

## V. Accounting and Auditing Training

This chapter describes accounting and auditing education and training. It is structured as follows:

- 1 – Introduction – describes the historical development of accountancy education.
- 2 – Educational Coordination – discusses the coordination of accountancy education within the Philippines.
- 3 – Curriculum – sets out international guidance on accountancy education, describes the existing curriculum, and reviews proposed changes to the curriculum.
- 4 – Education and Training Institutions – describes the providers of tertiary accountancy education.
- 5 – Training for Lecturers and Professors – describes requirements for the continuing training of accountancy lecturers and professors.
- 6 – Issue Synopsis: Accounting and Auditing Education and Training – summarizes the issues identified in this chapter.

### 1. Introduction

The American colonial period substantially influenced Philippine accountancy education arrangements. Business schools were initially established across the country to provide a skilled labor pool for government and business organizations. Eventually business education progressed to the stage when accounting courses were taught at university level. In 1916, the University of Philippines began to offer accounting courses. Other pioneering institutions that launched accounting programs from 1916 to 1928 included Jose Rizal College, De La Salle College, the National University, and the Far Eastern University.<sup>162</sup>

Most accounting and auditing skills are generally considered to be developed through on-the-job practical training and work experience. That aside, educational standards, particularly at the undergraduate level determine the basic level of knowledge that new entrants to the accounting market have. The higher this level is, the faster that skill will be developed.

Today, the Philippine education system, and its graduates, is internationally and regionally recognized as being of a high standard – for instance, the Manila-based Asian Institute of Management is widely

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<sup>162</sup> Agustin, Emelita, P. December 1994. The Accountancy Profession in the Philippines and the Philippine Institute of Certified Public Accountants (PICPA). *Accountants' Journal*. Vol. 44(3). pp. 12-17.

regarded as Asia's premier business school. The top Philippine accountancy faculties are also recognized for the caliber of their graduates and research publications.

## 2. Educational Coordination

Several laws and regulations govern accountancy education. First, the *Revised Accountancy Act 1975* created the Board of Accountancy (BOA) under the Professional Regulation Commission (PRC). The Board's role in relation to education has already been described in Chapter III. The Board has recently established an Accounting Education Task Force to help it examine developments in the accountancy profession as they affect accountancy education. Second, the *Higher Education Act 1994*<sup>163</sup> created the Commission on Higher Education (CHED). Among other things, CHED is responsible for (i) formulating and recommending development plans, policies, priorities, and programs on higher education; (ii) setting minimum standards for programs and institutes of higher education; (iii) monitoring and evaluating the performance of programs and institutions; and (iv) imposing sanctions for poor performance (e.g., subsidy reductions, withdrawal of accreditation, program termination and closures).<sup>164</sup> Third, PICPA is involved in educational coordination through its representation on CHED's advisory board and in the BOA.

The PRC is emphasizing linkages with educational institutions for monitoring performances of examinees from their respective schools. Initial steps have been taken to coordinate with the Commission on Higher Education (CHED) on reforms relating to curriculum, pedagogy, faculty development, and policies regarding student admission and retention. Accountancy educators are represented by the Philippine Association of Collegiate Schools in Business (PACSB); the Council of Deans for Accounting, Commerce and Secretarial Administrations; and the Association of Certified Public Accountants in Education (ACPAE).

## 3. Curriculum

The issuance of Department of Education, Culture and Sports (DECS) Order No. 5 (1991) established the Bachelor of Science in Accountancy (BSA) as a fully-fledged independent course. The CHED has since taken over responsibility for coordinating tertiary education from the DECS.

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<sup>163</sup> Republican Act No. 7722.

<sup>164</sup> Commission on Higher Education. 2000 March. *Organizational Overview*. Manila: CHED.

International organizations have issued guidance on accountancy education issues, including:

- *Quality Issues For Internet and Distributed Learning in Accounting Education*. This IFAC Education Committee discussion paper discusses the environment that encourages the design, development and delivery of high-quality Internet and distributed learning in global accounting education. It offers recommendations for assessing the quality of Internet education and distributed learning.<sup>165</sup>
- *Discussion Paper on Assistance Projects in Accountancy Education and Development*. This IFAC Education Committee discussion paper, which is based on the experiences of 15 IFAC member organizations, looks at some of the common aspects of successful aid and assistance projects and the impediments that can derail the process. It is meant to be of assistance to accountancy organizations and consultants involved in aid projects for the development of accountancy education, as well as potential donors.<sup>166</sup>
- *International Education Guideline 9: Accounting Education and Experience*. This IFAC guideline sets out high-level curriculum expectations.<sup>167</sup>
- *Guideline for a Global Accounting Curriculum and Other Qualification Requirements*. This UNCTAD report sets out requirements for the qualifications of professional accountants; and a guideline for national systems for the qualifications of professional qualifications.<sup>168</sup>
- *Global Curriculum for the Professional Education of Professional Accountants*. This UNCTAD report sets out curriculum requirements including organizational and business knowledge; information technology; and accounting and accounting-related knowledge.<sup>169</sup>

The existing Bachelor of Science in Accountancy (BSA) is a 4-year course. While it is generally consistent with international guidelines in

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<sup>165</sup> International Federation of Accountants (IFAC). 2000. *Quality Issues for Internet and Distributed Learning in Accounting Education*. New York: IFAC Education Committee. [www.ifac.org](http://www.ifac.org)

<sup>166</sup> International Federation of Accountants (IFAC). 2000. *Discussion Paper on Assistance Projects in Accountancy Education and Development*. New York: IFAC Education Committee. [www.ifac.org](http://www.ifac.org)

<sup>167</sup> International Federation of Accountants (IFAC). 1996. *International Education Guideline (IEG) 9: Prequalification Education, Assessment of Professional Competence and Experience Requirements of Professional Accountants*. New York: IFAC.

<sup>168</sup> UNCTAD. 1999. *International Accounting and Reporting Issues: 1999 Review*. United Nations.

<sup>169</sup> Ibid.

this area, the BOA and PICPA began to develop proposals for a revised accountancy curriculum in 1998.<sup>170</sup> These proposals were driven by concerns over educational quality and the issuance of updated international guidance in this area (see above). CHED approved the revised curriculum in August 2001, which reflects relevant UNCTAD and IFAC guidance.

#### **4. Education and Training Institutions**

The Philippines had 164 public and 1,189 private higher education institutions as of September 2000. Of these institutions, 367 offered accredited BS in Accountancy programs.<sup>171</sup>

The quality of these programs differs substantially; if assessed on the basis of graduate success in the CPA licensure examination. Zero-performing schools (i.e., those that had no successful candidates in the CPA Licensure examination) comprise around 50 % of accredited institutions.<sup>172</sup> Students at these schools are predominantly drawn from less wealthy families.

In the 1999–2000 academic year, CHED acted to phase out the accountancy programs of 54 schools. In addition, one school was warned and one school was referred to the Technical Panel for further action. The CHED process is continuing and should reduce the number of sub-standard schools offering accountancy programs.<sup>173</sup>

#### **5. Training for Lecturers and Professors**

As a condition of offering accountancy programs, institutions must have a formal faculty development program. However, in some schools, continuing training for accountancy lecturers and professors is very limited.<sup>174</sup>

The absence of relevant materials is perceived as a constraint to staff development—most materials are local adaptations or reprints of US books. These books are based on US GAAP rather than international

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<sup>170</sup> Manaligod, Ma. Gina T. October 1999. Improving the Accountancy Program. *Accounting Times*. Vol 51(9). p. 12.

<sup>171</sup> Commission on Higher Education. 24 January 2001. Response to Questions on ADB Diagnostic Study of Accounting and Auditing. Unpublished document. CHED.

<sup>172</sup> Board of Accountancy. 2001. *Accomplishment Report for 2000: Professional Regulation Commission*. p. 8.

<sup>173</sup> Source: World Bank. 2001 September. The Philippine Accounting and Auditing Environment: A Critical Review of Institutions, Rules and Practices. Draft Report.

<sup>174</sup> Ibid.

standards and practices. Furthermore, case studies based on local practices and conditions are rare.<sup>175</sup>

## **6. Issue Synopsis: Accounting and Auditing Education and Training**

Chapter VIII – *Issues and Recommendations* – identifies and describes constraints and proposes corrective actions. These include the following issues regarding Philippine accounting and auditing education and training:

- The proposed introduction of a 5-year curriculum would not necessarily raise standards—it would however disadvantage less wealthy students.
- BOA's enhanced monitoring of accountancy programs provides a good basis for targeting improvement programs.

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<sup>175</sup> Source: World Bank. 2001 September. *The Philippine Accounting and Auditing Environment: A Critical Review of Institutions, Rules and Practices*. Draft Report.