

# TEACHING INTERNATIONAL ACCOUNTING: A DISCUSSION ON PEDAGOGY

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## Abstract

This paper starts with de-mystification of international accounting. It discusses ways and means to make the subject more interesting and relevant to students. As an attempt to familiarize the subject and make it easier, the writer suggests a traditional way of giving assignments, but with more specific guidelines. Moreover, the writer advises a term paper project with interactive teacher-student involvement to ensure high quality of knowledge accumulation and capacity building. Finally, the teaching-learning process of international accounting is viewed in an input-output model.

## INTRODUCTION

International accounting is a subject that covers concepts, classifications, causation, comparative practices among different countries, and measurements of international transactions by companies, they be domestic, international or multinational. In some accounting programs, it is

taught only as a minor part of advanced financial accounting, whereas in other programs it is taught as a separate subject. In the former curriculum, the students have only a token taste of the subject usually confined to writing journals to certain international transactions. The scope of this paper is intended to discuss the latter, that is, for teaching

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and learning international accounting as a separate subject as indicated by the title of this paper.

### **Mystics of international accounting**

The accounting-major students, before taking international accounting, used to guess this subject as a difficult or tough one and are reluctant to take it initially. Only due to positive motivation out of inspiration to work in a multinational company or negative motivation like having no other choice toward completion of degree, they decide to enroll for this subject. Even many accounting faculty members who have not yet ever taught the subject before are also reluctant to teach the subject for more or less the same reasons. In fact, teaching as well as learning international accounting is a challenging and fruitful experience for students and teachers alike. As far as the writer has observed through his experience in teaching international accounting, there are at least two mystics relating to this subject.

Mystic 1: International accounting is a difficult subject.

Mystic 2: International accounting is a boring subject.

Ironically, these two mystics considered together could be conflicting as well as complementary, because difficult subjects could not be boring if the students exert an effort to understand and study hard. On the other hand, a subject could be boring when it is easy and not challenging. The best thing to de-mystify the subject is to consider each mystic separately.

### **De-mystification of international accounting**

Reality 1: The true fact is that a subject cannot be difficult if it is properly taught and learned. The problem of difficulty is a relative term that depends on many factors including the followings:

i. The class room hours for a semester or a term.

ii. The coverage of the subject in the curriculum.

iii. The pre-requisite knowledge for this subject completed by students.

iv. The gap between lessons learned and the examination questions.

v. The simplicity or otherwise of text books and related literature.

vi. The qualification of instructor, his/her teaching style and teaching aids.

vii. The willingness to study on the part of students.

Reality 2: The fact that it is a boring subject stems from part of the subject matter orienting students by introducing concepts, classifications and causation as well as different country practices. For the beginners, concepts and classifications are abstract things that are different from problem solving skills of accounting subjects. Many students could not comprehend that these concepts provide them both basic knowledge and overall understanding of the subject. (The same thing happens in mathematics class when instructor explains background theory before showing calculations.) Nevertheless, it is the task of an instructor to minimize boredom on this part of the subject. In contrast, the other part of the subject is definitely not boring because it involves not only normal accounting tasks such as journal writing and currency translation, but also proactive tasks that can be played by accountants to minimize risks and to enhance disclosure.

Hence, the purpose of this paper is to discuss the ways and means to make the subject more interesting, relevant and easier for the students from the part of instructors thereby assuring high quality knowledge accumulation. However, unfortunately, literature on teaching of international accounting is so few that the writer has to rely mainly on his experience and observation to make this discussion possible.

### **Making the subject more interesting and relevant**

It would definitely bore the students if the history of accounting development in many countries is explained by talking alone unless an instructor is a very good and/or humorous orator that is an endangered specie nowadays. However, if the basic points are highlighted on the screen by a simple projector or by multi-media slides (power point) talking part would be less and memory retention would be more, as seeing by eyes is more attractive than hearing by ears as the saying goes, “Seeing is believing”. Especially for historical development of accounting, a sizable world map would help increase the imagination of students. For example, as Italy is the first country that originated double-entry accounting at the end of the 15<sup>th</sup> century, the development and prosperity of northern Italy due to merchant routes created by Crusade Wars could be well explained by pointing at the map. As the birth place of double-entry accounting was the city of Venice, Shakespeare’s story of ‘Merchant of Venice’ can recall the imagination of students.

Again, by using the world map, an instructor can explain about European Union member countries, former colonies of Britain, and tax-haven countries of to-day’s sophisticated and/or tricky transactions. To arouse students’ participation, they should be asked to look for and show the locations of countries, territories and cities. The reason for setting up companies in tax-haven countries and the way transactions are manipulated can arouse the interest of the students.

Quite often, while explaining an accounting practice an instructor may notice blank eyes among some students indicating their ignorance of a particular term or a practice, due to the lack of pre-requisite knowledge or forgetfulness. That moment is a signal to test the pre-requisite

knowledge of students by carefully asking questions about the topic going to be discussed. Some example questions are given below.

1. How will you differentiate between purchase method and pooling-of-interest method?
2. How goodwill is created?
3. What is contingent liability?

If there is no response or negative response, the instructor is required to go back to the basic points of each accounting measurement concerned. Sometimes, the instructor may need to show by journal, or “T” accounts or simply calculation to explain a certain term or transaction. For example, to explain how goodwill is created on acquisition an instructor may have to start with the terms like “fair value of net assets acquired” and “fair value of purchase consideration”. As the extent an instructor should explain depends on the retained knowledge of students in a particular class, he/she should interrupt with questions to get feedbacks.

Moreover, to make students understand why a particular practice is preferred by a particular country, cause and effect approach should be used. For example, the preference of LIFO (Last-in, First-out) method in inventory valuation by a majority of the U.S. companies originated from oil shocks around the world in early 1970s creating high inflation among the industrialized countries and the U.S. effort’s to relieve the companies from paying high taxes. The story of oil shocks, OPEC (Organization of Petroleum Exporting Countries), and Sheik Yamani would be an interesting historical episode for the undergraduate students who are around 20 years of age. As another example, countries like Germany and Japan traditionally stuck to historical valuation of property because of their bitter suffering and hatred against abnormally high inflation as the result of losing World Wars.

In fact, the development of international accounting is the result of inter-actions of various influencing factors such as source of finance, legal system, taxation, political and economic ties, inflation, level of economic development, education level and culture etc (Choi and Meek, 2002). We can conclude that everything can be explained in the light of cause and effect. That is the reason the writer put the word “causation” in the first paragraph in explaining about the subject.

Another way to arouse students’ interest is by handing out copies of newspaper cuttings dealing with current events relating to company accounting as well as accounting standards. During 2001, the writer used cuttings of Enron scandal (Thomas, 2002) followed by WorldCom (Zekany et al, 2004) and others to explain the exploitation of large corporations on the loopholes of accounting standards and regulations of stock exchanges. Based on these current sources, the students are asked to write essays with comments on these matters as their home assignments, thus creating the subject not only interesting but also relevant to the real world keeping students up-to-date.

In this context, the writer would like to discuss the importance of up-datedness and dynamism of the subject. By the time a new textbook or a new edition is published, it is already out of date for about two years because it takes so much time to revise, delete, edit and publish. Even academic journals are about one year out of date as they need to screen the contributions, send to referees, wait for revision, if any, and print. The main reason is that in international accounting practice, changes are taking place all the time especially in US GAAP, EU directives, and international accounting standards that are now called as International Financial Reporting Standards. It is a matter of academic curiosity as well as a moral duty for an instructor to open eyes and ears for new developments whether entirely

new standards, revision or abandonment of early accounting standards. Accordingly, the writer used to revise his teaching notes every semester.

### **Making the subject familiar and easier**

A traditional way of making a subject easier is to give assignments regularly as it is the way to force students to study. Since written assignments are also included in this subject, the students can improve their written communication skill at the same time providing the instructor as a feed back to see the extent the students can assimilate the subject as well as their enthusiasm on the subject. The more important aspect of giving assignments is that an instructor needs to be firm in demanding the assignment in time, evaluating fairly, and returning the evaluated papers with remarks. As a motivation, certain part of total marks should be allocated for doing assignments. If assignments are given and evaluated papers are returned regularly, it becomes a routine for students that they do not see them as a burden. However, weekly assignments should not be very heavy for them and the instructor should be alert to observe if there is any copying among them. Depending on financial resources and facilities, tutorial classes could also be arranged for conducting class assignments rather than giving home assignments. In this way, an instructor could ensure high quality of learning among students. As regular assignments are given to individual students, special term paper project should be given to student teams.

### **Special assignment for term paper**

Student teams are required to write a term paper on the accounting measurements and practices of an international company chosen by them and approved by their instructor. The purposes of writing term paper are as follow:

- a. To enhance the knowledge of international accounting at an up-to-date stage of company's practice;
- b. To let them observe if there is any deviation in the company's accounting practice from country practice or international practice, and find possible rationale behind the deviation;
- c. To improve their ability in written communication especially writing reports;
- d. To develop their critical attitude and encourage their eloquence;
- e. To provide them with new pronouncements in accounting standards that could be traced from recent company annual reports.

The international company chosen should be a foreign company preferably located in the U.S.A., European Union countries and other advanced industrialized countries. Tondkar et al (1994) concluded a common theme from recommendations of several reports that accounting education should be broadly based on a strong international emphasis.

As a first step, the students are instructed to download and print the most recent annual report of the chosen company from its website, and are required to bring it to the instructor for preliminary discussion. Tondkar et al (1994) pointed out that the use of foreign annual reports offer certain advantages such as enhancing students' understanding of the concepts and measurements mentioned in the text. They can be stimulating and exciting to students because they provide "real-life" examples. The writer, as an instructor as well as in the capacity of an adviser, used to scan the report with special attention to financial statements and respective notes in order to suggest which accounting policy and practice to examine, analyze and critique in the light of the prevailing accounting standards of the country of domicile as well as other standards, preferably international financial reporting standards.

After receiving guidelines from the instructor, the students as team members need to discuss among them in order to digest the materials and formulate their approach before writing down the term paper. This phase of the term paper is important because it builds up team spirit, enhances verbal communication and generates group-learning. After they have prepared a draft, they are required to present to the instructor who will examine it and give additional guidelines to complete the final term paper.

Superficially, this process demands too much time on the part of an instructor (as an adviser) but, in fact, it is a part of teaching-learning process between instructor and students. Just assigning the students to write term paper without proper and close guidance could not ensure students' high quality learning and their joint effort in the form of term paper. As mentioned earlier, the purpose of assigning term paper is not just to evaluate the students but to improve their learning quality by facilitating them from the part of an instructor or an adviser. The underlying idea is that the students write term paper not because they have already learned but because they need to learn and develop their skill by writing it. It is also an interactive phase of learning although it happens outside classroom. To sum up, writing term paper is a learning process that should not be left to the students themselves. However, this kind of effort takes away some of office hours of an instructor, yet it is really worth sacrifice of his/her time to achieve high quality learning and capacity building on the part of students.

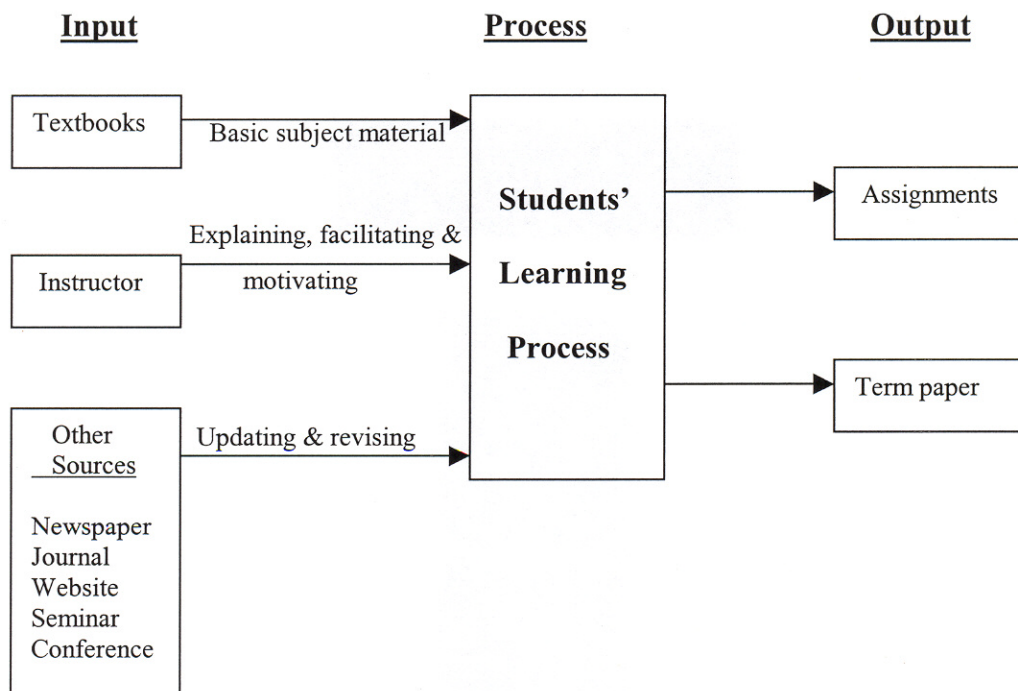
## **CONCLUSION**

To summarize, the whole teaching-learning process of international accounting can be viewed as an input-output model where textbooks, instructor, and supporting sources such as newspapers, journals, websites and seminars/conferences are inputs. By receiving these inputs,

students' learning process functions as the main process that produces outputs such as assignments and term paper. Similarly, teaching-learning process of other subjects could be fit in such an input-output model with some adaptation depending on the characteristics of each subject matter.

A proposed model for teaching-learning process of international accounting is shown below.

### **Teaching-Learning Process of International Accounting**



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