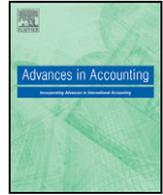


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A factor analysis on knowledge and skill components of accounting education: Chinese case

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ABSTRACT

Accounting education reform is being called upon by the profession and business communities in many countries under new business environment with high-tech production, economic globalization and intensified market competition. This study, by applying the factor analysis research method, has empirically-developed 6 latent constructs about the desirable knowledge and skill components that should be emphasized in accounting education in order to meet the challenges stemming from the changing business environment, i.e., business/management skills, business/management knowledge, core accounting knowledge, personal characteristics, general knowledge, and basic techniques. The structural order of, or the interrelationship among, these six dimensions of the knowledge and skill requirements in accounting education is also elaborated based on the analysis of factor loading results. The findings of this study should assist various groups of stakeholder (e.g., accounting practitioners, educators and students) to gain a better understanding of needed changes in accounting education and provide input for redesigning accounting curriculum to promote a smooth progress of accounting education reform in China and other countries.

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1. Introduction

Accounting education reform has been called upon continuously by accounting practitioners and business communities over the last two decades. In the western countries, several studies and reports have identified the problems of the traditional accounting education programs that overemphasize training students for professional qualification examinations even at the expense of broader knowledge base and professional skills in accounting education (Barsky, Catanach, & Kozlowski, 2003; Cummings, Bennett, & Normand, 2001; Gibbin, 2002; Kimmel, 1995; Sundem, 1992). Serious criticisms from the accounting profession and practitioners, along with rapid growth of high-tech production, economic globalization and intensified competition in the business world, have prompted accounting educators in the US and other countries to pursue accounting education reform in recent years (Burnett, 2003; Forristal, 2002; Howieson, 2003; Lux, 2000; Montano, Anes, Hassall, & Joyce, 2001; Taylor & Rudnick, 2005). A few studies sponsored by the professional and academic bodies in the US have outlined what must be changed or what should be the needed knowledge and skill components in accounting education under the new business environment, such as broadening the knowledge base and fostering professional skills in accounting education. In particular, a joint study project sponsored by 4 major accounting bodies and the 'Big 5' accounting firms in 2000 summarizes the perceptions of various stakeholders and draws a

blueprint of new accounting education (Albrecht & Sack, 2000). A long list of knowledge subjects and skills has been identified as a reference for the desirable changes in accounting education (Ainsworth, 2001; Albrecht & Sack, 2000; Aly & Islam, 2003; Francisco & Kelly, 2002). Consensus is emerging among accounting practitioners and academics in recent years on the need for expanding knowledge base and skill development in accounting education. Nonetheless there is a lack of consistent or structured views on what should be the required knowledge and skills for accounting students, although many advocates have put forward a large number of the knowledge and subject skills as the components for accounting education at the present time.

Aiming at concept generalization and data reduction to capture the key components of needed skill and knowledge requirements for accounting education, this study applies the factor analysis research method to develop the latent constructs underlying those knowledge and skill items that have now been generally accepted by various stakeholders of accounting education in many countries. It is argued that the establishment of less number of cognitive constructs will promote consensus on the needed skills and knowledge base that must be fostered in accounting education in general.

Through factor extraction from 37 knowledge and skill items (variables) derived from prior studies in the literature, we obtained 6 inherent constructs, i.e., business/management skills, business/management knowledge, core accounting knowledge, personal characteristics, general knowledge and basic techniques. We believe that these constructs can better reflect the structured components, as well as their priority or interrelationship, for new accounting education programs that can meet the challenges in the changing business environment in many countries.

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These cognitive constructs should benefit various groups of stakeholder to form a more structured view towards the changes that must be adopted in the present course of accounting education reform in China and other countries, and they can also assist accounting educators to more effectively redevelop accounting curriculum and pedagogy in order to promote a smooth growth of accounting education reform.

2. Study background

Accounting education has been under attack for many years. Many practitioners and the professional bodies continuously criticized that the traditional accounting education was too closely tied into preparing students for professional qualification examinations. Most accounting education programs at universities and colleges in many countries were too narrowly constructed, staffed with limited knowledge subjects in the accounting curriculum and lack of training of skills that are required for practicing professionals (AAA, 1986; AECC, 1990; Albrecht & Sack, 2000; Aly & Islam, 2003; Nelson, 1996). Accounting practitioners have continuously criticized accounting graduates for generally lacking the comprehension of knowledge other than some specialized accounting subjects. In addition, most accounting graduates performed quite poorly in the areas of interpersonal communication, team work, analytical judgment, problem-solving, and so on (Borzi & Mills, 2001; Kimmel, 1995; Mohamed & Lashine, 2003; Packer, 2001; Thompson, 1995; Vessel & Thompson, 1992). Thus demands for changes in accounting education mounted continuously in the US and many other countries over the last two decades.

Accounting educators must respond to the growing pressures from the accounting profession and business communities. For instance, American Association of Accounting (AAA), the leading US academic accounting organization, has made continuing efforts to promote accounting education reform in the US since the mid 1980s. Several subcommittees under AAA conducted reviews of accounting education programs and issued their reports on the necessity and direction of accounting education reform in the US (AECC, 1990, 1996; AAA, 1986; Lux, 2000; Sundem, 1992; Williams, 1993, 1994; Wilson & Baldion, 1995).

Those reviews or studies had promoted certain consensus on accounting education reform among accounting educators and practitioners. For instance, AECC issued its Position Statement One, *Objectives of Education for Accountants*, in 1990, which precisely stated that the primary objective of accounting education is to prepare students *to become*, instead of *to be*, the professional accountants when they enter the profession (AECC, 1990, p4). Thus accounting education should be broadened substantially, toward a general education of accounting rather than merely preparing students for professional qualification examinations. As stated, accounting education should aim at providing several tiers of knowledge to students, i.e., general knowledge, organizational and business knowledge, and accounting knowledge. In addition, accounting education should foster students' communication, intellectual, and interpersonal skills (AECC, 1990; Bonk & Stevenson, 1998; Mohamed & Lashine, 2003; Montano et al., 2001).

However, accounting education reform, even in the industrialized countries, progressed in a very slow pace. Resistance to changes in accounting education is substantial. (Albrecht and Sack, 2000; Chabrow & Hayes, 2001; Fedoryshyn & Tyson, 2003; Gibbin, 2002). Nonetheless, remarkable changes have taken place in business environment during this period. Following high-tech production and globalization of business operations, the life-span of products is shortened, business competition increased, and market condition changes accelerated since the 1990s. As a result, business restructuring or reorganization became common. Such changes in business environment also brought about restructuring and even downsizing pressures for accounting firms and the profession. The entrance

requirements for professional accountants rose substantially and continuously in order to cope with dramatic changes in the business world. The profession has to emphasize a much broader knowledge base and a wide range of professional skills for new entrants in the new business environment (Barsky et al., 2003; Billiot, Glandon, & McFerrin, 2004; Cummings et al., 2001; IFAC, 1996; Packer, 2001).

Under the sponsorship of American Institute of Certified Public Accountants (AICPA), Institute of Management Accountants (IMA), American Accounting Association (AAA), and the 'Big 5' international accounting firms, a joint project was launched in the late 1990s. The two senior accounting professors who were in charge of the joint project issued their study report in 2000, *Accounting Education: Charting the Course through a Perilous Future*, ('A&S report'). This report contends that the traditional accounting education models cannot survive under today's new business environment and accounting education reform is imperative. In particular, based on the feedback of the interviews and surveys of various stakeholders, the A&S Report advocates that accounting education should put an emphasis on the training of professional skills and substantially broaden the knowledge base in accounting programs.

In their report, Albrecht and Sack listed a series of professional knowledge subjects and skills and investigated the perceived importance of those knowledge subjects and skills from the perspectives of accounting practitioners and educators in the US. They found that there is a gap in the perceptions of the importance and ranking of those knowledge subjects and skills, accounting educators remain lagging behind the practitioners in recognizing the importance of a number of professional skills and non-accounting knowledge subjects (Chapter 4, A&S Report, 2000). Later, Francisco and Kelly extended the A&S survey to investigate the perceptions of business students in the US in 2002. They identified some differences in the perceived importance of those proposed knowledge and skill subjects among accounting students and non-accounting business students, while there are some variations in the students' perceptions with that of accounting practitioners and educators as reported by the A&S Report. Nonetheless all stakeholders of accounting education were in agreement for the need for immediate and thorough reform of accounting education (Albrecht & Sack, 2000; Francisco & Kelly, 2002; Graves, 2004; Montano et al., 2001; Russell & Smith, 2003).

The above-mentioned studies or reports produced some positive impact on the development of accounting education in the US and other countries; they had either pointed out the direction of accounting reform or generated some specific inputs for the redesign of accounting curriculum and pedagogy. Most of the recommended changes have been widely echoed by other studies in more recent years (Ainsworth, 2001; Barsky et al., 2003; Billiot et al., 2004; Howieson, 2003; Robson, Savage, & Shaffer, 2002; Taylor & Rudnick, 2005; Wallace, 2001). However the proposals of those studies and reports are not concrete enough for accounting educators to form an explicit and consistent view on the desirable structure of accounting education in the changed business environment. In particular, the prior studies have not clearly highlighted what should be the main components of the required knowledge and skills in accounting education, as well as their priority and interrelationships in the redesign of accounting curriculum to implement accounting education reform. In other words, there is still a lack of explicitly defined and empirically-tested constructs to capture the main knowledge and skill requirements for today's accounting students since those knowledge and skill subjects advocated or proposed by prior studies are either unstructured or qualitatively-described in nature, making the formation of a consensus among various groups of stakeholders in accounting education difficult.

China has embarked on a wide-range economic reform since the late 1970s, moving rapidly toward a market-oriented economy over the last two decades. Along with the economic restructuring and internationalization of Chinese accounting, accounting education in

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