

## EMERGING DIMENSIONS OF ACCOUNTING IN INDIA

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### ABSTRACT

*This paper emerging issues of accounting education and research in India have been discussed keeping in view the changing economic environment of the Indian business and industry. The environment for accounting education has totally changed and certain new challenges have emerged in this regard. The WTO reforms call for restructuring of the service sector including the accounting services. Therefore accounting education needs to be given due attention in this emerging scenario. The Information technology and the Globalization of Markets are the two other major governing factors impacting various changes in the accounting education. The accountancy research at the doctoral level in India is quite scanty. There is also a lack of interface between the accounting researchers and the business and industry. The industry is not forthcoming in providing support for various research projects and making available the necessary data base for promoting the research activity. Hence in this context the accounting educators and accounting professionals should find out the ways and means of restructuring the accounting education so as to meet the challenges of change in the business and industry.*

**KEYWORDS:** BRICS, NPL, Trading Bloc, BRICS Economies, Non-Performing Loans.

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### Introduction

In the liberalized economic scenario in India in particular and all over the world in general, the business and industry is exposed to many challenges like cut-throat competition, technological up gradation, quality and cost consciousness, outsourcing and new combinations of the means of production, etc. As a result of these challenges, the owners of business enterprises have lot of expectations from the accounting professionals and they are expected to be equipped with lot of skill and immense ability to perform accounting and managerial decision making jobs. The accountancy colleges and universities have also started realizing that there is an urgent need for updating the accountancy curriculum in tune with the present day requirements of business and industry.

### Accounting Education in Retrospect

Accounting is an art of recording, classifying and summarizing in terms of money transactions or the events of a financial character and interpretation of the results thereof. The different economic systems have the tremendous influence on the accounting process. Therefore the evolution of accounting is a product of its socio-economic environment. The Special Committee of Research Program of the American Institute of Certified Public Accountants recognized the importance of environment from which the accounting postulates are derived. The Committee stated that accounting postulates necessarily are derived from the economic and political environment and from the modes of thoughts and customs of all segments of the business community. (AICPA, 1979).

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The earliest treatise on accounting was given by Luca Pacioli who happens to be the first person to bring out a book on the double entry system of book keeping brought about 500 years back in 1494 in Italy. Like many other countries, the Indian system of accounting is also based on the double entry system of book keeping. (Batra, 1997).

The accounting system within a country influences the accounting education system. The accounting education system enforces the principles and practices by evolving an education system for the accountants. In turn, the accounting graduates reinforce that accounting system through training and continuing education in the organizations in which they are employed, professional organisations of which they are members and follow the norms and practices of the society of which they are a part (Yunus, 1990b).

### **Overview of Accounting Education in UK and India**

In this section an attempt has been made to explain the broad highlights of the accounting education in U.K and India.

#### **Accounting Education in U.K**

The Indian parliamentary and local government system besides the education system, is largely based on the British system, hence it is of great interest to examine the accounting education system in UK. There are four professional institutes providing accounting education for various levels in U K. These are:

- Association of Book- Keepers
  - The Chartered Association of Certified Accountants (ACCA)
  - Association of Chartered Accountants (ACA) for auditors, and
  - Association of Cost and Management Accountants (ACMA) for cost accountants
- The colleges and many private institutions in U.K. provide the necessary educational inputs to prepare students for various levels of examinations conducted by ACCA with due support of these institutes. The Universities also offer highly specialised courses in accounting at undergraduate and post graduate levels. This is done with the co-operation of ACCA and ACA who exempt these graduates from a number of papers of the examination, which they are supposed to qualify for a particular course. (Grover, 1998)

#### **Accounting Education in India**

Accounting education in India is imparted at senior secondary level in schools, at undergraduate level in colleges and at Master level in universities as a segment of Commerce stream. But professional status is not being accorded to those passing out after obtaining the accounting education at this level. The colleges and universities act as feeding institutions for the professional institutes like ICWA, ICSI, ICAI and ICFAI. The professional accounting students who complete their final examination of ICAI and ICWA are only accorded the status of a professional accountant. The quality of professionals produced by these institutions is quite good but the number of students passing out is not good enough to meet the increasing requirements of Indian business and Industry. However the middle and lower level requirements of accounting professionals in the commerce and Industry are being met by various universities and colleges. Keeping in view the emerging challenges, there is a growing need for restructuring the accounting education and research to meet the present day needs of business in the liberalized economic environment. In the college cadre institutions in India, however B.Com. is a specialized program which provides commerce education at under-graduate level, whereas M Com education at the .post graduate level is meant primarily for a teaching career.

It is being felt that the present accounting education system in India has failed to keep pace with the requirements of the fast changing business world and to forge necessary linkages with the professional bodies in the field. The most Commerce graduates go in for professional qualification in accounting, financial management, company secretary, taxation and law. etc., and that those who do not, they usually seek accounting and finance jobs in business, industry and in the Public sector. The many universities in India have gone in for specialization in Accounting and Finance. At the post graduate level, M.Com. Program with specialization in Accounting, Financial Management, Banking, Taxation and International Finance etc is largely being offered by various universities

#### **State of Accounting Research in India**

According to Tricker, R.I., (1979) accounting research is "the search for answer to questions that widen and deepen existing knowledge in the subject". Research is however a systematic investigation

carried out in order to expand the frontiers of human knowledge. Accounting research may also be viewed with a similar analogy and can be stated as an organized activity the purpose of which is to expand the horizons of knowledge in accounting theory and practice. The purpose of accounting is to generate and communicate useful information about the events of business enterprises. Accounting research however should serve a very useful purpose in determining that how accounting principles should be adjusted to suit the changing business environment. An attempt has, been made here to give an overview of the accounting research in India.

In some universities and the Institutes of Management there is a course work system before the dissertation is submitted by the scholar. The emphasis of course work is on developing and sharpening the skills of a research scholar through business statistics, econometrics, and research methodology and core courses in the field of research. But in large number of universities there is a part time system of research, since for full time research no scholarships are made available to the researchers. The fellow program in Management offered by IIM's is equivalent to a Ph.D program and is one of the highly structured programs which prepare students for teaching and research careers. An overview of the fellow program in management (with the Accounting and Finance stream) has been given in the annexure I of this paper in order to understand the broad curriculum offered by these apex research and teaching institutions in India.

A study by Rehman and Saha (1996) pointed out that the number of accounting researches in comparison to the research conducted in various allied areas of Commerce and management is quite less. This indicated that hardly 20% of the total Ph.D. degrees awarded by the Indian universities in commerce or business studies related to the field of accounting and the rest of 80% were from various allied areas of Commerce. The number of researches in the field of working capital management have been conducted but the core areas of accounting theory and GAAP still remain unexplored (Gowda,1996).The researches on accounting conducted in India however covered the following areas viz., Cash Flow Accounting, Financial Reporting, Harmonization of Accounting Standards , Inflation accounting, Social Accounting, Social Audit, Value added Accounting and financial statements etc. An illustrative list of research studies conducted in accounting field in India have been given in the annexure II.

The accounting researches at the doctoral level in India are still scanty on the whole. One of the reasons of this state of affair is the lack of interface between the accounting academia and industry, since the Industry is not forthcoming in supporting various research projects and other such research activities in the accounting area. On the research front it can be concluded that the doctoral research works in accounting field has covered very few areas whereas large number of emerging issues in accounting have remained unexplored. Hence efforts need to be made also on this front to improve the picture in this regard. The importance of accounting has been well recognized in the conduct of economic activities globally. It also includes the advanced stage of internationalization of the accountancy profession. With the fall of the global accounting firm, Arthur Anderson on Enron issue, the credibility of the accounting professionals is also at the stake. Hence accounting educators, researchers and the professionals must find out the ways and means to meet this challenge. Contrary to the above, some researches in this regard point out that an effort should be made by the developing countries to develop the accounting education programs applicable to the country's unique environment after the accounting academics have been recruited carefully from an another developing country with the similar environment and the course curriculum has been adjusted accordingly. (Pok, Fabian and Patrick Hutchinson, 1995). It is suggested that the following steps should be taken to improve the state of accounting research and profession in India:

- Efforts should be made to create a conducive environment in which the interaction between the universities/academic institutions, professional institutes and industries could be possible.
- There should be separate Accounting departments in the universities and colleges to promote the accounting research.
- Accounting research should be made much more purposeful so as to meet the requirements of various professional institutions.
- The teaching methodologies in accounting at the university and Institute level should be changed in order to strengthen the computational and conceptual skills of the scholars in the field.
- The case study approach should be given due consideration so as to develop a problem solving approach among the scholars of accountancy.
- The course curriculum of the colleges, universities and the professional institutes imparting accounting education should be restructured so as to enable the accounting students to expose themselves to the basics of research methodology and contemporary issues in accounting.

### Implications of Study

The domain of accounting is though back seated in economics, statistics and law but of late it has emerged as a separate field of study. With the information technology revolution, it requires integration with computers and communication technology. The in-depth knowledge of financial services is also becoming important for the accounting professionals. The accounting specialists for the International market must gear themselves to gain an in-depth knowledge of econometrics, research methodology; International economics, International trade, International finance, and e-Commerce so as to sub serve the accounting profession more effectively. The accountants are also expected to play an effective role in the formulation of economic Policies, to forecast the changes and to help in establishing a proper system of financial and information technology. Hence it is utmost desirable that the accounting researchers and the professionals must gear themselves up to meet the challenges of change and come up to the expectations of the society.

The conventional classification of accounting into Financial Accounting, Management Accounting and Cost Accounting is no more relevant due to the emergence of computerized Accounting Information system, decision support system and other modern day systems meant for managerial decision making (Khandelwal, 2000). The outmoded model of Accounting teaching based on theoretical knowledge and numerical problems should be replaced by conceptual knowledge linked with the computer software. The accounting education therefore requires basic change in approach as to accounting teaching, training, research and practice. There is a need for purposeful relationship between universities and statutory professional Institutes like ICAI, ICSI and ICWA. These bodies should take the challenge of improvement of standard of accounting education and research and ensuring a code of conduct for its members so as to make accounting education more useful to meet the requirements of fast changing business world in this region.

The funding of Accounting Research should be a shared responsibility of the Professional Institutions, State Government, Industry and the University Grants Commission etc. The leading accounting firms and business houses should be more generous in providing funds for the chairs in Accounting at select temples of learning. The emerging challenge lies in globalization of our financial markets. The development of global accounting standards is another emerging issue in the present day accounting world. There is also an urgent need for the global curriculum in Accounting for various schools of accounting and commerce in the country so as to pave the way for true globalization and liberalization of the economy. The problems of accounting education also affect the accounting research. Most of the researches in Accounting are applied in nature. However, there is hardly any practical application of the results of these researches. Hence the concerted efforts are required on the part of all concerned to streamline the accounting education and research system in the various emerging market economies with particular reference to India so as to bring a paradigm shift in the growth of business and industry in the region.

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