A MIXED METHODS PEDAGOGICAL APPROACH TO AN INTRODUCTORY COURSE TO IFRS

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INTRODUCTION

International Financial Reporting Standards (IFRS) have been adopted by more than 100 countries across the globe. One of the few remaining economic powers yet to adopt IFRS is the United States. The likelihood of IFRS adoption in the US increased in 2007 when the Securities and Exchange Commission (SEC) removed the requirement for non-US companies registered in the United States to reconcile their financial reports with US GAAP, should their accounts comply with IFRS. In addition the SEC is considering possible incorporation of IFRS into the US domestic financial reporting system from approximately 2015 or 2016 (SEC 2010). Consequently, US colleges and universities are paying increasing attention to IFRS and the incorporation thereof into their accounting education programs. A recent survey of US academics suggested that more than half of the respondents expected IFRS to have been significantly incorporated into their curricula by 2011 (Munter and Reckers 2009). When incorporating IFRS into their curricula, these academics will need to select appropriate pedagogy to support IFRS’s inclusion. Given that the objective of the International Accounting Standards Board (IASB) is ‘to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles’ we propose that IFRS education too be principle-based.

PRINCIPLE-BASED IFRS EDUCATION

Based on the advice provided by Barth (2008), detailing how academics should educate students for global financial reporting, we provide the following framework for principle-based IFRS education (Figure 1):

- Identify an economic event that needs to be reported to outside providers of capital.
- Ensure that the students have a thorough understanding of the particular economic event.
- Teach the students the concepts as contained in the Framework for the Preparation and Presentation of Financial Statements.
- Illustrate how the principles in a particular Standard, reporting on an economic event, are based on the concepts.
- Discuss how the rules of the Standard are developed based on these principles.
- Demonstrate that the rules are not always based on concepts and principles but may be influenced by practical and cost/benefit considerations.

Based on the premise that principle-based Standards often do not result in a single correct answer, Barth (2008) emphasized that principle-based IFRS education must ensure that students develop their ability to apply judgment. In addition to judgment, accounting education literature has identified numerous skills that are critical to the success of a modern accounting professional. These skills include intellectual skills, technical and functional skills, personal skills, interpersonal and communication skills and organizational and business management skills (IAESB, 2010). Researchers have developed several interventions that may be employed by accounting educators to encourage the development of these skills. Examples of these interventions include: simulations and role plays (Sergenian and Pant 1998; Fortin and Legault 2009); problem-based learning (Milne and McConnel 2001; Hansen 2006); cooperative-based learning (Kennedy and Dull 2008; Riordan et al. 2008); case analysis with alternative solutions (Boyce et al. 2001), and oral presentations (Bonk and
Smith 1998). These interventions are located within the domain of student-centered pedagogy, where students are actively involved in the learning process. We therefore propose a student-centered, principle-based approach to IFRS education to achieve the objective of preparing students for their roles in the financial reporting environment in which they will operate.

**FIGURE 2**

Principles-based approach to IFRS education

While advocating the abovementioned pedagogy for IFRS education, the authors acknowledge that there may be alternative driving forces in the selection of pedagogy for IFRS education. Cooper et al. (2008, 379), for example, contends that the ‘profession has largely downloaded accounting training on universities; with one consequence being that the AICPA’s Uniform Exam strongly influences the curriculum’. As such, many an accounting education course has as its objective the preparation of students for a professional qualifying examination. Professional qualifying examinations have traditionally been rule-based, presenting fictitious scenarios with a single correct solution (Bonk and Smith 1998, Botha 2001). This method of assessment implicitly, and perhaps unrealistically, implies that to every possible business scenario a single correct way to account for that scenario must exist (Carmona and Trombetta 2010). Therefore assessment of this nature lends itself to rote-
learning and teacher-centered pedagogy (Bonk and Smith 1998, Botha 2001). In a teacher-centered classroom students generally assume a passive role as the lecturer attempts to impart vast amounts of technical knowledge to prepare them for the professional qualifying examination (Bonk and Smith 1998).

A further consideration in selecting appropriate pedagogy may be that while the objective of the IASB is to develop principle-based Standards, many of the existing Standards, or at least components thereof, may still be viewed as rule-based (Conrod 2010). These Standards may therefore be more suited to teacher-centered pedagogy.

**MIXED METHODS OF PEDAGOGY**

In instances where rule-based Standards or components thereof, are lectured or when rule-based professional qualifying examinations need to be considered, we propose a mixed method of pedagogy, incorporating both student-centered, principle-based pedagogy and teacher-centered, rule-based pedagogy. The remainder of this paper illustrates, by using the abovementioned framework for principle-based IFRS education (Figure 1), how mixed methods of pedagogy have been employed in an *Introductory Course to IFRS*.

**Identify an economic event that needs to be reported to outside providers of capital**

The economic events refer to the topics incorporated in the *Introductory Course to IFRS*. These topics are based on those prescribed by the profession and are necessary to provide the students with a foundation for the remaining two years of study, prior to writing the professional qualifying examination. Examples of topics included are: *inventories, leases, property, plant and equipment, provisions and revenue*.

**Ensure that the students have a thorough understanding of the particular economic event**

Students are provided with definitions of the economic event (for example: “lease”) from various sources, other than the Standards, such as dictionaries. The students are encouraged, where possible, to source ‘real life’ examples of the economic event under consideration. Utilizing such realistic examples creates awareness in the students that accounting, and the financial reporting component thereof, is situated in society and interacts with society. A limited number of students are then randomly selected to present their examples to the class with the objective of demonstrating the economic characteristics of the particular economic event. The lecturer then summarizes the characteristics presented, in addition to adding those perhaps not highlighted, to ensure the students have a reasonably sound knowledge of the economic event to be reported on.

**Teach the students the concepts as contained in the Framework for the Preparation and Presentation of Financial Statements**

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1 Students taking this course have completed a bookkeeping course but have not yet been introduced to financial reporting standards.
The Framework for the Preparation and Presentation of Financial Statements has traditionally been lectured at the beginning of the course, employing teacher-centered pedagogy. This has remained the case to ensure the students acquire the necessary knowledge of the concepts as contained in the Framework. The development of a thorough understanding of these concepts takes place through the integration of the concepts with the principles for each economic event considered (discussed below).

**Illustrate how the principles in a particular Standard, reporting on an economic event, are based on the underlying concepts**

Given that the students are new to financial reporting and have not yet mastered the ability to relate the relevant concepts to the principles of a particular Standard, the students are provided with various assignment projects to develop this skill. The incorporation of financial reporting literature in these assignments has proven particularly useful in demonstrating to the students how the concepts underlie the principles in a particular Standard. The literature used must be carefully selected as the students, in an introductory course, generally do not have any significant statistical knowledge nor do they have any prior research experience. Examples of papers utilized in the Introductory Course to IFRS include:


In addition, discussion papers and exposure drafts issued by the IASB may also aid in assisting the students to understand how the concepts of the Framework for the Preparation and Presentation of Financial Statements underlie the principles of a particular Standard.

After studying the sources relevant to a particular topic, the assignment projects require the students to perform a variety of tasks. In certain instances these are to be completed individually, in others cooperatively. Examples of the tasks include:

- Preparing illustrative journal entries for various methods of financial reporting proposed in the literature and contrasting the effect on the financial statements.
- Providing written responses (or oral responses taking the form of a presentation or a debate) to leading questions such as: "Should 'substance over form' or the asset and liability definitions, as contained in the Framework for the Preparation and Presentation of Financial Statement, be the primary principle underlying the development of the new leases standard by the IASB?"
- Drafting mock commentary letters to the IASB in response to a particular discussion paper or exposure draft suggesting the method of financial reporting considered to be conceptually superior, based the literature consulted, and which would the student/s would encourage the IASB to adopt.
As the interventions discussed are for an *Introductory Course to IFRS* the development of a student’s ability to exercise judgment in particular scenarios remains in its infancy and requires further development in subsequent courses. The *Introductory Course to IFRS* focuses on equipping the students with the ability to understand the application of concepts in the development of principles and rules and to ensure that the students are fully aware that there may be more than one appropriate response to a given financial reporting challenge.

**Discuss how the rules of the Standard are developed based on these principles**

Given the pressures a rule-based written professional qualifying examination, this section generally retains the nature of the lecturer imparting the IFRS rules to the students via PowerPoint presentations, supported by text-book based examples, illustrating the application of the rule in a fictitious, single answer scenario. Despite the lecturer not formally planning for much discussion, it has been noted that some discussion ultimately develops as to the suitability of the rules in terms of the underlying principles. Discussion of this nature is unsurprising given the previous interventions of principle-based approach to IFRS education. The lecturer however retains tight control over these discussions to ensure the topic is completed on time, yet allowing the students the opportunity to clearly understand the standard setting process.

**Demonstrate that the rules are not always based on concepts and principles but may be influenced by other political and cost/benefit considerations**

During the discussion of the rules above, students become increasingly adept at identify rules which are not in line with any principle or concept. Generally a suitable response to these concerns can be found by referring the student to the Basis of Conclusions supporting a particular Standard. Alternatively, accounting literature, professional journals and the popular press may be useful in illustrating to the students political pressures and other historical events that may have influenced the standard setters at the time of drafting the Standard.

**CONCLUSION**

To prepare students for both a rule-based professional examination and for the fluidity of the financial reporting environment in which they will one day operate, a mixed method of pedagogy is advocated. In order to develop the pertinent professional skills, the students are continually challenged by a variety of interventions such as co-operative based learning, role play and oral presentations. Students are therefore required to take more responsibility for their learning and the lecturer acts as a facilitator for knowledge development rather than a conveyor of knowledge. In instances where the conveying of rule-based knowledge is required, teacher-centered pedagogy may be employed. However when reverting to teacher-centered pedagogy the following comment by Baxter (1979) should be considered:

“Standards are a godsend to the feeblener type of writer and teacher who finds it easier to recite a creed than to analyze facts and to engage in argument. If an official answer is
available to a problem, why should a teacher confuse examination candidates with rival views? Thus learning by rote replaces reason; the good student of today is he who can parrot most rules. On this spare diet, accounting students are not likely to develop the habits of reasoning and skepticism that education should instill.”

REFERENCES


