

# Uncertainties and Budget Shortfalls Hamper Curriculum Progress on IFRS

Paul Munter and Philip M. J. Reckers

**ABSTRACT:** This is a survey of the current state of education conducted by KPMG and the Education Committee of the American Accounting Association.

## INTRODUCTION AND BACKGROUND

We are frequently admonished “The world is changing!” and invited to “Be part of the change!” This article reports on the pace of change in collegiate accounting curricula in response to the recent push for use in the U.S. of International Financial Reporting Standards (IFRS). IFRS have quickly emerged as the accounting standards currently in use or scheduled for use in the near-term in many of the world’s capital markets. The European Union mandated IFRS adoption for listed companies within member countries starting January 1, 2005, and many other major developed and emerging economies quickly followed. In the U.S., the SEC issued, in 2008, a proposed roadmap which identified four milestones, progress related to which the SEC would consider in 2011 as significant input in making a final decision on whether to require the use of IFRS by U.S. issuers and, if so, setting a timeline at that point on when to require all U.S. public companies to adopt IFRS.<sup>1</sup> One of the four milestones is related to education; that is, adequate progress should be observed related to the education and training of investors, preparers, and auditors (i.e., people on the ground now) and progress in incorporating IFRS content into collegiate accounting curricula (i.e., people on the ground soon). Thus, one important benchmark for the SEC is the progress being made by educators in incorporating IFRS content into their accounting programs. A profile of progress to date against that milestone is the focus of the survey reported in this article. Questions about the current state and progress being made in education, however, are not exclusively of interest to the SEC commissioners. Employers of future accounting graduates share this common interest as the answers are germane to planning their training and development programs. Likewise, answers to these questions could well serve the

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<sup>1</sup> If adequate progress is deemed by the SEC to have been made, the timeline outlined in the proposed roadmap might become fixed. The timeline described in the proposed roadmap would be to require IFRS adoption by large accelerated filers beginning with years ending after December 15, 2014, followed by required IFRS adoption by accelerated filers for years ending after December 15, 2015. All other filers would be required to adopt IFRS in years ending after December 15, 2016.

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CPA Examination Board of Examiners as they plan the timing and extent of IFRS content on future exams.<sup>2</sup> And the American Accounting Association is vitally interested in the current condition of education as it influences its decisions about how best to facilitate member efforts to enrich educational programs.

### SURVEY

With these issues in mind, in the summer of 2009, KPMG and the Education Committee of the American Accounting Association teamed in conducting a second survey of U.S. accounting educators.<sup>3</sup> Five hundred accounting educators responded to the survey with some of the most pertinent findings of that survey reported herein. Mean responses to all questions included in the full survey may be found at <http://www.kpmgfacultyportal.com> and on the AAA Commons.

#### IFRS: IF and WHEN

A primary finding of the survey is that *a state of considerable uncertainty exists among faculty regarding the future of IFRS in the United States*. This uncertainty exists regarding both the question of IF and WHEN the U.S. might adopt IFRS. Table 1 presents participants' responses to the question, "To what extent are you confident that the U.S. will adopt IFRS?" A total of 68 percent expressed confidence (14 percent very confident, 54 percent confident), and 32 percent expressed a lack of confidence (28 percent not confident, 4 percent not at all confident). Further, when asked what road the U.S. would follow and when, an even greater participant split was observed (see Table 2). *Fifty-seven percent of participants indicated they expected the U.S. to adopt IFRS on or before 2015 (17 percent) or that U.S. GAAP will be substantially converged with IFRS by 2015 (40 percent). However, nearly half, 43 percent disagreed. Forty-three percent of faculty opined that convergence would only occur after 2015, if at all (9 percent expected indefinite continuation of U.S. GAAP)*. This level of disagreement appears high, especially given that most participants were highly informed about IFRS; that is, 61 percent of participants previously had attended an IFRS webcast, 52 percent had attended an IFRS session at a conference, and/or 36 percent had attended a dedicated IFRS conference or program. Only 11 percent of participants lacked any of these experiences.

Responses to two other related questions may account for why a certain sense of urgency may have been lost in the collegiate academy. In response to the question, "To what extent does a sense of urgency exist among regulators to adopt IFRS by a 'date certain' (rather than convergence of

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**TABLE 1**  
**Responses to the Question**

**Question: Given events to date, to what extent are you confident that the U. S. will adopt IFRS?**

Very Confident	14%
Confident	54%
Not Confident	28%
Not at all Confident	4%
Number of Respondents	493

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<sup>2</sup> On May 15, 2009, the Board of Examiners approved changes to the "Content and Skill Specifications for the Uniform CPA Examination" that includes testing of IFRS content on the Uniform CPA Exam effective as of January 1, 2011.

<sup>3</sup> Findings of the 2008 survey were reported in [Munter and Reckers \(2009\)](#).

**TABLE 2**  
**Responses to the Question**

<b>Question: Regarding IFRS, what course of action do you believe the U.S. will follow?</b>	
Adoption of IFRS in place of U.S. GAAP for publicly held companies on or before 2015	17%
Convergence of U. S. GAAP and IFRS, with substantial equivalency achieved by 2015	40%
Convergence of U. S. GAAP and IFRS, with substantial equivalency achieved only after 2015	34%
Indefinite continuation of U. S. GAAP	9%
Number of Respondents	491

U.S. GAAP standards with IFRS)?” only 17 percent responded with a score of 4 or 5 on a five-point scale where 1 indicated “No Current Sense of Urgency” and 5 indicated a “Strong Sense of Urgency.” Thirty-six percent responded with a score of 3; 47 percent opined less than a score of 3.

Table 3 indicates when respondents thought students might be held accountable for knowledge of IFRS on the Uniform CPA Examination. In Table 3 we compare participants’ responses in 2008 with those of 2009. The slippage is apparent. Today, in aggregate, 14 percent of respondents do not expect significant coverage before 2014 and 27 percent expect an even greater delay. Both the current administration in Washington and the CPA Examination Board of Examiners are perceived to have adopted a less than aggressive posture with respect to IFRS.<sup>4</sup>

The figures are even more discouraging if we split our participants on the basis (discussed above) of whether participants (Group One) believe IFRS will be adopted by 2015 or significant convergence will have occurred by that date versus (Group Two), those who believe convergence will occur later or not at all. Table 4 indicates that 20 percent of Group Two does not expect to find significant coverage of IFRS on the CPA exam until 2012–2013 and 48 percent believe it will be later still!

Thus, it is apparent that considerable uncertainty exists regarding both the questions of IF and WHEN the U.S. might adopt IFRS, and the related question of when it might likely affect students. One would expect that these differences in views would be reflected in differences in the

**TABLE 3**  
**Responses to the Question**

**Question: When do you believe the CPA Exam will include significant IFRS coverage (that is, more than five or six multiple choice questions)?**

	Year of Survey	
	2008	2009
2010–2011	14%	10%
2011–2012	34%	22%
2012–2013	29%	27%
2013–2014	12%	14%
2014–2015 or Later	10%	27%
Number of Respondents	500	479

<sup>4</sup> See footnote 2.

**TABLE 4**  
**Responses to the Question**

**Question: When do you believe the CPA Exam will include significant IFRS coverage (that is, more than five or six multiple-choice questions)?**

	Group One	Group Two
2010–2011	13%	7%
2011–2012	27%	14%
2012–2013	30%	20%
2013–2014	14%	20%
2014–2015 or Later	16%	38%
Number of Respondents	279	220

Group One: U.S. Adoption of IFRS or Substantial Convergence of U.S. GAAP and IFRS Will Occur on or before 2015.

Group Two: U.S. Adoption of IFRS or Substantial Convergence of U.S. GAAP and IFRS Will Occur only after 2015.

timing of curriculum changes to incorporate IFRS. (And they do; see Table 5.) The disparity between these two groups of educators is significant with respect to the question, “Which graduating class of students at your school do you expect will enter the workforce with a truly comprehensive (working) knowledge of IFRS?” This disparity constitutes a legitimate matter of concern for those stakeholders who would have expected a more timely response. If the SEC is expecting significant/adequate progress to have been made by 2011 related to incorporating IFRS content into collegiate accounting curricula, the survey results indicate that the SEC may be disappointed. *Of those faculty (Group Two) who believe convergence of U.S. GAAP and IFRS will substantially occur only after 2015 (and this group is 43 percent of all respondents) only 11 percent expect their students who graduate in 2011–12 will have a working knowledge of IFRS; indeed, 54 percent believe that achievement will come only after 2015.*

#### **The Relative Importance of IFRS in the Curricula**

To get a sense of the relative importance that faculty attach to IFRS in the accounting curriculum, participants were asked to respond to the following question: “How important is it that

**TABLE 5**  
**Responses to the Question**

**Question: Which graduating class of students at your school do you expect will enter the workforce with a truly comprehensive (working) knowledge of IFRS?**

	Group One	Group Two
2011–2012	16%	11%
2012–2013	27%	13%
2013–2014	30%	21%
2014–2015 or Later	27%	54%
Number of Respondents	279	220

Group One: U.S. Adoption of IFRS or Substantial Convergence of U.S. GAAP and IFRS Will Occur on or before 2015.

Group Two: U.S. Adoption of IFRS or Substantial Convergence of U.S. GAAP and IFRS Will Occur only after 2015.

your accounting students graduating in 2011 have a good grounding in the following: Accounting Concepts and Principles, Critical Thinking Skills, Ethics, Fair Value Accounting, Forensics, IFRS?" Table 6 shows that IFRS ranked 5th, and only slightly ahead of Forensics. This was the case within both groupings of our respondents. On a five-point scale where 1 indicates "Not Important at All" and 5 indicates "Very Important," the mean response for IFRS was 3.5. We interpret this not to mean that IFRS is deemed unimportant, but that IFRS is recognized to be only one of many desirable elements of a sound accounting curriculum. A challenge every educator faces is what to take out of the curriculum if you are to put something new in. The AAA Education Committee has in progress a multi-phase study to examine this very issue. In Phase 1 conducted in 2009, over 500 young auditors with two to six years experience were surveyed about the importance they attach to various content areas and skills. That effort is ongoing. In a separate question in our survey, most respondents say Ethics (82 percent), Fair Value—Mark-to-Market Accounting (80 percent) and IFRS (79 percent) are, or will at some point be, part of their school's accounting curriculum.

### IFRS IN THE ACCOUNTING CURRICULUM TODAY

#### Change to Date

What progress has been made to date to incorporate IFRS into accounting curricula? In Table 7 we separate the responses of our 75 survey participants who are department chairs or directors from those of non-administrative faculty. Department chairs certainly should be "in the know" as to what changes have been executed, and we focus on their responses below. Twenty-seven percent indicate that no significant steps have been taken. However, 49 percent indicate the equivalent of 1 SCH of IFRS content (or more) has been added to existing courses (19 percent indicate the equivalent of 2 SCH or more has been added). Twenty-one percent and 13 percent, respectively, note that a separate graduate, or undergraduate, course has been added to their programs addressing IFRS. (We failed to inquire whether these courses were electives or required, or how many students enrolled in these classes.)

#### Drivers of Change

Table 8 provides insights as to how schools have advanced their curriculum revision agendas concerning IFRS to date and plan to do so prospectively. Significant disagreement emerges between the responses of administrators and those of faculty. Fifty-six percent of department chairs indicate they provide funding for faculty to attend IFRS training, while only 33 percent of faculty

**TABLE 6**  
**Responses to the Question**

**Question: How important is it that your accounting students graduating in 2011 have a good grounding in the following? Use a 1–5 ascending scale where 1 means "Not Important At All" and 5 means "Very Important"?**

	1–2	3	4–5	Mean
Critical Thinking Skills	1%	1%	98%	4.8
Accounting Concepts and Principles	1%	2%	98%	4.8
Ethics	2%	7%	91%	4.6
Fair Value Accounting	3%	18%	79%	4.1
IFRS	14%	33%	53%	3.5
Forensics	26%	41%	33%	3.1

**TABLE 7**  
**Responses to the Question**

**Question: Which of the following steps has your school taken to incorporate IFRS into the curriculum?**

	Chairs	Faculty
Integrated significant IFRS in existing course: equal to 1 SCH	49%	40%
Created a separate graduate course	21%	18%
Integrated significant IFRS in existing course: equal to 2 SCH	19%	18%
Created a separate undergraduate course	13%	12%
No significant steps taken	27%	30%
Number of Respondents	75	393

**TABLE 8**  
**Responses to the Question**

**Question: What plans has your school made to prepare faculty to teach IFRS?**

	Chairs	Faculty
Provide funding to faculty to attend training	56%	33%
Identified individual faculty to be responsible to teach IFRS	55%	39%
Provide funding/release time to develop course materials	27%	15%
Plan to both develop existing faculty and hire new faculty	27%	14%
Will hire new IFRS-ready faculty	3%	3%
Other	3%	4%
Undecided—No Plans	14%	37%
Number of Respondents	73	388

agree. Twenty-seven percent of department chairs indicate they provide funding and/or release time to faculty to develop course materials, while only 15 percent of faculty believe this to be the case. Irrespective of the resolution of these differences, generally only about 3 percent of schools plan to address their needs by hiring new “pre-trained” faculty. In most instances existing faculty will need retraining. Fifty-five percent and 39 percent of administrators and faculty, respectively, indicate that responsibility has been explicitly invested in specific faculty. *We note this means that in only half our schools have faculty been explicitly and specifically identified who will prepare and teach IFRS to their students. For the other half, we infer plans have yet to advance even to the stage of identifying which faculty will be trained, develop materials, or teach IFRS.*

### Continuing Impediments to Change

Administrators and faculty also were asked about impediments to continued progress. Table 9 presents administrators’ responses; faculty ranked items similarly. We first note that all items listed were ranked between a score of 3 and 4, on a five-point scale, where 1 indicates “Not at All Challenging” and 5 indicates “Very Challenging.” That is, there were no knockout items in the list, nor totally unimportant items. *“Making room in the curriculum” was the highest-ranked impediment; 70 percent of respondents said making room in the curriculum would be “challenging” or “very challenging.”* As noted above, the AAA Education Committee is currently attempting to tackle this problem with a multi-phase research project headed by current AAA Vice President for Education Bel Needles. Many schools have synergistically combined skill and content items for

**TABLE 9**  
**Responses to the Question**

**Question: How challenging are the following aspects of IFRS curriculum integration for the academic community? Use a 1–5 ascending scale where 1 means “Not at All Challenging” and 5 means “Very Challenging.”**

	4 or 5	Mean
Making room in the curriculum	70%	3.9
Developing curricular materials	59%	3.7
Budgetary shortfalls	57%	3.5
Training faculty to teach IFRS	55%	3.5
Timing of when to start teaching IFRS	43%	3.1
Getting faculty cooperation	38%	2.9

years and have now reached the point where something will have to “come out” for every new thing “put in.” The responses of our participants on this point confirm the need for the current AAA Education Committee project. *“Developing IFRS materials” ranks as the second greatest challenge* on the list. Of course, one needs to have mastered the content area to develop quality materials, and this may be a basic problem. A second challenge is determining, “What kind of materials?” Is the answer “case problems, with technical or rule-based answers” or “case problems emphasizing principles-based concepts,” or both? In addition, in what mix? This remains controversial and can surely lead to paralysis if faculty lack confidence in which direction to proceed because all directions require investment of significant faculty costs. It is hardly surprising that over one-third of respondents indicate they have “comprehensively examined teaching materials and case studies” developed by large accounting firms. There is a clearly perceived need that has motivated search efforts. *Budgetary shortfalls register number three on the list of impediments*, tied with, but not unrelated to, faculty training. As reported above, in a related question, a clear disagreement exists between administrators and faculty regarding the availability of funding for training or course development. In these austere times, funding can be hard to come by. With respect to developing new courses or course materials, *a majority of schools report NO funding or release time has been provided to faculty to date with respect to content development in Ethics (64 percent), Fair Value Accounting (72 percent), IFRS (54 percent), or Forensics (58 percent)*. (See Exhibit 1.)

Of course, the foregoing begs the question as to how many faculty are needed to teach IFRS. In this age of specialization, will development of a small percentage of faculty with expertise in IFRS best meet this challenge? Our participants were specifically asked the question, “What percentage of the faculty at your school teach or are engaged in preparing to teach IFRS?” Parallel questions were asked for “Ethics,” “Fair Value Accounting,” and “Forensics.” Similar responses were observed for “Ethics,” “Fair Value Accounting,” and “IFRS.” About half the schools responded that less than 25 percent were so involved but the other half of schools indicated 26–50 percent or even a greater percentage of faculty involvement (Table 10). Re-training upward of half of a school’s faculty in Ethics, Fair Value Accounting, and IFRS suggests that each of these items is recognized as having a pervasive or wide-ranging influence across multiple courses in the accounting program. Many faculty will need to develop teaching capabilities in these areas. Tweaking the intermediate accounting course does not appear to be the vision for these schools. Forensics, on the other hand, was seen as having a less curriculum-wide influence.

## EXHIBIT 1

## Curriculum Development Support

**Question: Among the schools that have/expect to have multiple subjects as part of their accounting curriculum; not many faculty members have received financial support or course release time.**

Subjects	0%	1 - 25%	26 - 50%	51 - 75%	76 - 100%
Ethics (n = 387)	<b>64%</b>	26%	6%	2%	3%
Fair-Value Accounting (n = 375)	<b>72%</b>	21%	6%	1%	1%
IFRS (n = 373)	<b>54%</b>	35%	7%	3%	1%
Forensics (n = 248)	<b>58%</b>	38%	3%	0%	<1%

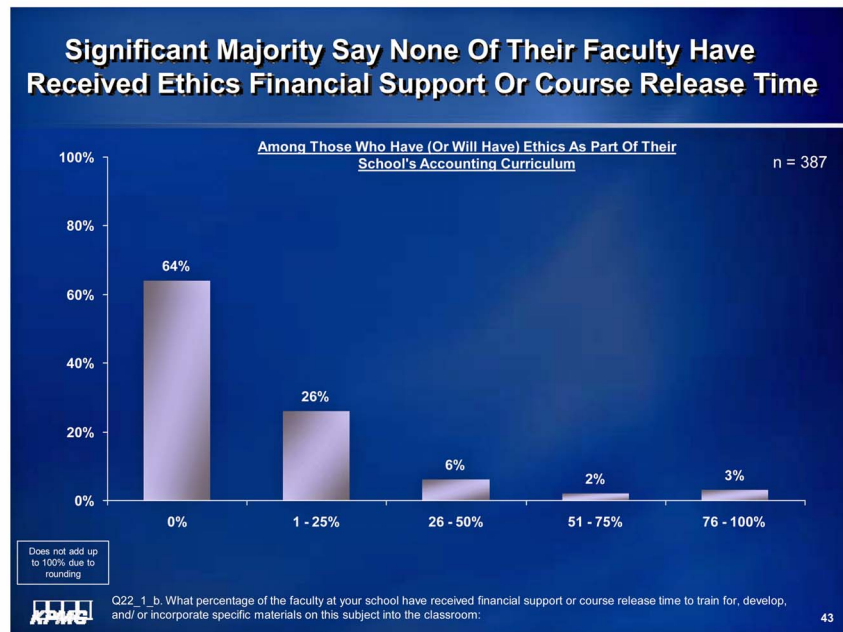




TABLE 10

## Responses to the Question

**Question: What percentage of the faculty at your school teaches or is engaged in preparing to teach the following subjects?**

	<25%	26–50%	>50%
Ethics	49%	20%	31%
IFRS	50%	34%	16%
Fair Value Accounting	48%	38%	14%
Forensics	92%	8%	0%

Table presents percent of respondents indicating a small percentage (0–25%) or a larger (26–50%) or very large percentage (>50%).

## Leveraging Resources

In an era of scarce resources (recognizing administrators rate budgetary constraints as a major impediment), having each school re-invent the wheel is obviously wasteful. If external resources were available, a question addressed is what external help would best assist programs in accelerating the infusion of IFRS in their programs. Specifically, participants were asked, “How might external parties (AAA, CPA firms, Industry) best facilitate efforts with respect to IFRS?” (See Table 11.) Consistent with Table 9 (where the need to develop new course materials was observed to be a major impediment), *participants rated help in developing IFRS materials as highest by far in their wish lists*. Additionally, over one-third of respondents indicated they had already comprehensively examined teaching materials and case studies developed by large public accounting firms. *A significant majority of faculty say course materials (problems and cases) of greatest value to faculty are those that compare and contrast IFRS with U.S. GAAP on technical issues (about 70 percent) and on conceptual commonalities and differences (about 60 percent)*. In both instances, such cases synergistically advance critical thinking skills and research skills.

TABLE 11

## Responses to the Question

**Question: How might external parties (AAA, CPA Firms, Industry) best facilitate faculty efforts regarding IFRS? Please select the two that would be of most value to accounting faculty.**

	Chairs	Faculty
Problems/cases comparing and contrasting IFRS with U.S. GAAP technical materials	71%	70%
Problems/cases comparing and contrasting IFRS with U.S. GAAP concepts	59%	63%
IFRS Test Bank (with solutions)	33%	30%
Stand alone pod-casts or web-casts for classroom use	15%	18%
Repurposed internal (CPA firm or industry) training courses for classroom use	18%	15%
Number of Respondents	73	385

## CONCLUSIONS

Accounting faculty and administrators perceive that accounting practice is changing in very significant ways that, in turn, will affect their curricula in very significant ways. Curricular (not course) changes will be needed that will not be restricted to one or two courses, nor require the retraining of only one or two faculty. *Significant portions of faculty will need to develop expertise in Ethics, Fair Value Accounting, and IFRS. Ethics is of pervasive importance across all aspects of business and business curricula today. Fair Value Accounting and International Financial Reporting Standards are sea-changes transforming the profession.* Still, major uncertainties exist, especially with regard to the appropriate timing of change. *This uncertainty appears to explain, in part, a lack of meaningful action at many schools.* Uncertainty also exists as to how to change in the face of many competing demands. Specifically, how do we make room for these topics (what to add and what to take out) in the curriculum? This uncertainty also appears to explain, in part, a lack of meaningful *action* at many schools. Resources to effect desirable changes also appear to be lacking in the form of funding for faculty re-education and/or release time to develop new materials and courses. Budgetary shortfalls also may have contributed in part to a lack of meaningful *action* at many schools, and may continue to limit progress in the future.

New course modules equivalent to one or two student credit hours have been developed at some schools with new courses at other schools. In addition, faculty have examined case materials developed by major CPA firms for use in their curriculum. But all these actions relate only to a minority of schools. *As to IFRS, about half of our schools have not yet even identified specific faculty who will be asked to retool, develop, and/or teach IFRS in the accounting curricula.* Thus, much work remains to be done.

It is unlikely that university budgets will markedly improve in the near term. Hopefully, greater clarity on the timetable for the U.S. transition to IFRS will develop soon. We can also hope the current AAA Education Committee efforts will mitigate some of the uncertainty as to the direction that accounting curriculum changes should take. Curriculum changes are costly in faculty time and effort. Faculty time is also limited as the academy continues to struggle with a marked undersupply of new graduates from accounting doctoral programs relative to faculty retirements. Major curricular changes are faculty-time-intensive efforts and are unlikely to progress aggressively in an environment of uncertainty, budgetary austerity, and faculty shortages. Organizations such as the FASB, AAA, AICPA, and IMA must ask themselves what more can be done to facilitate needed changes. It may also be time to ask if there is a role for the federal government. Some believe that there is a general financial illiteracy among many American investors which hinders their investor decision-making. Without disputing the critical need this nation has for education in the hard sciences, a financially literate citizenry is also in the national interest. Unfunded mandates (e.g., transition to IFRS by colleges) without a cohesive plan will not necessarily lead to desired outcomes.

## REFERENCES

- Munter, P., and P. Reckers, 2009. IFRS and collegiate accounting curricula in the United States: 2008 A survey of the current state of education conducted by KPMG and the Education Committee of the American Accounting Association. *Issues in Accounting Education* 24 (2): 131–139.

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