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## The future of auditing and accounting education

- How the auditing firms and the Swedish universities can make the requirements for education relevant

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# ABSTRACT

- Title:** The future of auditing and accounting education – *How the auditing firms and the universities can make the requirements for educations relevant.*
- Seminar date:** June 17<sup>th</sup>, 2010
- Course:** BUSP02/BUSP03 Master Thesis in Business Administration, 15 ECTS
- Authors:** Anna Lindgren, Hanna Nilsson & Karl Tammi
- Tutors:** Olof Arwidi & Per-Magnus Andersson
- Key Words:** Auditor, Competence, Knowledge, Practical experience, University education
- Purpose:** The purpose with our thesis is to describe and analyse how the Swedish universities can make their audit education relevant and in line with the requirements for the future external audit market.
- Methodology:** The thesis has an abductive approach and we use a qualitative method in our research, this to get more dept in our study. This has been done by a number of semi-structured interviews, both by phone and in person, with three Swedish universities (Linnæus, Lund and Uppsala University), three audit firms (Deloitte, Ernst & Young and PricewaterhouseCoopers), and five interest organisations (Civilekonomerna, Far Akademi, Högskoleverket and Revisorsnämnden).
- Conclusion:** Our research suggests the requirements of RN is flexible and is to an advantage for the universities when they develop their audit education. The influence which the audit firms and actors in the audit profession exercise on the university education, depends on personal networks and the special knowledge which the university teachers have. According to our theory about development of knowledge which concludes the education, is it important to give the student an understanding of the complex development of auditing. Therefore the critical and sceptical thinking of the academic world is needed in the education, but also the practical elements in the audit education are necessary for the students' competence development. The close relationship between the actors and the university will ensure the educations relevance in the future.

# SAMMANFATTNING

- Uppsatsens titel:** Framtiden för revision och redovisning – *Hur revisionsbyråerna och universiteten kan göra kraven på utbildningarna relevanta.*
- Seminariedatum:** 17 juni, 2010
- Course:** BUSP02/BUSP03, Examensarbete magisternivå, 15 ECTS
- Författare:** Anna Lindgren, Hanna Nilsson & Karl Tammi
- Handledare:** Olof Arwidi & Per-Magnus Andersson
- Nyckelord:** Revisor, Kompetens, Kunskap, Praktiska erfarenheter, Universitetsutbildning
- Syfte:** Syftet med uppsatsen är att förklara och analysera hur de svenska universiteten kan göra utbildningen i redovisning och revision relevant och i linje med kraven för den externa revisionen i framtiden.
- Metod:** Uppsatsen har ett abduktivt angreppssätt och vi använder en kvalitativ metod i vår forskning för att få en mer djupgående studie. Detta har gjorts genom ett antal intervjuer, både på telefon och på plats hos respondenterna. Intervjuerna har gjorts med tre universitet (Linné, Lund and Uppsala University), tre revisionsbyråer (Deloitte, Ernst & Young and PricewaterhouseCoopers) samt fem olika intressentorganisationer (Civilekonomerna, Far Akademi, Höskoleverket and Revisorsnämnden).
- Resultat:** Vår forskning tyder på att RNs krav är flexibla och därmed till fördel för universiteten när de utvecklar sin revisionsutbildning. Det inflytande som revisionsföretagen och revisionsaktörerna utövar på universitetsutbildning beror på personliga nätverk och spetskompetens som universitetslärare har. Enligt teorin om knowledge development som framhåller att utbildningen är viktigt för att ge den studerande en förståelse för den komplexa revisionsutvecklingen, behövs det kritiska och skeptiska tänkande som finns i den akademiska världen i utbildning. Dock krävs det också praktiska inslag i revisionsutbildning för att gynna studentens kompetensutveckling. De nära förbindelserna mellan aktörer och universitetet kommer att garantera relevansen på revisionsutbildningen i framtiden.

## List of Words

English	Abbr.	Swedish
Approved accountant		Godkänd revisor
Audit and company law		Aktiebolagsrätt
Chamber of Commerce		Handelskammaren
Company law		Associations-/ bolagsrätt
Danish bachelor degree (three years) in Business Administration	HA	Handelsvidenskabelig Afgangseksamen
Danish bachelor degree (four years) in Business Administration, part-time education	HD	Handelshøjskolernes erhvervsøkonomiske Diplomuddannelse
Danish two-year Master Degree in Auditing	CMA	Candidatus/Candidata Mercaturae et Auditoris
Degree scheme		Examensordningen
Economics	NEK	Nationalekonomi
Higher education credits	ECTS	Högskolepoäng
Licentiate degree		Licentiatexamen
Limited Companies	AB	Aktiebolag
Certified public accountant		Auktoriserad revisor
Management audit		Förvaltningsrevision
Master of Science in Business and Economics		Civilekonomexamen
Price base amount		Basbelopp
Scrutinizer		Granskningsman
The Legal, Financial and Administrative Services Agency		Kammarkollegiet
The legal responsibility of making an audit		Revisionsplikten
The National Agency for Higher Education in Sweden	HSV	Högskoleverket
The Swedish Accounting Standards Board	BFN	Bokföringsnämnden
The Swedish Association of Graduates in Business Administration and Economics		Civilekonomerna
The Swedish Organization for Audit and Consulting industry	Far	Far
The Swedish Organization for internal Audit and Consulting educations		Far Akademi
The Swedish Agency Supervisory Board of Public Accountants	RN	Revisorsnämnden
The Swedish Agency Supervisory Board of Public Accountants Code of Statutes	RNFS	Revisorsnämndens föreskrifter om utbildning och prov
The sound auditing procedure		God revisors- och revisionsssed
Wind up the accounts		Likvidationsbalans

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## 1 INTRODUCTION

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*In this chapter we explain why we have chosen the topic for this thesis, this is followed by a problem discussion. Further on, we formulate the purpose of this thesis and describe what limitations there are.*

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### 1.1 Background

The main idea to have higher education in accounting was the belief that the answer to minimize corruption and excesses lay in the hands of scientific experts. The idea trained experts in scientifically ordered bureaucratic organizations to make the situation better. By this the professionals were seen by the society as saviours. The key to be a professional was training and expertise in the field of business. (Van Wyhe, 2007).

Early professors of accounting considered a need for a theoretical approach in order to legitimate accounting to the academy's traditional liberal arts faculty. The traditional liberal arts faculties were largely against anything practical and were accepting the new practical disciplines only with great lack of enthusiasm. (ibid.).

During several years the education for auditors in Sweden has changed together with the changing criteria for being a certified public accountant. This is mostly done in arrangement by Revisorsnämnden<sup>1</sup> and Far.

Nowadays we have three educational ways together with practical years to become an auditor. These are a three years bachelor together with five years practical experience, a five years master's together with three years practical experience and the new *Civilekonomexamen*,<sup>2</sup> which consist of a four year vocational education and requires four years practical experience (Högskoleverket, 2010). These different educational options result in differences in the auditing education and therefore differences in knowledge among the recently examined auditors.

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<sup>1</sup> In English: the Swedish Agency Supervisory Board of Public Accountants, further on RN

<sup>2</sup> In English: Master of Science in Business and Economics

## 1.2 Problem discussion

The main idea behind our degree project is to study how the audit firms and the Swedish universities can cooperate together to make the auditing education more relevant and up to date. The Swedish university education went recently through a reform to become more in line with the EU standard; this has affected some education programs. One of these changes is the creation of Civilekonomexamen and the program for this; which is a four year vocational education at advanced level (Linnéuniversitetet, 2010). The problem is that the program has changed but RN which sets the requirement for auditing students, have not changed any requirements the past years (RN, 2010). This can raise a question if the RN is up to date or not. The fact that the RN requirements is fairly general and academic even that the new Civilekonomexamen is considered to be a vocational education, makes the question if students that fulfil the RN requirements are ready to enter the work-life of auditing.

The transition from the world of academics to the workforce can become smoother if there is a close cooperation between the universities and the firms because the education will be coloured of the real life situations and the audit firms will have the opportunity to get clarification in complicated matters. The lack of practical experience from the auditing world leads to the fact that audit firms have to invest in in-house education, the problem is not only that of economical cost for the firms, it also raises questions about the audit quality. Because different firms have different standards on their in-house training, will this result in a lack of consistency between audit firms that can have negative effect for the client firm since the stakeholders of the client firm will lose trust for the audit reports. A previously study, by Suddaby et al. from 2006, deal with the problem of inconsistency between audit firms' standards of their audits (Suddaby, Gendron, & Lam, 2006).

Another issue is the abolish of the mandatory auditing obligation of small firms will maybe affect the requirements from the audit firms of the graduating students towards a more advanced education, 240 ECTS<sup>3</sup> instead of the 180 ECTS that is required today. Therefore there is an even deeper interest of studying the connection between the universities, the audit firms and the RN. (Westerlind & Hjelm, VT 2008)

The audit firms we have talked to, have an interest in having a closer cooperation with universities because the students that graduate from universities today are novice to the real

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<sup>3</sup> In English: credits, further on ECTS

world of auditing. A cooperation between the audit firms and the universities world could lead to relevant education for the universities and better consistency between the audit firms. Another issue is that the audit firms have extended recruiting-programs; this can be a result of the mistrust of the audit education Swedish universities offers. The cost of these recruiting programs and in-house training for the first few weeks can be shorten down. This will reduce the cost for the audit firms and the universities will gain a practical edge in their audit education.

International standards and especially the EU rules have had much influence on Swedish accounting and auditing. It affects the requirements for being an auditor but also the education, and with this as a base we get following *study problems*:

- How can the Swedish Supervisory Board of Public Accountants (RN) make the requirements more up-to date and in line with the different education programs?
- How can the Swedish universities become more relevant on educating future auditors?
- How can the actors and audit firms influence the Swedish universities requirements for audit education?

### **1.3 Purpose**

The purpose with our thesis is to describe and analyse how the Swedish universities can make their auditing education relevant and in line with the requirements for the future external audit market.

### **1.4 Limitation of scope**

Our limitation of scope is that we have focused on external auditing. One other limitation is that we have decided to not take up the abolishing of the mandatory auditing obligation, because this have been a discussed subject for a long time already. And since it hasn't been abolished yet we can't add something new, it is now in the future. We have also chosen to not take the culture into account, which we could have had a discussion about and this would maybe have affected our conclusions.

## 1.5 Outline

To continue this thesis will we in the next chapter describe what method/methods we use and what strategic choices we have done. Here we present different approaches. The *third chapter* presents the theoretical frame of reference. This chapter discusses different theoretical approaches and information that is relevant for the thesis. The *fourth chapter* presents the legal frame of reference and organisations that affect the audit. This chapter discusses the Swedish University system and its education levels, EU's 8<sup>th</sup> *Directive*, *IFAC* and *different interest organisations*. After presenting the theoretic part, will we in the *fifth chapter* present the empirics. Here we present our research, which has consisted of interviews, both in person and by telephone with universities, audit firms and other interest organisations. The *sixth chapter* consists of an analysis. In this chapter we have analysed the answers we have received through our interviews, connected to our theoretical frame of reference. In the last chapter, *chapter seven*, will we present and discuss the conclusions and results we have found in our research. With help from the conclusions will we answer our problem formulation. In the end we present our own reflections and decision for future research.

## 2 METHOD

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*The purpose with this chapter is to clarify what methods we are using to do this thesis. To find which approach that is most adapted for this thesis, we discuss different methods.*

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### 2.1 Scientific theoretical approach and research strategic choices

When conducting a research there are two different main methods you can use, the qualitative and quantitative methods. In the qualitative method the respondents are seen as subjects where each respondent has its own individual judgments. Here the researcher strives to create an understanding to the problem he/she studies; trying to understand in what relationship the problem has a larger whole. The quantitative method is supposed to explain and it resembles a lot of those methods which are being used in science; this method shall be measurable and are presented in numerical terms. (Bryman & Bell, 2005).

#### 2.1.1 Qualitative and quantitative research methods

We have chosen to use a qualitative method in our research, this to get more dept in our study and to get better relationships with our respondents. A qualitative research gives according to Bryman and Bell (2005) a more inductive view on the relationship between theory and research and has a more interpretive approach on the individual's actions. Using the qualitative method, we can concentrate on words rather than on numbers when we do data collection and analysis. In opposite to the quantitative method, where a data collection gives us short answers, a qualitative research gives us the opportunity to ask follow-up questions which can lead to a fairer understanding of the respondent and his/her view. Follow-up questions are a must in order for us to get a deeper understanding to our problem and to make our analysis as good as possible. A quantitative research can consist of a questionnaire posted to the respondents, and it can be very difficult to get the answers back. That is why we have chosen to do our interviews using the qualitative method, so we can ask questions that demands more than a "yes or no" answer and to get the chance to discuss the answers with the respondents. (ibid.).

#### 2.1.2 Inductive, deductive and abductive approaches

When conducting a study you can have different approaches; deductive, inductive and abductive. These differ on how the theory and empirics is related to each other. The deductive approach is based on existing theory and minimises the researcher's expectations. It is often

associated with scientific approaches where it is interesting to explain the correlation between different variables. In the inductive approach the researcher bases the theory on the reality. Using an inductive approach you develop concepts for phenomena trying to understand the phenomena rather than to show the sustainability of theories. In this study we try to highlight the phenomena of how the Swedish universities and audit firms can collaborate to make the education better. The abductive approach is a combination of the inductive and deductive approaches, starting from the reality formulating a theory which later is tested on new research. Then the theory is developed from the results. (Bryman & Bell, 2005; Patel & Davidson, 2003).

In this study we use mostly an abductive approach. But as mentioned in Patel and Davidson (2003) all researcher is coloured by earlier experiences and no one starts unbiased. This can affect our study and results.

### **2.1.3 Research design**

To enable a deeper analysis of our study problem we have chosen to do a case study. This is based on the fact that RN is not updated to the new audit education. A case study is the best alternative because it is the best alternative to answer questions as *how* and *when*. Other important qualities with a case study are that it does not demand a certain course of event to be applicable. A case study is particularly good when a study purpose, as ours, is to study contemporary phenomena's in its specific context. (Bryman, 1997; Yin, 2003). To find results will we interview and compare several companies in the audit sector. With a lot of research companies we increase the validity and reliability. We higher our generalizability by study the largest audit companies in Sweden and also some of the middle sized companies. (Bryman & Bell, 2005). Also, according to Yin (2003), a multiple-case design is preferable compared to just choose one case because this increases our chances to do a better study (Yin, 2003).

### **2.1.4 Exploratory, descriptive and hypothetical approaches**

There are three ways of elaborate empirical work. The exploratory approach consists of creativity and thoughtfulness. The descriptive approach aims to describe a certain phenomena where the researcher, in detail, threats existing relations. The third way is to elaborate the empirics through hypothesis where earlier studies are the base for the researcher. (Patel & Davidson, 2003). As the empirical work in this study mainly consists of interviews to highlight the central phenomena (the education), the empiric approach therefore are exploratory as well as descriptive.

## **2.2 Data collection**

Our study covers both secondary and primary data. Secondary data and information already exists and have not been collected by us as writers but by someone else. Primary data and information have been collected by us as writers by, for example, interviews.

### **2.2.1 Secondary and primary data**

We use both primary and secondary data and information in our thesis. The primary data was collected through interviews by personal meetings, phone and e-mails. The secondary data consists of information from websites, articles and books. The secondary data we have used are newspaper and the webpage's from all respondents (universities, audit firms and interest organisations).

Course literature and other literature, academic articles (including masters' and bachelors' theses) have been the primary starting places for finding theories. A small amount of non-academic articles and papers have been helpful, but they are the exception. This together with searches in Lovisa and Elin were the primary sources of new literature.

### **2.2.2 Interviews**

According to Yin (2003) interviews are the most important sources when a case study is done. We started with send e-mails to our respondents where we introduced ourselves and what the purpose with our thesis is. Then we asked if they were interested in doing an interview with us to help us in our research. When we got an answer on when and where the interview would take place we send the questions in advance (see appendix B, C, D).

The interviews took from 30 minutes to one hour. The interviews were recorded and transcribed after that. The recording was important for us, because then we would not forget or loose important details from the interviews. With help from the recordings we can play the interviews over and over again so the risk of losing importing details is minimized (Bryman & Bell, 2005).

Seven of 13 interviews were carried out at the respondent's offices. The remaining six interviews were carried out by telephone. This may have decreased our opportunities to do a first-class analysis, because we could not observe the respondents facial expressions and body language. However, doing the interviews on telephone was better than not doing them at all. In that case we could have been missing out on important information for our study.



The purposes with the interviews were to get insight in the respondent's views on the auditing education and how they want to improve the transfer from theory to practice.

### **2.2.3 Selection**

Consider the time limitation we did not have the possibility to do interviews with all the audit firms in Sweden. We did therefore chose to do interviews with three big audit firms; Deloitte, Ernst & Young and PricewaterhouseCoopers (PwC). One reason why we chose these firms was that we believe that the big audit firms have the same requirements when hiring new auditors. The universities we chose to interview were Lund University, Uppsala University and Linnæus University (Linnéuniversitetet). Lund University and Linnæus University offer the new Master of Science in Business and Economics program, unlike Uppsala University who does not offer the new program but instead still has the three and five years bachelor and master degree-program's. We also chose to interview four organisations; the Swedish Supervisory Board of Public Accountants (RN), The Swedish organization for audit and consulting industry (Far akademi), Swedish Association of Graduates in Business Administration and Economics (Civilekonomerna) and the National Agency for Higher Education in Sweden (HSV).

The reason to why we have chosen to do interviews with these particular respondents, presented in appendix A, is because they are the organisations that has influence on the education, and the audit companies is some of the ones that is hiring a big amount of the students recently passed the examination and therefore may they have an interest in improvements for the education.

## **2.3 Obstacles and limitations**

The problems that affected the thesis are problems with the interviews, as the time to do interviews were limited. Which lead to that we had to reduce the number of interviews and this may have affected the fair view of the research. In the beginning our aim was to interview both big and smaller audit firms, due to the heavy workload for audit firms during the spring the smaller firms did not think they had enough resources. Therefore our respondents are big firms only.

Another problem was finding relevant articles and literature about the subject. Considering the subject for this thesis and that it is a case study, the frame of references is limited because

there have not been many studies done about it earlier. Therefore is this thesis much more dependent on interviews.

## **2.4 Quality**

The quality of a study is often discussed from the aspects of internal and external validity and reliability.

### **2.4.1 Reliability and validity**

The reliability determines how trustworthy a thesis is, it leans on the collected data and information and how it has been treated. To create as high reliability as possible you should be able to do the same research more than one time, either by different people during the same time or by the same people in different periods of time, and still get the same results. Validity includes relevance and validation. The relevance shows how well the empirical research is done in relation to the problem of the thesis. The validation determines how well the concepts in the empirics agree with the concepts in theory. (Lincoln & Guba, 1985; Guba & Lincoln, 1994; Bryman & Bell, 2005).

If the same study should be done again, in a different time with the same respondents, we think that we would get similar answers. But we cannot do a generalization of how all Swedish universities and audit firm's work through these interviews we have done in this study, because the way of work can differ quite much. Even so, we assume that our respondents way of working not differ that much. By adjusting the interview questions to our problem the questions are relevant to achieve the contemplated purpose with our study. Our expectations on the answers are that they should be as truthful as possible. (ibid.)

These concepts, the reliability and validity of a study, are mostly associated with a quantitative method and a positivistic perception so we have chosen to also discuss the quality of this thesis from alternative criteria's, which are more suited for a qualitative method; trustworthiness and authenticity. (ibid.)

### **2.4.2 Trustworthiness**

To estimate the research the trustworthiness and authenticity is valued. The trustworthiness consists of four different criteria's; credibility, transferability, dependability and conformability. (Bryman & Bell, 2005; Guba & Lincoln, 1994).

To strengthen the credibility it is important with validation of the respondents. We have done this by sending back the summary of the interview to those respondents who asked for it. A disadvantage with this can be if the respondent wants to censor parts of the interview, but this has not been a problem with our respondents. (Bryman & Bell, 2005; Guba & Lincoln, 1994).

The transferability shows how much of our study that can be used in another context. By choosing more than just one case to study we consider that this aspect has been in our minds while doing the study. The descriptions of the cases and respondents have been as transparent as possible to make it easier for the reader to understand, but also to make it possible for a comparison with other contexts. (Bryman & Bell, 2005; Guba & Lincoln, 1994).

The dependability can be compared to reliability. It means the ones that are doing the study should clarify all the steps in the research process, to make it possible for the researchers to do a review of what decisions has been made and what conclusions has been drawn. (ibid.). In this chapter we have tried our best to explain how we have gone about choosing a study problem, the problem formulation, the theoretical reference frame, respondents and case studies.

The conformability shows how well the research can confirm the results. The study should clearly show that the researchers has acted in good faith and not let any preconceived intentions control the interpretations. (ibid.). It is not possible to avoid our interpretations be coloured by earlier experiences and opinions, but we have in our analysis of the material tried to presuppose what the literature says, to minimise our own influence.

### **2.4.3 Authenticity**

The authenticity shows how the study affected those who have been involved with it. It shows if the study gives a fair view of the respondent's answers from the interviews. (ibid.). Off course, it would have taken a much deeper research and more detailed investigations of the cases to give a totally fair view of our study problem.

## **2.5 Ethical consideration**

In an ethical aspect we have consider the ethical questions concerning rules about integrity, voluntariness, anonymity and confidentiality for our respondents (Bryman & Bell, 2005).

None of our respondents has asked for anonymity. We have not either asked the respondents for their opinions on the other respondents, but instead tried to keep the research more natural and professional.

### 3 THEORETICAL FRAMEWORK

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*In this chapter we present the theoretical frame of reference which is the base for our empirics. The chapter will explain the history of the accounting and auditing education, the profession, the concept of knowledge, competence, Giddens et al's. theory of late-modernist societies and education as academic practice or vocational training.*

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#### 3.1 The history and development accounting and auditing education

The higher education in accounting can be traced back to circa 1880 in the USA and the progressive era (Van Wyhe, 2007). In Sweden, it can be traced back to the 18<sup>th</sup> century where the University of Uppsala had from 1741-1774 a chair at the university called '*Jurisprudentiae, oeconomiae et commerciorum professor*'. The modern business administration in Sweden like it is known today can only be traced back to the foundation of the schools of economics in Stockholm 1909. The two Swedish professors that formed the auditing and accounting in Sweden was Oscar Sillén in Stockholm and Albert ter Vehn in Göteborg. These professors made a great impact on the development of academic teaching and institution building in Sweden. (Jonsson, 1996).

It should be noted that the auditing regulation started in Sweden with the 1895 years company act which stated that all limited companies (AB) had to appoint a "scrutinizer" who would audit the company's accounts and the boards of management. There were no requirements on these scrutinizer's professional skills. (Lag (1895:65) om Aktiebolag) (Regeringskansliet, 2010b). This was the result of the Swedish government did not see the auditing profession prominent enough for the state to legitimate its role. (Jonsson, 1996).

#### 3.2 Legitimacy

Legitimacy is a condition of status, and is by Deegan (2002, p 293) explained as it is "a resource on which an organisation is dependent for survival". Though can the organisation impact or manipulate the resource. It can also be explained as a generalised assumption or perception that the activities of an entity are suitable within some generally constructed systems of definitions, norms, values, and beliefs. (Möbus, 2005) Legitimacy theory is a system-oriented theory as well as political economy theory and stakeholder theory. The idea of legitimacy and legitimacy theory is related to the concept of a social contract. Meaning that

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if an organisation breaks the social contract its continued existents will be threatened. Legitimacy is also connected to institutional theory. In this theory organisations in an industry influences each other, and for example particular structures that a majority of these uses will be institutional and put pressure on the other organisations to have as well. (Deegan, 2002)

### **3.3 The concept of accounting as a profession**

Since day one there has been occupation that has required practitioner to have a lot of experience, competence and education in his field of work. (Markland, 2007) The important characteristics for a profession are theoretical basic knowledge, competence test, license, ethical code and self-regulation. (Velayutham & Perera, 1993) A member of a profession is expected to have a high level of knowledge in his field of work and this can only be granted him after a long tutorial in practicing his knowledge in real life. The requirements of calling an occupation for a profession usually means the work should be carried out with unselfishness and with the public interest in mind. There is often some type of entry barrier in shape of a test or license requirement. There is often a strong self-regulation aspect of a profession with ethical codes and disciplinary actions towards the individuals that breaks the ethical code. This can be seen in professions like medicine, law, and accounting. (Markland, 2007).

The creation of an independent accounting profession with similar status as law and medicine was created with the separation of ownership and control in England (Joint stock companies registration act of 1844). The need of a profession in accounting rose because of the need of proper keeping of the accounts and audit of the accounts which were done by individuals with *“integrity to vouch the truth and fairness of accounting information”*. (Velayutham & Perera, 1993).

#### **3.3.1 The start of the profession in Sweden**

In 1912 Stockholm’s Chamber of Commerce decided to start chartering professional auditors (Regeringskansliet, 2010b). This was a natural result of the Chamber of Commerce to promote studies at the new school of economics in Stockholm by chartering its graduates as auditors. (Jonsson, 1996) In 1919 other Chambers of Commerce followed Stockholm's example. However, at the same time the regulation did not state any requirements on the skill level for auditors and therefore another group, which had auditing as a side line carrier, started

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authorizing approved scrutinizers. The scrutinizer's was an auditing group which didn't have as high requirements as authorized professional auditors. (Regeringskansliet, 2010b).

### **3.3.2 The change towards a stronger profession**

One major problem with the lack of standards of requirements in the auditing profession arose with the Kreuger crash. Ivan Kreuger was a businessman that had built a large industrial empire on financial wizardry in addition to inventing new financial instruments to finance his empire. In 1932 Kreugers imperium crashed and he got exposed with auditing fraud when his holding company, which was a major security on the New York stock exchange, did not have the equity which it should have according to the books. The dimension of the scandal had never been experienced in Sweden before and it led to a major review of the company act in Sweden to prevent future scandals. The auditing profession got caught up in the worst of the scandal because there was something clearly wrong with the Kreuger-empire business actions and the fact that they were not exposed earlier, made it worse. (Jonsson, 1996).

The scandal resulted in a new regulation for public owned companies (Lagen om Aktiebolag 1944:705). The 1944 years law required an auditor to audit the company's accounts and check that the company's organization and oversight of the accounting and management were satisfactory. Companies which were listed on the stock market and had a stock capital of at least two million SEK would be obligated to have at least one authorized auditor chartered from the Swedish Chamber of Commerce. Companies which did not have the two million in stock capital or owners requiring an authorized auditor had to have an auditor who should have the basic experience and insight regarding accounting. (Regeringskansliet, 2010b). In 1973 the task of appointing chartering professional auditors and scrutinizers were transferred from the Chamber of Commerce to the Legal, Financial and Administrative Services Agency. This was followed by a new regulation, the Companies Act, (Aktiebolagslag (1975:1385). (Rättsnätet, 2010). This required all companies with a stock capital higher than one million SEK or owners, with more than ten percent ownership that required a qualified auditor, had to have at least one approved- or certified public accountant (the approved accountant replaced the approved scrutinizer). There was a debate about the economic crime during the 1970's which led to some changes during the 1980's that all limited companies should be audited.

In 1995 RN was created and they took over the role of reviewing and overseeing the audit profession. The purpose of RN was to emphasize the importance of the audit profession in society and in the fight against financial crime. (Regeringskansliet, 2010b).

### **3.3.3 The result of the auditing scandals in later years**

During the early 21<sup>st</sup> century problems started to emerge from individual companies which were more complex and deeper rooted than those from earlier business cycles. Two record breaking bankruptcies followed each other (Enron and WorldCom) and the fall of the audit firm Arthur Andersen indicated that there was a fundamental problem which was not only rooted in just the management fraud. (Langmead & Sedaghat, 2007). The issues which had come into the light during this time, were the fact that auditing quality and inadequacies in the accounting. (Boyd, 2004). These problems were not only located in the USA, but occurring in non-US based companies as well. (Langmead & Sedaghat, 2007).

The strong influence of unethical business behaviour from other fields of business administration were now showing in evidence of a decline in values associated in professionalism occupations such as accountancy and auditing. (Wyatt & Gaa, 2004). The linchpin of professionalism that is expertise, objectivity, integrity and responsibility had suffered from conflicts of interests and greedy self-interest of the industry. (Boyd, 2004; Wyatt & Gaa, 2004; Langmead & Sedaghat, 2007).

### **3.3.4 The emphasize on ethical responsibilities**

After the recent scandals with the result of the downfall of the CPA firm Anderson meant the education of accountants had to change to address the problem of unethical professional behaviour. (Suddaby, Gendron, & Lam, 2006). This resulted in increasing mistrust of financial institutions and ideologies of the west world markets. (Gaffikin, 2009). In the USA about 130 universities had started to offer courses intended to offer understanding of ethical behaviour, this is a radical change since the late 1990's when there were only 19 universities that offered this option. Today's accounting students need anti-fraud education and training to have a chance to combat fraud as tomorrow's auditors. The fact that today's auditors lack education of fraud or got the education later in their carrier is not suppressing that the audit profession is failing it responsibility towards society. (Peterson, 2004). Gendron et al. (2006) have in their study concluded that the independent commitment in the big four auditing firms is significant lower than in medium and small sized auditing firms. This can be a result of commercialistic influences and the fact that the regulatory mechanism that is tightening the auditing standards is blurring the professional judgment of the individual. (Suddaby, Gendron, & Lam, 2006). In Lopez et al's study identifies that a formal business education makes a difference for the decreasing acceptance of unethical behaviour. (Lopez, Rechner, & Olson-Buchanan, 2005).



### 3.4 Knowledge – individual and structural knowledge

According to Sveiby (1989) there are two kinds of knowledge's, individual capital knowledge and structural capital knowledge. Individual capital knowledge consists of the individual person's professional competence and is the personal, individual and social abilities, experiences and schooling. A person's know-how does constitute the professional competence and is linked to his or her ability to solve the customers' problems. The individuals' primary task is to create an organisation's revenue. The structural capital knowledge consists of all other knowledge that is needed to keep the organisation together. The structural capital is with other words the organisation experience and history, programs and so on which is worked out to solve the customers' problems. In Figure 3:1 the model of knowledge capital shows the total knowledge capital in a company, both the structural and the individual capital knowledge. Competence towards the profession is the individual capital knowledge and is focused towards the profession and the business idea. The structural knowledge is the rest of the area in the figure and contains even the personal administrative skills and knowledge because these skills tie the organization together. The individual capital is not restricted to one fourth of the size of the total knowledge capital as seen in the model. (Sveiby, et al., 1989).

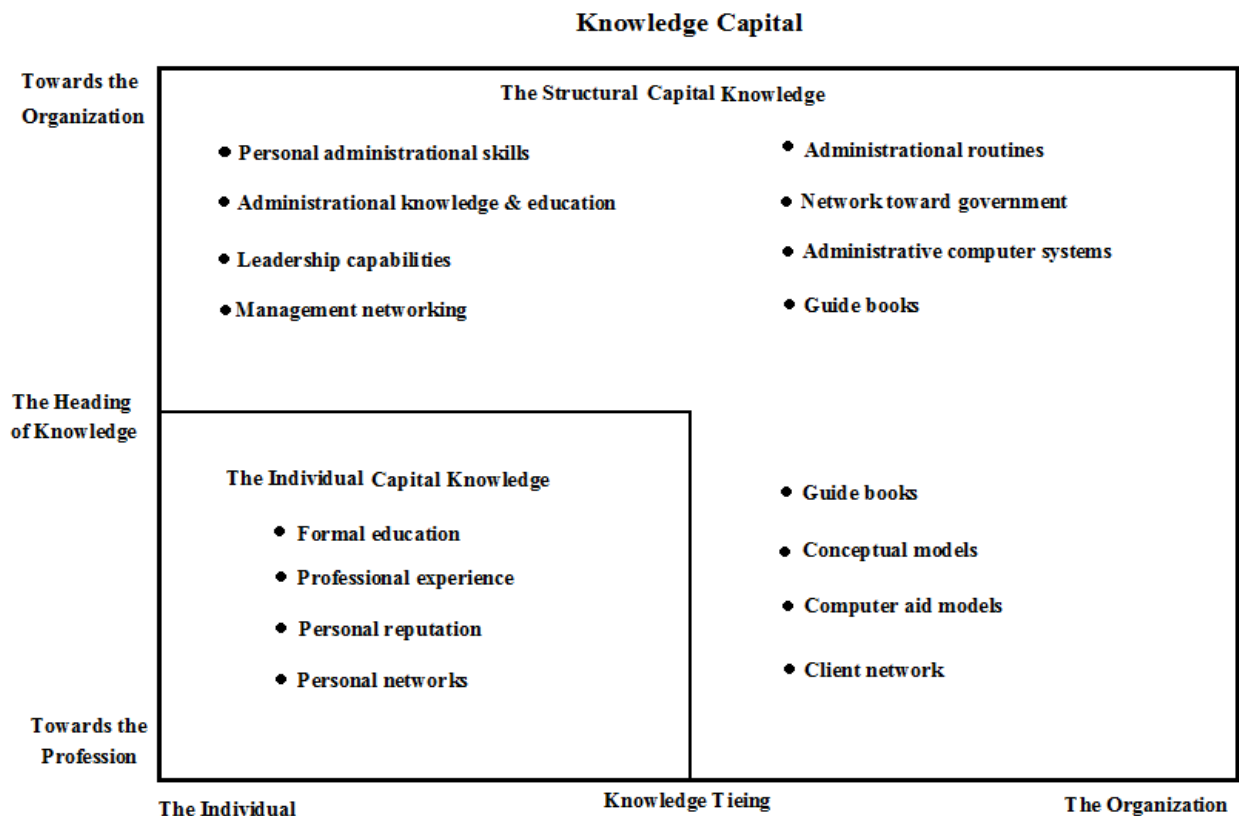


Figure 3:1 Model of knowledge capital (Sveiby, et al., 1989)

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### 3.4.1 The development of Knowledge

The purpose of education is to increase the individual person knowledge of a subject. Education is often defined as a systematic influence on the individual looking toward learning something specific during an organized fashion. (Forsberg, Hede, Lundmark, & Söderström, 1988).

The knowledge development can be divided into four steps (as seen in figure 3:2);

- The first step in the process of *knowledge development* is to get influenced of something. This can be a text book, a seminar, an interaction with other people. The individual person will shape his/her learning process on a subconsciously level that depends on individual factors.
- The second step in the process is the *actual learning*. The learning process is very individual and what and how things get learned is up to the individual factors depending on prior experiences, motivation and interest in the subject. Some of the things the individual learns are forgotten quicker and other things can be important, useful or in another way needed, this leads to the learning of a subject.
- The third step is the *development of retained knowledge* from the learning step. The individual will restructure the knowledge the individual has retained and integrate it with prior knowledge in the subject. This results in a “knowledge resource databank” which the individual will have.
- The last step in the process is to *use the knowledge* that has been learned, in other words to transfer theoretical knowledge to practical work. In a perfect world all knowledge that has been learned will be used but in reality some learned knowledge will not be used as much as sought after. The environmental factor can either help the individual to use the knowledge or obstruct the individual to use the learned knowledge. (Forsberg, Hede, Lundmark, & Söderström, 1988; Lundmark, 1998).

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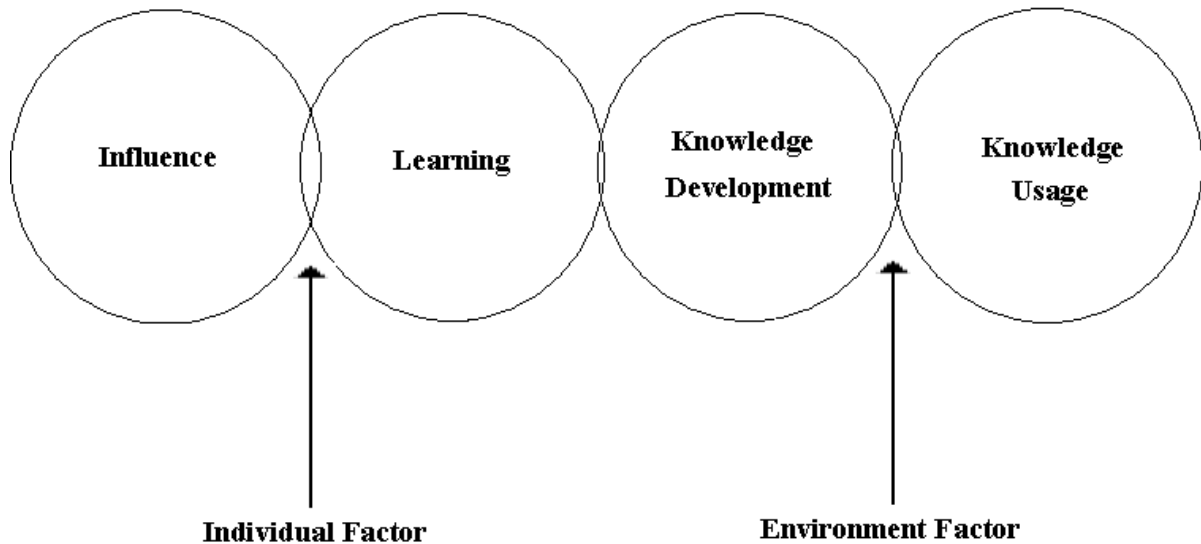


Figure 3:2 Knowledge development (Forsberg, Hede, Lundmark, & Söderström, 1988)

### 3.5 The competence concept

The concept of competence is the potential to act on a certain specific task, situation or work. An individual has varying degrees of competence in a real work situation depending on how much competence the individual have obtained in the five main areas of competence. The individual ability to act on a specific situation depends on knowledge, intellectual and social skills, however attitudes and personality of the individual do also plays a vital role. The desire and motivation to obtain competence is a key function in the mode. Competence is also dynamic because the individual is constantly developing his/her competence over time. However competence is a qualitative concept and can be difficult or impossible to measure with quantitative methods. That's why the competence concept likes the "competence-flower" (Figure 3:3 "Competence-flower" (Lundmark, 1998) has been developed. (Lundmark, 1998).

#### 3.5.1.1 Professional technical competence

The professional technical competence covers the basic knowledge and abilities that are required to work as for example an accountant or auditor. The knowledge of how an audit is done and what rules to apply to what case but also the knowledge to use tools and aids in the work situation. In the accountant and auditors case this can mean the usage of specific computer software or other technical aids to handle the audit. (ibid.).

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**3.5.1.2 Strategic competence**

To have strategic competence requires that the person have a fundamental knowledge about the business concept or the mission of the company. Strategic competence requires also the person to have both long-term and short-term understanding of organizational questions to be able to understand the complex world that the firm operates in, and how the environment the firms operates in will evolve in the future. (Lundmark, 1998).

**3.5.1.3 Personal competence**

The personal competence deals with questions about the individuals' ethical principles, personal values, responsibility, creativity and how to handle conflicts. For a student to take in information and learn needs there to be a certain level of motivation and a good attitude towards learning, or the learning will be pointless. An accountant or auditor has to have strong ethical values and norms to carry out the work in a correct fashion. (ibid.).

**3.5.1.4 Social competence**

To have social competence requires that the individual is able to cooperate and work in team. The ability to network and adapt to different situations and different corporate cultures are also very important in today's business environment. As an auditor and as a student it is very important to be able to listen and understand how things work or how things are. (ibid.).

**3.5.1.5 Functional competence**

The functional competence is integrated into the other skills. To be able to function in a work-life situation the individual has to have a mix of different competences. The desire to have good functional competence requires a strong knowledge about the subject in matter both in theoretical and practical sense. The education of students in professional technical competence is often easier to do than to educate them in personal, social and strategic competences. This because personal, social and strategic competences often requires a more hands-on learning approach with case studies or even work place related schooling/education(practical experience). (ibid.).

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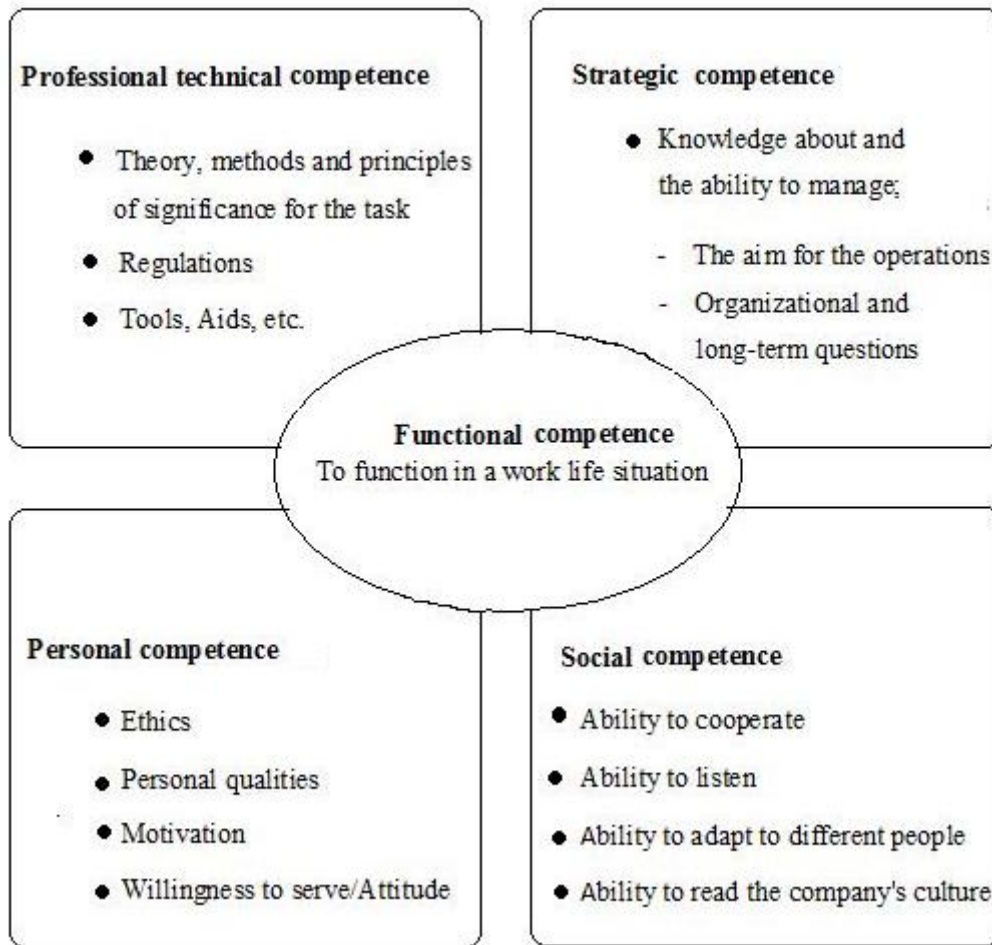


Figure 3:3 “Competence-flower” (Lundmark, 1998)

### 3.6 Giddens Theory of late-modernist societies

Unerman and O’Dwyer uses Anthony Giddens theories about mechanisms which sustain late-modernist societies to explain what happened when the relationship of trust between the individual investor (non-expert) and the professional (expert) could be an auditor or an accountant. Giddens theory is based on three types of mechanisms of modernity: “time–space distanciation, disembedding mechanisms, and reflexivity”. (Unerman & O’Dwyer, 2004).

#### 3.6.1 Time-space distanciation

The first mechanism of modernity Giddens describes is the time-space distanciation. This mechanism is a key characteristic of modernity, because our daily experience of life is affected by many actions and events from the past and in other places. This is in contrast to traditional societies, our life experiences at any moment in time is only affected to very limited degree by actions or events (or both) taking place at the same time. An example of the

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time-space distancing is based on a student participating in a university seminar. The student will be superficially affected by the inputs of that specific period in time and space, from the teacher and fellow students but also from the preparation of the seminar i.e. the student has to read the course work for that seminar (distance in time) and probably not in presence of other students (distance in space). (ibid.).

### **3.6.2 Disembedding mechanism**

The disembedding mechanism is an aid to help us understand the disembedding of current experiences by showing the connection between time and place of factors that influenced these experiences. The abstract systems of the disembedding mechanisms are the symbolic tokens and expert systems. The symbolic token can be explained as mechanisms that can carry value throughout time and space for example, money, stocks and bonds. Expert systems explain the factors of disembedding of relationships across time and space that explains why people place trust in experts. Both accounting and auditing is examples of expert systems that people put trust in their financial statements, and the information gives a true and fair of the real situation. (ibid.)

### **3.6.3 Reflexivity**

The reflexivity mechanism of Giddens theory helps us understand the tendency of why the modern world is strongly influenced by prior experiences. In simple words reflexivity is the relationship between the cause and the effect of an event. According to Giddens the knowledge and understanding we gain from experiences of ourselves and others is significantly affecting our perceptions and understanding of things. Today's world with global media coverage and communication has made it easier for individuals to gain knowledge and there by facilitates more reflexivity and faster reactions to distant events. (Unerman & O'Dwyer, 2004).

## **3.7 If auditing education is an academic practice or vocational training**

The design of higher accounting education curriculum have had supporters who wanted to keep the education more academic and other supporters who wanted the education to become more professionalized. (Van Wyhe, 2007b).

Demski asked the question if accounting is an academic discipline or not. He concluded it is not an academic discipline because the education has become first-job vocational and the

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accounting majors are groomed to read rules and how to look up newer rules. The vocational focus of accounting education has overflowed to the PhD training and this is threatening the sustainability of the academic accounting future. However he feels the accounting should be an academic discipline, because the stakes that the accounting and auditing is handling are enormous and serious. The accounting responsibility is to do *good* and not to prosper or do *well* in a business context. (Demski, 2007). The fact that this idea of auditing being academic or not have been a challenge from more than 80 years ago, when Henry Rand Hatfield addressed the question if accounting is an academic discipline or not in 1924. Hatfield believed accounting were under attack from other university subjects that saw accounting as an intruder in the academic world.

To give an answer what the contributions of the academic accounting research has given us, can be seen in the fact that the double entry system Pacioli introduced five centuries ago is still alive and thriving even though the business and commerce is changing rapidly with new technology. Accounting and audit have developed in the 20<sup>th</sup> century towards a progress and insight of information. This is not only used to describe the activities of accounting and auditing but there is also a potential for the accounting and auditing to become an information science. However there is a difficulty to find solid scholarly coverage in accounting textbooks about information issues. This can be seen as a way to make the accounting and auditing education more academic in the future. (Fellingham, 2006).

As noted before others want to make the accounting and auditing education more vocational and during the 1970's critique against the business colleges that taught academic accounting theory had not been beneficial for the accounting profession. The schools had not evolved to create "schools of accounting", the lack of a professionalized curriculum and autonomous academic accounting division meant that the accounting discipline were hard to distinguish from other business disciplines. The role of accounting and auditing research can be seen a central way of shaping the nature of accounting education and how the education could eliminate the inconsistencies and planning of standards. (Van Wyhe, 2007b).

There are advantages of having a close relationship between the practitioners firms of auditing and the universities however there is a down side in the imbalance created by the practitioners' powers trough the professional body of auditing. The disadvantage is the potential of limiting the development of the discipline. The professional practitioners can undoubtedly add many important technical features for accounting and auditing education the

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emphasis will be potentially limit the aspects of a rounded and covering education in auditing and accounting. The aspects of the higher education which could be lost are the capacity to think conceptually and critically, able to communicate and plan effectively and to beware of ethical and moral issues in the profession. The university education should also lay the foundation to generally think outside traditionally defined boxes. However if there is a lack of exposure of real life professional experience and in their formal education in the definers of educational programs there is a risk of stagnation of the profession. (Gaffikin, 2009).

The development and innovation in the accounting and auditing education curriculum occur not because to get higher student ratings and to get the innovator promoted it should occur to make the university better. (Fellingham, 2006).



## **4 LEGAL FRAMEWORK AND AFFECTING ORGANISATIONS**

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*In this chapter we present the legal framework and the organisations that affect the audit. The chapter will explain the Swedish University system, different accounting- and auditing education, funding, the lack of qualified teachers, EU's 8<sup>th</sup> Directive, IFAC, and different organisations.*

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### **4.1 The Swedish University system**

The Swedish university education system was reformed in July 2007 in a process called the Bologna process. The name is sprung from the meeting in Bologna (Italy) in 1999 where 29 European countries came to an agreement to make it easier for the students and employees to move across the nations of Europe. There are today 40 countries connected to European cooperation's. (Högskoleverket, 2010b).

#### **4.1.1 The three levels**

The Bologna process has led to that the Swedish University education system is divided into three levels:

The First (basic) level, which leads to a bachelor degree, covers three years of studies, 180 ECTS. At least 90 ECTS has to be in the main field of the studies (in this case, business administration). The main field of study must also include a degree thesis of 15 ECTS. (Högskoleverket, 2010c; Regeringskansliet, 2010).

The Second (advanced) level, which leads to a master degree, can be either one or two years covering 60-120 ECTS. A one year master degree covers 60 ECTS and has to include at least 30 ECTS of the main field of the studies. The main field of study must also include an independent degree thesis of 15 ECTS. A two year master degree covers 120 ECTS and has to include at least 60 ECTS of the main field of the studies. The main field of study must also include an independent degree thesis of 30 ECTS. For a student to be able to take the second level, the student needs to have completed a bachelor's degree at the first level, 180 ECTS, or a comparable foreign degree. (ibid.).

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There is a third level, the graduate/postgraduate level, which demands the student has a master degree. You can either chose to study two years, which leads to a licentiate degree, or four years, which leads to a doctoral degree. The licentiate degree includes 120 ECTS where at least 30 ECTS should be courses and at least 60 ECTS should be dissertation. The doctoral degree includes a dissertation of at least 120 ECTS, which should be defended at a disputation, and completed doctoral studies of 240 ECTS (including the dissertation). (Rättsnätet, 2010).

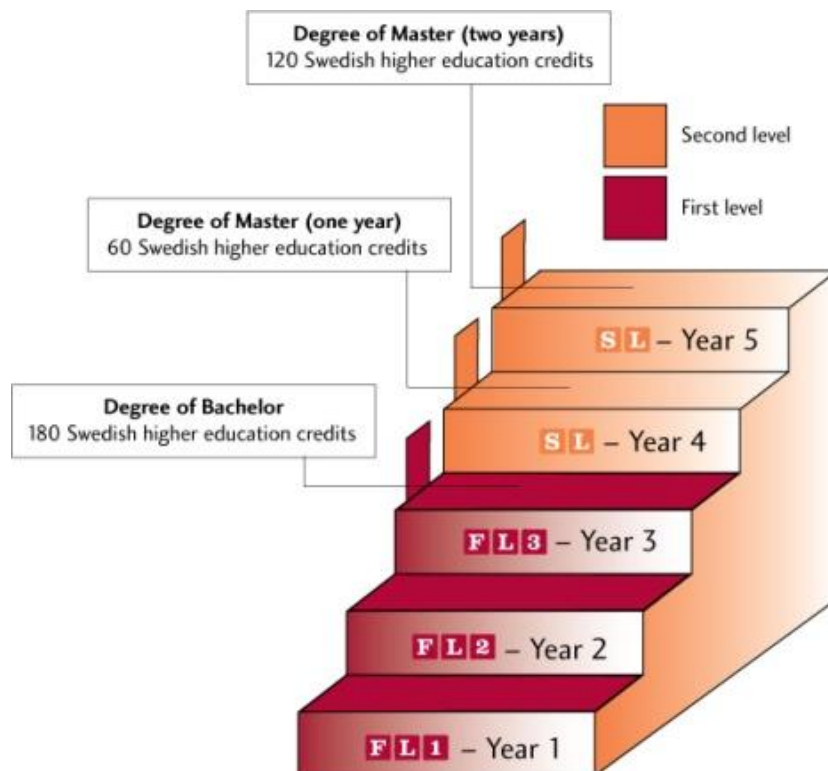


Figure 4:1 The Swedish University system (Linnéuniversitetet, 2010)

#### 4.1.2 The new Civilekonomexamen

The Bologna process implied that the Universities had to follow some guidelines and this paved the road for the creation of a new University education program which is called Civilekonomprogrammet that leads to a civilekonomexamen. The programs' with Civilekonomexamen is a four year vocational education at advanced level. (Linnéuniversitetet, 2010). For an example of the Civilekonomprogram at the Lund University, see appendix E.

There is some major Swedish business schools which do not offer the new civilekonomexamen and one of this is Uppsala University. This because the settings around

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the program was unclear during their planning of the autumn semester 2007 and also because the Civilekonomexamen is a vocational education and therefore have to be certified from the Höskoleverket (the National Agency for Higher Education in Sweden). Because it was unclear if the Höskoleverket would give the go-ahead to Uppsala University's Civilekonomexamen and the fact that the Stockholm School of Economics have decided to wait with the Civilekonomexamen, Uppsala University argued that the degree scheme was not in line with the Bologna process (Uppsala Universitet, 2010). Either the Stockholm School of Economics choose not to have the Civilekonomexamen; instead they offer the Bachelor and Master degree-programs (Handelshögskolan, 2010).

## **4.2 The difference in funding to different university educations**

There is a correlation between the amount of resources and the quality of the different educations. To be able to offer a education of high international quality and to give the students a good start in their work-life or carrier in post-graduate program (PhD program), the university have to spend a certain amount of resources. (Arwidi & Sandell, 2007).

Civilekonomerna have warned that the business and administration education could easily result in a cheap, mass production line of students of poor quality which will not create any value for the society. Also, when the Civilekonomexamen started, only six universities of 23 got approved because of the lack of competent teachers and the lack of wide selection of courses. (Lennartsson, 2009).

The method for allocation of resources differs between the Nordic countries, in Sweden we have a system which is based on active students with an average performance rate of 80 %. In Denmark the funding is based on a tax system which is calculated on a prediction of the student's performance. In Finland the predominant part of the allocation is based on a contract between the department of education and the universities. In Norway the allocation system is partially based on student performance, but there is also a fixed part which depends on what type of university it is. (Arwidi & Sandell, 2007).

In Figure 4:2 we can see the resource allocation between the different faculties. As noted; the medicine-, technical- and healthcare educations all get more than the social educations, which include the business and administration education. (ibid.).

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Field of Education	Compensation per full-time student	Compensation per full-year performance
SWEDEN		
Humanities, theology, law, social studies	19 043	17 847
Scientific, technical, pharmaceutical	45 708	39 384
Healthcare	49 649	43 002
Medical	55 481	67 486

Figure 4:2 Resource allocation between faculties (Arwidi & Sandell, 2007)

Figure 4:3 shows us that Swedish business and administration student gets between 14% - 122% less economic resources than our neighbouring Nordic countries. The business and administration education is included in the Social Science educations and this could be an explanation why there is so little contact between students and professors in Sweden. The fact that the Swedish business and administration education receives the least funds of the Nordic countries and with the introduction of the new Civilekonomexamen, it is not a good situation when it comes to be internationally comparable. Also the new educational ways which Civilekonomexamen offer will result in the requirement of more hours in school. (Arwidi & Sandell, 2007).

Country	Allocation per student	In relation to Sweden
Sweden	33 321	100%
Danmark	40 849	123%
Norway	74 128	222%
Finland	37 895	114%

Figure 4:3 Resource allocation per student (Arwidi & Sandell, 2007)

### 4.3 The lack of accounting and auditing professors

One main threat towards the profession of accounting and auditing is the fact that there is a shortage of accounting faculty (Chang & Sun, 2008). The main reason why there were only six universities in Sweden who got approved to offer the new Civilekonomexamen, were mainly because of the lack of qualified teachers (Sundström, 2007; Lennartsson, 2009). The funding to Swedish PhD programs at the business schools is the lowest for all the Nordic countries. To invest in the PhD programs would raise the quality of the education (in the long

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run) (Arwidi & Sandell, 2007). The shortage of PhD students can be divided into two perspectives, the demand side and supply side.

The demand side perspective shows an increasing trend of lowering the teaching load for the faculty and this have created a demand of faculty. Many business schools emphasise in research these results in larger classes or the need for hiring more faculties. Another demand side issue is that the increasing number of baby-boomers is reaching retirement age. (Chang & Sun, 2008).

On the supply side perspective there is also several reason why there are so few PhD students, the academic world has not been promoted as an accountant's first choice of carrier, and the salary also is too low to be attractive. The fact that the PhD wages are low makes the promotion of the academic world of accounting and auditing helpless. Another factor, which has to be considered from a supply side perspective, is that it takes four to six years after completing the masters. This opportunity cost for the student can be too big, resulting in students who choose to start working instead. (ibid.).

One solution is to create joint programs between two different universities like they have done between Stockholm and Uppsala University or Kalmar and Växjö University. But even if the qualified teacher problem is solved another problem arises; the resource and budget allocation between the universities. This can make the solution into an administrative problem. (Lennartsson, 2009).

#### **4.4 Differences in theoretical and practical education among European countries**

There is a difference in education requirements to become an auditor between the European countries. Most of the European countries have education requirements which are additional to the university studies (higher education) to become a public licensed auditor. However, in some countries the auditor education is the university education (Norway). Some countries have solved the problem by forcing non university grandaunts to have more practical experience to become an auditor than would have been needed if the individual had a university degree. In Norway the auditor education is integrated into the university education. (Precht, 2007).

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Denmark has two ways to become a certified public accountant; the first is to study full time for three years to get a bachelor degree, called “Handelsvidenskabelig Afgangseksamen (HA)”, the other way is more practical and is called the “Handelshøjskolernes erhvervsøkonomiske Diplomuuddannelse (HD)”. The HD is a university program that requires the students to work part-time at an audit or accounting firm aside the studies. The HD program cover four years at the university, but consists only of 140 ECTS point in contrast to the HA programs’180 ECTS points. To become a certified public accountant in Denmark (Candidatus/Candidata Mercaturae et Auditoris, CMA) you have to have a master’s degree in auditing of 120 ECTS. (Neroth, 2008 ).

The appendix F are from the survey conducted by the FEE in 2001, where 500 000 auditors in 23 European countries participated. According to the FEE report “*Admission to the profession of accounting and auditor*” from 2002, many countries require the auditors to have some type of university (higher) education when they start their practical work. An exception to this is England and Wales, where the students can start the auditor education directly from secondary school. Still 85 percent chose to go to university before they start to train to become auditors. The auditor education has, in the UK, in recent years become more extensive and increases its focus on tax questions because the regulation has become more complex. (Precht, 2007).

The length of practical experience is most commonly three years, in some cases it is five years. This is often a period where the “auditor to be” is handed an adviser who is reporting the trainees’ progress to the auditing body or supervisory board of public accountants. It is commonly a governmental institution who is responsible for examine the “auditors to be”. Also as an example, Spain has increased practical experience time for auditors without a university degree. (ibid.)

#### **4.5 EU - The 8<sup>th</sup> Directive**

In September 2005 the member states and the European parliament, adopted a new directive about audits. The directive, also called the 8<sup>th</sup> directive about company law, is much more comprehensive than its predecessor from 1984. It regulates accountants and statutory audits within the European Union (Further on EU). It inured in June 29 2006 and all member states had to realize it before June 29 2008. (EUR-Lex, 2010b; Justitiedepartementet, 2010).

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The new directive is, according to the commission, of high importance to the work of restore the investors trust in the financial market which mean a minimised harmonisation of the rules about audits in the EU. All member states are free to choose if they want to keep their own rules or implement the 8<sup>th</sup> directive. According to the directive, the commission are able to consider national rules about auditing standards, the layout of the audit report and the audit independence. (ibid.). A major part of the directive's arrangements can be found as equivalent in the Swedish Auditors Act (2001:883). (Justitiedepartementet, 2010; Rättsnätet, 2010).

A modernisation of the 8<sup>th</sup> directive suggests a more harmonised audit within the EU; it creates a fully covered regulation for the audits. The purpose with the modernisation is to accomplish a more effective audit within the EU. A global economy with global capital markets have forced the audit business to adapt to new conditions. To be able to achieve a more effective audit the audit business has to consider these new conditions. To increase the credibility of EU's capital market a more effective audit has to be ensured in all member states and a harmonisation of the audit is therefore an important element. The audit regulations within the EU has to, to be able to achieve a more effective audit, be considerate of the globalisation and hereon following demands about harmonisation. The increasing globalisation has led to new demands on better cooperation's between member states within the EU and with countries outside the EU. (ibid.).

The latest accounting scandals (Enron, WorldCom etc.) has resulted in far-reaching effects, such as make the audits more effective. Many different interest groups where affected negatively and the trust in both capital markets and the audit business decreased. A more effective audit has to secure the interest group's interests. (ibid.).

A modernisation of the 8<sup>th</sup> directive has, besides offering a more fully covered regulation in auditing, many demands to live up to. They have to make sure that the new regulations offer tools that consider the new global conditions. (ibid.).

Regulation about *auditors* can be found in the Regulation of auditors (1995:665) and the 8th directive result in some changes in these regulations, for example in the matter of what education you need to have your own audit firm. (ibid.).

Regulation about *audits* can be found in corporate law: the Companies Act (2005:551), the Insurance Business Act (1982:713), the Act about Bank- and Financing (2004:297), the Act about Co-operative Societies (1987:667), the Audit Law (1999:1079) etc. The 8<sup>th</sup> directive

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affects these acts and laws to some extent, for example audit committees and authorisation and discharges of auditors. (Rättsnätet, 2010)

#### **4.5.1 Education qualifications according to the 8<sup>th</sup> directive**

The 8<sup>th</sup> directive states that a (natural) person who carries out statutory audits have to attained university entrance or equivalent level and completed a course of theoretical instructions, undergone practical training and passed an examination of professional competence of university final or equivalent examination level. This has to be either organized or recognized (or both) by the member stat. The examination should guarantee the required level of theoretical knowledge of the subject and the ability to apply such knowledge in practice. (Article 6-7 DIRECTIVE 2006/43/EC). For more comprehensive information about the test of knowledge (Article 8) and practical education (Article 10) see appendix G. (EUR-Lex, 2010b)

## **4.6 IFAC**

In 1977 the *International Federation of Accountants* (IFAC) was founded as a worldwide organisation for accountants. It has its headquarters in New York, USA. Today IFAC is situated in 124 countries and jurisdictions. It consists of 159 members representing more than 2.5 million accountants who are employed in public practice, industry and commerce, academic's and universities. IFAC are working with the development of international standards on ethics, audit and assurance, education, and public sector accounting standards. (IFAC, 2010).

The mission statement of IFAC is to serve the public interest by;

*“...strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.”* (IFAC, 2010).

With the mission statement in mind IFAC is working for global standards for auditors and auditing through the four standard boards of IFAC:

- International Auditing Standards Board (IAASB)
- International Accounting Education Standard Board (IAESB)



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- International Ethics Standards Board for Accounting (IESBA)
- International Public Sector Accounting Standards Board (IPSASB)

#### **4.6.1 International Accounting Education Standard Board (IAESB)**

IAESB is the standard setting body of IFAC. It works independently to serve the public interest by developing the accounting professions education. IAESB does this by develop and issue standards, guidelines and papers on pre-qualification education, training of professional accountants and on continuing professional education and development for members of the accounting profession. The main focus of IAESB is to enhance professional knowledge, values, skills and ethics of accountancy education around the world by develop and improve accountancy education standards throughout the world. IAESB have developed eight International Education Standards (see appendix H) which is base for the RNs improvements for the Swedish education. (IFAC, 2010b).

#### **4.7 RN**

The Swedish supervisory board of public accountants (RN) is a public authority in Sweden who is handling accounting related questions. RN has two main tasks; they have the responsibility of supplying the business industries needs of accountants and they shall supervise these accountants. (RN, 2010b).

According to the law for accountants RN shall handle questions about certifying approved accountants; authorize certified public accountants and keeping record of these accountants. RN shall supervise the accountants, the work of accountants and accountant firms but also treat questions about disciplinary arrangements and other arrangements against accountants and registered accounting firms. RN is also responsible for the developing of *god revisorssed* and *god revisionsed* (further on the sound auditing procedure). (Far, 2008). The sound auditing procedure is ethical rules which the accountant is conforming to together with the individuals experience, knowledge and professional judgment. (Far, 2006).

RN has a supervisory board and an examination board. The supervisory board are taking decisions about disciplinary arrangements, advance notices and other disciplinary questions. The examination boards main task is to supervise that the tests for those who wants to be an approved or certified public accountant are keeping a high and even quality, and a degree of

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difficulty. The examination board are working with both construction and correcting of the tests and determination of the results. (RN, 2010b).

#### **4.7.1 Approved and Certified Public accountants**

In Sweden you can be an approved or a certified public accountant (Moberg, 2006). To become an approved accountant you have to have a bachelor degree in business administration plus three years of practical work. To become a certified public accountant you have to have a bachelor degree in business administration 180 ECTS plus 60 ECTS or a master degree in business administration. After that, you have to do five years of practical work. After the three or five years of practical work you have to take the accountant examination. These examinations are done so RN can make sure that the accountant have the required knowledge to be able to do statutory accounting and that he/she has the ability to administer this knowledge in his/her accounting work. (RN, 2010c). The difference between a certified public accountant and an approved accountant is, except for the education, that larger companies demand at least one of the accountants shall be a certified public accountant. (Far, 2006).

According to 3§ RNFS 1996:1 the accountant candidate needs a degree which contains 180 ECTS in business administration, business law, and other mandatory subjects, this is listed in appendix I, to qualify as an approved accountant. RNFS also statutes the practical requirement in 6-9§§ RNFS 1996:1, see appendix J. (RN, 2010d).

#### **4.8 Far**

The Swedish organisation for the audit and consulting industry (Far) is a public authority in Sweden for audit and accounting. It was formed 1<sup>st</sup> September 2006 when two Swedish audit associations, Far (Föreningen auktoriserade revisorer, the association for certified public accountants) and SRS (Svenska Revisorssamfundet, the Swedish accounting association), joined together. The two associations have existed since the end of the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century. The members of Far consist of circa 5400 qualified accountants and other specialist groups, for example accounting consults, tax- and co-operate finance specialists. (Far, 2010).

The purpose of Far is to; as a representative for its member's active in the Swedish audit- and accounting industry, lead the development of professional questions. This leads to that Far creates value and trust within the profession and the society, plus contributing to the

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industries businesslike conditions. To achieve its purpose, Far issues rules about “the sound auditing procedure” that the members can follow in their work. They are also supporting the members with education, consulting and lobbying. (ibid.).

Far is developing the audit- and accounting profession and creates interest and understanding for the audit- and accounting profession through norms. This happens both nationally and internationally through cooperation’s with the International Federation of Accountants (IFAC), the Fédération des Experts Comptables Européens (FEE, the European accounting association, with its headquarters in Brussels) and the Nordic Accounting association (NRF). (ibid.).

#### **4.8.1 Far Akademi**

Far Akademi (in English: Far Academy), former known as IREV, is a wholly-own underlying company to Far with the purpose to afford high qualitative education for the audit business, as a further education in the purpose for updating and elaborating the knowledge. They afford courses in accounting, auditing, tax, controlling and management control. Far akademi has the insights in what knowledge and competences which is required and needed to be updated in the different areas. (Far Akademi, 2010).

#### **4.8.2 Far Academy’s training program for future accountants**

The practical education requirements to become an approved accountant have to have a duration of at least three years and follow a training program (see appendix J). The practical education includes real life work practice but also courses and seminars. The education is also required to cover and provide knowledge about auditing in different industries and contain planning, execution and reporting of audit assignments. The training program should be constructed to focus on ethical rules and how well the auditor assesses the situation. The education has to include 1500 hours of audit practice and education related to accountants’ work-life. To qualify to take the certified public accountant exam the auditor candidate have to complete two additional years practice that contains at least 1000 hours of auditing and 500 hours auditing companies that because of their size or other factors are complex to audit. (Far Akademi, 2010b).

Far's education policy-group has, in collaboration with Far Akademi, compiled an individual training program (see appendix K) for the practical and theoretical education to prepare the candidate for the exam (Far Akademi, 2010b).

## **4.9 FEKIS**

The Association for Business Administration in Sweden (FEKIS) is an organization which works to develop the business administration subject in the education, research and social significance. (Föreningen Företagsekonomi i Sverige, 2010).

FEKIS was founded 2008 in Uppsala by the president Professor Sten Jönsson and has currently 300 members. FEKIS goal is to make the business administration education in Sweden better and promote a closer cooperation between the academic research and the profession, and between different Swedish universities. The members are professors, researchers and Ph D students or other academics with an interest in business administration (after a review of the board). (Föreningen Företagsekonomi i Sverige, 2010b).

## **4.10 Civilekonomerna**

The Swedish Association of Graduates in Business Administration and Economics (Civilekonomerna) is a union and association for business administration employees and business administration students with 36 000 members (10 000 are students). Civilekonomerna is an exclusive union for business administration employees and students and works with questions about the members working conditions, education and occupation. Civilekonomerna have views about the education and competence development. (Civilekonomerna, 2010).

There are three main areas of interest that Civilekonomerna is working with, negotiations, profession and communication. As any union Civilekonomerna negotiate about working conditions and wages between employer and employee. Within the profession area Civilekonomerna analyses the business administration educations and look at the quality of the current education level. (Civilekonomerna, 2010b).

Civilekonomerna is affiliated with the trade confederation SACO (Sveriges Akademikers Centrala Organisation). SACO consists of 23 trade unions which are all are required to have academic members. There is a requirement of 180 ECTS (were 120 ECTS is in business administration) to become a member of Civilekonomerna, this is the highest requirement of academic education in business administration of the Swedish unions. (Civilekonomerna, 2010b).

### 4.11 Different influences on higher education in Sweden

To summaries the different actors which influence the audit education in Sweden and how they interact, we have done following model.

	Private Influence	Public Influence
<b>International</b>	<p style="text-align: center;">IFAC</p> <ul style="list-style-type: none"> <li>- International Federation of Accountants</li> <li>- Worldwide organization for the accountancy profession</li> <li>- Develops International Standards on Auditing (ISA)</li> </ul> <p style="text-align: center;">IAESB</p> <ul style="list-style-type: none"> <li>- International Accounting Education Standard Board</li> <li>- Developing the accounting professions education</li> <li>- IAESB develops International Education Standards (IESs)</li> </ul>	<p style="text-align: center;">European Union</p> <ul style="list-style-type: none"> <li>- 8<sup>th</sup> Directive</li> <li>- Bologna process</li> </ul>
<b>National</b>	<p style="text-align: center;">Far</p> <ul style="list-style-type: none"> <li>- The Swedish organisation for the audit and consulting industry</li> </ul> <p style="text-align: center;">Far Akademi</p> <ul style="list-style-type: none"> <li>- Qualitative education for the audit business</li> </ul> <p style="text-align: center;">FEKIS</p> <ul style="list-style-type: none"> <li>- The Association for Business Administration in Sweden</li> </ul> <p style="text-align: center;">Civilekonomerna</p> <ul style="list-style-type: none"> <li>- The Swedish Association of Graduates in Business Administration and Economics</li> </ul>	<p style="text-align: center;">Högskoleverket (HSV)</p> <ul style="list-style-type: none"> <li>- Swedish National Agency for Higher Education</li> </ul> <p style="text-align: center;">The Swedish government</p> <p style="text-align: center;">Revisorsnämnden (RN)</p> <ul style="list-style-type: none"> <li>- The Swedish supervisory board of public accountants</li> </ul>

**Figure 4:4 Different influences on higher education in Sweden**

## 5 EMPIRICAL STUDY

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*In this chapter we present our empirical study; summaries of the interviews that we have done. There are three main groups of respondents; the universities (Linnæus- Lund and Uppsala University), the audit firms (Deloitte, Ernst & Young and PricewaterhouseCoopers) and the interest organisations (Civilekonomerna, Far Akademi, HSV and RN). First we give a short presentation of the university/firm/organisation and then a short presentation of the respondent's role and responsibilities.*

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### 5.1 The universities

#### 5.1.1 Linnæus University

The Linnæus University is a unifying between Växjö University and Kalmar University. They joined together on the 1<sup>st</sup> January 2010. The Linnæus University offers the new Civilekonomexamen with orientation in accounting, controller, financial economy, logistics, management and economics (NEK) at the campus in Växjö while campus Kalmar offers the new Civilekonomexamen with focus on marketing. Both campuses also offer the old bachelor- and master programs in business administration with special orientations. The first students that are attending the Business and administration program which leads to Civilekonomexamen are now on their third year, and therefore have no students graduated with the new Civilekonomexamen from the Linnæus University. (Linnéuniversitetet, 2010).

**Eva Gustavsson** (further on Gustavsson) is the adjunct at the department of business administration in Växjö. She is head of the auditing and accounting department in Växjö and her responsibilities is especially management control.

#### **Basic demands on recently graduated students**

Gustavsson (2010) believes the existing education towards being an accountant is regulated by the demands from RN, and takes for granted RN knows the requirements are correct. Gustavsson does not believe there is anything missing in the education. The Linnæus University wants their education in business administration to be mainly theoretical and to create a broad theoretic foundation for the students to prepare them for the practical work life. The Linnæus University want to offer a broad theoretical foundation for their students. The courses in statistics and economics are necessary for the students to obtain an understanding

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for the society as a whole and the roles of the corporations in the society. Statistics are also important for the students to learn how to present and interpret different results.

There are some differences between the new Civilekonomexamen and the old educations in business administration. The new Civilekonomexamen are meant to be more of a vocational degree (yrkesexamen) than the old educations. The degree project, which is ten weeks in the old programs, is now covering a whole semester and the thoughts with that is it shall be more business-related than the old program's. The theoretical demands are the same, but the focus on the new Civilekonomexamen is the employability.

### **The content of the education**

The Linnæus University decides themselves what the auditing program should include. Gustavsson (2010) believes this is what makes all the universities unique and it creates advantages for them. A disadvantage would have been if all the programs' had been the same, with the same contents. Then it would have been more research connected. For Linnæus University is it partly the requirements from RN that affects what the program should include. They have to follow the requirements on how many ECTS of every subject the student must have, and of course the program has to include all the basic subjects. One demand, to have the Civilekonomexamen, is that they have to offer a specialisation in accounting, which they have. Another factor that affects the contents on the program is tradition and the specialities the Linnæus University have.

It is the board of the department (of business administration) who decides the contents of the programs', but also the faculty has impact. There are also a reference group including representatives from different corporations which affect the contents, they don't have the right to decide but they present their opinions.

### **Practical education**

There is no practical education implemented in the new Civilekonomexamen, or in the old programs, but the Linnæus University offer practical experiences through guest lecturers (professionals from the audit firms), study visits on the audit firms, case studies, business-related projects and contacts in the business life. The Linnæus University has according to Gustavsson (2010) the ability to make the education more practical, this is nothing they want to strive towards. The Linnæus University has had a lot of discussions around practical education but they have realized it will demand a lot of preparatory work; they would have to

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give all the tutors on the firms at least a 15 ECTS in pedagogical education to bring some quality to the practical education.

### **The audit firms**

Gustavsson (2010) thinks that they have good relationships with the audit firms, especially Ernst & Young who they have established a good network with. Ernst & Young have courses in business systems, accounting procedures and annual reporting at the university. One example of teachers they have in master level courses that also has experiences from audit firms is Sven-Arne Nilsson from Deloitte.

The university also gives a small price to the student who gets the best score on the first accounting exam. According to Gustavsson (2010) the audit firms informs the students that they are looking for good grades from the students when they are recruiting new employers and they emphasize the importance of getting good results, not only a G (pass) on the exams, but many VG's (high pass).

Gustavsson (2010) does not know much about the internal courses and educations that the audit firms have with their new employees, but she believes they could be more practical and more detailed compared to the university.

About the current discussion concerning make practical experiences to give academic records, Gustavsson (2010) believes it would be difficult to determine the practical experiences that would give results and what experiences that would not be approved. It can be difficult for students who do not have an established network in the business world to get a relevant trainee practice. This opposes the idea that the education should treat all students the same regardless of their backgrounds.

### **5.1.2 Lunds University**

Lunds University is a highly regarded university in Sweden and one of Scandinavia's largest centers for learning, education and research. The school was founded in 1666 and today it is an international centre for research and education that has about 46 000 students per year.

Lunds University have over 70 master programs', and the School of Economics and Management offer both the new Civilekonomexamen and the old bachelor- and master programs' in business administration. There are about 16 different master programs' which



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are focusing on, for example, accounting and auditing, economic history, entrepreneurship, finance, information systems and international economics with focus on China. (Lunds universitet, 2010)

**Krister Moberg** (further on Moberg) is professor in business law and he is also the prefect of the department of business law at the School of Economics and Management in Lund. His major subjects are corporate and company law. He is involved with educating in the area of auditing, and gives courses in audit and company law. He has been writing some books about auditing, one of them is used as a reference in this thesis. He also does research in this area.

**Anne Loft** (further on Loft) is a professor at the Department of Business Administration at Lund University. She is also the director for the master program in accounting and auditing. Her research is in the field of the relationship between accounting, organisations and society.

**Niklas Sandell** (further on Sandell) has been at the Department of Business administration at Lund University since 2003. His field of research is the use of accounting information and economic consequences related to such use. Sandell teaches accounting and financial control at Lund University and he is the program coordinator for the new Civilekonomexamen at Lund University.

**Torbjörn Tagesson** (further on Tagesson) is a senior lecturer in business administration (external accounting) at Lund University. He has worked as a lecturer in Lund since January 1<sup>st</sup> 2010, before that he has worked at Halmstads School of Economics and at the School of Economics in Kristianstad. Tagesson completed his PhD in 2002 in Lund. He divides his work time between Lund University and as a chief secretary at the board of municipal accounting, which can be compared to the Swedish Accounting Standards Board, but it addresses to municipalities and county councils.

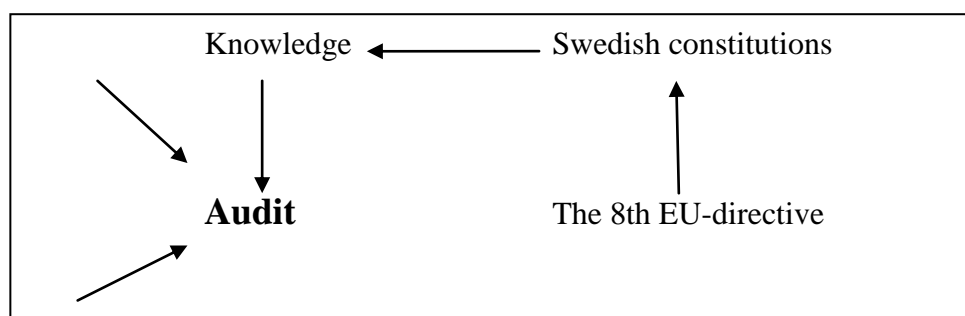
### **The education**

A common thought from our respondents is that the students should get a broad education, but with a specialisation in accounting and good knowledge about accounting methods. They believe RN's requirements are good and logical since the student gets to know more than just accounting. The students should receive methods to be able to understand and measure different accounting problems, and therefore is there a need for both statistics and economics in the education curriculum. Sandell (2010) says that the education is not tailored for those who wish to be an accountant, but the base gives the students the opportunity to work as an

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accountant (or other professions as well). Regarding the amount of public sector business administration in the education, Tagesson (2010) view is that the teachers can be better on giving the students examples in the courses that are not only from small and large corporations, but also implement examples from municipalities and public authorities. If you have studied accounting in depth (at master level), you should have received so much knowledge to be able to gain insight into what ever sector you end up working in. Therefore there is not a need for more courses, but better examples in the courses.

Moberg (2010) aims that the foundation that recently graduated students should have is that they need to know about ABL §9:3, the Swedish Companies Act. In ABL §9:3 you can read about what rules there are about making an audit. Another important thing you have to know, according to Moberg is how to conduct an audit of the accounts, management, how to review the financial statements etc. Other things to know are how to wind up the accounts. A student has to have the knowledge about making an audit. The requirement of what knowledge the student needs is stated in the Swedish constitutions which are regulated in the EU. RN has a lot of regulation which are regulated by the EU-directives. The 8<sup>th</sup> EU-directive is dealing with “Qualifications of persons responsible for carrying out the statutory audits of accounting documents” (EUR-Lex, 2010). RN’s regulations are controlled by the 8<sup>th</sup> EU-directive and include rules about business administration, business law, and other subjects that concern the auditors’ needs of understanding the knowledge.



**Figure 5:1 Knowledge a student should receive from the university. (Krister Mobergs own words and drawings)**

Moberg (2010) do not know if the theoretical parts in the business administration programs’ are optimal. He always thinks that business administration students are questioning the law courses, but Moberg see the importance for the students to know the laws around, for example, stock valuation. It is also important that the students learn laws about management audit (förvaltningsrätt).

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Moberg (2010) do not see anything in the business administration programs' as unnecessary. It is important that the students get an overall view of how the society works. Both economics and statistics are important because you as an accountant are facing statistical analysis in your work life; the student has to be able to see the connection between several factors. Moberg believes that it, in the future, are going to be much more consulting activities. So to be able to be prepared for the future, the business administration educations should be more focused on consulting and making good accountants. The students need to get an overall background that creates the opportunity to choose their own specialisation.

Loft (2010) mentions that in Denmark are there stated in the law what to teach exactly, and this is a difference compared to Swedish universities. In Sweden it is not compulsory to have auditing courses at the advanced, master level, compared to Norwegian universities, who has it as a demand.

Loft (2010) thinks the education should be based on auditing rather than "accounting law" and that it should be more courses in accounting, taxes and (accounting) law at the basic, bachelor, level.

*"I think the education as a whole, compared to the UK, is very good. It depends on how you look at it. It is not our job to be a training school for auditors; our job is to educate students to understand accounting, audit and business in general. It would not be right to have a narrow education. We have to be careful about what we teach." (Loft, 2010)*

Loft (2010) believes there is too much education about Swedish laws and tax; some could be reduced at the master level. There are of course some parts in Swedish law and tax you have to learn. But at the advanced, master level the education should have a more international focus. Loft suggests an auditor should have a bachelor degree with the "accounting law" course, and then have a master degree of one, or one and a half year. Two years master is too long. The Danish master theses have the same academic quality as the Swedish, but are 30 ECTS instead of the 15 ECTS in Sweden.

In Lund there are no distinct knowledge-differences between the new Civilekonomprogrammet and the old programs'. But they have added and put more focus on some elements which is not implemented in the older programs', like Excel, presentation techniques and project management. One difference is that the students only write one thesis (30 ECTS), instead of the old system where you did one bachelor and one master thesis (15 plus 15 ECTS). One disadvantage with this may be that you do not have the chance to learn

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from the mistakes you did in your bachelor thesis and not repeat them in the master. According to Sandell (2010) they are going to encourage the students on the new Civilekonomprogrammet to do their degree project's more like an investigation rather than give it an academic approach.

There are many people involved in the process of develop courses and programs, for example the institutions and the management. When developing courses in business administration Lund has not any cooperation with audit firms, but the Civilekonomprogrammet have sponsor firms to each class of year. RN's demands are affecting the contents. Civilekonomerna has some demands on some courses, knowledge students need to be able to get the authorisation. The amount of competent teachers has a great part in the development of education; if you have many competent individuals in a subject you can give that area more time. It is both internal and external factors. Tagesson (2010) says that sometimes an audit firm, or a group of accountants, give their feedback on the contents.

### **A more future oriented and work-life suited education**

To make the education more future-oriented and work life related you have to create better cooperation's with several audit firms. There should be more projects that connect the theory with the practices. The economic educations are getting a smaller amount of money per student than the civil engineers (see Figure 4:2 and Figure 4:3). This is, according to Moberg (2010), connected with tradition. The tradition is that the business administration students are taking "dry" courses, meaning the students are sitting in a classroom and listen to a teacher, while the engineers are taking courses that include laboratory exercises. This has led to that you can take in many more students to an business administration education because it is easier to just teach many people than it is to perform laboratory exercises. This has led to that the business administration educations have become a "mass education", where to many students graduate each year. Moberg think that the whole system has to change, that the schools need to get more money per student, and to take in fewer students.

Sandell (2010) believes that more case-studies should make the education more future oriented and suited for the work-life, compared to written exams which Sandell think are pointless because you do not learn anything in the long run. Sandell means the examinations control the behaviour of the students, and more case-studies would give them a fairer chance to learn for the future. He also mentions that a problem is that students may not attend lectures

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if they not are mandatory and only if they are examined. Sandell points out that it is important that the students have an interest in learning.

Another aspect which Tagesson (2010) highlight is that ethics and morals should not be taught in separate courses but instead should they be implemented in every course, because it belongs to so many subjects.

Loft (2010) thinks the education could be future oriented and work-life suited if more information technology were implemented, such as SAP and XPRL (eXtensible Reporting Language). The education needs courses in more advanced financial reporting standards as well, to make it broader.

### **Qualified teachers**

The lack of qualified teachers can be explained, according to our respondents by the salary-levels and research-time. One factor to this is the universities economic resources. Sandell (2010) means that if there were earmarked money for teachers it would be easier to recruit. To be able to attract new postgraduate students the institution need to have a financial plan to show the students. Now they do not know how much they can offer them. Sandell do not think that there is a need for more accountants to come and give guest lecturers.

As it is today the resources are redistributed between different categories of teachers and then you have to look at other strengths and factors to decide how much each are going to get. The postgraduate level can be more attractive, but most universities are like any other organisation; there are other more important things to put the resources on.

Loft (2010) sees a problem in Sweden and means the universities have to attract more PhD students, both to the organisation and the marketing field. Loft mention that both Norway and Denmark have the same problem. One solution is to use the audit firms more, take in guest lecturers, but Lofts opinion is that the audit firms are not trustworthy; they might priorities their clients and tutor more from their own firms' methodology and techniques then the general.

### **Practical education**

The existing practical education at the university is accountants who give guest lectures and talk about their experiences. There are teachers who work half time with the university and half time with something practical.

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Other practical education does not our respondents seem to be possible to implement by our respondents. Role-plays are interesting, but everything is resource-demanding and the universities do not have those. In the new Civilekonomexamen there are more presentation techniques and rhetoric, but this is also difficult to evaluate because it is impossible to sit down with every student and talk about their presentations.

Tagesson (2010) do not think practical education should be implemented at the universities.

*“An academic education should be about, even if the new Civilekonomexamen is more vocational than the older ones, giving the students a broad foundation and if practical education is included you lock the students to a certain subject. The audit firms are much better on teaching the practical parts, if you get a job on an audit firm it take at least five years to be a certified public accountant. During that time you get work-life connected education. They are better on that part than us, and you should do the things you are good at. The risk is that we (the university) send students on practical education where they only get to review unqualified work tasks due to confidentiality etc. so that is why it is better to let the audit firms handle the internal educations.”(Tagesson, 2010)*

Moberg (2010) teaches an elective course that is called “Revision” (in English: Audit). In this course the base is business law and how to make an audit, but the students also get about 18 hours of practical experiences on several audit firms. Through this course Moberg has found that the students are lacking practical experiences from the programs and is screaming for more practical experiences. Moberg see that there is a gap between the theoretical- and the practical education when students are going to start their working life. In this course Moberg cooperates with the four big audit firms (Deloitte, Ernst & Young, KPMG and Price WaterhouseCoopers), particularly when he plans the practical exercises, but the audit firms do not have anything to do with the course itself. The students are meeting several accountants in the course and they have one case that they follow.

Sandell (2010) does not think that the education should be exclusive, because there are not many students who know what they want to be in the beginning of their studies. With an exclusive education you lose the broadness and the specialisation becomes too narrow. The most important thing is to learn how to screen the information and how to have a critical thinking, so the fundamental part is the theory and maybe bring in some practical exercises. Sandell also mentions that there is Excel education in the new Civilekonomexamen.

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Sandell thinks that extending the theoretic and practical education years from six to eight are a reasonable and sympathetic suggestion.

### **Audit firms**

The audit firm's interests of sharing their knowledge are good. But, as Moberg (2010) says, it is all about timing and when you set the courses. In the spring the audit firms has a lot to do, so to be able to get their fully attention you should set the courses in the fall. The audit firms are much opened to meet the students because it creates opportunities for them to find future employees.

Moberg (2010) believes the internal educations, which the audit firm's make their new employees to take, are more detailed than the ones the students take on the universities. Far Academy is one authority that handles these internal educations. Moberg supposes the universities educations are more generalised, while the internal educations are more detailed and practical. The internal educations should meet the universities educations better.

Loft (2010) mention as an example on sponsoring and engagement from audit firms a thing that happened in the southern Denmark. Where local audit firms got in and paid for the education and teachers in accounting so it would not end in that part of Denmark. Though would this probably not work in Sweden, but the audit firms are very positive in sharing their knowledge to the students, for example, Deloitte which is giving guest lecturers.

The interest from the audit firms to provide the university with guest lecturers is high and that the auditors want to share their knowledge. Sandell (2010) believe that it is difficult to implement practical education on the university because they cannot teach how to audit and review e.g. the stock-in-trade. It is something for the audit firms to do, and every employer moulds its own employees. Because of this the internal education can be quite narrow, so it is important to have a critical approach and a broad foundation to stand on. The internal education on the audit firms is focused on a few days or a week in the beginning of the employment. It is mostly for building networks and not so much education, but there are, of course, the basics that the audit firms want the new employees to know. Tagesson (2010) has been tutoring some further-training for those who are approved and certified public accountants. Those educations have not differed much from the academic education, but it is more focus on changes and news. In Tagessons view is it difficult to compare the university

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educations and the internal educations, at the university you get the foundation and the internal is for you to keep up with the industry.

### **International aspects**

Today you have to be more specialised as an accountant. International standard setters have influenced the contents of our educations. In the practical level the praxis, norms, that is taught has become more unconnected and it makes it more difficult to teach. It is not one single standardisation for all corporations, which lead to fragmented education. (Tagesson 2010).

The international developments have affected the accounting profession in a way that if you want to work abroad you have to take an international test. The problem is being solved by IFRS, management audit (förvaltningsrevision) in Sweden. (Loft 2010).

Moberg (2010) also talks about the importance of running the education in English. English is becoming a more common language each year and all the large companies have affiliated companies abroad. You have to be able to communicate with the whole company. The international influences are big; both on the education and accounting profession, because of that accounting and auditing are big subjects. Companies are moving more and more of their activities abroad so the international influences are coming automatically.

### **Differences to other countries**

Loft (2010) says that if the universities would receive more economic resources, they could do more tutored group exercises. Loft tells us that the education in Denmark is not more practical than in Sweden, de facto Copenhagen Business School are doing practice, full time students are working part time. In Denmark you have to have a two year master's degree and a total of five years. At the Copenhagen Business School you can be a part time student and part time worker. In the UK (England) it is a complete different system. Here you need to have a degree from the university, but it can be in whatever subject you like. Copenhagen Business School there have more external checks on the exams and they have more oral exams.

Tagesson (2010) do not have knowledge about if the education at Swedish universities is at the same level as our Nordic neighbouring countries. But he knows that we get lesser economic resources in Sweden than other countries.



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Regarding if today's education is suited for a job as an accountant, Tagesson says:

*"I talked with an audit firm once. They had placed one group of people with a qualified vocational education against a group of people with academic degrees. They were disappointed, because regulations changed and the ones with the academic degrees had it easier to adopt the new information and changes than the others. The other group was faster in productivity if there had not been any changes, but with changes the academic group absorbed the new information easier. There are a lot of changes going on and you have to be good at write and that you get at in the academic world."*(Tagesson, 2010)

### **Practical experiences: academic records**

About the current discussion concerning make practical experiences to give academic records, Moberg (2010) thinks it would be difficult to determine what practical experiences that would give records and what experiences that would not be approved.

In the discussion that practical experiences should be counted for as academic records, Loft (2010) does not think this is something to go further on with. Sandell (2010) do not believe that practical experiences should be counted for as academic records, because it is important to separate work, practical education and theoretical education.

### **5.1.3 Uppsala University**

Uppsala University was formed in 1477 and are thereby the oldest in the Nordic region. Every year the university has about 40 000 students about 50 percent of them are all-year students.

The university offers about 50 master programs, but they do not have the new Civilekonomexamen. Instead they offer the older bachelor- and master programs. The Uppsala University offer a few different master programs which are focusing on, for example, economics, management and controlling and accounting, auditing and business analysis. (Uppsala Universitet, 2010b).

**Cecilia Lindholm** (further on Lindholm) is a lecturer at the Department of Business administration at Uppsala University. Her field of research is accounting, and she is a teacher, researcher and program coordination, which mean that she is responsible for the master programs in accounting on Uppsala University. She also has a Master of Law (Jur. Kand).

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### **Basic demands on recently graduated students**

Uppsala University have developed the master program SUMA (Stockholm-Uppsala Master of Accounting) together with Ernst & Young and PwC, which is on its first year. Students generally have good knowledge about the Company Act (ABL) and systems about private companies, but they do not know much about municipalities and what demands there are in the public sector. The firms have a lot of assignments in the public sector and Uppsala University had that as a base when they developed SUMA. Lindholm mentioned that it is important to integrate different types of knowledge for future accountants; problem solving and case studies, different legal-, management- and external accounting perspectives. The students should be able to see things from a holistic point of view instead from a fragmented.

Lindholm (2010) do not believe that anything is unnecessary in the education, but she has an opinion on that students should study things they find interesting. RN's demands on a bachelor degree cannot be questioned, but there is room for the student to choose voluntary courses as well. So maybe a student should devote a semester on study a language if he/she wants that instead of suggested economic courses.

The Uppsala University never applied for the new Civilekonomexamen, and the reason according to Lindholm (2010) was:

*“It was quite strange when it came. We had not come that far in the Bologna process, where you should have three plus two years, when suddenly new Civilekonomexamen came up as a jack-in-the-box. It is quite important that our students will receive an international applicable degree. If you try to translate this new Civilekonomexamen to understandable variables in the international market you find it quit difficult, so we chose to concentrate on three plus two years instead, it is in line with the rest of Europe.”(Lindholm, 2010)*

### **Who decides the content of the education?**

The content of the education is decided by a steering committee on the university together with prefects and coordinators. When they developed the SUMA program the university arranged a lunch-to-lunch seminar for the teachers where they discussed all courses and what there is to be changed. They have a lot of collegial cooperation's.

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**A more future oriented and work-life suited education / Practical education**

Lindholm (2010) sees great possibilities of implementing practical education in the program's. The students at the SUMA programme and the university have had discussions and together they have come to a conclusion that the students, as far as it is possible, will get practical education. Their goal is to give the students one semester of practical education and it is going to be at autumn because of the audit firm's tough working schedules in the spring. Another practical education is the thesis in the end of the program, where they encourage the students to do this together with an audit firm, for example as an investigational assignment. There will be a mentor and a tutor from the university.

**Qualified teachers**

Lindholm (2010) agrees on the lack of qualified teacher on the universities, but she also says that the teachers cannot teach at advanced level at the university if they have not disputed or if he/she, in exceptional cases, has some special competence in a special area. Uppsala University have solved this problem by cooperate with Stockholm University and through this cooperation they can "borrow" teachers from each other.

**Theory and practices are going from six to eight years (suggestion)**

Regarding the suggestion to extend the requirement on the theoretical education and practices for auditors from six to eight years, does Lindholm (2010) not have a clear opinion on this, she says that the business does not have a clear standing point on it either; some may think it is unwise to slim down the academic part of the education to make room for more practical years. If the student has studied for five years it is wise to let three years of practical studies be enough. But since it is still a suggestion, it is hard to predict what the consequences would be.

**Swedish universities**

Lindholm (2010) cannot say whether the Swedish education in accounting and auditing are better than in the other Nordic countries, but she says that Uppsala University has been working with Norway and there they have a clearer connection between the academic world and the accounting business. The business in Norway has, as far as Lindholm can remember, demands on an advanced level on the universities educations. This may be compared to audit firm's internal educations, but in Norway the students get it on the universities.

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### **The audit firms**

The audit firms have had a lot to say when developing the SUMA program, both Ernst & Young and PwC are involved and they show a great interest in take part in the tutoring. Lindholm (2010) thinks the accounting business shows a great interest all along.

### **International aspects**

Lindholm (2010) believes the international developments are increasing all the time.

*“If we take the external (financial) accounting as an example: I would say that it becomes more and more legally oriented and it affects us through, for example, the thought of integration; that we integrate business law and accounting in the education depending on what course we are talking about. It results in that you have to learn a legal method to be able to find out the content in a regulation, we can call it “source of law-learning”, how the regulations are in comparison with others and what rules to prioritise. They (the rules) are not always in sync with the development of standards in audit and accounting.”*

### **Cooperation's with others**

The Uppsala University are in cooperation with the Stockholm University with their master programs, which mean that both universities can take advantage of the extensive supply of teachers. The cooperation with the master program has also resulted in that postgraduates from both universities can work together.

### **Practical experiences: academic records**

Lindholm (2010) do not have enough knowledge about the discussion regarding practical experiences to give academic records, but she thinks it sounds strange because there has to be a certain level of the universities educations. Have practical education integrated in the education at the universities is one thing because it is something that has to be graded, but it is another thing to just approve any work as academic records. Then it would be impossible to grade.

## 5.2 The Audit firms

### **Deloitte**

Deloitte Touché Tohmatsu (also branded as Deloitte) is one of the Big Four audit firms and was formed in the early 1980s by a merger between four audit firms. They have about 165 000 employees in 140 countries and they offer audit, tax, consulting and financial advisory to their clients. Its headquarters is located in New York City, USA. Deloitte in Sweden started in 1925 and has about 1100 employees at about 30 offices. (Deloitte, 2010)

We interviewed **Maria Flaig** (further on Flaig), a manager at Deloitte's office in Malmö. She is a certified public accountant. Flaig is also one of the people responsible for recruiting new employees at the Malmö office.

### **Ernst & Young**

Ernst & Young (EY) is one of the largest professional services firms in the world and one of the Big Four audit firms. It was formed in 1989 from a merger between Ernst & Whinney and Arthur Young. There are about 2000 co-workers in Sweden spread on 70 offices. Globally EY has offices in 140 countries and about 144 000 co-workers. (Ernst & Young, 2010)

We did a telephone interview with **Agneta Strandberg** (further on Strandberg). She is the HR-manager at Ernst & Young's Swedish head office in Stockholm. She handles all sorts of questions from employees and recruitment to education, development of the employees and partner processes. Strandberg also sits in the management team and in one of their business units.

### **PricewaterhouseCoopers**

PricewaterhouseCoopers (PwC) is one of the world's largest professional services firms and the largest of the Big Four audit firms. It was formed in 1998 from a merger between Price Waterhouse and Coopers & Lybrand, both formed in London. There are about 140 000 co-workers in 149 countries all over the world. (PricewaterhouseCoopers, 2010)

At PricewaterhouseCoopers office in Malmö we met **Per Ranstam** (further on Ranstam). He is a senior associate at the PwC office in Malmö, which is the second step on PwC's career ladder. He is an accountant, but has not taken the test yet.

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**The recruiting process**

According to Flaig (2010), Deloitte's Malmö office hires about two till seven accountants each year depending on the economic climate. In Sweden the overall employment is about 20-50 accountants each year. This is less than PwC and Ernst & Young who hires about 100-300 new accountants a year in Sweden.

Of the new employees in accounting at Ernst & Young 80 percent are recently graduated students. In PwC's and Deloitte's case it is about 90-95 percent that are recently graduated students. According to Flaig (2010) the majority of the new employees are recently graduated, but many of them have some work-life experiences as well.

All three audit firms have a recruiting process that is divided into multiple steps.

At Deloitte the recruiting process is divided into three steps: a structured interview with people from the HR-department, a case-study (also with the HR-department) and last one or two more interviews at the office that hires. At Ernst & Young the recruiting process is divided into: a first selection is made from all the applicants to a first interview. Here they look at grades, background and experiences. One or two people from HR do the interview and the applicants have to do some tests to check the logic, analytic and verbal skills. The ones that go on to a second interview meet people from the business units and then it is up to them to decide who gets hired. Even some stress- and case tests are done.

The recruiting process at PwC is divided into a first selection from all the applicants to a first interview. A senior and a junior do the interview and the applicants have to do a basic test in English, just to try their English skills. The ones that go on to a second interview meet the HR-manager where they do a test where you can answer "good or bad". The ones that the HR-manager sees fit a frame are called to third interviews which include a stress- and intelligent test, a lot like the SAT's. The number of interviews depends on how many applicants they have and if it is a low- or high economic activity. There are more applicants at a low economic activity, but fewer interviews because of the high number of applicants (easier to find what they are looking for). On a high economic activity there are fewer applicants, but more interviews (harder to find the "grains of gold").

All three auditing firms state that the new employees almost always have the wanted competence they are looking for and there have been no difficulties to find competent people to hire.

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### **Basic demands on new employees**

Deloitte state that their demands on new employees are education, grades, experiences and social competence. Deloitte do not have a standard model to work from, instead they seek people with a broad foundation: a person with other experiences than just the studies (sports, student union activities, non-profit activities etc.) It is also important that the person have knowledge about how he/she work in a team.

Ernst & Young's demands on the accounting candidate are an academic degree which includes courses you must have to take the exam to be a certified public accountant (RN's requirements). They also look at earlier experiences; at the interviews they evaluate the person's social competence. Strandberg (2010) points at the importance of the life outside the university; have the student been in any unions or done any sports activities. Can the student keep many things in the air at the same time? And as mentioned above, they do tests to check different skills.

PwC's basic demands on new employees are that they have the theoretical pre-requirements to write the accounting exam, but they are quite flexible. If you do not have finished all courses or a part of a course you can still be hired, but you have to finish it before taking the test. They do not look that much on a person's grades, because there are more than grades. Instead they look in the CV's for things that sticks out; if a person has been active in a sport or in the universities committees. The main idea is to see if the person can do many things at the same time.

### **Theoretical and practical education at the university**

Flaig (2010) at Deloitte states that audit, accounting and law are required subjects to have and the student should meet the demands for taking the accounting test. Ranstam (2010) tells us that the theoretical part is to be able to take in knowledge. This conception is shared by all the audit firms.

Ernst & Young have some expectations on the students that graduates from the new CEKP. They expect students with a competent foundation, flexibility, to be able to handle clients, to work in a team and give feedback to its co-workers. The driving force is important, that the employee wants to more forward all the time. Deloitte and PwC do not have any special expectations on the students in the new CEKP. Flaig (2010) says that maybe those students

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have a more practical focus than other and Ranstam (2010) says that they haven't seen any differences yet because it is so new.

Deloitte acknowledge that there is not a requirement for employees to have studied for at least four years at the university, but Flaig (2010) does have an opinion:

*“Four or five years maybe are more relevant. I do not know if we have hired anyone with three years. When we do interviews with applicants, the HR-department already have gone through the applications and picked out the ones that they see fit at our firm. It does not matter if you have the highest scores on everything. I think it is a point in taking an extra year (at the university) so that you are not too young, because you have many years of work ahead of you, so it is no hurry. It is also an advantage for oneself, the beginning of your career can be easier that way. Three years sounds short to me.”( Flaig, 2010)*

Ernst & Young shares Flaig's (2010) opinion and believes it is not enough to study three years, because she do not see how the student would be able to finish all the required courses in that time. Ernst & Young's demands on the students educations are covering at least four years of studies. You can still apply for a job after three years, because you can be hired on some other qualifications. But generally you have to study four to five years, and Strandberg (2010) (Ernst & Young) says that some of the firms have stated that they will not hire anyone without a master's degree. PwC have the same point of view as the others.

A problem with the university education is, according to Deloitte, that the newly graduated students have poor knowledge about audits, and Flaig (2010) wants the universities to develop more electable courses in auditing for the students. Basic things like coordinate different accounts. The students get tutoring in this but very early in the education. Another thing is the lack of presentation experiences. The students need more tutoring in argumentation and presentation both spoken and written. This view is shared by Strandberg (2010) at Ernst & Young, who stats that the students generally have poor knowledge about accounting from the universities and that the candidates have poor presentations skills. This is according to Strandberg maybe a cultural phenomenon. Compared to the USA and the UK, where presentations are implemented already during their first year at primary school the Swedish students are not familiar to talk and debate as openly. Maybe we could have it as a demand to begin at the university? Strandberg thinks also that accounting could be an entrance qualification for the university accounting education. This because the students would have studied accounting and auditing at upper secondary school level and through that get a better



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understanding of: double entry bookkeeping, the book of original entries, annual accounts etc. Therefore Ernst & Young is cooperating with some upper secondary schools.

PwC also states that the students should be more aware of the basics of accounting when they leave the university. Ranstam (2010) brings up the idea about the education in Denmark (the HD education), where you study and work at the same time (with salary) and this is something that PwC could see in Sweden. PwC have also acknowledged the problem of the lack of skill of how to talk in front of a crowd.

Another problem in the education, according to Ranstam, is that the students should learn more Excel instead of difficult computer programs. Deloitte share the view that Excel is a useful complementary program when they work and Flaig (2010) says that it is a good help to them. So it is good if the new employees have some knowledge about it. Strandberg (2010) think that their employees have good knowledge about Excel, so she does not see it as a shortage.

The question about how the auditing and accounting methodologies differ between the firms is according to Flaig (2010) that the methodologies between the audit firms are based on the same regulations. Therefore Flaig believes that it does not differ that much from firm to firm. A difference is that all firms have their own computer programs. Flaig thinks that the audit firm's methodology could be implemented in the university educations, this to get a better understanding for the auditing process. This view is shared with Strandberg (2010) who believes every audit firm use similar methodologies, because it is developed by law, not the firm itself. Every firm chose to add more or less, but the foundation is to have high ambitions so the difference cannot be that many. Also Ranstam (2010) at PwC has recognized that the methodologies differ in details between the firms but is the same in a broader perspective.

Deloitte have observed that the practical experiences from the universities are very narrow and it would be a good idea to implement more practical education at the university. This would enable the student to get a better understanding on what the audit work is all about. This view is shared by Ernst & Young that states that the poor understanding of accounting could be helped by practical exercises. PwC that are aware of that the students do not get much practical education at the universities. The lack of oral presentation technique makes a need for more oral performances in the education. The problem as PwC sees it is that there is not enough time in the education for this because of the high quantity of students in the classes, which makes it difficult to do this at the universities.

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Ranstam (2010) mentioned a board game that he played in the beginning of his studies at the university, types of this role-play could increase the understandings for a company's different activities and why companies liquidate and be a part of the practical education.

Ernst & Young have a solid education plan for their employees first five year and the education is focus on case-studies and Strandberg (2010) thinks it is a good way of learning. Her opinion is that the universities also use case-studies more often now than for a few years ago and it is a good way to implement practical experience at the university.

### **Qualified teachers**

The problem of the shortage of qualified teachers and professors is, according to Ernst & Young, the shortage of accounting in the curriculum at the universities. She tells us that Ernst & Young focus on a few universities when they hire new employees because of this.

According to Ranstam (2010) the question is what does it mean to be a qualified teacher. Is it a person that only works in the academic world, without any knowledge of the real work-life? Therefore the belief is that the optimal qualified teacher should work halftime on the university and halftime on an audit firm. By this, the PwC could have a better cooperation with the universities when it comes to educate the teachers. They could teach them how different computer programs work, but Ranstam says that all firms do not use the same program so it can be difficult to accomplish this.

Flaig (2010) do not know much about this question, but her opinion is that the teachers should have relevant work-life experiences in order to not only make the education academic and theoretical.

### **Internal educations**

All the audit firms have extensive internal education plans for their employees and especially for the newly employed.

Deloitte give their employees a lot of education. A big part of the educations are in August, where the new employees get one week of auditing courses ("Auditing 1-5") and then a week where they travel somewhere (often abroad). Then they get education times during the rest of the year. When they develop the educations the demands from RN are the foundation. They adapt the education to if there are some new ways of tutoring, this to get a higher participation and better feedback.

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Ernst & Young has a global education plan for their employees. The first year they get 100 hours, second year they get 80 hours and then about 40 hours per year. The education includes methodology, accounting, IFRS, everything that concern their professional roles, presentation techniques, how to give feedback to each other, negotiation techniques etc. They put a lot of effort on education the teachers, and they use their own employees. After every education period they evaluate it, because they put much effort in making the education high in quality.

All new employees get about 100 hours of education initially. Ranstam (2010) says that it would have been difficult to enter a firm without any internal education because the practical accounting and the methodology differs from firm to firm. There is a basic methodology developed internationally which every firm copies and suites for their own way of work.

### **International aspects**

Deloitte states that the “stream-line” in the profession between countries is increasing all the time and it is getting easier to work over borders. The foundation also increases and nowadays it is not enough to know about Swedish regulations. The EU and the USA are trying to approach each other and harmonise the regulations to become more alike. Also, financial crises and scandals (Enron) are affecting us.

Ernst & Young is a more globally adapted audit firm than for a few years ago. They have global activities and use the same methodology and work tools everywhere. This makes it possible to work internationally and meet co-workers from other countries who do the work in the same way. IFRS gives them the opportunities to work over borders, and this Strandberg (2010) thinks has affected the profession a lot. They are already hiring people from other countries; she mentioned Denmark, France and Russia.

According to PwC accounting is constantly changing, the Swedish laws are changing, and there are international adaptations. IFRS and the US GAAP are affecting the accounting. The majority of the impacts are on the ones working with larger clients, because the smaller firms often work with Swedish clients and only have Swedish laws to follow.

### **A more specialised focus on the audit education**

Strandberg (2010) believes to make the audit education more exclusive is a difficult question to answer. The result of making the education more exclusive could be that the number of

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applicants for the educations would decrease and that is not good when they want to hire new employees.

Ranstam (2010) believes it would have been interesting to measure supplies and demands for audit and accounting. He does not know if the education should be more exclusive, but it would have been good if the status of the profession could get better. He sees it as a political question; it is cheap to have broad economic educations. The salaries are connected to the business, so if there would have been fewer students you could maybe higher the initial salaries.

Flaig (2010) think that the varieties in the educations are good as it is.

### **Cooperation**

Deloitte are cooperating with the universities through guest lectures, attendances' at corporate days at the universities and as sponsor-firm for a class. As long as Deloitte can contribute with any kind of knowledge they want to cooperate with the universities.

The chairman of the board of Deloitte is also the chairman at Far. Deloitte have an ongoing communication with RN in questions that concern regulations, educations etc. Flaig do not think that Deloitte have any particular cooperation with Civilekonomerna.

Ernst & Young have continuous cooperation's with some of the universities. They work towards the students, through marketing and making contact dialogues with them. They also give guest lectures at some universities.

They have also a lot of cooperation with RN, people from Ernst & Young are members of their committees and some of them are responsible for committees as well. RN is the regulatory agency for Ernst & Young so they have regularly contact with them.

PwC has quite a lot of cooperation's with the universities. PwC in Malmö support LundaEkonomerna (the student union in Lund) and they buy services from them, for example "the corporate challenge". PwC are the head sponsor-firm for the students that graduates in 2011, they also give guest lectures at the university.

Since PwC is the largest audit firm in Sweden, they have to be involved with all concerned agencies. There are a lot of cooperation's, but it is mostly focused on the specialist in

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Stockholm. The responsibility for making the accounting tests are circulating and at the moment it is PwC's responsibility.

### **5.3 The organisations that affects the audit**

#### **5.3.1 Civilekonomerna**

Civilekonomerna is a union and interest organization for professionals and students in business administration and economics in Sweden. They have about 36 000 members today and about 10 000 of them are students. The association also is active in policy-making and public debate. It is a member of the Swedish Confederation of Professional Associations (SACO) as well as of the European Foundation for Management Development (EFMD) and the European Quality Link, (EQUAL). (Civilekonomerna, 2010)

Civilekonomerna works with questions about the members working conditions, education and exercise of the profession. Civilekonomerna is a union that applies to graduates and students in business administration and economic only and they have the best salary statistics, networks and knowledge about the education. (ibid.)

**Alexander Beck** (further on Beck) is the head of investigation on Civilekonomerna.

#### **Basic demands on recently graduated students**

Beck (2010) sees the demands on recently graduated accounting students as very regulated. The regulations come from RN and it covers all that should be included in the education. He says that the education should be as broad as possible so the students can change their focus if they want to. The education should be a broad foundation in business administration so the student can chose what focus he/she wants to take (for example accounting). In that way the education offers opportunities to change paths after some years, if the student finds out that he/she wants to do something else than just accounting.

#### **Qualified teachers**

The problem with the lack of qualified teachers in accounting is, according to Beck (2010), a huge problem. He does not think the schools focus enough on attract more teachers to start researching in the accounting area. There are just a few people that want to do research in the area. Beck is aware of that if the accounting subjects are going to survive you have to make

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sure the schools get more researchers, but he also sees that there are difficulties in doing research in accounting and auditing.

Regarding the fact that Uppsala University did not even apply for the *civilekonomexamen*, Beck (2010) mentioned that the reason was that they not had enough resources at the department to get it.

The main lack for the universities is economic resources. The business administration students only receive six to eight hour of tutoring per week and these hours' counts for full-time studies.

*“Resources are the main shortage; you get six to eight hours tutoring per week, and that is full-time studies. If it would be lower you should get a punch-ticket on the library. You should demand more tutoring. Many students are working in addition to their studies and then the studies become a subordinate. There should be at least 15 to 16 hours of tutoring per week.”(Beck, 2010)*

Just as Moberg (2010) at Lunds University talked about, Beck (2010) mentions that the civil engineers are getting more economic resources because of tradition. Back in the days the equipment the engineering students used in their education was more expensive than the literature the economic students used and this thinking continues. The engineers are getting more hours for tutoring by professors while the economic students mostly are tutored by the adjuncts.

Beck (2010) mentions an article by Olofsson (2010) in the journal “Universitetsläraren” (Olofsson, 2010) about the difference between educations and what title the teachers have between the different departments of the university. There are large differences between the different university departments. The big difference is that qualified professors are more common to have lectures in the technological science subjects than in the business administration or social science subjects.

Postgraduate students are in charge of a lot of the tutoring and Beck (2010) believes this is something that needs to be changed. He is surprised the tutoring can keep up the level it does today.

*“A problem for the future? Off course, if this development continues, the quality will decrease and the education's are going to be mass-educations, which will lead to*

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*decreased demands for it. So far the education has had a good reputation. It makes me upset when they treat the education this way.”(Beck, 2010)*

Beck (2010) thinks the students have good possibilities if running this question about how to increase the qualities of the economic education´s.

### **Practical education**

Beck (2010) knows the demands from the students for practical education in the program´s are high, but he questions if it is a good idea to bring in the practical education in the program´s. He has thought about if it is best to have the practical education in the program´s or not. According to the Swedish education system nothing can be separated from the program, so in that case the practical education has to be added on top of the program´s, resulting in that the program´s will be longer. To make it possible for the students to count the practical education as academic records it has to be “in the system”. It has to be a “points-giving” education.

Beck (2010) is familiar with that there are demands from both students and teachers on practical education and some of the teachers have developed their own systems with sponsor firms. The problem is to create high qualitative practical education, and how to make the sponsoring firms keep up that quality. The economic education is handling so many students and the audit and accounting specialisation is the largest focus so it is a lot of students that the schools, in that case, are going to find “trainee places” for. Beck aims that if you find a way of keeping the quality high, the practical education is a great way of make contacts early and to get useful experiences.

### **Theory and practices are going from six to eight years (suggestion)**

Beck (2010) believes it is a good idea to extend the education to eight years instead of six years (three years of theory and three years of practical education).

### **Swedish universities**

Beck (2010) sees some differences between the Swedish universities, for example: the ones that have the new Civilekonomexamen have teachers with the right competence (this was one demand for the universities that wanted to have the new Civilekonomexamen). This is a measure of quality, because at first there were 23 universities that applied for having the new Civilekonomexamen but only six of them had the qualities to get it. Today, there are five

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more universities that have received the new Civilekonomexamen. The main reason why the other universities do not have the new Civilekonomexamen yet is the lack in competence.

### **The audit firms**

Beck (2010) thinks the audit firms are good on lending out their employees as “help-teachers” to the universities, but the cooperation can always be better. He also sees the importance of having qualified teachers, but the cooperation’s between the universities and the audit firms are positive.

Beck (2010) believes that the big audit firms can affect the education more than they do today with help from, for example Far and RN. It is through the lobbying that Civilekonomerna discusses and meet with the other organisations, such as Far and the authority RN.

### **A more specialised focus on the audit education**

Beck (2010) sees a possibility of making the education more exclusive by bringing in practical education in the program’s. A more exclusive education should affect the levels on the initial salaries.

### **Cooperation’s with others**

Civilekonomerna are sometimes meeting with RN and discusses viewpoints on the education’s. It can be about that the education’s should be more general and that an accountant should be more all-round educated but, even so, be specialised on one accounting area. Though should a specialisation not mean that the accountant cannot change its “area”, he/she should have the possibility to change if he/she wants to. Civilekonomerna are cooperating with Far and Far Akademi and has also a lot of cooperation with the universities.

### **Quality assurance**

Civilekonomerna do not work exclusively with solitary courses, but with whole departments. They have cooperation’s with the Swedish Universities and mainly with the business administration departments.

Civilekonomerna are trying to influence the educations through lobbyism. Beck (2010) says they have about 36 000 members that can join in and help. Beck himself are trying to make some difference by writing articles in different economic journals, the latest one in Dagens Industri (DI), about that the universities should get more money per student (we also



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mentioned this in interview with Moberg (2010), Lunds University). Civilekonomerna also try to influence the education through giving feedback on decision-making, articles, manifestos for the academic world – Beck (2010) mentions the given resources to the economic educations are catastrophic. He says that if the economic educations should be high quality educations, there have to be enough competent teachers. This means that some universities would not be given the right to educate in audit and accounting because of the lack of competent, qualified teachers.

FEKIS is working to get a Swedish accreditation department in order to raise the quality on the education's. They think there should be an independent department, not controlled by the government. Beck (2010) mentions they are working for increasing the quality because they know good quality pays off, it works both national and international and affects the salaries. Therefore, even if the education's are specialised on a specific area the quality must be high because high quality are important for the educations credibility.

### **5.3.2 Far Akademi**

Far Akademi is a wholly-own company to Far with the purpose to afford high qualitative education for the audit business, as a further education in the purpose for updating and elaborating the knowledge. They afford courses in accounting, auditing, tax, controlling and management control. Far academy has the insights in what knowledge and competences that is required and needed to be updated in the different areas. (Far Akademi, 2010).

**Lena Lind** (further on Lind) has been the CEO of Far Akademi for one year. Before that she worked as an auditor for Ernst & Young for 12 years (in charge of the introductory educations) and before that she worked for Poolia (a staffing company) for 10 years as head-hunter.

### **Basic demands on recently graduated students**

The demands that recently accountant students should cover are according to Lind (2010) the ones which makes it possible for them to take the accountant test (corporate law, audit and accounting etc.). The student should also have practical experiences that cover the courses. Lind believes the students do not get enough audit and accounting on the university.

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The students need to get a broad base from the university (including marketing, statistics, economics etc.) because they have to know about different concepts and terminology. They have to be able to ask the right questions and to understand the answers. Though do the big audit firms due to Lind (2010) think the education is too theoretical and wants to have a more narrow aim.

An absence in the education is that the practical, as bookkeeping and accounting, are missing. Far Akademi has discussed with the big audit firms what they believe are lacking and they want more methodology, they think the students have poor knowledge about accounting (how to book keep, to make a administration report, a consolidated statement, a balance sheet etc.). The methodology is unique, and it is developed internationally for the firms to teach themselves.

Another thing Lind (2010) mentions is to teach and give the students an understanding for a company and its operating control (verksamhetsstyrning). It is important to know how a company is built-up.

### **A more future oriented and work-life suited education**

You can get the education more future oriented and work-life suited by connecting the business world more to the education. According to Lind (2010) do the universities not want that because they want to teach a critical thinking, since they think the education should prepare the students for postgraduate studies (research) and not concentrate upon the business world.

### **Practical education**

Lind (2010) believes implementing practical education can be possible, but it demands a lot of tutoring from the firms. It is not easy to bring in students in your daily work-life and make it valuable for the student. The new Civilekonomexamen are more connected to the work-life, and is a good idea to get stimuli and a greater understanding. Students that work next to their studies have a better understanding to why you learn certain things. A close relationship with the work-life gives the opportunity of building networks and to see the professional role and different situations on the work-place.

Far Akademi could absolutely help the universities with practical education. They educate both consultants and CFO's so they have courses that offer the things that accountants need in

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combination to their university education. Lind (2010) says that some of the courses could be implemented in the education and that the students could have them as electable courses. Far Akademi keep the quality on their courses by working with the best course developers, and also Far (their owner) make quality controls on the courses.

### **Theory and practices are going from six to eight years (suggestion)**

About the suggestion for theory and practice are going from six to eight years and that this would be better does Lind (2010) mean depends on where you work. If you work in a smaller firm you get skills in practical accounting, annual accounts, taxes etc; you become “all-round” but not on the international level. On other hand in a big firm you have specialists on everything, so an accountant just learns the parts he or she work with. Therefore does not Lind believe you can say that a certain amount of years are better than another, it is better to use the tests.

### **Swedish universities**

According to Lind (2010) the larger universities in Sweden have it easier to attract the best teachers and specialists. The specialists working on Far Akademi are connected to the larger universities, and not that much to the smaller ones. She also mean the big audit firms primarily hire students from the larger universities, but she think there are more aspects when hiring a student (personality etc.). Unfortunately, the larger universities have higher status, but Lind thinks the smaller ones have made improvements lately.

### **The audit firms**

Lind (2010) mentions that the audit firm’s internal educations are suited for each firm and that they are good on teaching. The educations are specifically connected to their methodology. She does not think that there is a certain agency that approves the educations. RN is handling the licenses to the accountants so it is an objective agency.

### **A more specialised focus on the audit education**

Many people think the education should be more exclusive because the current education is very broad, but Lind (2010) means she has had use of her broad education in her personal work-life. A narrower education is for those students who already know what they want to do. A more exclusive education should not affect the initial salaries, because you have to look at what you get: a lot of education.

### **Cooperation's with others**

Far Akademi are cooperating with teachers and board members within the universities. They also cooperate with RN through the preparatory seminars (for the tests) and they discuss the tests and what level of knowledge it would be on. Far Akademi keep dialogues with Civilekonomerna, who gives questionnaires to their members asking them about what educations they want. Then, Far Akademi develops educations that match the member's needs.

### **5.3.3 Högskoleverket**

The Swedish National Agency for Higher Education (Högskoleverket, HSV) is a Swedish governmental agency which is in charge of inspecting and promoting higher education sector activities. This through follow-ups and evaluations of the higher education's, quality assurances, always keeping the teaching methods up to date and they have of right to give academic degrees. (Högskoleverket, 2010d).

Our interview respondent **Jana Hejzlar** (further on Hejzlar) works as an investigator at HSV. She looks at evaluations and she handles the distribution of the right to give certain degrees.

### **The creation of the new Civilekonomexamen**

The government decided, after many years of lobbying, to introduce a civilekonomexamen as a vocational education. It was a working group at the department that shaped the description of the degree, probably consisting of business administrators from the different universities. The new Civilekonomexamen does not apply to a certain employment market as architects, doctors and lawyers do, they have a clearer path towards their professional life. Though the connection to the professional was one of the main reasons to why the new Civilekonomexamen was created.

Business administration is the largest single subject in Sweden; many of the universities has it. When the new Civilekonomexamen and the degree should be tested by HSV, they came to a conclusion that you have to offer the students a broad foundation and similar orientations on every university. They looked at the universities and what orientations the majority of the students did choose, and the result was accounting, marketing and then they added one

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optional. They also found the level of competent qualified teachers had to consist of at least one teacher with a doctor degree, with an employment of at least 50 percent at one university.

### **The Bologna process**

The implementing of the Bologna process was both easy and difficult. An easy part was the adoption of higher education credits because we had a similar system before. It was only Germany who had not had this system before. A more difficult part was to decide the number of degrees each level should offer. In Sweden we have six: a university- and a bachelor degree at the basic level, a one and a two year master's degree on the advanced level and a licentiate- and a doctoral degree at the postgraduate level. The other countries only have one degree per level (bachelor, master and doctor). And this creates problems, mostly on the advanced level, like how to separate the demands in the one and two year master's. It is the same with the postgraduate level, in Sweden we have four years, but the other countries have three. Therefore is one question if there is a chance that we can include the two year master's degree into the postgraduate level.

### **A more future oriented and work-life suited education, practical education**

Hejzlar (2010) believes practical education could make the education more work-life suited, but not future oriented because of the big difference between the academic and the professional world. The academic world teaches students how to find knowledge, but practical education world teach you how the work is done on that particular office. The firms that take trainees or offer you your first job are not interested in develop you for the future, they want you to do you current job.

Some vocational educations have some practical education because they demand it, but for the business administration educations it is up to each university to decide if they have the resources for it. If they decide to have practical education they are obligated to find relevant trainee places and educate tutors on the firms, but the biggest problem Hejzlar see is the large amount of students on the business administration educations.

### **Qualified teachers**

Hejzlar (2010) mentions that almost all universities (except for Uppsala, Stockholm School of Economics ("Handels") and the Swedish University of Agricultural Sciences (SLU)) applied for the new Civilekonomexamen, but only six of them got it. The main reason for this was the

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lack of competent qualified teachers and the lack of one of the demanded orientations (accounting, marketing and one optional). In a second application round, five more universities got the new Civilekonomexamen, and this was because they had managed to attract teachers from other schools. Hejzlar mean it is not unusual that teachers have several employments on different schools, maybe only 20 percent on each school. She state that there is an evaluation group in business administration that has come up with a suggestion that the universities should try to attract younger adjuncts to be able to secure the re-growth of professors. Hejzlar also suggest the institutions should have discussions with each other to find out how to finance this “attraction-process”. There are also universities talking about recruiting teachers from abroad.

**A more specialised focus on the audit education**

Hejzlar (2010) aims the education could be more exclusive, if it means that fewer students are adapted to the education but with the same economic recourses as today. In that way universities could give the students a higher amount of tutoring hours. More hours make it possible to choose where in the education to put them, because some parts of the courses demands more tutoring than others. Today all courses get the same amount of hours. Business administration is a social-science subject and those subjects get the lowest economic resources per student and year. The money is not earmarked for something special so the money can be transferred between the faculties, the subjects of the faculties and the courses on the institutions.

*“It is a question of warfare; you have to take economic resources from somebody else and that is not liked. You seldom hear about an institution that have had a proper discussion about that the different parts of the courses demand different amount of resources. They just distribute them equally over the courses even if some parts demand more than other, which is also a question about warfare. No one can make the education more exclusive when it comes to fewer places and hours than the universities themselves.”(Hejzlar, 2010)*

**Practical experiences: academic records**

Hejzlar (2010) says a student cannot receive academic records on other places than within the academic world. Though practical results are something that every employer seeks, but it is up to them and not the universities to decide what a person has that can qualify as a practical merit.

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### 5.3.4 RN

The Swedish supervisory board of public accountants (RN) is a public authority in Sweden who is handling accounting related questions. RN has two main tasks; they have the responsibility of supplying the business industries needs of accountants and they shall supervise these accountants. (RN, 2010b).

**Christer Petersson** (further on Petersson) is the administrator for audit examinations at RN. He work with questions about the examination, he deals with the approved accountant exam, the public certified accountant exam, applications and everything that is related to the exams, practical and theoretical. He is also the secretary for the exam council, which reviews the test.

#### **Basic demands on recently graduated students**

The demands on recently graduated students are coming partly from the government and the EU. The demands are a minimum of three years theoretical education and three years of practical education. RN as an authority does not really have any opinions on the education because the contents of the programs are regulated from the government and the EU. The opinions that RN has in their regulations is what RN think an accountant should know to be able to do well on the test.

RN does not have the authorities to affect the universities on what educations they should have. Petersson (2010) mentions that RN's intent is not to rule over the universities, but, as the government wants, to look over so the approved- and certified public accountants meet the demands on how to make an audit. RN does not check the educations for defects and if there is something relevant that the program's are missing. They leave that work to the audit firms.

#### **A more future oriented and work-life suited education**

RN has ongoing discussions with the audit firms, Far and the universities on how to make the educations more forward-looking and work adapted. RN tries to make changes in their regulations, but so far have there not been so many changes. Petersson (2010) don't see practical education as something that can be implemented in the educations, not yet anyway.

#### **Qualified teachers**

RN is aware of the lack of qualified teachers in accounting, but RN doesn't think it is the universities problem in the first hand. Petersson (2010) see a possibility in reducing the problem by including more guest lecturers in the education.

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**Theory and practices are going from six to eight years (suggestion)**

RN does not have any opinion on the discussion about extending the education to eight years instead of six years (three years of theory and three years of practical education). They know there is an ongoing discussion and they have paid attention to it, but nothing has happened in a while so RN is still waiting for more information.

**Swedish universities**

RN does not see that there are any distinct differences in knowledge between the Swedish universities. RN does not do that kind of research, instead the Högskoleverket are the authority that review the universities and checks if they have an offer on what is demanded of them.

**The audit firms**

RN has not done any valuation of the audit firm's internal educations. But Petersson (2010) believes they should be adjusted to each individual and it is up to each audit firm to decide on how much internal education each employee should get. RN does not have any demands on any particular courses, only that the employees should get internal, practical education to be able to pass the exam.

Petersson (2010) has noticed that the smaller audit firms lately have send at least three persons to make the test and at least one of them has passed it. An explanation to this can be that they have put a lot of money and resources on internal education for these persons or that the smaller audit firms have managed to hire highly competent people. The supplementary training for accountants after the university is handled by Far Akademi.

Petersson (2010) supposes the audit firms may affect the education on the universities because they have a lot of resources (money and competent employees) they can offer to the universities. They can offer to lease employees for guest lecturers or to finance teaching jobs.

**International aspects**

Petersson (2010) believes there have been changes internationally. Compared to only a few years ago, the government has now made changes in the regulations so you are allowed to do your practical education in the EES countries. Even practical education in audit and accounting in a foreign country are now allowed. The theoretical educations are still the same,



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but a difference is that you now can study abroad, but it still demands that you take the Swedish courses in business law.

It is up to every country to decide what demands you want to have on your accountants. In Sweden we have management audit (förvaltningsrevision), which is a very unusual demand. In that way it is difficult to compare different countries. Due to the EU directive you have to have at least six years of education and in that way we are at the same level as the neighbouring countries.

**Cooperation's with others**

RN is cooperating with Far through consultation a few times per year. When they meet, they discuss current questions about examinations and educations. There are ongoing discussions constantly. RN does not have any particular cooperation with Civilekonomerna. With the universities RN has occasionally contacts. The universities are following RN's demands, the demands that RN are having on the theoretical education and RN is making sure that the universities knows about what changes are being done. RN informs the universities about new changes so that they have time to switch over.

## 6 ANALYSIS

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*In this chapter we analyse the results from the empirical research. We will compare it between the theoretical parts and the respondents (both within the groups and between the groups) in this thesis.*

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### 6.1 The outline of the analysis

We will start by analyzing the view on the university education in auditing and compare this to the theory of the development of knowledge and Giddens theory of modernity. We will analyse this with our empirical findings of the subject. We will also analyse and discuss if it is possible, or even optimal, to learn all aspects of the audit profession during the university education. To do this will we analyse our empirical findings and compare these to the theory about different skills and competences that is required to have when being a professional.

This will lead us into a discussion about practical and academic university education and if the auditing education can be seen as academic education. In the theory there are both advocates and opponents of making the university education more vocational than academic. Furthermore will we analyse the possibility to make the education for auditors more specialized, which mean more courses in accounting and auditing than today, or should the education be wider, which mean more courses in other subjects than accounting and auditing. To be able to see what the audit firms are looking after will we have to analyse the recruiting process of the audit firm and compare this to the individual and structural knowledge theory. We will also look at the funding issue of the university educations of auditors and the future threats against the academic position of the audit education.

### 6.2 The development of knowledge

The purpose of the university education concept is to offer a place to become educated. Hence the fundamental idea of an education is to learn useful facts and ideas. The university education should nourish the critical and sceptical concept of thinking and analyzing facts and ideas. This is in line with the information we have received from our university respondents. Development of knowledge is important to have in mind to succeed with the construction of the university education programs and courses that it consists of. Therefore will we start of by using Forsberg et al. (1988) idea of knowledge development.

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The *systematic influence*, which the university offers to the individual who is looking to get educated in a specific area of interest, is affected by how the university conducts its education. The influence on the participation of a university education can be explained with the concept of knowledge development and Giddens theory of time-space distancing. The first step of the model (see figure 3.2) states that the accountant candidate will get influenced of something. This can be a textbook, a seminar or case study etc. However, the individual factor that affects the candidate can be explained by Giddens theory.

Giddens time-space distancing explains that the individual factors which affects the learning is affected by many actions and events from the past and distances in space e.g. from other places. The student will be affected by the input of the professor and the other students that is participating in the education at the same time and place. However the student will also be affected by his own efforts while preparing for the exercise, seminar or other interaction with the university (exams, talking to professors and other students), this will be distanced in time and probably the student will prepare his/her studies in another place than with the professor therefore there will be a distance in space. According to Sandell (Lund), students do not attend lectures and seminars that are not mandatory for the examination. This lead to that guest lectures and other audit firm involvement has to be mandatory or be examined to make students attend.

The pressure from the education system and society to make the student learn is also an important factor. A student that is motivated to learn and acquire the desired knowledge and competence will actually work harder and learn better. The Linnæus University, together with Ernst & Young, has an incentive prize for the student who gets the highest mark on the first accounting exam. This extra motivation in the beginning of the student's education can colour the future motivation of the student. Sandell (Lund) highlights the importance that students have an interest in learning to acquire useful skills from the university education.

The second step in the development of knowledge model is aimed towards the *actual learning* of the information that has influenced the student. The learning process is highly individual and depends on a high degree of the students own ability to take in information and accumulate it. The university education layout is important to help the student to build up the knowledge resource that the student can apply on future work and life situations. The curriculum the universities use in their auditing education have to both meet the standards that the RN (see appendix G) and EU(see appendix H) have for an adequate accounting education

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but also the pedagogic and teaching requirements that the Swedish government have on the university education. This puts the question of practical education on a tip. Because even if the auditing firms are willing to assist and have the knowledge for the accounting education the fact that they are practitioners and not trained educators in an academic sense can make their contribution of the learning process debatable. From our empirical study we have both got information that the firms are helping with the university education by providing guest lectures, case studies and other involvement in the education. This is good because the students will get a view of the real life situation of the work of an accountant and this can help the student to understand the meaning of the theory that the university is educating.

Also the influence of the professional audit practitioners on the lectures will give both the university professors/teachers and the student's an opportunity to share thoughts and ideas with the working practitioners of the profession. This is essential for a vital profession because the exchange between the university knowledge and the professional practitioners' knowledge will give the students a full insight in both the academic and the work-life of the profession. Ranstam (PwC) believes that the optimal teacher would work half time on the university and half time at an audit firm. This could be problematic because, as Moberg (Lund) said, it is a matter of timing when the courses are set meaning that in some periods in the year there are too much work to do at the audit firms and then they cannot contribute much to the academic society. A second problem, which Loft (Lund) highlights, is that the audit firms are able to offer better deals for the would-be PhD student than the universities can.

The general view of the academic world is to give the student a "birds-eye view"/textbook examples of the situation that is not always possible in the real life because of the information gap and other factors like time, money and manpower will decrease the possibility of information gathering. The textbook examples could also give a simpler and more foreseeable problem than the complex world in real life can give. For the education to be successful the student has to get broad understandings of the world where the audit firms operate in. This idea is in line with Loft's (Lund) belief that the universities job is to educate students to understand accounting, auditing and business in general.

The fact is if the professional audit practitioners are good at their work doesn't mean that they are good at learning out the theories that builds the audit profession. Gustavsson (Linnæus) points to professional auditors who teach at the university have to have some type of

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pedagogical experiences or qualifications. This to ensure that the lectures they give keep a certain level of quality and relevance. Beck (Civilekonomerna) highlights the problem of the lack of qualified teachers at the universities. He points out that there were only six of 23 universities who got the right to offer the new Civilekonomexamen, in most cases it was because of the lack of qualified teachers. The lack of qualified teachers, which Beck talks about, is also mentioned by Hejzlar (HSV).

The universities responsibility is to give the student a springboard for the future life of the student. The two choices which the university offers is, in principle, an education for the future work life for the student or a carrier in the academic world must be taken into concern when planning and executing the curriculum of the audit program. In IES 2 (see appendix H), the content of the auditing education program highlights the knowledge content of professional auditing education programs' which the student have to have to become a professional accountant. This standard is to ensure that the student will have enough knowledge to become a professional accountant in the increasing complex and changing environment of the auditing world.

The professional audit practitioners have a great insight in their part of the firm's business, and the knowledge they can express to the students could be limited to just one specific part of the whole picture. In Giddens theory the disembedding mechanism of modernity states that the trust in expert systems, in our case the auditor, is based upon the fact that the auditor/accountant has expert knowledge in a specific branch of the complex world of auditing that we the non- experts (the students) do not have. Therefore the information we receive from the audit practitioners will be taken for granted and will influence the students learning. At the Linnæus University they use a reference group consisting of different corporations who, indirect, can affect the contents of the university audit education curriculum. The corporations do not have any formal say but they can present their opinions. According to Tagesson (Lund) the audit firms can give feedback on the contents in the university programs. Moberg (Lund) has build up a strong network with several audit firms and can offer an elective course called "Revision". This is prepared and maid in cooperation with the involved audit firms. Uppsala University has cooperation's with both PwC and Ernst & Young with tutoring and when developing the courses. However, Sandell (Lund) explains that there are no cooperation between audit firms and the universities when developing the courses. This shows that the universities enthusiastic to use audit firms knowledge and competence when develop courses and programs.

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However the trust in expert systems can become compromised by failure in the business/industry. This failure could be of ethical and moral decent. Hence the trustworthiness of the audit practitioners can be impaired in the role of a teacher. However, Lind (Far Akademi) does not see any problem with the lack of teachers because the best educators are found in the business world and not in the academic world, according to Lind.

After the student has been influenced and the learning process has started the student will start the *process of knowledge development*. From the university education the student has got a set of basic knowledge. How the knowledge develops is personal because every individual has different backgrounds and this will affect the total knowledge resource accumulation for the individual person. The prior learning from a specific subject can influence the student in how he will develop his skills in the subject in matter.

The importance of the audits firms' existence in the audit education can, in this step, be seen as a crucial part of the development of knowledge in the university education. The practitioners of the audit profession have firsthand experience of the real work life situation in the audit firm and this can benefit the student when making the transaction from the academic world to the professional. This view is shared by all the audit firms and Far Akademi.

However at the same time the hazard of what corporate culture the firms live by can influence the academic world in such a way that its principles and values of an academic education can be corrupted. The practitioners' powers can create a disadvantage by limiting the development of the audit discipline. This because the audit firms have great knowledge in the technical features of auditing but the aspect of the critical and conceptual thinking that the academic education gives the student can be in danger. This view can be observed from our universities respondents.

The reflexivity concept in Giddens model shows the strong influence of how prior experiences in the student's life can affect how his/her knowledge development is complete. The reflexivity can simply be explained as the relationship between the case and the effect of an event. One common opinion from our university respondents are that more economic resources would increase the possibility to give more lecture-hours with case studies and discussions, which would lead to a better understanding of the connections between the subjects and how they work in real life. This would make it possible for the universities to offer other ways of examinations than just written exams.

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The idea that the responsibility of auditing is to do good and not to do well in a business context is an academic one, the audit firms have to make profits to survive in today's world. On the other hand the audit services which the audit firms offer have to be independent and of a high quality (both ethically and unbiased). Lopez et al. (2005) concludes that formal business training will decrease the acceptance of unethical behaviour. Therefore there is a need for the universities to shape their education curriculum to implement ethical elements in their auditing education. Tagesson (Lund) highlights the importance of implementing ethical thinking in every course of the university education and not only taught in a separate course.

The *usage of knowledge* is the last step in the Forsberg et al model. In the university world the understanding of the usage of knowledge are quality controlled through some type of examination. The most common way of examination is written exams, according to our university respondents. The written exam is, according to Tagesson (Lund), an easy way to check the individual's understanding of the subject which has been studied. However, there are some drawbacks when it comes to written exams: the student will only study for the written exam in mind and not for the practical usage of knowledge. This will affect the future use of knowledge. According to our respondents from the audit firms the lack of knowledge in basic accounting is a big problem with the recently employed students. This could be explained by the fact that the basic courses in accounting are given early in the university education and are often examined by written exams. This can also be explained by Giddens theory of reflexivity, where the students learn basic accounting in the first years of the education and they in the later years learn more critical and sceptical views of thinking. This acquires a higher academic level which is more remote from the practical world. However, this view of critical and sceptical thinking is of most importance in the professional world of auditing and accounting.

To understand how the learning process helps the student to gain competence about the audit world will we analyze the competence concept.

### **6.3 The competence concept and the universities theoretical education**

To understand what the audit firms are looking for when they are recruiting students from the universities, will we look at five main competence areas which are needed to be a successful professional. The university education is often focused on the professional technical competence area, because this area fits the academic view of the universities. The universities

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can easily teach the students how to use theory, methods and principals. However, the audit firms are demanding other areas of competence than the technical part. We have seen this in the empirical work. All the audit firms we have talked to wanted more than the formal education which the universities offer. This is in line with IES 3-4 (see appendix H). The skills, general education and professional values, ethics and attitudes, which is explained in IES 3-4, is gained to ensure that the candidate is equipped with a suitable mix of skills which is an advantage for the future work of the audit student. Also, the importance of values, ethics and attitudes in the profession, in IES 4, is in line with all our respondents. These competences are valuable for the audit firms and for the society.

Because the audit firms are looking for applicants, who have more than the professional technical competence when they are recruiting, the universities have to offer an audit curriculum which offers the students a broader perspective than just the theory, methods and principles of solving a task. All universities in our study have programs in auditing which fulfils the theoretical requirements of RN. This will give the student at one of these universities an opportunity to become an auditor. However, the universities also have to offer the students a chance to improve their other competences. The personal competence is important to the audit firms because the nature of their work. The university education has to motivate and give the student a good attitude towards auditing. This is important to implement the ethics and the responsibility which the audit has towards the society. The strong influences, which have been seen in the auditing profession, have to be fought in the beginning of the auditor candidates' career. Hence, it is important to implement ethical courses in the university education or integrate the ethical behaviour into the auditing education program. Studies have shown that formal business education has made an effect on the student's ethical behaviour (Lopez et al 2005).

The formal education, which the university offers, is a good starting point because it teaches the student the theory, methods and principle to solve a task. The common view of our respondents is the students should get a broad education. The specialization should be in auditing because it is the main subject, but there is still a need for other subjects which is required by RN and for the fundamental understanding of the business world. This view is shared of all the university respondents we have interviewed. They state that the student should be offered a broad education because this enables the student to have more work and academic opportunities than just to work as an accountant.



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Gustavsson (Linnæus) points out that the making of all the university educations don't have to follow the same model on how to build-up the auditing education. This view is also shared by Loft (Lund) who says the current auditing education in Sweden is good, as a whole, compared to the UK. The only demands are that the universities have to follow the requirements from RN for the audit education. But the student can chose to study an alternative business administration program and complement it with the required courses to be able to be a certified public accountant. This flexibility in the system will be discussed further on.

The courses which are required by RN (see appendix H and I for specific requirements) have been developed from an international perspective (EU) and also from the Swedish government. The main part of the courses (90 ECTS) is in business administration. The common view from our respondents is, even though the student should have a broad education, the specialization should be in accounting and auditing. However, we have come across some evidence that the audit firms are looking for students with a one-year master's degree. This indicates that 90 ECTS is not enough for the students who wants to work at an audit firm. Lind (Far Akademi) sees a lack of audit and accounting education in the university curriculum. In both Denmark and Norway the university audit education is five years. However, the Swedish audit firms do not see any differences between students who have four or five years of formal education. This is because when they are recruiting, they focus on other things than just the formal education. On the other hand a three year education, which is the minimum requirement from RN, is not enough for the audit firms. This can be explained, as Flaig (Deloitte) puts it, they do not want to hire too young individuals, it is better for the students to get an extra year at the university. Also there is no university program which covers all the necessary courses in only three years that we have come across. If the student wants to finish in three years he or she has to take additional courses during the program.

The other business administration courses, which are important for the understanding of the auditing work, are organizational theory and marketing. Our respondents have a unified opinion that the student has to know the basics of both how marketing and the organizations works. This knowledge, which the individual receive, from the formal education of both marketing and organization, will help the individual to get a better understanding of the business concept or the mission of the firm that will employ him or her. However, the university education has a limitation when it comes to giving the student a strategic competence of the firm or company that will employ the individual in the future. The university education can nevertheless give the individual an understanding of how long-term

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and short-term organizational questions can be viewed with a critical and sceptical way of thinking. All our university respondents share this thought. Far Akademi also mentions that the students have to have a basic understanding of how the firms are operating and how it is structured. These basic understandings can be learned at the university and, as we perceive, it is already done at the universities. Therefore the strategic competence can actually be taught in the university education, even though at limited extent, because of the nature of the strategic competence. The individual have to get an own understanding of the strategic competence when he or she start working at a firm.

Another of RN's demands is the economics, mathematics and statistics courses. According to our respondents from the universities and the audit firms, these courses are included in the education to give the student a fundamental understanding of the business world and to fine-tune the analytical understanding in statistics and calculations. It can also be noted that firms use screening tests for determine of which applicants that is suitable to hire. Of this, we can conclude that both statistics and mathematics is relevant for the audit firms. The mandatory economic courses are focused on giving the student an understanding of how society works and what forces that plays on the financial markets of the world. Our respondents have been positive towards the economics courses (NEK) which are required by RN. This can also be connected to the strategic competence. The economic courses will give the students a fundamental understanding of how the complex world that the audit firms operate in work. This will help build up the students strategic competence.

The other main subject field, required by RN, is the business law, which covers 45 ECTS. All our respondents have been positive to the amount of business law courses in the education with one exception; one of our respondents' opinions is that the education should be more focused on auditing rather on accounting law. This because the university education should be more academic focused and the university education should not be a training school for auditors. Even though, the business law courses are very focused on professional technical competence because of the nature of the subject.

The remaining requirement of RN is the information and computer science subjects. According to 3§ RNFS 1996:1 all the mentioned subjects can be studied separately or incorporated in other courses. This affects the information and computer science subjects because they are often incorporated in other courses. Our audit firm respondents are critical towards the lack of competence in presenting techniques and skills. Strandberg (Ernst &

Young) highlights the poor presentation skills among recently employed auditors in Sweden compared to the US and the UK. This problem could be a cultural phenomenon because, in the US and in the UK, debating and presenting are integrated at an earlier start in the students' life. This can be linked to the social competence where the ability to adapt to different business environments are crucial. All our audit firms' respondents are critical of the lack of presentation- and oral education at the universities. This raises the questions on how to make the university education more practical and vocational to meet the future demands of auditing. This creates an issue which concerns that even if a practical or vocational education would help the student to acquire more competence in different areas, which is required for an accountants' work-life, could be seen as an academic education. Therefore, will we discuss if the auditing education is an academic practice.

#### **6.4 The implementation of the universities practical education and the competence concept**

To solve the problem of giving the students the right competences, which is needed for the future work life and a deeper understanding of the auditing subject, the universities have to look for other means of learning than just textbook reading and seminars. In our empirical study we have found evidence which incline that the audit firms are looking for students who have competence in all five main competence areas which Lundmark discusses. However, the universities have some limitations when it comes to offering an education which will give practical experience needed for some of the competence areas in mind. Moberg's (Lund) course *Revision* is one example on how the university, in cooperation with the audit firms, can make an education which will enable the students some insight in the competence areas needed. However, this is only one elective course which is not integrated in any business administration program at the university. Therefore the course is an exception rather than a fact in the audit education curriculum. A course like this can (at a limited level at least) give the students a strategic competence of the firm because the student will get the first-hand experience of the mission of the firm and probably get a short-term and a long-term understanding of the organization.

Practical orientated education at the university is often case-based because the natural limitations of getting practical university education at the audit firms or in the work-life during the university education. However, in Denmark they have created an alternative to the

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traditional bachelor degree, HD. The HD is an education with half-time university education and half-time work at an audit firm. This is one solution to the problem of implementing practical work experiences in the university education. This enables the student to get a higher competence level in several areas. The functional competence which is the “nexus competence” to function in a workplace environment is benefited by working and learning at the same time. The social skills and strategic competences will also get beneficial effects though the student will face real-life work situations like handling different situations and conflicts that could occur at the workplace. However Loft (Lund) is critical to this program because the students are focusing too much on the work instead of the university education. She also gave an example of a student who complained on that he had got a high mark on an exam and could have done less to pass. This extreme focus on the work-life during the education can have negative effects on the academic education. This because of the students, even though they will have a good chance of putting theoretical knowledge into real practical use, they will focus too much on the practical and not enough on the theoretical part of the education. This can endanger the critical and sceptical thinking which the university encourages the students to have. According to Loft (Lund) the Danish HD education’s part-time work that the students perform is unqualified or requires low skills. The argument is that the practical part of the education will not benefit the students learning of the auditing skills instead the student will see the benefit of getting paid. This monetary reward could make the student less interested in the university education and he/she will focus more on the work. This is one of the fundamental down-sides of implementing practical education in the academic world. However, Ranstam (PwC) sees that the benefits of the Danish HD-program which gives the students relevant work-life experiences as good. Still the university respondents are critical of the quality level of the part time work at such a program.

A question which has arisen is if practical experiences should be counted for as academic records. This is because practical experiences will benefit the different competence areas, hence will give the students a competence edge that could be quantified in academic records. However, all our university respondents from Lund, Uppsala and Linnæus have been strongly critical toward this suggestion. Their view of giving academic records for practical experiences is that the university has control over the workplace and that the students would actually be able to learn the practical and the theoretical parts in an academic way. If the practical education should be implemented in the auditing education, the university has to have control of the academic records and the content of the practical experience. This is

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because of the quality assurance which the university has to give. The “quality stamp” which the university degree gives the student has to assure the education's value to society. Because the auditing is a profession the reputation has to remain high, and this starts with a solid academic education. This view is in line with all our university respondents. Gustavsson (Linnæus) also highlights that the university education should treat all students fairly regardless of the students' backgrounds. The common view of our respondents from Lund and Uppsala is that it would be difficult to determine what practical experiences which would be approved as academic records. It is important to separate work from the practical and theoretical education. Hejzlar (HSV) states that practical experiences is up to the employer to decide what is wanted and not the universities' job to decide what practical experiences that is required.

However, as Moberg (Lund) sees it, the students are screaming for more practical experiences in the university education because there is a gap between the practical and theoretical education when the students leave the university to start their work-life. Beck (Civilekonomerna) have also noticed that both students and professors have a demand for practical education and therefore some professors, like Moberg (Lund), have developed his own network of audit firms to assist with practical education. Beck has observed an issue with the practical education; the quality of the education could be compromised by the cooperating firms. If there is a way to keep a high quality of the practical education, this is a great way of creating networks and getting useful experiences and competence. Lind (Far Akademi) sees a positive opportunity of building networks and to see the professional role in different situations at the work-place. This is in line with Lundmark's theory of competence. But Lind is also sceptical, because the implementing of practical education would demand a lot of effort from the audit firms.

Loft, Sandell and Tagesson (Lund) sees it difficult to have a large scale of practical education on the audit firms and this view is shared by our audit firm respondents. Petersson (RN) sees that the practical education is not anything that can be implemented at the university level, at least not today. It is not the universities' responsibility to give a practical education because the audit firms are much better on doing this. It takes five years to become a certified public accountant; hence the firms have time to give the new employee much more practical experiences than what is possible at the university. Therefore the competences, which are not learned at the universities, would be learned at the audit firms.

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Hejzlar (HSV) observes that the audit firms, which offers the student his/her first job, is not interested in developing the student for the future in the same way as the university and academic world do. The firms are interested to provide the knowledge and competence which is required for the current job. Tagesson (Lund) has noticed that an academic education is an advantage for the audit profession, because the critical and sceptical thinking, which has been learned at the university, will enable the employee to be more suitable for the changing and the complexity that the future holds. The future holds a lot of changes and the increasing complexity of the future auditing work will put a lot of responsibility on the auditing professional shoulders. Therefore, as Tagesson noticed, even if an individual with a qualified vocational education (KY-utbildning) is good at the technical part of auditing he/she will have a disadvantage towards the individuals who has an academic degree. This because of that they will not have the same understanding of the complex changes in the auditing world.

### **6.5 Is auditing an academic practice?**

The main question is if the universities should make the audit education more practical or vocational and if this is future orientated. Gustavsson (Linnæus) states that the new Civilekonomexamen degree has the same theoretical demands as the old but focus more on employability for the students. This confirms the idea of Demski, who states that the education has become more vocational orientated. This can also be seen in Sweden in the creation of the new Civilekonomexamen degree which is seen as a more vocational education than the traditional master degree. This vocational focus could give the students a deeper understanding of the work-life and contribute to the development of the needed competences and also the benefits of getting networks in the business world. This is in line with the opinions from Lind (Far Akademi). But still Loft (Lund) believes that the university is not a training school for auditors, instead the universities job is to educate students to understand accounting, auditing and business in general. According to van Wyhe (2007), the universities have not evolved to become schools of auditing, which is in line with Loft's (Lund) idea.

The auditor's responsibility towards the society is to do good for the society and not just to do well for the audit firm. The audit firms, which we have talked to, have off course highlighted the need of ethical behaviour and sustainability of the profession. However, to maintain the high level of critical and sceptical thinking the auditing education will have to be focused on the academic purpose of the education. Hence, the education must fulfil the theoretical aspects

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of how the business world functions and how society is structured to be able to think outside the narrow perspective of the audit firm. The responsibility towards the society, which the auditor has, can be seen in the development of the auditing education. Tagesson (Lund) says that the new Civilekonomexamen has one disadvantage with the thesis, because the old system consists of two theses' consisting of 15 ECTS each. This gives a disadvantage because mistakes, which could arise in the first (bachelor) thesis, would not be raised in the second (master) thesis, in contrast to the new Civilekonomexamen where there is only one thesis. According to Loft (Lund) the Danish CMA education also consists of only one thesis (30 ECTS). However, the quality level is the same as the Swedish one year master which has a thesis of 15 ECTS. On the other hand, the Civilekonomexamen thesis, which stretches over one semester, gives the opportunity for the student to make the thesis more practically established. The focus of the Civilekonomprogrammet is, according to our university respondents, more vocational.

There may be a risk that the student who makes a case-study at one audit firm during a whole semester can be affected by the firms' mentality. This mentality could affect the academic thinking and make the students more focused on employability at the firm. Therefore, the critical and sceptical thinking, which an academic education gives, could be compromised. However, the networking which the students achieve during the time with the audit firm could also give the student a broader understanding and view of the actual work, which is not possible at the traditional education.

However, the responsibility of the universities is to educate PhD-students for a sustainable academic future for auditing. On the other hand, all our audit firm respondents want the university educations to have a stronger focus on the basic understanding of auditing techniques. Therefore, there is a risk that if the profession will be more involved in the auditing education, through practical work-life simulations, the focus would be on auditing technical problems. This would suggest a potential hazard of limiting the level of the discipline by letting professional practitioners be involved in the learning process. On the other hand, the lack of real-life experiences among the professors could lead to a stagnation of the profession and the education. This has been observed Chang & Sun (2008) in their article because the profession do not promote the academic side of auditing.

The Linnæus University has established a close relationship to Ernst & Young (in Växjö). This cooperation gives the student a view of real work-life experiences of how business

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systems, accounting procedures and annual reporting are done in real life. This enables the students to get a fairer understanding of the issues of auditing in real-life situations. Even though, textbook examples give a good fundamental understanding of auditing, the problem is that in real life there are a couple of factors which can affect some aspects of the profession (time, resources, access etc.). This influence of practicing professionals of the course content can help the students by simulating (simplified) real-life work situations. A case-study, which is done in this fashion, can help the student develop a critical and sceptical thinking about auditing problems.

Moberg (Lund) sees the benefits of using professional cooperation's between the universities and audit firms to make the education more relevant and future orientated. Today, the courses are focused on classroom seminars which are examined by a written exam. The benefits of "laboratory exercises"/case-studies, which can be discussed and analyzed through a critical and sceptical thinking, is that the student gets more involved and have to use the gained knowledge in a professional way. This type of education could close the gap between the academic world and the work-life. Because the audit firms have requested more presentation techniques and rhetoric's (have also been seen in our empirical study) the new Civilekonomexamen will include more of these areas. However, the problem is that it is impossible (time and resources) to sit down with every student and give enough feedback to make any larger changes. Another problem that arises is if valuating every student's oral presentations could demoralize the student and lower the motivation of learning. Tagesson (Lund) points out that the auditing education could become more academic focused. Instead of just learning practical knowledge about methodology or a computer program the student should learn the academic accounting theory. Even if the knowledge of this is not directly applicable, it creates an understanding in the long run of how it all works. Hejzlar (HSV) highlight that the academic world teaches you how to find knowledge and the practical education is made to teach you how to work at a particular office.

To assure that the practical elements of the education is of high academic standard, Hejzlar (HSV) points to the universities, who uses practical education, are obligated to find relevant workplaces which fills the quality requirements of the education. Gustavsson (Linnæus) says that to ensure the quality of the education, the practitioners have to have some type of pedagogical education to ensure that they are teaching the right knowledge to the students.



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Even if there is some European countries (Belgium, Ireland, the Netherlands, Spain, Switzerland and the UK) don't require a formal university education (see appendix F), the profession stills have a strong tendency to be connected to the formal education which the university education offers. This can be seen in the UK were 93% still having a university degree even if it is not required. This can be explained by the fact that the auditing is a profession and there is a high degree of self regulation to legitimize the actions of the profession. This is emphasize by Tagesson (Lund 2010) who states that the university education gives the student a critical and sceptical way of thinking that is sought after by society and the profession.

However, if the audit education is academic or not can be discussed, but the fact is the knowledge that is learned at the universities have to be adapted to the real life. Hence, the audit firms are major actors on the employer's side of the occupation market. Therefore, their demands have to be taken into account when making the education. Therefore, will we analyze how the individual knowledge, which is gained from the university education, will be utilized in the organizations structural knowledge.

### **6.6 Individual and Structural Knowledge – The recruiting problem**

Sveiby et al. have determined that there are two types of knowledge, structural and individual. The individual knowledge is knowledge the individual have got from a university education or a professional experience. The individual knowledge is also developed through personal networks and personal reputation. The audit firms use an extensive recruiting process to determine if the individual, who wants to become an auditor, has the pre-requirements which the firms are looking after. From the formal education standpoint it is important for the audit firms that the individual has completed a university degree and has the required courses which RN requires for the accounting test. However, if the student has other abilities the firms can be lenient if the student lacks one or two courses for RN's requirement. It is also common by the firms to have some type of screening test to determine that the applicant have what it takes to work as an auditor. This differs between the audit firms in how extensive the screening test is. All the firms use some type of screening test to determine what applicants that is wanted. The test can be in before the first interview or after it. The tests are to check the candidate's analytical, logical and verbal skills. Personality-tests are also used to see if the applicant has a suitable personality to work at an audit firm. This is also a part of the individual capital

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knowledge. The reputation or the values of the applicant can determine if the candidate is suitable to work as an auditor.

The case tests are made to determine if the applicants that have gone further in the process have what it takes to work in a stressful environment like an audit firm. Both Deloitte and Ernst & Young use this method to determine the stress tolerance of the applicant. The assessments centers that Ernst & Young uses are more focused on stress and case tests in a work place environment than the first screening test. PwC uses a test that is similar to the SAT-test to determine the intelligence of the applicant, this to see that the applicant is able to learn the auditing in practice. However the test is an important part in the process there is still a large focus on interviews with different people in the organization. The interviews are often made with managers and with individuals that is specially trained in human resource questions (individuals from the HR-department of the firm). The interviews and tests are focused to determine if the applicant's individual capital knowledge is comparable to the firms' structural capital knowledge. Therefore is the extensive recruitment process needed to determine that the applicant have the required university/formal education that the firms looks after but also the professional and personal experience. The fact that the most new recruits are recently graduated from university means that the professional experience from the audit profession is limited. However the audit firms look after other activities that the applicant have been evolved with, this includes student activities, student unions, sports and non-profit activities. These activities shows as Ranstam put it the capability to many things at the same time. This view is shared by all the firms we have talked to. This shows also team work and leadership abilities, especially when it comes to sport and student union activities. The structural capital knowledge is the organization total experience and knowledge that is needed for solving the clients' problems. The organization therefore seeks individuals that is compatible with the organizations overall goal.

This leads us into the question if the audit education should become more focused on practical auditing or more specialized on auditing itself.

### **6.7 A more specialised focus on the audit education**

The idea to make the audit education more specialized and focused on auditing, hence making it more exclusively focused on auditing, has its theoretical background strengthened the profession. The definition of a profession is an occupation which requires the practitioners to

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have a lot experiences, competence and education in his/her field of work. This means the theoretical base is the knowledge acquired at the university. Other characteristics for a profession are competence tests, ethical codes and self-regulation, but also a license to practice his/her profession. All this is applicable to the auditing work; therefore the auditing is a profession.

However, in the field of for example medicine the education is focused on a specific area within the medical profession, both in theoretical and practical education. This exclusivity leads to legitimacy among the practitioners. However, in the field of business administration the views are a bit different. Even though it is sought after to have a specialization in auditing, the main idea of the audit education at university level is to give a broad and wide understanding of how the business world and the society works and how they integrate. This is the main answer which we have received from our university respondents.

The auditing profession in Europe often requires a university education (see appendix F) or equivalent, according to article 6 of the EU's 8<sup>th</sup> directive. Also, IFAC and the Standard Setting body for Accounting Education (IAESB) have developed standards (IESs; see appendix H) which have to be followed by the European Union member countries. The standards state that the education has to integrate several elements in the audit education or equivalent. Our university respondents want to offer a broad and wide education, because when the student begins the university they do not always know if they only want to focus on auditing. The varieties in the university auditing program's give the student an opportunity to work in many fields of business administration. This is also good because it gives the students an opportunity to find other jobs than just auditing, which can be helpful during recessions. Therefore, the employability of the students is increased. However, a more specialized focus on auditing may imply that RN's requirements of other subjects than auditing could be compromised. Also, our audit firm respondents are positive to today's variety in the audit curriculum because it gives the students an overall theoretical base to stand on when they start their work. Even though, Deloitte and Ernst & Young are critical of the students lack in knowledge of basic accounting.

According to Strandberg (Ernst & Young) the students should have basic knowledge of auditing, even before beginning the university. This is to make sure that the students have the basic understanding of auditing even before beginning at the university. In IES 1 (see appendix H), the IFAC member bodies education program have to be created for giving the

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student a reasonable possibility to succeed in his/her studies and, as Strandberg (Ernst & Young) mentions, there could be an entry test to determine if the students have to receive more basic education in auditing, even if the student is accepted to the university. This is one way of making the education more specialized. Ranstam (PwC) points to that the status of the profession will arise; this could be achieved by a more focused specialization in auditing. Beck (Civilekonomerna) would want to make the education more specialized by bringing in more practical elements in the university audit education. This idea could give the education a more vocational edge by introducing elements from the internal educations of auditing which the audit firms use. However, this solution could compromise the academic side of the education and make it more difficult to attract PhD-students because the focus will lie on the work-life. This could, in the long run, create difficulties to find qualified professors. On the other hand, Lind (Far Akademi) believes the best educators are to be found in the work-life and therefore the problem of founding qualified professors could be solved. However, Lind thinks the current audit education is satisfactory because her experience is that a broad education has will give the individual a wide range of opportunities. A more narrow education could be good for the students who already know what they want to do and when you begin at the university you should not narrow down your opportunities. Petersson (RN) does not see that RN have any influence over the universities when it comes to what educations they should offer. RN's intends are not to rule over the universities, only to approve certified public accountants. RN has ongoing discussions with Far and the audit firms to see how the requirements can be changed in the future, but today they have made few changes since the beginning.

One idea, to make the education more specialized, is to implement the content of the internal courses which the audit firms use. Far Akademi's training program (see appendix K) has the outline of how the internal could look like. But we have realized the internal courses have another meaning than just the educational. These aspects are the networking and social aspects, which this courses results in, will lead the individual to a closer relationship to his/her firm. As we have noticed from Sandell (Lund) and the audit firm respondents the internal education includes a business trip somewhere, both international and national. This would be impossible to implement at the university, even if it would be beneficial for the education. Sandell (Lund) also mentions the importance of the social aspect of team building.

Historically, the strengthening of the Swedish auditing profession, after the Kreuger crash in Sweden 1932, resulted in a more comprehensive regulation of auditing and the education.

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Even if it is a long time since the Kreuger crash happened, there are still audit failures which involve the audit profession. The greed and the failing responsibility towards the society, which has been noticed on the world markets during the beginning of the 21<sup>st</sup> century, have made the demand on the profession to strengthen its theoretical basic knowledge, ethical codes and self-regulation. The self-regulation mechanism of the profession can make the education shift focus because of media attention and pressure from the society. This could lead to a more specialized audit education than we have today with more requirements and regulation of the audit curriculum at the universities.

Hejzlar (HSV) sees the problem from a different view; the education cannot be more specialized in auditing because of the lack of economic resources. A specialization would imply that fewer students would be accepted to the university. If the economic compensation, which the university receive for each student, is the same as today the university could not offer a education good enough for those resources, that is because, if they do not get any economic “help” from a third party.

This will lead us into the discussion about the future and what threats and possibilities there are for the audit education.

### **6.8 The future for the audit education – the threats**

For the audit profession to be sustainable and have a future the education will play a very vital part. This because of the education is the fundamental core to secure the future for the audit profession. The ability to offer a high quality education with formal elements and to exclude elements of greed which an academic education can offer has in studies, by Lopez (2005) and Peterson (2004) shown business administration students are less likely to misuse the trust society has given them as auditors. However, according to Arwidi & Sandell (2007), there is a correlation between the amount of resources and the quality of the education. Hence, there is a threat that the lack of resources could negatively affect the audit education.

The future threat is the question about allocate the resources better. The funding to different university educations has to be more equal, otherwise the lack of accounting and auditing professors will be an even bigger problem in the future. This has been pointed out by our respondents from the Lund and Uppsala Universities.

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Beck (Civilekonomerna) believes the allocation of resources between the universities faculties have to become more equal. According to Arwidi & Sandell (2007), the compensation for the business administration department per full-year performance in Sweden is only 17 847 SEK, which is much lower than the technical department who receive 39 384 SEK. Also, in comparison with our neighbouring Nordic countries Swedish business administration students receive between 14-122 % less than the other Nordic countries. This has been clearly noted by our respondents from both Lund and Uppsala University, but also Beck (Civilekonomerna) who finds the problem alarming because it affects the quality of the professors and who actually lead the lectures. The differences in economic resources between the scientific subject's fields can be seen in who is leading the lectures. The technological science subjects receive more qualified professors to lead the lectures than in business administration. Also, the hours is spend at lectures, seminars and practical education is far less in business administration than it is for the technological science subjects. On the other hand Petersson (RN) believes the Swedish business and administration education is as good as our neighbouring Nordic countries educations. However our respondents from Lund's university pointed out the fact of there were not enough resources sometimes to implement some more practical elements in the education. The lack of tutoring hours will imply the student will get limited contact with the teaching professor. This is affecting the education quality.

To be able to increase the reputation of the education, the business and administration programs' have to receive more funding than today's level. The universities can't invest in better post-graduate programs which will attract more and better post-graduate students today because the resource allocation between the different university departments is unevenly distributed. If the founding of the education is improved the chance of attracting the best students suited for the PhD programs increases because the universities can offer them a competitive agreement. Hence, the university will be able to have qualified professors in the business and administration department. Beck (Civilekonomerna) wants the universities to put more effort in attract PhD students to be able to educate future qualified professors. Today, Beck says it is too many PhD-students who are in charge of the tutoring at the business and administration department, which he thinks need to be change. Otherwise the level of the education will decrease. Lund and Uppsala have both pointed to the difficulties of attract PhD students to the universities, because they do not have anything special to offer them.

The explanation, according to Beck (Civilekonomerna), is the technological science subjects are, by tradition, given more economic resources due to their nature of their education.

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Another possible explanation is the business administration education is seen as an “easy” way of educate the masses. This political aspect could actually be one factor which affects the quality of the education. As it looks now, the business administration educations are cheap, mass educations which will only result in too many graduated students who would not get work.

When 23 universities applied for the new Civilekonomexamen only six of them actually obtain approval to offer the education. One of the major factors to this was the lack of qualified teachers at the concerned universities. The Uppsala University, one of Sweden’s most respectable universities, did not even apply for the new Civilekonomexamen because they did not like the structure of the program. However, the Uppsala University has improved their faculty by cooperating with the Stockholm University (SUMA), by this they can “borrow” qualified teachers from each other. This can also be seen in the creation of the Linnæus University (Växjö and Kalmar universities).

Ranstam (PwC) on the other hand, sees a solution to the teacher-problem as finding persons working halftime on the university and halftime at an audit firm. Then the teacher can give a view on both the theoretical and practical parts in his/her tutoring. This could have a drawback of diluting the academic view of the audit education, as Demski (2007) describes it.

### **6.9 Summary of Analysis**

To understand the choice of theoretical and empirical material and to get a clear picture of how the auditing firms and the universities can make the requirements for education relevant a model to summaries this analyse is made.

On the left hand side we can see the university and the stakeholders that can influence them. We can also see that the university has in principle two choices when making the educational programs. The first is to make it academic e.g. more of the traditional way of learning and focus on keeping the best students in the academic world by offering PhD programs. The other way to go is to make the education more vocational and more focused on the work-life after the university studies. More work integrated or flexible with part time courses. In the middle we got the firms and their recruitment process and how the regulations affect the prerequisites on the students and firms. The international influences on the audit profession trough EG 8<sup>th</sup> directive, IFAC’s standards on education (IES) is shown on the national regulation of Sweden and therefore affects the firms to hire persons that are finished or will be finished with their education. However here it is noted that the firms don’t only look at the

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academic result but also at other skills and competences that is required for the work as an auditor. And furthest to the right is the end user of the financial statements. The recruiting process is done to find the right candidates to become professional auditors. Therefore both the firms and the candidates must clear three quality controls along the way. The first is to get accepted to the university, the second is to get accepted by the firm. If the standard of the candidate is not sufficient he/or she will be rejected. The third control is both for the student and the firm, because auditing and accounting is a knowledge-based work with both structural and individual knowledge capital. This will lead us into the fact that when the auditor candidate starts his academic carrier at the university and until he graduates, will he only learn from the books and have a limited practical experience of the understanding of business and other competences. Though are his academic skills in learning to learn high and the “package” he got from the university will help him in the work life. This leads us into the theory about competence and knowledge. The end user control shows also the self regulatory concept of a profession. If the auditor fails or the audit firm fails then they can be excluded from the arena.

On the next page we present our model over this summary:



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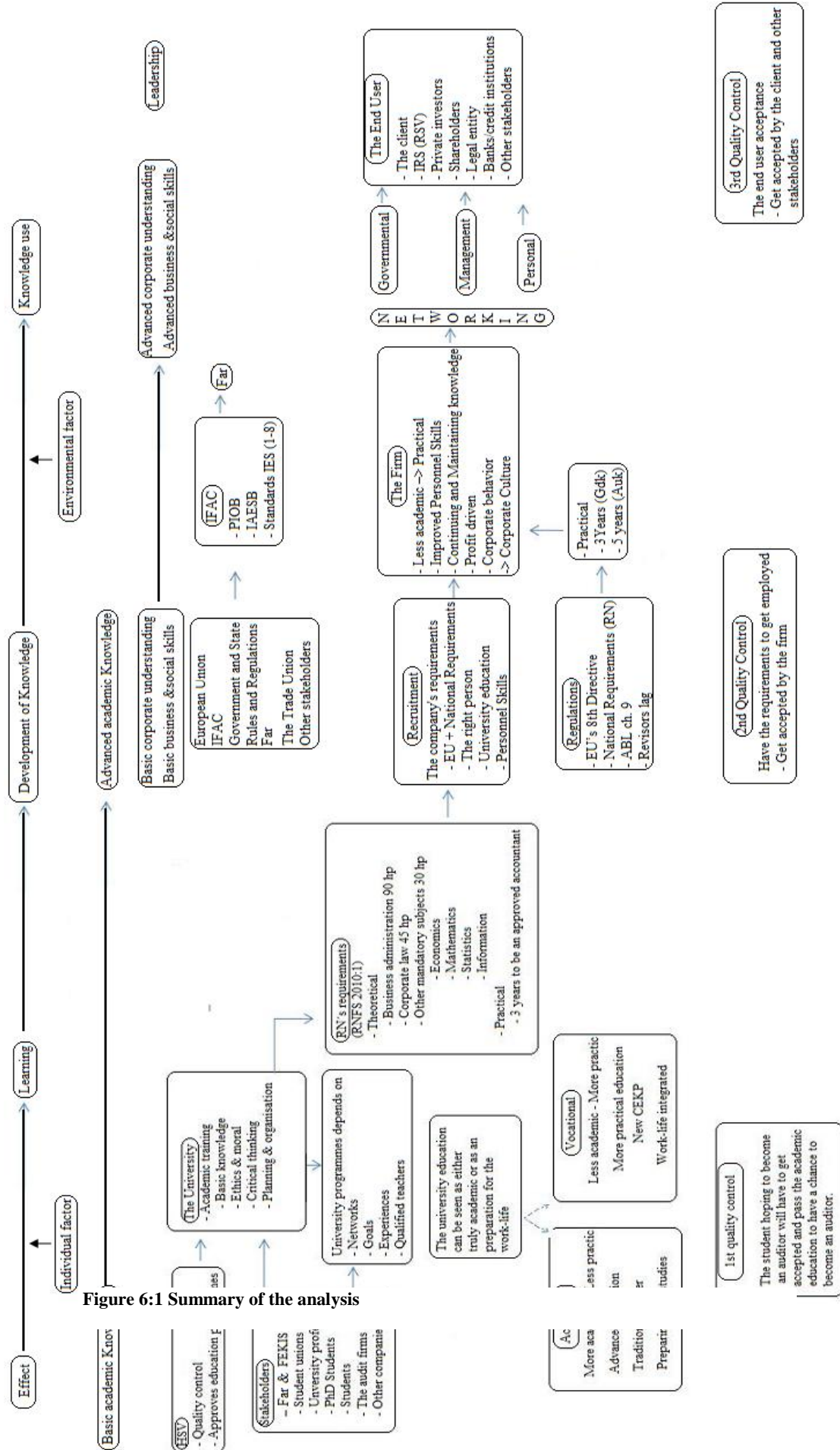


Figure 6:1 Summary of the analysis

## 7 DISCUSSION & CONCLUSION

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*In this final chapter we present and will have a discussion about the conclusions and results we have found in our research. With help from the conclusions will we answer our study questions. In the end we present our own reflections and decision for future research.*

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### 7.1 Discussion

In this thesis we have tried to describe and analyse how the Swedish universities can make their auditing education relevant and in line with the requirements for the future external auditing market. When we begun our study we asked our self's three interesting questions about how to make the future requirements of auditing and accounting education relevant and how the universities and CPA-firms could cooperate together to make the education relevant. The three questions were:

- *How can the Swedish Supervisory Board of Public Accountants (RN) make the requirements more up-to date and in line with the different education choices?*
- *How can the Swedish universities become more relevant on educating future auditors?*
- *How can the actors and audit firms influence the Swedish universities requirements for audit education?*

The universities responsibility is to give the student a springboard for the future life of the student. The two choices which the university offers is, in principle, an education for the future work life for the student or a carrier in the academic world, which must be taken into concern when planning and executing the curriculum of the audit program.

The general view of the academic world is to give the student a "birds-eye view"/textbook examples of the situation that is not always possible in the real life because of the information gap and other factors such as time, money and manpower will decrease the possibility of information gathering. The textbook examples could also give a simpler and more foreseeable problem than the complex world in real life can give. For the education to be successful the student has to get broad understandings of the world where the audit firms operate in. The belief is the universities job, is to educate students to understand accounting, auditing and business in general. With introduction of the new civilekonomexamen which has a more

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vocational view can be seen as confirming Demski's idea that auditing has gone from an academic practice to be more vocational orientated. The vocational focus could give the student a deeper understanding of work-life and contribute to the development of competences that is needed in the world of auditing. The issue of the development towards a more vocational education is that critical and sceptical of an academic education is put aside. Still the respondents we have talked to at the university have ensured that the theoretical and academically level is the same in the education.

However the universities have to focus on other competence areas than just the technical. This can be solved by demanding more practical experiences of the auditors. By implementing more tutored group exercises, role-plays or workshops to help the student gain competes in the other areas which is needed to function in the work-life. In Denmark they have gone one step further by implemented an alternative bachelor degree (HD) which is a part time education combined with work-life experience. An issue with the HD is that the students will focus more on the work than on the education. The university education is put aside for the practical work hence this will lead to a lack of critical and sceptical thinking. Another problem with integrating work life experience with university education is the fact that the quality assurance of the practical work is hard to determine. The professional audit practitioners have the knowledge about auditing however this doesn't necessary mean that they are good teachers. To ensure that the professional audit practitioners have the necessary competence to educate, they need to have an academic background in teaching i.e. pedagogical education. This is to ensure that the relevant information is given to the students.

Through analyzing Forsberg et al's model (1988) and Giddens theory of modernity we have understood how the universities learning process is affected by the individual that is conducting the lecture. The impact of the influence will affect the students' development of knowledge. Therefore it is of the most importance that the academic education that is given at the university contributes the student critical and sceptical thinking.

The theoretical requirements of RN are positive supported of all respondents from both the universities, auditing firms and the different actors. The subjects that RN require gives the student a broader view of the business environment that the audit firms and other cooperation operates in, this enables the auditing students to get a broad education in business administration and this flexibility gives students possibility to find job opportunities in other business administration sectors than just auditing. On the other hand the auditing firms are

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critical in some parts concerning the presentation technique that we understand lies on the information science requirements. As the auditing respondents pointed out the Swedish auditing student are lacking the social competence in presentation technique. This could be taught at the universities better and even at prior university education. The auditing firms pointed out that it would be possible to implement accounting method because it only differ in details between the firms and this could be better implemented in the auditing curriculum at the university. Also the computer programs that are used could be implemented in the education.

The other issues that the auditing firms have were that the basic knowledge of accounting was inadequate when the students start working at the firms. One solution to this is that the universities use one admission examination, to determine the students' ability in accounting and auditing. This is to give the students which have insufficient knowledge in accounting extra tutoring of the basics. However we have found that the problem maybe not lies in the prior knowledge before starting at the university, instead it is the examination ways that is flawed. From Forsberg et al's model of knowledge development we have seen that the student develops his knowledge towards using his knowledge, and when the university examine the student with only a written exam the student will focus his learning development towards this. To motivate the student to learn more it has to have more challenging examination forms. This could be more of a practical nature, where the students apply their theoretical knowledge in a practical context.

The universities education can become better in teaching the competences which is required for the work life. This has been thought about and intends to be a base in the new civilekonomexamen. The degree project which is 30 ECTS for the new Civilekonomexamen will enable the students to get closer to the working life and closing the gap between the academic- and the work-life. Even though the students still need to have their own networks to find suitable companies. The degree project is suited for a closer relationship than the other university courses. As we know the degree project is situated at the end of the university education and by then the student has an idea of what to work with in the future.

The universities and the audit firms' cooperation when discussing ideas how to modernise the audit education. However the universities which we have talked to states that the audit firms don't have any power to change the audit education curriculum but they can influence and state future demands.

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The actors are influencing the Swedish universities by having a discussion with the business administration departments' management. How to make the education more relevant, the actors can point out that certain fields is more interest for the education. However it is the university itself that decide how to make the changes.

Fekis is one example how the important actors of the audit profession trade union and universities professors are trying to create a forum for discussion. One important factor how the actors and firms can influence the university education is the networks between them and the teaching professor, for example Moberg has create a strong personal network with the big audit firms, therefore it is possible for him to create a course like Revision (audit). This is more of an exception than a fact, because the limitations of making a course like this are quite demanding. And to apply this in an audit curriculum would be challenging because it puts a lot of responsibility, which should be the universities responsibility, on the firms. The universities view is that all students shall be treated as the same, however the audit firms want individuals that are compatible with the organisation. Hence they have a complex recruiting process. The audit firms want students with individual knowledge (and also competences) that is compatible with the organisation structural knowledge. This difference in view makes it hard to implement the type of internal courses that audit firms have, on university education.

One main issue that we have observed is that the resource allocation between the university departments is misallocated between the universities department. The social sciences department that business administration department is connected to, receives amount of funds and in comparison to our neighbouring Nordic countries Sweden get the least amount of resources. There is coordination between good educations and founding this affects the possibility for the university to implement certain elements in the education. One possible explanation why written exams are so common is that they are resource efficient, and doesn't require the same support from the teacher as case studies or another practical method of examination. However there are still some benefits with written exams (it eliminates the free-rider problem and enables the university to have high degree of control). The hours spend in school is less for business administration's students than it is for other students at other science fields. The lack of founding is also affecting the universities ability to attract the best students for the PhD-program in auditing. This affects the sustainable future of the academic auditing; it can also affect the quality of education in the future since academic teachers will be lesser. One clear example of the lack of qualified teachers is that 23 universities applied for the civilekonomexamen but initially only six universities got it. One of the main explanations

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of this was the lack of qualified teachers. The auditing firms and Far akademi have not seen a problem with lack of the teachers because they have professionals that could help with the education and one belief is that the best teachers are in the business world. However this is challenging the academic view of the universities, because the focus could be shifted from the academic approach towards a practical.

A possible solution to this problem is that the audit firms give financial support to the universities. Today the universities don't get any monetary support directly, but they get support in form of guest lecturers for free or to reduced rates. However the idea of the universities getting monetary support from the firms could also be in opposition to the academic idea. This because it could create firm schools, this could lower the academic credibility of the education.

One possible expansion of RNs requirements could be the focus on stronger ethical elements in the courses that is regulated by RN. Because of the audit profession has a strong self regulating mechanism the education shift focus because of media attention and pressure from the society. This could lead to a more specialized audit education than we have today with more requirements and regulation of the audit curriculum at the universities.

### **7.1.1 A concluding summary**

The Swedish Supervisory Board of Public Accountants (RN) is influenced strongly by both international and national regulators. And the intent is to not interfere with the university education more than the basic requirements. The advantage is that Swedish universities has a flexible opportunity to design an own audit curriculum. This enables the university to use its special competence to design an audit curriculum that is coloured by the universities own strengths. This flexibility in the regulation gives a university an opportunity to be unique when offering courses that is of value for the future professional auditors. However the scandals of recent years could force RN to implement a specific requirement of ethic courses.

Because the audit education in Sweden is quite flexible the universities can implement their own strengths in the audit curriculum. These strengths can be personal networks between the universities and the audit firms. This could enable the student to get relevant knowledge and competence to a future work life in auditing. However the universities have an academic responsibility towards society. The critical and sceptical thinking that is learnt thru the

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university education have to be kept also in the future. The practical elements of the university education have to be quality assured to guarantee that the knowledge development of the students is correctly executed. Also the issue about lack of funding have to be addressed more closely to ensure that the audit education can keep its high standard and develop future qualified teachers in auditing. The lack of funding is also affecting how the courses are examined and how many hours the students get lectures. These problems could be a factor that affects the lack of presentation skills and basic accounting knowledge. All our audit firms have pointed out that there is a lack in skills. The internal courses at the audit firms are so specific for the audit profession that it wouldn't be possible to implement it in the audit curriculum. The broad business administration education which is offered today is well liked by the audit firms and the other actors. Therefore there is no need for more focused auditing education. To be able to work after the university education in auditing or in other fields, the different competences that we have discussed have to be taught to some degree. The question is if this is the universities responsibility. If the education should be focus on employability then the answer is yes, however if the universities responsibility is to keep academic concept the still have to have a close focus on the theoretical elements more. We can conclude from this study that the universities education as we have observed is meant to give the student a broad understanding of how the business world operates. It is not the universities responsibility to become a training school for auditors, the audit firms are better than the universities to teach the competence needed for work in an audit firm.

The profession and the other actors at the auditing market can influence the university education by implementing rules and regulations. We have found that personal networks also play a key factor to the influence on the university education. These personal networks are beneficial for the sustainable future of auditing because this enables a connection between the academic and the work-life. The audit firms play an important role because they can help a student to understand work life situations in another context then the university education.

The university teachers could help with the internal courses at the audit firms and thereby they will get a closer, relevant understanding to bring back to the university education. Civilekonomerna have an interest to keep a high standard of the university education, because this strengthens the profession.

The future of auditing education is dependent on how the universities construct the auditing curriculum. The influence from the actors in auditing and the networks that universities had

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made with them, will hopefully ensure that the education is relevant even in the future. The requirements from RN are quite flexible. This enables the universities to construct an auditing education that is up to date and relevant.

## **7.2 Further Research**

In this thesis we have come across several areas and factors and have found some areas that would be interesting to go on further with and study more in depth.

One would be how the flexibility has changed since the implication of the new Bologna adjusted the programs on business administration. Here would it be interesting to study how the students and the companies was affected of the changes in the structure in the university education and for more specific what effects has the new civilekonomexamen had. We haven't been able to study this since the students on the new programs with civilekonomexamen haven't come that far in their education.

Another interesting research area that we have found out from our interviews is a problem and would need to have more and deeper research, is the resource allocation. This could be done by a quantitative study to study the difference between the different education program capacities to teach and learn out knowledge.



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### Appendix A – Overview of interview respondents

<b>Name</b>	<b>Title</b>	<b>Organisation</b>
Eva Gustavsson	University adjunct	Linnæus University
Cecilia Lindholm	Senior Lecturer at the Dep. of Business Administration	Uppsala University
Anne Loft	Professor at the Dep. of Business Administration (Accounting)	Lund University
Krister Moberg	Professor / Prefect at the Dep. of Business Law (Company law and Corporate governance)	Lund University
Niklas Sandell	Lecturer at the Dep. of Business Administration (Accounting and financial control)	Lund University
Torbjörn Tagesson	Senior Lecturer at the Dep. of Business Administration (External accounting)	Lund University
Maria Flaig	Manager and Auditor	Deloitte
Agneta Strandberg	HR-director	Ernst & Young
Per Ranstam	Auditor	PwC
Alexander Beck	Head of investigation	Civilekonomerna
Lena Lind	CEO	Far Akademi
Jana Hejzlar	Investigator at the Dep. of Quality Assurance	Högskoleverket
Christer Petersson	Administrator for audit examinations	RN

## APPENDIX

### **Appendix B - Interview questions for the universities**

All the interviews (except for the one with Anne Loft) have been given in Swedish and therefore the question formulary was written in Swedish. Here we have translated the questions to English as well as we could.

- Can you tell us your name, what your position on this university is and your responsibilities?
  
- What is your opinion on the audit education; is it suited for working as an auditor?
- What basic qualifications do you believe a newly examined auditor shall have (e.g. courses)? Is there something that is missing in the education?
- Is there anything that you believe is unnecessary in the audit education?
- How can the education be more future targeted and work-life suited?
- Would it be possible to implement practice/internship in the education? How?
- There is a lack of qualified teachers in accounting, which is a problem, how can we reduce this problem?
- Are there any distinct differences in knowledge between the new civilekonomexamen and the older educations in business administration, seen from an education perspective for auditors? Positive/negative differences?
- Who decide the content of the program and the courses on your university?
- What is determining which content the programme and the courses will have?
- Do you collaborate with companies when you plan the courses?
  
- Are the audit firms interested in sharing their knowledge, e.g. do they offer guest lectures and case-studies to the universities?
- How has the international development affected the audit profession and education?
- Does the Swedish education keep the same level as our Nordic neighbouring countries?
- Do you know how the audit firm's internal education differs from the education at the universities?
- The length of the education for auditors, including practical experience, is on proposition to be eight years, today is it six years, what do you think about this?
  
- Something that is discussed right now: Practical experiences shall give extra academic qualifications, what do you think about this?



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Asked to Lund University:

- Krister Moberg and Niklas Sandell: There is a language orientation in the new Civilekonomexamen. Students that choose this orientation cannot choose the accounting-subjects, how should this be solved?
- Niklas Sandell: Should the education be more exclusive (vocational)?
- Niklas Sandell: We asked about a board-game that has been used as a role-play for new students some years ago, and now we wondered where it had gone.
- Anne Loft: What are the main differences in the university education, to become an auditor, between Denmark, the UK and Sweden?
- Anne Loft: Is the university education in Denmark more practical than in Sweden and in the UK?
- Anne Loft: Has the education in Denmark and the UK been affected by the abolition of the statutory audits?

Asked to Uppsala University:

- The Uppsala University did never apply for the new Civilekonomexamen, why?
- You cooperate with Stockholm University on the advanced-level educations, how does this cooperation work?

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### **Appendix C - Interview questions for the audit firms**

- Can you tell us your name, what your position on this audit firm is and your responsibilities?
  
- How many people are recruited every year?
- How many of them have recently graduated from the universities?
- How does the recruitment process look like? What kinds of tests do you have?
- How many people are involved in the “recruitment team”?
- How do your internal educations look like? What do you consider then develop the educations?
- Is the audit methodology the same at all the audit firms?
  
- What basic demands do you have on the people you recruit (e.g. education, grades, experience and social competence)?
- What knowledge, do you think, a newly graduated student should get from the university (theoretical and practical)?
- Do the people you recruit meet your requirements or does it happen that you have to hire people that lack the wanted competence?
- Is it some knowledge newly graduated students mainly not have; are there any weaknesses that they should have when they start working?
  
- Should it be more practical education at the universities, e.g. more case-studies?
- Should it be possible to implement role-play as a practical part of the education?
- Should the universities use Excel in their courses rather than advanced statistic program´s?
  
- What expectations, if any, do you have on the students from the new Civilekonomexamen?
- There are, right now, three different lengths on the accounting and audit education; three, four and five years. Do the students have any advantage if they have been studying one of the longer educations when looking for work at your firm or does it not make any difference?

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- Are there enough competent teachers on the universities?
- Do you think the education should be more exclusive?
- Should a more exclusive education affect the levels of the initial salaries?
- How has the international development affected the profession?
  
- Do you have any kind of cooperation with the universities?
- Do you cooperate with Far, RN or Civilekonomerna?

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### **Appendix D - Interview questions for Civilekonomerna, Far Akademi, HSV and RN**

- Can you tell us your name, what your position on Civilekonomerna/Far/HSV/RN is and your responsibilities?
- What basic demands, do you think, newly graduated students should have? What courses should be in the education?
- How can the education be more future-targeted and work-life suited? Is practical education something that should be implemented in the education?
- Is there something that is missing in the educations?
- Is there a subject in the education that is more important than the other?
- The lack of qualified teachers in accounting is a problem, how to reduce this?
- The length of the education for auditors, including practical experience, is on proposition to be eight years, today is it six years, what do you think about this?
- Can Civilekonomerna/Far/HSV/RN affect the education in any way (e.g. the courses)?
- Do you see any distinct differences between the Swedish universities?
- How has the international development affected the accounting profession and education?
- Does the Swedish education keep the same level as our Nordic neighbouring countries?
- Do you know how the audit firm's internal education differs from the education at the universities?
- Is there any agency that approves the internal educations, as the university educations are approved by Högskoleverket?
- Can the big audit firms affect the education more than they do today (critical thinking etc.)?
- Do you think that the education should be more exclusive (vocational)?
- Should a more exclusive education increase the levels of the initial salary?
- How does the cooperation between you and RN look like?
- How does the cooperation between you and Far look like?
- How does the cooperation between you and Civilekonomerna look like?

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- How does the cooperation between you and the Universities look like?

Asked to Far Akademi

- Could Far Akademi help the universities with practical educations?

Asked to HSV

- Why the new Civilekonomexamen created and which persons and agencies were in the developing process?
- Why does not all universities, which offer educations in economics, the new Civilekonomexamen?
- Where there any problems with realizing the Bologna process at the universities?
- Something that is discussed right now: Practical experiences shall give extra academic qualifications, what do you think about this?

Asked to RN

- The smaller audit firms are managing the examinations from RN much better than the big audit firms, why?

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### Appendix E - The structure of the Civilekonomprogrammet (the analytical orientation for an accountant authorisation) at the Lund University

# Civilekonomprogrammet

## Analytisk inriktning för revisorsbehörighet (företagsekonomi)

Termin 1 HT 2010	Termin 2 VT 2011	Termin 3 HT 2011	Termin 4 VT 2012	Termin 5 HT 2012	Termin 6 VT 2013	Termin 7 HT 2013	Termin 8 VT 2014
Företags ekonomi inkl. Business Communication I 30 hp	Nationalekonomi 30 hp	Statistisk grundkurs 15 hp	Projektledning 7,5 hp	Kandidatkurs i redovisning 15 hp	Besättningsrätt I 15 hp	Financial Accounting (specialkurs) 30 hp	Företags ekonomi examinarbete 30 hp
		Juridisk översiktscurs 15 hp	Affärsutveckling och entreprenörskap 7,5 hp	Ekonomisk-historisk omvärldsanalys 7,5 hp	Företags ekonomi med affärssystem 15 hp		
			Finansiell planering och ekonomisk analys 7,5 hp	Extern redovisning och rapportering 7,5 hp			


 Studenter som väjer utändertemin kan komma att behöva komplettera med ytterligare kurser vid Ekonomihögskolan för att möta revisorsnämndens krav för revisorsbehörighet.

Source : <http://www.ehl.lu.se/utbildning/1-nyborjarprogram/civilekonomprogrammet>

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### Appendix F - Comparison between European countries academic and practical requirements

Country	Member organization	University education	Nr. of years of practical experience
Austria	KTW & IWP	YES - with few exceptions	3
Belgium	IEC	NO	3
Belgium	IRE	YES - few exceptions allowed	3
Denmark	FRS	YES	3
Finland	KHT	YES - few exceptions allowed	3
France	CNCC	YES - (maybe few exceptions allowed)	3
France	OEC	YES - (maybe few exceptions allowed)	3
Germany	IDW	YES	3
Greece	SOEL	YES	3
Hungary	MKVK	YES	3
Ireland	ICAL	NO -But 95 % have it	3,5 TO 5
Ireland	ICPAI	NO	3
Italy	CNDC	YES	3
Italy	CNRPC	YES	3 TO 2
Luxemburg	IRE	YES	3
Luxemburg	OEC	YES	3
Malta	MIA	YES	3
The Netherlands	NIVRA	NO	3
Norway	DNR	NO (auditing edu is a UNIVERSITYEDU.)	3
Portugal	OROC	YES	3
Poland	KIBR	YES	3
Rumania	CECCAR	YES	5
Spain	IACJCE	NO	3 with uni. Edu and 8 without
Sweden	FAR	YES	3 to 5
Switzerland	TK	NO	3 to 5
Slovenian	SIZR	YES	5
Czech Republic	KACR	YES	3
The UK	ACCA	NO	3
The UK	CIMA	NO	3
The UK	CIPFA	NO	400 days
The UK	ICAEW	NO -But 93 % have it	3
The UK/Scotland	ICAS	YES	3

**Source:** Precht, E. (2007). Revisorexamen kräver inte alltid högskole studier- utomlands. *Balans nr 6-7/2007*, 30-31.

**Appendix G - Directive 2006/43/EC of the European Parliament and of the Council (of 17 May 2006)  
On statutory audits of annual accounts and consolidated accounts,  
amending Council Directives 78/660/EEC and 83/349/EEC and  
repealing Council Directive 84/253/EEC**

**Article 8**

**Test of theoretical knowledge**

1. The test of theoretical knowledge included in the examination shall cover the following subjects in particular:
  - (a) General accounting theory and principles;
  - (b) Legal requirements and standards relating to the preparation of annual and consolidated accounts;
  - (c) International accounting standards;
  - (d) Financial analysis;
  - (e) Cost and management accounting;
  - (f) Risk management and internal control;
  - (g) Auditing and professional skills;
  - (h) Legal requirements and professional standards relating to statutory audit and statutory auditors;
  - (i) International auditing standards;
  - (j) Professional ethics and independence.
  
2. It shall also cover at least the following subjects insofar as they are relevant to auditing:
  - (a) Company law and corporate governance;
  - (b) The law of insolvency and similar procedures;
  - (c) Tax law;
  - (d) Civil and commercial law;
  - (e) Social security law and employment law;
  - (f) Information technology and computer systems;
  - (g) Business, general and financial economics;
  - (h) Mathematics and statistics;
  - (i) Basic principles of the financial management of undertakings.
  
3. The Commission may, in accordance with the procedure referred to in Article 48(2), adapt the list of subjects to be included in the test of theoretical knowledge referred to in paragraph 1. When adopting those implementing measures the Commission shall take into account developments in auditing and the audit profession.

**Article 10**

**Practical training**

1. In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years' practical training in, *inter alia*, the auditing of annual accounts, consolidated accounts or similar financial statements. At least two thirds of such practical training shall be completed with a statutory auditor or audit firm approved in any Member State.
2. Member States shall ensure that all training is carried out with persons providing adequate guarantees regarding their ability to provide practical training.

**Source:** <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:157:0087:0107:EN:PDF>



## **Appendix H – IAESB’s eight International Education Standards (IESs)**

### **IES 1 Entry Requirements to a program of professional accounting education**

This standard explains the entry requirements for an IFAC member body’s program of professional accounting education and practical experience. The aim of this standard is to ensure that the student, which strives to become a professional accountant, will have a reasonable possibility to succeed in his/her studies, examinations and practical experience period. Some member bodies may require entrants to take pre entry proficiency tests. (IES1 §§1-2).

### **IES 2 Content of Professional Accounting Education Programs**

This standard explains the knowledge content of professional accounting education programs that accounting students (candidates) have to fulfil to become a professional accountant. The aim of the standard is to ensure that the candidate will have enough knowledge to become a professional accountant in the increasing complex and changing environment. (IES2 §§1-3).

### **IES 3 Professional Skills and General Education**

This standard explains the mix of skills that the candidate requires to qualify as a professional accountant. The aim is to ensure that the candidate is equipped with a suitable mix of skills (i.e. intellectual, technical, personal, interpersonal and organizational) to function as a professional accountant in a dynamic and complex business world. (IES3 §§1-4).

### **IES 4 Professional Values, Ethics and Attitudes**

This standard explains the professional values, ethics and attitudes professional accounts should acquire during the candidates education period. The aim is to equip the candidate with sound values, ethics and attitudes to function like a professional accountant. IFAC recognizes that the accounting profession operates in different cultures throughout the world but the code of ethics for professional accounts should ensure that the professional values and ethics shall be consistently high and in the public interest. (IES 4 §§1-3)

### **IES 5 Practical Experience Requirements**

This standard explains the level of practical experience the IFAC member body should require their members to obtain before qualification as professional accountants. The aim is to ensure that the candidate, seeking to qualify as professional accountants, have gained the practical experience that is required to become and function as a professional accountant. Life-long

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learning is required to ensure the development and maintain the professional competence. (IES 5 §§1-3).

### **IES 6 Assessment of Professional Capabilities and Competence**

This standard explains the requirement for a final assessment of a candidate's professional capabilities and competence before qualification. The assessment of professional capabilities (professional knowledge, professional skills and professional values, ethics and attitudes) which are gained from professional education programs are dealt with in this standard. Some professional skills and values may be better gained from practical experience and assessed in the workplace or through workplace simulations. (IES 6 §§1-2, 4).

### **IES 7 Continuing Professional Development: A program of Life-long learning and Continuing Development of Professional Competence**

This standard explains that IFAC member bodies will have to implement a life-long learning, a continuing development and maintaining of the professional competence as a part of the professional accountants education. The main focus of this standard is to acknowledge the need for individual professional accountants to develop and maintain professional competence necessary to provide a high quality service to clients, employers and other stakeholders. (IES 7 §§1-2).

### **IES 8 Competence Requirements for Audit Professionals**

This standard explains the competence requirements for the audit profession. It states that audit involves an application of analytical skills, professional judgment and professional scepticism and it states the usage of all relevant standards of auditing and the proper use of suitable technology and methodology. The focus lies in ensuring that the professional accountants will gain and maintain the required characters to be able to work in the audit profession. The increasing globalization of the world requires the need for consistency and high-quality financial reporting within countries and across borders. (IES 8 §§1-4).

**Source:** IFAC. [http://web.ifac.org/download/IAESB\\_Fact\\_Sheet.pdf](http://web.ifac.org/download/IAESB_Fact_Sheet.pdf)

## **Appendix I - The theoretical requirement (RNFS 1996:1)**

### **90 ECTS Business and administration**

*“These studies will provide insight into economic theory and methodology as well as on topics of particular importance to auditing. In particular regard should be given to studies in accounting (including consolidated accounts), auditing, financial management, financial and organizational theory.”*

### **45 ECTS Business Law**

*“These studies will provide insight into the structure of the judicial system, legal procedures and substantive law relevant to the audit activity. The studies will include commercial law and taxation law.”*

- 30 ECTS Commercial Law

*“The studies should cover at least 30 ESTC. In particular regard should be paid to company law and laws on bankruptcy and insolvency, and crime against property”*

- 15 ECTS Tax Law

*“The studies should cover at least 15 ECTS. In particular regard should be given to income tax of enterprises. The subject is also dealt with other taxes and charges related to the company, mainly VAT and payroll taxes.”*

### **30 ECTS in other mandatory subjects**

- Information- and computer science
- Economics
- Mathematics
- Statistics

*“All mentioned subjects have to be studied, it is allowed to study separately or incorporated the subject into a course.”*

**Source:** [http://www.revisorsnamnden.se/rn/showdocument/documents/foreskrifter/96\\_1.pdf](http://www.revisorsnamnden.se/rn/showdocument/documents/foreskrifter/96_1.pdf)

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### **Appendix J - The practical requirement (RNFS 1996:1)**

**6 §** *“Practical training in the accountancy profession should continue for at least three years and account for at least three years full-time job. Full-time shall be deemed to be at least 1600 hours in one year.”*

**7 §** *“The training should follow a training program. It will provide practical experiences to develop and theoretical knowledge of auditing and audit practice for relevant tasks.”*

**8 §** *“The training shall consist of a balanced composition. It will provide knowledge of the audit in different industries. The training shall include planning, execution and reporting of audit assignments. Part of the training will cover advanced studies. These can be completed within an audit assignment or as part of another mission. Particular attention shall be given an auditor's findings and conclusions as well as the ethical rules that an accountant must comply with the audit process.”*

**9 §** *“The training shall include at least 1500 hours of audit, most of whom shall consist of audits of limited companies. With a limited liability company treated as a similar company based in another state within the European Economic Area other than Sweden, if that company under the law of that State shall be audited by natural or legal persons authorized to perform statutory audits in the State.”*

**Source:** [http://www.revisorsnamnden.se/rn/showdocument/documents/foreskrifter/96\\_1.pdf](http://www.revisorsnamnden.se/rn/showdocument/documents/foreskrifter/96_1.pdf)

APPENDIX

**Appendix K – Far Training program**

<b><u>Training program for accountant exams</u></b> <b>Approved accountants (years 0-4)</b> <b>Certified public accountant (years 0-6)</b>		
	<b>Hours</b>	<b>Course</b>
<b>Year 0-1</b>	40	Auditing I
	24	Tax Declaration & Taxation
	16	VAT I
	32	Year-end Accounting
<b>Year 1-2</b>	40	Auditing II
	24	Taxation of owner-managed businesses (Taxation II)
	24	Accounting and valuation rules - advanced level
	7	Far Academy's knowledge test
<b>Year 2-4</b>	40	Auditing III
	24	Taxation of limited companies ( Taxation III)
	24	Consolidated Statements
	16	Valuation of inventories and work in progress
	16	Financial and performance management in small and medium-sized enterprises
	16	Analysis, valuation and transfer of undertakings
	8	IFRS – Basics
	2	Preparation Course for the auditor exam
	<b>Hours</b>	<b>Course</b>
<b>Year 4-6</b>	24	VAT II
	16	Consolidated statements - practical advanced course
	16	Financial instruments under Swedish law - valuation and accounting
	16	Current accounting issues for listed and large companies
	32	Preparation Course for senior accountant exam

**Source:** <http://www.farakademi.se/Studieplaner/Auktoriserad-revisor---utbildningsplan/>