Towards a Competency Framework for SME Accountants -A South African perspective

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Abstract

Globalization has brought major changes in the world economy, for example a significant increase in trade and investments, rapid technological changes in communications as well as an increasing trend towards deregulation of financial markets. Prospects of increased sales in the world-wide market did not necessarily pose the same benefits to all market participants. In contrast to large multi-national companies, the traditional focus of Small and Medium Enterprises (SMEs) did not include exporting and importing along with alliances, branches and joint ventures abroad. Despite the pivotal roles of small and medium businesses in many economies, the specific challenges resulting from the globalisation phenomenon cannot be denied.

Index terms— competency framework;international federation of accountants; south africa institute of professional accountants;iaesb; ies.

1 Introduction

a) Background he economy and business environment is constantly changing and the world continues to become more global ??Retief, 2012:8).

Denis, Morrow and Roger (2006:3) defined globalisation as an increasingly integrated world economy and a process underpinned by modifications of policies in various countries towards a more open, market based, system of economic governance. In the wake of the globalisation phenomenon a sustainable, global business environment depends on a strong financial Author: School of Accounting Sciences, Faculty of Economic and Management Sciences, North West University,Private Bag X6001, Potchefstroom, 2520, South Africa. e-mail: danie.schutte@nwu.ac.za. architecture ??IFAC, 2013a). From an accounting perspective, it inevitably brought with it moves to establish a single set of financial reporting standardsand other forms of standardisation across borders (Chan & White, 2007:605). As a result, international accounting standards have been in a steady state of change to support a viable financial architecture ??Retief, 2012:8). The global profession can be strengthened, economic growth and stability can be achieved and the challenge of contribution can be addressed by focusing on the development of high-quality international accounting standards and encouragingunity amongst international participants (Ward, 2005). In addition, harmonisation of accounting practices would be a giant leap to strengthen the accounting profession and protect the public interest globally (Pendergast, Partner, Urbach &Werlin, 2006:16).

In order to address the importance of highqualityaccounting standards and for the purpose of setting a benchmark amongst international participants the International Federation of Accountants (IFAC) was established to serve the public interest bycontributing to the development and facilitating the adoption and implementation of high-quality accounting standards(IFAC, 2013b). According to Horstmann (2005:98) IFAC's primary mission is to carry on strengthening the global profession and economies by establishing and promoting union international accounting standards. The challenges and opportunities facing this standard-setting body include meeting the increasingly different needs of global users, addressing concerns about complexity, clarity and relevance ??Horstmann, 2005:98) and providing direction to financial architectures worldwide (IFAC, 2013a). Despite the fact that the development and implementation of high-qualityaccounting standards was not without any limitations, the need for a single set of international accounting standards was recognized ??IFAC, 2007). In this regard it was argued that a single set of accounting standards gains the trust of the global audience in financial reporting and therefore increases investments ??IFAC, 2007).

In addition to its role in ensuring uniform accounting practices the IFAC facilitates the structures and processes that support the operations of the International Accounting Education Standards Board (IAESB). The main objective of the IAESB is to serve the international education standards (IAESB, 2012:2). The IAESB develops education standards and provides guidance and information on pre-qualification education, training of professional accountants, and professional education development and endurance (IAESB, 2012:2). In order to ensure the development and maintenance of competence required from professional accountants to perform various roles,the project of the IAESB is to improve the clarity of its standards (IAESB, 2012:5). In 2009 the IAESB completed its revision of the Framework for International Education Standards for Professional Accountants which sets out the fundamental concepts and principles for the International Education Standards (IES) (IAESB, 2012:5). The Framework for International Education Standards for Professional Accountants (2009) identifies general education, professional accounting education, practical experience and assessment as components of the learning and development of a professional accountant. In reaction to the ever-changing global environment the IAESB commenced to revise IES 1 to IES 8, with the goal of ensuring consistency with concepts of the revised framework and improving clarity (IAESB, 2012:5).

The extant version of IES 2, Content of Professional Accounting Education Programs,published in May 2004 and effective from January 2005, prescribes an IFAC member body's professional accounting education program content of knowledge required from a candidate to qualify as a professional accountant (IAESB, 2012:5).The title has been amended in the proposed IES 2 (Revised) to Initial Professional Development-Technical Competence, to reflect the IAESB's review that IES 2 is one of the six IESs covering Initial Professional Development (IPD) (IAESB, 2012:6). According to the proposed IES 2 (Revised), IPD is defined as the learning and development process of competence required to perform the various roles of a professional accountant (IAESB, 2012:6). In addition, technical competence is used to describe the ability to apply professional knowledge to perform a role to a defined standard (IAESB, 2012:6). The IAESB decided to adopt a learning outcomes approach in the proposed IES 2 (Revised) by specifying eleven competence areas: (i) financial accounting and reporting, (ii) management accounting, (iii) finance and financial management, (iv) taxation, (v) audit and assurance, (vi) governance, risk management and internal control, (vii) business laws and regulations, (viii) information technology, (ix) business and organizational environment, (x) economics and (xi) business management (IAESB, 2012:7). Furthermore, instead of prescribing knowledge, the IAESB identified fourproficiency levels, namely foundational, intermediate, advance and mastery levelsto demonstrate professional competence ??IAESB, 2012:20-22). In addition the IAESB included two new requirements in the proposed IES 2 (Revised) for IFAC member bodies to regularly review and update professional accounting education programs that are designed to achieve the learning outcomes and to prescribe appropriate assessment activities to assess the development of technical competence in a rapidly changing and complex environment(IAESB, 2012:6). Thus, the IAESBrequires that aspiring professional accountants should be able to demonstratenot only technical competencebut also professional values, ethics, and attitudes(IAESB, 2012:6).

From the aforementioned an aspiring professional accountant is firstly described as an individual who has commenced a professional accounting education program as part of IPD. Secondly professional skills are describedas theintellectual, personal, interpersonal, communication and organizational skills that a professional integrates with technical competence and professional values, ethics and attitudes to demonstrate professional competence; and lastly professional accounting education programs are programs designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies and employers, as well as workplace training (IAESB, 2012:9).

In order to fulfill the IAESB's desire for the proposed IES 2 (Revised) to be consistently drafted the IAESB is currently considering comments and feedback and the proposed IES 2 (Revised) is expected to be finalized in the third quarter of 2013 and effective for implementation for periods beginning on or after 1 July 2015 (IAESB, 2012:5-7). Comments on matters in the proposed IES 2 (Revised) was addressed in a structure of eight questions and released from October 2012.The results of the eight questions (1-8)from the submitted comment letterscould be briefly summarized as follows:

Question 1-The majority of the comments agreed that the eleven competence areas listed in Paragraph 7 of the proposed IES 2 (Revised) captures the breadth of technical competence areas required from aspiring professional accountants. It was however suggested that the sequence of the competence areas should be reviewed and restructured according to necessary educational steps.

Questions 2 and 3-A number of comments were made on the adequacy of learning outcomes capturing the minimum level of proficiency and the assistance of the Appendix in the interpretation of the learning outcomes.

Questions 4 to 8 -The comments indicated that the objective to be achieved by a member body is The competencies of professional accountants have been challenged by the ever-changing business environment. The skills, understanding and personal attributes to ensure a successful career in the global world are becoming increasingly more important (Knight & Yorke, 2004) Success in the working environment depends on the identification of specific skills and competencies required of employees.In this regard a competency framework is defined as a high level description of competencies (knowledge, skills and attributes) individuals should possess atthe entry point to a particular profession (SAICA, 2010:3). In other words,a competency framework provides thefoundation upon which professions are developedand therefore enables a clear understanding of the required competencies a prospective employee should demonstrate embarking a career (SAICA, 2010:3).

Agarwal and Gupta (2008) argue that a gap exists between the students' knowledge after graduation and the practical application thereof in the real-world business.They found that students need to reflect on knowledge before they can apply this knowledge.In an accounting context the theory and practice of a competency framework was primarily built upon the work of the American pragmatist philosopher, John Dewey, who argued that knowledge is gained by combining theory and practice (SAICA, 2010:8).Practicing accountant should have theoretical knowledge and the skill to apply this knowledge in practice (Rudman & Terblanche, 2012:60-61). According to KPMG (2009) and Price Waterhouse Coopers (2009) knowledge (theoretical aspects) can only be achieved through real-world clients and their specific circumstances. Up until now, researchers found that students can reflect on and apply their theoretical knowledge when applying this knowledge in a business environment **??** Globalisation is the essence of IFAC and the IAESB's objective to serve the public interest and contribute to the development, implementation and convergence of high-quality international accounting standards. A competency framework in an accounting context should therefore address the challenges arising from the rapidly changing complex environmentto bridge the gap between theory and skillsand to enablestudents to reflect on and apply their theoretical knowledge when applying this knowledge in the business environment. In addition, a competency framework lends strong support to tertiary accounting programmes used to prepare students for the "realworld" working environment and consequently requires accounting courses to be taught using "real-world" scenarios (SAICA 2010:12). In other words, the on-going development of a competency framework for SAIPA promises lucrative results and service of the public interest by setting one set of uniform highqualityaccounting standards, accepted and enforced on a consistent basis amongst international participants (Pendergast et al., 2006:19).

2 II.

3 Problem Statement and Research Objective

The central argument of this study is the existence of a gap between theory and skills and the importance of accounting bodies' requirements to ensure quality education programs in order to comply with the high-quality standards set amongst international participants.In contrast, the majority of SAIPA practices are operating in the small and medium business sector that do not necessarily have an international focus (Dixon, **??**hompson & McAllister, 2002:27).Therefore, the Y 2013 ear ( ) D primary objective of the study is to investigate the foundation upon which SAIPA programs are developed and ask the question whether the on-goingdevelopment and implementation of a competency framework for Professional Accountants (SA) willbe sufficient to bridge the gap between theory and skills. This will also enable professional accounting educators to provide students with the ability to apply the theory they have been taught when they enter the real-world business after graduation. The literature study formed the foundation for the empirical study, which considered the relevance of the IAESB's competency framework in a South African context. Since IES 2 -Initial Professional Development-Technical Competence (Revised) was developed to identify the skills and competencies required to enter the accounting environment the population comprised accounting firms who attended the North West University career expo in 2013. The sample was narrowed down to accounting firms in the small and medium business sector. In this regard the technical competence learning outcomes according to Table A of the proposed IES 2 were sent to 23 accounting firms who were asked to rate the competency areas according to the IAESB's four proficiency levels. Fifteen accounting firms provided feedback (presented in Annexure A). The average rating of the 11 competency areas is presented in Figure 1.

4 III.

5 Data and Methodology

6 Global

The contribution thereof is that the development and implementation of a competency frameworkaccording to high-qualityinternational accounting standardsfor the professional accountant will enable the professional accountant to respond to the fast-changing environment and be a life-long learner (SAICA, 2010:7). Despite the fact that the competency framework may require re-evaluation from time to time due to the fast-changing social, political and business environment (SAICA, 2010:9), it can enable a clear understanding of the required competencies a professional accountant should demonstrate embarking a career (SAICA, 2010:3). The accounting rated Taxation (2.98) and FinancialAccounting (2.86) as the most important competence areas.Business Laws and Regulations (2.61) were considered the third most important competence area.Governance, Risk Management and Internal Control (2.34) as well as Audit and Assurance (2.27) were also considered important. In contrast, Economics (1.21) and the Business and Organizational Environment (1.59) were not highly rated by the accounting firms.In addition the results revealed that Information Technology (1.91), Management Accounting (1.95) as well as Finance and Financial Management (2.05) are not considered that important by the accounting firms included in the survey. In summary the 11 competency areas could be ranked in the following sequence:

7 Discussion and Conclusion

In contrast, the accounting firms indicated that information technology was not considered that important. Moreover, the study revealed that only moderate levels of complexity arerequired for Management accounting as well as for Finance and financial management. The lower than expected rating for the aforementioned disciplines could be indicating that financial statements prepared in the small and medium business sector is conformity in nature and that accountants are not involved in the day-to-day management of clients, especially in view of the relatively low rating for Business management; Business and organizational management as well as Economics.

In summary the study identified the most important competence areas for accountants in the South African small and medium business sector. The results could be of value to academic institutions developing academic programs and preparing accounting students for the small and medium business sector. In view of the exploratory nature of the study further studies are encouraged, especially in an international context to compare the competency requirements across borders. The evidence suggests that accounting students can expect to provide a combination of accounting and tax consulting services to small and medium businesses in the South African environment. The interpretation of specialized reports included under Financial Accounting was however not considered that important by the accounting firms included in the study. With regards to Taxation, international taxation and the involvement of a tax specialist obtained the lowest ratings. The relevant importance of the regulatory environment in which small and medium businesses operate was also confirmed. Business laws and regulation, Governance, risk management and internal control as well as Audit and assurance were considered to be intermediate to advanced areas.

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9 Global Journal of

Figure 1:

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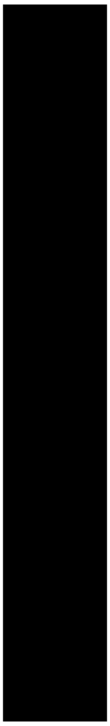


Figure 2: D

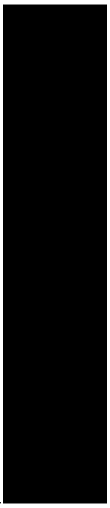
1 

Figure 3: Figure 1 :

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Competence area	Rating	Proficiency level	
Taxation	2.98	Advanced	
Financial accounting and reporting Business laws and regulations	2.89 2.61	Advanced Intermediate to Advance	2013
Governance, risk management and internal control Audit and assurance	2.34 2.27	Intermediate to Advance Intermediate to Advance	Y ear
Business management	2.18	Intermediate	
Finance and financial management	2.08	Intermediate	
Management accounting	1.95	Intermediate	
Information technology	1.91	Intermediate	
Business and organizational environment	1.59	Foundation to Intermediate	
Economics	1.21	Foundation	
IV.			
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Figure 4: Table 1 :

6. CIPFA (CHARTERED INSTITUTE OF PUBLIC Annexure A -Learning Outcomes for Technical Co
FINANCE KINGDOM)), 2012. CIPFA response to IAESB AND ACCOUNTANCY (UNITED

consultation (a) Financial accounting and reporting on the IES 2 expos
draft.http://www.ifac.org/publicationsresources/ies2i (i) Apply accounting principles to transactions an
(ii) Apply IFRS or other relevant standards to a range of transactions and other events nitialprofessiona

PUBLIC ACCOUNTANTS IN IRELAND). (v) Evaluate the appropriateness of accounting policies use
IAESB exposure draft (July 2012) International (vi) Interpret specialized reports including sustainabilit

benchmarking e. Date of access: 15 Jul. 2013. (iv) Compare and evaluate the performance of products
Globalisation: trends, issues and macro implications fortheEU.http://ec.europa.eu/economy_finance/pu

technical-competence. Date of access: 15 Jul. 2013. 11. FORREST, A. 2012. Exposure draft July 2012

	Mean	Min	Max	Variance	Standard deviation
(i) Business and organizational environment					
(i) 2.00		1.00	3.00	0.36	0.60
(ii) Analyze key features in the global environment that affect international trade and finance	1.45	1.00	2.00	0.25	0.50
(iii) Explain the impact of legal, political, cultural, and technological contexts on the processes of internationalization of an organization	1.55	1.00	3.00	0.43	0.66
(iv) Identify the characteristic features of globalization, including the role of multinationals, e-commerce and emerging markets	1.36	1.00	2.00	0.23	0.48
(j) Economics					
(i) Describe the fundamental principles of microeconomics and macroeconomics	1.09	1.00	2.00	0.08	0.29
(ii) Interpret the effect of movements in key indicators of microeconomic and macroeconomic activity	1.09	1.00	2.00	0.08	0.29
(iii) Explain the competitive environment facing organizations under different types of market structures, including competitive markets, monopoly, monopolistic competition, and oligopoly	1.45	1.00	3.00	0.43	0.66
(k) Business management					
(i) Explain the various ways that organizations may be designed and structured	2.27	1.00	3.00	0.56	0.75
(ii) 2.27		1.00	3.00	0.56	0.75
(iii) Explain the external and internal factors that may influence the formulation of an organization's strategy	2.27	1.00	4.00	1.29	1.14
(iv) Analyze relevant factors in the internal and external business environment that impact on managerial work and organizational performance	2.09	1.00	3.00	0.81	0.90
(v) 2.00		1.00	3.00	0.73	0.85
Legends:					
1					

Figure 6: Learning Outcomes for Technical Competence Area (continued)

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