

# Chapter 101

## Dynamics of Knowledge Renewal for Professional Accountancy Under Globalization

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### ABSTRACT

*Turmoil in the global financial markets has raised concerns about the role of professional accountants in safeguarding the interests of corporate stakeholders. This chapter aims to articulate the interrelated developments that critically challenge the profession in delivering quality financial reporting and the implications to accounting education. Based on an interdisciplinary literature review, it contains a conceptual framework that exemplifies a model for dynamic human capital development with a trilogy of quality in professional accountancy in light of the changes under the contemporary global financial system that demands knowledge of both local and global relevance. This study suggests the renewed responsibilities and challenges taken up by professional accountants under the current global environment. A framework is developed to illustrate the pertinence of renewal for accounting professional initiated at the institutional level that integrates tertiary education with current practice knowledge, continuing professional development, as well as standards set by the professional accounting bodies.*

### INTRODUCTION

Prior studies have attempted to address concerns over education of professional accountants given the corporate failures and loss of stakeholders' confidence in the accountability of the emerging

global financial system (Howieson, 2003; Hunt, 2004; Danos & Measelle, 2007). These issues include the imminent harmonization of the international financial reporting standards (IFRS), corporate governance and internal control, risk management, sustainability and ethical qualities

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of accounting professionals. The more recent global financial crisis emerging in 2008 has only served to raise further concerns about efficacy of the accounting profession and accounting education by the stakeholders (Sikka, 2009; Bloom & Webinger, 2011; Boyce et al., 2012). The study about the challenges of the professional need to take into account the emergence of a global financial architecture for its influence over the auditors (Loft & Humphrey, 2006; Humphrey et al., 2009). Globalization of capital markets has not only led to more similar standards but also to more potential systemic risks, which could lead to corporate failures (Kothari & Lester, 2011; Allen & Faff, 2012). Professional accountants face the challenge of a changing landscape accompanied by an increasingly complex environment in light of these convoluting challenges in the financial capital market.

Against such a background, this chapter attempts to take a step back with a macro view of the aforementioned challenging issues and to provide a literature review of pertinent studies about the reviving profession of accountancy. Embracing the dynamism in human capital development and knowledge management concepts, this article introduces a common framework to exemplify the knowledge renewal cycle that collaborates between continuing professional development activities of professional accountants and timely curriculum updates in tertiary accounting education through adapting a classical model of quality management. The dynamic approach proposed by our framework intends to raise the awareness of the global professional accounting bodies in enabling their existing and new members to improve their effectiveness in combating growing systemic challenges. Tertiary accounting programs with an objective to prepare their students for such challenges ahead need to consider crucial areas of enhancement. This prospective framework serves as a springboard to help guide and develop accounting professionals who wish to effectively discharge their responsibilities in an ever-changing landscape.

## **KEY CHALLENGES FACING THE PROFESSION OF ACCOUNTANCY**

### **The Changing Role of Professional Accountants Under a Global Economy**

Professional accountants nowadays carry titles other than auditors or corporate accountants. Through a period of career development, professional accountants may carry the title of chief financial officer, financial controller, treasurer, financial manager, financial officer and internal auditor who are tasked along with other professionals in the role of enhancing accountability in organizations with broad stakeholders, in both domestic and multinational entities. Professional accountants, being both internal and external stakeholders, take up the responsibilities in performing the balancing act between performance and conformance. Such challenges for professional accountants are further complicated in the era of economic globalization that gives exposures to more opportunities as well as risks.

In practice, the professional judgment of accountants would need to be complemented with both “soft” skills and technical knowledge in order to uphold their critical role as expected by the stakeholders. Under the present challenges faced by the profession, Jayalakshmy et al. (2005) pointed out the increasing importance of the “true and fair” quality as well as the forefront independence for the auditors in particular. In addition to inherent limitations in the techniques and tests performed, the lack of independence, integrity and credibility of the profession could be a cause of potential audit fraud (Jayalakshmy et al., 2005; Sikka, 2009).

Under the recent globalization of the world economy and concerns over the global financial crisis, there have been institutional influences among key international financial regulators and stakeholders, such as the International Federation of Accountants (IFAC) and large international

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