

Framework-based Teaching of MFRS: Challenges to Accounting Lecturers

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ABSTRACT

The full adoption of International Financial Reporting Standards which is based on the conceptual framework through the issuance of Malaysian Financial Reporting Standards (MFRS) has led to the framework-based teaching of MFRS (FBT MFRS) with the aim of producing accounting graduates that is equipped with interpretive and judgmental skills of the standards. The framework-based teaching of MFRS is focusing on the principle of financial reporting standards as opposed to the rule-based teaching method currently practiced. The new teaching approach comes with some challenges namely training on the new approach, familiarization period, preparation of teaching materials and students' assessment and availability of experts on the new approach. Survey questionnaires were distributed to all accounting lecturers of Universiti Teknologi MARA Pahang with the aim to identify the perceived challenges in implementing the framework-based teaching of MFRS. It was found that the main challenges were training on the new approach and familiarization period whereas the remainders are of secondary concern. A number of recommendations to overcome the challenges of implementing framework-based teaching of MFRS are approved training opportunities to the lecturers involved with FBT MFRS by the relevant faculty or campus authorities, ample time given to accounting lecturers to familiarize themselves with the approach before its implementation and appointment of expert on FBT MFRS in the before or in the early stages of implementation.

Key words: *Framework-based teaching, Malaysian Financial Reporting Standards, Accounting, Lecturers*

Introduction

The Malaysian Accounting Standards Board (MASB), an entity that is responsible for issuing Financial Reporting Standards in Malaysia has agreed on the full adoption of International Financial Reporting Standards (IFRS) on 1 January 2012. This is done through the issuance of Malaysian Financial Reporting Standards (MFRS) for companies' financial accounting and reporting (Accountants Today, 2013). The IFRSs issued by International Accounting Standards Board (IASB) uses Conceptual Framework (Framework) as a basis in developing IFRS, therefore the MASB also has its MFRS Framework in issuing standards that underpin MFRS financial reporting since the Framework creates a solid foundation for future accounting principle-based standards that are logical and internally consistent between standards and over time (Jermakowics & Hayes, 2011). Accounting conceptual framework contains the consensus on agreed accounting principles and concepts among the relevant parties in accounting field and profession.

University graduates are expected by employers to have the job specific skills (Shah, 2013) and for accounting graduates this includes the basic knowledge for the application of MFRS. For instance, accountants and auditors are faced with a host of judgments and estimates in the implementation of accounting standards (Hodgdon, 2011). However, feedback on the performance of the accounting graduate does not reflect this where among the feedback from employers on the early career accounting graduates is their lack of interpretive and judgment skill of the standards. Therefore, the relevant authorities and parties in the curriculum review of financial reporting courses taught in the local universities feel that the implementation of framework-based teaching of MFRS (FBT MFRS) approach is a step in the right direction to address this inadequacy in the accounting graduates.

Financial Reporting Standards (FRS) has always been part of the curriculum in the financial accounting and reporting courses taught at the University Teknologi MARA (UiTM). Prior to FBT MFRS, financial accounting courses were taught mostly using the rule-based approach which emphasized on the

appropriate accounting treatment for the accounting problems (Albu et al., 2012). The implementation of the FBT MFRS which is a shift to principle-based approach of teaching MFRS hopefully will equip the accounting students in general and specifically UiTM students with the required interpretive and judgment skill on the application of the standards. Accounting lecturers will have to be prepared to teach MFRS using this approach. Therefore the main objectives of this paper is to identify the perceived challenges to accounting lecturers in UiTM and offer recommendations to overcome the challenges to ensure a smooth and effective teaching of MFRS to all accounting students.

Literature review

Survival of an accounting profession in the real world is very much depending on the accountants, standard setters, preparers, users and academicians (Wong, 2006). Buys (2008) stated that history had already proven that accounting continuously evolved since 1400's when it was first documented till now and hence it is crucial to many interested parties to change and update the profession so that the real function of accounting profession will be more relevant.

In order to keep up with the changes in accounting, efforts have to be made to ensure accounting graduates are able to fulfill the demands by prospective employers. In training the students as future accountants, the approach of teaching should be transformed so that the knowledge on the accounting principles will be mastered by students when it comes to job market. Consequently, the stereotype of the accountants' as well respected profession could be retained and will not be labeled as 'bean counter' that is those who are deemed to be too calculative in controlling expenditure and budgets by publics (Albu et al., 2012). Paul (2009) stressed that all accountants must become proficient with IFRS, thus accounting students nowadays must be exposed to IFRS, its principles and its impact on the accounting world.

In enhancing the understanding of IFRS and the ability to provide judgments and estimates, there were efforts to integrate IFRS into the curriculum, beginning as elective courses then main course (Shin, 2009). Hence, slowly the educators had to shift their rule-based focused that have being embedded for so many years in their minds into principle-based approach using IFRS. In the United States, the adoption of IFRS into curriculum began in 2009 and Europe had initiated their first move on broad adoption of IFRS since 2005 (Shin, 2009).

Stages of trainings were essential to ensure the educators were able to understand and have a clear view of IFRS principle and interpretation. Training will be a huge issue because it is important that accounting students fit the needs of an accountant that have better knowledge in IFRS in the industry (Thomas, 2009). Munter and Reckers (2009) suggested that educators should be retrained and the training frequencies should at least in line with the trainings held by major public accounting firms in United States to their employees. Hence, this study may highlight lack of trainings as one impediment in the adoption of IFRS in accounting curriculum especially in UiTM.

Another challenge faced by the educators was difficulty to develop suitable framework-based teaching materials to be used in accounting curriculum. The teaching materials accessible nowadays were based on the conventional (rule-based) approach and definitely needs to be replaced with new materials that are conducive to FBT MFRS. More than three-quarter of the United States educators indicated that developing teaching materials were not an easy task (Munter & Recker, 2009). Thus, developing necessary teaching materials were crucial to reflect the adoption of IFRS into the accounting curriculum. There were many resources available which were developed by public accounting firms such as KPMG and PriceWaterhouse, professional organizations, IASB and Financial Accounting Standards Board (FASB) in the United States for the educators to have better knowledge of IFRS (James, 2011). In addition, it was also recommended that the teaching materials should contain some basic outlines such as current development in financial reporting including the FASB/IASB convergence project, current requirement by regulatory actions, challenges and benefits in adopting IFRS into the curriculum (James, 2011). Even though many resources had been archived not many of these were available and up to date for the teaching and learning purpose. Similarly, there appears to be inadequate materials for the purpose of teaching the financial reporting standards to accounting students at the local universities in Malaysia.

After developing the suitable teaching materials, the knowledge of IFRS should be measured and tested. Yet, the depth of coverage to be tested and the approach of examination are still to be discussed (James, 2011). Nonetheless, those who want to be public accountants must sit for Certified Public Accountants (CPA) exam and IFRS understanding and knowledge had been adopted in this exam (Munter & Reckers, 2009 and James, 2011). As such, for the FBT MFRS the development of students' assessment is taken to be one of the challenges in this study.

Another aspect to this framework-based teaching of financial reporting standards is where the educators themselves should be given familiarization period or discretion time on IFRS before they are ready for delivering the principle under IFRS requirement. This is because some of educators may have low degree of familiarity with details and changes in IFRS (Zhu et al., 2011). Thus, discretion time for accounting educators in Malaysia in equipping themselves with IFRS coverage and details become the barriers for them in adopting IFRS into accounting curriculum.

The literatures reviewed have not considered subject matter expert or resource person on the framework-based teaching approach. As such this study is taking the initiative to include subject matter aspect as one of the challenges in implementing FBT MFRS.

Based on the literatures above, the framework for the implementation of FBT MFRS is depicted as follows:

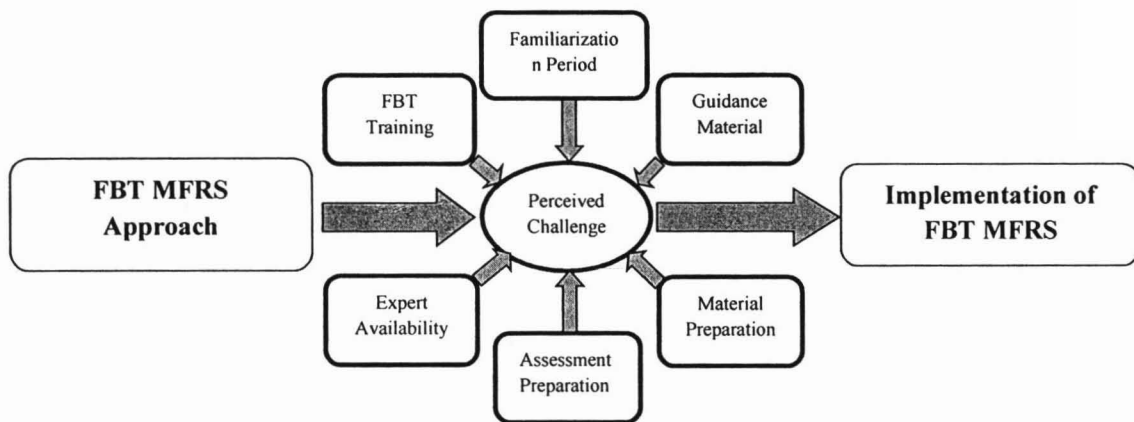


Figure 1: Framework for the Implementation of FBT MFRS

Methodology

This study was conducted using an unsupervised short survey on items of challenges to FBT MFRS. The questionnaires in the form of hard copy were distributed to the respondents comprises of all accounting lecturers in UiTM Pahang regardless of whether they currently teach financial accounting and reporting courses. This is because they are expected to have the required knowledge on MFRS and should be ready to teach any accounting courses assigned to them. The survey questionnaires utilizes four-point Likert scale ranging from a scale of 1 (strongly disagree) to scale 4 (strong agree). The respondents were asked to rate on these scales of 1 – 4 on the questions whether they have concern on suggested perceived challenges in FBT MFRS. The questionnaires covered six main items, namely; training on FBT, teaching materials preparation, students' assessment preparation, familiarization on the teaching method, adequacy of revision materials and subject-matter expert's availability. Apart from the six challenges above, the respondents could also state other challenges as they think fit. The mean of all items were used as an indication to the difficulty level on the challenges of FBT MFRS.

Findings

Twenty three (23) out of thirty eight (38) accounting lecturers responded to the survey which translated into 60% response rate. This represents 26% male and 74% female respondents. 35% of the respondents are below 30 years old, 43% between 30 - 40 years old and 22% above 40 years old. 48% of the respondents have teaching experience of less than five years while the rest have more than five years working experience.

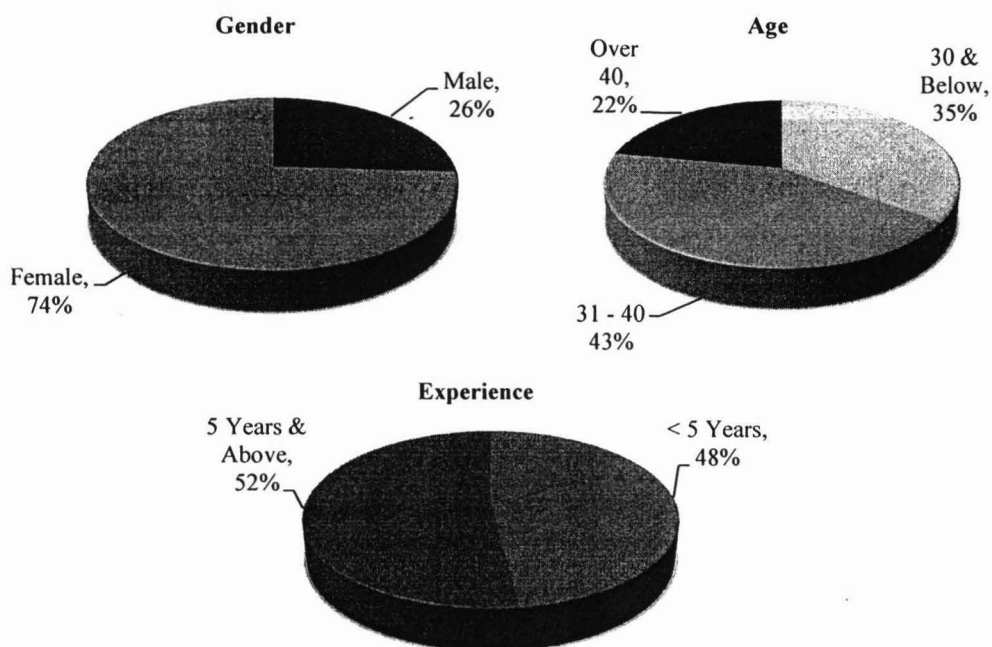


Figure 2: Profile of the Respondents

Training on FBT MFRS scored the highest mean on the Likert scale of 3.17 out of 4.00, well above the other perceived challenges, showed that training is the main concern of the accounting lecturers during the introduction and future implementation of FBT MFRS. Based on this, the emphasis on training should be given the utmost priority among the challenges.

This is followed by familiarization period given to the accounting lecturers with a mean of 3.13. The accounting lecturers are mostly concerned with the time given to them to get accustomed with the new teaching approach. This finding highlighted that in order to implement FBT MFRS the accounting lecturers should be allowed ample time before implementation.

The third challenge to the implementation of FBT MFRS is the availability of experts on the FBT MFRS which yield a mean of 3.09. It seemed that accounting lecturers require expert personal for guidance and problem-solving.

The fourth finding revealed the lack of availability of guidance materials on FBT such as textbooks, journal and pilot exam papers with a mean of 3.04. This indicated that comprehensive guidance materials are required for the FBT MFRS approach.

The next and subsequent challenges were teaching materials and students' assessment preparation with the mean score of 3.00 and 2.95 respectively. The means of these two factors appeared that these challenges were the least worrying aspect on FBT MFRS perceived by the accounting lecturers. None of the respondents added other challenges from what has been identified in the survey.

The ranking of the perceived challenges to the accounting lecturers is shown below:

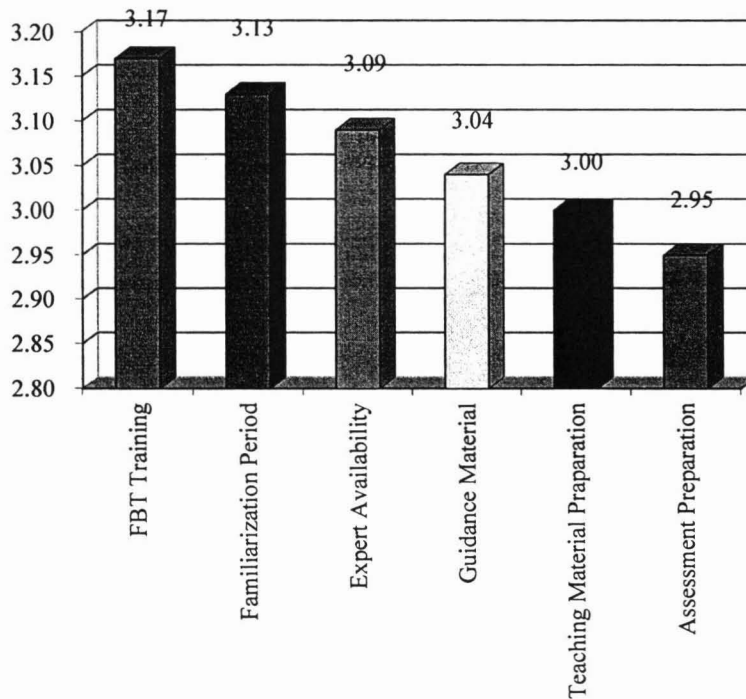


Figure 3: Ranking on Perceived Challenges on FBT MFRS

Conclusions and recommendations

The adoption of IFRS in financial reporting of multinational companies in Europe and US has triggered the educators to follow the changes in the accounting curriculum. An accountant that has sufficient understanding on the principles and requirement of IFRS are indeed demanded by the employers. Thus, this task lies on the shoulder of the educators to cultivate the students to be more critical in their thinking and able to provide reasonable judgments and estimates. As a result, the teaching approach has to shift from the rule-based to principle-based approach. The IASB has come up with the framework-based teaching of IFRS and since Malaysia adopted IASB standards as MFRS it is only appropriate to adopt the framework-based approach in teaching MFRS to accounting students.

Based on the findings, the main challenge among accounting lecturers is to have sufficient training on FBT MFRS. They need to be given adequate and proper training so that the transfer process of knowledge using FBT MFRS will be efficient and accurate to enable the students to apply judgmental skill on the subject matters. It is hereby recommended to the relevant faculty or campuses authorities to approve training opportunities of the accounting lecturers involved with FBT MFRS.

Other obstacle is the familiarization period or discretion time for lecturers to be accustomed with the FBT MFRS before its implementation. FBT MFRS is a new approach in teaching MFRS to accounting students, therefore the lecturers have to be given ample time to familiarize themselves with the approach. Therefore, it is suggested to allocate reasonable length of time for accounting lecturers to be prepared mentally as well as technically to minimize the resistance and difficulties in implementing the new approach.

Lack of subject matter experts on FBT MFRS is also viewed as a challenge to the accounting lecturers. The need for expertise on FBT MFRS is imperative to assist lecturers especially new ones and also to act as a reference personnel in the event of problems arising concerning the matter. It is proposed that

experts on this teaching approach should be identified, recognized and appointed before or in the early stage of implementation.

Besides that, inadequate suitable guidance materials on FBT MFRS are also perceived by the accounting lecturers as one of the issues on the adoption of FBT MFRS. The current guidance materials for reference were developed by IASB which does not cater for Malaysian education environment. Thus, the required guidance materials from the IASB should be adjusted and amended to reflect the local needs.

To overcome the challenge in preparing teaching materials and students assessments it would be beneficial to UiTM to pool and share resources from all campuses by having cooperation and collaboration in producing standard teaching materials and student's assessments to be used for the teaching purposes of FBT MFRS.

Limitations

This study does have its limitations. Among them, firstly, the findings based on the small number of respondents could not be generalized to represent the whole accounting lecturers in Malaysia. The numbers of respondents need to be bigger in future studies on this matter. Secondly, the study used a short survey which covered only the perceived challenges. A more comprehensive survey covering other factors relating to FBT MFRS should be designed. Therefore, further expanded study could be undertaken on FBT MFRS.

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