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Reformation of Higher Accounting Education in Russia

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Abstract

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Key words: accounting reformation, transnational governance, new institutionalism, accounting education, Russia.

Purpose: The purpose of this research is to give a depict and analyze the reformation process of accounting education in Russia after the collapse of the Soviet Union and to identify the main actors involved in this process.

Methodology: The research was conducted using inductive approach and qualitative research design. The interviews were used as a main research tool supplemented with secondary source analysis.

Theoretical perspective: Transnational governance theory and new institutional theory served as a theoretical framework for the study.

Empirical foundation: Five semi-structured interviews were held with Russian university professors who took major part in accounting education reformation process.

Conclusions: The main driving force behind Russia's conformance to international standards, like IFRS, ISA and Bologna system is strive to get legitimacy in the eyes of its counterparts. At the same time, local practices and standards in accounting and education are greatly shaped by the activities of other actors apart from nation-state, namely international and national organizations, as well as local professional groups, which through transnational collaboration gain governance over national standard setting.

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List of Abbreviations

- AAAS — Association of Accountants and Auditors ‘Sodruzhestvo’
- AACSB — Association to Advance Collegiate Schools of Business
- ACCA — Association of Chartered Certified Accountants
- BEEPS — Business Environment and Enterprise Performance Survey
- CFM — Certified Financial Manager
- CIPA — Certified International Professional Accountant
- CIS — Commonwealth of Independent States
- CMA — Certified Management Accountant
- CPA — Certified Public Accountant
- EAA — European Accounting Association
- EBRD — European Bank of Reconstruction and Development
- EU — European Union
- FASB — Financial Accounting Standards Board
- FDI — Foreign Direct Investment
- GAAP— Generally Accepted Accounting Principals
- G-7 — Group of Seven industrialized nations
- HEI — Higher Educational Institutions
- IAAER — International Association for Accounting Education and Research
- IAASB — International Auditing and Assurance Standards Board
- IAESB — International Accounting Education Standards Board
- IAS — International Accounting Standards
- IASC — International Accounting Standards Committee
- IFAC — International Federation of Accountants
- IFRS — International Financial Reporting Standards
- IPA — Institute of Professional Accountants
- ISA — International Standards of Auditing
- ISAR — International Standards of Accounting and Reporting
- OECD — Organization for Economic Cooperation and Development
- RAS — Russian Accounting Standards
- ROSC — Reports on the Observance of Standards and Codes
- TAC — Transnational Auditors Committee

TACIS — Technical Assistance to the Commonwealth of Independent States
TNC — Transnational Corporation
UN — United Nations Organization
UNCTAD — United Nations Conference on Trade and Development
UNCTC — United Nations Centre on Transnational Corporations
UNESCO - United Nations Educational, Scientific and Cultural Organization
USSR — Union of Soviet Socialist Republics
WTO — World Trade Organization

Chapter 1. Introduction

The purpose of this chapter is to introduce reader to the development of accounting profession and education in Russia during Soviet times and on. Further, chapter defines the problem statement, which is to analyze the events happening in the reformation of accounting education on university level in Russia after the collapse of Soviet Union. Afterwards, research questions that study attempts to answer are formulated as well as its implications. Chapter concludes with layout of the thesis structure.

1.1. Setting the Scene

The globalization opens the borders for influences coming from other countries. In the scholar literature the notion of globalization gains much importance, rising to the scale of national states in terms of ability to influence the spread of accounting standards (Samsonova, 2009; Cooper, Greenwood, Hinings & Brown, 1998; Arnold, 2005). According to Djelic and Sahlin-Andersson (2006) modern boundaries are rather flexible and are subjected to transnational governance, which is shaped by collaboration of international and local actors, including professional groups, nation states, non-governmental organizations and business corporations. DiMaggio and Powell (1991) describe the role of institutions and ways they influence practices in organizations that want to be legitimate. There are a lot of large international organizations on world arena that shape the development of accounting, leaving states the role of regulator and monitor. Since businesses gone global, the need for unified accounting standards have appeared and many countries are ready to modify their domestic practice in order to get legitimacy on the market.

Likewise, in modern Russia a lot of efforts are aimed at improving the investment climate. This includes easement of some barriers of doing business, changes in law, as well as production of reliable financial statements. Nowadays, unlike before, the demand for financial reports is shifting to stakeholders and investors, who are considered to be the primary users. The demand itself is being the main force that drives the need to implement IFRS in Russia alongside with other European countries (Russian Corporate Governance Round Table, 2005). Nonetheless, many things still reflect the impact of Soviet Union. Russian Accounting Standards (RAS) are still mainly aimed at satisfying the need of tax authorities (Khazimuratova, 2006). To get the idea of why reformation was necessary one has to look at development of accounting in the USSR.

1.2. History of Accounting in Russia

On the contrary to capitalistic societies where accounting is used to calculate profit, in socialist regime of Soviet Union the main goal of accounting was to provide statistical data for governmental budgeting (Sokolov & Sokolov, 2004). In a sense, all data was flowing upwards through the administrative ladder rather than downwards to the market (Nobes & Parker, 2010). Financial statements were not available to public and so, did not play any role in economic decision-making (Feleagă, 1996). Furthermore, they did not reflect accountability or ‘fair view’, since all the practices were standardized. According to Soviet accounting standards it was impossible to reflect the financial situation of enterprise and to use financial analytical tools. The monopolization of all possessions by government and centralized economic administration lead to abandonment of previously developed accounting techniques (Sokolov & Sokolov, 2004). Because of simplification and standardization of accounting it slowly regressed to simple bookkeeping activity (Nobes & Parker, 2010). The survey conducted with soviet secondary-school students revealed that they placed accounting as 91st out of 92 professions according to the level of their prestige (McGee, 2004). Consequently, the accounting profession lost its reputation and became rather unpopular with a very low pay (Ash, 1985; Sokolov & Sokolov, 2004).

Few generations of accountants raised were more discouraged than encouraged to produce transparent reports (McGee, 2004). Since there were no private enterprises and consequently no certification for professionals, main places where accountants were taught were universities and technical colleges. In USSR great amount of accounting education was spent on learning the chart of accounts and its implications. There was only one correct way of entry for each transaction and almost all transactions were predetermined (Ash, 1985). By establishing such a strict practice it was possible to ensure that all entities across the country use same system and record transactions consistently (Sokolov & Sokolov, 2004). These events in Soviet Union had an important impact on post-communist accounting practice, since under communism accounting and auditing professions, as capitalist world knows it, did not develop.

Speaking of auditing, it came as a substitute for ‘revision’ only in 1980s (Samsonova, 2009). In Soviet times, the task of the ‘revisor’ officers of Control and Revision Department of the Ministry of Finance was to review the relevant documentation of economic entity and to ensure the legitimacy of accounting operations (Sokolov & Terekhov, 2004). According to

Samsonova, the notion of auditing in Russia was firstly introduced in 1987. This is also the date when the first auditing firm appeared in the country. In four years the number of firms reached 800 and grew dramatically in the following years. This growth can be attributed to the growing influence of international institutions, like World Bank, OECD, the EU and WTO. Each of these organizations made their contribution to the restructuring of Russia's private and public sectors, infrastructure sectors, such as auditing, and corporate governance practices improvement (Samsonova, 2009). Nonetheless, the main role of the auditor remains to ensure the correspondence to demands of tax authorities, which illustrates tradition of accountability to the government (Nobes & Parker, 2010).

At the same time national accounting and auditing certificates have been introduced in countries of the former USSR including Russia. However, the problem is that they are not recognized on international level. This is not because they are in native language, but rather because of how these certificates are gained. A study done in Russia by Preobragenskaya and McGee identified that at that time one could simply buy an accounting certification the same as enterprises that could pay for a good audit opinion (Preobragenskaya & McGee, 2004). This high level of corruption caused the development of other solutions to accounting problem. One of them is to be audited by Big Four, who are considered to be highly qualified and non corrupted. The accounts revised by these firms are considered to be transparent. However, this is a rather short-term solution, since it will end up with Big Four stealing all the clients from the smaller local companies. The other solution is to obtain an internationally recognized certification, like ACCA, CMA, CFM, which are offered in English, or CAP and CIPA which are available in the Russian language (McGee, 2004).

The current topic of accounting development process is Russian convergence to IFRS. Particularly in 1998 the program of accounting reformation in accordance to IFRS has been launched. Main objective of the reform was to harmonize national accounting with requirements of market economy and IFRS.

The main tasks of this process were to:

1. Formulate the system of accounting and auditing standards that would provide useful information to its users, especially investors;
2. Ensure the consistency between reformation of accounting in Russia with main tendencies of standard's harmonization on international level;

3. Provide aid to organizations in understanding and implementing of new model of accounting (Ministry of Finance, 1998).

Among achievements of this process is that IFRS is now followed by a number of large listed companies. At the same time banks are required to prepare their consolidated statements according to IFRS since 2004, which is one year earlier than other European countries (Nobes & Parker, 2010). The program of accounting reformation in accordance to IFRS has started thirteen years ago, however, it was continuously postponed and as a result has not been complete yet (Bogdan & Cristea, 2008).

1.3. Problem Discussion

Transition from centrally planned to market economy is a rare phenomenon in world history and it is valuable to study. Even though there have been a lot of studies done on transition economies, there is still much to explore. Many of the newly formed countries are on their path to becoming market economies. They join different world organizations such as the European Union, the World Trade Organization, etc., letting these organizations influence and guide their development. This paper is aimed at giving the descriptive and analytical view on the process of reformation of accounting education and highlighting the main actors in it. Since auditing have been introduced in Russia quite recently (Samsonova, 2009), it is not appropriate to talk about its reformation. According to Russia's educational standard accounting and auditing studies are unified in one specialization (Ministry of Education, 2000). Therefore, in the context of this research the 'reformation of accounting education' refers to the notion of auditing as well.

Since many post-soviet countries seek the international recognition and assistance in creating high-quality local financial statements, the topic of transnational governance becomes rather important. Focus of the paper falls on education in accounting on university level, because through education it is possible to bring change to practices of future professionals. For Russia, in order to be legitimate and trusted on the world arena in terms of accounting transparency, accounting education as a base of the whole system has to go in line with it. The process of harmonization and convergence to another accounting standard should be reflected and integrated in education system. This is a complex and difficult process, since university professors are also new to changing standards and they themselves require appropriate training before they can pass this knowledge to students.

So, in order to improve the change process one has to understand how transition from the Soviet Union till now happened. Russia is a good example of the change process, since it is the largest economy in transition that is expected to grow together with other BRIC countries (Brazil, Russian, India and China) having a lot of opportunities for Foreign Direct Investment (Moe, Maasry & Tang, 2010). Therefore, the development of accounting and auditing practices in this region is a current topic. While the reformation process is rather vast, and the time frame given for the conduction of study is limited, the authors have chosen to focus the research on perspective of university professors. Being highly engaged in the cooperation with international and national professional organizations, academic community played a major role in the process of change in accounting education. To sum up, the purpose of this research is to analyze the events happening in the reformation of accounting education on university level in Russia after the collapse of the Soviet Union.

1.4. Research questions and aims

The aim of this research is to depict and analyze accounting education reformation starting from the collapse of the Soviet Union until nowadays through the lens of transnational governance and new institutional theory. It intends to answer the following research questions:

- What were the key events in reformation of Russian accounting education on university level and how did they happen?
- Who were the main actors in this process?
- How did the educational curriculum and literature develop?

1.5. Importance of the study

After the iron curtain fell, transition countries chose a path towards market economy and sought to attract foreign investments. This required creation of strong domestic capital markets and appropriate accounting regulations (Hellström, 2009). Since then Russia along with many other transition countries is taking steps towards globalized accounting standards (Sokolov & Sokolov, 2004). It is required to make certain changes in the system that existed for years. Looking at Reports on the Observance of Standards and Codes (ROSC) for post-

Soviet countries, it appears that one of the major areas of accounting transformation that are crucial for success and needs to be developed is educational sector (ROSC, 2008).

Although some countries have already completed the transition process, many are still struggling (Hellström, 2009). Therefore, studying changes in accounting education in one of the biggest transition economies — Russia — may find its implications. By looking back into the past events of accounting education reformation throughout the transition and studying which actors were the most influential it is possible to get the general picture of the process. This information might give an insight into how transition was held on the level of accounting education. Derived from that could be the suggestions for further development of educational sector in accounting, including getting the literature and teaching materials, for Russia as well as other transition economies. Also, understanding the past events could help improving the future reformation processes, such as convergence to IFRS. Despite that, study intends to provide a contribution to general understanding of transnational governance and new institutional theories.

1.6. Thesis Structure

The paper is structured in the following way. Chapter two provides brief overview of the background of Russian country including transition process, IFRS implementation and description of educational system. After that methodology used for the research is described in chapter three. Next chapter presents the theoretical framework used for particular study, introducing the concepts of transnational government and new institutional theory, in addition it contains the review of previous literature in the field. Chapter five contains the analytical part of the research describing how the process in accounting education happened after the collapse of the USSR and how have the foreign actors influenced its development. The last chapter provides further discussion on the topic, where the results are matched with theoretical framework, it also presents authors' conclusion on the matter, giving implications for the study and suggestions for further research. The limitations of this study are also presented in chapter six.

Chapter 2. Background

This chapter provides the background information on the country of Russia, its economic state, transition process and main challenges in it. In the same manner it presents constraints to IFRS implementation and background on national education system.

2.1. Russia in Transition

Russia is the biggest country in the world by territory with the population of 142.2 million people. The country has a wide base of natural resources in its possession, mainly oil, natural gas, coal and many other strategically significant resources (CIA, 2011). It is one of the fifteen states formed after the collapse of the Soviet Union, which are now standing on their way to market economy.

2.1.1. Transition to Market Economy

Starting from 1992 until 1999 Russia underwent the main economic changes. Shift to market economy with help of international community represented by G-7, IMF and other organizations did not come smoothly and resulted in a major economic decline at first. The liberalization of prices in part resulted in hyperinflation, which put many of the entrepreneurs out of business and resulted in many people losing their jobs (Ellman, 2000). In 1992-1994 Russia started the program of mass privatization in the field of state enterprises as well as land and apartments (Hare & Muravyev, 2002). Decade marked by high unemployment rates and hyperinflation reached its pick in 1998, when Russia defaulted on its internal and external debts (Ellman, 2000).

Starting from a twenty first century Russia experienced growth in GDP in majority due to rise in export of natural resources. In fact, in 2009 Russia became the largest exporter of natural gas, oil, steel and aluminum (CIA, 2011). Real GDP growth was on the level of 7-8% from 2003 to 2007, although it decreased to 5.6% during crisis in 2008, but gained the positive numbers again in the beginning of 2010 (OECD, 2010). While only recently converted to a market economy Russia is one of the fast growing countries in the world today.

Russia was recognized as functioning market economy in 2002 by European Union (Todres, 2002). According to EBRD's Transition Report (2010), on the scale from 1 being the lowest and 4+ being the highest, Russia scores 3 in large-scale privatization, 4 in small-scale

privatization and only 2+ in governance and enterprise restructuring. Figure 1 illustrates overall transition indicators.

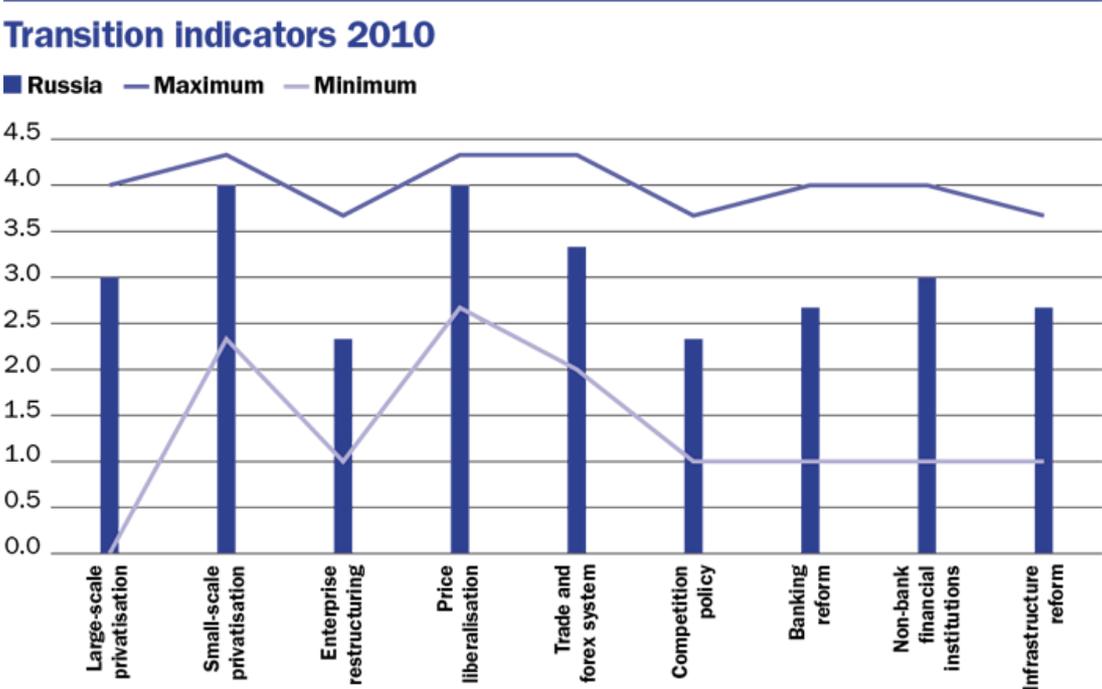


Figure 1. Transition Indicators 2010. Russia. *Source: EBRD, 2010.*

According to these numbers the weakest points in transition so far is enterprise restructuring and competition policies. Although the large-scale privatization was rather successful, state still plays a significant role in economy, especially in strategic sector and banking (EBRD, 2010). State is the owner in some important Russian largest companies, such as Gazprom (50.1% shares), Rosneft (84.6% shares), Sberbank (60.6% shares), Gazprom Neft (73.7% shares) and others. From the names of these companies it appears that main state holdings are in the sectors energy and fuel, as well as in military-industrial complex (Sprenger, 2008).

According to World Bank’s ‘doing business’ measures, Russia stays on rather low level ranking 123rd out of 183 countries. Main factors, which determine low position, are difficulties in starting and closing business, difficulties in dealing with construction permits, paying taxes and trading across borders (World Bank, 2011). According to BEEPS report of EBRD (2010) Russia has the following constraints to good business environment: deficiency of needed skills, corruption and weak infrastructure.

These constraints may explain the under-performance of Russia in Foreign Direct Investment sectors in relation to other former Soviet countries. However, since 2002 to 2006 Russia experienced growth in FDI by 8.3 times, reaching the 70% jump in 2006 (Souza, 2008). The

success was repeated again in 2008, but interrupted by world financial crisis, which lowered FDI to negative terms in 2009. However, projections for the following years are positive (EBRD, 2010). Countries that invest the most in Russia are the UK, the Netherlands and Cyprus. At the same time the most attractive investment sector is service sector, including retail and wholesale and repair activities. Natural resource sector gets a comparatively high amount of investment too. To ensure that increase in FDI stays a long-term stable trend, it is important to make some improvements in the weak areas of investment climate in the country, such as legal framework and infrastructure (Souza, 2008).

According to EBRD Strategy report (2010) Russia today faces few challenges on its way to modernization. A very important milestone is improving present regulatory framework and corporate governance practices. Such reforms are necessary to improve investment climate in the country and to attract Foreign Direct Investment. Another important item on today's agenda for Russia is deeper integration into global economy, particularly by expanding its activities in WTO. This is an important step to facilitate foreign trade.

2.1.2. Main Challenges in Transition

In order to successfully continue the transition to market economy and international integration Russia should overcome some of the constraints that appeared on the path:

- Dependency on energy prices in the world market hits hard on the country's GDP. This emphasizes the importance of diversification of output and exports that country relies on.
- Deeper integration into global economy through gaining WTO membership would foster competitiveness and therefore improvement and innovation in the domestic industry and service sectors.
- Financial crisis fostered economic slowdown in Russian economy, which highlights the importance of strengthening the financial sector and capital markets.
- Improving the investment climate through institution and regulatory framework restructuring is another crucial point to support market economy development (EBRD, 2010).

Among things that could promote the investment in Russia's economy is acceptance of international reporting standards, which are becoming globalized. Since main users of financial reports are now stakeholders (Russian Corporate Governance Round Table, 2005),

the standardization of reporting will give them access to information that they can understand, compare and rely on.

2.2. Constraints to IFRS Implementation

One of the most important constraints to global IFRS convergence is the translation problem. Evans (2004) stresses the importance of language and translation of accounting concepts. Since there is a link between language, culture and way of thinking, it is rather self-evident that accounting concepts will be interpreted differently in different countries. Mistranslation of concepts affects not only investment decisions, but also accountants at work, researchers and students, who learn about international standards (Evans, 2004). The first IFRS translation into Russian, which was done in 1999, was highly criticized as being rather mediocre. The revised translation saw the world in 2004, including the new changes that took part in between those years (McGee, 2005).

Another reason why IFRS implementation is not easy is substantial differences between international and national standards. For instance IFRS substance over form approach contradicts to Russia's prescriptive and detailed accounting regulation (Russian Corporate Governance Round Table, 2005). There are some main differences that confuse Russian accountants, like:

- Questions of 'fair value', which is used in IFRS versus 'historical values', which prevails in Russian standards.
- Bad debt, which can be written off immediately under IFRS. However, with RAS the bad debt write-off is possible only if there is an attached documentation that debtor is unable to pay.
- In the investment account under RAS the acquisition price of the shares by other company does not matter, however it does when using IFRS (Khazimuratova, 2006).
- As opposed to 'substance over form' standard of IFRS, Russian accounting is very much formalized. Accountants could argue that their reports are in accordance to the required form, nevertheless, they may present irrelevant information (Russian Corporate Governance Round Table, 2005).

These are just some differences out of the many that Russian accountants will have to differentiate between.

Taken into consideration that differences in local and international accounting standards can be dealt with, the problem of competence still remains. The ‘action’ part of the accounting community waits for the ‘norm’ system to change before convergence process could go any further because of lack of competence on the part of those who have to implement the changes (Kulikov, 2007). According to McGee and Preobragenskaya (2004) new accounting principles have a hard time being implemented since no one knows how to implement them. Local accountants lack competence in new international standards and it is one of constraints to IFRS implementation in the country.

Additional problem is resistance to change by accountants themselves. Some of them simply do not see a need in international standards and they are not necessarily wrong (McGee & Preobragenskaya, 2004). To most companies and firms financial reporting still has the only user — tax authorities (Khazimuratova, 2006). However, for the big Russian firms that want to have funding from international investors it is becoming a current topic. The demand of international standards from such investors is increasing. On the other side, not all accountants in the country recognize that stakeholders’ need should be in focus on financial reporting. Some people working at Big Four have adopted this attitude, but smaller firms and enterprises throughout Russia stick to the older perceptions (McGee & Preobragenskaya, 2004).

Current discussion about IFRS implementation and its continuous spread throughout the globe brings certain changes to accounting education system as well.

2.3. The Higher Education System in Russia

The education system is mainly regulated by federal Ministry of Education, which develops 50% of curriculum and course content; another 50% can be formulated by the Higher Educational Institution (StudyAdvisor, 2011). Students often have no ability to choose courses that they want to take, rather they choose the program of their interest while applying to the HEI (CBU, 2011).

There are three types of Higher Educational Institutions: university, academy and institute. These titles diversified according to involvement of the organization in the scientific and research activity, with university as a highest degree of such activity (State Duma, 2001b).

The overall level of literacy in Russia is 99.4% of the population. Total expected school life for a person is 10 years followed by higher education. Educational expenditures are on the level of 3.9% for year 2006, which rated 104 in the world (CIA, 2011). Around 17 million of people have at least Undergraduate level of education, majority of which are women (StudyAdvisor, 2011).

In order to get a Bachelor’s degree one has to study no less than 4 years followed by a state final examination. To get into master program, which generally last two years, one has to show a considerably high performance. The majority of the students get a ‘specialist’ degree, which is completed within 5 years of higher education. The difference between specialist’s and Master’s degree is that the latter has more stress on research with required master thesis as the end project of studies (StudyAdvisor, 2011). Earning a doctorate degree in Russia is considered to be very prestigious. The Candidate of Science can be earned in three years, whereas becoming a Doctor of Science is a lengthy process, which can spread out from 5 to 15 years (CBU, 2011). The schematic of the Russian education system is illustrated in Figure 2.

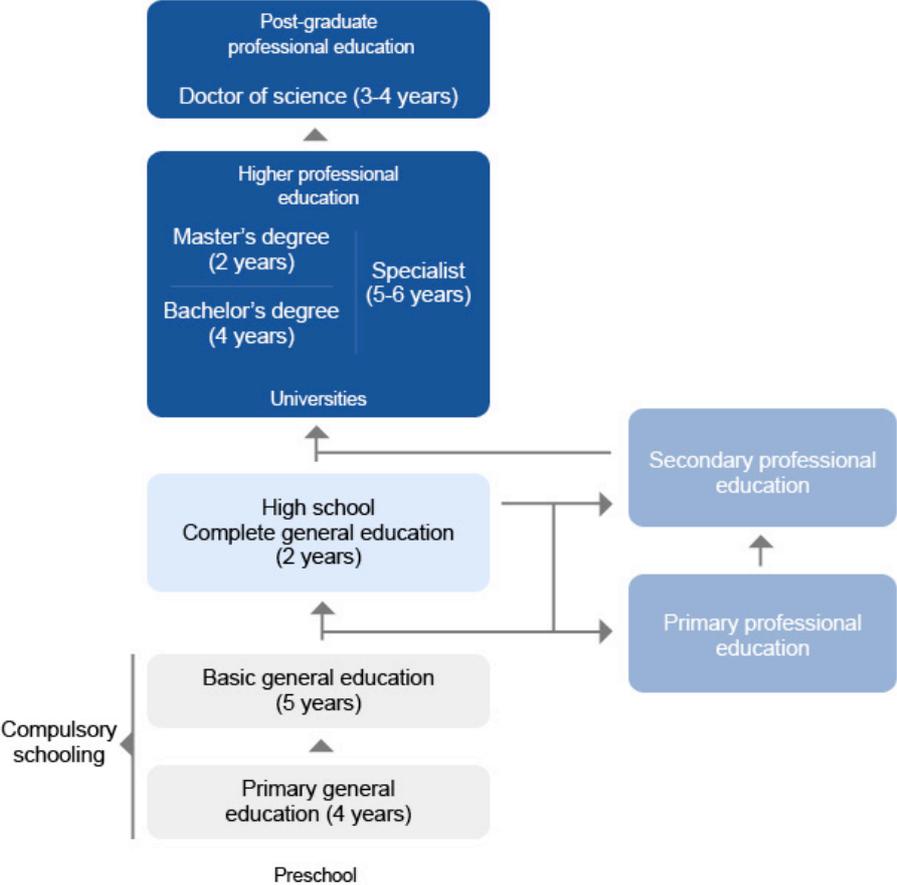


Figure 2. Russian Education System. Source: CBU, 2011.

This is how Russian education system existed for years, however, at this point in time the major reforms and transition to the Bologna system take place. The Bologna Process is a process of reformation of European higher education, which is aimed at establishing a European Higher Education Area (EHEA). The process is driven by 46 member countries and number of supporting international organizations, such as European Council, UNESCO, European Commission, and many other consultative members (Council of Europe, 2011). According to Bologna agreement, higher education shall consist of two main cycles: undergraduate and graduate. The former is a Bachelor's degree with minimum of 3 years of study that is required to be completed before proceeding to a graduate form of study, such as Master's and Doctoral degrees. The Bologna education system has been introduced in Europe for the purpose of compatibility, comparability of grades that will enhance student mobility and employability. For this reason the unified system of credit was established - ECTS, which stands for European Credit Transfer and Accumulation System (European Ministers of Education, 1999).

According to the order of Russian Ministry of Education and Science as of 17 September 2009, higher professional education should be broken down to two levels: bachelor and master (Ministry of Education, 2009). This poses big changes in Russian educational system, since it requires the elimination of specialist degree. According to the order of Russian government, starting from 1 January 2011 the country is fully transforming to a Bologna process (Arhipova, 2011).

Chapter 3. Methodology

This chapter contains the information that justifies the research methodology used by the authors. It contains discussion on research design, philosophy, approach, strategy, instrument as well as sampling and data collection methods. In the same manner the chapter contains the evaluation of the research through the qualities of reliability and validity.

3.1. Research Design

The purpose of this research is to depict and analyze the reformation of accounting education system starting from Soviet times up to the present days. The study is rather exploratory in its nature, focusing on questions of ‘what’ and ‘how’. The research is not concerned with defining the problems and searching for solutions, but is rather focused on identifying potential causes of the problem and establishing directions for further research. Exploratory research design is a good tool to retrieve important variables in multidimensional constructs (McDaniel & Gates, 2002).

3.2. Research Philosophy

The research follows the realism view underlying that there are large forces and structures influencing human behavior without them being conscious about it. The realism view is concerned with studying what kind of things are out there and what influences their behavior. According to Hatch and Cunliffe (2006) realism research is interested in learning about mechanisms and structures that form institutions and practices. At the same time it is concerned about how they evolved, how they influence the behavior of social actors and how such institutional mechanisms can be restructured or changed. In the case of this research, authors are concerned about learning how did the transition from Soviet accounting education happen and who were the main actors and structures that influenced its direction.

3.3. Research Approach

Since the research does not seek to prove or disprove previously constructed hypothesis, but rather is focused on giving the descriptive analysis of the reformation process, the inductive approach is more appropriate.

Morse and Field (1995) argue that one has to use inductive research approach when researcher has no knowledge in the field and therefore the study will result in gathering of unbiased data and construction of new theories. Silverman, on the other hand, objects this position by saying that *'simply going out in the field and inducing observations ... can be an excuse for sloppy, unfocused research'* (Silverman, 2005, p. 79). He also underlines that irrespective of the research approach, any researcher has to be familiar with conceptual framework of the studied field. For mentioned reasons this study has a constructed research framework prior to data collection, which demonstrates the elements of deductive approach in this research as well.

3.4. Research Strategy

There are two orientations towards conducting a research: qualitative and quantitative. Quantitative research strategy has incorporated the features of positivist research philosophy, deductive approach and strict objectivity on reality. Qualitative research, on the contrary, is mainly built on inductive approach and relies on the ways in which participants interpret the social reality (Bryman & Bell, 2007).

Qualitative research presents the advantage of better understanding and interpretation of complex social reality (Mack, Woodson, MacQueen, Guest & Namey, 2005). To satisfy the research aims of this study, the qualitative research strategy was followed. Since it implies the inductive approach of relation between theory and results, the theoretical conclusions were formulated as an outcome of the research instead as prior to it (Bryman & Bell, 2007).

The quantitative research strategy was rejected since it would not allow to answer the questions of 'how' (Silverman, 2005) and to give an exploratory view on the process of accounting education reformation. Instead it is used to quantify variations, predict causal relationships and to confirm hypotheses, which is not the aim of this research (Mack et al., 2005).

The qualitative research strategy was chosen due to the following reasoning. Firstly, since it follows the inductive approach, it will give the possibility to apply the theory after the study has been done. Another benefit is that it allows developing casual explanations to the situation, exploring the questions of 'how' the change happened (Maxwell, 2005). Therefore, using qualitative approach gave the possibility to gather narrative information on the process

of change in accounting education, which resulted in broader picture of the situation, including the details of which actors were key in this process.

The research was designed using the following steps of qualitative research:

- 1) Formulation of general research questions
- 2) Selecting relevant subjects
- 3) Data collection
- 4) Data interpretation
- 5) Conceptual and theoretical work
- 6) Conclusions (Bryman & Bell, 2007).

3.5. Research Instrument

The interviews were used as a research instrument, since a conversation with subjects gave possibility to gather exploratory data. In particular, semi-structured interviews were conducted, which means that the interview guide containing the main questions was prepared in advance, however, the researchers had a possibility to ask follow-up questions that appeared in the process of conversation. Due to the given time frame and resources there was no possibility to go on field work to Russia and meet personally with the interviewees, therefore, the interviews were conducted over the phone.

3.6. Sampling

A purposive sampling method was considered to be appropriate for the given study due to its qualitative nature as well as limited time frame. More so, purposive sampling allows studying a certain group of individuals that best illustrates the features of researchers' interest (Silverman, 2005). The research question suggests that target population for the study consists of people who took participation in process of accounting education reformation. These could be governmental officials issuing new laws, foreign and domestic organizations performing professional training and distributing teaching materials as well as other parties that might have provided financial aid or participated voluntarily. This implies that the population is rather vast and variable. Taking into consideration the limited time frame given for collection of data, it was decided to focus the study on one sample group. After considering main parties involved authors have chosen to focus on the university professors. The reasoning behind this choice is that academic community was the closest participant in these events, since it not

only participated in formulation of accounting educational standards, but also had to carry out the plan and bring the change to the classrooms.

The participants of the study were chosen in nonrandom manner (McDaniel & Gates, 2002). More specifically, the sample was chosen on the principle of so called ‘snowball approach,’ which is considered to be the type of purposive sampling (Mack et al, 2005). The sampling was held as follows: after contacting a few potential respondents, they were asked for a referral to another person that is knowledgeable in the topic and could make a valuable contribution to the study. That way the researchers could benefit from participant’s social networks and reach out for respondents that were not easily accessible through other sampling tools (Mack et al, 2005). The primary contacts were intended to give a representation of Russian capital Moscow as well as another more typical city — Novosibirsk.

Since the research is focused on exploring the events during the past 20 years in history of Russian accounting education, one of the main criteria for selected sample was the teaching experience both during the USSR and modern Russian. Also, an active participation in transition process and membership in accountancy associations was a desirable feature. The purpose of this choice is to look for witnesses or participants of changes, which occurred after the collapse of the USSR and the ones who had to apply these changes in the rest of the country. Therefore, the main subjects of the interviews were university professors teaching accounting and/or auditing with preference given to those actively participating in the reformation of accounting education.

3.7. Data Collection and Analysis

3.7.1. Pilot Study

Prior to getting answers from the actual participants, the pilot interview has been conducted. A person, who was a student at the time of reformation and has worked in accounting sphere since 1994 have been interviewed. The purpose of the pilot study was to test the applicability of the interview guide and to get main points for improvement. At the same time pilot study gave a chance to test researchers’ ability in conducting interviews and to gain some experience in that direction. As the result of the pilot study the interview guide has been slightly modified and improved to suit better the needs of the study.

3.7.2. Data Collection

For the purpose of the research two sources of data collection have been used: primary as well as secondary. Five interviews have been conducted in the period of April - May 2011 with professors from Moscow, Novosibirsk and Krasnodar. The interviews lasted around 15-35 minutes and were conducted in Russian language, which is native for both interviewees and interviewers. All interviews were recorded in order to preserve the raw data that was used by the researches in the process of analysis. The following are the interviewee profiles:

Table 1. Interviewee profiles. *Source: self-composed*

Interviewee	University	Background
A	Moscow State University	Member of Association of accountants of USSR, member of International Coordination Council on Reformation of Accounting and Auditing in CIS, member of International Council on Accounting and Auditing of State Duma of Russian Federation, Vice President of Methodological Council of Ministry of Finance of USSR. Author of many books on accounting and auditing issued in Russia.
B	Moscow Plekhanov Institute	Certified auditor, board member of Institute of Professional Accountants, expert of Ministry of Finance and Education of Russian Federation.
C	Novosibirsk State Technical University	Member of Methodological Council of accounting in Ministry of Finance in Russia as well as member of Presidential Auditing Committee, being specialized in IFRS.
D	Novosibirsk State Technical University	Participant in international, social and local seminars and conferences on accounting and auditing.
E	Kuban' State University	Member of working group developing national educational standard on accounting, analysis and auditing, member of Methodological Council of Ministry of Finance of Russian Federation, member of European and American Associations of Accountants.

To get a more comprehensive retrospect of the situation and to supplement the information gathered in the interviews secondary sources were also reviewed and analyzed in this research. Researchers explored the reports of international organizations, which participated

in the reformation process, namely World Bank, United Nations Organization, also the websites of local professional organizations such as IPA and AAAS. Also, legal governmental documents of Russian Federation were useful.

3.7.3. Data Analysis

The data analysis has been performed according to thematic analysis technique, which is widely used in the qualitative research. Thematic analysis is aimed at identifying the main themes and patterns in the text and further to structure it in the coherent manner (Attride-Stirling, 2001). The quotations of the participants' words were used as a representative tool to shape the main themes evolving in the interviews.

According to Attride-Stirling (2001) thematic analyses is helpful in identifying:

- 1) Low-level premises appearing in text, so-called *basic themes*. They are lowest-level statements around the global theme. Without the context they can tell very little. In order for it to have a meaning it has to be put in context with other basic themes.
- 2) Basic themes put together to summarize selective principles — *organizing themes*. They compile the summary of the basic themes, which are put into the clusters of similar topics. Organizing themes provide more information of what happens and serves to support the broader theme that is significant as a whole.
- 3) Larger themes that embrace the metaphors in the text as a whole — *global themes*. They represent the summary of the whole text, its ideas and interpretations. It gives a feeling of what the text is all about without need for analysis.

All of these themes come together into the thematic web map that illustrates how they are interrelated (Figure 4).

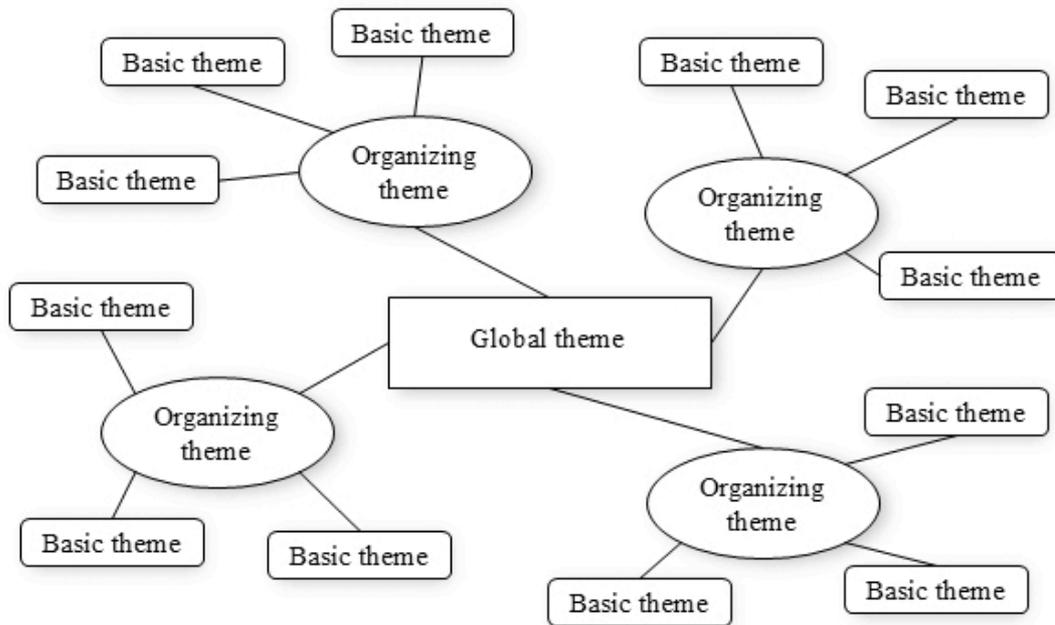


Figure 3. Thematic analysis network. *Source: Self-composed.*

The thematic analysis tool gave the possibility to determine the themes and sub-themes in the rich set of data collected from the interviews. The reoccurring phrases, events, names of organizations were an important basis for constructing basic and organizing themes, which later translated into the topics for analysis and discussion.

The data analysis has been performed according to the steps described by Attride-Stirling (2001):

- 1) Coding the material. Coding of the main topics has been performed to reduce the amount of data.
- 2) Identifying themes. Once the coding of the material happened, the main reoccurring themes have been formed.
- 3) Constructing the network. Themes with similar characteristics and ideas for discussion came to form organizing groups. These groups helped the researchers to identify main section in the discussion chapter that have been analyzed and matched with the theory.

3.8. Methodology Evaluation

In the qualitative research the quality of study is evaluated by reliability and validity (Silverman, 2005).

3.8.1. Reliability

This measure refers to the notion of whether the results would be consistent if repeated again (Bryman & Bell, 2007). This means that study is reliable if it yields the same results when performed by different observers on different occasions (Hammersley, 1992). Being highly useful in quantitative research, this definition may not be appropriate in evaluation of qualitative research. Taking into consideration that qualitative studies require observer's judgment it results in certain subjectivity. At the same time, since investigators themselves are the main tools of data collection, it is very hard to conduct a true replication (Bryman & Bell, 2007). Because of that reaching reliability in qualitative research is not an easy task (Hair, Bush, & Ortinau, 2003).

According to Cano (2007) qualitative method reliability is measured not only by quality of produced data, but also by effectiveness of research methods and techniques used in the process of data collection. Therefore, it might be more appropriate to talk about the reliability of research instruments in the process of qualitative research assessment. Also, the availability of detailed raw data with minimal interpretations on the part of researcher is always preferable (Silverman, 2005).

This study tries to reach reliability employing the triangulation method, which refers to the gathering of information from different sources to compile a comprehensive outlook on a situation studied. It gives a possibility to look from different angles at the same problem (Silverman, 2005). In this research the investigation of reformation in accounting education was carried out through studying of secondary sources as well as through interviews with respondents who participated in the same events. Taken the fact that they work in different universities and in some cases in different cities, the repetition of information presented by them contributes to reliability of the data collected. At the same time, the availability of recorded material and multiple quotations on interviewee's words exempts the analysis from researchers' subjective interpretations and allows readers to make their own conclusions on the data. On the other hand, small number of conducted interviews may undermine the reliability of this research, since not all facts were gathered.

3.8.2. Validity

Validity refers to the notion of '*whether the research truly measures that which it was intended to measure or how truthful the research results are*' (Joppe, 2000 as cited by Golafshani, 2003; p. 599). In other words, validity is concerned about whether the research is able to reach its objectives given the selected research instruments. In order to reach validity the data collection and interpretation methods were chosen carefully. Taking into consideration that objective of this research is to gather and analyze the process of reformation of accounting education, the interviewees were selected purposefully on the criteria that allows them to provide reliable data valid to this research.

In the context of qualitative research validity is also divided into internal and external (Bryman & Bell, 2007).

Internal validity is referred to ability to build connection between gathered information and theoretical concepts developed by the researcher. As argued by LeCompte and Goetz (1982) it is one of the strong sides of the qualitative research, since direct social participation with respondents gives the possibility for the researcher to build strong relationships between observations and theoretical concepts (as cited by Bryman & Bell, 2007). Furthermore, internal validity in this research was reached through careful study of the gathered information, its interpretation and matching with used theory. This study explains past events in accounting education reformation through the theories of transnational governance and new institutionalism.

External validity, which is an important factor in qualitative research, is concerned with the question of whether the results of the study can be generalizable to other research groups. LeCompte and Goetz (1982) express their concern about this measure in qualitative research, since it is mainly based on small cases and particular companies (as cited by Bryman & Bells, 2007). The non-randomness of researched sample and small number of respondents reduces the external validity of the research. However, given the topic of the research, which concerns the development of accounting education in the country of Russia, it is possible to assume that reformation happened relatively equally throughout the country. Taking into consideration that reformation started in country's biggest cities — Moscow and St. Petersburg — and then was passed on to the rest of the country it is possible to assume that main actors that influenced the reformation were the same. However, it covers only one part of the research.

On the other hand, it is difficult to generalize information gathered only in three cities to the whole country of Russia.

3.9. Research Ethics

There are fundamental ethic principals that have to be met in the process of conducting a research. During the research study participants' autonomy was preserved and their dignity was respected. Prior to the interview the respondents were provided the information about the research topic and asked for the permission to record the phone interviews. All of the participants gave their oral consent for the use of recorded material. The topic of the research is not considered to be harmful to the participants or their community groups, however, the names of the respondents will remain confidential to minimize any risks associated with the research, including social and psychological risks.

Chapter 4. Theoretical Framework & Literature Review

This chapter aims at presenting the theoretical framework used in the research as well as giving overview of the literature and previous findings on the subject. Revision of previous literature will be helpful in identifying the research gap that this research seeks to fill.

4.1. Theoretical Framework

The authors have been identified two theories relevant to this study. First one is transnational governance theory and the second is new institutional theory.

4.1.1. Transnational Governance Theory

Being in the process of transition from the Soviet Union to Russian Federation country needed new standards on accounting and auditing. Different states and private organizations expressed a substantial amount of interest in helping transition economies to converge to market economy, each wanting to impose their influence and introduce their standard as best. Transnational governance theory will help to describe the process of change and define the most influential actors.

The concept of 'transnational governance' was defined by Risse (2004) as '*governance arrangements beyond the nation-state in which private actors are systematically involved.*' The concept itself implies the possibility of different global groups to influence the political change through normative act, for example unified accounting standards (Barnett & Duvall, 2005). Katzenstein et al (1999), however, stressed that transnational governance does not infer that state government is in stage of decline as a legitimate source of power, rather it suggests that there are other actors besides the nation-state (as cited in Djelic & Sahlin-Andersson, 2006). Even though state has less authority over infrastructures and less economy involvement, it still carries a significant role of monitoring and enforcement (Schneider & Häge, 2007).

It is assumed that multiple actors come from newly regulated spheres, such as: education, environment, business ethics, etc. Djelic & Sahlin-Andersson (2006) propose four broad categories of transnational actors. The first one is nation state, which is actual political

administration of the country. The second category includes international public organizations with political construct, such as IMF, World Bank, WTO, OECD or European Union. The third category brings together natural ‘rule-followers,’ who become increasingly involved with governance processes. These are universities, mass media, corporations and professions. Many scholars recognize the legitimacy of professionals in private governance process (Perks, 1993; Evetts & Dingwall, 2002), since they make most contribution in their area of expertise, and it makes their problem solving more desirable (Cutler, 2010). And finally, the fourth category contains national or international non-governmental organizations, also referred to as ‘transnational community of interest’. Among these NGOs are International Accounting Standards Committee, Association to Advance Collegiate Schools of Business or International Accounting Education Standards Board (Djelic & Sahlin-Andersson, 2006). The former develops guidance on educational accounting standards around the globe, focusing on elements of accreditation, work experience and tests of professional qualifications. The board works on development of educational standards, which determine the essential educational requirements one has to go through to become a professional accountant (IFAC, 2003).

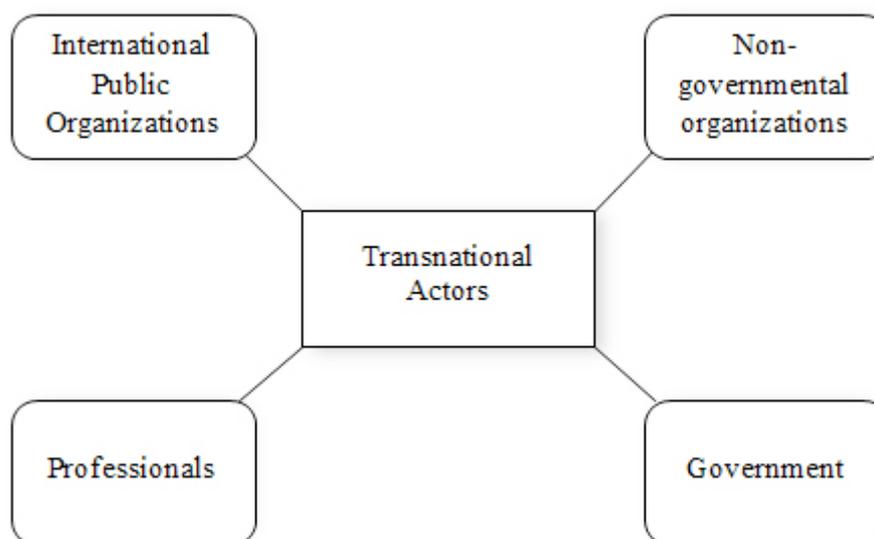


Figure 4. Transnational Actors. *Source: Self-composed.*

In the process of globalizing new international accounting standards the role of professionals becomes crucial, since only they have expertise that will allow ensuring the proper implementation. Professionals are specialized workers that possess both knowledge and skills and also bring a special attitude of commitment to their work. They have been perceived as an independent from the social control group (Friedson, 1984). Professional organizations frequently have close relationships with the state, which exercises a rather residual control,

giving professional groups a certain amount of autonomy (Suddaby et al, 2007). Their self-regulation relies largely on the control of their peers and own professional organizations (Friedson, 1984), allowing them to set standards for education, create ethical codes and benchmarks to practice admission. Governance of profession is normative in nature, which means that professional groups promote their norms and practice. The coercive power of the state that was supposed to regulate the professional associations does not appear to be applicable. The regulation happens through the rules of inclusion in the network of international agreements, which actors adopt voluntarily upon gaining membership (Suddaby, et al, 2007).

As described by Larson (1977), professionalization is the process in which producers of certain services seek to control the market for their expertise (as cited in Dingwall, 1999). The bigger example of that will be the Big Four, who outgrew the state and geographical regulatory boundaries (Suddaby, et al, 2007), becoming multinational and rather influential in shaping of accounting profession. The Big Four accounting firms play the central role in the process of professionalization construction. A partnership with the Financial Accounting Standards Board (FASB) gives them a great amount of influence over accountancy regulations (Cooper & Robson, 2006). The Big Four are working together with the International Federation of Accountants (IFAC) through Transnational Auditors Committee (TAC), whose main task is to appoint the nominees to the International Auditing and Assurance Standards Board (IAASB). Not surprisingly, the majority of nominated members come from the Big Four accounting firms, who have high level of expertise and knowledge in the area (Humphrey & Loft, 2011). Being the member of IAASB the Big Four has direct influence on setting of international standards. It is indisputable that development of strong accounting professional groups had a great influence on accounting and auditing regulations, showing that transnational governance is becoming more important. However, it also means that regulatory actors are no longer acting in public interest, but rather to their personal benefit (Cooper & Robson, 2006).

Another example of globalized regulation is the work of the World Bank, IMF and OECD. Possessing the big amount of information these organizations can exercise power through their own definitions of 'best practices' and through financial aids. For instance, by creating 'performance indicators' these organizations promote those practices that they consider to be the best. In the terms of institutional theory this would be described as normative and mimetic isomorphism. At the same time, possessing a huge economic capital and lending money they

can state their own terms and conditions of use for borrowers, displaying the features of coercive isomorphism (Neu, Gomez, García, de León & Zepeda, 2002).

4.1.2. New Institutional Theory

New institutional theory may be helpful to understand and describe different mechanisms by which institutions influenced development of accounting education in Russia. According to this theory institutions are what really matters, while methodological individualism and individual rationality assumptions have to be rejected (Carruthers, 1995).

According to Zucker (1983) institutionalization is a construct of social conformity that produces common understanding about what is appropriate and meaningful behavior. However, organizations have to comply with institutional expectations in order to gain legitimacy, resources and capabilities to survival (Greenwood & Hinings, 1996; Scott, 1987).

According to DiMaggio and Powell (1991, p. 3-4) '*institutions arise and persist when they confer benefits greater than the transaction cost (that is, the cost of negotiation, execution, and enforcement) incurred in creating and sustaining them*' and '*institutions reduce uncertainty by providing dependable and efficient frameworks for economic exchange*'. After the collapse of the Soviet Union, Russia was in need for new institutions. At this period in time many institutional practices were borrowed from abroad. For example auditing did not exist as such during Soviet times and was brought to Russia to replace 'revision' (Samsonova, 2009).

DiMaggio and Powell (1983) have identified three mechanisms by which organization practices are shaped in institutional environment:

1. *Coercive isomorphism*. It happens as a result of pressure from actors on which organization is dependent and from society within which it functions. In the case where country acts as an organization and institutions are the environment the central role in coercive isomorphism goes to state (Zucker, 1987).
2. *Mimetic isomorphism*. When organizational functions or goals are not very clear, ambiguous, or when environment is uncertain, organization tends to copy practices of their reference group (DiMaggio & Powell, 1983). For example, in Russia local audit firms that were new on the market to a great extent copied practice established by that time existing Big Six accounting firms (Mennicken, 2010)

3. *Normative isomorphism*. It is a pressure, which comes from professional groups that try to define the conditions and methods applied by employees in organizations. This process is referred to as professionalization and includes two important aspects. First is formal education of the profession produced by universities and second is professional networks through which practices spread (DiMaggio & Powell, 1991). In case of Russia this mechanism may be exemplified by activities of the international professional organization, IFAC.

Another term used by institutionalists, that may be very important in this study is decoupling. This is '*a substantial discrepancy between formal structure and organizational practice*' (Carruthers, 1995, p. 316). Carruthers also provides example of American public schools to illustrate this term. He says that while different curricula, educational plans and budgets are made; there is still a great degree of stability in class experience for both teachers and students. So from outside one can judge that some changes are really brought into educational system, while actual process does not really change. However, this process should not be viewed as negative, since '*decoupling enables organizations to maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations*' (Meyer & Rowan, 1977, p. 357).

After Russian border became open to international public and global interactions many innovations in field of accounting and auditing were brought to the country by different actors. Both transnational governance theory and new institutional theory complement each other in explaining influences of the variety of international actors on institutional development. These theories are believed to be helpful in the case of studying influences on the reformation process of accounting and auditing education in Russia.

4.2. Previous Literature

A number of studies and reports have been published on the topic of IFRS implementation and problems that are encountered during this process (ROSC, 2008). Education has been identified as one of the major topics that has to be considered to reach the smooth convergence to international standards.

McGee published a number of articles on various accounting topics in post-Soviet environment including the ones on education. In one of the studies (McGee, 2004) author conducted interviews with professionals from four major Russian cities and analyzed

legislative documents to describe accounting profession development, university education and study syllabus for accountants. An interesting finding of his interviews is wide disagreement in the perception of current state of accounting education. Some people were satisfied with current state, while others thought it is on the rather low level. However, not much is said about the whole process of transition from USSR accounting education and influence that different parties brought into this process.

The study done by McGee and Preobragenskaya (2004) has discussed the problems of Russian accounting education in terms of lacking material and translation problem. Another work by these authors gave a closer look on private sector education (Preobragenskaya & McGee, 2004) that developed to cover the raising demand for professional accountants. The main findings of this report suggest that there is lack of professional staff knowledgeable in the topic of international standards and also that professionals that can speak English have distinct feature on the marketplace.

A number of studies by the same authors have explored the certification and professional qualification. In his paper McGee (2004) mentions this as one of the problems that foreign investors encounter, since current Russian certificates are not very trusted abroad. Main reason for this is that it is possible to buy certification in Russia as well as to pay for a positive audit review. In response to these issues international organizations initiated programs like CIPA and CAP to certify professionals according to international standards. These mentioned papers mainly focus on determining problems in accounting education sectors and giving suggesting for improvement at that point in time without a solid research base and theoretical framework.

Several works relevant to the topic of this research have been located in Russian literature. An extensive work published by Sokolov and Sokolov (2004) comprises history of accounting from ancient times to current state. A part of book tells about developments in accounting during Soviet times and afterwards in Russia. While the book brings a lot of insights into accounting practice and profession it does not tell a lot about education. Astahov (2010) and Cyplenkov & Safonova (2010) discuss current state of accountants training and what is the necessary modernization in this process. While these works shed some light on the present situation they are not based on scientific research.

However, there has not been done much in exploring the whole process of transition from Soviet times accounting education to today's education and identifying who were the main

actors that shaped the process. A similar type of study has been done by Anna Samsonova (2009), who investigated the process of legislative auditing framework development. She conducted interviews with governmental officials, representatives of accountancy organizations and local audit practitioners who took active part in the audit development process. Samsonova identified that the desire to learn from and apply foreign experiences was a major driving force in audit legislation development. Transnational governance played a major role in this case, since the international information exchange facilitated the creating of Russian audit standards on the bases of borrowed ones from the Europe (Samsonova, 2009).

Mennicken (2010) describes the process of establishing an auditing market in post-Soviet Russia. She presented detailed research on how the whole transition from control and revision in USSR to auditing market in Russia happened and how professionals made audit services marketable. The research, however, is concentrated on the audit itself and does not describe changes in education, which were happening alongside.

According to the information found on the case of accounting education development in Russia, it is fair to assume that this topic needs further investigation. Number of studies done in the area by McGee lack sound theoretical base suggesting that further research is needed in the area. This paper seeks to cover the gap on reformation of accounting education after the Soviet Union collapse and identifying who exercised major influences in the process.

Chapter 5. Study Results and Analysis

This chapter presents the findings of the research through summary of interviewee's stories as well as their analysis.

According to thematic analysis technique (Attride-Stirling, 2001), it was possible to shape the main themes in the collected data, which helped to structure the study results. The scheme describing how basic, organizing and global themes come together is demonstrated below.

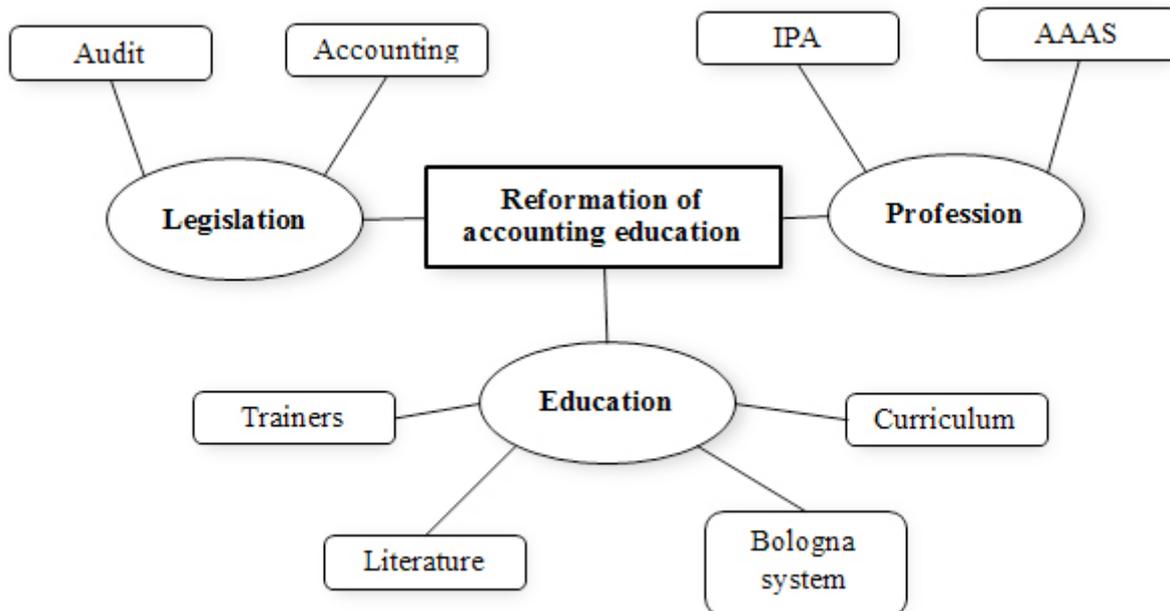


Figure 5. Main themes. *Source: self-composed.*

5.1. Legislative Framework

Accounting education to a large extent was developed and changed in accordance to new legislation on accounting and auditing. Therefore, it is essential to see how the legislation on accounting appeared in the process of transition.

The Soviet Union collapsed in 1991. At that point in time many new countries, which are now called economies in transition, were formed and they needed new constitutions, laws, and infrastructures. Russia along with many other post-Soviet countries took a route towards market economy. The unified accounting system that was formulated over long years of the Soviet Union began to reform as well. Major changes started happening since 1991 (Enthoven, 1999). Among them is publication of new chart of accounts, which is very

important in Russia. Chart of accounts is an accounting ledger where account names and respective account numbers are named in the order of their appearance in financial statements (Enthoven, 2002).

Auditing, which is an independent review of company's financial statement to ensure compliance with standards of accounting, emerged in Russia only in the late 1980s (Samsonova, 2009). Before that the concept of independent controller was practically non-existent since control fell in the arms of the state. In 1987 the first regulations on auditing appeared in relation to joint venture operations, which had to be presented in compliance to the Western practice, meaning that it had to be monitored by independent party (Enthoven, 1999). In terms of legislation changes did not come right away. Since the appearance of auditing it took around five years for the regulatory bodies to wrap a legal document around this concept. In late December of 1993 by the order of president the 'Temporary rules of auditing in Russian Federation' were issued. This was the first legislative document regulating auditing practices and this became a critical point in accounting and auditing history.

However, Russian capital had been burning with many events before this happened. Initiatives taken by the professional groups and international organizations in the period of *perestroika* [rebuilding] shaped the legislation standards issued in the end of 1993.

'The most influential was Centre on Transnational Corporations of UN. We were very good friends with this Centre. And since transnational corporations demanded the unity in accounting standards, they showed the interest in reformation of our [Russian] accounting standards on the basis of international standards. And so, when we were still poor they financed a lot of our visits to international conferences, congresses. Starting from 1992 I have been to all international conferences by IFAC, all international conferences by International Accounting Education Standards Board (IAESB), and all conferences by European Association of Accountants (EAA). And in first 3-4 years we were financed by UN,' — Interviewee A

The Centre on Transnational Corporations was established by UN in 1974 as a secretariat for Programme on Transnational Corporations. The Programme itself was established due to the rise of transnational corporations (TNCs) as one of the main actors on the world arena. Three main objectives of the Centre were:

- To further the understanding of the political, economic, social and legal effects of TNC activity, specially in developing countries;
- To secure international arrangements that promote the positive contributions of TNCs national development goals and world economic growth while controlling eliminating their negative effects;
- To strengthen the negotiating capacity of host countries, in particular developing countries, in their dealings with TNCs (UNCTC, 2011).

UNCTC organized a Workshop on Accounting for Joint Ventures in 1989 when USSR still existed. For the Soviet Union it was a first time when such event took place in the capital Moscow. It engaged a lot of regulators, scholarship and businessmen. The Ministry of Finance together with UNCTC set up a special Task Force to resolve the problems addressed on this Workshop, such as defining what is variable and fixed cost, direct and indirect cost. The main purpose of Task Force was to modernize accounting system in the country according to international accounting standards. After two years of work, in 1991 Task Force approved a draft of new Chart of Accounts not only for joint ventures but for all enterprises throughout the country that was approved by Ministry of Finance (United Nations, 1992). After 1993 this Programme was transferred to United Nations Conference on Trade and Development. This Programme produced a few studies related to activity of TNCs or foreign direct investment in the area of transition countries (UNCTC, 2011).

United Nation Organization was not the only one who expressed interest in helping newly formed Russian Federation to reform its accounting and auditing standards. The World Bank actively participated in reformation of accounting education by organizing and financing seminars for professors in Moscow.

'They often came and brought lecturers with them, held meetings and conferences together with Ministry of Finance, Ministry of Economic Development ... these were visited not only by university professors but also by some governmental officials ... this was organized and financed by the World Bank. In this manner we only gave them the opportunity to come and gathered people,' — Interviewee A

Alongside with World Bank, other financial organizations, namely EBRD, IMF, OECD provided certain Bank group assistance to Russia. In 1990 the leaders of G-7 countries in agreement with that time President Gorbachev asked these organizations to perform a

comprehensive study of Soviet economy. The purpose of their study was to provide recommendations and guidance for reform and maybe even to prepare the country for membership in international financial institutions' union.

Under this project in 1991 the Bank approved \$30 million grant to establish Technical Assistance fund (known as TACIS). After Soviet Union collapsed later that year Russian Federation got \$13.5 million of the original amount. Later on due to the lack of stability and credibility along with absence of structural reformation plan the Bank was reluctant to lend money to Russia. Nonetheless, under pressure of G-7 it granted \$600 million Rehabilitation I Loan that was aimed at many structural reforms among which were institutional development for financial sector (World Bank, 2002).

At this time the Federal Law on Accounting was issued in 1996. Another important step was developing own set of standards for Russian market economy, which are called Accounting Regulations. Together with Federal Laws they form Russian Accounting Standards (State Duma, 1996). New Accounting Regulations are continuously coming out based on IFRS with some significant differences due to specific background of Russian accounting. Old Regulations constantly undergo modification at the same time new Regulations get released to address new practices.

Under Bank's financed TACIS project the second set of legislation on auditing was developed. TACIS stands for Technical Assistance to Commonwealth of Independent States, which includes countries of the former Soviet Union. The project was launched in 1991 with a purpose to give guidance and technical support to 12 Eastern European and Central Asian countries. TACIS project of auditing reform started in January 2001 and lasted until 2006 (Samsonova, 2009).

'Program TACIS was held with purpose of reformation of accounting and auditing in Russian Federation. I was represented there as a member of this program of improvement of accounting and auditing. In relation to this improvements, which changed all the time, we create so-called 'Clause on Accounting' based on IFRS...and also we create clause on 'Standards of Audit'. As a fact, we often just rewrite standards approved by IFAC, but even so, some peculiarities related to our legislation are included in these standards,' — Interviewee A

Preceding the TACIS project was a debate concerning the obsolescence of old audit standards and preference to lean towards the format of ISAs (Samsonova, 2009). As a consequence, the new set of auditing standards was issued in 2001 (State Duma, 2001a). Taking into consideration that Russia had no notion of auditing at all and was struggling with creation of accounting standards that suited market economy, a lot of Russian standards on accounting and auditing were re-written from IFRS and ISA with minor adjustments to suit the peculiarities of country's legislation.

5.2. Development of Accounting Profession

While reforms bring new features into accounting, the success of these reforms will depend on ones who will apply them in every day practice — professionals. In line with development in legislation domestic professional organizations started to appear, which were mainly initiated by academic community. Therefore, their work in professional organizations also influenced their teachings. The purpose of the education is raising professionals who will be knowledgeable and ready to work in legislative environment, which was evolving.

Viewing that economic system is changing, groups of professional accountants and scholars took initiative and reacted quickly to this situation. After attending the seminars and conferences organized by international organizations such as UN and World Bank, professors shared their experience by making reports and organizing their own domestic public organizations, like Center of Education and Methodology [*Uchebno-Metodicheskiy Centr*]. This center provided services in professional qualification of accountants and auditors.

At this time another important organization was formed by national activists in accounting sphere. During the times of the Soviet Union it was known as Accounting Association of the USSR, however, with the collapse of empire it was renamed into Association of Accountants and Auditors 'Sodruzhestvo' (AAAS). This group, organized by local professionals and inspired by international seminars, shared knowledge and made a great contribution into development of auditing in the country. One of the founders of this association shared,

'Our association, that I was in charge for, was the first to start the certification of professional auditors and accountants. Before the governmental regulation in 1993 we managed to certify more than four thousand auditors,' — Interviewee A

According to Interviewee A, AAAS was given permission by Ministry of Finance to issue certificates for professional auditors before country had any regulation on that. This underlines that country was in need for professional organizations that had enough expertise to bring this change into the country. AAAS provided certification on the basis of their own auditing standards that they have created with the help of international partners. Later, all the governmental documents on auditing were prepared in cooperation with AAAS. The standards used by AAAS to certify auditors became the fundamentals of first auditing regulation. After this, all certified auditors of AAAS had to retake the examination, but only on the new section of 'Law' that was added during the legislation process.

The AAAS is in close cooperation with multiple international organizations, such as IFAC, IASC, IAAER, EAA and others. Cooperating with these international organizations Russian professionals take advantage of several benefits. Reports on accounting education are often on the agenda of EAA, which in its core is the association of professors and scientific researchers. It gives the possibility to share the experience and learn from best international practices.

Later, AAAS also trained and certified five thousand accountants, who became the first members of Institute of Professional Accountants (IPA) formed in 1997 under the support of Ministry of Finance of Russian Federation. This organization played a major role in accounting reformation (Enthoven, 2002). The goal of establishing this organization was to facilitate accounting reformation and unify professional accountants. Today there are 100, 000 members in the Institute, which makes it the biggest professional body for accountants in Russia. This organization is more concerned with professional qualification and certification. In 2001 IPA became a member of IFAC (IPA, 2011). While it was an intention to make all the entities to use IFRS before 2005 it was not achieved. Instead, the idea of IPA is to keep moving national standards closer to IFRS, while transforming reports to IFRS where in companies where it is necessary (Ostrovskij, 2005).

5.3. Education

5.3.1. Training the Trainers

The reformation of accounting in line with international standards required reeducating not only students, but the educators as well. Since university professors were the main drivers of

developments in curricula and academic literature, the process of their reeducation is rather important.

While the whole country was shaken by approaching changes in transition to market economy, educators had to handle the process on their own greatly relying on the help from colleagues abroad. Experience gained in other countries was then spread through the new regulation both for professional and educational activity as well as through textbooks, which were based on international practice. Those who had opportunity to go abroad gave guest lectures in more remote parts of the country.

Leading academic communities had a chance to learn about international accounting standards through books and seminars abroad, however, an average accountant or university was not really stroked with these changes,

'All these [changes] had very factitious relation to market economy. Just like we calculated profit before, we continued to calculate it afterwards. Of course new accounts [chart of accounts] appeared, like intangible assets... But all the rest, I can't say it really changed,' — Interviewee C

While environment kept changing and new standards had to be immediately reflected in the curricula and teaching of university professors, who brought knowledge to the new generation of accounting and auditing specialists. UNCTC took active participation in promotion of accounting education in Russia as well as other former USSR states. In 1990-1991 UNCTC together with Big Six organized Program One for upper-level university students. The courses on international accounting were offered to final-year accounting students with emphasis on financial and managerial accounting. During these courses, which were given in English by international professors, students got an understanding of differences between Western and Soviet accounting concepts, auditing and managerial accounting, which is not known in the Soviet Union (United Nations, 1992).

Educators had to keep pace with changes in order to help develop new standards and at the same time implement current progress into educational system. Right after the iron curtain fell, the wave of foreign organizations that were interested in influencing Russian accounting standards approached the country. Trips abroad for the university professors were organized by such organization as ACCA, where Russian lecturers were given lectures and trainings. One of the professors in Krasnodar shares his experience,

'In 1992 there was a program called 'Training the trainers' [Obuchenie dlya obuchayuschih]... we were learning for half a year in Moscow and then we were invited to attend 2-month training in Great Britain. This program was financed by British Council, which has a subsidiary in Moscow, and the British Know-How Fund ... many of us regularly attended international conferences by EAA. I myself never missed a congress since that time,' — Interviewee E

This was Program Three of UNCTC, which was now aimed at training the trainers. Under this program 120 university professors and academics from the whole Commonwealth of Independent States were selected to visit an intensive 4-month training program in Great Britain under the funding Know-How Fund. The idea behind this program was the integration of accounting education, accounting reformation and development of accounting profession. This program helped to root the accounting reformation process, which started in the beginning of 1990s and had a strong multiplier effect, since the knowledge got by these 120 professors was later spread to other local educators in the field (United Nations, 1992).

Trips of foreign professionals to Russia were not uncommon as well,

'In the beginning the United Nations Organization gave its assistance together with UNESCO. This was in the very beginning of Russian Federation, since 1992. They sent professors together with assistants and some computer materials from USA, Great Britain to read lectures for our students in English,' — Interviewee A

Since international society was interested in globalization of accounting standards, both professional associations and public organizations with political construct expressed their willingness to fund the re-qualification of professors in Russia. And the latter, in turn, gladly agreed to learn new principles and techniques from Western countries. A lot of training opportunities were organized in France, Germany, the USA, the UK, the Netherlands, etc. The Netherlands especially had a strong influence on the development of accounting education in Russia, since they supervised the educational standards on accounting.

Later on the experience was passed from the main actors in Moscow to other cities of Russia.

'In 1998 we received a task to reeducate all county, convert it to a new standard,' — Interviewee E

It is worth noticing that new standards and reformation in accounting education spread to the rest of country rather gradually. The main events took place in the major cities of the country — Moscow and St. Petersburg. By the words of interviewee from Novosibirsk, which is a city in the middle part of the country, universities continued to teach according to Soviet material until first governmental regulations came in place.

'Everything was normal until nineties. And then later [change] became very noticeable when in 1994 the institute of auditing appeared. Temporary rules were issued and our chair [kafedra] was divided into chair of accounting and 1995 appeared the chair of auditing...the changes happened gradually,'
— Interviewee D

After that, starting from 1995 various specialists from St. Petersburg and Moscow visited the university in Novosibirsk giving seminars, where professors in local universities underwent requalification.

To a great extent the importance gained personal connections of a university. As one of the professors in Novosibirsk shared, thanks to his professional networks that he created being in international conferences, he could pass experience to other staff as well as students. Professors from other countries such as France, the UK, and the United States have been invited by him to give lectures to university staff as well as other local accounting practitioners.

5.3.2. Curriculum

Russian accounting in pre-Soviet times was developing in line with Western practice, at the same time providing its own contributions to the theory. To a great extent it was influenced by French and German accounting. In USSR accounting had to change in order to suit the needs of centrally planned economy and so did accounting education. During the Soviet times professors kept developing accounting and providing new research to suit needs of the economy. Obviously, having experience of few generations of accountants in the USSR implemented in practice and education, some professors did not want simply to give up certain features of USSR practice. Some specific issues in Soviet accounting education were highlighted as important and lacking in modern education.

'Our accounting practice in the USSR, in my opinion, was much deeper than accounting in Western countries. In Western countries accounting is usually

taught on industry-wide basis. We had identified 120 industries and activities. And almost for each industry and activity we had specialized textbooks,’ — Interviewee A

Professors intended to implement their experience in newly made subjects and textbooks, as it is still considered to be important in the setting. One example of such synergy is a subject called ‘complex economical analysis of business activity’ which is nonexistent in Western countries, but taught in many Russian universities.

Developments in content of post-Soviet accounting education followed after the evolving of new legislation. Until first laws on accounting and auditing emerged not many changes were made to old curriculum. Thus, with improving accounting legislation, accounting education improved as well. Since the profession of accountant started gaining more importance, the traditional USSR curriculum had to change in accordance to demands of the market. Many of the Russian universities made studies of international accounting standards mandatory, and offer such courses as financial management and management accounting (Enthoven, 2002).

Higher education in Russia changed with three educational standards, which are issued by Ministry of Education. First set of standards was accepted in the very beginning of 1995 and stayed in force for 5 years (Ministry of Education, 1996). It was mainly developed by State Committee on Higher Education of Russian federation, which was purposely created to prepare a unified system of legislation in the field of higher education. It consisted mainly of representatives from different Russian universities and later on was unified with Ministry of Education. Second set of standards was developed by specially formed commissions headed by representatives from leading universities of Russia.

‘In 1998 the working committee was created, which had to prepare projects and second set of standards for switching to new accounting education by year 2000. This standard gained its force since September 1, 2000. The development took place under the cooperation with people from Amsterdam university ... I was a member of this group, which developed these standards. We went abroad and learned from experience of Netherlands, experience of Belgium, experience of France,’ — Interviewee E

Financed by International Monetary Fund, the commission visited various European universities and big audit firms to gain experience that they could bring back home and transfer into educational standards.

On the basis of these educational standards specific teaching plans for different professions, including accounting and auditing, were developed by all the universities, which stayed in force for 10 years. These teaching plans include both obligatory subjects and subjects which are elected by universities. Decision making process of universities is arranged as follows. Representatives from different universities join to form Organizations of Education and Methodology for different specializations like physics, engineering, and economics. Within these organizations they agree on the subjects and literature, which will be included in curriculum. This brings in more unified education across the country.

Today around 40% of teaching time is left for general disciplines, like foreign language, math, philosophy, etc. Other 60% are concentrated on economical studies, 34% of which are directly related to accounting (Ministry of Education, 2000). Whereas in Soviet curriculum 15% of courses were dedicated to political ideology, general courses accounted for 30%, general economic studies occupied 17% leaving 34% of curriculum to accounting courses (Ash, 1985). Comparison between the two does not show a striking difference in volume of accounting and economic-related courses. As interviewees stressed, accounting in the Soviet Union was very important and studied in deep. However, the difference in curricula lies in the content of accounting teaching. The important transition to market economy is reflected in appearance of many new subjects that did not exist in Soviet curricula, like managerial accounting, auditing, securities market, IFRS, ISA (Ministry of Education, 2000).

What concerns IFRS teaching in the universities, it appeared on the curriculum starting from the first years of changes. In the late 1990s IFRS became the hot topic and another wave of conferences and seminars with international professionals approached the country, and this time not just the capital. ACCA representatives visited local universities giving lectures to both professors and students. However, only 136 teaching hours are spent on both IFRS and ISAs in university classrooms.

'In Russia this is a different thing ... there is a demand for such accountants [knowledgeable in IFRS] but only among those who has foreign partners or has very active export operations and when foreign investors demand it ... this is in very small quantity relatively ... courses are given so that people

would have knowledge ... even all kind of diplomas are given, but what is the practical side?’ — Interviewee C

This explains why courses in IFRS and ISA are so few in hours in curriculum for accounting education. It is considered that those who want to have deep knowledge in accounting and auditing should do master’s in this field or attain special professional qualification courses.

5.3.3. Educational Literature

One of the most important issues in the education is teaching material. It is the theoretical base on which young specialist are raised. After centrally planned economy diminished most of the teaching material needed update, since newly formed market economy demanded another approach. However, for some time students kept studying using old Soviet textbooks. This is not surprising because laws did not change that quickly and accountants still applied same practices for some time.

While programs on educating professors were in progress, there was need for truly international accounting textbooks that would be in Russian language. One of the first books that was chosen by UNCTC to be translated into Russian was ‘Principles of Accounting’ by B. Needles. It was translated with a help of Russian professor J. Sokolov. However, the problem with translation of accounting definitions and terms was encountered and it could not be resolved until accounting reformation reached a certain stage when these definitions appeared in accounting dictionary (United Nations, 1992).

At this time, some professors turned to Western countries to gain the knowledge previously unemployed in USSR and share it by writing new textbooks.

‘I was on business trip in America and worked with him [American author]. It was the first textbook for first accountants in market economy and then more textbooks followed. We quickly readjusted, intensively shifting to market rails... Now we have textbooks almost for all subjects which are written by our own authors, but of course we recommend leading Western authors as well,’ — Interviewee A

Interesting fact also mentioned by this professor is that this book was published in Russia due to high demand, but did not meet interests of US publishers and so was not released there.

Russian academics were constantly in search for knowledge about market economy. Some professors translated foreign literature on their own and made it possible for other colleagues and students to use it. Since it took a long time before foreign literature was published in Russia, professors used all possible sources to get it. Many managed to buy literature when going to business trips abroad and then translated it into Russian language. Some textbooks were brought by guest lecturers and different organizations coming to Russia.

'Needles and others gave me their books as presents, therefore I went through them, admired their design. Later, I was a member of Methodological Council of Ministry of Finance in accounting for a long time. So, the support of friends from the West and the acquaintance with temporary local [authors was of major importance],' — Interviewee E

The same has happened with IFRS and books on them. At first, professionals just brought original standards with them and shared with Russian colleagues. Later, after discussions and conferences held in Moscow these standards were translated and Russian text of IFRS was approved by Ministry of Finance.

Today, after market became more saturated with textbooks, professors are reluctant to writing new ones.

'In nineties there was a boom for books, because everybody wanted to get secondary education ... so there was a great demand for books. Today people do not want to buy textbooks, instead they want just to download them, and so it's not profitable to write textbooks,' — Interviewee E

On the other hand, professors consider that it is important to share their practical experience from Soviet times as well as afterwards in Russia and abroad.

The importance of foreign and first domestic literature cannot be underestimated. Thanks to first translations, which were done in offices of university professors, the whole country got a glimpse of market economy that was approaching. This literature served as a foundation for new generation of sciences and courses now taught in Russian universities.

5.3.4. Issues of Unified Education - Bologna System

Today a major concern of those involved in accounting education is recent shift to Bologna system. This shift in higher education is forced by government in order for Russian diplomas

and grades to be transferable to Western manner. The attempt to bring Bologna system to Russia has been justified as an attempt to gain legitimacy on the global arena.

In Russia this system is currently developed under the third set of educational standards. This set divides accounting education into bachelor and master levels, while previously it also included specialist level. University professors seem to be very reluctant to changes though. In the USSR there was no Bachelor's or Master's degree and specialists were trained to work specifically in selected field or even in a specific organization. Students were assigned certain enterprise where they completed their pre-thesis internship. Afterwards, students were distributed to organizations, where they had to work for three years to become specialists (Grebnev, 2004). Bachelor's and Master's degrees appeared in 1990s when new standards for higher education were issued (Ministry of Education, 1996). In general, Bachelor's degree was perceived as not full enough, and Master's degree was for ones wishing to go further into science. With liquidation of the middle level of specialists professors demonstrate concern over the possible outcomes.

'Its not clear where Bachelors will go – they are not deeply introduced to accounting like specialists, studying everything in passing and the very next step is master degree! ... What can these Bachelors do now? They are not ready for the job ... they can't work as accountants, not receiving the knowledge we gave to specialists,' — Interviewee D

To fit into the four-year program many accounting courses that have been studied before have to be cut down in hours or disappear completely. Interview E expressed his concern about the fact that according to new system students will start learning accounting only in the middle of the second year of their four-year study period. Existing for a long time in Russia five-year Specialist's degree contained a lot of specialized accounting and auditing courses on it's fifth year of study. The concern of the professors is understandable, since the majority of students will receive only Bachelor's degree and won't be able to proceed with Master's, because the latter contains tuition fee and limited number of places. To the mind of professors four years is not enough for students to get necessary knowledge that would allow them to work.

'This is because of chaotic marketing relations that are now governing in our country. In world practice of the USA, Japan, Europe there is a big experience and many centuries of capitalist history. In our country everything is different,' — Interviewee D

It is worth noticing that economies in transition is a specific group of countries with distinct economic and political experience and own particular mentality. Transnationalization and global governance that approaches these countries seem to cover them completely, since they do not have strong experience and history of their own system. However, as one of the professors expressed,

'Things that are good for the West are not always good for Ukraine and for Russia,' — Interviewee E

This is not just a case in Russia or other economy in transition. All the countries that support unification of standards bear the consequences,

'I was on latest conference in Rome. And it is considered that good accounting practice is substituted in the whole world with a bad one. It is unknown yet what to do with that,' — Interviewee C

Certainly, strive for acceptance by other countries and need for legitimacy play a big role in the unfolding past events of the Russian history. International organizations as well as local professional groups stepped in to help the country form new accounting and educational standards suitable for market economy. Through the sharing of global experience and actions of transnational groups Russia's standards on accounting and auditing were created, as well as standards for education in this sector. However, many debates still arise about complete convergence to international accounting standards and Bologna system.

Chapter 6. Discussion and Conclusion

This chapter unfolds discussion on research findings through the lens of theoretical framework followed by conclusive remarks. It also identifies contribution to the field and possible implications into practice. Further, the limitations of the study are discussed and suggestions for further research are given.

6.1. Discussion

The information gathered from interviews and secondary sources can be viewed in the frame of transnational governance and new institutional theory, which complement each other. In the case of accounting education reformation, transnational governance theory explains ‘what’ happened, whereas new institutional theory better addresses the question of ‘how’.

6.1.1. Transnational Governance Theory

According to transnational governance theory governance arrangements happen irrespective of the nation-state with the involvement of multiple private actors (Risse, 2004). This research contributed to the theory of transnational governance by showing a global arena with multiple actors that were involved in reformation of accounting education after the collapse of the Soviet Union. Djelic and Sahlin-Andersson (2006) have identified four major groups of actors within transnational governance theory. The data collected in the study can be analyzed in accordance to these four categories of transnational actors.

1. Government. The participation of Russian government in the events of reformation of accounting education was expressed through the activities of separate Ministries. First of all, the Ministry of Finance played an important role by cooperating with international organizations as UNCTC, World Bank and giving them the possibility to assist in reformation of accounting and auditing in the country. Also, the Ministry of Education issued educational standards on accounting education once the standards have been formulated by academic group.

In a sense, Russian government acted as a controller and coordinator in the situation, avoiding direct influence, however, regulating the cooperation of international organizations with local professional groups. Later, as the result of their cooperation, government approved and issued new legislation, regulations and educational standards on accounting and auditing.

2. *International public organizations.* When the Soviet Union was standing on the edge of its existence international organizations started expressing interest in studying it and providing directions towards integration into market economy. Also, another purpose behind active participation was the wish to have unified accounting standards. The major players in the Russian accounting reformation process were United Nations Organization and the Bank group, which included World Bank, EBRD, OECD and IMF. They financed several big educational and assistance projects, such as ‘Training the trainers’ and TACIS. Through projects these organizations had a chance to perform studies of transition economies and guide them in certain way, therefore influencing their development. Often, when providing technical assistance in form of money they required certain criteria to be met, which directed the development of legislation and educational standards towards international base. To a greater extent the evolution of legislative framework in auditing in Russia appeared based on the learnt lessons from the international partners invited by international public organizations. These events stand as an evidence for the transnational governance theory, depicting how international public organizations such as World Bank and United Nation exercised their influence.

3. *Professional groups.* The role of the professional groups in the reformation of accounting education cannot be underestimated. In this case professional groups consist of academic community of Russia, including professors in universities. Being experts in the accountancy area they held a certain amount of power, which allowed them to construct standards of education and shape laws on accounting and auditing. As mentioned by Suddaby et al (2007), they were in close cooperation with the state, however, gained a certain autonomy in their activities. Local professionals worked closely with international organizations and participated in their projects, such as TACIS, ‘Training the trainers,’ which later gave them experience and knowledge to built the legislative framework on. At the same time, personal networks and cooperation with professors from abroad reflected in the course literature that professors used to teach their students.

4. *Non-governmental organizations.* The activities of international non-governmental organizations were closely intertwined with activities of local NGOs. Local professionals united into domestic professional accounting organizations, such as AAAS and IPA and supported close relationships with international groups such as IFAC, IAESB, and EAA. This cooperation contributes to the notion of transnational governance, because through these cross-border collaborations international standards came to Russia. Participating in

international conferences and seminars, domestic NGOs always stay informed about changes and reforms in accounting. Later, they bring this knowledge into their country. Being empowered professional groups they shape the national legislature and consequently educational curriculum in the frame of international standards.

The data collected through interviews and secondary sources supported the notion of transnational governance by depicting multiple cross-border collaborations between different regulatory actors on local and international level. These co-operations intertwine in the web of influences, in which the size of the contributed resources predetermines the amount of influence that shaped the evolving standards in Russia. Following figure represents main actors identified in this research organized in four major groups according to transnational governance theory.

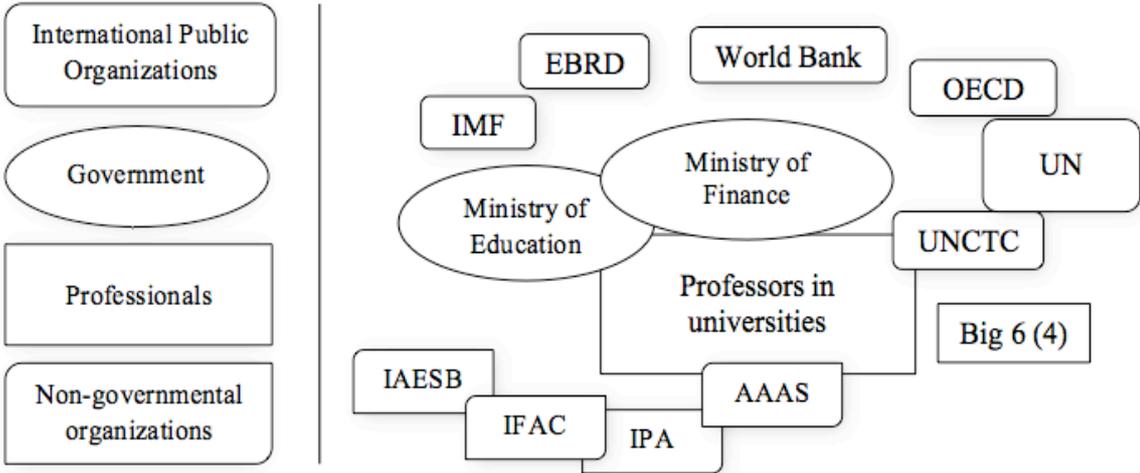


Figure 6. Transnational actors in accounting reformation process. *Source: self-composed.*

6.1.2. New Institutional Theory

After Russia became market economy and democratic state, it had to incorporate itself in the well-established environment where such economies existed for a long time. The task of becoming legitimate in such an environment was not an easy one. After discussion about major moving forces in the reformation process, which are organizations, the process itself should be taken to pieces in order to analyze it. Looking at the situation through the lens of new institutionalism may be helpful to explain ‘how’ the change happened.

First of all, from the data collected it is possible to observe that Russian professors and other parties involved tried to get legitimacy in the eyes of counterparts. According to study done by Samsonova (2009), much of the Western practices are adopted by Russia not because of their technical quality, but rather as a chance to enhance the country's image. This, in turn, will contribute to attractiveness of doing business in Russia and bring foreign investment to the national market. In order to become attractive place for international business community, reformation of the accounting system was required, since accounting is a language of business. This included new regulation, new professional bodies and, naturally, new education standards to train professionals, who will perform new functions which were assigned to accounting in market economy.

The reformation process can be better analyzed with the use of isomorphisms of new institutional theory.

1. *Coercive isomorphism*. As claimed by the notion of coercive isomorphism organizations shape their practices according to the expectations of society and demands of main stakeholders (Zucker, 1987). It was observed that universities shaped their activity according to developing legislation and changed teaching plans according to this new legislation, providing specialists corresponding to the needs of society. This exemplifies notion of coercive isomorphism, when organization experience institutional pressure and implement common practices. This is also the case with a current shift to Bologna system, when the ones who actually have to implement the changes are reluctant for this process, but they are forced to do so by the government.

In the beginning when country's economy was depressed Russia depended a lot on financing and loans coming from abroad. Money was usually provided for some specific purpose. In this case funds were granted to facilitate changes in accounting. At the same time Russia started convergence to IFRS by using it as a base for national standards. Taking into consideration that IFRS has some substantial differences from national accounting standards, and keeping in mind the translation and competence problem, it is not viewed as possible substitute for national standards, at least in the nearest future. Still, because of intention to get legitimacy, Russia is working towards implementing IFRS where it is necessary.

2. *Mimetic isomorphism*. Taking into consideration that Russia had no notion of auditing at all and was struggling with creation of accounting standards that suited market economy, a lot of Russian standards on accounting and auditing were re-written from IFRS and ISA with

minor adjustments to suit the peculiarities of country's legislation. The same can be said about foreign textbooks, which were translated into Russian and used as teaching material. From the stance of new institutional theory these acts can be viewed as mimetic, since it reflects how uncertainty triggers mimicry and borrowing of ideas (DiMaggio & Powell, 1983).

3. *Normative isomorphism*. According to collected data it is possible to see how this mechanism worked in two ways: by implementing the changes in accounting system through exchange of experience in professional organizations and by reforming accounting education in line with these changes.

Professionals united into local organizations (such as AAAS and IPA), kept good contacts with foreign counterparts (such as IFAC, IAESB, EAA), exchanged opinions and stayed informed about minimal changes in accounting and auditing regulations around the world through attending international conferences and seminars. These national and cross-border cooperation strengthened the role of professional organizations in the reformation process, by providing them knowledge and experience in international accounting standards. They gained enough power to influence the changes in accounting system and therefore, the spread of professional practices. For example, issuance of own standards on auditing by AAAS was later used as a base for national standards. This signals a normative action, or so-called professionalization (DiMaggio & Powell, 1983).

Even though legislation on auditing in Russian was mainly based on the experience borrowed from abroad, at the same time the initiatives of the local professional groups had rather strong importance. Under the order and control of government, namely the Ministry of Finance, who regulated a lot of projects, professional groups were given certain autonomy allowing them to set standards of education as well as accounting and auditing, which later served as a basis for legislation. This also depicts normative isomorphism through which professionals promote their standards and practice (Suddaby et al, 2007).

However, it also became clear that for some time professionals kept applying old practices in their work and actual changes were not sticking. For instance, universities kept teaching same subjects for first years after the Soviet Union fell apart. Before new teaching plan was issued in 1996, it was hard to judge to which extent changes were implemented into university teachings. From evidence collected it was noted that this process greatly depended on professors themselves. While in capital professors had more possibilities to get and

implement foreign experience in their practice, in more remote parts of Russia changes were not that fast to come and were in part transferred from bigger cities. Obviously, for some time actual practices in universities were decoupled from the demands of market economy that approached the country.

6.2. Conclusion

6.2.1. What were the key events in reformation of Russian accounting education on university level and how did they happen?

The main purpose of this research is depicting and analyzing changes occurring in accounting education after the collapse of the Soviet Union. Appropriate methodology and research tools were chosen according to study's research objectives. This allowed the possibility to depict the key events in the process of accounting education reformation, namely, the first legislation on accounting and auditing practices and issuing of new educational standards, which are closely tied to the process of convergence to IFRS. These events are supplemented with frequent occurrences of international conferences and exchanges of ideas with global players.

The collapse of the Soviet Union led to the emergence of group of transition countries that have chosen the way towards becoming market economies. In order to gain this title they have to comply with certain requirements number of which implied revision of national institutions and constructs. The choice to do so has often been supported with foreign funding and organizational support. Being a new player in already formed environment Russia is striving towards acceptance by other countries. The study gives a possibility to observe different institutional mechanisms at work during this process. If economy and society are viewed as main consumers of specialists produced by educational institutions, education standards by which these specialists are trained will depend on the expectations of economy. Thus, according to notion of coercive isomorphism, educational institutions depending on economic resources will adjust their activity to suit the needs of society. Other stakeholders, such as international business community and banks also put their pressure on the emerging market economies. Mimetic activities are greatly exemplified by cross-border mobility of national professionals, who adopted experiences from foreign actors and used those previously unknown practices in the newly formed market economy of Russia. Major regulatory documents, like the law on auditing and accounting were almost copied from those of other

countries. At the same time, the great extent to which professional groups had an influence on regulatory formulations suggests normative actions.

On the other hand, taking a broader look at the reformation situation one might notice that changes were not so consecutive. In remote parts of the country changes did not occur so fast. The fact that in beginning of 1990s old materials were used to educate students and education as such did not change a lot signals the elements of decoupling in the education reformation. This time lag may be explained by the need to accumulate certain amount of knowledge before transferring it into legislation and then into teaching plans. Another issue is small amount of hours dedicated to IFRS and ISA in curriculum. While country moves towards IFRS this is not very noticeable in higher education sphere.

6.2.2. Who were the main actors in this process?

The shift in Russian economic system involved a lot of actors, including international organizations, public national organizations and separate professional groups. In accordance with transnational governance theory evidence compliment to the notion that government took the role of monitoring and controlling, letting professional organizations be responsible for receiving foreign experience and digesting it into Russian practices both by new legislation and teaching materials (Suddaby et al, 2007). Such international public organizations with political construct as United Nations, Word Bank, and European Union expressed their participation through funding educational projects and trips of Russian academics abroad. Of course government did not stay aside the process and participated by arranging committees in order to develop new laws. Non-governmental organizations as IFAC, EAA, IAESB in turn provided their support through sending lecturers to Russian universities, exchanging opinions and supporting close professional relationships with local organizations. Lastly, the professionals — in this case, professors of Russian universities — were among major players in reformation as well. Through their expertise they were able to influence the regulatory process and standards for education.

6.2.3. How did the educational curriculum and literature develop?

What concerns curricula and educational literature, it is fair to say that they developed in accordance with changes in legislation. During Soviet times many of the subjects were rather narrow and practical corresponding to the needs of centrally planned economy. Accounting students were taught how to keep books in accordance to each separate industry that they are

going to be involved in. In the process of transition to market economy the study curricula acquired new subjects, which corresponded to the peculiarities of market economy. Little by little old Soviet subjects were dismissed from the study curricula, however, some professors still consider certain Soviet material to be relevant and useful to Russian economy. At the same time a lot of knowledge was gained through foreign literature, which at first was translated by professors themselves. Later, by unifying experience acquired abroad and practices developed and used in the USSR professors tried to create a set of teaching material suitable for the needs of present accounting education.

To sum up, the main driving force behind conforming to international standards in accounting, auditing and education is Russia's desire to gain legitimacy in the eyes of its Western counterparts and learn from their best practices and experiences. This resulted in mimicry of foreign legislation and regulatory framework. Main cause of changes in accounting education stands behind new legal acts driven by deeper implementation of international practices. Among such are accounting and auditing standards that were largely based on IFRS and ISA as well as transition to Bologna education system, which is borrowed from Europe.

Even though it is understandable why Russian regulators turn to West in search for role-modeling practices, the important question still remains unanswered: what happens when local practices are transferred from one place to another? Many respondents have expressed their concern about shift to Bologna system as well as convergence to IFRS. Given the peculiarities of Russia as transition economy, its business environment, mentality and already institutionalized Soviet practices, one has to keep in mind that simply imposing foreign practices may not result in expected outcomes.

6.3. Contributions of the Study

This research provides valuable contributions. The study investigated the reformation in one of the transition economies, which is a relatively unexplored topic. It contributes to the general knowledge about economies in transition and their way to market economy. Research attempted to unify and bring together different issues in the process of accounting education reformation through example of the largest transition economy, Russia.

First of all, it contributes to understanding of transnational governance and new institutional theories by depicting the complex net of intercommunication between different parties, actors

and organizations with their own interests. Through the lens of transnational governance the study has shown how regulatory bodies use available resources and support of domestic professional groups to gain experience needed for certain changes in national constructs. This adds up to portrayal of governance beyond nation-state with involvement of multiple international actors. As of new institutional theory, study has provided multiple examples of normative, mimetic and coercive acts through which the country tries to get legitimacy in the eyes of its counterparts.

Secondly, study provides illustration to the professionalization process. Particularly it demonstrates how professional groups of accounting scholars contribute to a large extent to the construction of national standards. Through continuous interaction with global professional authorities like IFAC and other accounting associations local professionals gain legitimacy and power of self-regulation as well as ability to influence the formulation of national legislation.

Furthermore, the implications of the study can be found in ways for improving the convergence process. Since Russia have stepped on the path of convergence to number of international standards, such as IFRS, ISA and Bologna system, the past experience could be used to make the process smoother through identifying main actors and schematics of the influences. By analyzing events, which shaped preset accounting education it may be possible to identify future goals for its development and ways of achieving these goals.

6.4. Limitations of the Study

There are several factors that posed as limitations to this study. First of all, limited time period did not allow full investigation of accounting education reformation, which could be supplemented with field trip to Russia. Because of this study lost an important benefits of qualitative research, which are observation and personal meetings with interviewees. Due to this factor, interviews were conducted over the telephone, which did not give a possibility for in-depth investigation of the topic.

Secondly, given the nature of the study, which is qualitative, it is hard to gain true generalizability. The non-randomness of sampling method and the fact that study was conducted with representatives of only three cities adds up to complexity of generalization. However, taking into consideration that reformation started in country's biggest cities — Moscow and St. Petersburg — and then was spread to the rest of the country it is possible to

assume that the main actors that influenced the reformation were the same, which justifies one part of the research. On the other hand, the local experiences could be different.

Overall, given the limited time and resources study was still able to capture the general picture of the accounting education reformation process after the Soviet Union collapse and identify main actors of this process.

6.5. Suggestions for Further Research

Exploratory nature of the study helps to identify potential causes of problems and to establish directions for further research. Taken into consideration the limitations of this study, it could be improved and extended in the following ways. First of all, the field trip to Russia and personal meetings with academic community would give the possibility to perform the in-depth analysis of the reformation process, during which additional facts may be discovered. Secondly, since this research only focused on stories gathered from university professors, investigation from point of view of other sample group would be interesting. Reviewing the stories of governmental officials, regulators, organizational members, and other parties involved in reformation would provide additional insights into the reformation process and help to complete the full picture.

On the other hand, the deeper research on recent events is needed. Since Russia is committed to implementing Bologna system since 2011 and is planning to converge to IFRS, the research depicting what happens when the global transnational standards and forces meet local communities and practitioners will demonstrate how these changes are taken by Russian society. In a way, it will help to answer the questions of whether these changes will be carried out or on the contrary — resisted.

Lastly, while research gave descriptive analysis of the situation in Russia it may serve as a base for developing and testing hypotheses of different theories. While general tendencies were observed, additional insight by quantitative research will be useful. It would be interesting to see how changes were spreading over the country and which factors or actors according to different theories accelerated or delayed the process. Since no Report on Observance of Standards and Codes for Russia has been published the analogy of such study would be useful as well.

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Appendix

Interview Guide

Introduction:

We are doing a research for a Master thesis on the topic of 'Reformation of accounting education in Russia.' Taking into consideration your experience in the matter we think that you possess the relevant useful information for our research.

We are interviewing 5 people. The purpose of this research is to get the full picture of accounting education reformation after the collapse of USSR and to identify which organizations and groups influenced this process. Your name will stay confidential and will not appear in our report. If you don't mind, we would like to record the conversation to preserve the most important details. Do you have any questions before we proceed?

Main topics of discussion with interviewees:

1) Re-qualification of professors

- How did the re-qualification of professors happen?
 - Before the first legislation on accounting and auditing?
 - After the legislation on accounting and auditing?
- In which seminars, conferences did you (they) participate?
- Who was the organizer of those events (which groups, organizations)?

2) Teaching literature and curriculum

- Where did you get the new literature?
 - Which books did you use?
 - If applicable: why did you decide to write your own books?
 - If applicable: when writing your books, which foreign sources did you use?
- Who translated foreign literature?
 - Did you have the experience of translating foreign literature on your own?
 - If yes, where did you get the literature?
- What influenced the development of study curriculum?
 - How did you establish curriculum?
 - Did you get the orders from the government or did you establish curriculum on your own?

3) IFRS

- How well is IFRS integrated into study curriculum?
- Where did you get the first literature on IFRS?
- Is IFRS implementation into Russia education considered to be important among professors?

Is there anything else you would like to add to the topic of our conversation?