



IFRS in the Accounting Curriculum - Implications from Different Perspectives

Bea Chiang^{[a],*}

^[a] Associate Professor of Accountancy, Department of Accounting and Information Systems, School of Business, The College of New Jersey, USA.
*Corresponding author.

Received 24 February 2013; accepted 30 April 2013.

Abstract

The switch from United States Generally Accepted Accounting Principles to IFRS is an extremely large undertaking which will have far reaching effects. Many studies have focused on the effect of possible adoption of IFRS from the perspectives of companies, accountants, or other business stakeholders. This paper attempts to obtain feedback regarding possible IFRS adoption from different angles, particularly from student perspective. Specifically, this paper surveys student comfort level on IFRS new standards as well as their opinions on how well the current curriculum teaches IFRS.

Key words: International Financial Reporting Standards (IFRS); US GAAP; Accounting curriculum

Bea Chiang (2013). IFRS in the Accounting Curriculum - Implications from Different Perspectives. *International Business and Management*, 6(2), 1-8. Available from: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820130602.1070>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820130602.1070>

INTRODUCTION

The advent of all these technologies has created many new opportunities for businesses to expand abroad. It has opened the door to new markets from business' perspectives and provided more opportunity for investors to look across borders and overseas for places to put their money. This has been the trend for a while now and, as technology improves complete globalization becomes more imminent. This is one of the primary reasons that International Accounting Standards Board (IASB) developed the International

Financial Reporting Standards (IFRS). IFRS as a set of accounting, principle-based standards that are intended to be a common accounting language used throughout the world so that financial statements can be transparent and comparable across nations.

However, in the United States there has been resistance. The problem is that US Generally Accepted Accounting Principles has been around for decades and greatly refined over the years to account for many changes and revisions. Certain industries have certain rules for disclosures or exceptions that have been developed from problems that have arisen in the past. Given this fact, the US is trying to work toward IFRS convergence, even if it may seem to be dragging the process. This has caused trepidation from students, professors, higher learning institutions, accountants, publishers, and governing bodies. Each of these groups has their own set of worries and concerns regarding the switch. The purpose of this paper is to enlighten the reader on the various views encompassing this issue. It will also begin to fill a void in related literature of students' perspectives on the matter.

1. WHO WILL THIS SWITCH PRESENT THE MOST TROUBLE TO?

It is debatable as to who will have a harder time learning IFRS: students or practicing accountants. One could make the argument that the latter should have a much easier time learning the new standards because they already have experience under US GAAP or because they have real experience preparing financial statements. There is some clout behind this argument. Undergraduate students still most likely only have experience with textbook problems. They will learn all the basic theory behind balance sheets and income statements, but it is tough to truly cover all of the materials that really go into preparing them and it would be impossible to completely educate students on them in just a few accounting courses.

Although IFRS and US GAAP have some similarities, there are still major differences that can have a huge impact if not properly handled. Students still in school or who have just graduated will have a clean slate. They will have no preconceptions about how to prepare statements. They will not have to battle with remembering which rules are the same and which have changed through the IFRS. It is comparable to the idea that children have a much easier time learning new languages than adults. Obviously there are biological reasons for this as well, but it is similar in the sense that they are both learning something new for the first time. As a person does something more and more it becomes solidified in their mind. There is a saying that “practice makes perfect”, but a more accurate version of that could be “practice makes permanent”. When students get their first accounting job there is a lot of training involved to learn a specific company’s software and procedures. This is why many companies hire their interns, so that they do not have to train a completely new employee. Moreover, an accountant’s first job will probably shape the way they do things for the rest of their career.

Regardless of who will have a tougher time with the switch, it is going to be a challenge for accounting students and accountants alike. It is a whole new set of standards that both will have to learn. Even if the United States decides not to converge to IFRS other countries already have or are in the process. In order to conduct business internationally, it will be imperative to be able to read and prepare statements under these global standards. It is going to be very important for colleges to really start implementing IFRS extensively into the curriculum.

2. REGULATOR’S PERSPECTIVE

Canada is a great place for the US to look toward when deciding how to go about the change. The Accounting Standards Board (AcSB) is Canada’s primary governing body for financial and accounting standards. While US GAAP and Canadian GAAP are not identical they are very similar. As director of the AcSB, Peter Martin (Martin, & Mezzon (2008) commented that the first step in the process is to determine exactly who with need to converge and comply with the new standards and to set a date. From their perspective, they could not identify “any reason why IFRS could not be implemented in Canada...but we want to give people the opportunity to identify any compelling reasons...if they have them.” Obviously IFRS ‘could’ be implemented in Canada or anywhere, but there will inevitably be issues that arise where there are conflicting standards that cannot be effortlessly fixed.

Switching to IFRS will have implications on taxes, capital, and technology. In regards to taxes, new standards of reporting may change certain numbers and ratios resulting in more or less taxable income. Moreover, new technology will have to be developed and bought to deal

with the new standards. This could pose some problems though because it will be tough to make software until all the standards are set in stone otherwise companies will have to keep buying updated versions of the software to comply as the convergence date draws nearer. Firms are going to need to hire new employees that understand IFRS and the accompanying software or at least spend money to train the current employees. Either way it is going to be expensive for firms to handle and will especially put a large burden on smaller companies.

3. EDUCATOR’S PERSPECTIVE

It is probably easier for educator if the date of convergence is set exactly. Once firms realize that this standard will be changed in ‘X’ number of years then they will take the steps necessary to learn and implement the new standard. Once a timeline is in place then it will be easier to determine exactly how and when to start teaching about IFRS. Obviously going about teaching students and seasoned accountants should be handles differently but how to do so is still yet to be determined.

Educators will be learning from the exact same materials that students are. At least at first, very few will have any hands-on experience. Leballe (2008) stated that “teaching of IFRS at the college level will experience the same problem that forensic accounting has. College professors with no field experience in the topic will try to teach it. That’s doing a huge disservice to the students, but professors will no doubt fail to recognize or admit this”. Leballe also commented that first year courses will not be affected, but he suggests a possible change in the sequence of courses. He does see an opportunity in this for professors in the form of research. If they do keep up on how firms are handling the change and how other countries are managing implementation issues that the research will be able to provide feedback to their own country with possible problems or suggestions that they come across. Kroll (2009) poses the question: “Are professors there to teach every rule, or to develop graduates who can think? Most academics not surprisingly come down on the side of developing students who can think...Firms need students who can apply ...the rules – be they GAAP or IFRS.”

This is understandable considering the magnitude of any set of standards whether it be US GAAP or IFRS. Gaa (2008) suggested that IFRS is a chance to make some changes in the way accounting is taught by injecting cultural and regulation dimensions. Since IFRS is meant to aide in globalization, teachers could discuss views on accounting matters from other cultures views. Discussing regulation and why it is necessary could also be another good tool for students.

It is important to understand how different universities are handling the switch. Many accounting educators have

incorporated the topic with their curriculums. But their approaches and the extent which they're delving into the content vary widely (Kroll, 2009). KPMG did a survey of 535 accounting professors and only about 118 of them said they could incorporate IFRS significantly into their curriculum in the coming school year (KPMG 2008). However, the survey does not specify exactly how much incorporation these professors had in mind. However, a November 2009 article from *Accounting Today* points out that, "three quarters of the...accounting professors polled...think that International Financial Reporting Standards need to be immediately incorporated into U.S. accounting curricula, and nearly half believe that the U.S. should transition to IFRS to remain competitive". Colleges are really all over the map in regards to geography and how much IFRS is in their curriculum. It ranges from some universities have a course solely for teaching IFRS that it offers to undergraduate or graduate students to some schools are leaving IFRS on the back-burner and waiting to see what the government does. Most education institutions realize that accounting firms are looking more and more for graduates who have some understanding of IFRS.

While most schools believe it is in their (and their students') best interest to incorporate IFRS into the curriculum, it is a rather daunting task. Accounting classes are already a full load and to add new material would put a strain on both professors and students. Another issue related to resources available for professors to obtain education of IFRS before they deliver the materials in the classroom. Nilsen (2008) reviewed the KPMG study mentioned earlier, and noticed teachers were pretty much split down to middle in regards to who is responsible for preparing the teachers; the school or the individual professors. Another statistic taken from this survey is that only 16% of the professors questioned said that their institutions would provide the capital for them to attend seminars and training sessions.

While some universities offer courses on IFRS, most are only for graduate students. When dealing with undergraduates, some think that it must be incorporated into existing courses and not offered as a stand-alone course. It might be that IFRS and US GAAP are actually very similar and it would be counterintuitive to separate them. Eventually, if IFRS does completely take over, it is likely that a separate, optional course in US GAAP would be offered to students interested in the private sector. As for right now, in this transition period students need to have a basic framework in both and understand the similarities and differences.

US GAAP is probably going to stay around for a while since IFRS in the US currently only planned to be required by public companies. This means that many accountants will need to be fluent in both sets of standards. This is not a simple task. Eventually there will probably be less and less emphasis on US GAAP, but for the time being there

is still a heavy weight on it while the weight on IFRS is ever-growing. Especially during the transition, knowing both sets of standards will be crucial.

There is increasing demand for graduates who are able to take financial data and be able to critically analyze it. This means having the ability to apply the numbers to the business and decipher exactly what they mean for the company. The presentation of IFRS material will need to take a stronger critical-thinking approach than is practiced today due to the nature of principle-based. To deal with these changes, teaching methodologies may require the use of case studies that provide for real uncertainty in finding solutions. What all this is saying is that accountants cannot just be the stereotypical "pencil pushers" anymore; they need communication skills and must be able to elucidate the financial data in layman's terms to non-accountants. This is an extremely useful skill in any profession. However, helping students to develop these skills are always challenging in education regardless which discipline. Since there may be the IFRS convergence in the future, the transition is going to create a lot of confusion so accountants will need to possess the ability to explain to management why certain ratios and such are suddenly different. Upper management may have a basic idea of US GAAP, but they most likely will not be well-versed in it unless they have an accounting background. Most likely, they may have significantly less of IFRS.

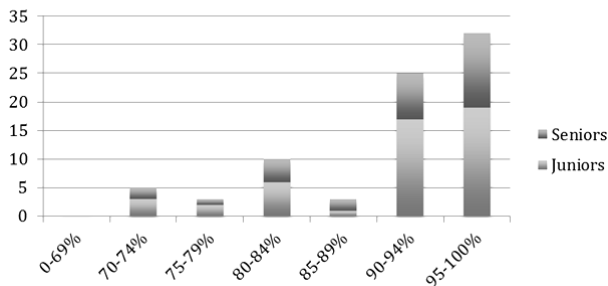
4. STUDENT PERSPECTIVE

In order to obtain perspectives from students about IFRS convergence, a survey was distributed to junior and senior accounting majors at a state college in the northeast region. Students were asked a series of 19 questions: a few general demographic related questions and the rest directly regarding their views on IFRS in the curriculum. They were asked a range of questions such as how prepared they felt using the different standards and how well they felt IFRS was being taught in their classes. Total 184 students including 115 juniors and 69 seniors answered the survey. In general, an accounting major student will have taken Cost Accounting, Accounting Information Systems, and Intermediate Accounting (I and II) along with other base level courses by the end of junior year. By graduation an accounting student will have taken Advanced Accounting, Tax, and Audit in their senior year.

While this change is obviously going to have a huge impact on the accounting world, one group of people that seem to be forgotten in the IFRS education discussion is the students. There are articles upon articles out there that discuss the implications on schools, governments, accounting firms, small businesses, and teachers, but there is little to no literature on IFRS from the student perspective. It is still up in the air as to how soon the

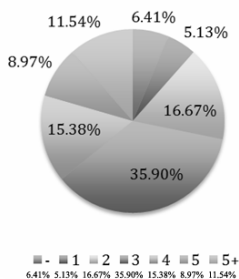
IFRS will be fully implemented in the United States. This leaves many students with the question, “why are we learning this?” In this poll taken of 184 accounting juniors and seniors at the college, 6.41% of them do not believe that IFRS is going to be implemented. This statistic, when paired with the 82.05% that think IFRS will start to be implemented within the next one to five years, raises the question as to why more colleges are not pressing harder to implement the new standards.

What percentage of the curriculum do you feel is US GAAP?

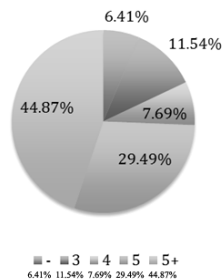


When asked what percentage of the curriculum they felt taught US GAAP versus IFRS the response averaged an overwhelming 89.51% with no responses under 70%. As the chart shows, the majority of students feel that at least 90% or more of the curriculum is United States GAAP. If students feel that International Financial Reporting Standards are right around the corner but almost nine tenths of curriculum is US GAAP then this should be a wakeup call to educators.

When do you think IFRS will begin to be implemented?

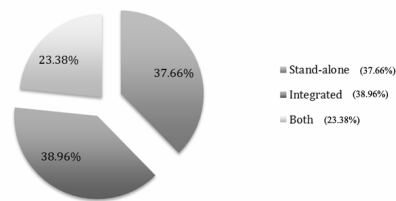


When do you think IFRS will be completely implemented?



It has quite clearly been established that more IFRS needs to be put into accounting programs’ curriculum, but that still leaves the question as to how. Since accounting majors are the ones who this will really affect and put the most burden on, it only seems logical to find out how they feel this problem should be rectified. In the survey of students, they were asked how they felt IFRS should better be implemented; through a stand-alone course, through integration into existing courses, or both.

How should IFRS be implemented?



37.66% of respondents said that IFRS should have its own stand-alone course. As for integrating IFRS into already existing courses, 38.96% feel that this is the proper way implement it into the curriculum, and the remaining 23.38% believe some sort of conglomerate of both would be best. Currently the accounting at department under study just incorporates IFRS into existing courses showing the differences between it and US GAAP at certain points.

In order to fully understand these three options and whether or not they are plausible, each choice must be analyzed. Considering the amount of material any set of standards has, having a stand-alone seems like a good idea on the surface. One could argue, however, that there is no course in the curriculum that solely teaches US GAAP, so why would they need one specifically of IFRS? The answer is because US GAAP is already so hard-wired into the current material it would be very difficult to just incorporating the new standards into the current curriculum. In many upper-division and graduate financial accounting courses, students might explore the key differences that currently exist between U.S. GAAP and IFRS by utilizing the many Web-based resources. Faculty could also use cases that expose students to international scenarios that provide a measure of hands-on experience with differing regulatory and enforcement frameworks and enhance familiarity with company financial statements prepared using IFRS.

IFRS is a whole new ball game so it needs a whole new course. Universities have been teaching GAAP for decades now and to expect professors to be able to slip some IFRS into their material and give students a proper knowledge base of it is near impossible. Moreover, if a course devoted solely to this it will require colleges to have a professor who is an expert on the subject. This would also reduce the costs of training. Considering that currently 46 states require 150 credits in order to become a Certified Public Accountant and by 2012 that number will be at least 47. Having a course solely on IFRS would aid students in reaching the 150-hour mark while providing them very useful education.

On the other hand integrating IFRS into each related course has its benefits as well. The accounting curriculum is already quite rigorous. To make students have to worry about another course is challenging. It may lead to many students deciding to just stay at college for a fifth year to reach the 150 credit hour mark. If just a little bit of IFRS is integrated into every accounting course, it could easily

be spread out over four years. By teaching the basics of the new standards in the introductory accounting course, students will start off their education with a good base that each subsequent course can constantly build on. The survey shows that 102 out of 184 respondents felt that they received most of their IFRS knowledge from their Intermediate Accounting courses. This is not taken until junior year. Instead, the curriculum could begin teaching IFRS a whole school year earlier. If students begin to learn about it sooner then they will have an easier time learning the material in the later courses.

As with most anything in the world, the extremes of a spectrum are not usually the best choice, but a balance somewhere in the middle is. Any higher-learning institution could decide to just offer an IFRS course or just integrate IFRS material into existing courses, but an amalgamation of the two would most likely be the best option. If only a stand-alone course were offered, it would be extremely difficult to relate IFRS to all of the topics covered in other accounting courses in just one semester. A solution could be to offer IFRS as two courses – much like Intermediate Accounting is – but then that poses the problem of fitting it all into students’ schedules. However, it is tough to really delve into detail about IFRS when having to teach the plethora of topics that accounting professors already are responsible for. This is why it would be best to combine the two options. If students had one course that gave them a framework of IFRS concepts and principles, then they could relate what they learned to the material in other courses. This would provide their instructors the opportunity to build on their knowledge without having to spend an inordinate amount of time.

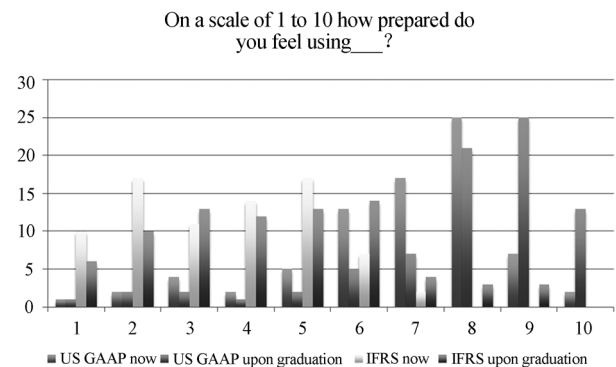
This survey also asked students what percentage of International Financial Reporting Standards material they thought was being taught versus how much they felt was needed to prepare them (i.e. If a student felt that the amount of IFRS in the curriculum completely prepared them, then they would have answered 100%; if they felt that the amount of material was only a quarter of the amount that they felt would be required to prepare them, then they would answer 25%). The results showed an average of 53.01%. This means students feel that almost twice as much IFRS material should be included in the curriculum to sufficiently prepare them for graduation and their first job. That is a staggering result. Nobody would want to go to their first day of their first job only feeling like they have half the knowledge they feel they should. That must be an extremely scary feeling; similar to going into a test having only studied half of the material.

Moreover, students feel on average that almost 90% of the curriculum is US GAAP centric, but they also feel that the curriculum should be on average US GAAP. This statistic shows that students really want three times as much IFRS in the curriculum than is already there. People may discount students’ opinions because they do not have real world experience or because they do not know what

firms really want, but in reality these are the people being taught. Students can recognize that IFRS is inevitable, but they do not feel that they are getting sufficient education on it. If they can see this then why cannot institutions?

To elaborate on students’ feelings on the matter, the survey left an open section for respondents to leave any comments they might have. There were a couple of students who outright responded, “I hate IFRS”. They did not elaborate on their opinion but they may feel this way because of all the uncertainty in the process. Right now no dates are truly set in stone which can understandably frustrate students. Students probably feel like they could be learning all these extra standards for no reason, but the fact of the matter is any company that is conducting business internationally will have to report in IFRS or at the least have the ability to decipher it. Other students elaborated a little more. One commented, “Since firms are just beginning to implement IFRS it isn’t vital for graduates to be experts at this time. In future years as implementation is complete the curriculum will have to convert to IFRS”. This is a good point, but this student also felt that IFRS will begin to be put in place within a year and be the US standards in three years. Once again, as there are no truly set dates, it is easy for an accountant to think he or she has plenty of time to prepare. Three years is not very far away especially for freshman and sophomores. If IFRS were to come in one to three years, they would be graduating into it. This just shows how important it is to start planning sooner rather than later. One student seemed to really have the right idea: “an update is definitely necessary! Times are changing and curriculums should too”.

If colleges realized that students felt they were only getting half of the education they felt they needed and a third of what they wanted, one would only hope that those in charge would work swiftly to correct this. They may say that they are not too worried as long as job placement rates are good, but colleges should not be sending their graduates out into the world feeling unprepared.



The survey provides even more reinforcement for this point. Students were asked to rate on a scale of 1 to 10 (10 being completely prepared) their current preparedness

and estimated preparedness upon graduation for IFRS and US GAAP. The overall average for current and future preparedness under US GAAP was 6.79 and 7.94 respectively. The majority of students responded with a seven or eight regarding their current proficiency and the majority answered with eight or nine as their estimate upon graduation. Both questions yielded multiple students answering with a ten. When the same question was posed about IFRS the results showed no students answering with an eight, nine, or ten for current IFRS capability and averaged 3.51. This number increased to only at graduation with no students responding with a ten. If the overwhelming majority (82.05%) of accounting majors feel that these new standards are going to begin to be put in place within the next five years it would behoove universities to take action and responds to students' needs.

The overall consensus of students was that IFRS education is necessary yet insufficient. They feel that US GAAP is the predominant set of standards in the curriculum but that more needs to be taught in the way of IFRS. Students seem to be more split as to exactly how this should be done which is fine as this is something that should be up to administration and professors.

In order to rectify this situation, first professors must be educated on IFRS. There is a rapidly growing amount of material out there, and a lot of it is free to the public. The United States should follow Canada's lead in this area. The Canadian Institute of Chartered Accountants brought together a team comprised of The Big Four (Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers), some accounting academics, and its own members to prepare a comprehensive learning package that professors can use to supplement already existing textbooks. In U.S. we may find the similar resources offered by the Big Four, but it would be helpful if the materials be consolidated in one overall leaning package.

The AICPA or another US accounting body should follow suit and request permission to use these materials as well. Canada has taken an active role probably because their timeline is much sooner than that the United States', but it is definitely time for the US to make a stronger effort. Regardless of the timing, U.S. accounting students will have careers where global transactions and interactions are common, so they will need to be familiar with IFRS and sensitive to rapidly changing accounting environment (Larson & Brady, 2009).

5. AUTHOR'S/PUBLISHER'S PERSPECTIVE

In order to convey this new material, there is going to undoubtedly be a slew of new textbooks and supplements that will be published. Aisbitt (2005, p. 357) commented that "The IASB's annual book of IFRSs is hard to beat in terms of value for money, but it simply presents the

regulations in the order in which they were promulgated." This is something – as mentioned previously – that accounting professors could utilize, but students will need material tailored to them. For fairly obvious reasons the global push toward convergence is a "publisher's dream" because of all the constantly new and constantly changing information. They can easily publish new textbooks every year or more often to keep up with the standards. For these same reasons this is an "author's nightmare". Authors must constantly research the changes in IFRS and international standards. With IFRS textbook authors may need to provide more case studies which authors may not be as accustomed to doing under US GAAP because the international standards are principle-based leaving more room for interpretation.

CONCLUSION

Going from rules-based United States Generally Accepted Accounting Principles to principle-based International Financial Reporting Standards is not a simple task. Since the basis for each is so different it will require a different style of teaching. This is a really great opportunity for accounting programs to overhaul the entire curriculum.

The United States could decide to completely abandon any plans to use IFRS, but it still needs to be taught. The world is becoming a much smaller place as technology is ever-improving. Businesses are expanding internationally every day. Much of the world is already using IFRS or is planning on it. This combination of factors means these principle-based standards will become commonplace for U.S. firms. Based on a survey conducted for this paper, students recognize that IFRS needs to become an integral part of their education and recognize that IFRS is inevitable, and they prefer more materials incorporated in the accounting curriculum to prepare them more sufficiently before they graduate.

LIMITATION

The discussion on the IFRS implication to education from the student stand point is based on small samples from a college. Survey can be extended to other universities that have both undergraduate and graduate accounting programs to obtain more inputs of student perspective on IFRS education.

REFERENCES

- Aisbitt, S. (2005). International Accounting Books: Publishers' Dream, Authors' Nightmare and Educators' Reality. *Accounting Education*, 14(3), 349-360.
- Anonymous (2008). Buckle up. *Straight Talk*, 11, 1-28. Retrieved from http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_IFRS_Insights_Sept2008_20080915.pdf

10. When do you think it will be completely implemented (same answer as last question if you think it will happen all at once rather than gradually)?

I don't think it will be 1 year 2 years 3 years 4 years 5 years More than 5 years

11. On a scale of 1 to 10 with 10 being very prepared, how prepared do you feel right now in preparing financials under US GAAP?

1 2 3 4 5 6 7 8 9 10

12. On a scale of 1 to 10 with 10 being very prepared, how prepared do you feel you will be upon graduation in preparing financials under US GAAP?

1 2 3 4 5 6 7 8 9 10

13. On a scale of 1 to 10 with 10 being very prepared, how prepared do you feel right now in preparing financials under IFRS?

1 2 3 4 5 6 7 8 9 10

14. On a scale of 1 to 10 with 10 being very prepared, how prepared do you feel you will be upon graduation in preparing financials under IFRS?

1 2 3 4 5 6 7 8 9 10

15. What % of the curriculum would you say is US GAAP vs IFRS? (i.e. your answer would be 100% if you think all GAAP and your answer could be 10% if you think it's most IFRS)

16. What % of the curriculum do you think should be US GAAP vs IFRS? (i.e. your answer would be 100% if you think it should be all GAAP and your answer could be 10% if you think it should be mostly IFRS)

17. What percentage of material do you believe is being taught about IFRS versus how much you think should be taught to prepare you? (i.e. If you feel enough is being taught to completely prepare you, you would answer 100%. If you feel that the amount of IFRS being taught has almost completely prepared you, you could answer 85%)

18. Do students think IFRS should be offered in one stand alone course, integrated in each related accounting course, or both?

Stand-alone Integrated Both

19. Which course provided you with the most IFRS background?

20. Any additional comments or suggestions on how to improve the curriculum:
