



PROBLEMS IN BUILDING AND MAINTAINING THE PROFESSIONAL COMPETENCE OF MODERN PROFESSIONAL ACCOUNTANTS

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Abstract: This report considers one of the elements of intangible assets – human capital and, in particular, the team of professional accountants in the economic unit. The subject of research is the essence and the ways of creating and maintaining their professional competence as well as the problems related to it.

Keywords: Professional accountants, professional competence, regulation, certification, education

INTRODUCTION

A key topic of discussion on the recent (19th) world congress¹ for accountants is the need for a new understanding of the accounting profession and its close interconnection with the business environment and business model of the enterprise in the future. One of the main findings is that accounting as a whole should reflect the business model of the enterprise. Thus, a subject of discussion (Filipova, 2015, p. 4) is the question of how the global accounting profession can contribute to the economic stability and development of the enterprise.

The establishment of an tight link between the economic unit’s business model and its accounting policy requires a wide variety of increasingly complex knowledge by the accounting personnel (Filipova, 2015, p. 5). In this respect, several issues related to the professional qualification of management accounting personal, or professional accountants, emerge.

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The managing accounting staff (financial team) within an enterprise typically includes the Chief Financial Officer, the Chief Accountant, the Financial Accountant (when different from the Chief Accountant) and the Management Accountant. Overall, this team is assigned with the task of executing many and complex functions aimed at both the internal but most of all the external environment. The latter are related to strategic planning and analysis, risk management, etc. The professional accountant is not considered to be a worker, simply processing information, but is seen as a business partner. Consequently, in recent years management accounting for strategic decision-making has widely spread, both as a theory and in practice. As a result, it has become essential for an accountant to know and understand the external environment and develop strategic thinking.

It is necessary to change the way of training professionals in the field of accounting as well as maintain their qualification. With this respect emerge the following questions: **What is the meaning of the term “professional competence”? In what way should professional competence of accountants be established and developed?**

Professional competence is defined as the ability to perform a role according to a defined standard (Glossary of Terms in the Handbook of International Education Pronouncements, 2014, p. 17). According to the Ethical Code of Professional Accountants of IFAC, professional competence refers to maintaining professional knowledge and skills at the level necessary to ensure that the client or employer obtains a qualified

¹ The world congress took place in Rome, November 10–13th.

professional service based on the current development of the practice, legislation and methodology and that it works with diligence and in accordance to the applicable methodological and professional standards (Code of Ethics for Professional Accountants, 2016). It is considered to be of such great importance to the professional accountant that it is drawn as one of the five fundamental principles that they must obey to when practicing the accounting profession.

The term professional competence is comprised of **two components** (Code of Ethics for Professional Accountants, 2016):

- Establishing and
- Maintaining professional competence.

The establishment of professional competence is achieved through acquiring professional knowledge, skills and professional values, ethics and working attitude.

Maintaining professional competence is achieved through continuous education.

The absence of any of the two phases indicates a lack of competence. The latter can be found in nearly all the different categories of accounting profession.

The definition of competence emphasizes the ability of the individuals to perform their functions according to the relevant standards and requires an appropriate level of knowledge, skills, professional values, ethics and working attitudes to achieve that competence. The appropriate level of competence varies depending on factors such as the complexity of the environment and the tasks, the variety of tasks, the necessary specific knowledge, etc.

As explained above, professional competence is a basic requirement for the different categories in the accounting profession – external auditors, internal auditors, those who are members of the Institute of Internal Auditors, registered auditors, and other categories of professional accountants. In practice, however, the two phases of professional competence are only available to registered auditors and internal auditors, members of the Institute of Internal Auditors. Only the professional organizations related to those two categories make efforts to maintain the professional competence of their members, however they too suffer some shortcomings.²

So, it is interesting to investigate further into the question of how professional competence is maintained in the other categories, namely those of the *financial accountants, chief accountants and management accountants*.

For a long time in Bulgaria, there have been controversies about the professional competence of financial accountants. The core of the problem being addressed is whether to regulate the status of financial accountants or not, as well as whether a professional institution regulating their professional competence should be established. The existing Union of Accountants in Bulgaria, the Institute of Certified Public Accountants and the Association of Accountants and Accounting Entities³ do not carry out any effective regulatory functions. The Institute of Certified Public Accountants is exercising some control functions, but they are mainly focused on the auditor profession. The remaining categories are not being overseen by any institutions.

The obvious problems in these practices are serious. Both the old and newer Independent Financial Audit Act introduced in 2016 do not require any proof of certain professional knowledge and skills, nor mechanisms for their maintenance. There is an obvious lack of control over the qualification and quality of work of professional accountants. Furthermore, there are no possibilities for their continuous development and improvement of their qualification. In practice, none interest is taken in assuring the legitimacy and professional qualities of financial accountants and employees in specialized accounting firms. It is unclear why the state is indifferent to this matter, given the tremendous importance of the information created by accountancy.

In contrast, in most European countries the accountancy profession is more or less strongly regulated (Kalchev, 2014, p. 12)⁴.

The corresponding practices in UK, France and Germany can be used as a benchmark. In the UK, the accounting profession is self-regulated in a way by powerful professional organizations so that state intervention is not required. In France and Germany, the legislation allows two options: according to the first one financial

² The issues related to the professional competence of certified auditors are subject of other publications and are not considered in the current report.

³ Founded in 2003 under the name “Association of specialized accounting entities”, in 2006 it introduces a membership for individuals and changes its name.

⁴ Germany France, Spain, Italy, Austria, Belgium, Slovakia, Luxembourg, Malta and many others.

statement are compiled within the economic unit and responsibility is assumed entirely by its management. The second one requires accountability to be drawn up by an external person – in France – a professional accountant, in Germany – a tax adviser (consultant) who has the status of an accountant and fully assumes responsibility for the content and veracity of the financial statements. For the remaining accountant categories, there are no strict certification requirements; however training and improvement are a prerequisite for career development. In each of these countries, there are several professional organizations where membership is completely voluntary. In Germany, which has been a benchmark for Bulgaria in many ways over the years regarding the development of the trade-legal and accounting system, there are three organizations of accountants: the European Association of Accountants (Internationaler Verband EMAA), the Federal Association of Accountants and Administrators (Bundesverband der Bilanzbuchhalter und Controller e.V.) and the Federal Association of Independent Accountants and Certified Accountants – Germany (Bundesverband selbständiger Buchhalter und Bilanzbuchhalter – Deutschland). All of them have as their main tasks: expanding the spheres of activity of accountants and controllers, encouraging cooperation between countries in these spheres; working towards harmonizing national training and audit rules on the acquisition of the relevant certificates and diplomas; improving the professional, economic and social integration of members and extending the powers of self-employed accountants; ensuring less bureaucracy and fair competition with other professional groups.

As the topic of this report is not “for” and “against” the regulation of the accounting profession in Bulgaria, we consider it essential for the development of the professional competence of the Bulgarian accountants that there is an active professional organization. Membership should be voluntary and should provide opportunities for continuous improvement of professional competence.

The good practices in some European countries described above and Germany, in particular, provide a higher level of professionalism, including acquiring and maintaining competence.

In Bulgaria, the gaps in the legal framework and the lack of professional organization create favorable conditions for people without the necessary qualification, education and competence to be allowed to work in the accounting sphere, which in turn leads to significant deficiencies in or the complete lack of professional competence and in general hurts the prestige of the profession.

The issue of training and maintaining the professional competence of management accountants is even more pressing. In Bulgaria, the status of the management accountant is unclear, there is no professional organization (or opportunity for certification), and hence opportunities for professional training and development. What is the world experience in this aspect?

There are prestigious organizations in the world that train and certify management accountants. The Institute of Management Accountants (IMA) was founded in 1919, in Buffalo, New York, and is now the representative and most powerful organization of management accountants in the United States. The organization has offices in Zurich (Switzerland), Dubai (UAE) and Beijing (China). The Institute of Chartered Management Accountants (ICMA) is an IMA structure that provides certification.⁵ It covers four areas: financial planning, analysis, control and decision support. The second structure is the Certified Institute of Management Accountants of Great Britain (CIMA). It is defined as the largest and leading professional organization for managerial accountants in the world. It was established in 1919, and in 1986 it received the Royal Decree, which gave world-recognized accounting qualifications, particularly appreciated in the United Kingdom and throughout the British community. CIMA is a leading professional organization in the field of management accounting, investment assessment and business decision making. In 2011, CIMA joined a joint venture with the American Institute of Chartered Public Accountants (AICPA) and established a management accounting title, called Chartered Global Management Accountant (CGMA).

Managerial accountants' organizations which are also recognized are those of Canada, Hong Kong, Bermuda, Australia, India and others.

In Germany, there is also a possibility for obtaining a certificate of in management accounting (Geprüfter Bilanzbuchhalter) (Industrie – und Handelskammer (IHK) Industrial and Commercial Chamber, <https://www.ihk.de/>; Handwerkskammer (HWK) Chamber of Craftsmen, <https://www.handwerkskammer.de/>; Handelskammer (HK) Chamber of Commerce and Industry in Hamburg, <https://www.hk24.de/>). The candidate must pass an exam at one of the mentioned chambers and receives a certificate. To take this exam, a certain internship is required.

⁵ The title Certified Management Accountant (CMA), is similar to a certified accountant. The Certification Program was introduced in 1972.

All professional and certification organizations provide their members with information on the latest changes in legislation, theory and good practices in the profession. They allow for continued training and guarantee prestige and often higher pay.

CONCLUSION

The problems associated with building and maintaining professional competence of accountants in Bulgaria are many and varied. Their solution could be developed in the following ways:

– a change in the attitude of the owners or managers of the enterprise towards the professional accountants working for them. There is still a widespread understanding of the accountant as a simple “data processing worker”. He is deprived of all managerial functions and is placed at one of the lowest levels in the company hierarchy. Many managers still support the understanding is that everyone on the financial team, from the cashier to the chief accountant (the compiler), they are all just “simple accountants” with the same rights, responsibilities and levels of professional competence. Given the specific functions of the professional accountant (and in particular the control one), it is necessary to assign him a proper place in the management hierarchy so as to preserve his independence and dignity;

– increasing business requirements for professional accountants, especially with regard to maintaining their professional competence;

– improving the legal framework at national level so as not to allow insufficiently qualified staff to take up certain positions;

– establishment of a professional organization, which should exercise effective control over the level of professional qualification, observe the application of professional ethical norms, sanction wrong representatives in the profession and enable improvement of the qualification;

– Improving the quality of university education in the accounting profession.

Only the joint solution of the problems in the directions mentioned above would lead to a real change in the situation outlined in our practice regarding the establishment and maintenance of professional competence.

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