
- The reflective judgment model has already been applied to accountants' professional competencies, as discussed more fully below.

King and Kitchener's reflective judgment model

The reflective judgment model consists of a developmental progression of seven qualitatively different sets of assumptions about knowledge that people use to address open-ended problems. *Open-ended problems* have more than one reasonable solution because they may be difficult to define, involve uncertain outcomes, and often generate disagreement among experts even after a solution is reached (Wood, 1983).⁷ Accountants' professional competencies consist largely of skills for addressing open-ended problems, because of the open-ended nature of work that practicing accountants perform (e.g., Abdolmohammadi, 1999). Exhibit 1 provides the following for Stages 2 through 7 of the model: (1) key epistemological assumptions and (2) general approach to open-ended problems. Stage 1 is omitted from this table because it describes beliefs ascribed to childhood.

King and Kitchener (1994, 19) point out that the epistemological assumptions "not only affect how individuals will approach the task of defending a judgment but also how they will respond in learning environments..." For example, a student who believes it is the job of experts to solve a problem (Stages 2 and 3) is likely to search textbooks and class notes for answers to an open-ended problem rather than attempt to apply their own judgment. A student who believes that it is sufficient to stack up evidence to support their own position (Stage 4) is likely to misunderstand instructions to provide a balanced discussion of the advantages and disadvantages of alternatives. The introduction to this paper described a question about beliefs that my colleague asked her students. Such questions provide information about students' underlying beliefs in relation to the technical content being learned. By gaining an understanding of and addressing students' underlying beliefs, professors can design more effective coursework, encourage greater student acceptance of required tasks, and maximize the likelihood of providing students with feedback that promotes development.

7 King and Kitchener (1994, pp. 10-13) use the term *ill-structured problems*, and Springer and Borthick (2007) use the term *cognitive conflict tasks*. Synonyms include *unstructured*, *ill-defined*, and *multilogical problems*. I prefer the term *open-ended problems* because it is less likely to suggest connotations that differ from the intended meaning, and it helps convey to students the idea that their thinking needs to expand. In addition, the term *ill-structured problems* has sometimes been used to describe difficult problems having a single correct solution (e.g., Phillips 2001 and 1998).

Exhibit 1: Reflective Judgment Model: Key Epistemological Assumptions and General Approach to Open-Ended Problems

Stages 2 and 3	Stage 4	Stage 5	Stage 6	Stage 7
Key Epistemological Assumptions				
<p>Knowledgeable persons or experts know or will find correct answers to all problems</p> <p>Uncertainty either does not exist or is merely temporary</p> <p>Until experts can agree, opinions are equally correct or equally biased guesses</p> <p>It is sufficient to view problems without attention to realistic ambiguities and complexities</p>	<p>Uncertainty is due only to specific limitations such as lost or incorrect reporting of data, limited resources, or inability to correctly predict the future</p> <p>Conflicting points of view for which evidence can be provided are equally valid</p> <p>Criticizing an argument is the same as criticizing the person who makes the argument</p> <p>Experts are biased persons who are simply promoting their own agenda</p> <p>It is sufficient to simply stack up evidence that supports one's opinion</p>	<p>Endorsing one alternative denies the legitimacy of other alternatives</p> <p>Problem solutions may be justified only within a given context or from a given perspective, making it very difficult to endorse and justify a solution as the best alternative</p> <p>There are no overarching criteria by which to choose among competing evidence-based interpretations or solutions</p>	<p>Points of view about specific situations may be judged as better than others only in a very tentative way based on one's evaluations of experts' positions or the pragmatics of the situation at hand</p> <p>There are no generalized principles or procedures that can be used to further investigate one's resolution to the problem</p>	<p>Learning is a life-long process, and generalized principles of inquiry can be employed in that process</p> <p>As a result of careful inquiry and knowledge building over the course of a single lifetime and across generations, substantial improvements can be made in quality of life and professional practice</p> <p>Taking reasonable risks associated with moving toward desired changes is necessary</p>
General Approach to Open-Ended Problems				
<p>Provides no evidence beyond expert opinions</p> <p>Seeks a single, "correct" answer</p>	<p>Offers partially reasoned conclusions and ignores potentially important information</p> <p>Focuses on own point of view</p>	<p>Qualitatively evaluates evidence and describes problems from multiple perspectives</p> <p>Does not adjudicate across perspectives to reach a single supportable position (i.e., may reach no conclusion or provide little support for a conclusion)</p>	<p>Adjudicates across perspectives and describes mechanisms for reaching a conclusion in light of multiple perspectives</p> <p>Acknowledges but does not address limitations of conclusion</p>	<p>Argues convincingly using complex, coherent discussion of own perspective, including strengths and limitations</p> <p>Uses systematic process of critical inquiry</p>
<p>Adapted from King and Kitchener (1994, pp. 55-75) and Kitchener and King ([1985] 1995). Stage 1 is omitted from this table because it describes beliefs ascribed to childhood. Stages 2 and 3 are combined in this table because educational recommendations for the two stages are similar.</p>				

Typical student performance

What levels of reflective judgment should accounting educators expect to observe among students in their courses? Exhibit 2 summarizes non-accounting data about mean reflective judgment levels from 20 studies in different U.S. educational institutions. The data demonstrate two major characteristics. First, **most students, even at the master's level, operate at low to moderately-low cognitive levels** (averaging between reflective judgment Stages 3 and 4 during undergraduate years and advancing only about one-half stage for master's and early doctoral students). Second, **only a small amount of development tends to occur during an undergraduate program**. These findings are consistent with research using other models of cognitive development and also during more recent years (e.g., Pascarella and Terenzini, 1991 and 2005).

Exhibit 2: Mean Reflective Judgment Levels

	Traditional-Aged Undergraduate		Master's to Early Doctoral
	First Year	Last Year	
Mean	3.63	3.99	4.62
Standard deviation	0.53	0.67	0.81
n	329	369	126

Source: King and Kitchener (1994, p. 161). Based on data collected using the Reflective Judgment Interview in 20 studies during 1978 to 1993 involving different institutions and educational programs.

Wolcott and Lynch (1997) gathered data using essays for an open-ended accounting problem in two sections of an undergraduate introductory accounting course for accounting majors. The mean reflective judgment level was 4.26, slightly higher than the mean in other reflective judgment research. A higher mean might be due to the high admission standards for the accounting program in which essays were collected; however, data collected using essays might not be directly comparable to data collected using the Reflective Judgment Interview protocol.

In the absence of assessment data for students in a particular program or course, it is reasonable to assume that most undergraduate students operate at the average level—i.e., reflective judgment Stage 4. My casual scrutiny of student work in courses at multiple universities is consistent with this general guide; most students seem to operate at reflective judgment Stage 4.⁸ But especially in introductory courses, a fairly large subset of students may operate at reflective judgment Stage 3. Based on one formal study I conducted of students in two sections of an introductory MBA financial accounting course, I estimated that 15% to 20% of new MBA students operated at Stage 3. Because different stages have quite different implications for teaching and learning, accounting educators interested in maximizing student development may wish to gather data about the complexity of thinking exhibited by their own students, perhaps as part of a program-wide effort to analyze students' thinking in multiple courses.

Development of reflective judgment

Given the small increase in average reflective judgment levels shown in studies from different educational institutions, it is natural to ask whether students' reflective judgment can be developed in educational settings. The opportunity for development exists in what Fischer calls the *developmental range*, or the gap between the *optimal level* at which an individual is theoretically capable given brain development and support for higher performance, and the *functional level* at which an individual operates in a given situation without support, practice, or familiarity with the subject.⁹ For an average traditional-aged university student, the developmental range is estimated to be approximately two reflective judgment stages—meaning that performance could theoretically be increased from about Stage 4 to about Stage 6 through sufficient support, practice, or familiarity with the issue (Fischer and Pruyne, 2003, 187). Although most research has been concerned with documenting the stages for different

8 I have observed average performance one or two stages higher in certain master's courses.

9 Vygotsky used the term *zone of proximal development* instead of *developmental range* (Haenen et al., 2003).

populations or the development over long spans of time, a few studies have demonstrated that reflective judgment performance can be improved over shorter time frames through educational support and opportunities to practice skills (e.g., Kitchener et al., 1993).¹⁰ Additional studies are needed.¹¹

The nature of cognitive challenges and educational support that are most likely to be effective depend on students' functional reflective judgment levels. Exhibit 3 provides recommendations for developmentally-appropriate learning activities for reflective judgment stages 2 through 6. Research on brain growth suggests that Stage 7 might not emerge as an optimal level until 24-27 years of age (Fischer and Pruyne, 2003, 187). Therefore, most accounting educators should ignore the far right-hand column in Exhibit 3. However, the activities listed for transition to Stage 7 may be appropriate for training after several years of work experience or in doctoral programs.

Cognitive developmental progression of CA competencies

Although King and Kitchener's model is specified in terms of epistemological assumptions, the rating manual used in formal reflective judgment assessments (Kitchener and King, [1985] 1996) describes the skills that people exhibit when reasoning about an open-ended problem. Lynch and Wolcott (2001) organized these skills into a problem-solving process called "Steps for Better Thinking," shown in Exhibit 4. Among other purposes, this model that can be used to identify one or more levels of complexity for any competency that has open-ended characteristics (Wolcott et al., 2000). This approach was used to organize elements in the American Institute of Certified Public Accountants (AICPA) Core Competencies into Levels 1, 2, 3, and 4 corresponding with reflective judgment stages 4, 5, 6 and 7.¹²

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- 10 Anecdotal, I observed approximately a one stage improvement in reflective judgment levels of students in a capstone Master of Accountancy course at University of Denver after the department implemented a major curriculum change (most students in the course were in the "three-two" program, a combined bachelor and master program completed in five years). The revised curriculum included integrated accounting courses (financial accounting, cost accounting, accounting systems, and auditing) and a greater focus on writing assignments.
- 11 One reason so little research has been done on educational effectiveness is that the Reflective Judgment Interview must be conducted by certified interviewers and rated by certified raters, making the research method very cumbersome and costly for large numbers of students. In recent years, King and Kitchener have developed the Reasoning About Current Issues (RCI) objective instrument (Kitchener et al., 2006). However, I understand that the RCI can be used only for group rather than individual student assessments, significantly reducing its usefulness in research studies. Another approach is to formally assess carefully-crafted essays (Wolcott and Lynch 1997; Wolcott, 2006). An alternative is to focus on assessing specific skills (e.g., Stone and Shelley, 1997).
- 12 More details about the AICPA taxonomy is provided in the document, "Levels of AICPA Core Competencies," available on the AICPA's Educational Competency Assessment Website at www.aicpa-eca.org/. The original 2002 version of the document can also be obtained by sending an email message to susan.wolcott@CASB.com.

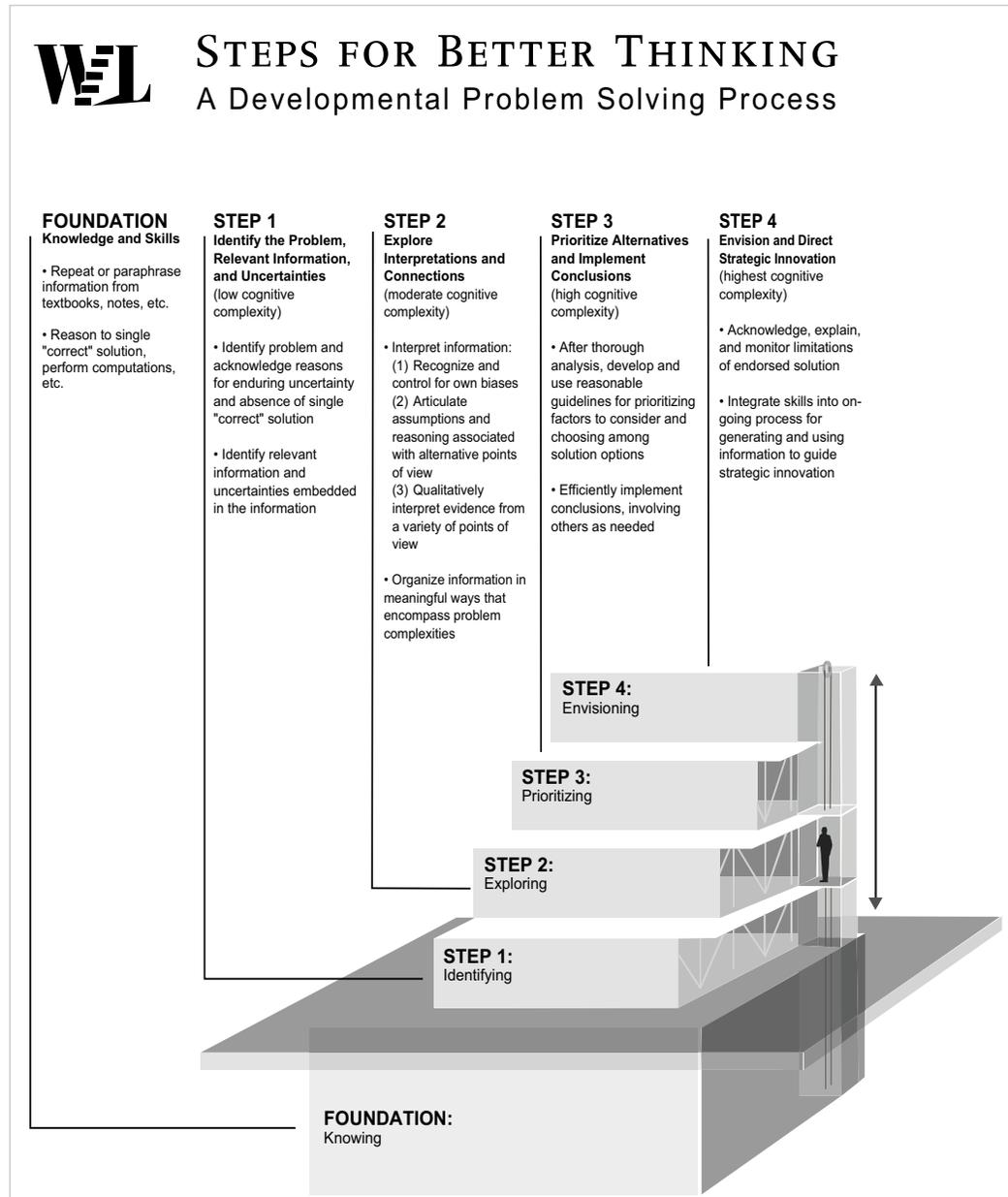
Exhibit 3: Developmentally Appropriate Learning Activities for Reflective Judgment Stages

Stages 2 and 3	Stage 4	Stage 5	Stage 6
<p>Activities to Encourage Transition to Stage 4:</p> <p>Identify and describe uncertainties/ambiguities/risks</p> <p>Read about conflicting opinions</p> <p>Identify open-ended problems (i.e., those having no single “correct” solution)</p> <p>List available information and identify which information is relevant for a given problem</p> <p>List potential issues, points of view, and solutions</p> <p>Form own opinion/thesis and use evidence/arguments to support it</p>	<p>Activities to Encourage Transition to Stage 5:</p> <p>Identify and attempt to control for own biases</p> <p>Identify stronger/weaker responses to an open-ended problem</p> <p>Identify and analyze for alternatives: pros/cons, advantages/disadvantages, strengths/weaknesses</p> <p>Discuss strengths and weaknesses of evidence</p> <p>Identify and analyze assumptions</p> <p>Explore different viewpoints/perspectives</p> <p>Compare and contrast theories/perspectives</p> <p>Organize information into meaningful categories</p>	<p>Activities to Encourage Transition to Stage 6:</p> <p>Identify most important issues, risks, or evidence</p> <p>Justify selection of assumptions</p> <p>Prioritize and clarify values used to judge across alternatives</p> <p>Establish plan for communication/implementation/action that adequately addresses concerns/needs of others</p>	<p>Activities to Encourage Transition to Stage 7:</p> <p>Prioritize and address solution limitations</p> <p>Systematically reinterpret information over time</p> <p>Develop viable strategies for generating new knowledge</p> <p>Engage in life-long learning</p>

Source: Wolcott, S. K. (2006, p. 3-2)

Note: Research on brain growth suggests that Stage 7 might not emerge as an optimal level until 24-27 years of age (Fischer and Pruyne, 2003, 187). Therefore, most accounting educators should ignore the far right-hand column in this table. The activities listed for transition to Stage 7 may be appropriate for training after several years of work experience or in doctoral programs.

Exhibit 4: Steps for Better Thinking



© 2006, Susan K. Wolcott. All rights reserved. Materials herein may be reproduced within the context of educational practice or classroom education, provided that reproduced materials are not in any way directly offered for sale or profit. Please cite this source: Wolcott, S. K. (February 9, 2006). Steps for Better Thinking: A Developmental Problem Solving Process [On-line]. Available: <http://www.WolcottLynch.com>. Model evolved from ideas presented in King and Kitchener's (1994) reflective judgment model of cognitive development and Fischer's (Fischer & Bidell, 1998) dynamic skill theory.

It has also been applied to other sets of competencies such as the ABET outcomes for engineering education (Lynch and Wolcott, 1999), learning outcomes at various educational institutions (e.g., Stonewater and Wolcott, 2006, and CA School of Business, 2010), and the Paul-Elder critical thinking framework (Wolcott, 2010). Organizing competencies into cognitive levels provides educators with a roadmap for student development. Early courses can focus on lower-level cognitive skills, progressing to higher-level skills toward the end of the degree program.

To explore how a cognitive developmental progression might apply to CA competencies, I studied the content of the 2009 edition of the CICA *UFE Candidates' Competency Map*. The competency map specifies three distinct levels of proficiency—Levels A, B, and C—and indicates which level of proficiency is required for each pervasive and specific competency. Level A requires the highest proficiency, while Level C requires the lowest. Because these proficiency levels are used throughout the competency map, I analyzed the cognitive complexity for these levels before considering the details of individual competencies.

The developmental progression for proficiency levels shown in Exhibit 5 is presented as tentative because clarifications by CICA personnel and/or further research may lead to revisions. Based on the tentative developmental progression, Level C proficiency requires demonstration of knowledge that is not open-ended, while Levels B and A require the ability to demonstrate higher-order thinking skills. The incremental proficiency required at Level B seems to span reflective judgment Stages 4 and 5, while the incremental proficiency for Level A seems to span Stages 5 and 6. As discussed earlier, undergraduate student performance tends to stall at reflective judgment Stage 4, suggesting that a large gap probably exists between the skills of students at the time of graduation from most undergraduate accounting programs and the necessary level of cognitive complexity required for entry to the CA profession. This is an area for future research. Notice that Level A proficiency extends only to Stage 6 and not to Stage 7. As noted earlier, achievement of Stage 7 would be an unreasonable expectation for entry to the profession.

To further explore the cognitive developmental progression for CA competencies, I next applied the general framework from Exhibit 5 to one of the technical competencies. The resulting progression for competency IV-2.3, "Identifies and evaluates opportunities and risks," is shown in Exhibit 6. The exercise of creating this exhibit demonstrated the feasibility of creating a cognitive developmental progression for technical competencies.¹³ A professor teaching risk management or a related subject could use this progression, for example, to design assignments and to consider whether the complexity of coursework is appropriate at a given point in the curriculum.

Recommendations

The process of creating the cognitive developmental progressions in Exhibits 5 and 6 could be viewed as a starting point for a much larger project to analyze all of the CA competencies. Professors of individual courses might find the results useful because of the detailed guidance for individual course topics. However, this approach would contradict a major purpose of this paper—i.e., to establish a theoretically sound way to efficiently integrate a large number of accounting competencies. Instead of seeking ways to provide more detail for individual competencies, it may be more beneficial to work toward simplicity—while at the same time helping students develop more complex thinking skills.

¹³ I have performed similar analyses for several pervasive and specific competencies. Due to space limitations, those analyses are not presented here.

Exhibit 5: Tentative Cognitive Developmental Progression of
CA Competency Proficiency Levels A, B, and C

Demonstrate Well-Defined Knowledge	Demonstrate Skills for Addressing Open-Ended Problems		
	Reflective Judgment Stage 4	Reflective Judgment Stage 5	Reflective Judgment Stage 6
<p>CICA Level C:</p> <ul style="list-style-type: none"> • Correctly recites (or explains, summarizes, depicts, paraphrases) professional literature or other resources regarding: <ul style="list-style-type: none"> • A task or role • The importance of a task or role • Normal circumstances in which a task or role would arise or apply • Correctly describes (or explains, summarizes, depicts, paraphrases) unambiguously-presented evidence or other information • Correctly identifies and performs basic quantitative and qualitative analysis techniques 	<p>CICA Level B:</p> <ul style="list-style-type: none"> • In a normal but ambiguous situation: <ul style="list-style-type: none"> • Appropriately describes a task or role and required professional skills • Identifies or summarizes relevant evidence and issues • Identifies relevant quantitative and qualitative analysis techniques • Distinguishes between well-defined and ambiguous aspects of a problem 	<p>CICA Level B:</p> <ul style="list-style-type: none"> • Discusses the effects of different (but normal) circumstances on: <ul style="list-style-type: none"> • Ability to identify problems • Required professional skills • Implications/meaning of various factors • Available evidence • Issues to be considered • Objectively analyzes and discusses alternative interpretations of ambiguous evidence related to a task or role • Analyzes factors influencing the choice of quantitative and qualitative techniques <p>CICA Level A:</p> <ul style="list-style-type: none"> • Performs thorough analysis of information and issues related to a specified task in normal circumstances • Discusses pros and cons (or strengths and weaknesses) of alternative recommendations or implementation plans 	<p>CICA Level A:</p> <ul style="list-style-type: none"> • Weighs factors to identify the most important aspects of a task or the most likely set of professional skills needed • Establishes professionally-appropriate criteria for recommending the most appropriate quantitative and qualitative analysis techniques or for making the most appropriate interpretation of results • Prioritizes the most important issues related to a problem to make useful recommendations for a specified task in normal circumstances • Prioritizes factors to establish reasonable implementation plans for recommendations

This cognitive developmental progression is based on the author's interpretation of levels described in *The UFE Candidates' Competency Map: Understanding the Professional Competencies Evaluated on the UFE, 2009 - Effective for the 2010 UFE* (pp. 6-8, 41-42, 52-56, 65-66, 76-77, 86-87, and 102-103). It has not been reviewed or approved by CICA.

Reflective judgment Stage 3 is omitted from this table because professional skills do not begin to emerge until Stage 4. Stage 7 is omitted because skills emerging at that stage are beyond expectations for entry to the accounting profession.

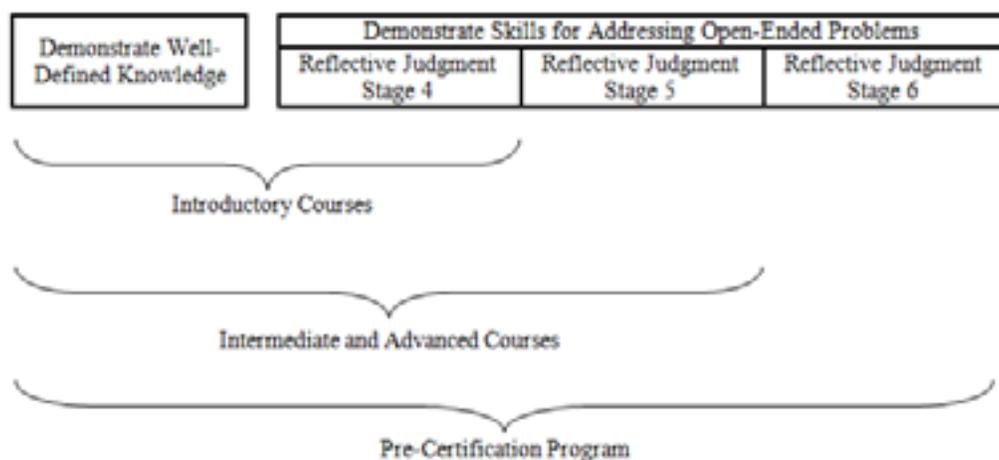
Exhibit 6: Tentative Cognitive Developmental Progression for
 CA Competency IV-2.3: Identifies and Evaluates Opportunities and Risks

Demonstrate Well-Defined Knowledge	Demonstrate Skills for Addressing Open-Ended Problems		
	Reflective Judgment Stage 4	Reflective Judgment Stage 5	Reflective Judgment Stage 6
<p>CICA Level C:</p> <ul style="list-style-type: none"> • Correctly recites (or summarizes, depicts, paraphrases) professional literature or other resources regarding: <ul style="list-style-type: none"> • Risks and opportunities and relation to external and internal environment • The need to evaluate an entity's risks and opportunities • Stakeholder risk tolerance • Information to help manage risk • Environmental shifts and relationship to risk, opportunities, and capacity to fulfill strategies • Correctly describes (or explains, summarizes, depicts, paraphrases) unambiguously-presented evidence regarding risks and opportunities 	<p>CICA Level B:</p> <p>In a normal but ambiguous situation:</p> <ul style="list-style-type: none"> • Identifies risks associated with an entity's: <ul style="list-style-type: none"> • External environment • Internal environment • Identifies opportunities associated with an entity's: <ul style="list-style-type: none"> • External environment • Internal environment • Identifies an entity's stakeholders • Identifies information that is relevant to risk management • Identifies techniques such as SWOT analysis that are relevant for assessing an entity's risks and opportunities • Distinguishes between well-defined and ambiguous aspects of assessing an entity's risks and opportunities 	<p>CICA Level B:</p> <p>In a normal but ambiguous situation:</p> <ul style="list-style-type: none"> • Uses relevant techniques such as SWOT analysis to evaluate risks and opportunities in relation to an entity's external and internal environment • Analyzes multiple possible risk tolerance profiles for an entity's stakeholders • Analyzes the relationship for an entity between stakeholder risk tolerance and strategic management • Evaluates alternative ways to balance an entity's stakeholders' risk tolerance with opportunity • Evaluates the usefulness of different types of information to help manage an entity's risk • Evaluates the effects of an environmental shift on an entity's exposure to risk, its opportunities, and its capacity to fulfill its strategies • Analyzes information to identify and evaluate environmental shifts or other risks <p>CICA Level A:</p> <ul style="list-style-type: none"> • Applies several techniques to thoroughly analyze an entity's risks and opportunities for a particular purpose 	<p>CICA Level A:</p> <p>In a normal but ambiguous situation:</p> <ul style="list-style-type: none"> • Draws conclusions about or makes recommendations that incorporate an entity's most significant risks and opportunities • Draws conclusions about or makes recommendations regarding an entity's stakeholders' risk tolerance and its balance with opportunity • Weighs factors to develop and effectively communicate a plan for obtaining information to help manage an entity's risk • Identifies significant environmental shifts and assesses their implications for an entity's exposure to risk, its opportunities, and its capacity to fulfill its strategies

Instead of focusing primarily on technical material and then addressing professional attributes seemingly as an add-on, perhaps a much greater focus in accounting education should be on the development of cognitive skills which can then simultaneously foster technical expertise and other attributes including ethical reasoning. How might this approach work? Consider the developmental progression shown in Exhibit 5. Would it be possible, even in introductory courses, to give students open-ended problems/cases and then have students reflect upon the nature of the work they were asked to perform and consider how it fits into a larger framework such as the one in Exhibit 5? Ultimately, learning and development depend on whether students are able to change what they know and how they see the world. Consistent use of a framework—especially as students learn new topics—might make commonalities in the underlying skills and knowledge more apparent. In turn, this recognition can lead to greater integration across seemingly dissimilar competencies and reduce professors' and students' concerns about the volume of competencies required by the accounting profession. As argued by Howieson (2003, 91), course, curriculum, and degree changes should “place the content firmly within a realistic context and avoid the trap of treating each topic as though it is unrelated to any other topic.”

To make this recommendation more manageable and to avoid overwhelming students with tasks that are too far beyond their functional levels, professors in introductory courses might focus on a framework that includes only well-defined knowledge plus skills for reflective judgment Stage 4, as illustrated in Exhibit 7. Intermediate and advanced undergraduate courses would continue to focus on the lower levels, but would also focus on skills for reflective judgment Stage 5. The shift from Stage 4 to Stage 5 is likely to be difficult for most students, so two years of significant effort may be needed for students to achieve stable performance at Stage 5. Then Stage 6 could be the focus in post-undergraduate, pre-certification programs. These recommendations are based on my experience working with students and consulting with different educational programs rather than empirical research. Research is needed to determine whether these timelines are reasonable and to clarify the nature of educational activities needed to achieve stable Stage 6 performance.

Exhibit 7: Recommended Progression of Skills



Discussion

As stated at the beginning of this paper, accounting education is at a crossroads. Given the inability of students to absorb ever larger quantities of technical knowledge and the persistent weaknesses in students' cognitive skills, it seems reasonable to consider whether substantial improvements can be made if accounting programs concentrate more on the development of cognitive skills. Nevertheless, several major objections are likely to be raised regarding these recommendations.

Objection #1: Professional Attributes Cannot Be Taught

Educators have been disappointed by the lack of development achieved by approaches such as problem-based learning (see discussion in Springer and Borthick, 2007, 2). However, some studies have explicitly documented improvements in reflective judgment (discussed earlier), and some accounting educational innovations have demonstrated positive results (e.g., Stone and Shelley, 1997, and Springer and Borthick, 2007). Most current accounting education research of professional attributes has focused on identifying the types of attributes needed, describing student characteristics (an important precursor to designing effective educational interventions), or providing students' or others' perceptions of development. Few studies have attempted to directly measure whether professional attributes were improved by specific educational practices. Additional empirical research regarding the effectiveness of specific educational practices is needed.

Objection #2: There is already too much technical knowledge to teach, and there is no time to add professional attributes to our courses

Many accounting educators are likely to be concerned that greater focus on professional attributes will reduce student learning of technical knowledge (Pincus, 1997). Theoretically, however, students with stronger cognitive skills, including epistemological beliefs that are consistent with higher levels of reflective judgment, are better able to learn new material on their own than students with weaker intellectual skills. Several studies in accounting have found results consistent with this idea (Schleifer and Dull, 2009; Springer and Borthick, 2007; and Phillips, 2001 and 1998), but more research is needed to better understand the interactions among use of course time, development of cognitive skills, and learning of well-defined technical knowledge.

Objection #3: It will be easier and more effective to develop professional attributes in the workplace

Given the poor ability of students in developing professional attributes such as higher-order thinking, some researchers have argued that these skills must be developed through work experience (see discussion in Jackling and De Lange, 2009). However, Bradley (2009) found evidence that high-level inductive reasoning skills can act as a substitute for work experience on an open-ended accounting task. This finding is interesting, given the evidence reported in King and Kitchener (1994, 190-193) suggesting that logical reasoning skills are necessary but not sufficient for achieving higher stages of reflective judgment. Because of the potentially significant implications for accounting educational design and certification processes, future research should investigate further the relationships among reflective judgment, inductive reasoning, and performance on open-ended professional accounting tasks. In addition, supervisors may lack the necessary training or disposition to support development of higher-level thinking skills, and workplace time pressures are likely to discourage effective learning practices such as reflection. Research should also investigate the advantages and disadvantages of work environments versus formal educational environments to help entry-level professionals develop more complex thinking skills.

Objection #4: New approaches are too costly in terms of professor time

Redesigning curricula and courses, increasing the use of active learning practices, and grading of open-ended problems is time-consuming. Professors who are already pressed for time may be unwilling to assume this additional responsibility, or to devote time to the coordination among faculty members needed for major revisions. An additional problem is that leading accounting textbooks tend to focus on lower-level cognitive skills (Gupta and Marshall, 2010), adding to the workload of professors; they will need to write new homework assignments, test questions, etc. to increase the focus on higher-level skills and to simultaneously ensure that development of lower-level cognitive skills are adequately addressed. Nevertheless, it may be possible to begin revisions on a smaller scale by asking professors to individually make small changes. Or a small group of faculty might agree to overhaul specific courses.

Areas for future research

Throughout this paper, I have identified areas for future research. These areas are summarized below.

- Effect of specific educational interventions on reflective judgment levels and on other professional attributes; a good starting point might be the methods used in programs which have documented at least some positive improvement (Springer and Borthick, 2007; Stone and Shelley, 1997; also see the educational ideas in Howieson, 2003; and research issues in Pincus, 1997)
- Gap between reflective judgment levels of students upon entry to pre-certification programs and expected level (Stage 6) for entry into the profession
- Feasibility of using Exhibit 5 (developmental progression of CA competency levels) as a framework for working with students
- Ability to achieve stable performance of reflective judgment Stage 4 in introductory courses, and stable performance of Stage 5 by the end of an accounting undergraduate program, along with the nature of successful educational activities
- Additional studies examining the interactions among use of course time, development of cognitive skills, and learning of well-defined technical knowledge
- Relationships among reflective judgment, inductive reasoning, and performance on open-ended professional accounting tasks
- Advantages and disadvantages of work environments versus formal educational environments to help entry-level professionals develop more complex thinking skills
- Feasibility studies for various types of curriculum and course changes.

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From: *Professional Attributes - Teaching the Fine Arts of Being a Professional Accountant* by Susan K. Wolcott

Discussant's comments by Sandy Hilton

Introduction

Wolcott (2010) provides a theoretical framework for developing professional attributes or skills. The importance of her framework cannot be understated; there is currently very little theory in this area to help guide educators. Any criticism I raise in this discussion needs to be taken in the context of “suggestions for improvements” rather than “fatal flaws.” In my opinion, while Wolcott’s model may not be perfect, it is a substantial cornerstone for further work in this area and is a valuable contribution to accounting education literature.

My discussion will focus on why educators need to consider the broader problem-solving literature before applying Wolcott’s model in accounting education. First, I raise a potential limitation of King and Kitchener’s (1994) reflective judgment model, upon which Wolcott relies heavily. Second, I propose an additional model that can help develop important professional skills including the ability to reason. Finally, I show that Wolcott’s model and the proposed model are complementary and should both be considered valuable instructional strategies.

Discussion

King and Kitchener’s (1994) reflective judgment model (henceforth RJM) is the basis for Wolcott’s model. Wolcott chooses the RJM from a set of 15 different cognitive development models. Wolcott identifies the strengths of the RJM and I believe it is an appropriate model to consider. King and Kitchener (1994) use the dichotomous language of well-structured and ill-structured problems to represent problems along a continuum of problem-structure.¹ They provide examples of well-structured problems (e.g. $5+5=x$) and ill-structured problems (e.g. overpopulation, hunger, pollution, or inflation). There are clearly some problems in the accounting domain that fit the definition of an ill-structured problem.

King and Kitchener (1994) describe the educational goal of well-structured problems as, “learn to reason to correct solutions.” They state that the educational goal for ill-structured problems is, “learn to construct and defend reasonable solutions.” It is that learning goal for well-structured problems that catches my attention. How often do we find that students are unable to apply reason to solve problems in accounting? For instance, common problems in financial accounting include, “Should an expenditure be capitalized or expensed?” or “When should revenue be recognized?” Those two questions, as simple as they seem, should not be trivialized as they are the root of many of the recent financial accounting scandals such as Worldcom or Enron.²

Note that either of the two examples raised above could be considered well-structured or ill-structured depending on the information set provided to the problem solver. If we consider the financial statement preparer (manager) who has a full information set including private information there probably is a correct solution.³ On the other hand, if we consider the financial statement user, who has a less complete information set, the problem becomes much more ill-structured and an ideal problem-solver response may be to defend a reasonable solution.

1 Wolcott uses “open-ended” instead of “ill-structured.” I will use them interchangeably.

2 Solving these types of financial accounting problems is consistent with competency V-2.2, “Develops or evaluates accounting policies in accordance with GAAP” in the CICA’s *UFE Candidates Competency Map* (2009).

3 Financial reporting inevitably involves future events which cannot be known with certainty. Nonetheless, managers will usually have more complete knowledge of potential outcomes than external users.

If accounting consists of both well-structured and ill-structured problems, the RJM and in turn, Wolcott's model, may not be sufficient. King and Kitchener state, "our model [RJM] focuses explicitly on how people reason about ill-structured problems" (1994, p13). There is substantial evidence that cognitive processes for well-structured problems may not be the same as for ill-structured problems (Sinnott, 1989; Wood, 1994; Shin, Jonassen and McGee, 2003).⁴ Therefore, at this early stage of theory development it is important that we also consider the literature on well-structured problems.

A problem-solving model for well-structured problems does not necessarily compete with the RJM (or Wolcott's model). At the least, we must consider the models in parallel since there is evidence that they require different cognitive skills and the accounting domain includes both well-structured and ill-structured problems. It is possible that the models work best sequentially but I do not explore that further in this paper.

Despite the different cognitive skills required by the two types of problems, the models may have significant overlap. In particular, Shin, Jonassen and McGee (2003) provide evidence that domain-specific knowledge is necessary for solving either well-structured or ill-structured problems. Thus, introducing an additional developmental model (problem solving for well-structured problems) into the curriculum does not necessarily reduce time spent on domain-specific knowledge that has been the traditional focus of accounting education.

Jonassen (2000) examines hundreds of problems and provides a typology of 11 different types based on similarities in cognitive skills required. The financial accounting examples I raised above fit best into the seventh category, Diagnosis-Solution Problems (DSPs).⁵ Examples of DSPs include, "virtually any kind of medical diagnosis and treatment; [or] ... identifying and treating turfgrass problems on a golf course ..." (p76). Those two examples have three particular similarities with the financial reporting examples I used above.

First, a symptom or issue is relatively easy to identify (red spots on the patient's skin, yellow grass on the fairway, revenue substantially higher than a comparable peer), but the cause and treatment remain unidentified. Second, there is a finite set of potential causes that can be examined. Jonassen (2002) describes exploring potential causes as, "a spiral of data collection, hypothesis generation, and testing ..." (p4). That statement is a particularly visual description of the cognitive processes required. Third, once the cause is identified a solution can usually be developed. In summary, DSPs involve a logical process applied to a known issue that usually results in a correct solution. Despite the bounded or well-structured nature of a DSP problem, it does not need to be trivial.⁶

Research indicates that predictors of success on well-structured problems like DSPs are primarily the student's domain-specific knowledge and their justification skills. In the financial reporting examples provided, domain-specific knowledge would include a deep understanding of the framework of generally accepted accounting principles (GAAP). Depending on the context of the problem, knowledge may also be required of other specific portions of GAAP, for instance, revenue recognition criteria.

Justification skills include the ability to "provide supporting arguments and evidence about opposing perspectives, evaluate information, and develop and argue for a reasonable solution" (Shin, Jonassen and McGee, 2003 p9). Justification skills are the "reasoning" skills in King and Kitchener's (1994) educational goal statement.

Commonly referenced general problem-solving models include Gick (1986) and IDEAL (Bransford and Stein, 1984). Table 1 provides a visual presentation of those two models mapped onto the proposed accounting-specific model and the two key cognitive skills identified above, domain-specific knowledge and justification skills.

4 Alternatively, there is some research (Simon, 1973) that suggests that solving ill-structured problems can be broken down into a process of solving a series of mini-well-structured problems.

5 Jonassen (2000) uses neither "well-structured" or "ill-structured" to describe DSPs, however he does use "ill-structured" to describe the last four categories of problems.

6 Jonassen (2000, 2002) uses four criteria to categorize problems: structure, complexity, dynamicity, and domain specificity. It is important to note that the level of problem structure is independent of the problem complexity.

Table 1

Gick (1986)	Bransford and Stein (1984)	Proposed Accounting Problem-Solving Model	Cognitive Skill
Represent the problem	Identifying potential problems	Identify the issue	
	Defining and representing the problem	Describe the problem	
Solution searching	Exploring possible strategies	Identify the appropriate authoritative guidance or schema necessary to analyze the alternatives	Domain-specific knowledge
		Apply the case facts to the authoritative guidance	Justification skills
	Evaluate the evidence		
Implementing the solution	Acting on those strategies	Conclude	Justification skills
	Looking back and evaluating the effects of those activities	Implement the conclusion	

Table 2 combines the proposed seven-step model from Table 1 with potential evaluation criteria. Although the evaluation criteria are framed around a financial reporting example, they can easily be modified for other well-structured problems. Table 2 should be valuable for both students as a guide to problem solving and for educators to assess problem-solving skills. Unfortunately, in this short discussion piece I cannot begin to get into what is perhaps the critical piece for accounting education - instructional strategies to help students learn the skills necessary at each step.

Table 2

	Steps for the Student	Possible Evaluation Criteria
Step 1	Identify the issue	Does the student recognize that there is an issue?
Step 2	Describe the problem	Does the student demonstrate an understanding of the financial accounting principles underlying the issue?
Step 3	Identify the appropriate authoritative guidance or schema necessary to analyze the alternatives	Does the student correctly identify the possible reporting alternatives? Does the student apply the technically correct GAAP framework to analyze the alternatives?
Step 4	Apply the case facts to the authoritative guidance	Does the student incorporate appropriate case evidence?

Step 5	Evaluate the evidence	Does the student correctly apply the case evidence to the GAAP framework? Does the student appropriately analyze remaining uncertainties?
Step 6	Conclude	Does the student conclude? Is the conclusion consistent with their analysis?
Step 7	Implement the conclusion	Does the student make the technically correct adjustment to the financial statements?

Students who are comfortable solving well-structured problems may find that they progress more quickly along the stages of Wolcott's developmental model for ill-structured (open-ended) problems. From an instructional viewpoint, it is possible that using well-structured problems is a form of scaffolding development of professional skills and critical thinking skills. Wolcott (2010, p8) identifies a number of instructional activities to help students move from one stage to the next. Table 3 replicates portions of Wolcott's Exhibit 3 and identifies potential links with the proposed seven-step model. In particular, Table 3 identifies how the proposed model may help students develop the cognitive skills necessary to transition from stages 2 and 3 to stage 4, and from stage 4 to stage 5. Wolcott indicates that few undergraduate students can develop beyond stage 5.

Table 3

	Wolcott's Suggested Learning Activities (Samples only)	Links to the Proposed Model
Activities to encourage transition from Stage 2 and 3 to Stage 4	List available information and identify which information is relevant for a given problem	Steps 2 and 3
	List potential issues, points of view, and solutions	Step 1
	Form own opinion/thesis and use evidence/arguments to support it	Steps 4 and 5
Activities to encourage transition from Stage 4 to Stage 5	Identify and analyze for alternatives	Step 3
	Discuss strengths and weaknesses of evidence	Step 5

The mapping in Table 3 indicates that using the proposed seven-step model for well-structured problems may also help students develop the skills necessary to solve ill-structured problems.

As mentioned earlier, the proposed model and Wolcott's model do not need to be viewed as substitutes. In fact, the preliminary evidence is that successful development of cognitive skills necessary for one type of problem may lead to increased success on the other type. The literature on problem solving has identified that domain-specific knowledge is important to solve either well-structured or ill-structured problems. The seven steps outlined for the proposed model include multiple steps related to building justification skills. Those skills are also necessary when defending a reasonable solution from a set of alternatives presented within ill-structured problems.

In conclusion, professional skill development within accounting education is necessary. Solving well-structured and ill-structured problems requires students to demonstrate many of the necessary competencies of professional accountants. Technical knowledge or domain-specific knowledge is required. Critical thinking skills including justification skills, and communication skills are also required. I believe that development of these skills should be

the goal of undergraduate and pre-professional level accounting education programs and that informed use of problems is the correct instructional strategy.

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From: *Professional Attributes - Teaching the Fine Arts of Being a Professional Accountant* by Susan K. Wolcott

Discussant's comments by Michel L. Magnan

Further Developing Professional Attributes in CAs: An Impossible Challenge?

In her commentary, Dr. Wolcott proposes “*that accounting educators significantly increase the emphasis in their courses on developing students’ cognitive skills. These skills underlie most, if not all, of the competencies that accountants need for professional success.*” More specifically, Dr. Wolcott calls for accounting education to focus on students’ cognitive development so that their reflective judgment is enhanced. It is difficult to find fault with Dr. Wolcott’s analysis, diagnostic, arguments and propositions for change. Moreover, as a discussant to such a paper, one does not want to show that his own reflective judgment stage is inadequate!

More seriously, my own field of expertise is not in psychology, my limited incursions into the area having been limited to applications of ethical judgment. Hence, instead of directly discussing Dr. Wolcott’s very interesting document, I intend to use it as a starting point to draw some general observations on the education and judgment profiles of professional accountants which underlie their judgment. I will focus on the following issues:

- What is Professional Accounting? How do we define professional judgment?
- Who are we attracting?
- Professional accounting judgment goes beyond accounting
- Reconciling the irreconcilable.

While the CA profession must pursue its deliberations about the education of future CAs and engage in ongoing and continuous discussion on how to improve their education and competencies, it does seem to me that some further thinking is needed on these issues. However, in my view, one must also have realistic expectations. Paraphrasing a senior corporate director with whom I recently had an extensive discussion: “Michel, some people have professional expertise or knowledge but have no judgment, and no amount of training will ever compensate their deficiency”.

What is Professional Accounting?

Dr. Wolcott talks about improve cognitive skills that accountants need for their professional success. But, in this day and age, who are professional accountants? In which fields are they involved? Professional accountants now include auditors of publicly-traded corporations, auditors and advisers to privately-held organisations, CFOs overseeing treasury, financing and strategic investment decisions, IT consultants, corporate finance advisers, tax specialists, forensic accountants, accounting professors, controllers managing performance measurement and control systems, internal audit directors, government accountants, etc. Each of these careers requires different basic competencies, people’s skills, managerial abilities and, more importantly, implies the application of judgment in widely different contexts.

The diversity that one encounters within professional accounting raises several questions for which answers are not necessarily forthcoming. For example, do these different career streams require different sets or portfolios of cognitive skills? Do these career streams demand similar or distinct levels of cognitive skills? Moreover, does the optimal configuration between specific expertises and cognitive skills differ across these career streams. In that regard, the advent of articling within business organizations as an alternative to accounting

firms is likely to bring further broadening in the range of careers and experiences of professional accountants.

More fundamentally, Dr. Wolcott's text and the diversity of professional accounting practices imply that we understand cognitive abilities, judgment and expertise, as practiced by professional accountants, and know how and when to develop them. Is it the case? Dr. Wolcott talks about professional attributes but one can as easily talk about professional expertise and professional judgment. I will focus on professional judgment and expertise since these are the labels one finds often in the accounting literature.

Judgment and expertise in professional accounting have been topics of interest for many decades. Moreover, both concepts share many commonalities as judgment is the most evident outcome from expertise while expertise is required to exercise judgment. However, both concepts can also be considered to be multi-dimensional. In a widely-cited monograph, Gibbins and Mason (1988) propose that *"Professional judgment in auditing is the application of relevant knowledge and experience, within the context provided by auditing and accounting standards and Rules of Professional Conduct, in reaching decisions where a choice must be made between alternative possible courses of action."* Hence, two key aspects that underlie professional judgment in professional accounting are 1) *relevant knowledge and experience so that,* 2) *a choice must be made between alternatives.* Realizing that any guidance from standards is likely to be incomplete, Brown, Collins and Thornton (1993) propose an alternative model of professional judgment in accounting that distinguishes between three levels: semantic, pragmatic and institutional. Semantic judgment implies applying standards to inherently vague concepts like transaction and control. Pragmatic judgment implies making determinations on how people will react given that it is often difficult to specify clearly bounded necessary and sufficient conditions for applying concepts in abstraction from the purposes they are intended to serve. Finally, institutional judgment implies possessing the ability to jump out of the system and analyze it externally, since there is no logical limit to the number of conditions that standards may incorporate.

Similarly, several perspectives are available to define professional expertise (see Tindale et al., 2005, for further discussion). For example, Bhatia (2004) offers a sociocultural perspective in which a model of professional expertise can be seen through the prism of three dimensions: disciplinary knowledge, professional practice and discursive competence. In his model, discursive competence encompasses textual competence, generic competence and social competence.¹ While Bhatia considers that both disciplinary knowledge and discursive competence underlie the development of professional expertise, he argues that they can only be acquired through professional practice (p 148). In contrast, in a widely-cited article, Libby and Luft (1993) argue that superior accounting performance, hence expertise, depends upon four factors: ability, knowledge, environment and motivation. In a summary of research findings, Salterio (2000) observes that accountants develop expertise through repeated experiences with a specific task or by boosting task-specific knowledge. However, it does appear that, apart from knowledge, accounting educators have limited influence on ability, the environment or motivation. Moreover, some knowledge is bound to be context-specific.

In summary, while we have learned a lot over the past two decades about professional judgment and expertise, there still remains some uncertainty as to what they are as well as how and when to develop them. Notwithstanding, we can infer from the literature that both concepts are multifarious that require much more than the memorization of accounting principles. Finally, it does appear that the development of professional expertise and judgment through generic learning processes, i.e., context- and application-free education, may not be optimal. Hence, it seems that Dr. Wolcott's arguments that we need to broaden the scope and cognitive abilities of our students are well-grounded in the broad professional judgment/expertise literature. However, this literature also raises questions as to whether university education is necessarily the best time to best moment to provide such professional judgment and expertise abilities.

1 Textual competence implies an ability to construct and interpret contextually appropriate texts' (Bhatia 2004:144). Generic competence implies '...the ability to respond to recurrent and novel rhetorical situations by constructing, interpreting, using and often exploiting generic conventions embedded in specific disciplinary cultures and practices to achieve professional ends' (p 144). Social competence implies '...an ability to use language more widely in a variety of social and institutional contexts to give expression to one's social identity, in the context of constraining social structures and social processes' (p144).

Who are we attracting?

In my view, an implicit assumption underlying the cognitive development model put forward in Dr. Wolcott's paper is that individuals wish, want and have the necessary aptitudes to achieve progress in their cognitive skills. However, is the profession attracting such candidates? In fact, who are we attracting?

It is difficult to draw a profile of the typical student who is interested by professional accounting. However, a recent article by Briggs, Copeland and Haynes (2007) provides some clues in that regard. Essentially, relying on the Myers-Briggs Type Indicator instrument, they survey groups of senior accounting students over many years, as well as other students and professionals. Overall, their results suggest that accountants are mostly drawn from people with STJ preferences, to a much larger extent than other students or the general population. Now, what does that imply? Consulting the web site of the Myers & Briggs Foundation, we garner the following information:

Information: Do you prefer to focus on the basic information you take in or do you prefer to interpret and add meaning? This is called Sensing (S) or Intuition (N).

Decisions: When making decisions, do you prefer to first look at logic and consistency or first look at the people and special circumstances? This is called Thinking (T) or Feeling (F).

Structure: In dealing with the outside world, do you prefer to get things decided or do you prefer to stay open to new information and options? This is called Judging (J) or Perceiving (P).

Hence, professional accountants seem to be content to 1) focus on the basic information, 2) to emphasize logic and consistency, 3) to get things decided (or standardized). In addition, accounting students are equally likely extroverted (E) or introverted (I).

Such a profile contrasts sharply with the widely cited aim of many professional accounting organizations to recruit and train professionals who are adaptable, open, innovative, etc. For example, the following table shows the stated preferences of the AICPA in terms of the type of professional it wants to attract to the profession vs. the more traditional model (with assorted personality types that are implied by each quality or attribute). As you can, there is a problem if the "CPAs of the future" resemble the accountants getting out of accounting programs now. Therefore, at first sight, it does appear that developing cognitive and judgment skills among accounting skills is urgently needed.

	CPAs focusing on the Future	Suggested Personality Type	CPAs focusing on the Past	Suggested Personality Type
Communicating change	Diverse, enriched Aware, understand Big Picture	NP N	Dogmatic, categorical Singular focus	SJ S
What CPAs deliver	Needs based service	F	Compliance based service	ST
Way CPAs are organized	Integrated and strategically aligned Systemic, flexible, virtual	N NP	Independent, hierarchical org. Formal, inflexible	S SJ
Way CPAs perform work	Flexible, value driven	FP	Standards, regulation based Numbers measurement focused	STJ S
Right people	Understand Big Picture	N	Linear, numbers reliant	SJ
Way CPAs behave + respond	Strategic, results driven Interactive persuasive communicators	TJ ENFJ	Formal, measured communications	SJ

Key areas outlined in AICPA *CPA Visioning* Project (2000); Reference: Kroeger and Thuesen (1992); Briggs et al. (2007)

Since the students surveyed in the article were senior (third year), we do not know if they came into accounting programs with these personality profiles or if their university accounting education was transformational. In other words, do STJ type individuals self-select into accounting programs or do reinforce STJ tendencies in individuals? I would suggest it is probably a combination of both forces which homogenizes our profession into such a blend.

I would argue that many students are attracted into accounting programs because 1) abstract, out-of-the box, thinking is less prevalent and possibly not required, 2) the emphasis is on numbers, with fixed rules (bookkeeping, cost accounting) within narrow contexts, 3) standards/norms provide a comfort zone as the focus is on applying standards. At the same time, if one looks at most introductory, intermediate and advanced textbooks, in either financial or managerial accounting, one must say that these characteristics are quite widespread. So, whatever tendency or profile a student may have is likely to get reinforced by going through several accounting courses. At the same time, such reinforcement is likely to lead to many people opting out of the accounting track since it does not correspond to their personality.

Should this case of “Fatal Attraction” be of concern to the profession and to educators? No, if one believes that accountants should stick to their knitting and focus on getting the numbers right. Yes, if we want accountants to play a strategic role in organizations, to have a long-term perspective, to evolve into specialists or to create new specialties, to both adapt and be critical of accelerating trends in business, finance, IT, governance, strategy, human resources.

To illustrate my point, let me report to you a discussion I had last week with a leading executive headhunter. We all know that the CA profession projects itself as a reference in terms of governance. However, according to this headhunter, professional accountants know nothing about governance. He just completed a major assignment with a major accounting firm, reviewing their governance structure and recommending major changes. In his view, these professional accountants did not understand governance, how it works, what it involves and how it affects a firm’s strategy and future. They may be experts in auditing financial statements and communicating with their clients’ audit committees, but that is the extent of their expertise.

We certainly need further research on this issue to be able to better assess the profile of incoming students, why they chose accounting, and the impact of the accounting education they have received during their university years. Such introspection also needs to reflect on the message(s) that we convey to potential students: for instance, the latest advertising material prepared by the Ordre in Quebec strongly emphasizes the compensation earned by CAs in the workplace. While it may allow the CA profession to differentiate itself from the other accounting professions, does it send the right signal in terms of the qualities we are seeking? Similarly, what are the cultural and ethical backgrounds of our students? Does our education build up the intrinsic qualities we seek from professional accountants or do we simply cater to their preferences for certainty, order and consistency?

Professional accounting judgment goes beyond accounting

The exercise of professional judgment in accounting rests on knowledge and expertise foundations that reach beyond accounting. Moreover, accounting education is but a fraction of an accountant’s education. Finally, formal university education constitutes only a brief phase in a professional accountant’s career. Hence, a multi-disciplinary perspective is needed when considering the development of professional judgment and expertise among accountants. Let me illustrate this point by relying on a few examples, some of which are inspired by my *Accounting Perspectives* paper coauthored with Denis Cormier (Magnan and Cormier, 2005). While, for the purpose of the following demonstration, I will focus on financial reporting, I consider that the gist of my arguments can be extended to other areas of accounting practice.

Over the past few years, I have become interested in fair value accounting (Magnan, 2009; Magnan and Thornton, 2010). However, if the recent financial crisis has taught us anything is that financial reporting, and its auditing, extend way beyond the application of accounting-based knowledge and experience in the selection of an appropriate accounting method. For assets and liabilities accounted under fair value, there are three measurement and reporting levels. Level 1 fair value assets and liabilities are reported at market value (mark-to-market),

which requires accountants and auditors to understand how markets function, how to distinguish between liquid and illiquid markets, how to assess if markets are efficient. Level 2 fair value assets and liabilities are valued on the basis of market inputs such as yields on comparable financial instruments. This involves a fine understanding of yield curves, credit ratings, market conditions, instruments features, etc. Finally, for level 3 fair value assets and liabilities, accountants must validate the estimation of future cash flows underlying the financial instrument as well as other assumptions involving as volatility, yields, default risks, liquidity risks, currency risks, etc. While financial experts will certainly do most of the heavy lifting in terms of valuation, it falls upon the accountant to estimate the value that will eventually be reported. Similarly, the auditor will need to drill down to assess if the value is relevant, a fair representation of underlying market conditions, etc. If accountants and auditors merely copy and paste figures prepared by trading or treasury departments, they have not fulfilled their professional duties and have not shown much professional expertise and judgment. This example illustrates that, in asserting their professional expertise and exercising their professional judgment, accountants must challenge and choose from forecast and projection alternatives, relying on knowledge and experience from other disciplines (even though this is not well integrated into accounting).

Reconciling the irreconcilable

The above text raises three issues that I deem critical in any discussion about professional attributes. First, we need to understand which professional attributes we deem critical and make sure that we have a good handle as to how and when the optimal means by which they can be improved. Since several perspectives coexist, we need to narrow down and specify the competencies that we want to develop. The complexity of professional accounting, with its myriad of variations, suggests that the days of a core educational stream in accounting may be over.

Second, we need to take a hard look at the profile of students we attract and if they are actually open to developing the professional attributes that we deem important or critical. Moreover, is the actual practice of accounting, and the competencies it requires, consistent with our perspective that we need well-rounded professionals with a particular profile? Finally, we should ask ourselves the question if, rather than being neutral, our educational approach to accounting reinforces competencies and attributes that we deem limiting and detrimental in the long run.

Third, we need to realize that in this day and age, professional accounting attributes, such as judgment or expertise, imply a solid grasp of non-accounting topic matters, concepts and institutions. The way most accounting programs are now structured, exposure to non-accounting topics is limited. Moreover, many students learn about the “accounting” of many assets, liabilities, and transactions without necessarily knowing, and understanding, their business, financial and economic underpinnings. This begs the question as to the extent they really understand what they are doing and may indicate an ability to parrot templates without critical interpretations and judgments.

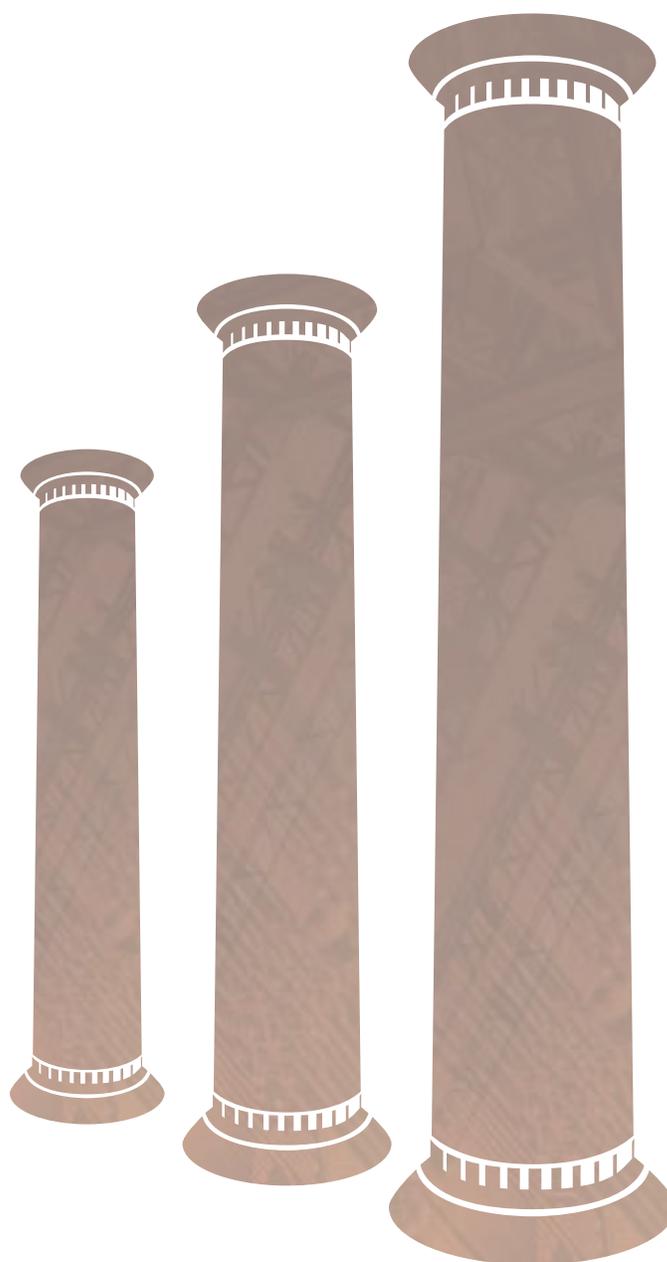
Fourth, who are we as accounting educators? Are we equipped to provide such broad-scope education in professional judgment and expertise? What is our own profile? Many accounting (and even more non-accounting) educators do not have professional backgrounds, have never worked in an organization outside of the university, and are not necessarily accounting experts by any means.

At the end of the day, what skills and abilities can be realistically conveyed to our aspiring accounting professionals who lead busy lives and take a limited number of accounting courses? This issue is also important as our interaction with students, while important, is only for a few years while their professional life may last 30 to 40 years. Life-long learning considerations also need to be on our mind as we reflect on the development of accounting professionals.

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Integration



Integration in Accounting Education

Irene M. Wiecek

As the accounting body of knowledge continues to expand and change, accounting faculty and practicing accountants are continually challenged to seek more effective ways to facilitate learning. By integrating or connecting and linking the various disciplines within the field of accounting as well as research with practice, we have an opportunity to create a richer learning environment.

Integration means many things to many people. Generally, it means to combine the parts into a whole. This paper begins the discussion at a macro level taking a look at Boyer's (1990) integrated view of scholarship which includes a definition of integration. The paper looks at the parts that make up scholarship in a university or college environment (research, integration, application and teaching). The following questions are discussed. How are the parts connected/interconnected? How can the integrated whole create synergistic value beyond the sum of its parts?

The second part of the paper looks at how Boyer's model might be overlaid on the accounting profession. The accounting profession mirrors the university/college learning environment in many ways although at a more applied level. The two environments are linked and inform each other.

The third part takes a deeper look at integration issues specific to the accounting profession and accounting education. Finally, the fourth part presents a very concrete example of an integration rubric that may be used to facilitate learning in an integrative manner for a specific topic - revenues.

An integrated view of scholarship

When thinking of knowledge and knowledge creation in universities and colleges, many think primarily of research. Boyer (1990) argued that the term scholarship should be viewed more broadly and encompasses the full range of academic work. He concluded that scholarship covers four functions which are separate but nonetheless overlapping including:

1. Scholarship of discovery. This includes traditional research. It is investigative and requires careful and considered study of specific areas.
2. Scholarship of integration. This function involves giving meaning to isolated facts, putting things in perspective and placing specialized research in a larger context. It is a synthesizing function involving the bringing together of knowledge from different areas.
3. Scholarship of application. This function involves linking the theory and practice. Thus it is also a synthesizing function but in a different manner. It is a practical application of the knowledge.
4. Scholarship of teaching. The teaching function involves imparting and sharing of the knowledge. It involves "building bridges between the teacher's understanding and the student's learning".

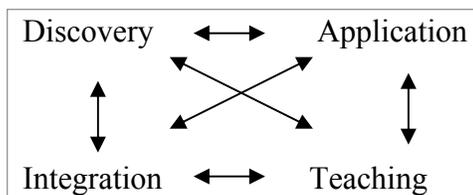
Most would support the need for traditional research in higher education. However, the question is really whether research is the dominant form of scholarship, or is one very important part of a larger whole as Boyer posits. It is important to have experts researching specific areas in detail, but we also need to be able to connect all of those areas, apply the findings in practice and impart this knowledge. If not interconnected and shared, does knowledge itself otherwise have value? Integration plays a very important part in this model. As things become more complex, we lose the ability to comprehend them and to fit them into a larger picture. This is nonetheless critical. Van Doren (1943) discussed the need to attempt to bring the various specialized areas together and to make sense of them.

“The connectedness of things is what the educator contemplates to the limits of his capacity. No human capacity is great enough to permit a vision of the world as simple, but if an educator does not aim at the vision, no one else will.”

Boyer’s third area of scholarship – the scholarship of application – stresses the need to link the theory with the practice and to let the practice inform/reaffirm/challenge the theory and its development. Application of theory is often messy and imprecise and sometimes identifies flaws in the theory and or areas where greater study/research is required. Thus, application provides a looping back function to refine and/or define the research.

Last but not least, Boyer talks about the importance of sharing knowledge. He notes that the research and knowledge “becomes consequential only as it is understood by others”. Boyer’s label of teaching is perhaps not quite as descriptive as it might be. The building of bridges between the teacher and student understanding is more all encompassing. Effective teaching requires engagement by both teacher and student and often involves the teacher learning from the student as well.

Illustration 1: An Interconnected View of Scholarship



The four aspects of scholarship do not stand in isolation but each is connected with the others as noted in Illustration 1 above. Information flows both ways. For instance some new fact discovered through research may have no practical application. This realization may result in refinement of the research. Similarly, when specific research in one area is connected with research in another area, a pattern may emerge that may identify a whole new area of study that will open up new research. Finally, in teaching and facilitating learning, new perspectives may arise. It is often when we are trying to explain something to someone else (especially if they are not experts in that area) that we often discover flaws or gaps in the logic or the way that the information is presented. Numerous other two-way connections exist.

Boyer’s view of integration can therefore be seen as central to scholarly activities in higher education. To summarize this view: truth/knowledge is uncovered, studied, connected, applied and shared. Ideally, the model is dynamic (as opposed to static) i.e. given the two way interactions between all of the functions, and there is a constant tweaking and evolution of the body of knowledge.

Professional scholarship

This simple but robust view can assist us in visualizing the interrelatedness of the components of accounting education. First let’s define what a profession is and where knowledge and integration fit in. What is a profession?¹

There are several models which define or attempt to define what make a profession a profession. Two earlier models which form the foundations of research in this area are:

1. The trait or characteristics model
2. The structural-functional model

According to Taylor and Runte (1995) the most commonly cited traits of a profession using the trait models are as follows:

1. Skill based on knowledge
2. Provision for training and education

¹ The purpose of this paper is not to prove or disprove what a profession is or how views of this are changing – rather to articulate some common attributes of professionals.

3. Certification based on competency testing
4. Formal organization
5. Adherence to a code of conduct and
6. Altruistic service.

The trait models look at various professions and describe commonalities amongst them. These models have been criticized for having no theoretical basis i.e. in these models, the traits are merely descriptive of existing professions and there is no proof that these traits actually create the professional status.

The structural-functional models attempt to build on the trait models by providing a theoretical link between traits. They also argue that other traits/characteristics such as a code of ethics and regulation are important aspects of a profession because of a need to protect society from the professional. Do professionals have unfair advantage because of a monopoly over specialized knowledge?

While the views of what defines a profession continue to change², knowledge/expertise and competency currently remain central as does the need to behave in a certain manner.

Given the centrality of a body of expertise/knowledge and the practices of applying this body of knowledge, Boyer's expanded model of scholarship with its four functions can be overlaid on the accounting profession as follows:

1. Discovery – research informs the creation of accounting/assurance standards, law, tax and ethics (otherwise referred to as the accounting body of knowledge).
2. Integration – accountants link together the large bodies of specialization. For instance many professional accountants routinely move between the various sub-disciplines of the accounting body of knowledge including (but not limited to) tax, accounting and assurance.
3. Application – accountants must apply the body of knowledge to existing business transactions and economic events. Practising accountants challenge the workability of accounting and assurance standards.³
4. Teaching – accountants must continually keep up to date – lifelong learning is critical.

Practising accountants are constantly studying the body of knowledge (including the sub-disciplines such as tax and assurance) and applying the knowledge to client situations. In addition, they must keep abreast of new changes in the body of knowledge and are responsible for educating other accountants in their firms as well as their clients. Thus, the accounting profession mirrors the university scholarship environment in many ways but on a more practical and applied level. In addition, the professional accounting environment interfaces and interacts with the university environment. This interface between the research and theory plane (the university/college) and the professional/business plane (the accounting profession) is important so that both planes can evolve and benefit from each other's findings. For instance financial crises and major bankruptcies often spark additional interest in different types of academic research. Also when accounting standards change, academic researchers often study the impact of the changes.

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- 2 According to Taylor and Runte (1995), the nature of the type of environments that professionals work in have changed so much that there is little left to differentiate them from other workers and contributors to society. Taylor and Runte note that the following factors will affect professionals going forward:
 - rising education levels mean monopolies over knowledge will decline
 - increasing access to data and information over computer networks – also means more information generally available
 - deskilling – breaking down the jobs into smaller jobs so that each is a specialist in one tiny thing – most professionals actually end up working as cogs in the wheels of larger organization and thus lose autonomy. There is a danger that they will work in increasingly specialized areas such that they become deskilled overall.
 - 3 For instance, accounting standard setters such as the International Accounting Standards Board (IASB) publish draft discussion papers and exposure drafts to interested parties for comment. The comment letters are considered and often result in changes or at least refinements in accounting standards before they are issued in final form.

University/college accounting education must help future accountants understand this model and multiple layers of interconnectivity. Universities/colleges must also understand and acknowledge the value of the interface between academia and the profession. When students graduate, they must continue to be able to appreciate and embrace these ideas.

Educating accounting students

Boyer's model illustrates a need to identify and link an integrated body of knowledge to the real world. As we have discussed, this need exists on both the university/college plane as well as the professional plane. Let's focus on education on the university/college plane.⁴

If we position ourselves in the education quadrant in Boyer's model, reaching out to interconnect with the other quadrants, then our educational environment should link to research in accounting and other areas as well as to the profession (practical application). Depending on whom the students are, we may decide to emphasize one function of the model more. For instance, if our goal is to educate future academic scholars, then more emphasis might be placed on the scholarship of discovery. If we are going to educate practicing accountants, greater emphasis might be placed on the scholarships of integration and application of the theory. Or we may decide that we would like to spread the net a bit more widely and include both future academics and practicing accountants. The latter has some appeal in that the students may make their decision during the educational process once they have learned a bit more about the various career options. In addition, with a broader mix of types of students, they will learn from each other and help shape each others views of accounting.

Dimensions of integration – focus on the scholarship of teaching accounting

Up to this point, we have been using a high level perspective of integration and how it fits into the scholarship of accounting and the accounting profession. Let's look at some of the specific dimensions of integration as applied to teaching.

There are breadth and depth aspects to providing an integrated accounting education environment. These are discussed below.

Breadth aspects:

1. Interconnectedness of various business *disciplines*: accounting, economics, finance, organizational behaviour, strategy, marketing, operations management, ethics
2. Interconnectedness of various *sub-disciplines* within accounting such as tax and assurance
3. Interconnectedness of *topics within accounting sub-disciplines* e.g. for financial reporting topics such as accounting for revenues, leases, financial instruments, taxes and other.

Thus, there are three different breadth aspects presented here. The first spans other disciplines. The second spans sub-disciplines within accounting and the third spans topics within specific sub-disciplines.

Depth and foundations aspects:

1. Interconnectedness of foundational concepts: these may be foundational to all business disciplines and/or specific to accounting. For example, this includes concepts such as supply and demand in economics, the reasonable man in law, the risk/return tradeoff in finance and the revenue recognition principle in financial accounting. Meyer and Land (2003) introduce the idea of threshold concepts which are concepts that are so pivotal they open the door to new perspectives and levels of insights.

4 The analysis may also be done on the professional plane as well and there is a need for universities/colleges and the profession to acknowledge who is responsible for what part of the education process for accounting students. Where along the accounting student learning continuum does the university/college cease to be responsible for the learning? Where does the profession pick up?

2. Interconnectedness of foundational models and methods: these may be foundational to all business disciplines and/or specific to accounting. Examples of these are discounted cash flow models, options pricing models, the accounting equation, journal entries, revenue recognition methods such as the percentage of completion method, ratio analysis, and Porter's Five Forces model (Porter 1979).

The first is more qualitative in nature and the second is more quantitative in nature (although there is certainly overlap). It is important to articulate these two aspects separately because any analysis in accounting is incomplete if not grounded in general principles/concepts as well as the numbers.

Thus when talking about integration in education, not only must the teaching/learning be anchored in research and practice, it must have sufficient breadth across disciplines and sub-disciplines as well as depth (being anchored in concepts, models and methods).

Deep learning (versus surface learning) is supportive of integrative learning⁵. Atherton (2010) summarized the features of deep versus surface learning as identified⁶ in Illustration 2.

Illustration 2: Deep Versus Surface Learning

Deep	Surface
Focus is on "what is signified"	Focus is on the "signs" (or on the learning as a signifier of something else)
Relates previous knowledge to new knowledge	Focus on unrelated parts of the task
Relates knowledge from different courses	Information for assessment is simply memorised
Relates theoretical ideas to everyday experience	Facts and concepts are associated unreflectively
Relates and distinguishes evidence and argument	Principles are not distinguished from examples
Organises and structures content into coherent whole	Task is treated as an external imposition
Emphasis is internal, from within the student	Emphasis is external, from demands of assessment

As can be seen from the chart, deep learning occurs when students place knowledge within context and look at how it interrelates with other areas of knowledge. Similarly, when ideas are anchored in foundational concepts and principles, then deeper learning occurs.

Moldoveanu and Martin (2008) introduce the concept of Integrative Thinking and note:

"Integrative Thinking is the ability to constructively face the tensions of opposing models, and instead of choosing one at the expense of the other, generating a creative resolution of the tension in the form of a new model that contains elements of the individual models, but is superior to each."

In their model, people move through four stages in the integrative thought process – salience, causality, architecture and resolution. The first stage – salience, looks at what is relevant in framing the decision to be made. The second looks at underlying causal factors and how we make sense of things – what drives things? The third looks at visualization of the whole while focusing on the parts.

This model of integrative thinking is especially relevant when applied to accounting decision-making in the accounting classroom or learning environment. It requires that accounting decisions be based on analysis that is relevant – who is using the accounting information, for what purpose and why is it important? In addition, the model requires a full understanding of the underlying economics, strategy, logistics, financing, people/behavioural aspects and busi-

5 The concept of deep learning versus surface learning has been studied for many years most notably by Martin and Saljo, Biggs, Ramsden and others.

6 This chart was taken from a paper by Atherton (2010) and draws from Ramsden 1988.

ness model. It is also critical to see how these factors interrelate – all this before making any decision about how the accounting information should be presented.

Some questions

What role do educators play in this integrated view of education? What role do students play? How do we ensure that we are getting good coverage including both depth and breadth? What is the ideal balance between learning the interconnected body of knowledge and understanding how to apply it?

Some challenges

The following are some of the challenges when designing a fully integrated learning environment for accountants.

Research – Many teachers are experts in their own (often highly focused) area of research. Many teaching stream faculty do not perform research. Research in how people learn is often more general and not connected to accounting education.

Scarce resources – Core courses may be staffed by part-timers who may only teach short-term. Thus longer term pedagogical goals may not be met. In addition, many universities/colleges structure courses such that the term may be only 12 weeks with 2 or 3 hours of class time per week. Some courses have tutorials but others do not.

Professional exams – These exams such as CA, CMA, CGA, CFA, CPA and other professional exams may dominate the curriculum since many faculty members want their students to succeed beyond the university/college environment.

Generally accepted accounting principles (GAAP) – The accounting standards body of knowledge is becoming increasingly complex. U.S. GAAP is very prescriptive and rules driven and is a steadily expanding body of knowledge that is not necessarily internally consistent.⁷ Company filings under securities regulations such as the Ontario Securities Act allow multiple GAAPs such as International Financial Reporting Standards (IFRS) and U.S. GAAP. Accounting standards for private enterprises, not for profit and government entities are becoming commonplace in most countries.⁸ As a result, it is becoming more difficult to assimilate and digest the complexities. Do we overload our students with minutia to the point that they cannot possibly become integrators?

Sub-disciplines of accounting – As noted above, integration of the various parts of GAAP is challenging enough. How do academics integrate sub-disciplines such as tax and assurance in accounting classes. How do we move one step further and integrate other business disciplines such as strategy, finance, economic, information technology and others? Do we have the expertise?⁹

Balance – What emphasis should be placed on the various functions of scholarships – research, integration, application and teaching? Some disciplines such as economics may teach more theory and less application. Whereas some disciplines such as tax may teach more application and less theory. What is the right balance in an integrated learning environment?

Lack of program emphasis – Many programs are a collection of courses rather than having a co-ordinated programmatic focus. Thus it is difficult to know if foundations have been laid in

7 The U.S. Financial Accounting Standards Board (FASB) is working with the IASB on a common conceptual framework to unify and underlie the body of knowledge. However, many existing standards are legacy standards that have been drafted over a lengthy period of time. The larger the body of knowledge and the more prescriptive, the higher the likelihood of inconsistencies notwithstanding best efforts to make the standards consistent.

8 In countries such as Canada – where IFRS is required for consolidated companies that have financial instruments that are publicly traded, separate standards exist for private entities, not-for-profits and government entities. Many countries that follow IFRS have a similar reporting environment. IASB has recently released accounting standards for small and mid-sized entities.

9 As experts in their own field, most academics and accounting professionals fully appreciate the complex task of mastering a body of knowledge and are loathe to represent themselves as having knowledge in areas that are not their area of expertise. Most professional accountants specialize in a sub-discipline of accounting such as tax or information technology and thus may not feel confident teaching other sub-disciplines let alone other completely separate disciplines of business such as strategy or organizational behaviour.

prior accounting courses and thus if the students understand the various underlying concepts and models.

Sequential nature of programs – It is also difficult to integrate when the students have not yet taken fundamental courses in other disciplines. Programs which are not lock-step i.e. where students do not have a prescribed series of courses which must be taken in a specific order are thus more problematic if trying to embrace integration.

Teaching incentives – Incentive systems for academics may not be aligned such that they incorporate the other disciplines and sub-disciplines of accounting into their teaching on a day to day basis. Many universities/colleges are structured as silos where each discipline is separate. Do institutions provide support for change and keeping up to date?

The challenges are many and varied. What are needed are tools and solutions.

An integrative accounting rubric for revenue recognition

Thus far, we have done the following:

1. Introduced Boyer's integrative view of scholarship in academic environments.
2. Applied this view to produce an integrative view of professional scholarship looking at the necessity of a robust interface between scholarship in an academic environment and scholarship in a professional environment.
3. Examined what integration means within an accounting education environment including looking at breadth and depth elements and questions and challenges.

Now let's introduce a tool to assist in facilitating integrated accounting education. The tool is called *an integrative accounting rubric*. It helps map out for teachers and learners the breadth and depth aspects that might be integrated for a particular situation. Across the top of the rubric are the breadth elements. These may be interdisciplinary or intradisciplinary as previously discussed. Down the side are the depth elements. As previously discussed, these lay out foundational concepts and models that underlie the analysis.

Educators may design the rubric such that different depth and breadth elements are emphasized depending on the type of student, level of course and where students are in the learning continuum.

A case in point – an integrative accounting rubric for revenue recognition

For this rubric assume the following:

- The company in question is a car insurer whose shares trade on the national stock exchange.
- Under the terms of the insurance contract, the company sells insurance for one year and will pay cash to the insured if an insured event of loss occurs.
- The company has issued numerous insurance contracts for motor cycles. This is a new line of business. In order to expand into this line of business the company is seeking financing from the bank who would like to see the financial statements.

The rubric below helps map out the salient and causal factors that might be considered in completing an analysis that results in a sound decision. The idea is to use the rubric as a tool to begin thinking about the specific situation at hand. Which disciplines need to be considered? Which concepts, principles should be used to think through the problem? Which models will assist in the analysis?

Illustration 3: An Integrative Accounting Rubric for Learning Revenue Recognition

	Accounting	Law	Economics	Finance	Strategy
Issues/ factors to consider	Who is using the information and why? Is there any reporting bias? Are there any key numbers/ratios in the financials that are affected by the decision of how to account for the transaction? Which GAAP should be followed? When to recognize revenues from insurance contract? How to measure?	Legalities of insurance contract. What contractual rights and obligations do the insurer and insured have? When do they arise? What obligations exist under common law?	Reciprocal nature of business transaction. What is given up versus what is received (give/get).	Valuation of contract - what would someone pay for this? What risks has the insurer taken on? What risks has the insured laid off?	What is the business model of the insurance company? How does it add value?
Underlying concepts/ principles	Revenue recognition principle. Earnings process/business model. Extinguishment of performance obligation.	Constructive obligation. Promissory estoppel. Reasonable man. Duty of care.	Arm's length. Supply and demand. Risk/return tradeoff.	Capital markets theory - efficient market hypothesis. Risk/reward trade-off.	Value chain.
Models - including inputs to models	Discounted cash flows. Financial statement analysis - what is the impact on key financial ratios?			Discounted cash flows - how to incorporate riskiness of cash flows (through discount rate or using probability analysis)? Statistics and regression analysis to look at past insurance statistics and determine how/whether variables are dependent or not.	Porter's Five Forces competitive analysis.

Note that the rubric could be expanded to include Mathematics i.e. concepts learned in the study of statistics and probability underlie the accounting/business analysis in many cases. Also note that this rubric is just a starting point. Depending on the complexity of the situation being accounted for, additional disciplines would be added.

By mapping out the factors in a rubric, the educator may determine things that may need to be learned or relearned by students so may better be able to plan the learning activities so the learning is well supported. The process of creating a rubric will also assist academics who teach prerequisite courses to understand what subsequent courses will expect of their students. Thus the rubrics may act as a focal point to connect courses and bring greater programmatic focus.

Concluding remarks

In conclusion, integration means different things to different people. It may be looked at from a university perspective and/or from a professional perspective (both considering integration between research, teaching and application). It may be considered a way to think and problem solve. Depth and breadth elements must be considered. Tools such as rubrics may be useful in ensuring an integrated learning environment. Many challenges exist in creating and sustaining an integrated learning environment.

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From: *Integration in Accounting Education* by Irene M. Wiecek

Discussant's comments by Norman T. Sheehan

After reading Irene Wiecek's paper on "Integration of Accounting Education" and then reviewing the relevant literature, I came to the conclusion that I am glad that our accounting graduates are not frequently asked to solve ill-structured, multi-disciplinary problems, because their undergraduate education has done a woeful job of preparing them to do so. Following the western tradition, the undergraduate accounting education experience at the majority of North American universities focuses on analysis and functional specialization rather than synthesis and cross-functional integration. These undergraduate accounting programs (including the one I teach in) break down the technical competencies into their smallest elements, then these competencies are taught and tested using problems based in artificially simplistic contexts that have been scrubbed clean of any contamination from other disciplines. Despite much talk regarding the need for integration in accounting education, there is little inter-disciplinary, integrative, synthetic or holistic thinking required of our undergraduate students.

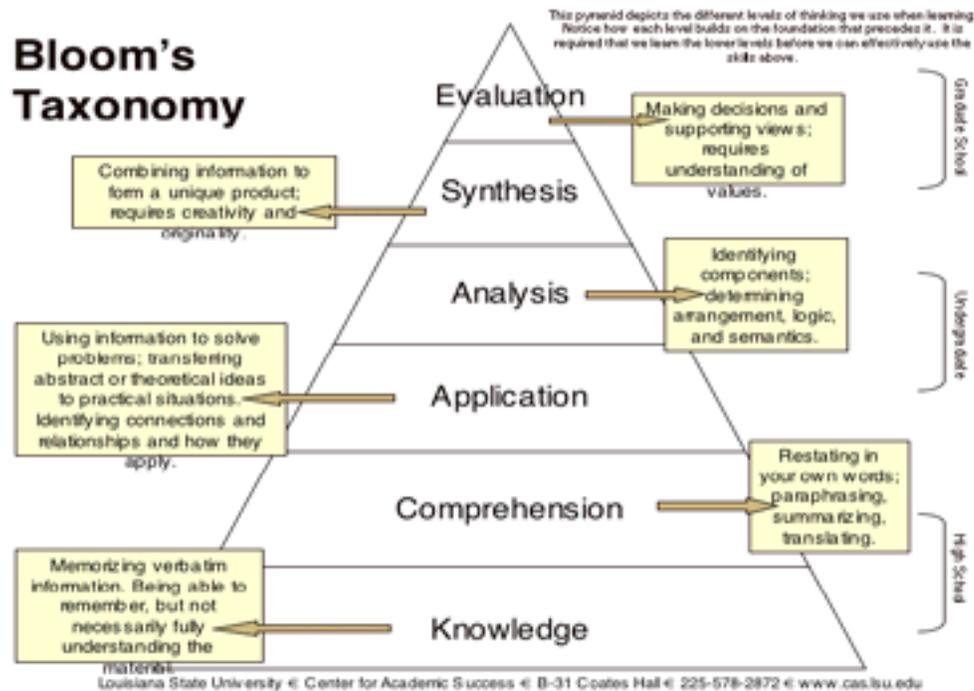
Why is this so? Despite Boyer's call for a teacher/scholar model that draws on four areas of scholarship,¹ few universities have been able to successfully achieve this balance. In my mind, the biggest obstacle to achieving Boyer's scholarship of integration in general, and integration in accounting education, in particular, is the academic career system. It is drilled into academics as Ph.D students that if they are to be successful that they need to be an expert for an area that is 'inch wide and a mile deep,' as academics only successfully complete their Ph.D theses by becoming specialists in narrowly defined functional areas. They then move on to academic positions which ask them to teach, however, in order to gain tenure they need to publish. Their success at publishing enough articles to gain tenure, and eventually earning promotion to full professor depends on an academic's ability to clearly demonstrate to a small group of like-minded peers that he or she has not only mastered a narrow body of knowledge, but has made a contribution to it. Indeed, many schools will not grant tenure to a faculty member unless she or he can prove that he or she is a leading scholar in their field, and the easiest way to become a leading scholar is to start a new sub-field, more narrow and specialized than the previous one. Thus academics enter the academy as specialists and then to gain acceptance as a scholar they need to write to and gain acceptance by other specialized academics who serve as reviewers and editors of journals. While it would be desirable for academics to master several disciplines, most academics are pressed during the tenure process just to keep up with and publish in their narrow areas. Even post-tenure, many academics feel that given the pace that knowledge is moving forward as measured by the number of journal articles published, it is difficult, if not impossible, to master more than one discipline. Given the way the academic career system is structured and the pace of knowledge growth, there are few academics, who think and teach in an integrative way.

A second challenge for achieving a high level of integration in accounting education is students themselves. In order to consider insights that other disciplines may offer, students need to be exposed to all business functions at the introductory and intermediate levels, meaning that most first and second year students lack the foundational knowledge required to think integratively. Realistically, integrative thinking is a skill that cannot be effectively developed in undergraduate students until their senior undergraduate years.

Perhaps a larger challenge is the cognitive limitations of undergraduate students. In Bloom's taxonomy,² thinking integratively is a higher order critical thinking skill as "synthesis" and "evaluation" is at the top of the pyramid.

1 E.L. Boyer. 1990. *Scholarship Reconsidered*. The Carnegie Foundation for the Advancement of Teaching, New York: John Wiley & Sons.

2 While some have criticized the hierarchical nature of Bloom's taxonomy, it is commonly accepted that synthesis and evaluation are higher order thinking skills than comprehension and analysis.



Indeed, as the above diagram depicts,³ some scholars suggest that educators cannot realistically expect that higher order thinking skills, such as synthesis and evaluation, can be developed until students reach graduate school. Lynch, Wolcott and Huber use a different hierarchy of critical thinking skills,⁴ but their hierarchy tells a similar story that many undergraduates are not cognitively equipped to think integratively.

So accounting educators have two significant obstacles to overcome if they are to improve integrative thinking in undergraduate accounting programs: 1) An institutional career system for academics which does not adequately prepare academics for or provide motivation to promote integrative thinking in the classroom, and 2) Undergraduate students who may be cognitively unprepared to become proficient at thinking integratively. Given these challenges, what can be done to increase the level of integrative thinking taught in undergraduate accounting programs? I propose two tactics to address students' cognitive limitations and help work around the academic career system:

The professional accounting bodies must lead the charge

As I have outlined above, the academic career system which emphasizes narrow-based specialized academic research is entrenched and unlikely to change quickly. While the professional accounting bodies' ability to change the academic career system is small, they can have a significant influence on post-secondary institutions' accounting curricula. Having witnessed first-hand the positive impact the introduction of accounting profession's competency maps and a focus on competencies have had on our instructional methods, I believe that if the professional accounting bodies demand integrative, cross-disciplinary, synthetic and holistic thinking skills as a prerequisite for entry into their professional accounting programs, this will lead to change in what is taught at academic institutions. These entry requirements can ask for an undergraduate cross-disciplinary course or evidence that the accounting program encourages application and testing of integrative skills.

Accounting students need to be continually exposed to (and tested on their knowledge of) a model of organizational value creation during their undergraduate years.

3 Critical Thinking - Demo. Accessed 21 October. <http://www.c21te.usf.edu/materials/institute/ct/index4.html>.

4 C.L. Lynch, S.K. Wolcott, G.E. Huber. 2002. Steps for Better Thinking: A Developmental Problem Solving Process. Available at www.wolcottlynch.com.

In order for the model to be useful in helping students think integratively and to entice instructors to regularly employ it, the model should be easily understood and applicable to all organizations. I propose that Kaplan and Norton's strategy map framework⁵ be the basis for a model of organizational value creation. A strategy map is a one-page illustration which describes what type of value the firm will create and how it will achieve this using its processes and resources. The underlying logic of a strategy map for profit-seeking firms is as follows: Firms enable its employees to effectively and efficiently complete key processes through training, enhancing its culture, and support employees with administration support systems to improve their decision making. Since the firm has the right employees who are well-supported when completing their work, they successfully complete the business processes which deliver value to the customer, such as customer service, innovation, production, and regulatory and compliance activities. Successfully completing these processes means the firm has lower costs and happy customers. Happy customers are more likely to buy more each visit and make more visits, which leads to increased revenues. Lower cost and higher revenues ensure the firm's meets or exceeds its shareholders' financial expectations. As long as the firm has customers and processes that produces value for the customer, the map is robust enough to be used across all firms in all industries. With some minor modifications, it can also be adapted for use in not-for-profit organizations as well.

A strategy map starts with the Financial perspective, which defines how much and what type of value the organization needs to create to satisfy its shareholders and stakeholders.⁶ Typically, an organization's financial objectives include increasing revenues, reducing cost, and increasing asset productivity. The strategy map moves next to the Customer perspective which describes the value proposition the firm promises to deliver to its customers. The value proposition succinctly answers why customers should buy from the firm rather than its rivals. Firms can offer a combination of three customer value propositions: Product Leadership, Customer Intimacy and Operational Excellence.⁷ Product Leadership entails being first to market with products that are widely-considered to be the best in terms of quality, features, usability, service, etc. BMW's 5 Series automobiles and Apple's products are examples of successful product leadership strategies. Customer Intimacy involves offering the best total solution through customizing the product and buying experience to fully meet the customers' needs. Operational Excellence involves consistently producing offerings with reasonable quality and selling these at the lower end of the price range, such as McDonald's food and many of Wal-Mart's products.

5 R.S. Kaplan and D.P. Norton. 2001. *The Strategy-Focused Organization*. Boston, MA: HBS Press.

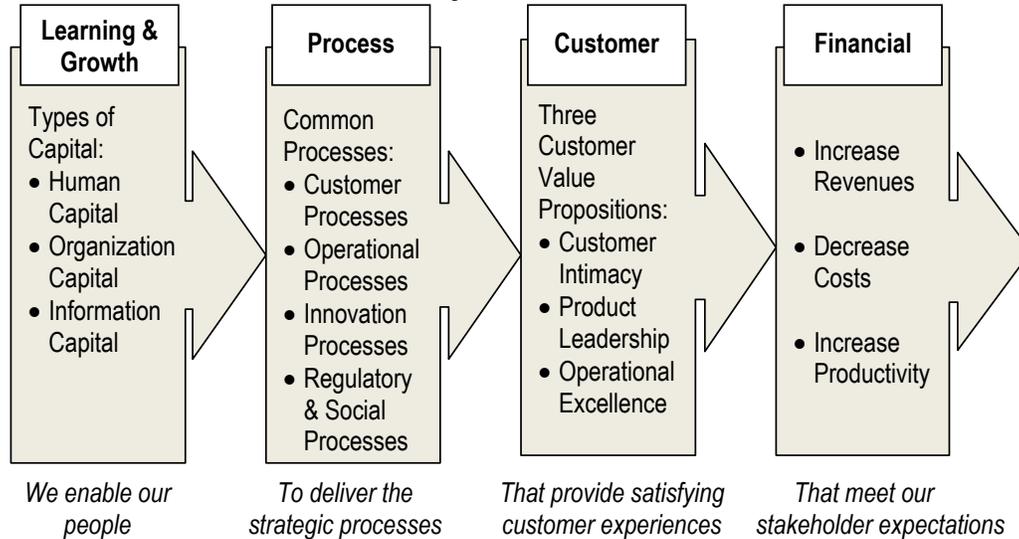
6 Not-for-profit firms replace the Financial perspective with "Outcome" perspective which describes the organization's mandate. The Outcome perspective does not ignore financial considerations, however, as all organizations have to be financially sustainable, if they are to achieve their mandate. Thus, I add a second box entitled "Financial Sustainability" to remind not-for-profit managers they need to stay within their budgets while fulfilling their organization's mandate.

7 R.S. Kaplan and D.P. Norton. 2004. *Strategy Maps*. Boston, MA: HBS Press.

A generic model of organizational value creation

Vision – Long term aspiration for the organization

Mission – Who, what, where, and how the organization will create value for its stakeholders



The Process perspective describes how the organization will efficiently and effectively deliver the value promised to its customers. Key processes include Customer, Operational, Innovation, and Regulatory and Social processes. Customer processes involve increasing demand for the firm's offerings by marketing to current and future consumers, and managing relationships with current customers. Customer process activities include formulating sales campaigns, making sales calls, and improving the firm's branding. Operational processes include all the activities necessary to produce the offerings to be sold. Operational process activities include purchasing raw materials, negotiating with suppliers, assembling the offerings, shipping the goods, and after-sales service. Innovation processes include developing new offerings to sell and improving the firm's production processes. Regulatory and Social processes include ensuring the organization and its employees are compliant with the jurisdiction's laws and regulations as well as undertaking activities which improve firms' standing in the eyes of its stakeholders, such as sponsoring children's summer camps or reducing their environmental footprint.

The last perspective, Learning and Growth, describes the resources that enable the organization's employees to effectively and efficiently perform the internal processes described above: Human Capital, Organizational Capital, and Information Capital. Human Capital involves improving the organization's capabilities by hiring and retaining the right employees, and then enhancing their competencies through training. Organizational Capital aims to align the employees' activities with the firm's mission/vision by enhancing its culture, teamwork, and leadership. Information Capital is the IT systems which make employees more efficient by assisting with transaction processing activities, such as payroll or data entry, or more effective by providing decision making guidance, such as management control systems, standard operating procedures, or finance, financial accounting and management accounting information systems.

Each undergraduate business course provides an explanation and context for a part of the organization value creation model. For example, Marketing courses discuss how to develop unique and compelling customer value propositions and how to develop closer relationships with customers. Operations Management is concerned how to efficiently complete production and supply chain activities. Organizational Behavior courses deal with how to develop organizational capital in the sense of how to improve organizational culture and employees' buy in to the mission. Human Resources courses discuss how to best recruit, train and retain employees. Business Law, Financial Accounting, and Tax classes deal with the regulatory

issues that firms must manage in order to be allowed to stay in business. International Business course discuss how to develop value propositions for international customers and how to best to manage international operations, employees and culture. Management Accounting and Control provide information and support to improve decisions. Accounting Information Systems outlines how firms can design administrative support systems to improve decision making. Finance classes provide decision support tools for large capital purchases and business valuations. Economics discusses the macro trends that impact firms' customer value propositions and business processes. And lastly, Strategic Management deals developing new strategy maps in the face of environmental changes.

Following pressure from the professional accounting bodies and given its simplistic nature, it is hoped that the organization value creation model would be adopted by instructors of all undergraduate business classes as an overarching organizing framework. Instructors would be asked to regularly relate their functional materials to the organization value creation model to demonstrate how their classes' content helps improve organizational value creation. This would reinforce to students that all content they learn in business classes has a common goal of increasing organizational value creation, and that each course contributes to that goal in different ways. As students progress in their undergraduate education, instructors can introduce more interdisciplinary problems, which require student to balance conflicting needs of the various business functions and activities reflected on the organization value creation model. For example, in a marketing class rather than develop a customer value proposition based only customer feedback, environmental changes, and an analysis of competitor offerings, students would be forced to develop a customer value proposition that also fits with the firm's manufacturing and logistical capabilities and its human resources.

In summary, given the limitations in undergraduate students and faculty career systems which emphasize narrow functional specializations, I propose that one way to mitigate these threats to integrative thinking is to adopt a model of organizational value creation which can be used in each undergraduate business course. Secondly, I propose that the professional accounting bodies begin to explicitly require that undergraduate accounting majors have been exposed to multi-disciplinary problems.

From: *Integration in Accounting Education* by Irene M. Wiecek

Discussant's comments by Nancy Vanden Bosch

Integration in Accounting: What Prospective Professionals Need to Learn

This conference proposes that the integration of accounting with finance, strategy, information technology, economics, business, tax, and law is one of four new pillars for accounting education. I believe that integration across these disciplines and sub-disciplines is required to demonstrate the “three fundamental dimensions of professional work – to think, to perform, and to act with integrity” (Shulman, 2005). While we could debate whether the requirement is new, given the trend toward increasing specialization, it seems appropriate for a renewed, if not new, focus on integration. In this paper, I discuss the dimensions of integration suggested by Wiecek and the approach to integration. I also outline one approach to integration and a proposed delivery model, which have been developed by the Learning Model Task Force at Waterloo's School of Accounting and Finance (SAF).¹

Dimensions of integration

Wiecek identifies the dimensions of an integrated accounting education environment: breadth as connections among business disciplines, accounting sub-disciplines, and accounting topics; depth as connections among foundational concepts and foundational models and methods; and, the development of attributes like communication and teamwork as outcomes. The definition of breadth and the inclusion of attributes are reasonably consistent with the scope of learning outcomes identified in the SAF learning model illustrated in Figure 1.

The Functional Competencies category addresses accounting and finance sub-disciplines. The Understanding Business category encompasses a range of business disciplines although we separately identify ethical conduct. The learning outcomes include four professional attributes, including one not explicitly mentioned by Wiecek: the knowledge and skills for continuing professional development or what we term learning how to learn.

Approach to integration

My interpretation of the approach to integration proposed by Wiecek is one where we would define the interconnected body of knowledge. We would then use tools, like the sample rubric, to define the breadth and depth aspects for a specific situation and to align courses within an overall program. As Wiecek indicated, one question raised with this approach is: what is the balance between learning the interconnected body of knowledge and understanding how to apply that knowledge?

As indicated by the SAF learning model, we are taking a different approach: the capacity to integrate is the “bulls' eye” on our learning model “dartboard”. We will not attempt to identify an interconnected body of knowledge. Instead, we will help students develop “the ability to

Figure 1: SAF Learning Model



¹ As Chair of the Learning Model Task Force, I want to recognize the significant contributions of all Task Force members in creating the ideas reflected in this paper. Any issues in communicating those ideas are mine.

integrate ideas from disciplines or spheres into a coherent whole and to communicate that integration to others”: one description of a “synthesizing mind” (Gardner, 2007). While Gardner cautions against a “rush to interdisciplinary gold”, he suggests two “tracks” as antidotes for the continuing drive toward specialization: (1) effective participation in multi-disciplinary teams, and (2) educational programs designed to enhance synthesizing capabilities (Gardner, 2007). We propose to help students move down both “tracks” and develop the capacity to integrate as reflected by two outcomes:

- Demonstrating the communication, leadership, and collaboration capabilities needed as accounting and finance professionals to participate in effective, goal-oriented, multi-disciplinary teams with engineers, marketers, and others.
- Explicitly applying the major components of an effort to synthesize/integrate: a specific goal or decision, a stance to be assumed, a set of strategies and tools, and ways to produce and get feedback on interim drafts (Gardner, 2007).

The question raised with this approach concerns the link from intended learning outcomes to effective instructional practices, or in other words: “nice idea, but how do you teach that?”

Proposed delivery model – an integrative course sequence²

After considering possible models to “teach that”, we designed a four-course sequence with the goal of developing the capacity to integrate: one course in the second half of each academic year (i.e. what Waterloo calls the 1B, 2B, 3B, and 4B terms). Course content will focus on the knowledge and skills required for the two outcomes identified above, but the mix will vary across the courses/years; for example, development of communication, leadership, and collaboration capabilities could represent 80% of the first year course, but only 20% of the fourth year course.

The teaching and learning activities will include a mix of simulations, projects, and cases, requiring students to demonstrate understanding and application of knowledge and skills learned through their core accounting, finance, and business courses. In addition, some simulations and projects will intentionally include an accounting, finance, or business topic that will be addressed by a course offered later in their program, creating an expectation that students also learn how to learn.

We will use learning environments with modular learning activities designed to improve performance on targeted attributes, similar to what Ericsson has named “deliberate practice” activities (Ericsson, 2009). With the four-year timeframe, we can design learning environments as scaffolds that provide support to attain higher levels of performance on a targeted attribute (e.g. negotiation skills) and that can gradually be eliminated in upper years as performance on the attribute is embedded into more complex tasks (e.g. a simulation to draft and use a term sheet in negotiating a financing deal with a venture capital firm).

We will also distinguish among the five types of knowledge – facts, procedures, concepts, strategies, and beliefs – to be learned in the “integrated knowledge approach” (Mayer, 2009). Our core accounting, finance, and business courses will continue to focus on discipline-specific facts, procedures, and concepts. The integrative courses will add a specific focus on strategies and beliefs: strategies as “knowing how to devise a plan or method, or how to monitor and manage cognitive processing”; and, beliefs as attitudinal knowledge that affect task performance (Mayer, 2009).

The simulations, projects, and cases within the integrative course sequence provide the mechanism that will integrate the five types of knowledge and provide opportunities to develop communication, leadership, and collaboration capabilities. But the responsibility for bringing the facts, procedures, and concepts to those learning activities will rest with the student. To complete the simulations/projects/cases, students will need to remember or re-learn knowledge from other courses and apply it in a new context. In this way, we also hope to increase the depth of the student’s understanding of accounting and finance concepts.

2 The proposed model is part of a redesign for the undergraduate accounting and finance programs delivered by the School of Accounting and Finance at the University of Waterloo. The program revisions were approved by Senate in September 2010 and will be implemented starting with the cohort of students admitted into the programs in September 2011.

The key success factor – professor/student roles

The design of the four courses will be a multi-disciplinary team effort, drawing from across groups within the SAF (e.g. accounting, finance, assurance, and tax) and the Communication, Leadership and Social Innovation unit in the Arts faculty. Significant time will be required to design and select appropriate simulations, projects, and cases and to develop related assessment criteria/tools (e.g. rubrics). We will also invest in developing on-line modules to communicate knowledge and skills for: specific attributes (e.g. negotiation skills) and integration strategies and tools (e.g. a business model that integrates profit model elements with customer value proposition, business processes, and key resources).

In the delivery stage, the professor's role becomes primarily one of coach: providing direct, specific assessment; identifying attributes where improvement is needed; and, recommending practice activities and/or methods to improve. Professors will invest a high level of effort in providing assessment and feedback. But the extent of face-to-face class time will be significantly less than for a typical course, since students will be engaged in simulations, projects, and cases. While design will be a multi-disciplinary team effort, delivery must be a "solo" performance. Consider a memorable comment from a member of our Student Advisory Board, who said: "If my strategy, finance, and tax profs are all at the front of the classroom, then the message you're sending is that I don't need to learn how to integrate." Role models matter. So we expect professors will invest time to revisit certain topics and to update their knowledge.

The role of the professor in course design and delivery must change as outlined above for the proposed delivery model to succeed. But, equally important for success is a change in the mindset of many students. It will not be acceptable to say: "you didn't teach us that, so you can't test us on it." Professors will provide the learning environment, but the responsibility for learning must be shared.

Our path forward

The dimensions of integration proposed as a starting point for this conference align well with the set of learning outcomes identified by our Learning Model Task Force. But the SAF learning model was not developed for this conference; it was a first step in a fundamental review of the programs we offer at Waterloo. These learning outcomes have influenced our approach: to help students develop the capacity to integrate. Our approach then shaped the design of our proposed delivery model: the integrative course sequence.

The proposed integrative course sequence is based on two key assumptions: (1) that structured development over a four-year period will increase performance levels for communication, leadership, and collaboration capabilities; and, (2) that the integration of the five types of knowledge through the integrative courses will motivate, support, and enhance the development of synthesizing capabilities.

With recent approval of our undergraduate program changes, we will move forward over the next year on course design and pilot offerings to prepare for the first 1B integrative course, which will be offered during the winter 2012 term. And we will also start to explore the two key assumptions, each an interesting area for future research.

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From: *Integration in Accounting Education* by Irene M. Wiecek

Discussant's comments by Jane Bowen

Definition of integration

Integration in Accounting Education, by Irene M. Wiecek, ("The Paper") provides an excellent platform or framework for discussion. It moves from the higher academic views of integration to the application of the concept in one financial accounting area - revenue recognition. I think we all believe in the value of integration in education. However, the definition of "integration" must be addressed since it can mean different things to different people. It can be defined and applied differently even within an individual institution.

The paper uses the term "holistic" and states that "Integration generally means to combine the parts of something into a whole"¹

The first part of this paper reviews Boyer's (1990) integrated view of scholarship. This view of integration is much broader than the narrower one often adopted. Boyer seems to be thinking of the integration of research, whereas another view is the integration of competencies. This can be seen in the CA Competency Map. Appendix 1 includes some extracts from the CA Competency Map, and the integration of competencies, including pervasive qualities and knowledge can be seen. Some will be more comfortable with this definition of integration.

The inclusion of research can also be problematic. There is often some disconnect between the researchers and the classroom in some institutions. Many use professional teaching staff in their programs. Also, research is often not the source of change in accounting. Accountants, academics and professionals, are not always the ones who challenge the accounting standards. Challenges to accounting standards are more likely to arise from users of financial statements, legal actions or from regulatory bodies with a conflict (i.e., Regulatory bodies such as the SEC).

Integration to most professional accountants would generally mean integration of competencies in the analysis and recommendations or conclusions. Integration to a tax professional would lead to thoughts of the integration of the personal and corporate tax systems. Integration to an academic environment may mean integration of research, knowledge and application. To have a dialogue across disciplines there would need to be a working agreement of the concept.

Each institution, department and program must spend the time to develop a clear understanding of the term in their own setting before implementation can occur. It can occur at the institutional level, department level, program level or course level.

The profession

The paper discusses the academic research on the definition of a profession. I have included the definition used in the ICAO Rules of Conduct in Appendix 2, and point out that the consistency in views is encouraging.

1 Other terms and ideas used in the paper include:
"Scholarship of integration"
"link an integrated body of knowledge to the real world"
"interconnectedness of specialized areas of the body of knowledge with each other"
"may be interdisciplinary (such as integrating the study of accounting with the study of economics, finance, organizational behaviour, strategy, marketing and operations management) or intradisciplinary (such as the integration of various accounting sub-topics and foundational accounting concepts e.g. historical cost, fair value and going concern)"
"deep learning occurs when students place knowledge within context and look at how it interrelates with other areas of knowledge"
"integrative thinking "

Educating accounting students – the challenges

The paper introduces some of the challenges when designing a fully integrated learning environment for accountants. Some of which are discussed below:

4. **Research** - Many teachers are experts in their own (often highly focused) area of research. Many teaching stream faculty do not even perform research so the cooperation and joining of minds of both groups must be accomplished with an open discussion.
5. **Scarce resources** – The resources are scarce. I agree that some core courses may be staffed by part-timers who may only teach short-term and some longer term pedagogical goals may not be met. The length of courses and amount of time with students is limited and the body of knowledge is growing as indicated in the paper.
6. **The students** - How to people learn? Integration and high level thinking skills are not fully developed when students first attend university. Integration and the development of high level thinking skills are desirable, but it takes a lot of work to get them there. Critical thinking in accounting education is a must, but how do we get there? A practical problem is that most accounting programs are within business schools. To have courses that are cross-disciplinary integrators is a good idea but probably very challenging to achieve in a university setting given all the different interests that exist among the departments.

There may be an inherent flaw in how accounting education is delivered. Do you develop fundamentals first and then toward the end of the program integrate, apply, think (the high level, integrative thinking), or do you try to develop those high level thoughts right from the get go. Is this for undergraduate programs? Many instructors would not be able to do it. The paper raises many more questions than it answers – which was clearly the intent.

7. **Professional exams** -In some programs, the exams such as those in CA, CMA, CGA, CFA and other professional exams, do dominate the curriculum since many faculty members want their students to succeed beyond the university/college environment. This must be discussed and agreed upon, at the institutional level. There is perhaps a larger question as to whether this is the role of education in public funded institutions.
8. **Accounting standards body of knowledge** – The paper points out the increasingly complex and high volume of standards. Tough decisions have to be made, and I would suggest that some content be excluded. Education must limit the body when it becomes too large to cover well – exclusion of US GAAP is a must.

I have not addressed all the challenges, but we would all agree they exist. Addressing these challenges will be the next step.

Integration rubric

One last area I would like to comment on is evaluation. Once we put integration into a program the evaluation process must also change. The use of knowledge based evaluation tools will not work. The use of evaluation rubrics is necessary. Different activities must be incorporated. This can be accomplished in areas outside of formal examinations if needed, such as research projects, presentations, etc.

Conclusion

I think that the value and “attractiveness” of integration is something we would all agree on. The practicalities and limitations and challenges need to be addressed. We “want” it, but can it be achieved? So let’s agree - integration in accounting education is necessary. The hard work will be in the implementation. Let the discussion and work begin.

Appendix 1

Integration and the CA Competency Map – for the 2011 Uniform Formal Evaluation

Integration of information technology.

Page 6 - The Integration of Information and Information Technology: the competencies related to the role technology and information plays in strategy, decision-making, processing and reporting of information that candidates are expected to develop that are an integral part of virtually all the tasks undertaken by CAs. These competencies are included in the specific competency areas.

Page 9

Integration of Pervasive Qualities

The CA qualification's competency-based approach recognizes that knowledge is necessary but not sufficient for performing professional services. For knowledge to become a CA competency, it must be applied in a manner that includes the integration of the CA Pervasive Qualities and Skills.

The acquisition of the CA knowledge base is, however, critical for success. CAs acquire knowledge that encompasses the economic, legal, and business environment in which businesses and other organizations operate, and knowledge such as generally accepted accounting principles and current tax regulations, directly related to one or more competencies.

Page 29

The UFE Candidates' Competency Map is a highly integrated document even though the competencies are presented in various groupings (Sections I to IX). Some competencies are of a pervasive nature but also contain elements of underlying knowledge related to their development, making them also like a specific competence. As the Information and Information Technology competencies have become an integral part of virtually every task undertaken by CA candidates, they fall into this unique category. There are many competencies in the *Map* that refer to "information", "processes" or "systems" where, although not explicit in the description, information technology (IT) is a consideration. When reviewing all the competencies in the *Map*, candidates must keep in mind that both manual and automated systems are contemplated. Those *Map* competencies that are predominantly IT-related have been listed here to assist candidates in identifying them. However, these competencies are actually part of Sections I to IX.

Page 83

Integration of Management Decision making and performance measurement (financial accounting)

- Nature of budgeting process
- Budgeting considerations
 - Time frame
 - Participative budgeting
 - Responsibility accounting
 - **Integration** with the accounting system
 - **Integration** with management and control system.

Pages 84-85

Example of the expectations at each proficiency level Scenario:

Westerland Medical Associates is a medical practice with 15 physicians and a staff of 40. The practice bills most of its patient visits to the provincial health insurance plan but also has billings to private individuals, insurance companies, and workers' compensation boards. Currently, four staff members are responsible for billings and receivables. The practice also employs a bookkeeper who is responsible for the day-to-day accounting, and a practice manager.

Discussions with the practice manager indicate that she spends approximately 40% of her time dealing with accounting and billing issues. The practice manager estimates that 20% of the building space is dedicated to offices for the accounting staff.

Medical Billing Inc. has offered to take over all of Westerland Medical Associates' billings, collections and accounting for a monthly fee of \$5,000. If the practice accepts the offer, it will no longer need the billing staff or the bookkeeper. The practice manager believes that if the accounting service is outsourced, she will be able to use the additional time to improve the efficiency of the office, resulting in greater productivity on the part of the remaining staff.

The CA candidate is asked to advise Westerland Medical Associates on whether it should continue to perform the billings and accounting services internally or accept the offer presented by Medical Billings Inc.

The CA candidate is being asked to demonstrate competency *VIII-3.4: Evaluates make-or buy decision factors*.

The CA candidate is expected to demonstrate *Level A* proficiency for this competency.

This example provides expectations at *Level A* proficiency. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level B* and *Level C*.

Level C

In normal circumstances the CA candidate at *Level C* proficiency:

- describes the process for performing a make-or-buy analysis
- describes or explains the general decision variables that must be taken into account when considering the make-or-buy decision.

The CA candidate at *Level C* would not be expected to calculate the cost of maintaining the internal billing and accounting functions versus outsourcing.

Level B

In normal circumstances, the CA candidate at *Level B* proficiency would, in addition to the tasks noted above at *Level C*, be able to provide Westerland Medical Associates with preliminary advice on the make-or-buy option by:

- identifying some of the relevant costs for the make-or-buy decision and performing a preliminary analysis of the costs of the two options; and
- providing a list of the key qualitative factors that must be considered for the make-or-buy decision.

The CA candidate would understand the need to address both the qualitative and quantitative factors when providing advice to Westerland Medical Associates.

The CA candidate at *Level B* proficiency is expected to use the information available to calculate the cost of continuing to provide the accounting and billing services internally, identifying the key costs relevant to the decision. The CA candidate would be expected to compare this cost with the monthly service fee provided by Medical Billings Inc. And provide a preliminary determination as to the appropriate course of action for the make-or-buy decision.

The CA candidate is expected to identify and discuss some of the key qualitative considerations such as quality control and the reputation of Medical Billings Inc. However, a significant level of detail would not be expected at *Level B*.

Level A

In normal circumstances, the CA candidate at *Level A* proficiency would, in addition to the tasks noted above at *Level B* and *C*, be able to advise Westerland Medical Associates on whether it should continue to use an in-house billing and accounting system or sign the contract with Medical Billings Inc. by:

- identifying the relevant costs for the make-or-buy decision including any opportunity costs, sunk costs and fixed costs that will not be eliminated if the billing and accounting services are outsourced to Medical Billing Inc. (Underlying knowledge includes knowing the different types of costs.);
- comparing the relevant costs to the monthly service fees charged by Medical Billing Inc. to determine which alternative will result in the lower cost for the medical practice;
- identifying and integrating into his or her response most of the qualitative factors that would affect the make-or-buy decision;
- providing a recommendation as to the outsourcing decision, supported by the detailed cost calculations and discussion of the impact of the qualitative factors.

Level A proficiency requires much greater depth of analysis and integration of the quantitative and qualitative factors, and a fully supported recommendation to Westerland Medical Associates.

Appendix 2

Institute of Chartered Accountants Introduction to Rules of Conduct¹

Characteristics of a profession

The rules of professional conduct presume the existence of a profession. Since the word “profession” has lost some of its earlier precision, through widespread application, it is worthwhile reviewing the characteristics which mark a calling as professional in the traditional sense. Much has been written on the subject and court cases have revolved around it. The weight of the authorities, however, identifies the following distinguishing elements:

- there is mastery by the practitioners of a particular intellectual skill, acquired by lengthy training and education;
- the traditional foundation of the calling rests in public practice – the application of the acquired skill to the affairs of others for a fee;
- the calling centres on the provision of personal services rather than entrepreneurial dealing in goods;
- there is an outlook, in the practice of the calling, which is essentially objective;
- there is acceptance by the practitioners of a responsibility to subordinate personal interests to those of the public good;
- there exists a developed and independent society or institute, comprising the members of the calling, which sets and maintains standards of qualification, attests to the competence of the individual practitioner and safeguards and develops the skills and standards of the calling;
- there is a specialized code of ethical conduct, laid down and enforced by that society or institute, designed principally for the protection of the public;
- there is a belief, on the part of those engaged in the calling, in the virtue of interchange of views, and in a duty to contribute to the development of their calling, adding to its

¹ The Rules of Professional Conduct is referenced by permission of The Institute of Chartered Accountants of Ontario, and may not be further referenced without the prior written permission of The Institute of Chartered Accountants of Ontario.

The Rules of Professional Conduct are current as of the date of publication (May 13, 2011) and are subject to revision and change at any time. A current version of the Rules is available from The Institute of Chartered Accountants of Ontario at <http://icao.on.ca/Resources/Publications/1009page2470.aspx>

knowledge and sharing advances in knowledge and technique with their fellow members.

By these criteria chartered accountancy is a profession.

It is essential to recognize that a profession does not cease to be a profession because a proportion of its members enter salaried private employment. These members continue to belong to the profession and to be subject to the rules of professional conduct. It should be recognized that some members of the profession might acquire the required skills outside of public practice.

Appendix

Leveraging Change – The New Pillars of Accounting Education: A symposium sponsored by the CICA and University of Toronto

AGENDA - MONDAY NOVEMBER 22, 2010

Metro Toronto Convention Centre, Toronto, Ontario

7:45 – 8:30	Registration & Continental Breakfast
8:30 – 8:35	Welcome Address Tim Forristal, Vice President, Education, CICA
8:35 – 8:45	Opening Remarks – The Pillars Irene M. Wiecek, Senior Lecturer, Accounting, Rotman School of Management, University of Toronto, and Director, CA/Rotman Centre for Innovation in Accounting Education
8:45 – 9:15	Keynote: Challenges and Trends in Teaching and Learning: Implications for Accounting Educators Julia Christensen-Hughes, Dean, College of Management and Economics, University of Guelph
9:15 – 10:45	Teaching Principles-Based Accounting – The Conceptual Framework Speaker: Michael Wells, Director, IFRS Education Initiative, IFRS Foundation Discussants: Gary Poole, Associate Professor, School of Population & Public Health, University of British Columbia, Daniel Coulombe, Associate Professor, Laval University
10:45 – 11:00	Networking Break
11:00 – 12:30	Ethics and the Accounting Profession Speaker: Brad Agle, George W. Romney Endowed Professor, Professor of Ethics and Leadership, Fellow, Wheatley Institution, BYU, Marriott School of Management, Brigham Young University Discussants: Leonard J. Brooks, Professor, University of Toronto, Joan Conrod, Professor, Dalhousie University, Maureen P. Gowing, Associate Professor, Odette School of Business, University of Windsor
12:30 – 1:30	Lunch Presentation – Professional Judgment: A Renewed Importance Tricia O'Malley, past Chair, Canadian Accounting Standards Board
1:30 – 3:00	Professional Attributes: Teaching the Fine Arts of Being a Professional Accountant Speaker: Susan Wolcott, Thought Leader, CA School of Business Discussants: Sandy Hilton, Accounting Instructor, University of British Columbia, Michel Magnan, Professor and Lawrence Bloomberg Chair in Accountancy, Fellow CIRANO, John Molson School of Business, Concordia University

3:00 - 3:30	Networking Break
3:30 - 5:00	<p>Integration of Finance, Strategy, Information Technology, Economics, Business, Tax and Law</p> <p>Speaker: Irene M. Wiecek, Senior Lecturer, Accounting, Rotman School of Management, University of Toronto, and Director, CA/Rotman Centre for Innovation in Accounting Education</p> <p>Discussants:</p> <p>Norman Sheehan, Associate Professor, Edwards School of Business, University of Saskatchewan,</p> <p>Nancy Vanden Bosch, Robert Harding Teaching Fellow, School of Accounting & Finance, University of Waterloo,</p> <p>Jane M. Bowen, Lecturer, University of Ontario Institute of Technology</p>
5:00 - 5:30	<p>A Message from Standards</p> <p>Ron Salole, Vice President, Standards, CICA</p> <p>Summation - Closing Remarks</p> <p>Gordon Beal, Principal, Continuing Education, CICA</p>

About the Keynote Speakers

JULIA CHRISTENSEN HUGHES

Dr. Julia Christensen Hughes is Dean of the College of Management and Economics at the University of Guelph in Ontario. She is also past-president of the Society for Teaching and Learning in Higher Education, a predominantly Canadian organization committed to enhancing the quality of teaching in learning in post-secondary institutions. A long-time advocate for educational reform, her research interests include academic integrity, student-centered learning, curriculum assessment and development, universal instructional design, and organizational effectiveness. An award winning instructor, educational consultant, and frequent keynote speaker, Dr. Christensen Hughes has facilitated several national events in support of the scholarship of teaching and learning and the teaching-research-learning nexus. In 2007, she was the recipient of the Edward F. Sheffield Award from the Canadian Society for Studies in Higher Education for the author judged to be most excellent in the *Canadian Journal of Higher Education*. In 2008, she was honoured with the John Bell Award from the University of Guelph for outstanding contributions to education.

TRICIA O'MALLEY

Tricia O'Malley was Chair of the Accounting Standards Board from July 2009 to October 2010. Ms. O'Malley previously served as the first full-time Chair of the AcSB, from 1999 to 2001. She left the AcSB to become a founding member of the International Accounting Standards Board (IASB) in London, UK, and served on the IASB from 2001 until 2007. From 2007 to 2009, she has served on the staff of the IASB as Director of Implementation Activities. Before joining the AcSB in 1999, Tricia was a partner in the National Assurance and Professional Practice Group of KPMG Canada where she consulted with partners and staff on complex client accounting issues, with particular emphasis on financial instruments and structured finance transactions.

Tricia was a member of the AcSB's Emerging Issues Committee from its inception in 1988 until 1997, when she was appointed Vice Chair of the Board. She was chair of the Ontario Securities Commission's Financial Disclosure Advisory Board (1992 to 1999), was a member of the Independent Advisory Committee on Accounting and Auditing Matters of the Auditor General of Canada (1993 to 2004), and is a Past President of the Canadian Academic Accounting Association.

