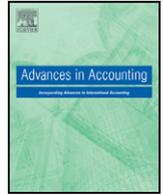




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## Faculty perspectives on international accounting topics

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### ABSTRACT

Given the increasing globalization of business, including the widening acceptance of International Financial Reporting Standards (IFRS) in the capital markets, the international dimension is of great importance to the accounting profession. The international accounting course plays a key role in the accounting curriculum in providing students with information about this critical area of accounting. This study examines the relative importance of various international accounting topics through a survey of members of the American Accounting Association's International Accounting Section. Results are compared with those of prior studies in order to determine whether and to what extent perspectives have changed over time. The findings should be helpful for faculty designing or updating an international accounting course or curriculum or desiring to integrate international issues into various accounting courses. They should also help practitioners identify with which areas their new hires are likely to be more familiar.

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### 1. Introduction

International accounting is increasingly important to accounting practice, and thus to the accounting curriculum, as the world has become more inter-connected politically and economically. Business is increasingly global in nature. As a result, accounting professionals in industry and public accounting must deal more and more with international accounting issues. Among key events in recent years, the acceptance of International Financial Reporting Standards (IFRS) for financial reporting in many countries around the world, notably the European Union (EU) in 2005, makes international accounting an area to which all accounting students should at least be introduced.

This study examines the perceptions of accounting educators who have an expressed interest in international accounting, for the purpose of ascertaining which international topics are perceived to be most important. There is a need for ongoing assessment of what topics are most important to the international accounting course, as events such as wider acceptance and changes to the IFRSs must be continually monitored (Nix and Smith, 2006). Results of the current study are compared to prior studies to determine if relative rankings have changed over time and if rankings vary depending on the geographic location of the respondent. The findings should be useful

to educators as they plan which international accounting topics to cover, either in an international accounting course or spread over various accounting courses. In addition, business professionals may find the results useful for identifying areas in which their new hires are likely to be most familiar.

The World Trade Organization estimates merchandise imports (exports) for the world exceeding seven trillion US dollars (WTO, 2005). Service imports and exports add over one trillion US dollars more to the total value of world trade. International trade is becoming an increasingly important part of the world economy. A major factor contributing to this globalization is the international movement of capital and the integration of financial markets, activities that are facilitated by transparent and harmonized accounting standards. In a speech, Michael Mussa (2000) of the International Monetary Fund stated that "...global economic integration today is greater than it ever has been and is likely to deepen going forward."

Given the heightened importance of international accounting in general, accounting students face an increased need to learn and understand relevant issues. Indeed, the Association to Advance Collegiate Schools of Business requires that an "international dimension" be included in a university's general business curriculum before it can receive accreditation (AACSB, 2005). For many years, the American Accounting Association (AAA), too, has emphasized the importance of international accounting education; the Accounting Education Change Commission (AECC) has cited a need for increased attention to be paid to the international dimension of accounting education (Smith and Salter, 1996). The issue then becomes one of determining which issues are the "relevant" ones for today's accounting students.

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Accounting educators face an ever-increasing load of “vital” topics to cover in every class, including international accounting. In many cases, schools are unable to offer a specialized course in international accounting. These factors make it difficult for universities to ensure that their students receive adequate instruction in this important area. This study adds to the existing literature and helps shed light on which international accounting topics are currently of highest importance. A relevancy-ranked topic base, combined with a focused pedagogy, should help ensure that accounting students are receiving the best and most up-to-date education possible in this area. This would be true whether the most important topics are covered in a specialized international accounting course or incorporated into other accounting courses.

To acquire data necessary for the study, accounting educators throughout the world were surveyed. Only individuals with a professed interest in international issues, determined by their membership in the International Accounting Section of the AAA, are surveyed to help ensure that rankings are based on the opinions of individuals with at least some expertise in the topic. First, topics were ranked on mean score to determine the relative order of importance. Next, the sample was split into two parts based on geographic location of the respondent (U.S. and non-U.S.); *t*-tests for equality of means (unequal variance) allowed comparison of mean scores across the two subsets. Last, the overall rankings from this study were compared with results in prior studies to determine if perceptions have changed over time.

Results indicate that all respondents are in agreement regarding the six most important topics. However, U.S. and non-U.S. educators rate several items significantly differently. Most notably, U.S. educators place more weight on hidden reserves, while non-U.S. educators give a higher rating to social responsibility accounting, conceptual framework development, and international standard enforcement issues. Corporate social responsibility is a particularly high-profile issue in Europe (Bocconi University (Italy), 2005). Compared to prior studies, the very highest-ranked topics are much the same but there is considerable variability among topics ranked below the top few.

## 2. Related literature and expectations

Though internationalization of the accounting curriculum has been a priority of professional organizations since the early 1970s, only within the last 15 years has a great deal of attention been paid to this issue by scholars and universities. There have been several related studies in past years. The most recent include the following: Huang and Mintz (1992), Conover, Salter, Price, (1994), Smith and Salter (1996), and Adhikari, Flanogan, Tondkar, (1999). Earlier studies include Burns (1979), Mintz (1980), Agami (1983), Gray and Roberts (1984), and Sherman (1987).

Huang and Mintz (1992, hereafter HM) take a relatively broad approach. They survey both U.S. and non-U.S. members of the AAA International Accounting Section and compare their opinions on a wide variety of administrative topics related to the implementation of the AIEA's directive, including how best to internationalize and what topics to include. They find that most participants favor a graduate-level international accounting course, closely followed by the internationalization of selected (unnamed) business courses. They also find support for several nontraditional internationalization methods (e.g. study abroad). Non-U.S. respondents rated some topics – including the overall importance of international curriculum coverage – higher than did the U.S. respondents. They restrict their questioning and analysis to seven broad categories so as not to confuse respondents with too complex a survey instrument.

Conover, Salter, and Price (1994) examine international accounting course syllabi. Thirty-three different topics were identified, and syllabi were analyzed for estimated time spent on each topic. Rankings were based both on the number of institutions covering a topic and the average number of hours spent on the topic, and were calculated

separately for U.S. and non-U.S. institutions. They also used the 33 topics to survey the opinions of chief financial officers of U.S.-traded multinational enterprises. They found some difference of opinion across the three samples regarding the topics' relative importance; however, they concluded that there was more agreement than divergence between educators and practitioners.

Smith and Salter (1996) survey 141 U.S. accounting educators who list a specialty in international accounting in the 1991 edition of Hasselback's *Accounting Faculty Directory*. Using the 30 topics identified as the most frequently used by Agami's (1983) survey of syllabi, the authors ranked mean responses on a topic's relative importance. Their detailed results are presented in comparison with the current study in the results section. In part, however, they find that taxation and inflation accounting no longer make the top 5 as they did in the original Agami (1983) results, suggesting that changing business conditions contribute to changing relative importance of topics.

Adhikari et al. (1999) perform an analysis similar to HM; their survey sample, however, is derived from 704 institutions (570 U.S. and 134 non-U.S.) listed in the 1995 edition of Hasselback's *Accounting Faculty Directory*. From each institution, they survey the department head and one faculty member listed in Hasselback as having an international specialty. The survey investigates how internationalization is currently taking place at the institution, which topics (13 total) are perceived as important, what incentives are used to encourage faculty to internationalize, and what obstacles they face to internationalization. They conclude that the integration approach is increasingly being used to incorporate international issues into the accounting curriculum and that non-U.S. schools have shown more improvement in enhancing faculty capabilities in this area than have U.S. ones. They document very few differences between U.S. and non-U.S. schools with respect to the relative importance of accounting topics.

This study differs in several important ways from prior research. First, the study is not restricted to relatively broad-topic categories, as with Huang and Mintz (1992) and Adhikari et al. (1999). While a more detailed questionnaire may prove complicated for some educators, we feel that the most useful guidance will come from a more detailed survey instrument. The quantity of material to be covered in any one accounting class is increasing each year, while at the same time demand has increased for improved pedagogy, such as through incorporating active learning techniques. Preparation time for classes has indeed become a scarce commodity. Therefore, this study provides detailed suggestions, so as to facilitate the inclusion of the most important topics into accounting classes.

Second, this study does not investigate whether or not international accounting is important *per se*. Prior research and current economic conditions have amply demonstrated that international accounting is critically important. Furthermore, this study does not evaluate what type of class or alternative teaching methods are preferred. This study is focused on and limited to an analysis of the international accounting topics that should be given highest priority.

Technological growth has helped the global business world to shrink and has brought international issues to the attention of even small firms. Such changes in the business environment may easily have changed current opinion on specific topics, as well as perceptions of what future graduates will need to know. If universities are to remain competitive and continue to turn out quality graduates, they must keep curriculum as relevant as possible. This study should help faculty do just that.

## 3. Methodologies used and data collected

Like most prior research in this area, a survey instrument was used to ascertain the perceptions of accounting educators, who were members of the International Accounting Section of the American Accounting

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