THE STATE OF UK PROFESSIONAL ACCOUNTANCY EDUCATION: PROFESSIONALISING CLAIMS

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Abstract

In advancing the ‘professionalising’ claims, the UK accountancy bodies emphasise that their members have command of practical and theoretical education, engage in ethical conduct, serve the public interest and act in a socially responsible way. However, such claims are routinely problematised by scandals which highlight the highly partisan role of accounting and accountants and failures of accounting education. Rather than undertaking a radical review of accounting education, the professional bodies seek to rebuild confidence in accounting and their jurisdictions by (re)affirming that accounting education is or will be devoted to producing reflective accountants through educational processes focused on sound education, principles, ethics, professional scepticism, lifelong learning opportunities, distinguishing between private and public interest and serving the public interest. These promises presuppose that students on professional accounting courses are exposed to such values. To advance the debate, this paper examines a number of financial accounting, auditing and management accounting books and finds that beyond a technical and instrumental view of accounting, there is little discussion of theories, principles, ethics, public interest, globalisation, scandals or social responsibility to produce socially reflective accountants.

Keywords: Scandals, Professional Accountancy Education, Ethics, Social Responsibility, Public Interest.

Introduction

In societies marked by inequalities, accounting education remains a contested terrain. Historically, aspiring accountants have sought professional qualifications through training and private spare-time study, frequently with mail-order manuals (Kitchen and Parker, 1980). The emphasis was predominantly on learning techniques, laws, rules and regulation. However, accounting eventually became accepted as an academic subject and from the 1960s onwards degrees began to be offered by the UK universities (Solomons and Berridge, 1974). Though some accounting academics participated in the design of professional accountancy education syllabuses, control of accountancy education remained with the professional bodies. This control was deepened as most UK universities sought 'accreditation' of their degrees from the professional bodies, a process that enabled accountancy bodies to shape the content of accounting degrees. In some cases, to maximise exemptions from professional examinations, university accounting degrees imitate professional qualifications by placing particular emphasis on learning techniques, rules and regulations, often at the expense of wider reflections about the social consequences of the techniques and practices (Sikka and Willmott, 2002).

Ever since its professionalisation, accountancy bodies have sought to portray accounting as an independent, objective and neutral constructor of the state of corporate affairs. This position has been legitimised by discourses claiming that accountants have sound theoretical and practical education, ethical conduct and that they serve the public interest. Such claims are routinely punctured by the recurring crisis of capitalism, given visibility by corporate frauds, collapses and real/alleged accounting and audit failures (for example, see Edwards and Shaoul, 1999; Dunn and Sikka, 1999; Mitchell and Sikka, 2002; Cousins et al., 2004; Mitchell and Sikka, 2005). A common institutional response to scandals has been to reconstruct confidence in accounting by tweaking the regulatory and disciplinary apparatuses, without necessarily scrutinising the conceptual, social and theoretical basis of accounting (Sikka and Willmott, 1995). The same pattern has been repeated after the recent Enron, WorldCom, Xerox, Adelphia Tyco, Barings, Wiggins, Barings, Transtec and other scandals[1], though with little immediate reflections on the role of accounting education in facilitating scandals (for example see, International Federation of Accountants, 2003a).

The quality of education has a bearing on the scandals because " …. by propagating ideologically inspired amoral theories …. [business schools have]……. freed students from any sense of ethical responsibility" (The Times, 2 October 2003), and that "we – as business school faculty – need to own up to our own role in creating Enrons ……. it is our theories and ideas that have done much to strengthen the management practices we are all so loudly condemning. …. recent company excesses ……. had their roots in ideas developed in business schools over the past 30 years. If managers were seeking ever-more inventive ways of boosting share prices, paying themselves over the odds for doing so and offloading the costs on to society, they were doing what business-school courses on strategy, transaction cost economics and agency theory had taught them" (The Observer, 28 March 2004). The finger is pointed at the "poverty of accountancy education" because "professional accountancy students are encouraged to learn rules and techniques, but with little reflection on their social consequences. The aim of 'maximising shareholder wealth' takes precedence over any sense of equity, fairness or justice. Ethics amount to learning a few lines from the profession's ethical code and almost nothing about how good lives can be lived. Some in the profession frequently appeal to notions of 'serving the public interest'. Yet education schemes provide no explanation of this or any evidence showing whether accountancy practices are capable of serving the needs of diverse stakeholders" (Sikka, 2003).

Under the influence of the professional bodies, accounting education is considered to have failed to provide the required skills, durable knowledge and lifelong learning opportunities (Albrecht and Sack, 2000) and there are calls for major reforms (Kelly et al., 1999; Craig and Amernic, 2002). However, in response to possibilities of change, an accountancy firm claims that generally "the system of [accountancy] education in the UK works well compared to other countries and it is notable that the standard of people entering and remaining within professional firms is well regarded.

[1] For examples, the US introduced the Sarbanes-Oxley Act 2002. The UK's Companies Act 2004 revised the regulatory regimes.

In short the current system is not broke and as such does not require fixing to a major extent" (Financial Reporting Council[2], 2004, p. 5). The institutions of accountancy continue to reaffirm that they are advancing and cultivating social responsibility, ethical conduct, public interest obligations, professional scepticism, sound education, business knowledge and lifelong learning possibilities (FRC, 2004; International Federation of Accountants, 2003b). Some UK professional bodies claim that they have taken steps to ensure that their qualifications demand more than just a technical knowledge of accounting and related subjects (FRC, 2004, p.12).

This paper seeks to contribute to the above debates through a review of major financial accounting, auditing and management accounting text-books recommended to UK professional accountancy students[3] in the belief that they represent a significant stock of knowledge to shape aspiring accountants' understanding of the role and possibilities of accounting in society. They can provide persuasive evidence as to whether accounting education remains pre-occupied with narrow technicist matters or is perhaps concerned with emancipatory change by encouraging reflections upon scandals and consequences of accounting and auditing practices (Sikka, 1987). This paper differs from contemporary studies (for example, Ferguson et al., 2005) in that it concentrates on books recommended for professional education, including those specifically written by the professional bodies themselves. It undertakes a general qualitative review rather than a 'content analysis[4]' as the absence of an index[5] and a contents list from many books makes this form of analysis problematic.

This paper is organised in four further sections. The first section draws attention to the 'professionalising' claims of the accountancy profession together with some episodes and scandals which problematise such claims. These scandals pose questions about

[2] The Financial Reporting Council (FRC) is the UK's regulator for corporate reporting and governance. Further details are on its website: http://www.asb.org.uk/index.cfm.
[3] The UK professional accountancy bodies have over 300,000 domestic and overseas registered students (Financial Reporting Council, 2004). Thus their educational policies are also exporting certain worldviews, norms and practices to shape the social development of other countries.
[4] Such an analysis also does not adequately capture the depth and quality of the topics covered or exposes the issues which attract little or no attention.
[5] For example, when commenting on CIPFA study manuals, a tutor commented that "There seems to be a lot of photocopied stuff in them, no index …… (PQ Magazine, May 2005, p.12).

accounting education and the nature of financial accounting, management accounting and auditing practices in particular. To rebuild public confidence, professional bodies promise to (re)form accounting education to ensure that accountants will serve the public interest by embracing good principles of accounting, governance and ethical conduct. This presupposes that the recommended books expose students to such issues as part of their learning process. The second section explains the rationale for selecting the major text-books for scrutiny. To seek support for the profession's claims about accounting education, the third section reviews major text-books for financial accounting, auditing and management accounting, especially the elements which have attracted adverse comment in recent scandals. The fourth section concludes the paper with a summary and discussion of the 'professionalising' claims of the UK accountancy profession.

PROFESSIONALISM AND ACCOUNTING EDUCATION

In defending and advancing their social privileges, accountants distinguish themselves from competitors by asserting claims of sound theoretical and practical knowledge, social responsibility, ethical conduct and a commitment to serve the public interest (Friedson, 1986; Abbott, 1988; MacDonald, 1995). Such appeals have enabled accountants to secure markets, niches and colonise public policymaking spaces (Larson, 1977). The knowledge claims are legitimised and reinforced by the state's insistence that the holding of an approved professional accountancy qualification is a necessary precondition for enjoyment of the state guaranteed market of auditing[6].

The educational claims of the accountancy profession are legitimised by pledges and statements of the UK accountancy bodies. For example, the supplemental royal charter granted to the Institute of Chartered Accountants in England & Wales (ICAEW), in 1948, states that its objects are "to advance the theory and practice of accountancy in all its aspects, including, in particular, auditing, financial management

[6] For example, following the Companies Act 1989 (consolidated into the Companies Act 1985) anyone wishing to conduct company audits needs to hold a recognised qualification from one of the five Recognised Qualifying bodies (RQBs). These are the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS), the Institute of Chartered Accountants in Ireland (ICAI), the Association of Chartered Certified Accountants (ACCA) and the Association of International Accountants (AIA).

and taxation; to recruit, educate and train a body of members skilled in these arts; to preserve at all times the professional independence of accountants in whatever capacities they may be serving; to maintain high standards of practice and professional conduct by all its members; to do all such things as may advance the profession of accountancy in relation to public practice, industry, commerce and the public service". The 1974 royal charter granted to the Association of Chartered Certified Accountants (ACCA) pledges to "advance the science of accountancy, financial management and cognate subjects". The 1975 royal charter granted to the Chartered Institute of Management Accountants (CIMA) pledges to "promote and develop the science of Management Accountancy and to foster and maintain investigations and research into the best means and methods of developing and applying such science and to encourage, increase, disseminate and promote knowledge, education and training ……… to lay down standards of education ..". The mission statement of the Fédération des Experts Comptables Européens[7] (FEE) asserts that the "accountancy profession carries out many of its activities in the public interest and has therefore a special responsibility towards society[8]". Such discourses are deeply embedded and amplified in accounting literature (for example, see Carey, 1980; Mautz and Sharaf, 1961; Flint, 1988).

However, the profession's claims of sound education, independence, objectivity, ethical conduct, social responsibility and serving the public interest are routinely laid bare by the visible hand of accountancy practices in corporate collapses, frauds and scandals, often resulting in loss of savings, investments, taxes, jobs, homes and pensions. A spate of scandals throughout the 1980s and the 1990s drew attention to the opaqueness and malleability of published company financial statements. Episodes, such as Cray Electronics, Sock Shop, Coloroll, Parkfield, British and Commonwealth, Atlantic Computers, Ferranti, Sound Diffusion. Rush and Tompkins, Johnson Matthey and others drew attention to accounting techniques of hiding liabilities, amplifying assets, and massaging profits to appease capital through expectations of higher share prices and dividends, and increase executive salaries and share options (Mitchell et al.,

[7] The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. It is funded by private interests and its membership consists of 41 professional institutes of accountants from 29 countries.

[8] http://www.fee.be/secretariat/Introduction2.htm; accessed 22 December 2004.

1991; Smith, 1992, 1996; Clarke et al., 1997). These scandals also revealed "the ease with which eminent firms of auditors turned a blind eye on the wholesale abuse by client company directors of [legal] provisions. [The directors] operated these public companies for the principal benefit of themselves and their families; and most regrettable of all, on the virtual complicity of their auditors, whose efforts are seen to have amounted to a whitewash at best, and a fatuous charade at worst" (Woolf, 1983; also see Edwards and Shaoul, 1999; Mitchell et al., 1991; Mitchell and Sikka, 2002, 2005; Cousins et al., 2004).

Despite institutional reforms and revisions to accounting and auditing standards, the scandals continued. For example, in its 1988 and 1989 accounts Polly Peck did not depreciate freehold and long leasehold properties and interest payments were capitalised to show higher earnings. Profits were boosted by pushing foreign currency translation losses through reserves rather than the income statement, as was required by the extant accounting standards. Many of the contemporary auditing standards played little part in the audit of the company (Joint Disciplinary Scheme, 2003). Further questions about accounting and auditing were raised by the £458 million looting of pension funds by millionaire businessman Robert Maxwell. A Department of Trade and Industry (DTI) report found that auditors, who remained in office for nearly twenty years and sold a number of non-auditing services to the Maxwell empire, "consistently agreed accounting treatments of transactions that served the interest of RM [Robert Maxwell] and not those of the trustees or the beneficiaries of the pension scheme, provided it could be justified by an interpretation of the letter of the relevant standards or regulations" and the firm's senior partner told the audit team that "The first requirement is to continue to be at the beck and call of RM [Robert Maxwell], his sons and staff, appear when wanted and provide whatever is required" (Department of Trade and Industry, 2001, pp. 315 and 367). The audit firm and its partners admitted 57 errors of judgement and were found to have "lost the plot", "got too close to see what was going on" and "failed to consider whether there was evidence of fraud, other irregularities, defaults or other unlawful acts" (Joint Disciplinary Scheme, 1999).

In 1991, after revelations of the biggest banking fraud of the twentieth-century the Bank of Credit and Commerce International (BCCI), a bank with 1.4 million depositors and operating from 73 countries, was closed down by the Bank of England. The auditors at BCCI were too close to the management of the company and failed to blow the whistle on organised fraud. The US Senate's report on the closure of BCCI concluded that auditors were a party to a "cover up" (US Senate Committee on foreign Relations, 1992, p. 276) and caused "substantial injury to innocent depositors and customers of BCCI" (US Senate Committee on foreign Relations, 1992, p. 5). In common with auditors at Barings and International Signal and Control Group, BCCI auditor's refusal to fully co-operate with regulators frustrated inquiries into allegations of audit failures (Mitchell and Sikka, 2002).

More material for real-life case studies and reflections upon accounting education, ethics and the social and organisational context of accounting continued to be provided by scandals. At Wickes plc, income for the years 1992 to 1995 was inflated by recognising rebates from suppliers as "earned" income, when in had in fact not yet been received (Joint Disciplinary Committee, 2004b). The total rebate income exceeded group operating profit. This reached a peak in 1995 when rebate income of £62.9 million was recognised in accounts which showed group operating profit on continuing activities of £36.7 million. In 1993, the UK government appointed inspectors to investigate financial practices at Queens Moat Houses, Britain's third biggest hotel chain. The company boosted its profits by recognising the following year's earnings in the current year, capitalising maintenance expenditure and showing loss making properties as generating a profit, with the result that after adjustments the 1991 profits of £90.4 million turned out to be a loss of £1 billion (Department of Trade and Industry, 2004). One of the company's directors was a former partner of the audit firm. Just before the appointment of government inspectors, auditors resigned stating that "there are no circumstances connected with our resignation which we consider should be brought to the notice of the members or creditors of Queens Moat Houses plc" (Dunn and Sikka, 1999, p. 53). The government report stated that non-executive directors, the supposed lynchpins of audit committees created to enhance auditor independence and accountability of directors, were routinely "fobbed off" (Department of Trade and Industry, 2004, Section 2) and the main auditor was considered to be "hopeless" (Department of Trade and Industry, 2004, p. 36, 202, 379).

Further material for real-life case studies and reflections could have been provided by revelations relating to Barings, Enron, Wiggins, WorldCom, Resort Hotels, Transtec, Waste Management, Parmalat, Ahold, Global Crossing and Tyco, just to name a few. In early 2000, with debts of £70 million, the Versailles Group was placed in administrative receivership. Many of the company's transactions were found to be fictitious, based on forged documents and money was circulated to give the appearance of activity, there was "cross-firing" of cheques, and computer controls were overridden (Joint Disciplinary Committee, 2004a). One of the company's directors arranged for the circulation of the Versailles accounts, which contained a false audit report. When this was discovered, auditors signed the report on unchanged accounts after little further work, and these were re-circulated to shareholders. A disciplinary report noted that in "the face of this obvious dishonesty, [auditors] Nunn Hayward acquiesced in a circular to shareholders describing what had happened as *"an oversight"*. The reality was that Versailles was too important a client for Nunn Hayward to risk" (Joint Disciplinary Committee, 2004a).

Worldwide attention on accountants and accounting practices was focused by revelations of fraudulent practices at Enron and WorldCom. With 25,000 employees and $50 billion in assets, Enron became America's biggest corporate bankruptcy. In 2001, it operated through 3,500 domestic and foreign subsidiaries and affiliates, including nearly 900 in secretive tax havens. With the approval of auditors, the company's management routinely massaged published accounts to conceal liabilities and report high profits[9] (Baker and Hayes, 2004). Enron auditors, Arthur Andersen, performed consultancy services, including (since 1990) its internal audits. The firm's partners were incentivised to sell non-auditing services to audit clients (Cruver, 2003; Cullinan, 2004). In June 2002, a federal jury convicted Andersen of obstructing justice by shredding key documents of its audit client, Enron[10]. The episode also drew attention to the widespread use of 'transfer pricing' schemes to launder global profits and avoid taxes, all in the name of 'shareholder wealth maximisation'. Many of the transactions were manufactured solely to avoid taxes not only in the US but also in

[9] In March 2005, WorldCom's ex-CEO was found guilty of fraud and sentenced to 25 years imprisonment (Washington Post, 14 July 2005, p. D01).
[10] Subsequently, the US Supreme Court overturned the Andersen conviction on the ground that the judge presiding at the original trial gave too broad (or faulty) instructions to the jury (Washington Post, 1 June 2005, p, A01)

places such as India and Hungary[11]. Novel transfer pricing schemes were also deployed by WorldCom. With advice from KPMG, the company's management created "foresight of top management" as an intangible asset, which could be conceptualised as management's strategy to create a horizontally and vertically integrated corporate structure to provide a range of telecommunications services to customers, something any company would strive for. To avoid taxes, a WorldCom company registered in a low tax jurisdiction (or a tax haven) claimed ownership of the newly designed asset. Since the whole WorldCom group had to rely upon management foresight, all companies had to pay a royalty for its use and over the period 1998-2001 these companies paid $20 billion in royalties. The paying companies got tax relief on the 'cost' of royalties, but since the receiving company was located in a tax haven it paid little/no tax on its income. The transaction was internal to the WorldCom group and had no net effect on its global accounting profits but it avoided millions in taxes. KPMG collected nearly $10 million in fees[12] (United States Bankruptcy Court Southern District of New York, 2004, pp. 37-41).

The above represents a small sample of the material raising questions about the quality of accountancy education and its impact on the social and organisational context of accounting and auditing practices, ethics of accountants, cultures of accountancy firms and their claims of serving the public interest. After Enron and WorldCom, the institutions of accountancy have sought to reconstruct confidence in accounting education by producing soothing reports and promises (for example, see Accountancy Foundation Review Board, 2002). International Federation of Accountants (IFAC), an organisation funded by major accountancy firms and bodies states that as "the accountancy profession looks to its future, one of the critical areas it must address is ensuring that new entrants to the profession are qualified to meet the responsibilities they will face[13]" and that the professional bodies "have a public interest obligation to ensure candidates admitted to membership, and who carry the professional designation associated with membership, have the necessary capabilities,

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[11] So complex were the tax avoidance schemes that a 2,700 page report by the US Senate is barely able to introduce them (US Senate Joint Committee on Taxation, 2003).

[12] For a discussion of the role of accountancy firms in developing and marketing tax avoidance schemes, see Sikka and Hampton (2005).

[13] Though there is little discussion of what these responsibilities might be.

skills, and knowledge" (press release, 22 December 2004). Without explaining the recurring failures, the IFAC adds that "integrity, objectivity and willingness to take a firm stand are essential attributes of professional accountants. Professional values, ethics and attitudes are integral to being a professional accountant … increased emphasis needs to be placed on a set of professional knowledge, skills and professional values, ethics and attitudes broad enough to enable adaptation to constant change" (IFAC, 2003b, paras 13 and 15).

In its review of training and education in the UK accountancy profession, the Financial Reporting Council (FRC) emphasised that new trainees need to "have an early understanding of the importance of the accountancy profession to the public interest. This is needed to ensure that the framework for professional values, social responsibility and career-long learning is instilled up front. …... new entrants need a better grounding in the key linkages between accounting principles, standards, sound business management and the public interest" (FRC, 2004, p. 8). The FRC recommended the use of real-life case studies for learning about fraud, professional scepticism and ethical dilemmas facing accountants and adds that the trainees are expected to understand "public interest responsibilities …… [and] distinction between the interests of a single organisation and the wider public interest (p. 5). Some acknowledge that the "syllabuses of the [UK] accounting bodies do not devote much space to ethics, governance or accounting principles" (FRC, 2004, p. 6) though the ICAEW chief executive claims that "ethics is already substantially integrated into the ACA work-based training, learning materials and exams …"[14]. The above discourses may help to rebuild confidence in accounting, but are they developed, advanced and critiqued in the textbooks commonly used by students on professional courses?

SELECTION OF BOOKS

The scandals raise questions about accounting practices, audit failures, ethics, social irresponsibility and the use of transfer pricing schemes to avoid taxes. Educational processes play a major role in normalising attitudes towards such matters and recommended books provide authoritative texts, ideas, worldviews and conceptual maps for organising and understanding the world. The books examined in this paper

[14] http://www.accountingweb.co.uk/cgi-bin/item.cgi?id=133304; accessed 10 January 2005.

are selected from the financial accounting, management accounting and auditing reading lists published by the major UK accountancy bodies. These were supplemented by the readings lists issued by a number of universities and private colleges specialising in the provision of professional education. The resulting list is shown in Table 1.

INSERT TABLE 1 HERE

The list includes study packs specifically written for and published by the accountancy bodies. ACCA, CIMA and ICAS issue recommended reading lists, but considerable emphasis is placed on study packs officially sanctioned by them[15]. Similarly, the Chartered Institute of Public Finance and Accountancy (CIPFA) also advises its students to use officially sanctioned study packs. The published syllabus of the ICAEW does not include a specific reading list, but students are expected to purchase officially sanctioned study packs[16] similar to those offered by ACCA and CIMA.

EXAMINATION OF THE BOOKS

Following the claims and aims advanced by the professional institutions, this section examines major books on financial accounting, auditing and management accounting.

Financial Accounting

The introductory and intermediate books on sociology, philosophy, politics and many other branches of social science encourage learning through a dialectical relationship that emphasises relationship between theory and practice to advance understanding. However, that is not the case for accounting. Despite large number of scandals and calls for change to accounting education, the introductory and intermediate books on

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[15] Discussions with students and teachers specialising in professional education suggest that many students frequently only read the study packs carrying the relevant professional bodies' imprimatur.

[16] Such recommendations are closely related to the economics of the professional bodies. For example, since 1995, FTC Foulks Lynch has been the official publisher to the ACCA. Its publications carry the ACCA imprimatur and 'the official text for professional qualification' slogan. ACCA's annual accounts show for the years 2000-2004, it received royalty income of over £1.5 million The books carrying CIMA's imprimatur had until recently been published by CIMA Publishing, which in 2003 was sold to Elsevier. CIPFA study packs are published jointly by BPP and Pearson Education.

financial accounting (Britton and Waterson, 2003; CIPFA, 2004a, 2004b; FTC Foulks Lynch, 2004a ; Gowthorpe and Robins, 2003; ICAEW, 2004a; Kirk, 2002; McLaney and Atrill, 2002; Rolfe, 2003; Weetman, 2003a, 2003b; Wood and Sangster, 2002a, 2002b) do not provide any explicit social or organisational theoretical underpinnings to explain the rationale for accounting and its consequences. The books contain virtually no discussion of ethics, morality, notions of the public interest, social conflict or social responsibility. Any understanding of accounting and society would require some conceptualisation of society, its components, politics, power and conflict, but none could be found in any of the books. Like their predecessors, most books follow the established formula of providing a basic introduction to book-keeping, accounting techniques and statements (for example see Sikka, 1987; Puxty et al., 1994). They contain plenty of worked examples and questions for self-testing, but make no mention of any social or organisational context of accounting. Accounting is presented as an apolitical technology with virtually no mention of its impact on distribution of wealth, loss of pensions, jobs, homes or savings, even though these problems are routinely encountered by students in daily newspapers and magazines. The nearest thing to any discussion of accounting principles is a summary of the standards setters 'statement of principle' or a conceptual framework, without mentioning any of the politics or the worldviews embedded in it. No theoretical tools are offered to critique any accounting practice or principles.

Some authors may have shied away from introducing critical and theoretical aspects in the belief that aspiring students need to learn the techniques first and that somehow later-on they will learn to critique the same, but the advanced books offer little comfort. The weighty advanced books (Alexander and Britton, 2004; Elliott and Elliott, 2005; FTC Foulks Lynch, 2004d; Glautier and Underdown, 2001; ICAEW, 2004a; Lewis and Pendrill, 2003) cover a lot of ground, including complex financial statements, price level accounting, legal requirements, UK and international accounting standards and a conceptual framework for accounting. There are plenty of examples methodically worked to guide students and teachers and related questions at the end of each chapter can be used to test technical capacities. However, there is little explicit exposition of any economic theory, agency theory, their shortcomings or anything else underpinning accounting. 'True and fair view' may be a popular phrase in accounting but is hardly discussed in any of the books.

Elliott and Elliott (2005) regurgitate the various UK codes on corporate governance together with chapters on environmental and social reporting and ethics, which often repeat professional claims and statements. Possible contradictions between the claims of ethics and social responsibility, and agency theory and shareholder wealth maximisation model embedded in earlier chapters do not give rise to any evaluation. In common with other advanced books, there is no theorisation of any notion of society, justice, morality or ethics. By default, the books appear to assume that meeting the needs of capital markets somehow equals serving a broader stakeholder interest though no evidence or analysis is provided to support such a position. The books explain the latest accounting standards but are silent on why the rules change and the politics of rulemaking. Despite thirty years of 'critical accounting' and its debunking of traditional views, without any supporting evidence accounting continues to be portrayed as a neutral (a highly value-laden term), objective and unbiased technology rather than the outcome of negotiations, bargaining, politics and power relations. There is little discussion of any social and organisational context of accounting other than naming the organisations that issue accounting standards and rules. The nearest that any books get to discussion of globalisation is a reiteration of international financial reporting standards, but without any of the theories that have enriched debates in the social science literature. There isn't even any information about the politics of International Accounting Standards Board (IASB) and its domination by corporate interests and possible consequences for democracy[17]. There is hardly any discussion of any accounting scandals and no case studies based upon any of these could be found. There is no theoretical or empirical discussion of ethics or the social responsibility of accountants. Unlike the ACCA and ICAEW study packs (FTC Foulks Lynch, 2004d; ICAEW, 2004a), other books include a short bibliography but it is confined to positivist writings and technical material. Interdisciplinary accounting journals contain a wealth of scholarly research about the sociopolitical context of accounting, but this material is ignored.

[17] IASB had asked the disgraced US energy giant Enron for a donation of $500,000 spread over five years. In return "Enron wanted to know whether its money would buy access and influence at the new accounting standards board, and its auditor didn't bat an eye at this inquiry" (Financial Times, 13 February 2002).

The books claiming to be “international” (Alexander and Nobes, 2004; Nobes and Parker, 2004; Robertson, 2003) primarily concentrated on international accounting standards and comparative international financial reporting. They are pre-occupied with technical content and do not provide models for making international comparisons (for example see, Puxty et al., 1987) or theories for understanding globalisation and its trajectories. The reader by Nobes and Parker (2004) examines financial reporting differences between some selected countries, such as the UK, USA, France, Germany, Japan, Netherlands, China and Poland. Culture is offered as an explanatory variable but without any comprehensive theory of culture and history. There is no theory of capitalism or anything else that might sensitise students to the dynamics of accounting change and ethics and social responsibility hardly get a mention. There are useful essays on topics, such as inflation accounting, foreign currency translation and segment reporting, but without any theory to explain how these topics arise whilst others are marginalised. For example, could these topics be connected with the politics of the state, rampant markets, pressure group activity and class conflict or the inherent crisis of capitalism? In pursuit of ‘shareholder wealth maximisation’ and capital market efficiency, the so called ‘harmonisation’ of accounting is considered to be a good thing, but without any discussion of its consequences.

Auditing Books

The auditing books listed in Table 1 are a mixed bag. The tome by PricewaterhouseCoopers (2000) is full of technical and legalistic material but is silent on the organisational and social context of auditing and the role of the firm in any allegations of audit failures. Nothing is said about the organisational context of auditing. The official material on ‘ethics’ is a repetition of the official guidelines, but with little analysis or even a commentary on how the firm manages the conflicts between its self-interest, the interests of its clients and the wider society. There is no discussion of what the firm understands by ‘public interest’ or ‘society’ and no case studies based upon any real event that the firm might have participated in. In a similar fashion, Millichamp (2002) concentrates on summarising extant auditing standards and pronouncements but no information is provided about any social or organisational context of auditing, scandals, social responsibility or ethics. There is virtually no discussion of ‘true and fair view’ or integration of any published research into the text. The books specifically written for the professional bodies (ICAEW, 2004b; CIPFA, 2005a; FTC Foulks Lynch, 2004b, 2004c) concentrate on the official material, guidance and auditing standards. Here the emphasis is on summarising and cramming the officially sanctioned required material with very little critical reflection. No information is provided about the institutional context of official statements, the organisational context of auditing practices or politics of auditing. The only discussion of professional ethics amounts to a reproduction of the official 'Rules of Professional Conduct' without any explanation of how they are used, abused and produced (for example see, Mitchell et al., 1994; Preston et al., 1995; Sikka and Willmott, 1995). Despite the voluminous literature there is hardly any discussion on globalisation, fraud, audit failures or a demonstration of how auditors might be capable of serving the wider social interests. There are no suggestions for scholarly reading and no integration of any of the research that has been published in recent years.

The above books are keen to recruit students as social subjects that are sympathetic to the auditing industry. For example, FTC Foulks Lynch, (2004c) mentions the issuance of "large claims" (p. 41) against auditors but fails to provide any information about the actual settlements, which tend to be much smaller. There is no discussion of any real/alleged audit failures that might have given rise to the liability suits. Indeed, there is no discussion of any of the scandals that might have given rise to the lawsuits. The call for further liability concessions (e.g. proportional liability, 'cap' on auditor liability) for auditors fails to consider the consequences for audit stakeholders or even whether after more liability concessions whether auditors will have sufficient economic incentive to deliver worthwhile audits.

The books by Cosserat (2004), Gray and Manson (2004) and Porter et al., (2003) are recommended as 'further reading' by some universities teaching professional students. These are well crafted books that integrate selected research and practice, with suitable references and guides to further reading. However, the ideological leanings embedded in the official guidelines, standards and pronouncements are rarely problematised. They all emphasise that the level and quality of assurance is dependent upon evidence that is relevant, reliable, sufficient and complete, but rarely scrutinise any assumptions behind such claims or whether audit evidence can ever be complete (for a discussion see, Power, 1997[18]). Agency theory and ‘shareholder wealth maximisation’ are lurking in the background and in many ways form the heart of the texts, but are not really critiqued. A conceptual approach (e.g. discussion of postulates of auditing) to auditing is undertaken but little link is made between the idealist functionalism of postulates and their relevance to understanding the role of the state, ideology, class, conflict, capitalism, subjectivity of auditors and other influences shaping auditing practices. Changes in rules and regulations appear spontaneously without any bargain with the state, corporate interests or stakeholders. The state is central to the perpetuation of company audits, but no theory is provided to understand its policies and contradictions. Unlike other books, the three books contain some discussion of ‘true and fair view’, albeit in a legalistic rather than in any philosophical sense.

In all three books, the lessons we can learn from scandals get some minor coverage but are not analysed in any meaningful way to make links with issues of auditor independence, accountability and the assumed knowledge claims. There is no critique to the basic auditing model which expects one set of capitalist entrepreneurs (audit firms) to regulate another (companies and their directors) whilst the performance of both is measured by fees, profits, number of clients and market share. The events at BCCI, Polly Peck, Enron, Barings and WorldCom point to the necessity of understanding globalisation, but there is little discussion of any theories or the issues relating to the structure of global firms, how they have penetrated regulation and independence issues, or whether in the age of globalisation regulation is moving away from the state and professional bodies to new cartels created and supported by major auditing firms[19]. The existence of multinational companies and technological advances facilitating instantaneous transfers of monies, pose particular challenges to the possibilities of ex-post audits, especially at banks and financial institutions, but are ignored. The concentration of major audits in just four, ‘The Big Four’, firms has created a powerful new cartel which makes regulatory demands upon nation states with the threat that unless elected governments yield they will cause social turmoil by

[18] Gray and Manson separately discuss (chapter 20) some strands of Power’s audit Society thesis but are not integrated into the main chapters.

[19] For example, the International Federation of Accountants (IFAC) issues international auditing standards, but it is dominated by major firms.

uprooting their operations (Cousins et al., 2004). Such developments are part and parcel of globalisation but attract little attention. Interestingly, accountancy firms remain a 'black box' and little is said about the labour processes associated with the production of audits even though all audit failures or successes are manufactured by the organisational culture and values prevalent in accountancy firms, which are often highlighted by scandals. Gray and Manson (2004) provide mini-case studies, but in the absence of any discussion of scandals and theories of society and professionalism, these elicit a technical response from students.

Management Accounting and Transfer Pricing

Whilst financial accounting and auditing books to some extent have been burdened with consideration of official pronouncements and standards, the same does not apply to management text-books though their authors too are constrained by competing demands of tradition, dominant discourses, scholarship, employers and professional bodies. In the wake of scandals attention is usually focused on financial accounting and auditing practices and education but management accounting seems to escape scrutiny even though practices such as 'transfer pricing' play a major role in 'shareholder wealth maximisation', tax avoidance, flight of capital and a wholesale transfer of wealth (see earlier parts of this paper). Therefore, this sub-section mainly looks at the treatment of 'transfer pricing' in management accounting text-books.

A striking feature of the management books listed in Table 1 is that they are rooted in a 'productionist' model of industry and commerce where goods are produced in self-contained companies with divisions. Such a model is at odds with the changing 'global' and 'financialised' face of business. For example, Enron was marketed as an energy company but much of its performance related to complex financial deals (Froud et al., 2004). The global possibilities of financial engineering have increased as top 200 corporations account for over a quarter of economic activity on the globe (Anderson and Cavanagh, 2000) and more than 60% of the world trade involves transactions that are internal to multinational companies (OECD Observer, April 2002). With the non-availability of any arm's length country specific transactions, the possibilities of tax avoidance through transfer pricing schemes have also increased especially via offshore tax havens. For example, tax authorities have queried transfer pricing schemes operated by Motorola (Business Week, 12 August 2004), Honda and Nissan (Financial Times, 21 July 2004), Toyota (Miami Herald, 9 March 2004), Enron, WorldCom, Tyco, GlaxoSmithKline and others (for example, see Graham and Tucker, 2004). Developing countries are also concerned about transfer pricing practices, especially as they may be losing more than $50 billion each year due to aggressive tax avoidance (Oxfam, 2000). Tax authorities in China investigated 9,465 foreign-funded enterprises and found that "Almost 90 per cent of the foreign enterprises are making money under the table. Some of their businesses involve smuggling. But, most commonly, they use transfer pricing to dodge tax payments" (China Daily, 25 November 2004). In Africa, "tax jurisdictions have latched onto the indiscriminate relocation of profits, which if taxed would assist greatly in advancing the economy of the African countries. Various methods are now being implemented to stop this outflow of funds, and transfer pricing in various shapes and forms has been earmarked as a way to make a "quick buck". The result is the unprecedented implementation of legislation with a smell of transfer pricing[20]."

The text-books (Atkinson et al., 2004; Burke and Walker, 2003; CIPFA, 2005b; Drury, 1998, 2001, 2004; FTC, Foulks Lynch, 2004e; Horngren et al., 2000, 2002; ICAEW, 2004c; Kaplan and Atkinson, 1998; Scarlett, 2004; Walker 2003) devote some space to reviewing various economic theories to rehearse arguments for the perfect theoretical transfer price. The underlying logic, as explained by FTC Foulks Lynch (2004e), is that the "primary objective of setting transfer prices is to maximise the profit of the company as a whole" (p. 447). With the exception of ICAEW (2004c), most of the books briefly alert students to tax aspects, the OECD convention on transfer pricing and possible difficulties with tax authorities and the anti-avoidance legislation though the CIMA text (Scarlett, 2004) observes that there is a "natural inclination to set transfer prices in order to minimise tax payments" (p. 447). The books are silent on how this 'inclination' could be checked, especially as the interests of an organisation and society come into conflict. There are virtually no examples of the actual transfer prices used by multinational companies and no discussion of the role of accountancy firms or consultants in devising novel schemes (see section two above) to avoid taxes. The discussions of 'transfer pricing' are rooted in theories of

[20] http://allafrica.com/stories/200412150137.html; accessed 15 December 2004.

shareholder wealth maximisation and little could be found to enable students to think about corporate or their own social responsibility and the ethics of transfer pricing policies designed to avoid taxes. There is no consideration of the consequences for economic underdevelopment, flight of capital, wealth inequalities, poverty, ethics and social responsibility.

SUMMARY AND DISCUSSION

'Professionalising' claims of accountants are routinely problematised by scandals that highlight failures of accounting practices and inevitably pose questions about the poverty of accounting education. The professional bodies seek to reconstruct confidence in accounting by promising reforms to accounting education. In particular, they promise to advance the theory and practice of accounting and produce accountants who have command of accounting principles, are socially responsible, ethical, willing to take a firm stand, sceptical, can serve the public interest and distinguish private organisational interests from public interest (FRC, 2004, IFAC, 2003b). This paper sought to provide some evidence for the above claims through an examination of major text-books recommended to students on professional accountancy courses, including those specifically commissioned by the accountancy bodies.

The FRC may hope for some teaching of professional values, social responsibility and career-long learning "instilled up-front" (FRC, 2004, p. 8), but no evidence of this could be found in the introductory and intermediate financial accounting books, which mainly concentrate on technical and legalistic material. A similar pattern is also encountered in advanced financial accounting books. These books excel in providing technical details and the discussion of accounting principles amounts to a restatement of official definitions and statements rather than employing any theory to examine underlying assumptions, concepts and worldviews. Agency theory, 'shareholder wealth maximisation' and meeting the assumed needs of capital markets are embedded in accounting practices and calculations but were not explicitly critiqued. No theory or chapters could be found that encouraged students to critique conventional accounting practices or even appreciate the organisational and social context of accounting. In the absence of any theories of society or capitalism, accounting standards mysteriously appear, disappear, change and are revised and students are left with little awareness of the dynamics driving accounting change. The books are sanitised and rarely mention any scandals, far less discuss them and their consequences. Accounting is increasingly done by global corporations, but no theory of globalisation could be encountered.

The FRC may hope for "better understanding of business" (FRC, 2004, p. 2) and some may want students to have knowledge "in sufficient breadth and depth to be able to recognise and identify situations where further research and/or consultation is necessary ……. develop the skill and capability to analyse the issue at hand, to undertake research, and to apply their findings and prior knowledge to a situation (FRC, 2004, p 11). However, in the absence of any durable concepts, philosophies or theoretical underpinnings, it is difficult to see how students can undertake any meaningful lifelong learning unless this is to continue to amount to mere technical updating. A striking feature of the accounting books is the virtual absence of any mention of 'interdisciplinary' research. The references cited in the books are also self-referential in that they come from official sources or positivist accounting papers. It is as though despite being a social science, law, politics, philosophy, sociology and psychology have no relevance to accounting education and practice. Overall, students receive little theoretical or practical introduction to accounting, globalisation, ethics or social responsibility. The nearest thing to globalisation is the view that the world should have the same accounting and auditing standards but why Afghanistan and America, with different cultures, histories, beliefs, financial institutions and social relations should have identical financial reporting does not warrant any discussion. Such a view is promoted by the FRC and in many ways, its educational project is flawed in that it conflates serving the assumed needs of 'capital markets' with that of serving the public interest[21] even though markets encourage social inequalities, exclusion, exploitation, cheapening of labour, fat cat salaries, tax avoidance and many other social ills. All of the books were silent on such contradictions.

[21] Even a brief survey of the scene (for example see Mitchell and Sikka, 2005) would show that capital markets are in crisis due to recurring scandals, accounting scams, profit laundering, pension mis-selling, endowment mortgage, splits trust and precipice bonds scandals, corporate tax avoidance and cartels, which have resulted in huge transfers of wealth from many to few.

Despite some excellent books, auditing too is mainly concerned with technical matters and little space is devoted to discussions of ethics, ideologies, social responsibility or analysis of scandals, which in principle could encourage students to be more reflective. The discussion of ‘ethics’ is primarily centred on professional pronouncements, which are often driven by the commercial concerns of accountancy firms and politics to secure public legitimacy. Such an approach fails to develop moral imaginations and disables the students from diagnosing current ills and considering future possibilities. Indeed, the FRC has been told by professional accountancy students that they “studied issues such as conflicts of interest and ethics largely by memorising checklists. Another group [of trainee accountants] were told to avoid questions on these subjects and the material was covered only as a 'home study module' rather than discussed in the classroom (Financial Reporting Council, 2005, p. 23). Some professional bodies (e.g. CIMA, CIPFA, ICAS) encourage the use of case studies (Williams, 2003) but these are largely pre-occupied with technical material and ideological inculcation. There is no critique of agency theory, the shareholder wealth maximisation model or any other theory underpinning accounting. The FRC suggests that real-life case studies are useful for learning about fraud, professional scepticism and ethical dilemmas facing accountants (FRC, 2004, p.5). Case studies based upon corporate scandals bring auditing, financial reporting and lack of ethics amongst accountants, auditors and company executives are a useful teaching device for encouraging scepticism and reflections (Frecknall Hughes et al., 1998), but none of the books contained this type of material. The result is that there is nothing to guide the student on how to understand and distinguish and accommodate the conflicting interests of the audit firm, audit client, various stakeholders and society generally. Globalisation has penetrated all walks of life, but little theoretical and empirical evidence could be found in the books, except a mention of international auditing standards.

Management accounting books also prioritised shareholder wealth maximisation though without ever demonstrating its achievability and its consequences, some of which are evident from scandals. There was little detailed discussion of the use of transfer pricing schemes to avoid taxes and flatter profits though most flagged it up as an issue. The pursuit of ‘shareholder wealth maximisation’ through transfer pricing serves to highlight the contradictions of the economic theories, social responsibility and ethical conduct. However, there was marked absence of any discussion of ethics[22], social responsibility and how the student might negotiate the organisational and social conflicts arising out of the transfer pricing strategies.

Overall, our survey of the books specifically recommended to professional students provides little support to the claims of the profession[23]. Scandals problematise the values and knowledge claims advanced by the accounting profession, but the books continue to legitimise the same and give little space to analysis or discussion of problems. Even if some broader emancipatory ideas are imparted during undergraduate university education, there is a distinct possibility that the subsequent demands of professional education would marginalise those in favour of a narrow technicist worldview. Despite a large volume of research and social change, professional accounting education is caged by the worldviews which encourage students to become technical experts, but with little reflection on the social consequences of such technologies (Sikka, 1987; Puxty et al., 1994).

In principle, the standard text-books could be supplemented by additional material, but the 'cramming' professional culture dissuades students from considering anything which is unlikely to be formally examined (Power, 1991). The authors desire to write more analytical books may easily be constrained by the demands of the professional bodies and the economics of the publishing industry. Some might also find it easier to update a book and produce clones of best-selling books rather than redesign the product. Such worldviews may be convenient, but are not helpful in enabling the students to understand the past, present or futures of accounting. In a world of rapid change, students and book authors may seek some solace in the make-believe world of objective and factual accounting knowledge, but the truth is that even technical accounting knowledge is produced by a web of politics and power relations in a particular historical and cultural context. The perpetuation of the traditional technical accounting books is unlikely to enable aspiring accountants to manage change or negotiate the challenges ahead.

[22] CIPFA (2005c) refers to ethics in the public sector, but the subject matter is still dominated by official recommendations.

[23] Students have described study manuals published by CIPFA as "poor" (PQ Magazine, May 2005, p. 8 and 12). ACCA's study manuals have been described by a seasoned professional educator as "rubbish" (PASS, May 2005, p. 10).

In the final analysis, the books are indicative of the demands and values of professional accounting education and the considerable responsibility for their contents must rest with the professional bodies. Perhaps, under the control of professional accountancy bodies accounting education is destined to remain a decontextualised technical process. This may help firms and companies to externalise the cost of training their labour, but it will not produce reflective accountants able to negotiate pressures for change or imagine the possibilities of socially responsible practices. The question is whether accounting academics and their associations are willing to take it upon themselves to develop alternative strategies to change the direction of accounting education (Craig and Amernic, 2002; Sikka and Willmott, 2002).

TABLE 1

BOOKS SELECTED FOR EXAMINATON

FINANCAL ACCOUNTING	AUDITING	MANAGEMENT ACCOUNTING
Alexander and Britton (2004)	*CIPFA (2005a)	Atkinson et al., (2004)
Alexander and Nobes (2004)	Cosserat (2004)	*Burke and Walker (2003)
Britton and Waterston (2003)	*FTC Foulks Lynch (2004b)	*CIPFA (2005b)
*CIPA (2004a)	*FTC Foulks Lynch (2004c)	Drury (1998
*CIPFA (2004b)	Gray and Manson (2004)	Drury (2004)
Elliott and Elliott (2003)	*ICAEW (2004b)	*FTC Foulks Lynch (2004e)
*FTC Foulks Lynch (2004a)	Millichamp (2002)	Horngren et al., (2000)
*FTC Foulks Lynch (2004d)	Porter et al., (2003)	Horngren et al., (2002)
Glautier and Underdown (2001)	PricewaterhouseCoopers (2000)	*ICAEW (2004c)
*Gowthorpe and Robins (2003)		Kaplan and Atkinson (1998)
*ICAEW (2004a)		*Scarlett (2004)
*Kirk (2002)		*Walker (2003)
Lewis and Pendrill (2003)		Weetman (2003b)
McLaney and Attrill (2002)		*Williams (2003)
Nobes and Parker (2004)		
*Robertson (2003)		
*Rolfe (2003)		
Weetman (2003a)		
Wood and Sangster (2002a)		
Wood and Sangster (2002b)		

***** denotes specifically written for and published by a major UK accountancy body.

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