

No Accounting Education is Complete without Values, Ethics & Attitudes

Recent major corporate scandals around the world have almost always been associated with misuse of entity resources and manipulation of financial statements through fraudulent financial reporting. Critics often claim that some professional accountants contributed to many of these corporate failures given their critical roles throughout a company. These critical roles, including CFOs, management, management accountants, internal auditors, and external auditors, all contribute to sound internal control in reporting entities. Ultimately, these roles contribute to relevant and reliable financial statements.

However, regardless of critics, evidence suggests that a primary reason professional accountants fail to perform their roles is that they did not always apply professional values, ethics, and the right attitude as part of their work.

According to the International Education Standards (IESs), professional competence is the ability to be able to perform a role to a defined standard. Indeed, for any given role there is a need for professional accountants and aspiring professional accountants to integrate and apply a combination of technical competence, professional skills, and professional values, ethics, and attitudes. This combination of skills has a direct impact on how they will conduct themselves in their day to day activities.

In practice, however, the primary focus of learning activities tends to be on developing technical competence and

professional skills, for both accountants in training and practicing accountants maintaining their competence. The focus is rarely on professional values, ethics, and attitudes. One possible reason is that focusing on technical competence and professional skills is perceived to be less complex and costly.

A further complication stems from the challenge of assessing if aspiring and practicing professional accountants have been able to embed these values, ethics and attitudes in their behavior. In a very practical sense, how can this be tested? We argue that one cannot rely solely on traditional assessment methods, such as exams. Assessments should ideally include observation and feedback on behavior, which can become complicated and expensive.

Furthermore, many professional accountancy organizations (PAOs) currently adopt an input-based approach to monitoring their members' continuing professional development (CPD). Under an input-based approach, members have to complete certain amount of hours of relevant professional development to fulfill their CPD requirement. As a result, PAOs cannot directly evaluate with any certainty whether their members are actively developing and maintaining their professional values, ethics, and attitudes in an applied context.

As most countries in the world use International Financial Reporting Standards (IFRS), which adopts a principles-based approach rather than rules-based approach, professional



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accountants can really only act in the public interest if they are able to demonstrate their professional values, ethics, and attitudes as an integrated part of their technical competence and professional skills. Using a principles-based approach relies heavily on professional judgment to determine suitable accounting treatments for given scenarios. However, management's self interest in financial performance can sometimes lead to using professional

judgment to opportunistically manipulate financial statements. By applying professional skepticism and ethical skills, as well as prior learning, professional accountants—preparers of financial statements, management accountants, internal auditors, or external auditors—can prevent these opportunistic behaviors in the first place.

Professional accounting educators and PAOs should play an active role in requiring and encouraging aspiring and current professional accountants complete learning activities focused on implementing professional skepticism, applying ethical values (such as independence, objectivity, and integrity), and reinforcing a commitment to the public interest.

Potential activities could focus on a number of different areas.

- Professional accounting education programs' **curriculum** could be designed to integrate and complement technical competence with professional skills, values, ethics, and attitudes content. The learning and development of professional values, ethics, and attitudes can be embedded in subjects across curriculum to reinforce the importance of demonstrating the right behavior throughout all competence areas.
- **Assessing** professional competence should not be overly reliant on exams but deploy other assessment methods—such as case study work, collaborative projects, personal reflection on scenarios, and work logs. These other methods can be designed to evaluate professional values, ethics, and attitudes.

- **Practical experience** requirements can be carefully crafted to ensure that PAOs are able to effectively evaluate whether aspiring accountants have demonstrated exercise of professional values, ethics, and attitudes in an applied context.
- For professional accountants, **CPD programs** can put more emphasis on developing professional values, ethics, and attitudes and could be transformed from an input-based approach to an output-based approach focused on demonstrating the development and maintenance of professional competence.

Professional accountants should never underestimate the importance of learning. It's what established their accounting skills in the first place. The ongoing challenge remains how all accountants can maintain and further develop their skills in an environment of ongoing change and ever-present challenges to their professional values, ethics, and attitudes.

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