

Accountancy and Sustainable Economic Development: A Case Study of Thailand

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Abstract

Thailand's accountancy and corporate financial reporting have seen great improvement after the 1996/97 Asia financial crisis which originated from Thailand. However, the strategic role played by strong professional accountancy system in sustainable economic development has not been given national importance as has been given other academic spheres such as science and technology. The Federation of Accounting Professions (FAP), the regulatory body of Thailand's professional accountants, requires potential members to have successfully completed a bachelor's degree or its equivalent in any of the approved universities in Thailand by the Federation. At any given examination, at least 3000 candidates attempt the professional CPA examination administered by the FAP. Approximately 5-6% of the candidates pass each examination. This very low passing rate is an indication of the lack of appreciation of the importance of accountancy education in Thailand and calls for change in perspective of accounting and auditing education in Thailand's universities. This case review highlights the important role played by robust accountancy education in national development, the need for capacity building, the need to improve and maintain high quality of accountancy programs in academic institutions throughout Thailand, the creation of awareness of the high value of professional auditors and accountants in national development, and the need for transparent and sustainable reporting regime within Thailand's corporate bodies for sustainable economic development.

Keywords: Federation of Accounting Profession, Accountancy, Economic Development, Educational Standards

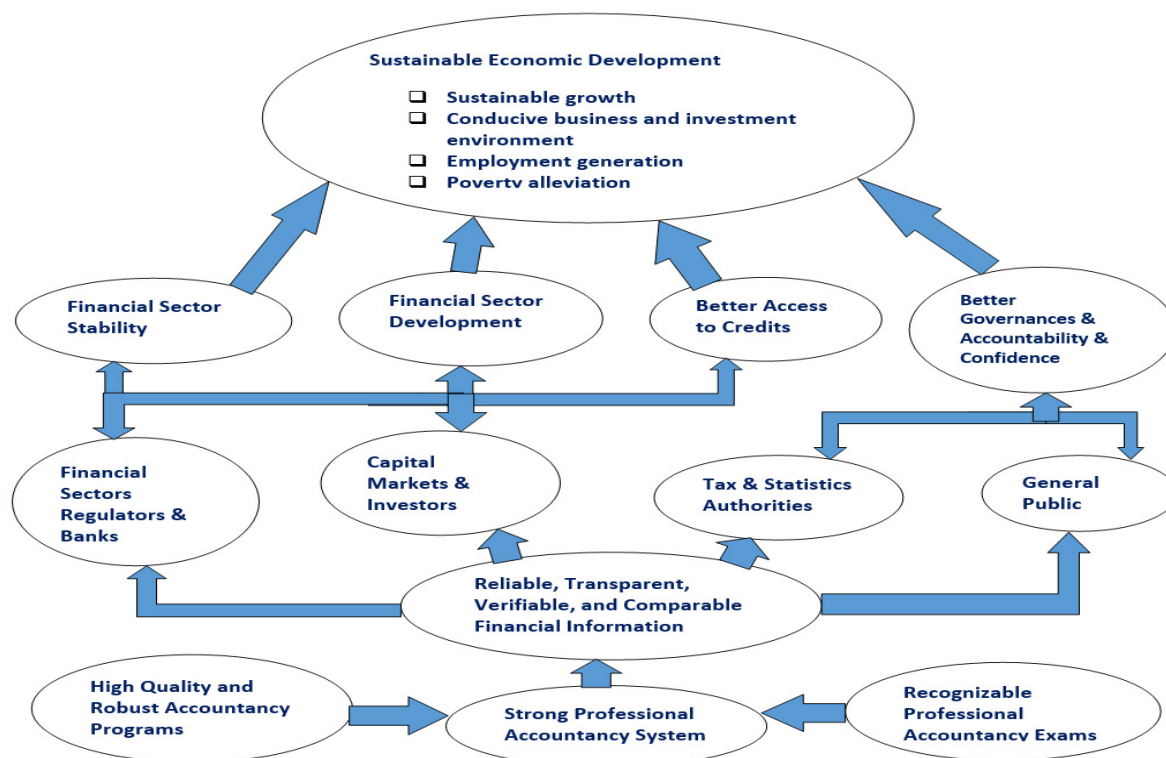
1. INTRODUCTION

Accountancy and sustainable economic development are inseparable. Major advanced economies such as the United States of America and the United Kingdom have strong, robust nationally and internationally recognized professional accountancy programs. The assurance services in terms of audit and attestation provided by professional accountancy institutions cannot be over-emphasized because professional accountants and auditors play strategically important role in the development of an economy. Accountants and auditors play key role in building an environment that supports transparency and trust that allows businesses to flourish, and with foreign investors' confidence flying high, foreign direct investments increase, and these support public sector that is efficient and accountable to its citizens. Thailand's economic development and its educational models (vehicles for economic development) however, seem to be a three-dimensional. The models prioritize science and mathematics, information technology, and English language over accountancy education. Majority of leading universities in Thailand have adopted the high standard curriculum, texts, materials and teachings of countries such as the United States of America, yet these universities face the challenges of maintaining high quality accountancy programs. These challenges have led to the adoption of different standards of accountancy education among Thai universities. Most undergraduate students with degrees in business studies from leading universities who pursue further study in master in business administration (MBA) often demonstrate lack of understanding of basic accounting principles and concepts.

Compounding the problem of lack of appreciation for the important role play by professional accountancy institutions in national development is the lack of conscious effort from the Thai government, the ministry of education and the departments of high education in promoting accountancy education in Thai universities. The Federation of Accounting Professions (FAP) had cited lack of financial support as the reason for its inability to undertake promotional and training programs for its registered members (Report on the Observance of Standards and Codes – ROSC, April 30, 2008). This is an evidence of lack of national appreciation of the role of professional accountancy education in national development in Thailand.

2. THEORETICAL FRAMEWORK

This case review could be understood pictorially under five interactive headings: accountancy education, information, users, benefits, and results (sustainable economic development).



2.1 Professional Accountancy education

A strong professional accountancy system requires high quality robust accountancy programs at higher levels of learning, and recognizable professional accountancy examinations. This requires encouraging and promoting accountancy education and training in both public and private institutions throughout a nation.

2.2 Information

Professional accountancy system through it professional accountants and auditors provide all stakeholders professionally and independently reliable, transparent, verifiable, and comparable financial information by the provision of assurance services. The services provided by accountants and auditors assist financial managers and investors in identifying and evaluating value creating investment opportunities with less errors. The absence of reliable and comparable financial information impedes the flow of human and financial capitals towards sectors that have the prospect of generating high returns. Similarly, the financial reports based on the opinions of qualified accountants help direct scarce resources away from sectors and/or projects with poor prospects of success.

2.3 Users

The professionally independent assurance services provided by professional accountancy institutions enable financial regulators and banks, capital markets and investors, tax and statistical authorities, and the general public to make informed decision based on the information provided by the reporting corporate bodies. For example, due to the rapid changing nature of the expectations of key stakeholders from reporting entities, accountancy bodies through their expert teams are able to design solution to meet this dynamism. Also, as representatives of stakeholders, professional auditors through the offices of controller and auditor general, ensure that governments use state funds prudently, and through their services the general public is able to hold government accountable and seek government to improve public services.

2.4 Benefits

With the rapid changes in the rules of engagement in the modern business environment, professional accountancy institutions through audit ensure confidence in both reporting entities' financial statements and the financial systems. In spite of the rapid changes that take place within modern business environments, the fundamental expectations of investors such as completeness, accuracy, and fair presentation of financial statement and disclosures remain the same. The expert services provided by professional accountants and auditors promote financial sector stability and development because regulators have access to reliable data upon which prudent decisions are based, leads to better access to credit facilities because the financial markets and investors have reliable information which boost confidence in trading and investment, and results in better governances,

accountability and confidence in the overall economy and financial systems.

2.5 Results

A strong professional and robust accountancy institutions through their registered professional accountants and auditors provide reliable, verifiable, transparent financial information, which enable users such as financial sector regulators and banks, capital markets and investors, tax and statistics authorities and the general public make financial and economic decisions, that lead to stability and development of financial sectors, better access to credit facilities, better governances, accountability and confidence.

This provides an enabling business environment which leads to job creation and employment generation, and poverty eradication. The overall effect is sustainable economic development in the long-run.

3. LITERATURE REVIEW

There are sketchy publications on the accountancy profession in Thailand. The Federation of Accounting Professions (FAP) is a self-regulating and standard-setting body in Thailand. It is responsible for promoting professional accountancy education, training, and research; certifying accounting degrees or diplomas of educational institutions as credentials for FAP membership. The FAP has membership of around 52,261. The FAP has an oversight authority over its member such as CPA which has about 50,000 members.

The Report on the Observance of Standards and Codes (ROSC) (2008), a joint initiative by the World Bank and International Monetary Fund (IMF) examined the strength and weaknesses of the accounting and auditing environment and determined the quality of corporate financial reporting in Thailand. It reviews the mandatory requirements and actual practices as pertain in Thailand. The ROSC observed that the FAP lacks financial resources to undertake development activities for its members. The FAP depends on expert volunteers for training programs for its members.

The International Financial Reporting Standard (IFRS) Worldwide Application, Thailand's Profile 2015, provides an overall picture of Thailand's application of IFRS. The observation was that Thailand had delayed in the adoption of IFRS with the reasons that the adoption of IFRS requires good understanding of IFRS in the context of the people and business; small firms do not see the need for the adoption of IFRS; confidence in adopting IFRS has been undermined by crisis in the US and European Union; and the belief that constant changes to the standards have destabilizing effect.

In spite of the above debatable reasons, professional accountants undoubtedly play significant role in the development of an economy. Timothy (Pre-1986) observed that developing countries need to adopt standardized accounting systems in order to facilitate the analysis, evaluation and comparability of financial information. This is very crucial because it is this kind of financial information that gives the investing world a clearer picture of where to channel their investment. Interestingly, professional accountants and accounting institutions have always been perceived to be institutional bodies specifically and specially for the developed world (Taufu'i, 1996).

The above reason is due to the fact that the contribution of professional accounting in economic growth in developing economies has been less widely recognized (Taufu'i, 1996).

According to Taufu'i (1996) the 1960s development plans of both developed and developing countries highlighted the need for professional accounting and reporting systems that could put right the noticeable and obvious weaknesses in those development plans. Some of the conspicuous weaknesses within the financial accounting and reporting systems according to Taufu'i (1996) were poor internal controls, lack of management accounting concepts, incomplete, inaccurate, very late reports and lack of credibility in the financial reports.

With their professional expertise, accountants help in addressing national structural challenges more effectively (Groepe, 2013). Professional accountants make available skills and expertise in terms of their analytical ability, professionalism, integrity, understanding of complexity in helping to solve complex problems and challenges, and ensure that innovative and advancement opportunities are fully exploited (Groepe, 2013). They play significant role in fighting and rooting out corruption by designing monitoring and early warning system, ensure improved service delivery, institute controls mechanisms that minimize instances of wasteful and fruitless expenditure, provide timely and accurate financial information which in effect contribute to improved decision making and policy outcome.

Published reports on financial malfeasance are a great way that accountants help "promote sound financial management in government, and shine on the scourge of corruption" (Abela, 2014).

Jui and Wong (2013) observed that professional accountants and accountancy institutions play significant role in economic development.

They opined that the roles and importance of professional accountants can clearly be seen in the private sector business environment, as internal auditors, as public sector officers, and in the field of academia.

They observed that in the private sector business environment, professional accountants undeniably play pivotal role by assisting in corporate strategies; provide professional counseling on cost reduction strategies, and how businesses could mitigate risks.

As members of board of directors, professional accountants represent the interest of the shareholders – approving annual budgets and reporting on the company’s performance to stakeholders; appoint chief executives and determine management compensation. They have oversight over matters related to the overall financial health of the firm.

Also, in their capacity as internal auditors, professional accountants provide independent assurance to management in relation to the organization’s risk management, governance and internal control systems are operating effectively.

Besides, in public sector, professional accountants shape governments’ fiscal policies and fiscal discipline to ensure that governments and their agencies operate within national approved budgets that have far-reaching impact on the lives of many.

Finally, in the field of academia, professional accountants impact their knowledge, skills and ethical underpinning of professionalism to the young and upcoming professionals.

The importance of professional accountants in economic development was also emphasized by Dr. Adolf Enthoven. He said ‘accountancy provides financial information needed by developing countries to facilitate decision making’ (Enthoven, 1965).

4. FINDINGS

The findings of this case review have been categorized into three: accountancy and economic development; professional accounting education and training in Thailand; and accountancy education in leading Thai universities.

4.1 Accountancy and Economic Development

4.1.1 Transparent and Sustainable Reporting Regime: High-quality and robust accountancy institutions contribute to economic growth by ensuring transparency and sustainable reporting regime. A well-functioning professional accountancy institution in an economy does not only contribute to a sound financial structure, they also make those entrusted with public funds accountable to the public. The financial reporting regime in Thailand is not as robustness as it ought to be. This has led to many instances of public office holders not committed to being accountable to the public.

4.1.2 Proper use of public/taxpayers’ money – Fight Corruption: Transparency which gives the public and taxpayers the eyes to see what and how governments use public funds is a core value and a heartbeat of professional accountancy. The public becomes aware of how governments expend public funds through the work of Controller and Accountant General who is professionally qualified accountant. The public account committee, an oversight committee in most parliaments around the world, is most composed professionally qualified accountant. The professional integrity of accountants helps to curb to a greater extent financial malfeasance, corruption and embezzlement of public funds.

4.1.3 Pillar for Economic Growth: A country’s economic growth does not solely depend on the presence of physical infrastructure as this is not the only propeller of national development. The growth of national economies calls for the talent of professional accountants to help manage national resources and to provide sound financial leadership.

Thailand like every other middle-income economy needs competent and capable accounting professionals who can provide meaningful counsels on sound financial accounting management practices. It stated that “where accountancy flourishes, economies grow”.

Professional accountants are said to “to hold the power to advance society, further national economic growth, and enhance development assistance” (IFAC, November 10, 2014.)

4.1.4 Private and Public Sectors Development: The financial information provided by qualified accountants and auditors provides the business world and governments value creation investment opportunities. Without this financially insightful information, valuable projects may be overlooked, there will be wrongful allocation of financial and human resources, and investment made on perhaps non-value added projects. Equally an important role play by professional accountants and auditors in national development is good governance.

These professional accountancy institutions serve as watchdogs and through their professional reports ensure that those entrusted with state funds and other state resources remain accountable, transparent in their dealings, responsive to any alleged misappropriation of state funds, effective and efficient in their usage of the state funds. Therefore professional accountancy institutions unequivocally assist in fighting corruption, misappropriation, and misapplication of state funds as part of national development.

4.1.5 Poverty Alleviation: The provision of reliable, transparent, verifiable, and comparable financial information by professional accountants and auditors provides the business world the needed confidence in the national economy. This provides investors with the assurance of conducive business environment for their investment. Foreign direct investments are attracted, and together with local investors and businesses create jobs which lead to more employment generation, which in the end results in poverty alleviation.

4.2 Professional Accounting Education and Training in Thailand

4.2.1 Federation of Accounting Professions (FAP) Membership and Requirements: The Federation of Accounting Professions (FAP) has about 52,261 members which include about 50,000 public accountants which have about 7,000 certified accountants (CPAs). Hundred and ten (110) of the 7,000 CPA members belong to 26 audit firms that have the approval from the Security and Exchange Commission to audit listed companies. The Federation requires prospective members to hold a bachelor's degree in accounting or its equivalent at one of the FAP approved universities in Thailand. The Federation requires its members to have twelve (12) hours of Continuing Professional Development (CPD).

4.2.2 Certified Public Accountants (CPA) – Requirements and Training: There are three (3) streams of obtaining and maintaining CPA qualification and status respectively in Thailand. The streams are examination, practical training, and continuing professional development. The CPA requires candidates to successfully pass 6 qualifying examinations within three (3) years. The CPA members are required to have 3,000 hours of practical training and twelve (12) hours of continuing professional development annually as professional auditors, a requirement stipulated by FAP.

4.2.3 Continuing Professional Development (CPD) below International Good Practices and Standards: The CPD requirements by FAP were previously set at 20 hours per annum. Reducing the CPD hours from 20 hours per annum to 12 hours yearly has inevitably compromised the standard in respect of internationally recognized good practices. There is also inconsistency in the required level of continuing professional development of FAP registered members and CPA members. The Ministry of Commerce requires FAP registered members to have undertaken 9 hours of CPD per annum (a total 27 hours per triennium) for its recognition, which is in sharp contrast with the 12 hours required of CPA members.

The International Federation of Accountants (IFAC) requires at least 3 years of practical training (IES 5), 120 hours or equivalent of CPD (IES 7) per 3 years in rolling, with at least 20 hours or equivalent in each year.

4.2.4 Certified Public Accountants (CPA) Professional Examination: The CPA professional examinations are set and administered by FAP. Approximately 3,000 candidates attempt the examinations at any given sitting. Records show that approximately 5 – 6% of candidates pass the examination at each sitting. The pass rate is very low, an indication of the fact that FAP may not meet the demand of professionally qualified auditors with the growing number of companies in Thailand. For example, the Stock Exchange of Thailand (SET) has over 690 listed companies. This shows that the number of successful candidates entering the accountancy and auditing profession is minimal and inadequate to meet the demand of professional accountants and auditors in Thailand.

4.3 Accountancy in Leading Thai Universities

Most of the leading universities in Thailand have high standard curriculum, texts, and teaching materials for accounting courses. The curriculum, texts, and the teaching materials are usually adopted from the United States of America. However, these universities face challenges of maintaining high quality accountancy programs. This has resulted in different standards of accountancy education among Thai universities. Unsurprisingly, most business administration and accounting graduates grapple with basic accounting concepts.

5. RECOMMENDATIONS AND CONCLUSION

5.1 Recommendations

5.1.1 High Quality and Robust Accountancy Programs in Leading Universities: Accountancy education should be accorded equal national importance as science and technology with the understanding that the development of the Thai economy does not depend solely on science and technology but also on strong and vibrant accountancy institutions. This calls for high quality and robust accountancy programs in all leading universities in Thailand. This can be coordinated through the Ministry of Education and the Department of Higher Education in conjunction with the Federation of Accounting Professions to ensure that the curriculum used in accountancy education in the Thai universities meet a certain standard.

5.1.2 Hiring Qualified Professional Lecturers: Thai universities must endeavor to hire professionally qualified accounting lecturers to have quality and robust accountancy programs to support national development. It may be excellent if the accounting lecturers are practicing professionals. These lecturers as practitioners will make the learning process more practical allowing students to have a feel of working as accounting professionals. The motivation and encouragement to become professional accountant is higher when a practicing accounting professionals share experiences with learners.

5.1.3 Development of Accounting Qualification Framework and Regular Review: The Federation of Accounting Professions (FAP) should set clearly accounting qualification framework in accordance with the International Federation of Accountants (IFAC) requirements. The framework should be reviewed regularly by FAP to ensure that the path to attain accountancy qualification is within internationally good practices and standards. There should be the avoidance of overlapping of acceptable standards and recognition by the different governmental institutions as it is the case at the moment.

5.1.4 Professional Development Activities: The Federation of Accounting Professions (FAP) needs to provide effective professional development activities for its members on a regular basis. FAP must ensure that majority of accounting and auditing practitioners come from larger firms.

5.1.5 Recognizable Professional Accountancy Examinations: There are many internationally recognized professional accountancy examinations which offer qualified candidates certifications that are recognized worldwide. Besides the local accountancy examinations and certifications recognized by FAP, Thai young business graduates should be encouraged to undertake some of these professional accountancy examinations organized by recognized international professional accountancy bodies such as the Association of Chartered Certified Accountants (ACCA), Association of International Accountants (AIA), Chartered Institute of Management Accountants (CIMA), Institute of Chartered Accountants in England and Wales (ICAEW), etc. to resource Thailand with professionally qualified young accountants in the nation's development.

5.1.6 Professionalization of Accounting Technician: In order to meet the ever rising demand for recognized professional accountants in public sector, industry and commerce, and in private accountancy practices, the FAP may look into professionalizing all accounting technicians by recognizing institutions that offer accounting technician courses and who meet the FAP set standards.

Individuals with accounting technician qualification may be motivated to further their professional accounting development by undertaking one of the aforementioned higher professional accounting examinations organized by the professional accountancy bodies.

5.1.7 Accredited Professional Accountancy Institutions: To boost the training and development of more professional accountants in Thailand, the Thai ministry of education in collaboration with FAP and the department of higher and private education, should encourage the establishment of institutions which could be accredited to run professional accountancy training and development programs. These accredited institutions could also seek accreditation and approval from some of the internationally recognized accountancy bodies to be training and preparatory institutions for their respective professional examinations. This collaboration will encourage more Thais to opt for professional accountancy as their career path thereby increasing the number of professional accountants that Thailand so need.

5.2 Conclusion

Thailand like every other developed or middle-income economy needs high-quality business financial reporting provided by robust and well-functioning professional accountancy institutions. Professionally well-functioning and vibrant accountancy institutions in Thailand will produce professionally qualified accountants, who will provide financial reports that are reliable in terms of being verifiable, transparent, and comparable. It is the high sense of integrity, competency, and the upholding of professionally high standards in their reporting that professional accountants give prospective investors and business partners the confidence to invest in the Thai economy.

Finally, Sustainable economic development, which is the fruit of sustainable economic growth, conducive business and investment environment, employment generation, and poverty alleviation will always remain a wish without the watchful eyes of professional accountants in a nation.

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