

Impact of Malaysian Institute of Accountants' Certification on the Practice of Accounting in Malaysia

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Abstract

This paper identifies and reviews the impact of accounting professional certificate, obtained through Malaysian Institute of Accountants' (MIA) membership, on the practice of accounting in Malaysia. The study is categorized into two main impact assessments: 1) The impact of MIA certificate on accounting practitioners, and 2) The impact of MIA certificate on academicians or educators. As for information and data collection, two methods are used: namely verbal interview and content analysis. Based on the results obtained from both methods, it is clear that MIA certificate yields positive impact on the practice of accounting in Malaysia in the areas of: 1) building credentials and reputation; 2) building skills, knowledge and ethical development; and 3) higher income for the holders of the certificate. These results indicate that MIA certificate holders possess better working attractions than others with background knowledge of accounting but do not hold the certificate. It is, therefore, recommended that graduates of accounting should make effort to qualify for MIA certificate, or similar internationally recognized certificates, for them to be better practitioners or scholars in the field of accounting, in the best interest of their country and beyond. It is also recommended that MIA should be regularly conducting impact assessment on the quality of the services provided by its members in both the public and private sectors for quality assurance and image safeguard.

Keywords: Malaysian Institute of Accountants, Certification, Accounting Practice, Impact Assessment

1.0 Introduction

Professional membership confers a special status for those who hold it. Being a member of a professional organization enhances more opportunity in terms of career advancement. There are apparently a lot of advantages of becoming a member of a recognized professional body/association. The true impact of a professional membership comes from participation in the activities of the organization. Once commitments have been made to join a professional

organization, the personal commitments of all the subscribing members will, in turn, help the organization to grow and prosper.

The Malaysian Institute of Accountants (MIA) is a statutory body established under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia (Retrieved from MIA website, 2012). Almost all of the laws and regulations applicable to the accountancy services in Malaysia are formulated to address the domestic needs of the economy and ensure the quality of accounting services and integrity of accountancy practices, and to align accounting practices in the country with global best practices.

Information on the practice of accountancy in Malaysia is available from the Malaysian Institute of Accountants (MIA), since the Institute has to provide the information to its own members and the Malaysian general public. MIA is usually consulted by regulatory authorities on proposed changes to laws and regulations which would affect accountancy practices. MIA then communicates to its members on proposed amendments; to solicit their viewpoints on any development in the accountancy profession (exposure draft, consultation through specialised working groups, etc). The regulatory authorities may amend or introduce laws or regulations based on their own internal processes and authorities, but in most cases they consult with MIA and other appropriate stakeholders.

MIA acknowledges accountants in the academia as key stakeholders to the accountancy profession. Experienced and knowledgeable accountants are required in the educational sector to help train the younger generation of accountants and overcome the worsening talent crunch. One of MIA's top priorities is to help develop an ample supply of qualified accountants who are able to deliver quality services underpinned by integrity. MIA also aims to ensure that accountancy training is in line with business and industry needs to produce marketable graduates with relevant knowledge and training.

Influencing accounting education is part of MIA's overall strategy to ensure that accounting graduates are well equipped with the knowledge and skills that enable them to meet international requirements. The initial schooling of these accountants obviously starts in the education system. Therefore, MIA continuously engages with academics and the Malaysian education system to share their insights into effective accounting education and best global practices. Specifically, MIA is concerned with how accounting educators can help to expose students to these developments and prepare 'work ready' accounting graduates through designing and delivering effective accounting education (Hood, 2012).

An accountant is a person who is skilled in the practice of accounting or who is in charge of a public or private sector organization's accounting system. An accountant is responsible for preparing financial reports, whether for a company or for an individual, in accordance with regulatory authorities' rules. In Malaysia, the word 'accountant' is protected under the provisions of the Accountants Act 1967 (sections 22 and 23), which states that no one can hold himself out or practice as an accountant unless he/she is a registered member of MIA.

Malaysian Institute of Accountants (MIA) Certificate, as a professional certification or qualification, is a credential that someone can gain and by which he/she would be regarded as having a high level of skills or expertise in the accounting field. Certifications can serve as

an indicator of professionalism and aptitude. Certifications are often regulated by a professional organization like MIA. Obtaining certification can be an advantage for both employee (to show professionalism in whatever he/she does) and employer (to pride itself of having professional in its rank).

The Practice of Accounting is about the routine manner in which the day-to-day financial activities of a business entity are gathered and recorded. A firm's accounting practice refers to the method by which its accounting policies are implemented and adhered to on a routine basis, typically by an accountant and/or auditor or a team of accounting professionals. An accounting practice is intended to enforce a firm's accounting guidelines and policies. It exists as the daily recording of financial data that are important to the evaluation and monitoring of a firm's economic activities. Accounting practices, therefore, refer to the normal, practical application of accounting and/or auditing policies that occur within a business. This study is about finding out whether or not Malaysian Institute of Accountants' membership makes any impact to accounting practitioners and educators in their working life.

The core research goal addressed in this study is finding out how MIA membership helps accounting practitioners and educators improve the quality of their work. To archive this goal, four specific research questions were set:

- i) Do MIA members enjoy reputation and credential growth in their working lives?
- ii) Do the skills and knowledge of MIA members increase overtime?
- iii) Are the salaries and other pays to MIA members different from those of other accounting services providers?
- iv). Does MIA membership motivates and boosts the confidence of members in their working lives?

2.0 Literature Review

According to Briggs (2007), there are many problems and possibilities confronting accounting as a profession and as an academic discipline. Accounting in the present form maybe a dying art, perhaps not attracting and retaining what the profession needs, or not giving the students enrolled into it the opportunity to develop the skills required. It is also facing an ethical crisis, which is reflected in many of the corporate collapses the world is witnessing.

According to Boyce (2008), accounting and business educators have a special responsibility to examine ethics in the broader context of globalization, because it is at this level that many relevant ethical concerns arise. These concerns are directly connected to accounting education and practice. University academics (as intellectuals) should balance the humanistic/formative and vocational aspects of education. As mediators in the intellectual realm, accounting educators can do more to make accounting education relevant to the real life experience of students, to the multifaceted global context in which we live, and to the capacities of graduates to act meaningfully in and on the world, individually and collectively. In order to archive this, the educators themselves have to fulfill their current knowledge about the accountant ethics by following the current accounting changes.

Jackling (2007) found that professional bodies support ethics education at the pre- and post-qualifying levels of education and a willingness to take an active role in promoting ethics

education to their members. The current paper fills a gap in prior studies that have been restricted to addressing the attitudes of academics, students and business organizations. The paper studies the impact of the certification of MIA as a professional accountancy body on the quality of the services provided by its members.

Within the sociology of the professions, the link between the professions and the universities has come to be seen as natural and ineluctable because of their common association with knowledge (Abbott, 1988). Annisette & Kirkham (2007) found that there is a consensus in the literature that the link brings all round benefit to a professional occupation and that the active pursuit of such a link is an important component of the professionalization process. One of the England's largest and most prestigious accountancy bodies, ICAEW, stands out as an empirical anomaly in that it has not developed its training, education or certification within the university sector. Although not fulfilling many of the roles traditionally attributed to the university in professional life, the universities, in general, and academic departments of accounting in particular, have played a number of crucial roles in establishing and reinforcing the high status of professional members. This unique and arguably anomalous relationship has, arguably, contributed to the success of professional members when competing with related and rival occupational groups both for jurisdictions and for new recruits. In turn, accounting academia in England has derived a number of unique benefits.

Jackling (2010) studies whether or not the attributes/skills displayed by accountants have reduced their capacity to act in the public interest. Interviews with employers show that preferences for employment are given to graduates who 'fit the culture' of the organization and have the ability to 'market' the firm to clients. Attributes that define the professional accountant appear to be less highly valued. The attributes valued in the workplace today have the potential to increase the risk of 'severing the social contract' between the accounting profession and society. The study by Changchita, Holsapple & Viatorc (2001) concludes that expertise is a viable aid for transferring knowledge to managers whose work experience is outside of accounting. Holders of audit practicing licenses in Malaysia, for example, are obliged to comply at all times with MIA's continuous professional education requirements (Wilson & Peterson, 2006). This shows the importance of accountants' skill and knowledge enhancement or maintenance.

Previous research has shown that there are two factors which affect judgment: (i) Experience and (ii) Professional membership. Abdolmohammadi and Wright (1987), and Libby and Frederick (1990) found that an auditor's experience and knowledge tend to affect his/her judgment. Haron, et al (2009) determined that to be an independent auditor, an accountant needs at least three years of audit experience. Professional accountants in Malaysia must be members of Malaysian Institute of Accountants (MIA) and must be licensed by MIA before they can practice as public accountants and auditors.

Bonner (1990) states that the measure of auditors' professionalism is whether they have the skill set of professionalism to carry out their duties. This suggests that professional membership is an important factor influencing an auditor's judgment on different accounting practices and on the status of a firm's going concern. The success or failure of any audit depends upon the qualifications of the auditors and the techniques that they use in executing the audit work (Bunker, 2004).

According to Mohd, Abd Aziz, & Iskandar (2006), knowledge and experience in accounting, finance and auditing help to ensure that the audit committees of companies comply with the rules and regulations of maintaining effective corporate governance. In Malaysia, audit committee of a company must have at least one member registered with Malaysian Institute of Accountants (MIA), or have at least three years of working experience after graduation and becoming a member of a recognised professional body (Shamsar & Zulkarnain, 2001). Membership of a body of chartered accountants enables members to carry out their duties more efficiently and effectively.

Darby & Karni (1973) see accounting professional services as credence services. Credence services are services where quality cannot be or are difficult to assess by the users through initial observation, before or after use. As consumers do not have the necessary information or knowledge, they have no choice but to rely on the assurances given by the supplier that the services are of good quality.

Accountant's reputation plays a no less significance role in guaranteeing quality of accounting service. The role of this reputation is becoming increasingly significant with the professional membership. As mentioned by Stiglitz (2000), markets for information are inherently characterized by imperfections of information concerning what is being purchased; and mechanisms like reputation, which played no role at all in traditional economic activity, are central now in guaranteeing the quality of accounting information.

In the clients prospective, a good reputation is a guarantee of the quality of service of an accountant or an accounting firm. In order to ensure that the public obtain adequate accounting service, the accountant and the quality of services he/she provides must earn the trust and respect of the public, especially the client. This will only be achieved if the accountant is able to build and maintain good reputation. Almost all the accountants in this world, even against the backdrop of accounting systems, practices, procedures and different customs, are subject to a standard of basic principles. In other words, professional accountants shall discharge their functions with great skill, using high knowledge that they have, thoroughly and timely, and shall always maintain the integrity and honor of their profession (Section 100.1 MIA By-Laws - On Professional Ethics, Conduct & Practice, 2010).

Cox & Foster (1990) evaluated several empirical studies conducted by the U.S. Federal Trade Commission and concluded that while a few studies indicate that higher quality levels may result from business practice restrictions, a majority of the studies finds quality to be unaffected by licensing or business practice restrictions associated with licensing. Young (1987) concluded that the impact of licensing arrangements on service quality is neutral.

According to Hafiz & Harlina (2012), in Malaysia it is common to see accounting services being provided by non-professional accountants who would claim to be practising accountants. Through this practice, an individual who works independently or as an associate of a professional accountant will offer and provide services to the client, which will then be confirmed and signed by public accounting firm that has a license. The public accounting firm will normally get paid of a percentage of the fees paid by the client as a commission for endorsement of the service of the associate (non-professional).

Thus, question about the quality and exclusivity of the profession can be raised against MIA on this type of practice. How far has Malaysian Institute of Accountants gone to exercise control over the quality of the service of its members? There is also the question of how practicing license only serves as a tool to maintain exclusive rights of the profession to earn fees, and not as a guarantee of quality service. Should MIA membership be seen as a guarantee that the quality of service provided by the member is high? Does it mean that the clients could complain to the MIA if they are not satisfied with the quality of the services provided by its members? These are some of the moral questions MIA should always be ready to provide satisfactory answers to, if it fails to exercise control over the quality of the services provided by its members in both the public and private sectors.

3.0 Methodology

In order to collect information relevant to the achievement of the set goal of this study, two methods are used: verbal interview and content analysis from previous studies.

As stated earlier, the main research question addressed in this study is how MIA membership helps accounting practitioners and educators to improve the quality of their work/service. The structured questions are built in four sections which are: i) reputation, credential and ethical soundness; ii) skill and knowledge; iii) salary and pay; iv) motivation and confidence.

There are 3 - 4 questions on each section. Most of the questions are about the importance and advantages of being an MIA member and how members use the advantages to increase their credential level, knowledge, skills, motivation and confidence. Four respondents are involved in this research, consisting of two academicians and two accounting practitioners. All respondents have been Malaysian Institute of Accountants members for more than five years. The background of each of the respondents could be noted as follows:

Respondent 1: Lecturer at Universiti Utara Malaysia

More than 5 years working experience as educator

MIA Associate

Full time educator

Respondent 2: Accountant in commercial industry

More than 5 years working experience in accounting field

MIA Chartered Accountant

Full time accounting practitioner

Respondent 3: Lecturer at Negeri Sembilan Matriculation College

More than 5 years working experience in accounting field

MIA Chartered Accountant

Previously accounting practitioner, but now educator

Respondent 4: Coordinator at Kementerian Pelajaran Malaysia-Bahagian Matrikulasi

Part time accountant

MIA Chartered Accountant

Accounting practitioner and educator

Although backgrounds of only four respondents were given above, the data collected were arguably from six respondents: three educators and three accounting practitioners. The third

respondent is an educator and ex-accountant (accounting practitioner). The fourth respondent is a part time auditor and at the same time, he is an educator. A lot of information was obtained from the respondents, through interview. Their eagerness and commitment to the interview sessions showed that they are very proud of the certificates they hold.

4.0 Results And Discussion

As an overall result, the impact of Malaysian Institute of Accountants' certification on the practice of accounting in Malaysia can be discussed and summarized under the following three sub-heads:

4.1 Building Credentials, Reputation and Ethical Soundness

On whether or not MIA members have inbuilt credential, reputation and sound ethical attitude, all the respondents were unanimous on the following issues and points:

- Working professionals use credentials to prove their values to employers and potential clients. Similar to a college degree, professional certification may also be required for some jobs. For this reason, graduates of accounting have to consider taking examinations to become certified/chartered accountants (CA), as this would widen their chances of getting better accounting jobs.
- A professional certification is an outstanding additional value which, when put on a resume, will undoubtedly distinguish its holder from other job candidates. A company is more likely to hire someone with a professional certification over someone who doesn't have one, no matter the class of his/her degree from the university system. The requirements for earning a professional certification vary, but it often involves passing qualifying examinations containing questions relevant to the skills areas to be certified. Being certified will further increase one's credibility and influence as an expert in the accounting professional field.
- If a professional accountant upsets a client, whether through negligence or fraud, the client can complain to the accounting association (MIA) and that accountant could be in a serious trouble which could result in losing his/her certification. This is one of the factors why professional certificate holders have to maintain their ethic during work. This is also the reason why many clients prefer to choose a qualified accountant for any accounting or auditing job. Ethical development is part and parcel of the credential obtained by members of MIA and other similar accounting professional bodies.

4.2 Building Skills and Knowledge

On skills development and intimate knowledge of accounting among MIA members, our respondents have also been unanimous on the following issues and points:

- Professional certification helps to build skills and generate intimate knowledge. Since certification may require passing some examinations, it will force the members to study, build and reinforce their skills. Organizations granting certification may require certified professionals to attend educational courses which can help improve skills and make sure that members are aware of current issues and trends in their industry. Certification promotes quality through mandatory continuing professional education to assure a high level of competence in this constantly changing professional field.

- Professional accountants have to keep on learning and training to make sure that they keep up to date with all the changes in the country's accounting regulations and accounting standards. It is the key way to protect clients from negligent and unprofessional services.
- Malaysian Institute of Accountant's certification requires at least three years of supervised on-the-job training as well as completing examinations. These requirements are not easy and nor should they be. Qualified accountants are in well paid jobs and are trusted advisors, and so, they need rigorous training for skill building and intimate knowledge of the field of accountancy.

4.3 Higher Income / Pay

On whether the salaries and other pays of MIA members differ from those of other workers/service providers or not, the respondents are unanimous on the following issues and points:

- Professional certification has the potential to lead to increased earning potential. For instance, obtaining a professional certificate of MIA may allow you to apply for a position with higher pay with greater chance for advancement than the one you hold before qualification. Government servants (educators) can also get higher pay if they are certified as professional accountants by MIA. Clients who need accounting services seek out certified accountants and they are willing to pay for the expertise. These motivate certified accountants to behave ethically and in the best interests of MIA and the accountancy profession as a whole.
- MIA associates, like academicians and educators, do not get any excess salary if they do not obtain working experience to become public accountants or auditors. But meaningful and updated information provided in them by the MIA training and certification do heavily influence the associate members' reputation and confidence in imparting high quality knowledge to their students and in producing high quality services as accountants whenever they are required to work as such.
- The last research question, ".Does MIA membership motivates and boosts the confidence of members in their working lives?", has already been answered in response to the first three questions above. The higher salary and pay serve as a motivator to MIA members to put in their best in doing their jobs or in providing accounting services to their clients. The increasing skill and knowledge make them to be more confident to face challenges brought about by their jobs or clients.

5. 0 Conclusion And Recommendations

This paper is a confirmation of the fact that the Malaysian Institute of Accountants Certification has a lot of positive impact on the practice of accounting in Malaysia, in view of the fact that members of the Institute do obtain high quality skills, knowledge, reputation and ethical soundness which motivate them to put in their best as they render accountancy services to their clients or employers in both the public and private sectors of the economy.

In view of their certification and the high quality of their services, clients and employers normally pay them higher remunerations than other accountancy services providers. This is motivating enough for graduates of accounting to make effort at qualifying as members of MIA.

The paper recommends that MIA should gear up to the challenge of maintaining its good reputation and that of its members by ensuring that its members behave with high degree of ethics in the discharge of their duties and in their day-to-day human behaviors in the Malaysian economy and beyond.

MIA should also embark on impact assessment of the quality of the services provided by its members at regular interval. This is a practical tool to meeting the needs of the present clients/employers without compromising the needs/opportunities of the future generations of clients/employers to members of the Institute. In other words, MIA should practically make the expected high quality of its members' services sustainable.

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