

# THE NECESSITY FOR A FUNDAMENTAL RELATIONSHIP BETWEEN ACCOUNTING EDUCATION AND PROFESSION ON THE BASIS OF ACCOUNTING STANDARDS APPLICATION

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## **Abstract:**

*This work is meant to analyze the way in which the contributions of specialists in the field are illustrated for the future of the accounting profession, the manifestation of accounting judgement and ethics in the present context of harmonization of Romanian accounting system with IFRS and European regulations. The accounting profession is targeted by students and young economists of academic institutions in the economic area. Professional and academic organizations should get more involved in managing the turning from a traditional role to a modern one, adapted to the new demands of the business environment.*

*The present research brings a contribution to the debates on the future of the accounting profession and the effects on the accounting education in Romania.*

**Keywords:** Professional bodies, accounting education, International Financial Reporting Standards, Romania

**JEL Classification:** M41

## **1. Introduction**

The academic environment holds an important role in the economic context of our days, in which the economic uncertainty that affects companies dominates along with the rising demand in financial information the demands of the accounting and auditing area but also the graduates' motivation for integration in the accounting profession.

So that all these issues may be covered, the academic environment needs to cooperate with the accounting and auditing fields and also with the professional organizations.

The cooperation between the academic environment and the professional one is approached in different ways in the literature speciality area.

Yu et al. (2013, p. 9) deals with the advantages brought to the accounting and auditing domain by the academic environment, arguing in the same time that "they generated an improvement in the field".

Zhang (2013, p. 58) says that "accounting practices of companies may be influenced by accounting education, the academic environment having double effect over the professional one: firstly, accounting standards are issued and secondly, they become more consistent in the context of a qualitative education".

Xiling (2010, p. 127) believes that "education in the accounting area may be improved through the feedback given by accounting specialists on the level of quality and the usefulness of studies in the business field".

Yu et al. (2013, p. 11) highlight "the importance of adapting and updating of textbooks and specialty materials to the new trends of financial statements reporting".

The above mentioned approach the function of the academic environment related to the business domain, in the context of the necessity of a fundamental relationship between accounting education and profession, of the integration of specialists and researchers and of involvement in the activity of running the accounting regulations.

The contentedness of the business environment regarding the acquired capacities of students and master students after graduation depends on the accordance of academic area with the regulations of professional organizations.

Academic professionals must consider both the knowledge and the experience acquired in practice and contribute to scientific research in the area.

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The accounting profession has suffered from a crisis of image and reputation for the last three decades. Generally speaking, the students' perception is part of their belief which may influence the choice regarding the career.

Students' perception concerning their future career in accounting and auditing may affect their view about themselves, their complacency and attitude towards career and trust in it.

Due to the fact that some inaccurate perceptions may lead to false representations, it becomes extremely important for students to hold a realistic vision, image about what the accounting profession implies and consists in. In this respect, Bunea et al. (2013, 57) believes that "the way in which accounting is perceived by society influences or not the attraction of the best students toward the profession".

Cataloging accountants and other negative perceptions held by students about the accounting profession might explain the global decline in the number of students that choose to become accountants lately (Boyce et al., 2012, p. 53).

## **2. Methodology research**

The present research has as a starting point the analyze of the students and graduates' perception on the role of accounting standards and professional organizations, the professional judgement and ethics in the accounting field, the research method being represented by the study and the research instrument by the questionnaire or enquiry.

The research is approached through two points of view:

1) *It considers, on one hand, a synthesis of conclusions published on this subject in the specialty literature;*

2) *An empirical study based on a questionnaire and its answers given by master students and graduates of the master's degree programme of The Drobeta Turnu-Severin Academic Centre – Craiova University, Specialization: Accounting Management, Expertise and Audit, for 2013-2015 period.*

The study is limited if we refer the generality of results. The sample used comprises respondents from a single Romanian university and the results should be cautiously interpreted.

The final conclusion of this empirical study reflects the importance of studying the results of numerous researches carried out through time, economic situation, the society's expectations and the level of education in academic institutions.

## **3. Study concerning the necessity of the accounting profession's regulation in the context of accounting standards' application**

### **3.1 Perceptions on debates referring to the future of the accounting profession and the effects on the accounting education**

This study is based on five subjects of perception (the perceived negative behavior of accounting professionals, the perceived positive reputation of accounting professionals, the earnings from the accounting profession, the demands of the accounting profession and general opinions about the accounting profession in the context of accounting standards' application) which might be part of the master students or graduates' perception (participants to the questionnaire) concerning the debates referring to the future of the profession and also to the effects on accounting education.

We have chosen these aspects because the study aims to analyze the personality and the factors connected to career that influence the professional choice among master students and graduates, aspects which have enjoyed a relatively insignificant attention in the specialty literature, mainly in our country.

In this study we used a dependent variable which is being represented by the accounting profession in the circumstances of accounting standards' adoption and four independent variables or arguments reflected through the analyzed subjects of perception, Romania being the country we have approached.

The accounting profession (AC) is measured through five evaluation criteria: 1 – *Totally disagree*; 2 – *Disagree*; 3 – *Neutral*; 4 – *Agree*; 5 – *Totally agree*.

The entire regression model for empirical investigations in evaluating the factors that might explain the image or perception of the accounting profession is presented as follows:

$$AC_i = \beta_0 + \beta_1 BC_i + \beta_2 Ri + \beta_3 Ei + \beta_4 Di \quad (1)$$

Where: AC<sub>i</sub> = Accounting profession

BC<sub>i</sub> = Behaviour in the accounting profession

R<sub>i</sub> = Reputation of the accounting profession

E<sub>i</sub> = Earnings from the accounting profession

D<sub>i</sub> = Demands of the accounting profession

The regression model (formula) highlights the relationship between a dependent variable (the accounting profession – AC) and four independent variables or arguments:

- *The behaviour in the accounting profession;*
- *The reputation of the accounting profession;*
- *The earnings from the accounting profession;*
- *The demands of the accounting profession.*

Four subject have been approached, subjects concerning the future image of the accounting profession and the effects on accounting education, which as a medium answer a value lower than 3. The standard deviations of three from the approached subjects or themes have been higher than 1 and we mention; the negative perception of the accounting profession's behavior, the positive perception of the accounting profession's reputation and a perception becoming more and more strict of the accounting profession's demands. One of the themes that were pot forward presented a standard deviation with a value smaller than 1. The standard deviation smaller than 1 stresses on one hand the similarity of opinions.

The result illustrated in the following table reveals that perceptions regarding the quality and the future of the accounting profession are almost the same.

The calculation of the central tendency indicators, of the mean values and the variables implied in the model is presented in Table no. 1, containing general statistics of the regression equation.

**Table no. 1 Descriptive statistics of perceptions regarding the future of the accounting profession and the effects of accounting education**

	N	Mean value	Standard deviation
<i>Negative perception of behaviour in the accounting profession</i>	40	2.1000	1.0813
<i>Positive perception of the accounting profession's reputation</i>	40	2.0000	0.8473
<i>The perception of earnings as being a strong motivational factor in choosing the career</i>	40	2.275	1.3394
<i>The perception of the accounting profession's demands as being more and more strict</i>	40	2.125	1.3622

Source: Own calculations based on Microsoft Excel Program

The factors that might have an impact on the future of the accounting profession and the effects of accounting education are being examined by estimating the linear regression model and by using the Pearson correlation analysis.

In statistics, the Pearson correlation analysis represents a correlation measure (linear dependence) between two variables, offering a value between +1 and -1 inclusively. It is used on a large scale in the scientific field as a force measure of a linear dependence between two variables. The *p value* in the Pearson correlation analysis tends to offer a measurement of the force of a test results in contrast with a rejected decision or an accepted decision.

In Pearson correlation analysis, the value of the force relations plays an important role in determining their level concerning variables. The significance level,  $p < 0,05$  is also used in order to determine the relation. This level of significance shows that there are only 5% chances that the relation might not exist and 95% chances that the relation concerning variables might present a significant correlation.

Table no. 2 shows the results of Pearson correlation analysis regarding variables, through testing assumptions and interpreting Pearson correlation results which are going to be presented in a separate section of the regression analysis.

**Table no. 2 Pearson correlation**

		AC	BC	R	E	D
AC	<i>Correlation</i>	1				
	<i>Statistic significance (second marginal point)</i>					
	<i>N</i>	40				
BC	<i>Correlation</i>	-0.083	1			
	<i>Statistic significance (second marginal point)</i>	0.080				
	<i>N</i>	40	40			
R	<i>Correlation</i>	0.051	-0.112	1		
	<i>Statistic significance (second marginal point)</i>	0.001	0.003			
	<i>N</i>	40	40	40		
E	<i>Correlation</i>	-0.043	0.310	-0.145	1	
	<i>Statistic significance (second marginal point)</i>	0.000	0.001	0.002		
	<i>N</i>	40	40	40	40	
D	<i>Correlation</i>	-0.221	0.176	0.071	0.121	1
	<i>Statistic significance (second marginal point)</i>	0.000	0.001	0.003	0.000	
	<i>N</i>	40	40	40	40	40

*Source:* Own calculations based on Microsoft Excel Program

On the account of the results presented in the table we notice negative relations between the perceptions concerning the future of the accounting profession and the effects on accounting education and most of independent variables this aspect emphasizing the fact that the biggest part of assumptions are not sustained.

In analyzing the factors that might influence the future of the accounting profession we used a regression analysis to test the effect of the four independent variables on the dependent variables, the accounting profession for example.

In order to highlight as much as we can the model containing the four explanatory variables, the dependent variable is being emphasized for example, the accounting profession, and it is necessary to be tested by means of a series of according statistics.

**Table no. 3 Descriptive statistics – ANOVA**

Model	Square sum	Df	Average deviation	F	Sig.
<i>Regressions</i>	5.074	4	1.268	0.873	0.489 <sup>a</sup>
<i>Residual statistics</i>	50.825	35	1.452	-	-
<b>Total</b>	55.900	39	-	-	-

a) Elements: (Constant variable), BC, R, E, D

Source: Own calculations based on Microsoft Excel Program

Table no. 3 presents the results of analyzing the variation of the variable “Accounting profession” influenced by the regression factor and the residual factor, showing information about the sum of the quadrats of deviations of the dependent variable AC, due to the regression model, the degrees of freedom, estimations of variables owed to the two sources of variation (regression and residue). It is observed that the independent variables have a low effect on the dependent variable, where F value is 0,873 with a p value,  $p < 0,05$ , indicating the fact that generally, the model used for the study is rather inappropriate to explain dependent variable’s fluctuation.

In order to ensure the statistic appropriateness of the model, conformity may be measured by the sum of correlation coefficients, named  $R^2$ .

**Table no. 4 Conformity through  $R^2$** 

Model	R	$R^2$	R2 adjusted	Estimated errors
<b>1</b>	0.301 <sup>a</sup>	0.090	-0.013	1.205

a) Elements: (Constant variable), BC, R, E, D

Source: Own calculations based on Microsoft Excel Program

As it is shown in Table no. 4, both  $R^2$  and  $R^2$  adjusted, measure the model’s conformity, for example, the fluctuation of the dependent variable explained by this model. On this basis of the value of R ( $R = 0,301$ ) it is shown the fact that between the dependent variable and other unmentioned independent variables, there is no linear, direct or solid bond.

The proportion of determination  $R^2$  (R square) has values between 0 and 1 and it is useful to assess whether the regression model is the best one. For the considered values,  $R^2 = 0,090$ , which means that 90% of the dependent variable’s variation that was analyzes, is explained by the variation of behavior, reputation, earnings and the imposed demands.

Table no. 5 describes the results of the regression model.

**Table no. 5 Regression analysis of the perception regarding the future of the accounting profession and the effects on accounting education**

Variables	Coefficients	T statistic term	Probability
<i>Constant variable</i>	1.749	2.265	3.317
<i>Behaviour in the accounting profession</i>	-0.234	-1.307	0.129
<i>Reputation of the accounting profession</i>	0.205	0.854	0.694
<i>Earnings in the accounting profession</i>	0.098	0.676	0.395
<i>Demands of the accounting profession</i>	0.073	0.488	0.378

Source: Own calculations based on Microsoft Excel Program

As it is shown in the above table, from the four explanatory variables tested in the present study, the behavior of the accounting profession ( $p$  value = 0,398), the earnings from the accounting profession ( $p$  value = 0,503) and the demands of the accounting profession ( $p$  value = 0,628) it is confirmed the fact that there is an insignificant relation between them and the dependent variable (Accounting profession).

Taking into account the emphasized values, the multiple regression ligin (curve) is described by the following equation of regression:

$$AC = 1.749 - 0.234*BC + 0.205*R + 0.098*E + 0.073*D \quad (2)$$

In this study, the results of acknowledgements are explained and discussed by putting them analysis conducted considering the collected data. Results are being discussed by putting them in relation with different sources.

The gathered data was analyzes by means of descriptive statistics, distribution of frequencies, analysis of correlation and multiple linear regression.

#### **4. Conclusions and future predictions**

The aim for our research is to analyze the way in which is rendered the image of the accounting professional in our society, so as to get a viewpoint in determining the market strategies and those of advancement in the field, but also the role of accounting standards, of professional judgement and ethics in the evolution of the accounting profession. A modern accountancy requires the use of a series of improved politics and estimation techniques and of accounting options in a certain degree.

In this way, information is compulsory for taking decisions. It is essential for the accounting professional that hold capacities in informational technology due to the informational technological revolution.

The accounting profession is targeted by students and young economists of academic institutions in the economic area.

Future accounting professionals must know the qualities and features of a good accountant: responsibility, honesty and professional behavior, confidentiality, integrity, attention to detail and determination. Professional and academic organizations should get more involved in managing the turning from a traditional role to a modern one, adapted to the new demands of the business environment.

The present research brings a contribution to the debates on the future of the accounting profession and the effects on the accounting education in Romania.

The results support researches and a considerable part of the specialty literature where it is mentioned that students continue to hold negative opinions concerning the subject of accounting and auditing.

We believe that the graduates' vision is influenced by the economic and financial crisis, by low salaries, high unemployment rate and a low living standard, unlike students, who are more optimistic in this regard.

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