

KNOWLEDGE AND SKILLS OF ENTRY-LEVEL
ACCOUNTANTS IN AFGHANISTAN: PERCEPTIONS
OF PRACTITIONERS AND ACADEMICIANS

BY

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ABSTRACT

Human capital theory suggests that education is an efficient tool for the development of the workforce by improving the competencies required to fulfil a specific economic endeavour (Becker, 1993). This is why accounting education has been continuously criticised for failing to equip graduates with the important knowledge and skills needed in the workplace (Albrecht & Sack, 2000). Employers report that entry-level accountants do not possess the required knowledge and skills when entering the workforce (Low et al., 2013; Altarawneh, 2016); and a gap exists between the knowledge and skills required in the workplace and the knowledge and skills graduates acquired from their university education (Abayadeera & Watty, 2014; Botes & Sharma, 2017). This study explores the perceptions of accounting practitioners and educators on the knowledge and skills required for entry-level accountants in Afghanistan; it also examines the knowledge and skills they have acquired through university education. This study adopts quantitative method by way of questionnaire-based survey to analyse the data collected from 92 practitioners and 83 educators in Afghanistan. It was found that there is no significant difference in the perceptions of the respondents regarding the required knowledge and skills of entry-level accountants. Generally, respondents perceived all of the knowledge and skills components to be either very important or important for entry-level accountants. In particular, the knowledge items perceived most important are ‘preparing and analysing financial statements, understanding double-entry system and bookkeeping of financial transactions, understanding standards of financial reporting, financial management, understanding basic cost and management accounting, and taxes.’ Similarly, the skills perceived most important are ‘the use of accounting software, manage time properly, leadership skills, present and defend points of view in writing, basic computer skills, professional behaviour, ethics and social responsibility, and key accounting skills/ numeracy skills.’ Regarding the competence level of entry-level accountants, results show that graduates only possess just a minimum level of the required knowledge and skills, and they are not adequately competent. Interestingly, both accounting practitioners and educators perceived that a gap exists between the required knowledge and skills in practice and acquired knowledge and skills by graduates. The findings of this study further suggest that the gap that exists is even larger for understanding standards of financial reporting, and accounting software skills. Overall, this study will be beneficial for both academicians and practitioners in Afghanistan as it highlights the types of knowledge and skills that the entry-level accountants should be exposed to, and the gaps between the required and acquired accounting competencies. The Afghanistan Ministry of Higher Education could take effective steps in bridging these gaps by incorporating essential courses, such as introduction to financial reporting standards (e.g. IFRS), accounting software into university curriculums, and similar others.

خلاصة البحث

تقترح نظرية رأس المال البشري أن التعليم هو أداة فعالة لتنمية القوى العاملة من خلال تحسين الكفاءات المطلوبة لتحقيق مسعى اقتصادي معين (بيكر، 1993). وهذا هو السبب في تعرض تعليم المحاسبة لانتقادات مستمرة لفشله في تزويد الخريجين بالمعرفة والمهارات الهامة اللازمة في مكان العمل (ألبريخت وساك، 2000). حسب تقرير أرباب العمل أن المحاسبين المبتدئين لا يمتلكون المعرفة والمهارات المطلوبة عند دخول سوق العمل (لو وآخرون، 2013؛ الطراونة، 2016)؛ وتوجد فجوة بين المعرفة والمهارات المطلوبة في مكان العمل والمعرفة والمهارات التي اكتسبها الخريجون من تعليمهم الجامعي (أبياديرا وواتي، 2014؛ بوتس وشارما؛ 2017). تستكشف هذه الدراسة تصورات ممارسي المحاسبة والمربين حول المعرفة والمهارات المطلوبة للمحاسبين المبتدئين في أفغانستان؛ كما أنه يفحص المعرفة والمهارات التي اكتسبوها من خلال التعليم الجامعي. تتبنى هذه الدراسة الطريقة الكمية عن طريق المسح القائم على الاستبيان لتحليل البيانات التي تم جمعها من 92 ممارسًا و 83 معلمًا في أفغانستان. ووجد أنه لا يوجد فرق كبير في تصورات المستجيبين فيما يتعلق بالمعرفة والمهارات المطلوبة للمحاسبين المبتدئين. بشكل عام، لقد رأى المستجيبون أن جميع مكونات المعرفة والمهارات إما مهمة جدًا أو مهمة للمحاسبين المبتدئين. على وجه الخصوص، فإن عناصر المعرفة التي يُنظر إليها أكثر أهمية هي "إعداد وتحليل البيانات المالية، وفهم نظام القيد المزدوج ومسك دفاتر المعاملات المالية، وفهم معايير التقارير المالية، والإدارة المالية، وفهم التكلفة الأساسية والمحاسبة الإدارية، والضرائب". وبالمثل، فإن المهارات التي يُنظر إليها هي الأكثر أهمية هي "استخدام برامج المحاسبة، وإدارة الوقت بشكل صحيح، ومهارات القيادة، وتقديم وجهات النظر والدفاع عنها في الكتابة، ومهارات الحاسوب الأساسية، والسلوك المهني، والأخلاق والمسؤولية الاجتماعية، ومهارات المحاسبة الأساسية / المهارات الحاسوبية". فيما يتعلق بمستوى كفاءة المحاسبين المبتدئين، تظهر النتائج أن الخريجين لا يمتلكون سوى الحد الأدنى من المعرفة والمهارات المطلوبة، وأنهم ليسوا مؤهلين بشكل كافٍ. ومن المثير للاهتمام، أن كلا من ممارسي المحاسبة والمعلمين أدركوا وجود فجوة بين المعرفة والمهارات المطلوبة في الممارسة والمعرفة والمهارات المكتسبة من قبل الخريجين. تشير نتائج هذه الدراسة أيضًا إلى أن الفجوة الموجودة كانت أكبر لفهم معايير التقارير المالية ومهارات برامج المحاسبة. بشكل عام، ستكون هذه الدراسة مفيدة لكل من الأكاديميين والممارسين في أفغانستان لأنها تسلط الضوء على أنواع المعرفة والمهارات التي يجب أن يتعرض لها المحاسبون المبتدئون، والفجوات بين الكفاءات المحاسبية المطلوبة والمكتسبة. يمكن أن تتخذ وزارة التعليم العالي الأفغانية خطوات فعالة في سد هذه الفجوات من خلال دمج الدورات الأساسية، مثل مقدمة لمعايير التقارير المالية (المعايير الدولية لإعداد التقارير المالية)، وبرامج المحاسبة في المناهج الجامعية، وغيرها من البرامج المماثلة.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science (Accounting).

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DECLARATION

I hereby declare that this dissertation is my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Elham Azimi

Signature.....

Date.....18,2,2021.....

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*This dissertation is dedicated to my beloved husband for his encouragement and
endless love.*

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Education is important for the development of nations and it is perceived as a major factor for improvement (Ozturk, 2008). In other words, many countries rely chiefly on education and educated workforces for socioeconomic growth. As Neamtu (2015) stated, Japan is an example of a country with little natural resources but realized that the future is all about education and human capital development, and consequently today is recognized as one of the most developed countries in the world. The broad view of scholars is that education in general, and higher education in particular, would come up with a platform for development and is acknowledged as the foundation on which much of our economic and social progress are established (Ozturk, 2008; Mariana, 2015; Valero & Van Reenen, 2019). Therefore, if any country aspires to develop, it must put in place sustainable and efficient educational programmes that will help in achieving such goal.

The question now is, how is education related to socioeconomic development? Consequent to examining the relationship between education and economic growth by many studies, it has been found that education affects the economic growth in different ways and the most obvious one is ‘human capital development’ (Valero & Van Reenen, 2019). As noted by Kakar et al. (2011), education has a substantial role in improving human capital and it can be converted into economic progress through accumulating knowledge and skills, improving competencies, and productivity of the workforce. By the same token, Neamtu (2015) concludes that in order to acquire and desire a sustainable development, competent and proficient human capital is required, which is

basically the output of an efficient education system. Generally, the main goal of educational programmes is to develop knowledge, skills, abilities, and to put it in a nutshell, the competencies of people in society to enable them to enhance their life qualities and provide them with the required terms of improving the society (Ozturk, 2008; Okoro, 2014). Perceived as a process of training, education is acknowledged as a vital force that empowers human capital to bring about socio economic developments (Abdulkadir, 2011). Therefore, efficient education does equip nations with the necessary means to grow as it is responsible for equipping human capital with the right knowledge, technical skills, and employability skills that are crucial for economic success in the 21st century (Moretti, 2012). With regards to supplying educated workforce, tertiary education is absolutely crucial (Moretti, 2012; Schurman & Soares, 2010).

It is worth noting that this matter has been highlighted by the human capital theory, which indicates that education is an investment in the workforce boost productivity by improving the competencies required for fulfilling a specific economic endeavour (Neamtu, 2015). In simple words, this implies that education is an imperative component to develop workforce based on human capital theory (Becker, 1983). This theory comes up with an idea that will help people to acquire knowledge, skills, and abilities for fostering an educated workforce. (Becker, 1983; Moretti, 2012). According to Becker (1993, p. 17), “education and training are the most important investments in human capital.” It has been suggested by the existing studies that every single improvement in the workforce competencies could contribute positively to the country (Hanushek & Woessmann, 2010). Therefore, developing workforce knowledge and skills is indispensable for individuals, societies, and nations; and this is the responsibility of education. In this regard, Ozturk (2008) notes that throughout the 20th

century, education and the attainment of essential knowledge and skills are key factors for the progress of individuals as well as nations. As such, 20th century could perhaps be named as the ‘age of human capital’ because how prosperous a country is in developing and taking advantage of the skills and knowledge of its people is the basic determinant of lifestyle quality in that country. Ozturk (2008) concludes that steady economic development cannot be achieved in any county unless with substantial investment in the human capital through education.

The same as other branches of education, economics in general, and accounting in particular, primarily meant to produce a number of competent graduates that are equipped with the needed knowledge and skills to fit the demand of the workplace (Persson, 2016). Nevertheless, today’s business environment, in which accountants work, has a rapid rate of growth. The rapid technological advancement as well as constant growth of market globalization have prompted a change in the roles of accounting practitioners. Thus, the roles of accounting practitioners are no longer limited to keeping records of business transactions and generating financial information, but now include providing and interpreting diverse information for different internal and external users of financial information (Williams, 1994; Albrecht & Sacks, 2000). Basically, relocating to a new economy of knowledge, service, and technology would demand new competencies (Finegold & Notabartolo, 2010; Schurman & Soares, 2010). It is contended by employers that for the workforce success, possessing only the technical knowledge is not enough, but rather a broad set of knowledge and skills is required (Hart Research Associates, 2015). In other words, for the workplace of the 21st century, an inclusive range of competencies is essential (Schurman & Soares, 2010; Hart Research Associates, 2015). This calls for a variety of competencies that would influence businesses, along with educational institutions, since employees are the

primary drivers of jobs' differentiation in the 21st century (Huselid et al., 2005; Swanson & Holton, 2009). Briefly, developments in business environments need enhancements in accounting practitioners' knowledge and skills to satisfy the changing demands emanating from the new business environment.

However, it has been noted in the literature that employers are finding it difficult to find employees with the right competencies for today's business environment (Hernández-March et al., 2009; Low et al., 2013). In particular, accounting employers demonstrate the existence of a gap between the required skills of the workplace and the acquired skills of accounting graduates (Hodges & Burchell 2003; Abayadeera & Watty, 2014; Marshall et al., 2010; Naidoo et al., 2011; Botes & Sharma; 2017). In this regard, Chegg (2013) notes that a competency gap exists, and university graduates are not ready for the workplace, since recruiting managers pointed out that graduates do not possess the usual capability required for the job positions, and are not trained for jobs related to their field of study. Studies continually reported the inability of accounting employers to locate eligible applicants, as the competencies required for undertaking the duties effectively are not exhibited by entry-level employees (Fischer, 2013; McCann, 2015). The lack of competencies required does not only apply to the technical knowledge and skills, but even non-technical or generic skills as well. According to McCann (2015), financial managers have pointed out that entry-level accountants and finance officers do not possess the needed technical and non-technical skills, and this has led to the difficulties in finding employees with the right competencies required for filling positions in entry-level accounting, auditing, financial analysis, and business services.

As a result, future practitioners of accounting must strive to become competent enough for the marketplace. This can only be achieved through adequate training in

accounting, the expertise that is needed for accounting professionals and practitioners. In other words, professionals and practitioners need to show professionalism in their working environments, and such professionalism can only be communicated and nurtured through education and training (Pratama, 2015). Hence, accounting education should focus on improving the level of competency of future accountants to enable them to meet and comply with the demands of the constantly changing business environment we live in (Burns & Needles, 2014).

The content of the required competencies may vary from country to country based on the economic environment. This has given rise to a number of studies conducted in different areas for examining what sort of knowledge and skills should be included in the present accounting programmes to make it suitable for fulfilling the requirements of training the future accountants (Lin et al., 2005; Lin, 2008). Some studies have further examined the gap between the competency required in practice and those acquired by way of academia—university programmes.

Meanwhile, prior studies have reported different findings on what are the required competencies in the new business environment. However, all these divergent views have agreed with the fact that there is a gap between competencies provided by education programmes and those required by workplace, and that accounting education must be reformed so as to provide the needed competencies based on the demand of the changing business world (Albrecht & Sack, 2000).

It is noteworthy that, so far the issue of accounting competency has not been investigated in the context of Afghanistan; it is better to say that the competency level of higher education graduates is generally an unexplored issue in this country. Having been at war for more than three decades, Afghanistan is lagging behind when compared with many other countries in the world in terms of education, especially with respect to

higher education, whereby the situation has been labelled as so alarming (Abdulbaqi, 2009). Looking back to the history, it is on record that before the Russian invasion and towards the second half of the 20th century, higher education in Afghanistan enticed many students from other parts of Asia and the Middle East and the country was given credit for being the best in the region. This was when several higher education institutions started to flourish in the country; but were unfortunately destroyed by foreign attacks and civil war (Babury & Hayward, 2014). This already alarming and deplorable situation was made worse with the rise of the Taliban to power, and it is sad to note that with the advent of Taliban, the institutions of higher education were reduced to only seven (Abdulbaqi, 2009). In this regards, the Afghanistan Comprehensive Needs Assessment in Education (2002) reports that the higher education system in Afghanistan has been destroyed sharply over the past two decades, while it was thriving before the civil wars in the 1990s. It could be said that Afghanistan went through a kind of disintegration of its entire education system; the higher education system has fallen down subsequent to the years of war (Strategic Action Plan for the Development of Higher Education in Afghanistan, 2004).

Nevertheless, since the removal of the Taliban and the emergence of new government in 2001, there have been several attempts to reform the institutions of higher education (Abdulbaqi, 2009). In particular, an evolution has occurred in the status of education in Afghanistan since 2002; as such considerable developments in all levels and kinds of education, enhanced accessibility and educational chances for all Afghans, especially women, and involvement of private sector in educational improvement, can be counted as the prominent new achievements (Samady, 2013). Thanks to the ten-year (2005-2015) plan, set forth by the government, there has been a

significant increase in the number of institutions of higher learning in the country, and as a result, some improvements are being observed (Abdulbaqi, 2009).

Nonetheless, even with the presence of substantive developments in quantitative terms and an assortment of endeavours, the quality and efficiency of education is still a challenge for national authorities (Samady, 2013). Currently, the increasing significance of human capital in the contemporary global economy is fully acknowledged by the Afghanistan government, and fortifying education outcomes for human capital accumulation is of the main goals of the Afghanistan National Development Strategy (ANDS). Economics education is perceived as significant factor that brings about the economic and financial growth in new Afghanistan and thereby, making it one of the most demanding programmes at the level of higher education. The economics faculties offer a host of programmes, such as macroeconomics, microeconomics, banking, statistics, and management. With these expertise, graduates of economics in Afghanistan are usually employed as accountants and they are expected by the market to demonstrate a minimum level of accounting competency in order to work as accounting practitioners.

Considering this condition, this study examines the accounting competencies required by Afghanistan's business environment, and whether the economic graduates possess the important competencies. On this basis, this study explores the views of two groups of stakeholders consisting of accounting practitioners and academicians.

1.2 PROBLEM STATEMENT

Accounting programme tends to emphasise on linking and matching the curriculum's content with the market expectation. However, the demands of the employers often do not comply with the content of the curriculum offered by the higher institutions. In other

words, the content-oriented curriculum that hitherto offered by higher education needed to be changed to the competency-oriented curriculum (Pratama, 2015). That is to say, graduates of accounting need to be trained on competency-based to become competent (Gonzalo & Garvey, 2005). As a matter of fact, it is somehow difficult for graduates of accounting to acquire all the necessary competencies through the courses or the university programme since universities are not internship agencies. Nonetheless, there is a minimum level of skills and expertise that a graduate of accounting should acquire and possess before going into the market (Gammie et al., 2002). The professional expertise they learn on the ground serves as an addition to the knowledge and skills they have already acquired during their university learning. Therefore, graduates of accounting should have in their possession some basic skills and knowledge necessary before entering into the world of employment (IFAC 2003, e:44). Accounting programmes aim to produce professional accountants who are able to make significant contributions to the society and working environment they are involved in. By the same token, universities in Afghanistan offer programmes of economics in order to empower students with enough and relevant competencies that will enable them to work as practitioners in business workplaces.

However, developing a good quality university system that would contribute in promoting competent nation continues to be a fundamental challenge facing this country (Aturupane et al., 2013). According to Mujtaba (2006), Afghanistan nationals are continuously afflicted by an inefficient learning environment and lack of supporting structures for workforce development. Baharustani (2012) notes that business market of Afghanistan is exclusively for those who have obtained their higher education abroad, and the reason for this issue is that the education curriculum of public universities in the country is outdated and cannot meet the market demands efficiently;

also, most of the private universities only care about profit instead of focusing on quality education.

More specifically, universities that are based in Afghanistan are deemed incapable of providing the professional qualifications required by the labour market, especially in the management and technical fields where demands are critical (Roof, 2014). The reason might be that aside from lacking an efficient quality assurance agency for controlling the higher education system quality, there is a disconnection between Afghanistan universities and its labour market, as faculty members used to work in seclusion from practitioners who may hire their graduates (Baharustani, 2012).

As a result, Afghanistan's business market lacks experienced and competent workforce in a variety of critical jobs that could be a menace to social wellbeing. To prevail over these barriers, the tertiary education institutions must concentrate on producing workforce with necessary competencies that will meet employer's expectation and assist the progress and improvement in the country (Azizi, 2008). In this regard, Roof (2014) notes that while substantial educational developments have been achieved over the past nine years, human capital development remains as a challenge in Afghanistan. Consequently, working on education quality, enhancing opportunities, and bridging the competency gap between the education supply and workplace demand is absolutely essential.

Taking this into account, the economics faculties in Afghanistan, along with other fields of higher education, must focus on developing knowledge and skills of the graduates to fit them with the demands of the labour market. When it comes to economics faculties, the condition might be even more critical because these faculties must target in developing both the soft and technical skills of their graduates, rather than focusing only on providing the students with technical discipline-based knowledge and

skills. As Aturupane et al. (2013) noted, what matters for employers is whether graduates possess generic skills, particularly with regards to the graduates of arts, human science, and social science programmes, such as economics. This is because compared to engineering or medicine graduates, graduates from these programmes are mostly look for administrative, managerial, or technical jobs. Therefore, possessing soft skills would be more crucial for these graduates. Unfortunately, university faculties in Afghanistan are lagging behind in the area of equipping students even with technical knowledge and skills. According to Aturupane et al. (2013, p. 7), “the long period of isolation and decline of the Afghan university system in the 1980s-1990s has meant that the curricula taught in universities has become outdated and in some cases, even obsolete.”

It is important to mention here that accounting is relatively a new programme in Afghanistan, i.e. only three years old and offered by just one university (Kabul Public University) all over the country. As a result, students who graduate from the faculties of economics usually take up jobs as accountants. In this case, there is no other choice for employers but to offer accounting-based positions to the fresh economics graduates that have got the knowledge of economics rather than accounting. However, employers and the work sector in the new Afghanistan require the expertise that is based on precise specialisation; hence, there are demands for professional and competent accountants in many economic sectors.

Therefore, this study is set out to examine the extent to which the current programmes of economics are effective in offering the required competencies appropriate for the students who would be the future accountants, and whether economics graduates are really competent enough to perform accounting duties and meet the demands of the business workplace.

In this regard, Atiqullah Nosrat, Chief of the Chamber of Commerce and Industry of Afghanistan, states that the economy of the country cannot grow in a balanced way due to the traditional Afghan accounting system and the lack of expert staff. He brought up this issue at a special accounting conference organized by some staff of the Ministry of Finance, corporate finance officials, and a number of economics students in Kabul in October 2017. The conference was launched by Advanced Accounting Limited Liability Company (LLC) and the Chamber of Commerce and Industry of Afghanistan to promote the knowledge, expertise, and skills of accounting practitioners and university students. He notes that one of the obstacles to the lack of growth in the country's economy is the lack of a modern accounting education system in the country and which has resulted in scarcity of professional workforce. According to him, at present, more than 80 percent of the accounting process for public and private institutions is going through the traditional and non-transparent system, which is one of the main reasons for the bankruptcy of private companies in the country. In addition, the chairman of the Chamber of Commerce and Industry averred that annually, one thousand students from institutes and centres of higher education, in the field of economics, earned graduate certificates, but they cannot enter the labour market because of lack of specialist knowledge and skills (Kabul Pajhwok News, 2017).

In addition, Afghanistan is lagging behind when compared with many countries with respect to recognising the needed competencies for its accountants. Due to the fact that accounting is a newly launched discipline in Afghanistan universities, having just established in late 2016 by the University of Kabul under the auspices of International Islamic University of Malaysia (IIUM), there is still no list of competencies required for accountants who intend to work in the Afghanistan business environment. It is noteworthy that in addition to examining the issue of whether fresh accountants in