

Knowledge and knower structures and  
recontextualising logics in an accounting curricular  
framework



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## **Abstract**

Accountants require specialised knowledge, competencies and skills to deliver quality services. In the modern business environment, this can take the form of financial accounting, reporting, planning and decision-making. This thesis identifies the need for change in the accounting curriculum to meet the requirements of the professional accountant of the future. In response to this need, a framework is developed for the design of a holistic academic curriculum in accounting that includes knowledge, competencies and skills. By drawing on the sociology of knowledge, this study identifies the production sites and analyses the knowledge and knower structures of accounting, and describes how knowledge is rearranged and transformed to become pedagogic discourse. These findings, including the design of the framework, are illustrated using a case study of specialised accountancy knowledge. The study contributes to the field of accounting education in that the framework demonstrates the design principles required to achieve an incremental and integrated approach for the selection, ordering and pacing of specialised accounting knowledge.

## Summary

### Research problem and study purpose

This study investigates the problem of curriculum change in accounting. Several calls for change in the education of accountants have identified the need for accountants to have specialised knowledge and the right mix of competencies and skills to perform their work and remain relevant when presenting quality accounting, auditing and consulting services. Accounting knowledge and skills are developed through higher education programmes and in the workplace, ultimately producing competent professionals. The purpose of this study is to provide a framework for the design of a holistic academic curriculum in accounting. With reference to the sociology of knowledge and using an educational lens, this study considers the epistemic and social relation of accounting knowledge. This study explores the field of production of accounting knowledge, knowledge and knower structures and codes, and shows how these have been rearranged and transformed to become pedagogic discourse. The framework demonstrates the design principles required to achieve an incremental and integrated approach for the selection, ordering and pacing of specialised accounting knowledge.

### Research design and approach

This study follows a qualitative research methodology in that the data collected was purposively selected and analysed. The data sources informing this thesis include primary data collected from 22 purposively selected professional accountants, and secondary data comprising of 40 academic research studies, several other documents, guidelines, insights, and artefacts produced by professional accountants and auditing institutions and firms. A case study approach is adopted to scrutinise a specific section of knowledge in the accounting curriculum. With reference to the Business Combinations and Consolidations (BCC) case study, the data sources offer a broad spectrum of insights and perspectives that inform the research questions and findings. Further, the respective data sources provide for the effective use of data triangulation, thereby reducing the risk of systematic biases or limitations of a specific method and allows for a better assessment of the validity and generality of the explanations developed.

In this study Bernstein's (2000) pedagogic device is used to describe the social structures of accounting knowledge, while Maton's (2014) Legitimation Code Theory (LCT) is used to identify the epistemic and social relations and specialization codes of accountancy. The descriptions of the field of production of accounting knowledge are informed by an analysis of

the academic research studies, insights and guidelines produced by professional accountants, while the investigative data obtained from expert participants (accountants in the profession) informs the structure of accounting knowledge, the knowledge and knower codes, and the recontextualizing logics in the epistemic pedagogic device. Descriptions obtained from the expert participants of the structuring and scaffolding of knowledge in accounting and the need for integration with knowledge in other disciplines inform the pedagogic discourse for the development of a framework for the design of an accounting curriculum.

## **Findings**

By focusing on the specialised field of BCC knowledge, findings of three research questions inform the construction of a framework for the design of a curriculum for the education of professional accountants. First, this study finds that the hierarchical knowledge structure of BCC knowledge is specialised as it is gained through education and experience. The sites of production of BCC knowledge are located in the regulatory standard-setting process supported by guidelines published by accounting and auditing firms. Academic research contributes to the critical analysis of challenges associated with the compliance and application of the accounting standards.

Second, the descriptions of the knowledge and knower structures of accounting and the dimension of 'Specialization' point towards BCC knowledge as having stronger epistemic relations. The epistemic relations are initially weaker (for the novice accountant) and with the acquisition of knowledge and skills and the ability to make informed decisions and judgements, the epistemic relations are developed and becomes stronger. The responses obtained from expert participants (accountants in the profession) show that the legitimacy of a professional accountant is based on the possession of both specialist knowledge and being the right kind of knower through the acquisition of expert skills and techniques.

Third, the recontextualizing logics that regulate what knowledge is included in the curriculum and how this knowledge is selected, rearranged and transformed within and across the curriculum are used to inform the development of a framework for the design of a holistic curriculum in accounting. The hierarchical knowledge structure of BCC knowledge is used to demonstrate the scaffolding and integration of regional knowledge while recognising the contextual nature of professional practice. The framework exhibits a 'building blocks' approach, starting with a strong foundation level course (referred to as a 'ground-stone course'), supported by the horizontal, vertical and diagonal alignment of discipline specific and regional knowledge, followed by an integrated capstone course at exit level.

## **Originality, value and implications**

This study contributes to the conversations of professional knowledge and the education of professional accountants. The findings of this study have implications for the education of accountants in the future. By following a new approach in analysing the education of professional accountants, this study provides a framework for the design of a holistic academic curriculum.

Drawing on the sociology of knowledge, the field of production of accounting knowledge is identified and the knowledge and knower structures in accounting are analysed. Although LCT has been used in other accounting education studies, this study is original in its recognition of the knower code in accounting, including the identification of a *code drift* when the knower acquires specialised knowledge and 'developing a feel for it'. Further, the application of recontextualizing logics to rearrange and transform knowledge to become pedagogic discourse are uniquely demonstrated in a framework for the design of an accounting curriculum.

In reaction to several calls for changes in the education of accountants, this study contributes to the field by demonstrating how the incremental construction of specialised knowledge in the curriculum requires an integrated approach. Using BCC as a case study, this thesis uniquely refers to a specialised field in accounting that straddles knowledge, competencies, and skills required of professional accountants. Within this specialised field, BCC knowledge requires the attainment of meanings and concepts ('knowing that'), conceptualising the process of combining businesses ('knowing how') and the reporting of decision-useful financial information ('knowing why'). The significant concepts, processes and procedures associated with BCC transactions are identified within the Financial Accounting discipline and in other disciplines such as Business Studies, Law, and Finance. This provides for a unique and valuable setting to demonstrate the selection, ordering and scaffolding of specialised knowledge that enables the movement of an accounting student (novice) to become a professional accountant (expert). The framework illustrates the rearrangement and transformation of specialised accounting knowledge to become pedagogic discourse.

## **Limitations**

The analyses, descriptions and framework identified in this thesis focus on the specialised BCC knowledge as a case study. The selection of a different case study or focus area may have resulted in some differences in the descriptions; however, as the curriculum design framework is located within the recontextualizing logics, the principles remain valid.

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## List of Abbreviations

AAA	American Accounting Association
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of CPAs
APC	Assessment of Professional Competence
BCC	Business Combinations and Consolidations
CA	Chartered Accountant
CA(SA)	Chartered Accountant (South Africa)
CIMA	Chartered Institute of Management Accountants
CPA	Chartered Professional Accountant
EPD	Epistemic Pedagogic Device
ER	Epistemic Relations
FSB	Financial Standard Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IES	International Education Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IMA	Institute of Management Accountants
IPD	Initial Professional Development
ITC	Initial Test of Competence
LCT	Legitimation Code Theory
SA	South Africa
SAICA	South African Institute of Chartered Accountants

SAIPA	South African Institute of Public Accountants
SMO	Statements of Membership Obligations
SR	Social Relations
UK	United Kingdom
USA	United States of America

# Chapter 1 Introduction

This introductory chapter sets out the rationale, purpose, and relevance of this study which is positioned in the field of accounting education. My position as the researcher is articulated, followed by a summary of the field of accounting education and professional knowledge. A brief outline of the theoretical framework, the research design and approach are then provided. The chapter ends with a discussion of this study's contribution.

## 1.1 Rationale for the study

*“The measure of intelligence is the ability to change.” (Albert Einstein)*

Calls for change in the education of accountants have been the subject of many debates and publications, asking about its relevance in the twenty-first century and whether the current accounting curriculum is fit for purpose. Accountability, independence, stewardship and ethical conduct are some of the challenges experienced in the accounting profession, resulting in calls for changes in the education and training of accountancy professionals. Businesses today require broadly skilled accountants with specialised knowledge who can cope with challenges such as globalisation and responsible governance while embracing innovations in financial technology (Lubbe, Myers & Van Rooyen, 2020). In South Africa (SA), social and economic inequalities, high levels of graduate unemployment and the lack of high-level skills, emphasise the urgent need for effective and relevant accounting education.

Accountants need specialised knowledge and the right mix of competencies and skills to perform their work and remain relevant when presenting quality accounting, auditing and consulting services. Accounting knowledge and skills (technical and non-technical) are developed through higher education programmes and in the workplace (Billett, Gruber, & Harteis, 2010; Eraut, 2011), ultimately producing competent professionals. However, educators are losing sight of what knowledge is – described as a form of ‘knowledge blindness’ (Maton, 2014) – and are more concerned about access and its broader role in reproducing or challenging social relations (Case, 2014) with current curricula emphasising competencies and skills at the expense of knowledge (Smit, 2016).

A holistic curriculum selects, rearranges and transforms relevant knowledge to become pedagogic discourse. The purpose of this thesis is to construct a framework for the design of a curriculum for the acquisition of accounting knowledge and skills in higher education. Given the extent of accountancy knowledge, this study refers to a specialised field, namely Business Combinations and Consolidations (BCC), as a case study to describe the hierarchical knowledge structure of accounting and illustrate the design principles of a holistic curriculum framework. The development of the framework is explained through the application of recontextualizing logics and informed by the identification of the production sites of accounting knowledge, the knowledge and knower structures

of accounting and specialization codes. Bernstein's (2000) pedagogic device is used to describe the social structures of accounting knowledge, while Maton's (2014) Legitimation Code Theory (LCT) is used to identify the epistemic and social relations and specialization codes of accountancy.

Accountancy, in this study, refers to the broader professional accounting field, including disciplines such as Financial Accounting, Financial Management, Auditing, Taxation and the field of practice. BCC knowledge is located in the Financial Accounting discipline, however, knowledge located in other disciplines is equally relevant. BCC is a curricular component of the accountancy programme, while business combination transactions and the preparation and presentation of consolidated financial statements are an integral part of accountancy practice. The scaffolding of knowledge within the discipline and the integration with knowledge in other disciplines (region) are often excluded in the planning of the curriculum, resulting in 'silo' teaching and learning. Similarly, the acquisition of prior knowledge is often ignored, especially where a student is allowed to continue with another course while some knowledge has not yet been mastered. As argued in this study, knowledge in accountancy requires an in-depth understanding of knowledge located within the disciplines, regional knowledge, and its application in practice.

## **1.2 Context and relevance of the study**

Globally, the accounting profession has been linked to negative media publicity associated with major financial scandals and questions relating to the continued relevance of the profession, resulting in several studies calling for changes in the higher education accounting curriculum. While Albrecht and Sack (2000) argue that accounting education fails to provide the required skills, durable knowledge and lifelong learning opportunities, resulting in calls for major reforms (Craig & Amernic, 2002), Sikka, Haslam, Kyriacou and Agrizzi (2007) describe accounting education in the United Kingdom (UK) as being "under the influence of the professional bodies" (p.4).

International studies that support curriculum change ask questions about the implication of accountancy degrees imitating professional accounting courses, the relevance of accounting as an academic discipline (Hopper, 2013; Hopper, Lassou & Soobaroyen, 2017), and the importance of skills such as the ability to interpret financial information, applying critical and creative thinking, the ability to generate practical ideas and time management (Paisey & Paisey, 2010). In most Anglo-Saxon countries, accounting is almost exclusively oriented towards producing accounting professionals versed in the latest techniques and rules, and where skills are skewed to the computational at the expense of the critical and discursive (Duff, Hancock & Marriott, 2020). Similar issues are evident in SA, and these are further challenged by the "scandals that highlight failures of accounting practices and inevitably pose questions about the poverty of accounting education" that "encourage students to learn rules and techniques, but with little reflection on their social consequences" (Sikka et al., 2007, p.4).

Accountants play an important role in ensuring transparency and accountability of business transactions and events. Their role in both the public and the private sector requires ensuring complete and accurate records of financial transactions, and the auditing of financial and tax information, thereby contributing towards sustainable economic growth. Access to reliable and credible business and financial information is important for government, investors, directors, and other interested parties to make informed business and investment decisions. Thus, accountants are required to deliver decision-useful information by preparing and auditing financial statements and providing informed advice about business opportunities (Agbibo, 2012). Their duties are based on national and international standards of practice that have clear guidelines for identifying indicators of fraud and other irregularities, and reporting these to the highest levels of authority (Faboyede, 2010). These aspects highlight the central role that accountants play in creating and supporting a conducive environment for sustainable growth, an issue that has special pertinence for developing countries.

The timeous relevance of this study is taken from the number of recent investigations and reports initiated by professional bodies and institutions and several accounting education scholars re-imagining the education and training of accountants. Reports produced in the last two decades about accounting education and the curriculum include the Pathways Commission in Australia, the American Accounting Association (AAA), the Institute of Management Accountants (IMA) and the Canadian Institute of Chartered Accountants, as well as other studies (Albrecht & Sack, 2000; Bui & Porter, 2010; Evans, Burritt, & Guthrie, 2012; Behn, Ezzell, Murphy, Rayburn, Stith & Strawser, 2012; Brewer, Sorensen & Stout, 2014). Within SA, the South African Institute of Chartered Accountants (SAICA) is currently researching the competencies (knowledge, skills and attitudes) that chartered accountants (CA(SA)) need to demonstrate in the workplace of the future, referred to as the CA2025 project (SAICA, 2019b). Competencies include knowledge and skills required for professional success in accountancy, with knowledge being the intellectual content to be learned and skills the capacity to apply the knowledge to achieve specific objectives (Lawson et al., 2014).

The institutional features of professions support the distinction between knowledge and skills where the occupational structure of professions points towards the value of expert and professional knowledge. Young and Muller (2014) caution against the emphasis on skills and competencies at the expense of knowledge, especially in the design of qualification frameworks. Focusing specifically on the professional curriculum, Winch (2014) refers to occupational know-how in terms of skills, emphasising the need to create a “process of ‘epistemic ascent’ from novice-hood to expertise” (p. 59). Professional curricula, by nature, tend to accentuate skills and competencies, while the epistemic features of the disciplines and technical knowledge that forms the bedrock of expertise in the professions are often neglected.

Identifying the relations and conditions necessary for knowledge production, progression and acquisition is key for curriculum development, including consideration of the changes in social and cultural relations without sacrificing the integrity and power of the knowledge form itself (Luckett, 2010). Winch (2014) cautions that, when constructing a very restricted curriculum, choices are made that may devalue certain kinds of knowing or certain knowers. It is therefore necessary to interrogate the selection, location, ordering, and evaluation of the content, context and practice associated with knowledge in the education paradigm of accountants. By unpacking these interrelated phenomena, this study aims to identify and describe a framework for the design of a holistic curriculum for the future accountant.

This study is conducted in SA. However, it has a broader, international focus when considering the design of a curriculum for accountants' education. Whereas the CA2025 project aims to develop a competency framework for the CA(SA) designation, this study's focus is to investigate and describe the knowledge and knower structures of accounting and to identify and describe a framework for an accounting curriculum designed for higher education.

The direction of this study is illustrated by an analogy I have developed:

*The Accounting curriculum is like an old house that was built in the 1960s; that was well built and suitable for purpose at that time. Since then, this old house has seen several re-vamps and add-ons, to the extent that the owners no longer find the house practical or functional. The house is now in a condition where you often have to walk through the bathroom to get to another bedroom and the maintenance cost is huge. This house now requires significant upgrading or even re-building. Not only should its structure and flow be improved, but it should also be brought into the twenty-first century with features that are efficient and technologically updated.*

By constructing a framework, this research study aims to identify alternative outcomes and resolutions for this analogy. Located in accounting education, this thesis aims to determine whether to *clear the building site and re-build the house*, in other words, start with a 'clean page', or to *do extensive renovations*. To do this, consideration needs to be given to the production site, the purpose and use of the building and its occupants (who they are and how they live). At the start of this study, I am eager to change the entire curriculum – to bring in the 'big machinery' and clear the building site. However, the research journey allows for deliberation, reflection, and consultation... *what is the best way forward?*

For transparency, it is important to explain my position in this research study.

### **1.3 Position of the researcher**

My position as researcher and my motivation for considering the design of a professional accounting curriculum is pertinent to this study. In my various positions as a professional accountant, as an accounting academic and as a change agent, my aim when commencing this study was to explore the principles for the design of a holistic professional accounting curriculum. After much investigation and deliberation, I appreciate that describing and designing a framework for curriculum change requires a deep understanding of the structure of knowledge (in accounting) and the knower (the student and accountant). These reflections assisted me in starting this journey.

As an accounting academic, I am concerned about the professional accounting curriculum and its relevance for the future. I have witnessed, over many years, how additional content is added to the existing curriculum, without consideration of the relevance of what is maintained, resulting in curriculum overload. Further, the silo design and lack of integration in the current accounting curriculum seems to ignore the hierarchical knowledge and knower structures of the accounting ecosystem. Lastly, I am concerned about the knowledge-blindness in accounting curriculum design as the changes proposed by the professional institutions seem to foreground attributes, skills and competencies. As academics, we must caution against competencies and skills receiving a larger emphasis in the curriculum at the cost of knowledge in accounting and an in-depth engagement with the disciplines.

My position as the researcher and my connections to the field of accounting education research gives me a specifically biased lens. My views as an accounting academic who has been involved in educating accounting students at a specific academic institution within the specific discipline of Financial Accounting for several years convey this bias. Not only have I been involved in writing accounting textbooks that focus on the application of accounting principles, but I have also taught BCC concepts and applications to undergraduate and postgraduate students for several years. This exposure and experience put me at risk of having a single view of who the students are and how accounting is taught. On the other hand, consideration of the structures of BCC knowledge and its mapping in the curriculum may not be possible without such extended educational experience. During the conduct of this study, I aimed to continuously investigate further, think more broadly and consider aspects outside my current experience, considering aspects that have been identified and raised by a broad range of researchers and expert participants.

A more detailed explanation of my position as the researcher, professional accountant and educator is included in the methodology chapter (see section 4.6.3).

### **1.4 Accounting education and professional knowledge**

Previous studies have identified accounting knowledge as hierarchical (Mkhize, 2015; Myers, 2016) and as such, described how it shapes the social practices and forms of pedagogy in accounting.

Young and Muller (2014) identify two kinds of professional knowledge: theoretical knowledge “specialised to conceptual generality” and practical or for-purpose knowledge “specialised to a contextual purpose” (p.8) and argue that these speak to their respective “epistemic destinies” (p.9). Knowledge in accounting is often viewed as ‘technical’, thereby referring to the technical application of theoretical knowledge. An accountant is required to be a knower (expert) in the technical (how to) of accountancy, while changes in the world of business require accountants to acquire specialised skills with contextual purpose, such as leadership, critical thinking, decision-making and ethical professional conduct.

The theory of knowledge flags two dimensions of learning: the objective dimension (knowledge itself) and the subjective dimension (those who come to make and hold that knowledge). Skills, in contrast to knowledge, refer to specific attributes such as business acumen, problem-solving skills, time-management skills and so forth. These skills require the application of knowledge within a practical situation in an environment which is subject to continuous change. The professional skills (social skills) required of accountants have been extensively researched (Hancock, Howieson, Kavanagh, Kent, Tempone & Segal, 2009; Hutchinson & Fleischman, 2003; Mathews, Jackson & Brown, 1990; Mohamed & Lashine, 2003; Paisey & Paisey, 2010; Webb, De Lange & O’Connell, 2009), calling for professional skills to be incorporated and developed within the accounting curriculum. Lawson et al. (2014) point to the fact that most accounting curricula prepare aspirant accountants for sound technical accounting knowledge rather than for long-term career demands and stimulating life-long learning (i.e., professional skills).

Several challenges in the higher education sector generally, and accounting education specifically, are highlighted in the literature (see Chapter 2). The challenges include heavy teaching loads associated with large classes and high student-staff ratios, increased levels of administration and limited time and support for research (Brew, 2003; Elton, 2001; Evans et al., 2010). Teaching expertise is acquired through literature, reflection and research in the systematic knowledge of teaching and learning processes in higher education (Scott, Yeld & Hendry, 2007). Academics often rely on ‘craft knowledge’, which is associated with “excellence in the discipline, and personal charisma” (Scott et al., 2007, p. 61), while ‘craft knowledge’ may well be inadequate to enable students to develop the required knowledge and skills (Scott et al., 2007). Accounting educators are required to identify and embrace these challenges and actively engage in the scholarship of teaching and learning (Hesketh, 2011; Lubbe, 2014). This includes developing ways and means to enable students to obtain access to the discourse of accounting practices while acquiring the social and cultural capital required to participate in an ever-changing world of business.

Based on the calls for curriculum change in higher education in general, and in the education of accountants specifically, a gap exists. This gap includes the description of the underlying organising principles of accountancy, pointing to the need to analyse and map these in a framework that enables

the education of the accountant of the future. The state of accounting education has been evaluated by Albrecht and Sack (2000) who, at that stage had already identified three major developments that drive change: globalisation, technology and the concentration of power by market investors, such as the 'big four' auditing firms. Twenty years later, these developments still require consideration, with a renewed call to add the acquisition of critical thinking and ethical decision-making for the accountant to remain relevant in the future.

A study of knowledge and the curriculum also needs to consider the students of the day, informed and shaped by their experience. Students are influenced by issues associated with globalisation, social responsibility for the environment and technologies identified as the fourth industrial revolution (Ng, Schweitzer & Lyons, 2010; Twenge, Campbell, Hoffman, & Lance, 2010). Students today are concerned with changes in work/life balance, benefits, work experiences and working environments (Ng et al., 2010), with career expectations that characterise members of this new generation. Attention to these traits and expectations may strengthen the legitimacy of a curriculum framework that not only considers knowledge, but also the student's (knower) journey to become a future accountant.

## **1.5 Theoretical framework**

Studies of knowledge in the sociology of education seem to emphasise subjective views that knowledge can be divided into two groups, those that analyse external relations and those that focus on internal relations, with limited views that knowledge represents processes of knowing within the mind of knowers (Maton, 2014). This takes the basic assumption that knowledge is exclusively about society and does not consider what knowledge is to the individual (knower) and how he/she experiences it. This perspective has led to education research focusing primarily on the studying of learning processes and not paying much attention to forms of knowledge (Case, 2011; Muller, 2009). This study gives attention to the specialization codes, focusing on the knowledge and knower structures of accounting and the effect of knowledge acquisition on the knower (the accountant), thereby bringing the knower more fully into the picture.

This study uses the seminal work of Bernstein's (2000) pedagogic device to describe the social structures of accounting knowledge, and Maton's (2014) Legitimation Code Theory (LCT) to explain knowledge and knowledge-building in accounting and its epistemic and social relations. For Bernstein, knowledge is at the centre of the conceptualisation of curricula (Bernstein, 1975). The pedagogic device comprises the field of production where new knowledge is created, the field of recontextualisation where knowledge from production fields is selected, rearranged and transformed to become pedagogic discourse, and the field of reproduction where teaching and learning happens.

Focusing on the design of an accounting curriculum, this study draws on the experiences of professional accountants in the field to describe and analyse the sites of production of new

accounting knowledge and to identify its knowledge and knower structures. With reference to the BCC case study, the selection and ordering of content ('knowing that'), within a specific context ('knowing why') and allowing for the development of practical expertise ('knowing how') are identified and explained. Bernstein's (2000) pedagogic device describes the social structures for the distribution of knowledge, which, he argued, creates an 'arena of struggle'. Within this arena, this study cogitates the production of accounting knowledge and its recontextualisation to become pedagogic discourse. The different forms of knower and knowledge building in accounting allows for an investigation of the underlying organising principles or epistemic and ontological purposes of accounting (Maton, 2014). The theoretical framework is discussed in more detail in Chapter 3.

## **1.6 Research design and approach**

Using a case study to scrutinise a specific section of knowledge in the accounting curriculum, this study follows a qualitative research methodology (Maxwell, 2008; Yazan, 2015). Data sources for this study are purposively selected, collected and analysed, and comprise of primary data in the form of observations and perceptions gathered from a range of purposively selected participants (professional accountants) using focus group interviews and online responses to open-ended questions, and secondary data such as academic research studies, documents, guidelines, insights and artefacts produced by accounting and auditing professionals, institutions and firms.

The BCC case study provides for a holistic description and analysis of the production of knowledge in accounting, the knowledge and knower structures of accounting and the recontextualisation of this knowledge to inform curriculum design. The case study is positioned in the discipline of Financial Accounting (also referred to a 'accounting' or 'financial reporting'), one of the major disciplines within the professional accountancy education programme. BCC represents specialised knowledge that is usually taught at a second and/or third year level at most universities in SA and other countries (Schönfeldt, Hancock & Birt, 2020). The selection of a case study has limitations, and a different case study or focus area may have resulted in some differences in the descriptions. The research method and BCC case study are described further in Chapter 4.

The research questions (listed below) focus on BCC knowledge as a field of specialisation, with the aim of constructing a broad conceptualisation of how BCC knowledge is produced, selected, sequenced and ordered in the accounting curriculum. These insights provide a point of reference for the design of a framework of a holistic accounting curriculum for the future. Focussing on BCC knowledge, the data sources offer a broad spectrum of insights and perspectives to inform the research questions and findings. Further, the respective data sources provide for the effective use of data triangulation, thereby reducing the risk of systematic biases or limitations of a specific method and allowing for a better assessment of the validity and generality of the explanations developed (Maxwell, 2008).

This study considers three interrelated research questions:

**RQ1:** What are the sites of BCC knowledge production in accounting and to what extent do they contribute to the originality, quality and authority of the knowledge produced?

**RQ2:** What are the knowledge and knower structures and specialization codes of BCC?

**RQ3:** What are the principles for the design of a framework for the recontextualisation of BCC knowledge in the accounting curriculum?

The BCC case study provides answers to the *how* and *why* of the research questions (Yin, 1989). RQ1's aim is to examine and identify the field of production of BCC knowledge. The field of production is where new knowledge is constructed, modified and positioned. The production site includes institutions, regulators and research produced by professional task teams and academics. Identifying the site of production of BCC knowledge is important as it informs its de-location and re-location in the field of recontextualisation. BCC knowledge is selected from its field of production to become pedagogic discourse in the field of recontextualisation, informing what content is selected and how it is ordered in the curriculum. The RQ1 findings are discussed in Chapter 5.

Drawing on the experiences of professional accountants, the knowledge and knower structures of BCC knowledge (RQ2) are analysed and described in Chapter 6. Accounting exhibits a hierarchical knowledge structure with stronger epistemic relations (ER+), emphasising technical knowledge, skills, and application of accounting processes and procedures. The acquisition of specialised BCC knowledge (associated with judgement and developing a 'feel for it') points towards a stronger social relation (SR+). The RQ2 findings provide insight to the specialization codes to conceptualise the 'rules of the game' that are embodied by accounting practices, frameworks and professionalism.

Focussing on the field of recontextualisation, Chapter 7 describes the findings relating to significant terms, meanings, concepts, processes and procedures associated with BCC transactions within the Financial Accounting discipline as well as in other applied disciplines, representing specialised accounting knowledge located in professionally orientated subjects. BCC knowledge is analysed according to 'knowing that' accounting concepts and principles, 'knowing how' transactions are recorded and reported, and 'knowing why' this is relevant. By considering the 'recontextualizing logics' in the field of recontextualisation, RQ3's aim is to identify the principles for the design of a framework that portrays the selection, sequencing, pacing and ordering of BCC knowledge in the accounting curriculum. Chapter 8 brings together the findings of RQ1 and RQ2, followed by the main purpose of describing the construction of BCC knowledge in the curriculum (RQ3), thereby demonstrating the design principles of a framework for a holistic curriculum when educating professional accountants.

## **1.7 Contribution of this study**

The problem under investigation is curriculum change in accounting. This study's point of departure is that the current accounting curriculum mostly emphasises theoretical knowledge associated with accounting standards and procedures. Important attributes associated with critical thinking, problem-solving and decision-making are mostly ignored at the cost of coverage of a broad spectrum of content, resulting in surface coverage at the cost of specialization. Appeals for change in the accounting curriculum recognise issues relating to the relevance of the curriculum in preparing the professional accountants of the future and the development of curriculum models, engaging learning resources and enhancing faculty development opportunities in support of sustaining a robust curriculum (Samkin & Stainbank, 2016; Pincus et al., 2016). Equally, guidance is required on how knowledge and skills associated with professional competencies are structured within the accounting curriculum (Billett et al., 2010; Eraut, 2011; Lawson et al., 2014).

The study contributes to conversations around specialised professional knowledge and the education of accountants, both nationally and internationally. This study is unique in its reference to the sociology of knowledge to identify and understand knowledge and knower structures in accounting and to develop a framework for a more relevant and holistic curriculum using recontextualizing logics. The contribution to the theory of professional knowledge in accounting comprises the recognition of the knowledge and knower structures and specialization codes of accounting, and the design of a framework for a holistic curriculum for the education of accountants. With reference to the sociology of professions and using an educational lens, this study identifies the epistemic and social relation of accounting knowledge. Through the analyses of the BCC knowledge production sites and the knowledge and knower structures, this study accentuates the notion that accountants (knowers) require specialised knowledge and identifies the principles for the construction of BCC knowledge in the curriculum. A desire to understand the nature of the knowledge and knower structures and epistemic properties specifically relating to BCC, leads to a detailed investigation of what, how and when such knowledge appears in an accounting curriculum.

Within the boundaries of the South African accounting profession and the strong control of the profession on academe, the challenge is to allow control of the pedagogic device to change hands and bring it back to the academe. These insights may inform accounting academics of new ways to think about discipline and regional knowledge, as well as the selection, organisation, scaffolding and integration of specialised accounting knowledge to support holistic and relevant accounting education for the twenty-first-century accountant.

## **1.8 Thesis roadmap**

This study commences by identifying and describing studies in accounting education and other related literature (Chapter 2). The theoretical framework is explained in Chapter 3, while Chapter 4

includes a description of the research method, sources of data collection and the BCC case study. The research questions are addressed in Chapters 5 to 8, where the findings relating to the BCC case study are examined and explained. The principles for the design of a framework for the professional accounting curriculum are identified in Chapter 8, while Chapter 9 draws the conclusion of this study.

## **Chapter 2 Educating accountants – background and literature**

### **2.1 Introduction**

This chapter provides a literature review of studies concerned with the accounting profession and accounting education. Accounting education is positioned on the boundary between the fields of accounting and the sociology of education. The connections between these two fields are supported by several studies straddling accounting education. These include, for example, studies ranging from the relevance of the accounting curriculum (Al-Htaybat, von Alberti-Alhtaybat & Alhatabat, 2018; Douglas & Gammie, 2019), graduate skills, attributes and employability (Bunney, Sharplin & Howitt, 2015; Clarke, 2018; Kavanagh & Drennan, 2008), to the field of professionalism and practice (De Lange, Jackling & Suwardy, 2015; Edgley, Sharma & Anderson-Gough, 2016).

Aspects associated with challenges identified for the accounting profession and calls for change in the education of accountants are identified, including studies related to accounting knowledge and skills, the professional accounting curriculum, the students, and teaching and learning in accounting. Accounting academics are required to actively consider the relationships among different disciplines and the interconnectivity with the broader business knowledge. The first section describes the studies associated with challenges in the education of accountants and calls for change, while the second section focuses on studies in accounting education. The chapter ends with a short overview of work relevant for this study, identifying the gap in the literature.

### **2.2 Challenges in the accounting profession and accounting education**

The extent of corporate failings and scandals, and the accounting profession's continued support of strategies that reflect economic power and shareholder wealth have drawn criticism (Albrecht & Sack, 2000; Anderson-Gough, Grey & Robson, 1998; Boyce, 2008; Gallhofer & Haslam, 2007; Neimark, 1996). Over time accountancy practices have developed from a professional relationship with clients to a value-added industry where the focus is more on profitability and less on independence (Sikka & Willmott, 1995). These critiques have resulted in several changes in how the profession is structured and organised, for example updates of accounting and auditing standards, the development of integrated reporting and an increased call for improvement relating to the focus, standards and overall quality of accounting education (Accounting Education Change Commission, 1990; Albrecht & Sack, 2000; Evans et al., 2010).

Accountants are constantly faced with challenges that disrupt how they conduct their daily business. Globalisation, growing competition, changes in technology and legislative requirements are just some of the realities that constantly confront the accountant (Mohamed & Lashine, 2003). A restructuring of accounting education is needed to facilitate the changing nature of accountancy and

the personal characteristics and skills required of accountants (Wheeler, 2001). Mohamed and Lashine (2003) conceive that accounting education and accountants' skill levels are not in line with the challenges of the new global business environment.

The study entitled 'Accounting Education at a Crossroad', published by the Institute of Chartered Accountants in Australia in 2010, identified several challenges in the higher education sector (Evans et al., 2010). The challenges include large classes with high lecturer-student ratios, heavy teaching and preparation loads, increased levels of administration and limited time and support for research (Brew, 2003; Elton, 2001; Evans et al., 2010). The AAA and the American Institute of Certified Public Accountants (AICPA) commissioned 'The Pathways Commission: Charting a National Strategy for the Next Generation of Accountants' to study the future structure of higher education for the accounting profession (AICPA, 2012). These studies call for renewed engagement among those involved in the education and training of accountants, including academics, practitioners and other experts (Black, 2012; Negash, 2013).

In response to globalisation and digitalisation, the accounting profession's initial focus was on the acquisition of generic skills (Willcoxson, Wyder & Laing, 2010). Hopper, Lassou and Soobaroyen (2017) considered the influence of globalisation on accounting in developing economies. In a study that traced the historical evolution of accounting education, Bunney et al. (2015) identify the need for graduates who are capable of critical thinking with the ability to adapt in an innovative work environment. Given the emergent complexities of globalisation and the rapid changes and disruptions in technology, there is a need for accounting researchers to engage in ongoing efforts to develop an educational sustainability model that anticipates the continued challenges of the accounting profession (Apostolou, Dorminey, Hassell & Rebele, 2018).

The financial crisis and recent accounting scandals associated with accusations of unethical behaviour highlighted the importance of public confidence in the accounting profession (Carnegie & Napier, 2010; Szadziawska & Kujawski, 2018; Weber, 2015) and focused the attention again on ethical issues in the accountancy profession. Ethics and ethical conduct are core attributes associated with professionalism, stewardship and accountability within the accounting profession. Several studies have investigated ethics using a variety of lenses associated with the business ethics education (Dellaportas, Kanapathippillai, Khan & Leung, 2014; Christensen, Cote & Latham, 2018; Martinov-Bennie & Mladenovic, 2015; McDonald, 2004; Taylor, 2013; Sorensen, Miller & Cabe, 2017). Some studies consider the public's perceptions of accountants' ethics (Caglio & Cameran, 2017), while other studies focus on ethics leadership (Ballantine, Guo and Larres, 2018; Copeland, 2015).

The professional skills required of accountants have been extensively researched (Howieson, Hancock, Segal, Kavanagh, Tempone & Kent, 2014; Mohamed & Lashine, 2003; Paisey & Paisey, 2010; Webb et al., 2009). Apostolou, Dorminey, Hassell and Hickey (2019) identify, as part of their

accounting education literature review study, several challenges that persist in education, including challenges associated with preparing students for the accounting profession's changing needs. According to Lawson et al. (2014), most accounting curricula focus on technical knowledge but do not stimulate life-long learning while Guthrie and Parker (2016) identify a shift in how value is created, calling on accountants to embrace qualities of value creation and global sustainability. Their study identifies new and emerging areas that require academic programmes to include value creation options, while King (2016) refers to accountants in the future as 'chief value officers'. Another development associated with adding public value and sustainability-related accounting is the preparation and presentation of integrated reporting (Owen, 2013). An important implication is that various professional skills need to be incorporated and developed within the accounting curriculum.

International accounting education literature (Boyd, 2004; Boyce, 2008; Hopper, 2013) criticises the overly technical and reproduction nature of accounting programmes, the lack of attention to the accounting practice and the over-emphasis on professional examinations. Employers, including professional bodies and accounting firms, have emphasised the need for accounting education in universities to be more relevant and include the acquisition of certain competencies such as critical thinking, independence, objectivity, leadership, social responsiveness and ethics (Hesketh, 2011; Howieson, 2003; Marx & Van der Watt, 2013; McCombie, 2007; Sharifi, McCombs, Fraser & McCabe, 2009).

On the other hand, the educational claims of the profession through the accreditation process have drawn attention and critique in the literature. These claims are strengthened by the status of professional qualifications, which are, in many countries, a necessary precondition for appointment as an auditor (Boyd, 2004). Sikka et al. (2007) have questioned the emphasis on accreditation by the professional accounting bodies, indicating that this has resulted in the content and focus of accounting degrees to be moulded by the accounting bodies. Apostolou and Gammie (2014) are highly critical of the accreditation process due to its constraints on academic freedom, both in terms of curriculum content and patterns of assessment. They argue that the strong focus on professional exit qualifications has caused university accounting degrees to emphasise learning techniques, rules and regulations based on the professional exit exams, often at the expense of wider reflections on the social consequences of the techniques and practices (Sikka et al., 2007).

Hopper (2013) posits that many accounting academics prefer to follow the narrow curriculum used in professional training, blaming academics and institutions for the poor state of accounting education and the malaise created by accreditation. He argues that significant sections of accounting knowledge and concepts are excluded, for example discussions relating to concepts such as 'truth and fairness' and public interest, when accounting degrees have a narrow focus on professional courses, stating that "it is simply wrong to assume that what the accounting profession practises and examines fully represents the field of accounting studies" (p131).

The strategy of allowing the profession to control the education of accountants has also been criticised in SA. Concerns that have been flagged are associated with the status of accreditation (Ellington & Williams, 2017; Venter & De Villiers, 2013; West, 2006), creating tension between teaching and research (Lubbe, 2014), limited flexibility (Stainbank & Tewari, 2014) and the accounting profession's influence on academe in SA (Van der Schyf, 2008; Venter & De Villiers, 2013). Accounting academics in SA have been criticised for their extended focus on pedagogic practices aligned to the curricula and assessment practices of accounting bodies (Venter & De Villiers, 2013), suggesting that this happens at the cost of a more liberal educational approach and research conducted by accountants employed as academics (Verhoef & Samkin, 2017).

In SA, the SAICA professional body is working on the CA2025 project, with the aim of identifying and describing the professional competencies (professional values and attitudes, enabling competencies and technical competencies) that a CA(SA) is required to demonstrate at entry point into the profession (SAICA, 2019d,e). Competencies are described as the "set of knowledge and skills required for professional success in accounting, with knowledge being the intellectual content to be learned, and skills being the capacity to apply the knowledge to achieve specific objectives" (Boulianne, 2016, p. 306; Lawson et al., 2014). As a professional body initiative and reinforced by the notion of continued accreditation, the CA2025 project aims to develop a competency framework for the CA(SA) designation. However, this study's focus is on investigating the knowledge and knower structures and specialization codes of accounting (using an educational lens), and designing a framework for the selection, ordering and evaluation of knowledge within an accounting curriculum that is suitable for higher education.

The new developments identified and portrayed above point to several challenges for the accountant of the future. This study investigates the production of knowledge in accounting and the knowledge and knower structures to identify and describe the knowledge, skills and competencies required of an accountant and their integration in the curriculum. Studies about accounting students, learning approaches, teaching and assessment in accounting are relevant to this study as these themes provide insights related to the pedagogic device and considerations associated with the selection of knowledge that is required and how the student accountants (knower) acquire knowledge in accounting. The next section describes studies in accounting education, categorised in studies relating to (1) identifying and developing knowledge, skills and competencies in accounting; (2) students and student learning; (3) teaching interventions in accounting education; and (4) curriculum and content.

### **2.3 Studies in accounting education**

Recent studies relating to education for the accounting profession have highlighted the importance of collaboration between academics and practitioners in developing the attributes of accounting graduates (Howcroft, 2017), including the skills and competencies of trainee accountants associated

with professionalism (Chaffer & Webb, 2017). Examining four areas pertinent to accounting education, Hopper (2013) identifies a need for curriculum and pedagogical reform and university quality teaching systems, stating that future employment markets are complex and unpredictable, demanding business professionals to think critically and in an integrated way to find solutions for complex systemic problems, transactions and events. A broader understanding of underlying educational principles, a scholarly interest in teaching, and ongoing curriculum development is required (Ainsworth, 2001; Hesketh, 2011, McGuigan & Kern, 2016). McGuigan and Kern (2016) calls for a significant (re)conceptualisation of how student learning is facilitated, and for educators to focus on creativity and innovation.

### *2.3.1 Knowledge, skills and competencies in accounting*

Knowledge in accounting is not limited to the technical knowledge, which is often the focus of undergraduate and postgraduate studies. An accountant is required to be a knower (expert) in the technical (how to) of accountancy, while changes in the economy/markets require accountants to acquire and demonstrate skills such as leadership, critical thinking, decision-making and ethical professional conduct. Knowledge emerges from but cannot be reduced to, the contexts in which it is created (Maton & Moore, 2010). The theory of knowledge flags two dimensions of learning: the objective dimension (knowledge itself) and the subjective dimension (those who come to make and hold that knowledge). Skills, in contrast to knowledge, refer to specific attributes such as business acumen, problem-solving skills, time-management skills, and so forth. These are skills that require the application of knowledge within a practical situation (Winch, 2014). The theory of professional knowledge and skills is described in more detail in Chapter 3.

Previous studies have identified knowledge in accounting as hierarchical (see Myers, 2016), which shapes the social practices and forms of pedagogy in accounting. The environment in which accountants work is subject to continuous change. To prepare future generation accountants to adapt to such changes, university accounting programmes are required to provide aspirant accountants with sound technical accountancy knowledge and relevant skills required of responsible leaders (Albrecht & Sack, 2000; Ellington, 2017; O'Connell et al., 2015; The Pathways Commission, 2012). Accounting students are required to develop communication, intellectual and interpersonal skills, accounting, and business knowledge to perform critical competencies expected of accounting professionals (Ainsworth, 2001; Apostolou et al. 2018).

The knowledge and skills required of an accountant are often combined in the reference to 'competencies', for example, Lindsay's (2016) framework for professional learning that refers to 'competent' and 'complete' professionals. Studies relating to the identification and acquisition of competencies by accounting students include communication skills (Riley & Simons, 2016), communication, time management and teamwork skills (Levant, Coulmont, & Sandu, 2016; Webb &

Chaffer, 2016), and reading comprehension and listening skills (Coetzee, Janse van Rensburg & Schmulian, 2016). Investigating the development of pervasive skills, Keevy (2020) emphasises the insertion of ethical behaviour and professionalism, personal attributes and professional skills in core accounting subjects. Other studies suggest that pervasive skills are developed by integrating real-life scenarios across the core accounting disciplines (Fortin & Legault, 2010; Maughan, 2016; Samkin & Keevy, 2019).

Critical thinking skills have been identified as one of the essential competencies that accounting graduates need to acquire. Bonk and Smith (1998) looked at different options of including critical thinking in the accounting curriculum, while Carmona (2013) identified aspects that may support critical thinking in students. These include a comprehensive approach that integrates thinking across courses, framing discussions from different perspectives and debating the interactivity between technical knowledge and managerial skills and values. Cloete (2018) investigated critical thinking skills of first-year accounting students from one South African university, suggesting that students need to participate in practical applications and tasks.

University accounting programmes have an important role to play in the development of professional skills (Tan & Laswad, 2018). The lack of adequately developed attributes and professional skills amongst accounting trainees have been highlighted by employers (Kavanagh & Drennan, 2008; Ballantine & McCourt Larres, 2009), emphasising the need for trainee accountants to view their practical experience as playing a crucial role in acquiring professional skills (Lansdell, Marx & Mohammadali-Haji, 2020). Specific professional skills identified for development during the training period include problem solving, critical and strategic thinking, communication skills (listening, writing, presenting) leadership and the ability to influence others (Lansdell et al., 2020).

Howcroft (2017) identified an expectation gap between graduates' actual and desired competencies as identified by educators and employers. He argues that "university accounting educators see themselves not just as technical trainers for the accounting profession and practitioner employers, but rather as promoters of critical thinking" (p. 477). As the accounting profession and employers also value critical thinking and high-level skills, they require accounting educators to encourage undergraduates' critical thinking and problem-solving skills as well as promoting technical skills. However, challenges associated with the massification of higher education result in educators not being able to concentrate on research-related teaching with the aim of producing critical thinkers, resulting in a focus on knowledge transfer and the production of technicians (Howcroft, 2017). These findings were similar to Ballou, Heitger, and Stoel's (2018) findings that accountants consistently value an equal focus on knowledge, skills and abilities, while academics consider technical knowledge of more importance.

Recent studies have focused on the impact of the fourth industrial revolution and providing accounting students with the necessary digital knowledge and skills for business decision-making

(Apostolou, Dorminey, Hassell & Rebele, 2016; Pan & Seow, 2016). Boulianne (2016) asked which information technology (IT) competencies need to be developed in accounting programmes to train skilled accountants. Terblanche and De Clercq (2019) explored the use of technology-based educational interventions in developing critical thinking in Auditing. Their study calls for the adoption of teaching methodologies and innovations that promote the development of critical thinking in the teaching of Auditing. In a study conducted in the UK and Ireland, Kotb, Abdel-Kader, Allam, Halabi and Franklin (2019) identified the importance of integrating technology across accounting curricula. They identified the lack of competent/interested staff, the lack of time/space in an already overloaded curriculum and the inhibiting role of accreditation requirements as hampering features. Several studies focused on technology-based teaching and digital game-based learning (Carenys & Moya, 2016; Holtzblatt & Tschakert, 2011; Fisher, McLeod, Savage, & Simkin, 2016).

Challenging the emphasis on non-technical skills and pointing to evidence that employers give preference to graduates from non-accounting degrees, Douglas and Gammie (2019) identified that accounting degree providers in Scotland appeared to focus on interpersonal and communication skills to the detriment of intellectual skills. Their study found that accounting firms instead look at “general ability and the skills possessed by applicants with scant regard for the subject matter studied” (p. 322) and they warn that the pressure of accreditation and commercialisation may result in failure to develop strong intellectual skills. In a study that considered the power relations in the education of accountants in SA, Terblanche and Waghid (2020) found that the current process and position in the higher educational landscape fails to truly transform students, which directly affects the perpetuation of inequality and thus social cohesion in SA.

In conclusion, accounting education research is currently dominated by research emerging from developed, Westernised countries (Marriott, Stoner, Fogarty & Sangster, 2014) with limited attention given to the particular challenges associated with the diversity of South African students. Some topics that have recently been explored in SA include how students construct knowledge in accounting (Myers, 2016, 2017), curriculum design challenges (Lubbe, 2017), and enhancing collaborative learning through assessment (Malan & Stegmann, 2018).

### *2.3.2 Accounting students and approaches to learning*

Education is broadly described as developing in a student a disposition towards the pursuit of knowledge that produces, amongst others, the ability to obtain the necessary knowledge as and when required and a broader understanding of society in which the person functions (Collini, 2012). Education is not a singular or once-off event but should rather be seen as a process of learning and acquiring knowledge. The focus is on learning, calling on universities to educate students at a higher cognitive level (Howieson et al. (2014) while students have the responsibility to be receptive to acquire insight in a particular discipline (Botha, 2001). International studies find that accounting

students are concerned with accounting's social role (Chabrak & Craig, 2013) and the desire to campaign for substantive reforms associated with ideals, morals and ethics. Such debates are expected in higher education, where student beliefs must be challenged, and contradictions analysed to develop critical thinking skills to resolve complex problems. The question here, however, is whether the current curriculum and pedagogy provide enough opportunities for students to challenge the status quo, or whether students merely accept what they are taught. The latter possibly results in accounting students feeling short-changed, confused and complacent, distancing (Goffman, 1959) their ideals from the everyday practices of studying a conservative curriculum in a mundane pedagogical setting, resulting in students feeling disappointed when they graduate.

Even though one may argue that students remain students, influences associated with globalisation, social responsibility for the environment and technology have to be considered as influential factors affecting the generation known as millennials (Twenge et al., 2010; Ng et al., 2010). Today, accounting firms mainly recruit millennials (PwC, 2013) with different expectations of work experiences and working environments (Ng et al., 2010). Millennials' career expectations represent a new system of norms, values and beliefs of a new generation of accountants. A focus on these values and expectations may strengthen the legitimacy of pedagogy (how knowledge is presented) for future accountants.

Student diversity (McLean & Walker, 2012) adds another layer to the complexity, such as the extent of prior learning associated with the quality of high school attended, learning styles and so forth. Diversity among students has been a topic of debate in the literature (Barac, 2015; Mdepa & Tshiwula, 2012; Pym & Kapp, 2013) where in countries such as Australia and the UK, diversity is often described as international students having to study in a foreign language within a different culture (Lawson et al., 2014). In SA, diversity is associated with the socio-economic, cultural and language differences as is evident in the mixed local population. De Jager (2014) looked at factors that support and hamper the academic success of Thuthuka<sup>1</sup> students in SA and found that students believed that encouragement was the main factor contributing to their success, followed by individual commitment. Also focusing on the Thuthuka programme to assist socio-economically disadvantaged students, Barac (2015) suggests a multifaceted programme that "provides social and academic support, create opportunities for students and educators to accept some social responsibility and expose students to workplace experience whilst studying" (p. 95).

Several studies comment on language diversity and student learning patterns, poor learning outcomes and surface or dissonant learning profiles (Teixeira & Gomes, 2017). The effects of language proficiency on students' approaches to learning was examined by Bobe and Cooper

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<sup>1</sup> The Thuthuka Project provides funding and a comprehensive support programme for SA black students studying BCom Accounting (or equivalent) at a SAICA-accredited university.

(2019), confirming the importance of English language proficiency for student learning. Paxton and Frith (2013) considered the implications of academic literacies for knowledge making and curriculum design in SA, while Wynder (2018) acknowledges the linguistic and cultural differences of international students for whom English is a second language.

Another area that has seen extensive coverage in the literature is students' approaches to learning (for example, Biggs, Kember, & Leung, 2001; Duff, & McKinstry, 2007; Entwistle, 2000). Learning approaches are explained in terms of consistent individual traits (personality, motivation and attitudes), with limited influence by contextual factors (the nature of the learning task) (Entwistle & Ramsden, 1983; Biggs et al., 2001). On the other hand, Lucas and Mladenovic (2004) support the view that the teaching environment has a strong influence on learning styles. For example, the same content or material being taught differently by different teachers may result in different learning approaches in students. McGuigan and Kern (2016) appeal for a significant (re)conceptualisation of how student learning is facilitated, calling on educators to reinterpret their teaching philosophies, content and processes. With reference to Bauhaus' pedagogical process of 'unlearning', they argue that "unlearning can support a critical and reflective culture for both students and teachers that nurtures a deeper understanding of the 'ways of thinking' as business professionals" (McGuigan & Kern, 2016, p.1).

The studies described above articulate the goals and expectations of the teacher and student as these refer to strategies, approaches, and preferences. Learning styles, on the other hand, influence student learning preferences (Tan & Laswad, 2015), for example, whether they work on their own without support from others, seek clarification about the assignment from their teachers or interact with other students or peers to discuss the task. Examining students' performance in an introductory accounting course, Tan and Laswad (2015) found that learning styles have an impact on how students performed in different assessment forms. Other studies include a comparison between learning styles and preferences of accounting students, and teaching styles (Visser, McChlery & Vreken, 2006) and the implications of culture-specific learning styles (Sikkema & Sauerwein, 2015).

Even though this study does not focus on students and aspects associated with student learning, the studies described above provide useful insights into the diversity of students and their prior knowledge. The importance of fostering critical thinking and problem-solving strategies, the facilitation of the acquisition of life-long learning skills, the motivation of self-learning (Leveson, 2004) and the preparation of accounting students to function effectively in an information economy are all aspects that relate to the student accountant as the knower, and thereby inform the design of a framework for an accounting curriculum, as discussed in Chapter 8.

### *2.3.3 Pedagogy and teaching strategies in accounting*

Pedagogy, as an academic discipline, is the study of how knowledge and skills are imparted in an educational context, and it considers the interactions that take place during learning. Pedagogy in accounting is often seen as the teaching of large groups of students, without much thought about the theory and practice of education and learning practices (Kirsten & Kunz, 2015; Wynn-Williams, Beatson & Anderson, 2016). Drawing attention to the way accounting students are taught, Chabrak and Craig (2013) stress that accounting education and pedagogy reforms go beyond teaching the technical and include aspects such as the theory of accounting and examine accounting's ethical and moral basis and whether it serves the public interest. The goal is to develop critical and creative thinking through the analyses of 'real-life' accounting cases that engage students holistically while thinking in a multidisciplinary way. Several studies support using case studies for student engagement and skills development (see Boyce, Williams, Kelly & Yee, 2001). Using the Enron case study, Chabrak and Craig show how students apply cultural and symbolic images, language and linguistic rules, allowing for more liberated perspectives and systems to evolve (Hopper, 2013).

Teaching and learning in accounting have been researched extensively. While several recent studies focused on the learning objectives (Rebele & St Pierre, 2019), teaching for motivative learning (Andres, 2019) and visualising the teaching of accounting concepts (Wynder, 2018), others considered students' learning approaches in accounting (Lucas, 2001; Lucas & Mladenovic, 2004) and the preparedness of students to study accounting at university (Long, Barnes, Williams & Northcote, 2018). Developing an awareness of the relationship between teaching and learning is therefore fundamental to improving teaching (Leveson, 2004). In a South African study, Kirsten & Kunz (2015) found that teaching practices and active student involvement positively impact on students' overall skills development. However, without careful consideration of the way the knowledge is transferred to the student and how learning happens, changes in the curriculum may have a limited effect on how students learn. This is particularly relevant given the diversity of students today (as discussed earlier). As stated by Barnett (2012), learning for an unknown future requires the understanding and enacting of a pedagogy for the individual.

Some studies in accounting have investigated how teachers and teaching can influence student perceptions (Friedlan, 1995; Mladenovic, 2000) by, for example, a teaching approach that emphasise critical analytic thinking skills. Teaching approaches usually enhance practical problem solving, adopting well-structured, well defined and recipe-driven learning approaches that provide "single solution" answers (Wynn-Williams, Whiting, & Adler, 2008). Lucas (2001) focused on a teaching approach that is referred to as 'teaching conceptions' and the need for students to develop a conceptual understanding of the subject while the importance of a teaching strategy to support problem-solving abilities in the accounting graduate has received limited attention (Stanley & Marsden, 2012; Kavanagh & Drennan, 2008; Hansen, 2006). Looking at teaching strategies in

accounting, Jayaprakash (2005) argues that the aim of pedagogy is to integrate the content with real world experiences, calling for the use of teaching tools such as interactive case studies, simulations and games, and group work. Thus, using multiple teaching methods and strategies that complement the traditional lecture method enrich the classroom experience and can assist to successfully reach the maximum number of students. However, in a study carried out in Turkey, Hosal-Akman and Simga-Mugan (2010) found that teaching methods had no significant effect on students' academic performance.

Recent innovative teaching styles and methods that are still evolving include 'flipping the classroom' (Brown, Danvers & Doran, 2016; Missildine, Fountain, Summers & Gosselin, 2013), using a co-teaching mentor model (Turklich, Greive & Cozens, 2014) and teaching with digital video technology (Holtzblatt & Tschakart, 2011). Other accounting education studies focus on the teaching and learning for the core accounting disciplines, such as Auditing (Kern & Weber, 2016; Taplin, Singh, Kerr & Lee, 2018; Von Wielligh & Butler, 2012); Management Accounting (Golyagina & Valuckas, 2016; Zeigler, 2015) and Taxation (Blanthorne & Westin, 2016; Hageman & Fisher, 2013), to name a few. Vysotskaya, Kolvakh, and Stoner (2016) used an analytical approach to demonstrate the accounting system represented as a mathematical system of equations to be solved through basic matrix algebra functions, while Dai (2019) used an interactive teaching mode and Liu and Gao (2017) used a flipped classroom teaching model in Financial Accounting.

Focusing specifically on the teaching and learning of accounting standards (International Financial Reporting Standards (IFRS)), Tan, Chatterjee and Bolt (2014) reviewed 2001–2012 literature and identified four themes: (1) current status of IFRS integration in national curriculum; (2) approaches to teaching IFRS; (3) barriers to implementing IFRS education; and (4) proposed teaching methods to facilitate learning of IFRS. Among the authors' main findings are that active learning approaches that emphasise critical thinking and judgement skills are the most successful methods for teaching IFRS. Several studies demonstrate the use of case studies in the teaching of IFRS (Detzen, Hoffmann & Zülch, 2013; Gebhardt, 2016; Goedl, 2013), whereas others focus on the preparedness of accounting academics to teach IFRS (Lakew & Musa, 2019). Some studies considered the teaching of IFRS (Alzeban, 2016; Hughes, 2017; Nasution, Wardayani & Muda, 2018) and reconceptualised the instruction of the statement of cash flows (McNellis, 2015).

Describing IFRS as 'principles-based accounting standards', Hodgdon, Hughes and Street (2011) suggest that considerable judgement is often required in the application of IFRS. These include pervasive issues such as going concern assumption, materiality and related disclosures, and issues encountered in the application of most IFRSs, including presentation and disclosure, classification, recognition/de-recognition and measurement. Their study suggests a three-step approach to teaching IFRS judgements, namely from concepts to principles/rules to the judgements required in

applying those rules and providing accounting academics with examples they may use in the classroom.

Allen, Mastilak, Randolph and Weickgenannt (2012) found that, using a series of cross-curricular exercises, students are able to identify the differences between the USA accounting standards (US GAAP) and IFRS, and show an appreciation of the effect of reporting incentives on managers under different reporting regimes. Glover and Werner (2015) identify teaching options for delivery of IFRS and its positioning within the curriculum, either as a separate course or included as a supplement in existing Financial Accounting, advanced accounting or special topics courses. This contrasts with the organising of IFRS in the SA accredited curriculum, where the focus of Financial Accounting courses is exclusively on IFRS.

As mentioned earlier, pedagogy in accounting seems to be centred on the teaching of large groups of students, while teaching approaches usually include a strategy of how best to deliver the content to students. However, focusing on the teaching of discipline knowledge limits the integration and acquisition of regional knowledge and the field of practice. This highlights the importance of designing a curriculum that facilitates integration, and thereby enables pedagogy to incorporate case studies and group work in support of the development of problem-solving, communication and critical thinking skills. The focus of this literature review now moves to accounting knowledge and the content of the accounting curriculum.

#### *2.3.4 Accounting knowledge and calls for curriculum change*

Several studies (Albrecht & Sack, 2000; Humphrey, 2005; Humphrey, Lewis & Owen, 1996; Vasarhelyi, Teeter & Krahel, 2010) have declared university accounting education as 'out-of-date', calling for accounting curricula to adequately prepare graduates for the changing business world. Twenty years ago, Ainsworth (2001) identified the goals of an undergraduate accounting programme as the provision of a general understanding of the field of accounting, a specific understanding of the subjects within accounting, professional skills (written communication, oral communication, interpersonal communication, computer applications, listening, critical thinking and adaptability [learning-to-learn]) and attitudes (ethics and integrity), and exposure to global, political, social, legal, ethical, regulatory, environmental and technological issues (pp. 285–286).

Themes relating to curriculum change in accounting identified in the literature include the integration of competencies, research and practical work experience. Several reports have been produced in the last decade calling for the revitalisation of accounting education through the integration of emerging features and competencies of the business world. Examples include the Pathways Commission in Australia (2012), the American Accounting Association (AAA, 2012), the Institute of Management Accountants (IMA, 2010) and the Canadian Institute of Chartered Accountants (CICA, 2012). These reports have been followed by studies that describe their findings and interpret their

recommendations (Behn et al., 2012; Black, 2012; Bui & Porter, 2010; Ellington, 2017; Evans et al., 2010; Lawson et al., 2014, Lawson, Blocher, Brewer, Morris, Stocks, Sorensen, Stout & Wouters, 2015; Negash, 2013).

Exploring the different interpretations of the globalisation of the higher education curriculum, Clifford and Montgomery (2017) consider what constitutes a transformed curriculum and question whose perspectives are being privileged in defining an internationalised curriculum. While some studies call for an improvement in accounting education in light of the numerous accounting scandals, Carmona (2013) claims that calls for the reform of the accounting curriculum have been rather unsuccessful and encourages an individual approach rather than waiting for the implementation of some "grand" reform. Aprile and Nicolliello (2016) reviewed the syllabi of Economics and Business Administration at Italian universities and found that they differ from the Anglo-Saxon 'IFRS model' in that they are more conceptual and less technical. Mandilas, Kourtidis and Petasakis (2014) examined whether the accounting curriculum fits business demands in Greece. Their study identifies the following four criteria for accounting curricula: (1) to match the expectations of employers and the curricular content; (2) the development of knowledge and skills; (3) relevance to the employers' organisations; and (4) practical demonstrations from employers to students. They call for the incorporation of work placement into the higher education curriculum to support competency and skills development.

In their study 'Forces for change in higher education and implications for the accounting academy', Pincus, Stout, Sorensen, Stocks and Lawson (2016) describe the impact of financial and technological forces on higher education in the USA, and the implications for accounting academia. Their study identifies digitalisation of accounting/finance jobs, the growing skills/competency gap and how technology has transformed ways of teaching and academic research. Technology not only effects how teaching happens and how students learn, and several studies call for the adoption and use of digital applications in the curriculum. Investigating the use of digital technologies, Watty, McKay and Ngo (2016) recommend a process to help improve faculty adoption and use of technology. In a response, Fogarty (2018) observes that major changes need to happen in accounting curriculum with attention given to a strategy that not only addresses the edges of the curriculum. He alerts that it is difficult to build new curricula on old curricula, stating that "many reasons exist why the old cannot be swept away, nor even minimized" (p. 43). He identifies several forces that prevent change, including professional licensure, accreditation and advisory boards, stating the need for structural change in higher education and in accounting education.

Considering the inclusion of ethics in the qualification process in Australia and New Zealand, West and Buckby (2020) found that a mandatory course with a substantial ethics component is only included in some undergraduate accounting programmes and is less likely to be included in postgraduate programmes. They further identified that issues of moral sensitivity and moral judgement are widely considered, but that little attention is given to matters of moral motivation and

moral character, suggesting that “change [in the focus on ethics education] is unlikely without explicit ethical education requirements from the professional accounting bodies” (West & Buckby, 2020, p. 61). Integrating sustainability knowledge in accounting curricula has also been emphasised (see Gray & Collison, 2002; Gray, 2013; King, 2016; Thomson & Bebbington, 2005). Mburayi and Wall (2018) argue that “accounting and finance curricula lags behind the other developments made in business schools and calls for more pedagogical research and development to be done to embed sustainability within the curricula” (p.301).

Describing the challenges associated with a decolonised accounting curriculum, Dowelani and Maredi (2017) found that accounting academics do not have the required skills, such as research skills, curriculum development skills and indigenous knowledge, to be mindful of changes needed for a decolonised accounting curriculum. Boyce, Narayanan, Greer and Blair (2019) identify several systemic curricular-wide changes to the traditional technical and vocational focus of accounting education and supports a curriculum that considers accounting in its social context. They propose a sociologically informed approach to overcome the widely recognised limitations of current attempts to liberalise the curriculum. A study in the USA (Stone, 2019) calls for accounting educators to consider a balanced curriculum that includes themed and accounting related courses, motivating that the push-pull dynamic between accounting educators and students are incentivised when graduates are prepared for success in the profession.

Exploring the influence of the accounting academy and professional associations on the profile and quality of accounting education research in Australia, New Zealand and the United Kingdom and Ireland, Duff, Hancock and Marriott (2020) found that the professional accounting associations and employers are the primary stakeholders in the professional accounting curriculum. Academic research and technical activity have little influence on professional education and vice-versa, and the accounting academy is relatively absent, stating that “the profession is not benefitting from research-informed teaching or the potential synergies that would exist with an enhanced teaching-research nexus” (Duff et al. 2020, p. 12). By integrating accounting research and theory in an undergraduate accounting education programme, Baker and Wick (2019) found that many students exceeded the course requirements in the work they submitted, indicating an enthusiasm for engaging with content that presents accounting as a social phenomenon rather than a technical activity. Duff et al.’s descriptions that research is the production of accounting knowledge and accounting education is the communication of accounting knowledge, whereas professional practice is as the application of accounting knowledge, are particularly useful for this study.

In summary, several calls for accounting curriculum changes have been identified and described in the literature. These range from investigating the relevance of the accounting curriculum (Al-Htaybat et al., 2018; Douglas & Gammie, 2019), inclusion of business ethics education (Christensen et al., 2018; Dellaportas et al., 2014; Martinov-Bennie & Mladenovic, 2015; Sorensen et al., 2017; Taylor,

2013) and the field of professionalism and practice (De Lange et al., 2015; Edgley et al., 2016). Others identified the need for the inclusion of professional competencies (Behn et al., 2012; Black, 2012; Lawson et al., 2014, 2015), research studies (Baker & Wick, 2019; Duff et al. 2020), the need for business knowledge and skills development (Gammie, Gammie & Cargill, 2001) and the importance of practical work experience (Lansdell et al., 2020).

Suggestions for specific changes in the organising of the accounting curriculum include the introduction and use of a capstone course (Stanley & Marsden, 2013), use of case studies (Wynn-Williams et al., 2016), work integrated learning (Abeysekera, 2006; Reeders, 2000) and the integration of technology (Watty et al., 2016; West & Buckby, 2020). Proposed systemic changes include, for example, an extended time-period of four years (CHE, 2013), cautioning against curriculum 'overload' and giving students the option of more time to master the core curriculum and competencies required (Lubbe, 2017).

## 2.4 Conclusion

The state of accounting education has been evaluated by Albrecht and Sack (2000), who, at that stage, had already identified three major developments driving change: technology, globalisation and the concentration of power of market players. A decade later, tasks teams were set up to investigate the future structure of educating accountants and to develop recommendations for educational pathways to engage and retain knowledgeable leaders in the practice and study of accounting. Then, another decade later, there has been a renewed call to focus on accountants' education, this time calling for the integration of technology and acquisition of competencies, such as critical thinking and ethical decision-making, to enable the accountant to remain relevant in the future.

The literature discussed in this chapter encapsulates several challenges for the education of accountants and identifies calls for changes in the content and focus of the accounting curriculum to adequately prepare accountants of the future. The following main themes have been identified for consideration in the development of an accounting curriculum:

- Renewed focus on the integration of knowledge (i.e., discipline knowledge and regional knowledge).
- Enriched focus on professional competencies such as ethics and ethical behaviour, teamwork, communication skills and critical thinking (to name a few).
- Extended focus on the use of technology (both as an application of knowledge and in the teaching and learning of students).
- Enhanced practical experience during undergraduate studies, including practical case study applications and work integrated learning.

Based on the calls for curriculum change in higher education in general and in the education of accountants specifically, a gap exists. This gap comprises the description of the underlying organising principles of the accounting discipline, pointing to a need to analyse and map these in a format that enables conceptualising a curriculum for the education of the accountant of the future. Several studies identified the pressing need for change in accounting education. These studies, however, fail to provide a comprehensive and systematic description of the conceptual issues that straddle both accounting knowledge and the sociology of education. The theory of knowledge, including the production, recontextualisation and reproduction of knowledge and the epistemic pedagogical device, and the knowledge and knower structures (located within the LCT that inform this thesis) are important steps in conceptualising the principles for the design of a framework for a professional accounting curriculum. These theories are discussed in the next chapter.

## Chapter 3 Theoretical framework

### 3.1 Introduction

The literature identifies several studies that call for curriculum change in the education of accountants. Even though some studies identify the changes required, they lack frameworks located in the sociology of knowledge that inform such changes; furthermore, they do not identify the logics and principles for design changes. This study applies the seminal work of Bernstein and Maton to explore the field of production of accounting knowledge, knowledge and knower structures and specialization codes of accounting, and the implications for curriculum design. With reference to these sociological frameworks, this study addresses this gap when describing the knowledge and knower structures of accounting knowledge and using the recontextualizing logics to identify, describe and map the design considerations of a curriculum for accountants' education.

Bernstein's (2000) pedagogic device is used as a theoretical lens to view the production of new knowledge in accounting and to better understand the recontextualisation of such knowledge in the curriculum. Legitimation Code Theory (LCT), a realist sociological 'toolkit' developed by Maton (2007, 2014), is used to describe the specialization codes and knowledge and knower structures in accounting. The LCT subsumes and expands on prior work of mainly by Bernstein and Bourdieu, specifically Bernstein's code theory and Bourdieu's field theory (Maton, 2014). The aim is to describe how knowledge in accounting is structured, which knowledge and skills are required of the future accountant and the implications for the design of a curriculum in accounting. Using business combinations and consolidations (BCC) as a case study, the following research questions are identified:

- RQ1:** What are the sites of BCC knowledge production in accounting and to what extent do they contribute to the originality, quality and authority of the knowledge produced?
- RQ2:** What are the knowledge and knower structures and specialization codes of BCC?
- RQ3:** What are the principles for the design of a framework for the recontextualisation of BCC knowledge in the accounting curriculum?

Two of Bernstein's three fields of practice, as portrayed in his pedagogic device, are used to describe, analyse and identify how and where new accounting knowledge is constructed, modified and positioned (field of production) (RQ1) and selected, appropriated and transformed (field of recontextualisation) (RQ3). The dimension of specialization, which forms part of the LCT, is used to describe the knowledge and knower structures and specialization codes in BCC (RQ2). Specialization explores practices in terms of knowledge-knower structures, whose organising principles are given by specialization codes (Maton, Hood & Shay, 2016). These analyses of

knowledge in accounting are useful to identify and describe a framework for recontextualising BCC knowledge to become pedagogic discourse in the curriculum (RQ3), available to be pedagogised within the field of reproduction.

Much has been theorised in the field of the sociology of education about the meaning of concepts such as knowledge, powerful knowledge, and its place in the curriculum. Bernstein's work has been applied in several empirical studies over the last four decades – see for example, empirical work discussed in Atkinson, Delamont and Davies (1995), Morais, Neves, Davies and Daniels (2001), Muller, Davies and Morias (2004), Moore, Arnot, Beck and Daniels (2006), Christie & Martin (2007), and Vitale and Exley (2016) as well as Maton's LCT informed studies by Clarence (2015), Clarence and McKenna (2017) and Shay (2015; 2016).

This chapter commences with a summary of the sociology of knowledge, followed by the conceptualisation of specialised knowledge and expertise, 'powerful' knowledge, and professional practice. Bernstein's (1999, 2000) key concepts, particularly his theory of differentiated knowledge structures, his descriptions of singulars and regions, his ideas about classification and framing and his development of 'the pedagogic device' are then conceptualised. The specialization codes in Maton's (2007, 2014) LCT provide the framework for the description of knowledge and knower structures in accounting. The recontextualisation of knowledge in the curriculum, the proposition of knowledge as 'knowing that' and 'knowing how', and the identification of theoretical and practical knowledge, expertise and skills, conclude the theoretical discussions of this chapter.

### **3.2 Sociology of knowledge**

Bernstein (1990) describes knowledge as "no more than a relay for power relations external to itself; a relay whose form has no consequences for what is relayed" (p. 166). Social realism affirms that all knowledge is socially produced (Rata & Barrett, 2014) and allows for the identification of certain forms of knowledge as "worth making available to all students through education policy, curriculum, and classroom pedagogy" (p. 2). The social realist approach posits knowledge as a product of enduring socio-intellectual networks that develops over time. Collective procedures for the independent evaluation of knowledge assure its 'provisional truth', and it is this 'making the knowledge public' that allows respective disciplinary communities to evaluate, critique and judge knowledge claims based on concepts and methods created over time (Rata & Barrett, 2014). For knowledge to be reliable, it should be rooted with conceptual and theoretical depth and empirical warrant (Collins, 1998; Young & Muller, 2014). Knowledge is produced by social conditions and contexts, and according to Durkheim (1992), knowledge takes its meaning from social beings in ways that are associated with everyday experience and opinions. Young and Muller (2014) differentiate knowledge from opinions and experiences, recognising that knowledge is an explicit "relationship to a reality that is independent of us" (p. 42).

Knowledge is gained through experience or education and better ways of knowing are associated with specialisation. Bernstein (2000) recognised the internal relations of knowledge and identified two criteria for differentiating forms of specialised knowledge, namely knowledge that builds cumulatively and progressively (*hierarchical knowledge*) or that one concept is not subsuming the other (*horizontal knowledge*). Specialization is associated with knowledge, where the difference between specialised and non-specialised knowledge is not a difference of value; instead, knowledge is specialised in relation to its purpose and structure. For example, a business owner may know who owes him money (his debtors), a bookkeeper is able to record the transaction and provide a list of outstanding debtors, while an accountant identifies the risks associated with uncollectible outstanding debt, thus the recognition and measurement of impairment. The knowledge structures identified by Bernstein (2000) are discussed in more detail in section 3.4 below.

Powerful knowledge refers to understanding how knowledge is produced and reproduced (Maton & Moore 2010; McPhail & Rata, 2016; Muller 2000; Young 2008). Knowledge is powerful when it provides reliability of explanations and new ways of thinking about the world. These forms of knowledge are unlikely to be acquired from experiences in home communities or from peer groups. For Young (2010), 'knowledge of the powerful' refers to the knowledge authorised by those in power, raising questions about who has the power and those who define and dominate access to the knowledge. Powerful knowledge has a different focus – it refers to the knowledge itself, its structure, what it can do and how it is organised, both for the production of new knowledge and the acquisition of existing knowledge which is new to the student (Beck, 2013; Young, 2012). Rata and Barrett (2014) argue that the central purpose of education is to provide students with powerful curriculum knowledge that is “ultimately capable of taking them beyond their experiences” (p. 3).

Young and Muller (2014) distinguish between 'knowledge of the powerful' and 'powerful knowledge', while Clegg (2016) describes powerful regional knowledge as the foundational basis of the modern academy. Critique raised within the sociology highlights the dominance of the knowledge of the global north in existing curricula and how that perpetuates inequalities. The knowledge of the powerful has its focus on who has dominance, such as dominant institutions, government projects and restructuring of professionalism to that of vocational training. The knowledge problem in education is not knowledge itself, but rather the relationship between the organisation of knowledge and broader issues of inequality and power (Moore, 2014), pointing towards the 'reproduction' theory of education. Several 'voices' call for additions rather than transformations in knowledge, for example, those of 'neglected gender' and 'that race was being ignored' (p. 25). Moore (2014) defines the 'problem of knowledge' in the hypothesis that knowledge has, over the years, been understood as having 'male', 'western', 'Eurocentric' and similar associated characteristics. This indicates knowledge that privileges a particular type of knower (for example, white, male, western, middle-class).

Using the teaching profession as an example, Beck (2013, 2014) cautions professions against institutional driven competency-oriented criteria that describe skills needed by employers, who are calling for the incorporation of employability skills and 'on-the-job' training in the curricula. Professional accountancy bodies create detailed competency frameworks for the education and training of accountants, with the aim of developing these skills in accordance with employers' requirements. Referring to Wheelahan (2007), Beck argues that students should have access to disciplinary knowledge, know how these complex bodies of knowledge fit together and be able to decide what knowledge is relevant for a particular purpose to imagine the future.

According to Maton (2014), educators are losing sight of what knowledge is, described as a form of 'knowledge blindness'. An increasing number of sociologists have identified a knowledge-blindness in many approaches to education (Maton & Moore, 2010; Moore & Muller, 1999; Moore & Young, 2001; Muller, 2000, 2009; Shay, 2013; Wheelahan, 2012; Young, 2008), stating that higher education is more concerned about access and its broader role in reproducing or challenging social relations (Case, 2014). Some of the consequences of a knowledge-blindness are, according to Smit (2016), curricula that emphasise competencies and skills or learning outcomes at the expense of knowledge. Curricula that do not consider the differentiation of knowledge, but that are market-driven, result in training that blocks student access to powerful knowledge and limits their ability to contribute to the production of knowledge (Wheelahan, 2007). Calls for reclaiming and bringing knowledge back into curricula (Muller, 2000, 2014; Young, 2008) reminds us of why knowledge matters (Wheelahan, 2012).

Positioned within accounting education, this study considers knowledge in accounting and who has the powerful knowledge, with reference to the specialised knowledge of business combinations and consolidations, as a case study. The notion of knowledge-blindness is emphasised in that the education of accountants has, as its main focus, meeting the competencies set by the profession. Deliberation is required of the student as the novice knower, and how the knower acquires powerful knowledge and expertise, thereby becoming a professional accountant. The next section turns to professional knowledge and expertise.

### **3.3 Professional knowledge and expertise**

Professions and professionals have a crucial role in society (Grace, 2014) and, as knowledge-based occupational groups, the professions are desirable and sought after. The idea of a 'profession' and 'professionalism' has its origin in religion (Durkheim, 1992) giving hope that established professions provide a moral and ethical environment for society. The culture of global marketisation has presented ideological and political challenges to the professions, for example, in the fields of economics, finance and accounting, where a pre-occupation with profit yields and having a 'competitive edge' create tension with common good service and the interest of the public. The position of professions as the conscience of society has attempted "to speak truth to power" (Grace,

2014, p. 24) which is based upon reason, scholarship, evidence and research. The powerful knowledge and competencies that professions are perceived to possess have given professionals a degree of autonomy and respect in society.

The education of the professions is established in higher education and gives value to professional knowledge and expertise. Professional higher education can thus be described as a positional good that provides access to leading positions in society (Marginson, 2016). Education in the professions has become increasingly formalised and institutionalised over the last 30–40 years (Smeby, 2007). Professional schools have advanced their relative position and influence in universities through prestige, research funding and rankings (Cho & Taylor, 2019; Grubb & Lazerson, 2005), while professional education has moved from a 'vocational' to an 'academic' model that is considered important for a critical attitude and focus on knowledge and professional practice (Freidson, 2001). Professional bodies shape the knowledge and identities of future professionals by requiring accredited degree programmes as pre-requisites for professional recognition that include knowledge, skills, attitudes and values (Saks, 2012).

Traditional or 'pure' disciplines have an inward orientation with strong boundaries (Bernstein, 2000), referred to as singulars, while regions are represented by professions where bodies of knowledge include discipline knowledge and knowledge in the field of practice (Hordern, 2016). Thus, professional knowledge differs from traditional academic disciplines, as it requires specialised knowledge that is applied in the professional field. Regional knowledge is two-fold, it requires discipline-specific knowledge, and the integration of knowledge in the field of practice. Social relations shape knowledge selection in regions, as is evidenced in the professional programmes located in universities. The location of professional qualifications in universities emphasises access to powerful discipline knowledge. However, professional education presents tensions between the demands of disciplines and the fields of practice (Smit, 2016). The descriptions of singulars and regions are discussed further in section 3.5.

While the concept of professional knowledge was not developed further by Bernstein, literature in the sociology gives attention to the work of professions (Abbott, 1993; Young & Muller, 2014; Winch, 2013, 2014). Young and Muller (2014) call the sociology of the professions "a frustratingly under-specified area" (p.3), stating that it is increasingly difficult to distinguish between occupations and professions. An important difference between professions and occupations is an awareness by professions of their internal regulatory commitments, obligations and responsibilities (Grace, 2014; Sciulli, 2005). Thinking about the nature of 'expertise', Kotzee (2014) identifies two conceptions of how a person becomes an expert in something, namely Schön's (1983) 'reflective practice' model of expertise and the Dreyfus and Dreyfus (1986) 'stage' model of expertise. Debates relating to the importance of *knowing* versus *doing* point to concerns whether expertise is about having theoretical, verbal knowledge, or whether it is about performing an action. Young and Muller (2014) emphasise

that the different terms of 'knowledge' and 'expertise' are critical to professions as they need both specialised knowledge and practical expertise. Referring to Collins's (2013) model of 'expertise space', Kotzee (2014) concludes that, valued against expertise, "professional knowledge plays a much more important role" (p. 74) and that alignment of professional knowledge and professional practice is paramount.

Contributing to the conversations about what constitutes 'knowledge' and 'expertise', Young and Muller (2014) identify two kinds of professional knowledge. These are theoretical knowledge "specialised to conceptual generality", which speaks to their respective "epistemic destinies" (p.9) and practical or for-purpose knowledge "specialised to a contextual purpose" (p.8). Both are embedded in professional knowledge, making it difficult to consider their distinctive components. Theoretical knowledge refers to '*knowing that*', while practical abilities are often referred to as those techniques, skills and abilities that are necessary for preparation for work, referring to forms of '*knowing how*'. Winch (2014) argues that professional expertise relies on the ability to use systematic knowledge to inform practical judgement and action given the "possibility that systematic, disciplinary (or subject) knowledge may be necessary to exercise them" (p. 52). Knowledge 'matters', in particular theoretical knowledge, as it enables people to connect ideas that seem unrelated and to "project beyond the present to possible futures" not yet experienced (Young, 2008, p. 42). Access to theoretical knowledge allows students to participate in "society's conversation about itself" (Whelehan, 2012, p. 2).

Winch (2014) recognises the importance of identifying propositional knowledge in professional education and the ability to draw on these propositions to make professional judgements. Knowledge propositions refer to the sequence of gaining some coherent view within an academic subject, referred to as 'epistemic ascent' from novice to expert status (Dreyfus & Dreyfus, 1986). Academic subjects usually comprise of propositional rather than practical knowledge. Examining the relationship among subject knowledge and ability to validate and establish truths, Winch (2013) argues that "a key feature of good curriculum design is the ability to manage the different types of knowledge in a sequence that matches not just the needs of the subject but also that of the student, so that the different kinds of disciplinary knowledge are introduced in such a way that the development of expertise is not compromised" (p.128). He argues that, for professional education to have authority and legitimacy, the following conditions are required: (1) an adequate, comprehensive grasp of the relevant field (also referred to as 'knowing that'); (2) making the connections between these propositions ('knowledge by acquaintance'); and (3) an understanding of how subject knowledge is tested, validated and acquired (Winch, 2014). The emphasis is not on a mere "ability to recognise lists of propositions within the relevant subject area" (p. 49), professional knowledge requires the inclusion of the third condition, namely the "ability to understand how knowledge within the subject area is validated, tested and acquired" (p. 49). The distinction between knowledge and practice, 'knowing that' and 'knowing how', is discussed further in section 3.8.

This brings us back to concerns about the kind of knowledge that forms the substance of what gets taught in the professional curriculum, and what forms the cognitive substrate of all professional decisions and judgements (Young & Muller, 2014). As argued earlier, a basic characteristic of professions is that they combine codified or propositional knowledge. For example, discipline-based theories and concepts require practical process knowledge that is based on interpretations, impressions, and experience (Eraut, 1994; Smeby, 2007). Even though knowledge learned in higher education plays an important role as preparation for professional work, the specialisation and complexity of work tasks makes it insufficient for professionals who must keep up to date on a comprehensive and often rapidly developing body of knowledge in their own field (Smeby, 2007). Further, professional practice requires professional judgement, the ability to evaluate strategy and assess risk, and competencies, skills and expertise associated with task management and leadership. Such practices are not just based on technical knowledge, they involve ethical and political considerations that encompass personal and occupational values (Winch, 2014), calling for the curriculum for professional education to address the development of the ability to reason, judge and act in complex and unpredictable work situations.

Within the 'knowledge economy' of professionals, there is a greater dependence on the application of knowledge and knowledge-based skills than on the production of knowledge. The role of the professional is crucial, given the accelerated pace of new scientific and technical developments, and the quick way in which 'older' knowledge is viewed as obsolete (Powell & Snellman, 2004). Young and Muller (2014) posit that sociology has neglected "knowledge itself, and above all the sociological study of professional knowledge" (p. 5), resulting in renewed debates about the purposes of higher education and discussions about the focus of curricula within higher education.

These theories of knowledge and descriptions of the professional knowledge provide useful insights to explain 'knowing that' and 'knowing how' in accountancy (see Chapter 7), and to identify the design of a curriculum framework (see Chapter 8). The next section depicts the theory of knowledge structures and practices.

### **3.4 Knowledge structures and practices**

As mentioned earlier, knowledge blindness in education refers to the overwhelming focus in sociological analysis on the relations to knowledge practices (such as social class, ethnicity and gender to research, curriculum and pedagogy), while relations within knowledge practices have been largely neglected. This focus in educational research has left 'knowledge' under-researched and the study of education underdeveloped (Maton, 2014). Looking specifically at knowledge structures, Bernstein helps us overcome knowledge blindness. He describes the internal relations of knowledge, which he distinguishes as 'horizontal discourse' (every-day or common-sense knowledge) and 'vertical discourse' (scholarly or professional knowledge).

Horizontal discourse refers to every-day or 'common-sense' knowledge and "entails a set of strategies which are local, segmentally organised, context specific and dependent" (2000, p. 157); it is likely to be oral, local, tacit, multi-layered and context dependent. In contrast, vertical discourse has a coherent, explicit and systematically principled structure taking the form of "a series of specialised languages with specialised modes of interrogation and specialised criteria", referred to as "specialised symbolic structures of explicit knowledge" (2000, p. 157). Vertical discourse for Bernstein is scholarly, conceptually more complex, abstract and largely independent of its context (Luckett, 2012; Maton & Muller, 2007), indicating that for students to have access to abstract 'powerful' knowledge, they need to understand the vertical discourse of their disciplines (Young, 2008). Vertical discourse is acquired in formal education situations. It allows students to form their own opinions about societal issues, to judge competing claims in debates (Wheelahan, 2012) and to grow their ability to venture beyond the immediately apparent discourse.

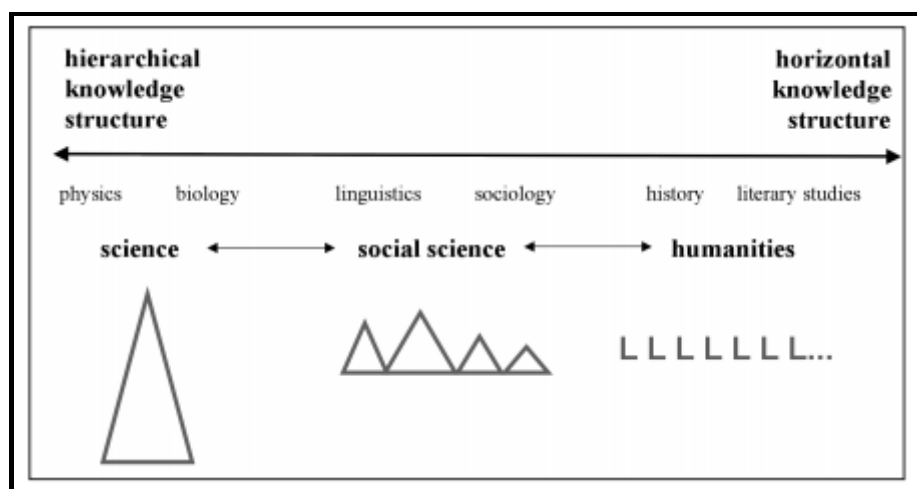
A further distinction is made between the structure of knowledge in vertical discourse as either hierarchical (as in the natural sciences) or horizontal (as in the social sciences and humanities) (Gamble, 2014). These structures distinguish between meanings generated through everyday experience and specialised meanings that are only available to those who have mastered the principles associated with the denotation. A principle for the ordering of meaning exists in all forms of vertical discourse, which Bernstein calls a principle of recontextualisation (1996, p. 172; 2000, p. 160). This points to specialised formal knowledge that requires coherence and sequencing (Gamble, 2014) and that provides the framework for focused discipline-based discussions (Martin, Maton & Matruglio, 2010; Maton, 2014).

A hierarchical knowledge structure is described as "a coherent, explicit and systematically principled structure, hierarchically organised" which "attempts to create very general propositions and theories, which integrate knowledge at lower levels, and in this way shows underlying uniformities across an expanding range of apparently different phenomena" (Bernstein, 1999, p. 161–162). In contrast, a horizontal knowledge structure refers to "a series of specialised languages with specialised modes of interrogation and criteria for the construction and circulation of texts" (Bernstein, 1999, p. 162).

A hierarchical knowledge structure is demonstrated by natural science disciplines. while a horizontal knowledge structure is represented by disciplines in the humanities and social sciences. Building on these internal relations of knowledge, Bernstein further distinguishes between horizontal knowledge structures with 'strong grammars' such as Mathematics, Linguistics and Economics, and those where these powers are weaker, such as Cultural Studies and Sociology (Maton, 2014). Two distinctions are made: (1) between the everyday practical discourse that students bring to education and the academic discourse that has evolved in education; and (2) between the kind of technically integrated knowledge and the less technical, more segmental understandings within academic discourse (Martin et al., 2010). Muller (2007) terms these academic knowledge structures along two

dimensions, namely verticality and grammaticality. Verticality conceptualises how theories progress, either as general propositions that embrace a wider range of empirical occurrences or with the introduction of a “fresh perspective, a new set of questions, a new set of connections, and an apparently new problematic, and most importantly a new set of speakers” (Bernstein, 1996: p. 162). Grammaticality describes how theoretical statements deal with the events they model. The stronger the grammaticality of a language, the more stably it can generate knowledge that correlates within content and context. It is more defined because it is more restricted to the field of referents. Linking these back to knowledge structures, hierarchical knowledge structures test theories against data, while horizontal knowledge structures use theory to interpret texts (Bernstein, 1999; Luckett, 2012).

Hierarchical knowledge structures venture to construct “general propositions and theories” which amalgamate knowledge learned at the “lower levels” (Bernstein, 2000: p. 161). Mathematics and Science as disciplines are more hierarchical in nature and are suited to being learned under the guidance of experts in these fields (Hoadley & Muller, 2010). Using Bernstein’s image of the triangle for hierarchical knowledge structures and iterating languages for horizontal ones, Martin et al. (2010) illustrate the ‘two cultures’ of knowledge structures along a disciplinary spectrum (see Figure 3.1 below).



**Figure 3.1: Hierarchical and horizontal knowledge structures along a disciplinary spectrum (Martin, Maton & Matruglio, 2010, p. 438)**

Bernstein asserts that hierarchical knowledge structures function at “abstract levels” and are fashioned through an “integrated code” (Bernstein, 2000: p. 161). This integration refers to the process whereby new knowledge is merged with prior knowledge learned. Disciplines that gravitate towards a more hierarchical rather than a more horizontal knowledge structure possess a “high degree of verticality” (Myers, 2016, p.82), which illustrates that theories develop through integration (Muller, 2007). Integration may result in instances whereby future knowledge construction is halted if students experience any troublesome knowledge within the hierarchical knowledge structure (Hoadley & Muller, 2010).

As explained earlier, the cumulative and progressive building of formations is called a hierarchical knowledge structure. This points to knowledge structures not simply being either horizontal or hierarchical, but somewhere on a continuum between the two extremes. The degree of “verticality” of the discipline is described as the scale of “integratedness” or “subsumability” of a theory (Muller, 2006, p. 21). Where the knowledge structure of the discipline is more hierarchical than horizontal, it points to a high degree of verticality, while a knowledge structure that tends to be more horizontal than hierarchical means a low degree of verticality (Myers, 2016). As a descriptor of discipline knowledge, the degree of verticality has shown that curricular subjects with different degrees of verticality require sequencing and pacing that optimise their pedagogic transmission for all students, especially those from poor and less privileged backgrounds (Hoadley, 2011; Muller & Young, 2014; Reeves & Muller, 2005).

One fundamental difference emerging from these two knowledge structures is the level of integration of existing knowledge with new knowledge. In more hierarchical knowledge structures, such integration is more prevalent, whereas new knowledge within a horizontal knowledge structure is seen as separate to existing knowledge. Lubbe (2014), Mkhize (2015) and Myers (2016) identified accounting as having a hierarchical knowledge structure with a high degree of verticality. In a hierarchical knowledge structure, knowledge in the field is what is important, and not the knowledge and experiences the teacher or the student has had. The hierarchical knowledge structure of accounting is particularly relevant to this study as it supports the notion that time is required for students to develop accounting knowledge, and that such knowledge should build on previously learned knowledge, and it underlines the relevance of practical knowledge in the field.

Prior to describing the theoretical framework of Bernstein’s pedagogic device, his work on the classification and framing of knowledge is discussed.

### **3.5 Bernstein’s classification and framing, boundaries, regions and singulars**

Two of the most important concepts in understanding Bernstein’s work are the classification and framing as combinations of strengths of boundaries and control of knowledge. Classification describes the relay of power relationships in society by established boundaries between categories and how strongly insulated they are from each other (Bernstein, 2000). The clearer the boundary (i.e., stronger the insulation), the more space there is for the development of ‘specialised’ identities. For example, being or not being a university graduate can be seen as a strong boundary (McLean, Abbas & Ashwin, 2013), and within the accounting profession, having studied or not having studied an accredited accounting degree is seen as a strong boundary. The principle of classification regulates what knowledges, skills and discourses are transmitted and acquired, in other words, what is taught and how it is taught.

Framing relays principles of control by regulating how knowledge, skills and dispositions are to be transmitted and acquired. Bernstein describes framing as the result of two discourses, the instructional discourse (ID) and the regulative discourse (RD), such that the ID is always embedded in the RD (Bernstein, 2000). Framing refers to the nature of control over the ID (in other words, who controls the selection of communication, sequencing, pacing and evaluative criteria) and RD (control over the social base that makes this transmission possible) (Bernstein, 2000). In the education of accountants, knowledge is strongly framed in the regulative discourse of formal, accredited education and training, while the instructional discourse of specialised knowledge, competencies and skills is strongly framed by aligning the content and learning outcomes with the competency frameworks of the professional accounting associations.

A main issue in this thesis is the degree of control over the classification and framing of accounting knowledge. Knowledge and the selection of content in the curriculum is strongly classified in that educational programmes are required to meet the accreditation requirements of professional bodies. The dominance of these professional bodies on accountants' education has been well documented (Duff et al., 2020). Through the accreditation process, professional bodies control the content of the curriculum and the power of who has access to the accounting profession. The curriculum is therefore strongly framed in the professional bodies' organisation, selection, sequencing, pacing and evaluation criteria.

For Bernstein (1981), classification is the fundamental principle that regulates the specialised knowledge located within a discipline. The stronger and weaker classification and framing of the educational knowledge of a discipline provide useful codes when analysing curriculum, pedagogy and evaluation. A 'collection code' has a stronger classification and framing, while an 'integrated code' has weaker classification and framing. The role of educational knowledge is weaker in an integrated code with the educational identity being less certain, whereas a collection code emphasises a clear-cut and bounded educational identity that possesses specialised knowledge. Maton (2000) refers to this as the 'knowledge code' (stronger epistemic relations) where the focus is on the knowledge itself and where the knowledge is largely independent of context (see later discussion of LCT). Within this knowledge type, the acquisition of specialised knowledge and skills is prioritised, and the knowers' attributes are of less importance. This knowledge type is also, in Bernstein's terms, both strongly classified, which refers to the strength of the boundaries between different knowledge domains, and strongly framed, which refers to the extent to which lecturers and students have control over a curriculum and the way it translates into classroom practice, and here it refers to minimal control (Clarence-Fincham & Naidoo, 2016).

Classification is important in understanding regions and singulars, two concepts developed by Bernstein to distinguish between different types of disciplinary knowledge. For Bernstein, singulars are subject fields characterised by strong boundaries that develop strong introjected identities (their

“discourses” refer to discipline-specific knowledge) with strong “specialised rules of internal relations” (p.7). Thus, singulars represent disciplinary fields with a “specialised disposition” and conduct relating to specialised matters (Muller & Young, 2014, p. 131) that create the field of production of knowledge (see the discussion of the pedagogic device later in this section), for example physics and chemistry. Within the broader field of accountancy, disciplines such as Financial Accounting, Auditing, Taxation, Financial Management and Management Accounting have a professional orientation, referred to as applied disciplines that “are constructed by recontextualising singulars into larger units which operate and in the field of external practice” (Bernstein, 2000, p.52).

Regions are seen as a combination of singulars, created by the ‘recontextualisation’ or transformation of knowledge from singulars and from other regions (Young & Muller, 2014). Classification of regions is weaker because they are “the interface between the field of the production of knowledge and any field of practice” (Bernstein, 2000, p. 9), with regions having two orientations: one towards the singulars and another “towards external fields of practice” (p. 55). For Bernstein, regions are formed when singulars are recontextualised into larger units, for example the fields of engineering, medicine and architecture. Regionalisation in the field of accountancy include discipline knowledge in Financial Accounting, Financial Management and Auditing and regional knowledge located in business studies, economics, finance, law, and so forth. Regions receive their identities by projecting knowledge towards an external field of practice (Smit, 2016) when responding to market forces. The field of practice of accountants require integrated, specialised knowledge, as illustrated in Chapters 7 and 8.

The descriptions of singulars and regions lead into the structuring around academic disciplines. The knowledge practices and procedures for validating and establishing truths are organised within the closely connected conceptual structure of an academic discipline. Mastering this structure requires the ability to make inferences to validate and establish truths, that in itself demands a variety of forms of practical knowledge and ability (Winch, 2013). Disciplines are organised around differentiated knowledge types which in turn have a direct bearing on the development of appropriate curricula (Bernstein 2000; Muller 2008; Young 2008) and the requirement to meet students’ learning needs (Clarence-Fincham & Naidoo, 2016). The knowledge and skills in a discipline form the basis of the curriculum, supported by pedagogy and student learning. The curriculum today originates from historical battles influenced by diversifying power struggles that are difficult to influence or change (Muller, 2009). Conceptualisations of curriculum are discussed further in section 3.8. The applied disciplines within the accounting curriculum and their interconnectivity within the regional knowledge of the accountant are relevant for the discussion of the structure of accounting knowledge and the design of a framework for a curriculum for the education of accountants.

Bernstein's pedagogic device, discussed next, provides conceptual tools to recognise the social and epistemic relations within education, and to describe how the curriculum is shaped by different players in the field.

### 3.6 Bernstein's pedagogic device

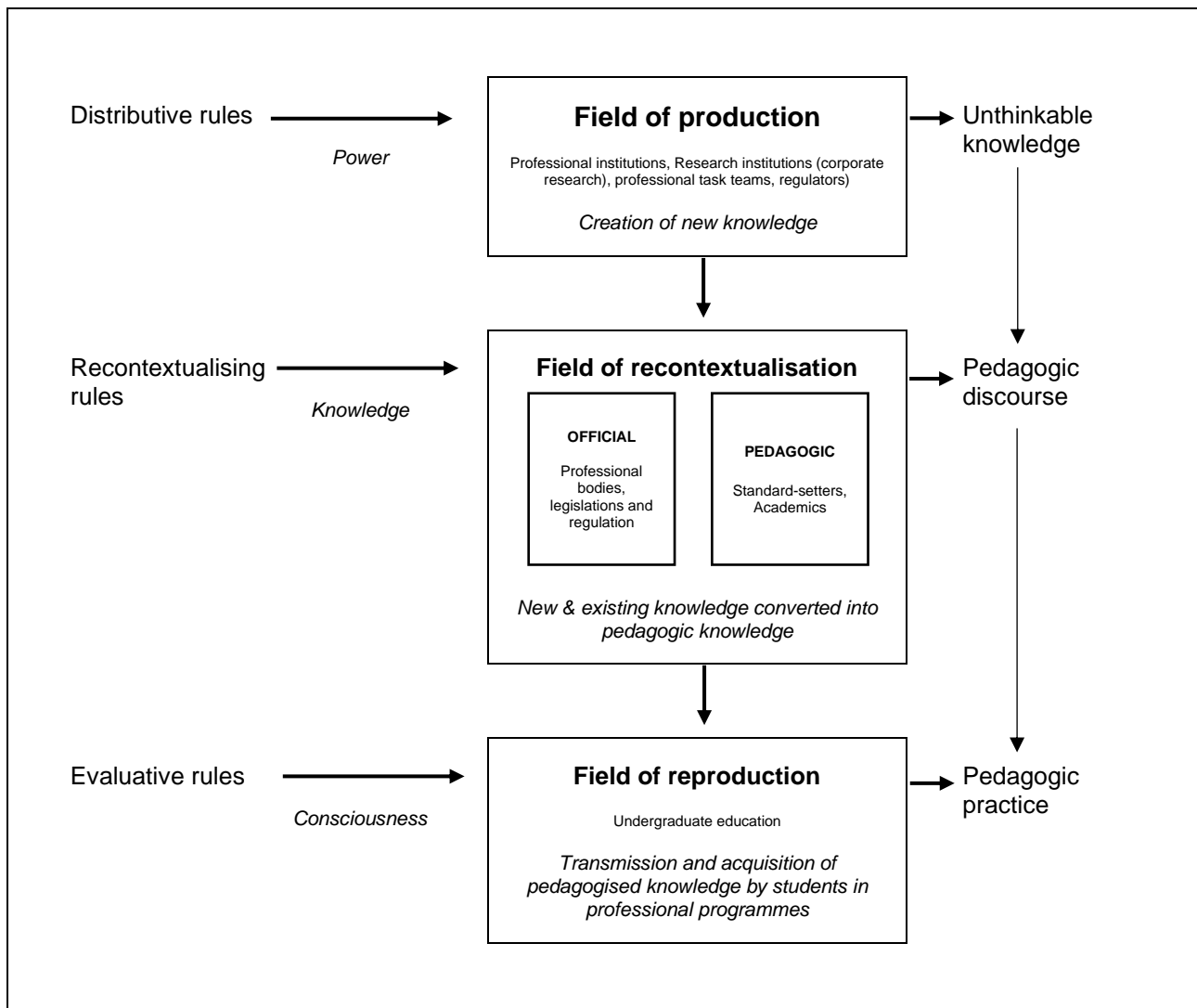
Bernstein describes the pedagogic device as the collection of rules or procedures through which knowledge is converted into curricula, pedagogic discourse and teaching space. It provides researchers with a framework to describe the macro and micro structuring of knowledge, and the reproductive relations of power and control organising knowledge (Singh, 2002). Explanations of how various forms of knowledge are circulated in society and how knowledge is realised was important for Bernstein (Maton & Muller, 2007). The pedagogic device controls "who gets what and how" in pedagogic interactions (Moore, 2013, p. 154) and describes how the "discipline-specific expert knowledge" gets transformed into "school knowledge" (Singh, 2002, p. 572). By making the selection, organisation, and transmission of knowledge into pedagogic practice clearer (Bernstein, 2000; Singh, 2002), it supports the development of a framework that is useful for the identification and description of knowledge and knowers in accounting.

When conceptualising the pedagogic device, Bernstein (2000) describes the social structures for the distribution of knowledge as operating at three distinct *fields of practice*, namely the field of production, field of recontextualisation, and the field of reproduction. The production fields are the sites where new knowledge is created, the recontextualisation fields are sites where knowledge from production fields is selected, rearranged and transformed to become pedagogic discourse, while the reproduction fields are sites of teaching and learning (Bernstein, 2000, Maton, 2014). Knowledge circulates between these sites in multiple directions. Knowledge from production is *curricularised* to recontextualisation fields, and knowledge from the recontextualisation fields is *pedagogised* to the reproduction fields. In the opposite (or different) direction, curricular products from the recontextualisation fields may be *intellectualised* or absorbed into production fields (thus creating 'new' knowledge). Similarly, educational knowledge enacted in pedagogic practice may be *recurrularised* within the curricular products of recontextualisation fields.

According to Bernstein (2000), the pedagogic device is a "symbolic ruler of consciousness" (p. 36) comprising of distributive, recontextualising and evaluative rules, each applying to a specific field. These rules refer to the way that skills and knowledge is obtained (instructional discourse) and the position and outlook of the knower (regulative discourse) within each field. Distributive rules direct who gets access to what kind of knowledge, while the selection and transmission of knowledge is directed by recontextualising rules. The evaluative rules govern the assessment of the knower's understanding of the legitimate knowledge. Knowledge in the field of production is directed by distributive rules, the "unthinkable" or the "yet-to-be-thought" (Bernstein, 2000, pp. 29,30), for example, in academic institutions and private research organisations. The recontextualising rules

directs the selection and recontextualisation of appropriate knowledge from the field of production for educational transmission to students. This is where knowledge is first delocated and reorganised into a curriculum to become pedagogic discourse, for example, in sites of accredited programmes and textbook publications. The field of reproduction is where evaluative rules direct the teaching, learning and assessment, where the curriculum is represented into pedagogic practice. For example, accounting knowledge produced by regulators and professional bodies is pedagogised using principles of selection, ordering, pacing and scaffolding to make it accessible for student learning.

The three fields of practice, namely a field of production, a field of reproduction, and a field of recontextualisation, are hierarchically related (Maton, 2014). The pedagogic device identifies these fields and provides a useful tool to analyse the interrelationships among these three fields, and more specifically which knowledge is selected, organised and transformed into a curriculum. Ashwin (2009) emphasises that the struggle takes place at all levels of the device: the rules for the production and distribution of powerful knowledge are challenged; the recontextualising rules for selecting, pacing and ordering of knowledge in the curriculum that depend on the power and influence of institutions, professional bodies, standard settings and academics; and in the reproduction rules, where the struggle relates to what kind of knowledge is valued (legitimate text) as evidenced in the evaluation practices. An adoption of Bernstein's pedagogic device for a professional programme is illustrated in Figure 3.2 below.



**Figure 3.2: Bernstein’s pedagogic device, adopted for a professional accounting programme (Lubbe, 2013, p. 101)**

The three fields are hierarchically related: the reproduction of accounting knowledge depends upon the recontextualisation of knowledge, which in turn depends upon its production. The recontextualisation rules select what knowledge is distributed from the field of production and affects how this knowledge is scaffolded and framed. The evaluative rules govern the field of reproduction where the teaching, learning and assessment of learning take place. This is where the curriculum is translated into learning outcomes and objectives, where learning happens in classroom discussions that is evaluated in examinations. The pedagogic device is used as a framework in this study to identify the sites of production of new BCC knowledge (RQ1) and the recontextualisation of BCC knowledge in the accounting curriculum (RQ3) to describe the relocation, delocation and refocusing of knowledge to become pedagogic discourse.

Within the field of recontextualisation, a distinction is made between the official recontextualising field (ORF) and the pedagogic recontextualising field (PRF). Actors in the ORF are involved in the

setting and monitoring of regulatory and educational policies and interests, while the PRF includes those players that are responsible for the alignment of pedagogic practice with curriculum policy. Bernstein (2000, p. 56–58) recognises the power dynamics between the actors in the ORF and the PRF regarding dominance of decisions relating to educational and pedagogic practice, such as curriculum policy. In accounting, the power dynamics are mostly among the profession (represented by professional accounting bodies), the academe and the field of practice.

The role of the accounting profession in influencing the accounting curriculum taught in higher education is well documented (see Boyle, Carpenter, Hermanson & Mero, 2015; Ellington & Williams, 2017; Duff et al., 2020; Lubbe, 2013). In accounting, the ORF is represented by the profession's educational standards (International Education Standards (IESs), see section 4.4.1 below), professional competency frameworks and the accreditation criteria (Boyce, 2004). The PRF is located within the business schools and departments of accounting at universities, represented by faculty and academe who sanction curriculum policy and endorse pedagogic practice. The power of accreditation of professional accounting programmes (ORF) and influence on pedagogic practice are described (Sikka et al., 2007; Hancock, Marriott & Duff, 2019; Hopper, 2013; Lightbody, 2010; Wilson, 2011), while accounting academics have been criticised for their extended focus on the curriculum content and learning outcomes of the professional examinations (Boyce, 2004; Venter and De Villiers, 2013).

### 3.6.1 *Studies that used the pedagogic device*

The pedagogic device originates in the field of sociology, theorising how class differences in society are reproduced by education, specifically in context of school education. In developing the device, Bernstein (2000) gives credit to colleagues and doctoral students (such as Diaz, 1984; Donoso, 1984; Moore, 1984) for their initial empirical studies, and those that subsequently challenged and tested its limitations (Singh, 1993; Swope, 1992).

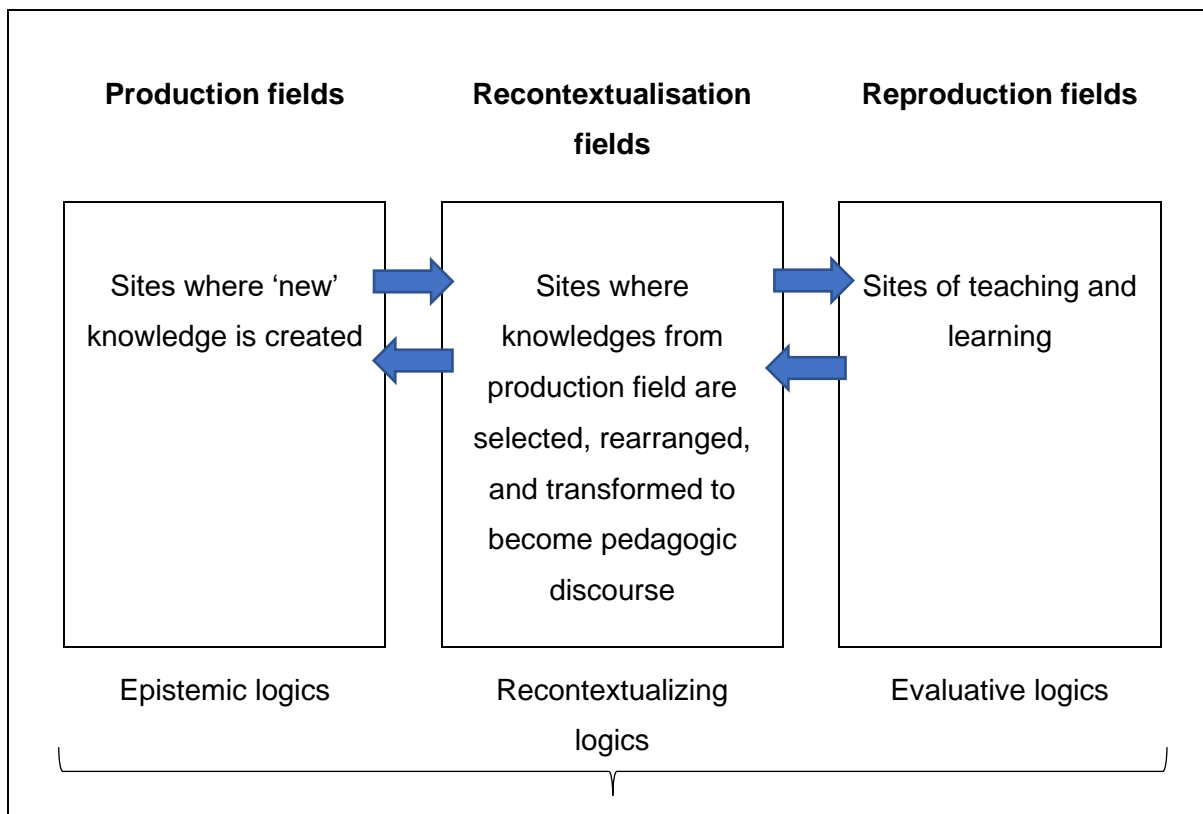
The device emerged from decades of empirical work reported from the views of several actors and agency in various fields. Some studies used the pedagogic device to theorise about education, and recently in the context of higher education and the professions (Donnelly & Abbas, 2018). Studies that heed the call for extending the pedagogic device to higher education studies applied it to a specific academic discipline or field such as sociology (McLean, Abbas & Ashwin, 2017); or within a specific geographical context, for example in the UK (Ashwin, Abbas, & McLean, 2015; Beck, 2009; Brady, 2015; McLean et al., 2013). Some investigations applied the pedagogic device in specific courses (McLean et al., 2017), at one university (Brady, 2015), while others applied it across different locations (Marsh, 2007). Investigations varied from focussing on a single profession (Beck, 2009; Beck & Young, 2005) to applying it for multiple professions (Shay, 2013, 2016). Some studies analysed common fields, such as business education (Brady, 2015), while others looked at regions,

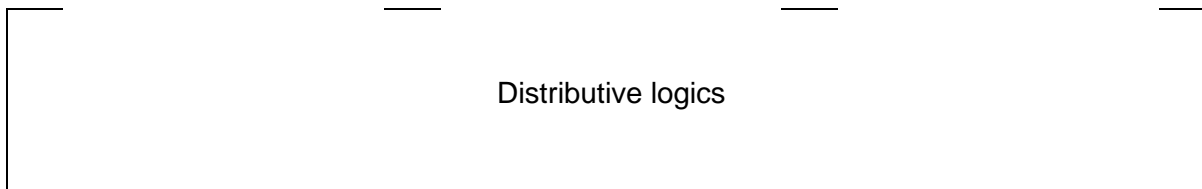
for example teaching or literacy education (Chen & Derewianka, 2009; Robertson, 2012). These respective studies emphasised different fields of the pedagogic device, each based on its specific focus, scale and the empirical data collected.

The field of recontextualization was mostly emphasised in studies that focused on higher education and the professions. One study explicitly explored the relationship between the field of production and the field of recontextualisation (Chen & Derewianka, 2009), while others focused on the tensions relating to regulation, governance and curriculum policy in higher education (Ashwin et al., 2015; Beck, 2009; Marsh, 2007). In summary, these investigations and applications of the pedagogic device in several contexts and by a wide range of scholars support its seminal status in the sociology of education.

### 3.6.2 *The epistemic-pedagogic device*

As mentioned earlier, the pedagogic device comprises the field of production of new knowledge, the field of reproduction where pedagogic practice occurs and the field of recontextualisation. Maton (2014) extends on Bernstein’s pedagogic device by considering the general principles underlying “the transformation of knowledge into pedagogic communication” (p. 49). He relates the pedagogic device to knowledge by creating the arena of the ‘epistemic-pedagogic device’ (EPD) as depicted in Figure 3.3 below. This arena of conflict and struggle for dominance is regulated by the ‘recontextualising rules’ or what Maton (2014) calls a ‘recontextualising logic’. From this theoretical point of view, the struggle in curriculum reform is over the recontextualizing logics (Shay, 2015).





**Figure 3.3: The arena created by the epistemic-pedagogic device. Source: Maton (2014, p. 51)**

The recontextualisation between fields occurs in both directions, though unevenly. Circulation from left to right happens when knowledge is curricularised from the sites where it is created to the sites where it is recontextualised. For example, the development of a new accounting standard happens in the production field, and the curriculum identifies which accounting standards are selected and how these are arranged to become pedagogic discourse. The principles and content of the accounting standard is pedagogised to the reproduction fields where it is included in the learning outcomes and assessments. Circulation happens from right to left when accounting knowledge enacted in pedagogic practice is recurricularised, for example, when accounting principles are explained in the classroom, it is possible to identify other areas, transactions and events where these principles are equally relevant, resulting in a refocused or relocated curriculum. Similarly, curricular products from the recontextualised field may be intellectualised or absorbed into production fields. This may happen when accounting principles are identified and rearranged in the curriculum, and the recontextualisation of those principles leads to the identification of specific challenges that require further intellectualisation in the sites of production. These processes are also referred to as the ‘transformation’ of knowledge (Maton, 2014, p. 51) and they support the important links between teaching and research.

Maton (2014), when constituting the EPD, identified four logics to describe the basis of practice within each field (described earlier). The distributive logic overarches the EPD as it regulates the access to meaning across and within, marking and distributing who may claim what to whom and under what conditions, thereby setting the outer limits of legitimacy.

- The distributive logic of accounting knowledge is regulated by specialised knowledge, consciousness and professional practice, for example the accreditation model that regulates access to and within the arena.
- The epistemic logic regulates the progress of knowledge in the production field. For example, the regulatory process of the standard setters and the respective commentary by experts enable the epistemic logic of new accounting knowledge (as discussed in Chapter 5).
- The evaluative logics regulate the teaching and learning in the field of reproduction by evaluating and assessing what and how knowledge is transferred and acquired. In accounting, the pedagogic practice is evaluated through identifying learning outcomes, analysing student learning and assessing the levels of knowledge acquired, for example, in integrated assignments and practical applications.

- Recontextualising logic regulates the de-location and relocation of knowledge to become pedagogic discourse, thus locating what knowledge is included in the curriculum, and how this knowledge is selected, ordered, paced, and scaffolded within and across the curriculum (discussed in Chapters 7 and 8).

In conclusion, the use of Bernstein's conceptual tools in other studies and disciplines illustrate their wide applicability, both in higher education and the education for professions. The focus on the pedagogic device in this thesis is on the production of knowledge in accounting and its recontextualisation in the curriculum. In accounting, the creation of knowledge represents the field where institutions and other experts investigate, challenge and develop theory, principles and standards for accounting transactions, auditing processes and other corporate regulations while accounting principles are challenged by business transactions and events (Lubbe, 2013). Accounting knowledge is specialised in that it is gained through education and experience. Its specialised nature is recognised in its hierarchical knowledge structure, where prior knowledge is integrated, requiring conceptualisation of the purpose and structure of a business entity and reporting entity-specific relevant and reliable information presented in financial statements. The production of knowledge in accounting is investigated in Chapter 5, while the recontextualising logic of accounting knowledge in the curriculum is identified and described in Chapters 7 and 8.

To identify and describe the knowledge and knower structures of accounting, the discussion now turns to Maton's LCT.

### **3.7 Legitimation Code Theory**

Legitimation Code Theory is a "conceptual toolkit" (Maton 2014, p. 15) for doing sociological research. It subsumes and extends key concepts from Bernstein's and Bourdieu's work. Maton has extended Bernstein's model to address both knowledge and knower structures, arguing that the structuring of knowledge practices is significant for "understanding intellectual and educational fields" (p. 23). Bernstein's principles of classification and framing are reconfigured into specific degrees of specialization codes that serve as the foundation for legitimation in knowledge code fields (Case 2014, p.157). LCT breaks these knowledge code fields into 'social relations' and 'epistemic relations' to analyse and understand the organising principles that underpin and influence practice in a range of fields, for example accounting education.

The full LCT framework for research contains five dimensions, namely Specialization, Semantics, Autonomy, Temporality and Density (Maton, 2014). Some studies have used LCT and the concepts of specialization codes (Lamont & Maton, 2008, 2010; Conana, 2016; Clarence & McKenna, 2017), while other studies applied the LCT semantics (Martin, 2013; Blackie, 2014; Clarence, 2016, 2017; Winberg, Winberg, Jacobs, Garraway & Engel-Hills, 2016; Smit, 2016) and code clash (Howard & Maton, 2011). Focusing on three pilot studies of curriculum documents and students' perceptions of

self-ability as a basis of achievement in a range of subjects, and the significance of and basis of success in various school subjects, Maton (2014) illustrates how the concepts of specialization codes are used to analyse educational fields.

Earlier in this chapter, Bernstein's knowledge structures of intellectual fields as hierarchical or horizontal (see section 3.4) were explored, followed by how the codes of stronger classification and framing (collection code) and weaker classification and framing (integrated code) shape the educational identity and consciousness of an academic subject or discipline (see section 3.5). Maton's LCT condenses the collection and integrated codes by not only conceptualising the epistemic relations to educational knowledge structures, but also by considering the social relations. He extends that "for every educational knowledge structure there is also an educational knower structure" (p. 75) by providing a more integrated framework whereby both intellectual and educational fields can be analysed, using specialization codes.

Maton introduces 'Specialization' as "practices and beliefs [that] are about or orientated towards something or by someone" (2014, p. 29). Specialization explores the organising principles that shapes and informs what academic disciplines do with knowledge and associated ways of knowing (Maton, 2014). Specialization conceives that disciplines obtain their status, recognition and position within higher education by using certain discourses that mark them as having attributes worthy of recognition (Clarence, 2016). Linking with the earlier discussion of specialised knowledge, the focus of this thesis is on the specialization codes of accounting, more specifically their location in the BCC case study.

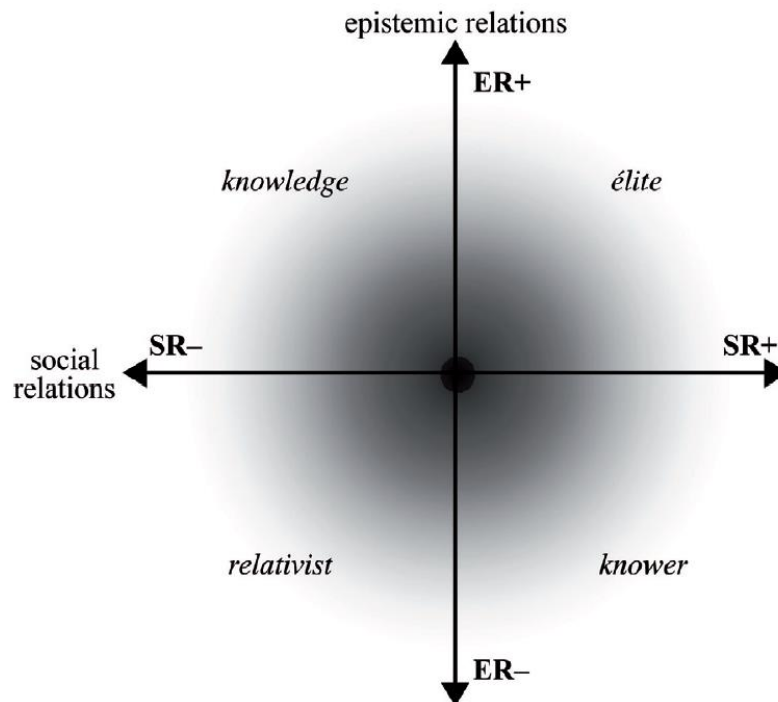
Specialization explores the possession of knowledge, analysing a particular set of underlying organising principles in terms of epistemic relations (ER), which conceptualise relations to other knowledge, and social relations (SR), which conceptualise ways of knowing and knowers. These relations can be either stronger or weaker along a continuum of strengths and in relation to the other, and are used to analyse whether the organising principles of practice privilege or legitimate either knowledge or knowers. The codes are described as (1) a *knowledge code* (where specific forms of procedural, technical or specialist knowledge are legitimated); (2) a *knower code* (where particular kinds of knowers are legitimated through practice); (3) an *elite code* (where both are equally important) and (4) a *relativist code* (which legitimates neither) (Maton 2007, 2014). Simply put, knowledge codes emphasise what you know, knower codes emphasise who you are, while elite codes emphasise possessing both specialised knowledge and being the right kind of knower, and relativist codes are 'anything goes'. The knowledge-knower structures and specialization codes are illustrated in the specialization plane (see Figure 3.4 below).

Intellectual fields that are characterised by knowledge codes have relative strong classification and framing of their specialised knowledge that are emphasised with strong theoretical or methodological approaches. Knowledge codes refer to principles or practices whereby ownership of expert

knowledge or demonstrating a command of technical knowledge is viewed as legitimate and represents attainment of a measure of achievement within a field of discipline. Professional identity within a field is achieved through an adequate grasp of the specialised forms of knowledge and their legitimate uses (Maton, 2014).

Knower codes display relatively weaker framing of epistemic relations, based on who is considered a legitimate kind of knower. The unique insight of a particular kind of knower is legitimated by reference to this ideal knower's attributes, which serve as the basis for professional identity within the field, described by instances whereby actors' characteristics, qualities and experience are favoured as a mechanism of achievement (Maton, 2014). Specialised knowledge is downplayed while the attributes of the knower are emphasised as measures of achievement. Knowers may also be described as horizontal and hierarchical. Science, for example, can be characterised as possessing a hierarchical knowledge structure and a horizontal knower structure. In contrast, horizontal knowledge structures, such as History, tend to have a hierarchical knower structure (Maton, 2007, 2010). In short, what matters more is who you are. In accounting, it is argued, the focus is mainly on the demonstration and command of technical knowledge and the attainment and application of the technical knowledge (Guthrie, Evans & Burritt, 2014; Hopper, 2013; Lawson et al., 2014). This emphasis tends to ignore the knower and his or her attributes, qualities and experience.

The organising principles of knowledge-knower structures are explored in terms of epistemic relations (ER) to other knowledge and objects of study, and social relations (SR) to ways of knowing and knowers. Each relation may be more strongly or weakly classified and framed or emphasised (+ / -) as the basis of practices, beliefs and identity. Typically, a stronger relation (+) reflects the presence of a hierarchical structure, thus, *elite* codes exist where possessing specialist knowledge and being the right kind of knower are emphasised (Maton, 2014). As fields with hierarchical knowledge structures develop through the integration of knowledge, fields with hierarchical knower structures develop through knower building. For example, stronger epistemic relations (ER+) and weaker social relations (SR-) exists in a situation where there a stronger emphasis is placed on developing students' technical, procedural or theoretical knowledge, with a weaker emphasis on developing students' attitudes or inclination. This represents a knowledge code (ER+, SR-), as for example in Physics and Law (Conana, 2016; Clarence, 2014). On the other hand, where there are stronger social relations (SR+) and relatively weaker epistemic relations (ER-), the discipline would represent a knower code (ER-, SR+). In this case, the development of students' ability to think critically and approach problems with an inquiry-focused and creative nature is valued over technical or procedural proficiency. Examples of knower-code disciplines include English studies and jazz studies (Christie, 2015; Martin, 2015).



**Figure 3.4: Knowledge-knower structures and specialization codes (Maton, 2014, p. 93)**

The specialization codes are represented graphically in a Cartesian plane (see Figure 3.4), to enable researchers to topographically capture the underpinning organising principles of disciplines. The four principal modalities are visualised as axes of the specialization plane to enable the capturing of a discipline as a 'code' or context. The continua of strengths allow for the capturing of nuances within the discipline, areas of study, or modules (see Steyn, 2012 for an example).

This study aims to conceptualise, with reference to the pedagogic device, the social field of practice of accounting, the knowledge-knower structures and how its epistemic relations and social relations shape these. Accounting has been identified as having a hierarchical knowledge structure (Mkhize, 2015; Myers, 2016), described as a coherent, explicit and systematically principled structure (Bernstein, 2000) with strong grammars. Using specialization, the organising principles that form the basis for claims of legitimacy within the accounting discipline are analysed (see Chapter 6), describing accounting knowledge and knowers in a South African context. With an outline of hierarchical knowledge structures in mind, The BCC principles and procedures serve as a lens into knowledge practices in accounting as they represent the basis of hierarchical knowledge within the discipline. Specialization provides insight into assessing whether it is the knowledge of the discipline or the inclination or experience of the student that is valued (Myers 2017). Using this dimension of LCT illuminates the degree of prevalence between a knowledge code or knower code. In accounting, a strong knowledge code indicates that knowledge of the discipline is what counts. In contrast, a

strong knower code indicates professionals identify within the field where the skills and experience of the accountant are valued.

As described earlier, knowledge is central to education as a social practice. Education comprises of production of new knowledge, its recontextualising into curriculum and the teaching and learning that takes place in classrooms (Smit, 2016). Three things are central to the acquisition of knowledge: curriculum, teaching and assessment (Pellegrino, 2006). Foregrounding knowledge in the conceptualisation of curriculum is discussed next.

### 3.8 Conceptualising curriculum

The last part of the theory discussion conceptualises the meaning of curriculum. The word 'curriculum' began as a Latin word that means "a race" or "the course of a race" (which in turn derives from the verb *currere* meaning "to run/to proceed")<sup>2</sup>. A more modern use of the classical Latin curriculum refers to 'a running, course, career'. Curriculum is understood as a social practice with the aim to produce graduates with specific attributes. Bernstein defines curriculum as "what counts as valid knowledge" (Bernstein, 1975, p. 85). This definition places knowledge at the centre of its conceptualisation of curricula. The analysis of current curricula structures focuses on four analytical categories: selection (*what?*), pacing (*how much?*), sequence (*what order?*) and evaluation (*what counts?*).

Smith (1996, 2000) describes curriculum as the interaction of teachers, students and knowledge. The constructs of classification and framing (discussed earlier) provide a language to describe and analyse how power and control are reproduced in the curriculum as pedagogic discourse. Pedagogic discourse refers to the contents and competencies to be conveyed and to the actual transfer and evaluation; in other words, it refers to the *what* that is conveyed, *how* it is transferred and which student realisations are considered valid (Morais, 2002). While pedagogic codes provide for the investigation of the nature of the pedagogic discourse, these constructs are useful in their description of how teaching practice is organised and structured (Singh, 2002).

A curriculum comprises of a collection of a large volume of literature and resources available to both academics and students that requires many different teaching methods and approaches. In other words, curriculum is that systematic interaction and interconnectivity of identifying what knowledge counts (power), what happens in the classroom (dialogues between and with people) that may result in an ability to think critically, and what people do to evaluate the process. This is closely aligned with the notion that curriculum is the setting where three forceful powers meet and interplay, namely knowledge, action, and self (Barnett, Parry & Coate, 2001). For them, 'knowledge domain' refers to those "components of the curriculum that are based on discipline-specific competences and those

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<sup>2</sup> Online Etymology Dictionary. [www.etymonline.com](http://www.etymonline.com). Retrieved 11 April 2020.

aspects of teaching and learning that develop subject specialists” (p. 438), while ‘knowledge fields’ are a “hinterland of contending interests of shifting epistemologies, academic communities, institutions, professions, the corporate world, students and state agencies” (p. 438). An understanding of curricular knowledge, both vertically (across levels or years) and horizontally (different disciplines or topics), enables the integration of discipline knowledge with other subjects taught in the curriculum, ultimately to the benefit of the student.

Clegg (2016) calls for more studies that investigate the “relationships between newer curricula, powerful knowledge” (p. 469) offered to students, arguing that the powerful regional knowledge generated outside the academy be considered while keeping disciplinary singulars in sight. The development of a curriculum requires that the three domains (knowledge, action, and self) are adequately represented and integrated into the curriculum. Students learn the practices of the knowledge field (discipline or profession), including the principles, competencies, skills, procedures and activities, values and attributes of the knowledge field when applying and utilising the frameworks to identify and solve problems (Clarence-Fincham & Naidoo, 2016).

For Shay (2013), the case for knowledge in the curriculum has been well argued and critiqued, for example, outcomes-based education in SA (Muller, 2000), vocational education (Wheelahan, 2012; Young, 2006) and national qualifications frameworks (Allais, Raffe & Young, 2009). The implication of these arguments underlines the centrality of theoretical knowledge, cautioning of any curriculum policy that confines the disciplines in favour of other logics (Ensor, 2004). The relationship between theoretical knowledge and practical knowledge requires more attention and conceptualisation (Shay, 2013), including the challenges for curricula that draw on both practical and theoretical knowledge bases (Barnett, 2006). Young (2008) supports the need for a curriculum model that acknowledges both the uniqueness and interrelatedness of these knowledges, emphasising that knowledge should be at the centre of the curriculum of the future (Rata & Barrett, 2014).

Distinguishing between different kinds of educational knowledge and the possibilities of making the curriculum coherent require an understanding of what happens when theoretical knowledge becomes pedagogised into the curriculum, in other words, what happens in the recontextualisation process (Shay, 2013). Shay operationalised Maton’s semantic codes to evaluate the semantic gravity and semantic density of educational knowledge, finding that there are significant curriculum and pedagogical challenges in the recontextualisation of theoretical knowledge for vocational purposes, including *what* to select, *how much* and in *what sequence*. She argues that the shadows of powerful knowledge and ‘boundary’ remain, and the way curricula are designed may not give students access to society’s important conversations. This is particularly relevant in accounting where the current curriculum often ignores conversations relating to the social and environmental relevance of accounting and accountability. The power of powerful knowledge may lie in the integration of verticality and ‘contextuality’ and that the ‘curriculum of the future’ (Young & Muller

2010) needs to put “disciplines to work and thereby equips our graduates to understand and resolve the most critical pressing problems of our time” (p. 580). Gamble (2014) concludes that a ‘relevant’ curriculum is created when practical objects are transformed into theoretical objects, thereby connecting specialised knowledge forms and the world of work.

Winch (2012) identifies the concepts of traditional and emerging curricula. He further states that ‘knowing that’ requires an adequate conceptual grasp of the relevant field that cannot be adequately understood in the grasping of singular propositions, and that some kind of acquaintance is critical for an understanding of the concept of expertise, the ‘knowing how’. Knowing that is the “identification of true but isolated propositions embedded within a conceptual structure which is itself embodied in further related propositions” (Winch, 2013, p. 131). This requires an understanding and comprehension of a proposition (for example, identifying an asset) and the capability to improve and become more or less of an expert in a field on the basis of grasping the conceptual description (describing why it is an asset). Knowing how to do something is an epistemic capability that requires some components of the other two kinds of knowledge, including to recognise and follow the ‘rules’ when carrying out activities, and involves recognising and following rules for carrying out actions and exercising intentional agency.

‘Knowing how’ is critical for understanding the concept of expertise that applies to both knowledge of how to do certain kinds of things and knowledge of subject matters. According to Winch (2013), ‘knowing how’ is more than just applying a skill or practicing a technique, it is fundamental to grasp activities that themselves require competence and skill. Professional education involves training in the performance of a technique and professional expertise depends on the ability to use expert knowledge to inform practical judgement (Winch, 2014). Smeby (2007) argues that the degree of professionalism is reflected in a curriculum where students are connected to all aspects of knowledge, including connecting with practice and practical skills. Focusing on the professional knowledge of nurses, Smeby posits that the degree of professionalism and classification of knowledge in the curriculum relates to the balance between educational training and practice and the degree to which students are able to make connections among specific knowledge, practical skills and reflexivity. The importance of including practical work in the curriculum for ‘knowing that’ and ‘knowing how’ (Winch, 2013, 2014), supports the acquisition of skills such as observation, association and inspection that is more powerful than that offered in any textbook. Thus, a key feature of a good curriculum design is the ability to manage the different types of knowledge in a sequence that matches the needs of the subject and the student, so that the different kinds of disciplinary knowledge are introduced in a way that does not compromise the development of expertise (Winch, 2013).

The concepts of hierarchical and horizontal curriculum structures and cumulative and segmented learning (Maton, 2009) link the knowledge structures (see point 3.4 above) to curriculum structures.

These different structures of educational knowledge and student understanding are defined by whether they develop cumulatively or segmentally over time (Martin et al., 2010). Although one aspect is usually dominant, they are not mutually exclusive, and curricula should be viewed as a combination of both. These distinctions are useful to differentiate knowledge types and to generate discussion around disciplinary knowledge and the nature of the curriculum. Arguing that the type of curriculum that can and should be developed depends on the form of the knowledge structure, Muller (2009, p. 217) describes “conceptual and contextual coherence” curricula. He argues that ‘conceptuality’ describes a quality corresponding to verticality for curriculum coherence, and ‘contextuality’ refers to a curriculum quality similar to grammaticality. Accounting knowledge, described earlier as having a hierarchical knowledge structure, requires a coherent curriculum that is segmentally and horizontally structured with the different disciplines alongside each other for contextuality, while also enabling verticality that allows for conceptuality of specialised knowledge.

The type of curriculum recontextualisation depends on the fundamental features of the disciplinary knowledge structure. As discussed earlier about singulars and regions, Muller (2009) argues that curricula in regions tend to favour contextual coherence, while singulars have a more conceptual coherence. He stresses that the integrity of the knowledge structure must be reflected in the curriculum logic, and that curricula should be developed from disciplines with a “vertical spine” (Muller, 2009, p. 219) where students have to master cumulative knowledge. These principles are particularly relevant for the professional accounting curriculum, where disciplinary knowledge requires conceptuality and verticality, while regional knowledge requires contextual integration across the region and the field of practice. Knowledge within the Financial Accounting discipline requires cumulative knowledge of accounting (verticality) as well as knowledge in other disciplines such as Business Studies and Law (regional knowledge).

Theorising the curriculum of the future, McPhail and Rata (2016) analyse and evaluate curriculum design types relating to ‘21<sup>st</sup> Century Learning’ and ‘Powerful Knowledge’. Their study identifies four features of such a curriculum model (p. 54), namely (1) that each curriculum design is underpinned in the theory of knowledge; (2) that the organising of the curriculum material signifies the knowledge structures; (3) that concepts and content are organised according to the principle of conceptual progression or epistemic ascent (Winch, 2013); and (4) that the pedagogy supports the curriculum design. The four features are useful for identifying and describing the principles for the design of a curriculum framework in this study (see Chapter 8). Curriculum development in accounting must consider the ways in which students’ understanding develops over time, building on previously learned knowledge and how that understanding is taken forward into future contexts. ‘Knowing that’ and ‘knowing how’ of BCC (the case study), positioned within the discipline and its links with regional knowledge, are discussed in Chapter 7, while the recontextualizing logics and the design of a framework for a professional accounting curriculum are dealt with in Chapter 8.

### **3.9 Conclusion**

The Bernsteinian concepts and those that have been developed by others working in the Bernsteinian tradition are used in positioning this thesis in the broader context of the sociology of knowledge. This chapter provides an epistemologically strong description of the theory of knowledge. This includes a discussion of what is recognised as powerful knowledge and who has access to this knowledge, the crux of specialised knowledge and expertise as positioned in the professional field of practice, and knowledge proposition as 'knowing that' and 'knowing how'.

Drawing on Bernstein's (2000) concept of the pedagogical device and also on the work of Maton (2014) and others, this chapter provides a theoretical understanding of differentiated knowledge domains and the extent to which this impacts on curriculum design. RQ1 is concerned with the field of production of BCC accounting knowledge and uses Bernstein's (2000) pedagogical device as a theoretical basis (see Chapter 5). Maton's (2014) Legitimation Code Theory (LCT) is used as the theoretical tool to analyse the knowledge and knower structures of accounting in response to RQ2. The explanations of professional knowledge and expertise, descriptions of singulars and regional knowledge, and the recontextualizing logics identified in the epistemic pedagogical device (Maton, 2014) provide the theoretical basis to identify and describe the principles for the design of a framework for the selection, sequencing, pacing and evaluation of BCC knowledge in the accounting curriculum (RQ3) in Chapters 7 and 8. The methodology followed for the collection of data is discussed next.

## Chapter 4 Methodology

### 4.1 Introduction

This chapter describes the methodology followed for identifying the sources of data and the collection of data for analyses and descriptions to support the investigations. This study explores issues relating to the knowledge and knower structures in accounting and their implications for curriculum design. The aim is to identify and describe the sites of production of knowledge in accounting, followed by an investigation into how knowledge in accounting is structured and which knowledge and skills are required of the future accountant. The descriptions of the sites of production of knowledge and the knowledge and knower structures in accounting provide the groundwork for the analysis and description of the recontextualisation of knowledge in accounting and the development of curriculum framework for the future education of accountants.

Located within the broader field of accountancy, this study follows a qualitative research approach in that the data collected is purposively selected and analysed. With reference to a purposively selected case study, referred to as Business Combinations and Consolidations (BCC), data is qualitatively scrutinised, analysed and investigated. Three main sources of investigative data are identified within the paradigm of an interactive qualitative methodology to inform this thesis, namely: (1) primary data in the form of insights, observations and perceptions gathered from accounting experts; and secondary data comprising (2) official documents readily available in the field of professional accounting such as regulations, standards, guideline, and other publications relating to BCC; and (3) academic research studies and papers that focus specifically on BCC knowledge. Ethical clearance was obtained for the collection of the primary data, comprising of focus group discussions and responses of participants. The secondary data sources are generally available in the public domain. Separately and collectively these data sources provide evidence and inform the findings of this study.

The literature study (see Chapter 2) points to several calls for change in the education of accountants, arguing that the accounting curriculum mostly emphasises accounting rules and procedural skills. Important competencies such as critical thinking, ethical accountability and decision-making are ignored at the cost of coverage of a broad spectrum of content. Thus, surface coverage is emphasised at the cost of specialization. Given the broad field of knowledge in accountancy, this study focuses on specialised BCC knowledge as a case study. The data sources are analysed to identify and describe the sites of production and the knowledge and knower structures within the BCC case study, which then inform the principles for designing of a framework for a professional accounting curriculum. The case study approach is discussed in more detail in section 4.4. while sources of data and their collection are described in section 4.5.

The research design is described in the next section. This is followed by a sketch of the field of accounting to inform the motivation selecting the BCC case study. The data sources are then identified, which includes a detailed description of the methods followed to collect the data for this study. This chapter ends with the validity and reliability considerations, including ethical approval and a reflection of the researcher's position.

## **4.2 Description of the research design**

This study is designed as a qualitative case study set in a constructivist frame, as “most contemporary qualitative researchers hold that knowledge is constructed rather than discovered” (Stake, 1995, p. 99). The researcher constructs an understanding and knowledge of the phenomena based on observations; and interprets and reports on the construction of the knowledge gathered through investigation. Following a qualitative research design, the components of this study are interactive in that they are affected by and inform one another. Maxwell (2008) identifies five components essential to the coherence of an interactive qualitative study, namely identifying and describing the (1) aims and purpose; (2) theoretical framework; (3) research questions; (4) methods; and (5) validity. In this study, the aims, purpose and research questions are set out in Chapter 1, the theoretical framework is described in Chapter 3, while the methods and validity are described in this chapter.

This study uses a case study methodology, described as “an intensive, holistic description and analysis of a bounded phenomenon such as a program, and institution, and person, a process, or a social unit” (Merriam, 1998, p. xiii). Case study research has undergone substantial methodological development and its evolution into a pragmatic, flexible research approach has resulted in the growth in its reputation as an effective methodology to investigate and understand complex issues in real world settings (Harrison, Birks, Franklin & Mills, 2017). Case study methodology has been one of the most frequently used qualitative research methodologies in education research (Yazan, 2015), while case study research in accounting is recognised for developing and reflecting on professional knowledge (Cooper & Morgan, 2008). Examples of case study research in Financial Accounting, Auditing and Managerial Accounting illustrate how case studies are useful for theory development and generating new knowledge (Chaplin, 2017; Enget, Saucedo & Wright, 2017; Hooks & Stewart, 2015).

The foundations of case study methodology that have an impact on educational research are described by various authors (Stake, 1995; Merriam, 1998; Yin, 2002; Yazan, 2015). Stake defines a qualitative case study as a “study of the particularity and complexity of a single case, coming to understand its activity within important circumstances” (p. xi). Yin (2002) describes a case study as an empirical inquiry that investigates a case, addressing the ‘how’ and ‘why’ questions concerning the phenomenon of interest. Merriam’s (1998) description of a qualitative case study as “an intensive, holistic description and analysis of a bounded phenomenon” (p. xiii) is considered the most

applicable to this study, as the aim is to analyse the structuring of accounting knowledge bounded within the realm of business combinations and consolidations. This is in line with the case study characteristics defined by Merriam (1998), in that the focus is on a particular section within accounting knowledge (particularistic) to provide a rich, thick description of this particular section (descriptive) with the aim to illuminate the reader's understanding of the structuring of knowledge within this particular section (heuristic). In other words, the methodology applied in this study is a qualitative case study, situated within the knowledge structures and curriculum of accounting, focusing on the specific section of business combinations and consolidations (BCC) as the case study.

Qualitative studies give attention to two key design issues in selecting and using data collection methods, namely the relationship between research questions and data collection methods, and the triangulation of different sources (Maxwell, 2008). In this study, three sources of data have been identified that separately and collectively provide evidence for and insights into the research questions.

### **4.3 Describing the 'field'**

The most typical and explicit accounting research method is quantitative studies, using statistics (Lukka & Kasanen, 1995). When statistics are used as a research method, a population is the entire pool from which a statistical sample is drawn. The methodology of statistics allows for generalisation from a (typically random) sample to a population. A population therefore represents an aggregate observation of subjects grouped together by a common feature. In this study, the population is represented in the field of accounting knowledge. However, there is no descriptive way in which to express the population of 'knowledge', nor to define 'knowledge in accounting'. The number of global accounting transactions and events are countless, with various accounting systems enabling the recording, analysis and reporting of these transactions daily. Further, it is paramount that these transactions and events are recorded and reported in an orderly and consistent manner to provide financial information and statements that faithfully represent the financial performance and position of the reporting entity. Financial information thus needs to be reported in a reliable manner that not only enhances its consistency, comparability and completeness, but supports its quality of being neutral (free from undue influence and biases) and able to inform decisions. The orderly way the recording and reporting of transactions and events take place requires the application of accounting principles and professional judgements. One can therefore argue that these accounting principles and professional judgements form the bedrock of the discipline of Financial Accounting. Thus, it is not so much about the population, but the field in which these principles and professional judgements take place and are made.

As described in Chapter 2, this study is located in the boundary, where the fields of accounting and the sociology of knowledge connect. The study straddles the intellectual and educational fields

associated with the education of accountants. The identification of the 'field' of accounting is posed as sequenced processes, actions, activities and decision-making, set alongside the classifications of entities participating in these activities, oriented to some global institutional standard and purpose (Halliday, 2004). The notions of field, specialization and professional knowledge are described in Chapter 3. Professional knowledge is sectorial as it relates to specific occupational sectors, what Bernstein refers to as 'regions' (Young & Muller, 2014). The term 'region' represents the 'field of practice' within a society (the accounting profession) that shapes the profession's specialised knowledge, as "regions are sources of current and future professional knowledge" (Young & Muller, 2014, p. 13). The region brings together several disciplines that relate to the field of practice to enable the professional to reconceptualise real-world practices and processes in new ways. These descriptions of the region and disciplines illustrate the field of practice of professional accounting.

Professional knowledge in accounting consists of several disciplines, namely Financial Accounting, Management Accounting, Auditing and Governance, Taxation and Financial Management, as well as Business Ethics, Economics, and Information Technology. 'Knowing that' knowledge forms the basis of the content of these applied disciplines while 'knowing how' involves bringing them together (in other words, regional knowledge). The *singulars* represent the knowledge structures (the rules, methods and boundaries that define a discipline) while the *regions* combine the disciplines. The *field of practice* is where professionals exercise knowledgeable and reasoned judgements by drawing on their sources of specialised knowledge. Within a 'stable' professional field this kind of specialised knowledge accrues from specific contexts, from its scientific communities and from its own scientific literature.

Young and Muller (2014) posit that regions may represent a "reservoir that can augment not only the knowledge base of the profession but add to new knowledge in one of the parent singulars" (p. 14). The specialised regional knowledge in accounting has its own 'proto-disciplinary form', for example accounting students learn about assets and liabilities in several disciplines (first in Financial Accounting, then again in Management Accounting, and so forth), representing a double movement in the professional curriculum. Once the principles of assets and liabilities have been grasped in Financial Accounting, students are required to transfer this knowledge to other disciplines, demonstrating the powerful regional knowledge in accountancy (Clegg, 2016).

This study recognises the region as the site where professional knowledge is contained in the curriculum that accountants must follow to become qualified. Regions are never fixed and always 'face two ways' – towards their singulars and towards their field of practice (Young & Muller, 2014). The professional accounting region comprises several disciplines, with each of these disciplines demanding constant searching for new and more knowledge, while the fields of practice are constantly faced with new, more complex, practical problems. Tensions exist among the disciplines, and an investigation into the knowledge of one discipline cannot be applied to all disciplines in the

region. However, given the level of specialised regional knowledge and the inter-dependency of the singulars in the region, this study posits that an in-depth analysis of a specialised field in Financial Accounting may provide sufficient insights for consideration about the region, and more specifically the way accounting knowledge is structured in the region. The focus of this study is therefore on the Financial Accounting discipline, with the data collection focusing specifically on the BCC case study as specialised knowledge positioned within the Financial Accounting discipline, with the aim of developing an understanding of the structure of BCC knowledge in the professional accountancy region to inform the design principles of a holistic curriculum framework.

#### **4.4 Case study approach and design**

The use of a case study enables consideration of the values, interests and operations of power involved in the education of professional accountants. In addition, a good case study stimulates reflection and learning about the actions of all involved, including the researcher (Cooper & Morgan, 2008). The case study research approach is useful in this study, as the researcher is investigating the complex and dynamic occurrences relating to the production and structuring of knowledge in accounting. The actual practices, including the details of significant activities of standard setting regulations and commentary, accounting research and perceptions of accountants of the challenges associated with the acquisition of knowledge in accounting are investigated.

A case study involves “the study of an issue explored through one or more cases within a bounded system” (Creswell, 2007, p. 73) in their real-world contexts (Yin, 2012). The BCC case study provides for a holistic description and analysis of the production of knowledge in accounting, the knowledge and knower structures of accounting and the recontextualisation of this knowledge to inform curriculum design. In line with Yin (1989), who claims that case studies are suited to answer “how” and “why” questions, the BCC case study provides answers to the how and why of the research questions. The BCC case study enables the analysis and description of the production of knowledge in accounting, as well as how knowledge is structured and recontextualised. This informs the decisions relating to the selection, ordering, pacing and sequencing of BCC knowledge in the accounting curriculum, thereby supporting the design of a curriculum framework for the accountant of the future.

##### *4.4.1 Financial Accounting discipline and the BCC case study*

The discipline of Financial Accounting (also referred to as ‘Accounting’ or ‘Financial Reporting’) is one of the five major disciplines within the professional accountancy education programme. The other major disciplines include Management Accounting, Auditing and Governance, Taxation, and Financial Management. However, different qualifications and jurisdictions may require additional or a different combination of discipline knowledge for the qualification of an accountant.

Accounting requires the recording of business transactions and events, thereby making information about the entity available for reporting. Financial Accounting's objective is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about buying, selling or holding on to an investment in the entity, as well as about providing or settling loans and other forms of credit. Financial statements are used by a broad group of stakeholders all of whom rely on the faithful presentation of relevant financial information. Extracts of financial statements are included in the Integrated Report, which reports on matters that are material to the entity, including financial and sustainability information (King, 2016). The information reported in the financial statements requires a broader contextual interpretation, including consideration of the general economic conditions and expectations, current political events, social and environmental impact, and the political climate.

The International Federation of Accountants® (IFAC) is the leading global accounting organisation, with its main focus the strengthening of the accounting profession (IFAC, 2019). IFAC provides resources and support to the operations of several standard-settings bodies, including the International Accounting Education Standards Board (IAESB)<sup>3</sup>, that develops accounting education standards and guidance to be adopted and applied internationally (IAESB, 2017). Accounting professional bodies, as members of IFAC and their consequential responsibility to adhere to the IFAC Statements of Membership Obligations (SMO), ascribe to the policies and pronouncements set by these independent standard-settings bodies, including the International Education Standards® (IESs) by the IAESB (IFAC, 2019).

The Handbook of International Education Pronouncements (IES, 2019), published by IFAC, contains a set of eight IESs which IFAC member bodies are required to implement. The IAESB developed the IESs in line with its mandate to “produce competent accountants capable of making positive contributions over their lifetimes to the profession and society in which they work” (Saville, 2007, p. 107). Part of the education programmes (IESs 1 to 6) include the Initial Professional Development phase (IPD) through which aspirant professional accountants initially develop the required professional competencies of a professional accountant. The IPD includes three components, professional accounting education, practical experience, and assessment. Overall, professional accounting education comprise of education and training of aspiring professional accountants (IES 1 to 6), while IES 7 has, as its focus, continuing professional development of accountants, and IES 8 provides professional competence guidance for auditors.

One of these educational standards, IES2, *Initial Professional Development – Technical Competence*, contains the details of the technical competencies in study fields such of Financial

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<sup>3</sup> The structures and processes that support the operations of the IAESB are facilitated by the International Federation of Accountants® (IFAC®). Copyright © October 2019 by the International Federation of Accountants (IFAC).

Accounting and Reporting, Management Accounting, Finance and Financial Management, Taxation as well as Business Strategy and Management (IAESB, 2019). The first competency identified in IES2 is Financial Accounting and Reporting, with the following learning outcomes identified (IAESB, 2019):

- (i) *apply accounting principles to transactions and other events.*
- (ii) *apply International Financial Reporting Standards® (IFRS®) or other relevant standards to transactions and other events.*
- (iii) *evaluate the appropriateness of accounting policies used to prepare financial statements.*
- (iv) *prepare financial statements, including consolidated financial statements, in accordance with IFRS or other relevant standards.*
- (v) *interpret financial statements and related disclosures, and*
- (vi) *interpret reports that include non-financial data and information.*

These learning outcomes identify the requirement that accountants should be able to do to apply, evaluate, prepare and interpret financial statements and reports in accordance with IFRS. The role of the standard setters in the development, authorisation and promotion of IFRS are discussed further in section 5.3.

Knowledge in Financial Accounting is usually acquired over an extended period, and in some jurisdictions, accounting is also an acknowledged school subject. This study's premise is that the discipline of Financial Accounting forms an integral part of accountants' professional knowledge. As one of the major accountancy disciplines, knowledge in Financial Accounting is usually spread across the undergraduate and postgraduate accounting curriculum and it includes content associated with the recording, recognition, measurement, reporting and disclosure of financial transactions and events in the financial statements of entities.

Various features related to BCC transactions are usually included as part of the content of several undergraduate semester courses disseminated across the disciplinary fields of Financial Accounting, Financial Management, Management Accounting, Auditing and Governance. Within some of these disciplinary fields, BCC knowledge is included over more than one academic year level while, at some Business Schools, BCC knowledge is covered at postgraduate level only. This 'spread' of BCC knowledge across different disciplines and its prominence in the broader field of accountancy emphasises the common breadth of business combination topics (also referred to as Mergers and Acquisitions). The extent of this dissemination points to the relevance of BCC knowledge, as well as

demands associated with workload, prior knowledge and the sequence in which BCC knowledge is acquired.

#### 4.4.2 *Outlining the BCC case study*

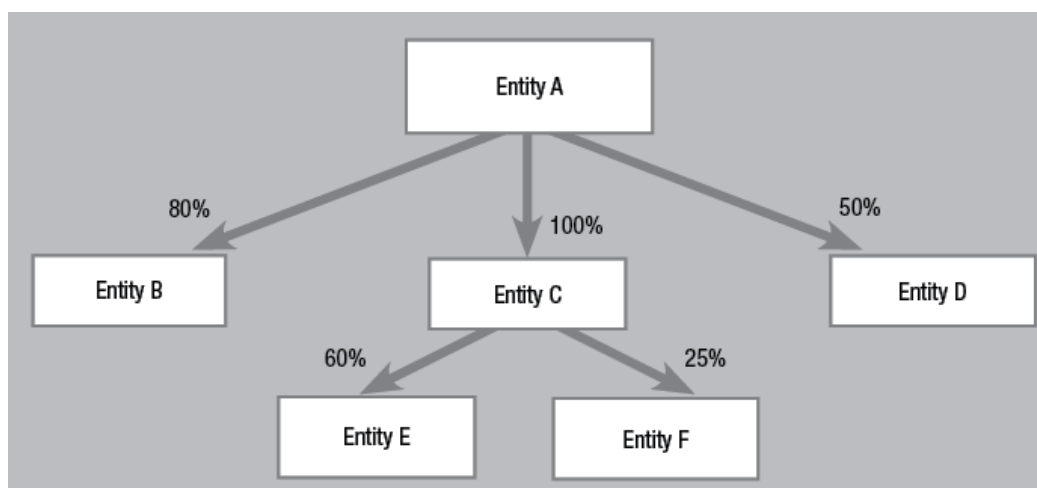
When the management of an entity considers expanding its operations, it can do so in many ways. The entity can grow by means of geographic expansion, such as the formation of new branches, or by increased volume of purchases, production and sales, resulting in the entity's organic growth. However, another way in which an entity can grow is by combining with other entities or businesses. This external expansion of an entity when acquiring the business of another entity or an interest in another entity is referred to as a business combination. When a separate reporting entity acquires an interest in the equity of another entity and that interest represents control, joint control or significant influence, the combination of different entities is referred to as a group. An entity is part of a group if the different entities are managed in a way that considers the interests of the group as a combined economic entity, rather than the needs of each individual entity. The preparation of financial statements of the combined economic entity is done using the process of consolidation (for subsidiaries) and equity accounting (for other entities that are not controlled but where significant influence is present).

The preparation of group financial statements involves combining individual entities' financial statements so that they show the financial position and performance of the group of entities, presented as if they are a single economic entity. Group financial statements are required to show the substance of control in the group, by reflecting the results of the investor's decision-making on all of the entities over which it has control, joint control or significant influence. The transaction or event in which the acquirer obtains control of one or more businesses represents a business combination transaction. IFRS 3 (2019), *Business Combinations*, deals with identifying business combination transactions and provides guidelines relating to the acquisition date, recognition and measurement of the identifiable net assets acquired, including any goodwill, and the presentation of such transactions in the group financial statements. IFRS 10 (2019), *Consolidated financial statements*, applies to events where the acquirer has shares in another entity, to the extent that the investing entity has the power to govern (that is, control) the financial and operating policies of the acquiree (referred to as a subsidiary). The acquirer, described as the parent entity, is required (with limited exceptions) to prepare consolidated financial statements in accordance with IFRS 10.

Other relevant accounting standards include IFRS 9 (2019), *Financial instruments*, which states that where share investments represent a small interest and the acquirer has no influence over the entity, the investment is classified, recognised and measured as a financial instrument. Where the investment in another entity is significant (without control), the investment represents an investment in an associate. IAS 28 (2019), *Investments in Associates and Joint Ventures* prescribes the

accounting entries required when group financial statements are being prepared where investments in associates are accounted for using the equity method. In cases of global expansions and where foreign controlled entities (foreign subsidiaries) or foreign operations are acquired, guidance on the accounting treatment is provided in IAS 21 (2019), *The Effects of Changes in Foreign Exchange Rates*. IAS27 (2019), *Separate Financial Statements*, outlines the accounting and disclosure requirements in the financial statements prepared by a parent of investments in subsidiaries, joint ventures and associates, and the accounting requirements for dividends.

For purposes of illustration (see Figure 4.1 below) and assuming a direct relation between percentage shareholding and control, Entity A acquired 80% of the issued shares of Entity B and 100% of the issued shares of Entity C. Entity A has control over Entities B and C. Entities B and C are therefore subsidiaries of Entity A. Entity A has signed an agreement with the other shareholders in Entity D to control Entity D jointly. Entity C holds 60% of the issued shares in E and 25% of the shares in F. Based on its shareholding in E, C is able to control E, but is only able to exert significant influence over F. All the entities listed above form a group and Entity A should prepare group financial statements, in which its interest in B and C is consolidated. A should also, through its interest in C, consolidate the results of E and include the results of F (an associate) in the group accounts based on the equity method. D is a joint venture and should be included in the group financial statements by equity accounting.



**Figure 4.1: Example of a group (Lubbe, Modack & Herbert, 2019, p. 670)**

Several other disciplines incorporate or refer to BCC knowledge. These include the finance principles associated with investment decisions, mergers and take-overs, the tax implications of group structures and the growth strategies and objectives associated with expansions. Other areas include risks analyses and assessments associated with the acquisition of a subsidiary as opposed to acquiring the underlying assets and liabilities, and management decisions relating to the internal organisation and restructuring of a business. This thesis considers the production of knowledge in BCC, using the Financial Accounting discipline lens. The case study focus includes accounting

knowledge presented in IFRS 3 (2019), *Business Combinations* and IFRS 10 (2019), *Consolidated financial statements*. These two standards form part of the official knowledge in the accounting for BCC and are referred to as IFRS 3 and IFRS 10 in the rest of the chapters.

BCC knowledge represents a set of complex decisions and judgements relating to the recognition, measurement and reporting of a controlling interest in another entity to produce decision-useful information in the group financial statements. The ordering and sequence of knowledge acquisition is demonstrated in that prior knowledge of accounting principles is required to understand the more complex concepts associated with a BCC transaction. The integration of knowledge with other disciplines such as Business Management, Finance and Law, accentuate the regional knowledge. Its real-world applications require the integration of technology and the field of practice, and the acquisition of broader skills such as critical thinking and professional judgements. Chapter 5 focuses on the production of BCC knowledge, while the recontextualisation of this knowledge is discussed further in Chapter 7.

This study posits that the BCC case study is descriptive, yielding a rich narrative of the phenomenon under study (Merriam, 1998). This is in line with the 'thick' descriptions that require the qualitative researcher to describe and interpret the social action and behaviour within the context of the case study (Ponterotto, 2006). The BCC case study described in this section provides that 'thick description', while the description and interpretation of the data leads to the 'thick interpretation', which in turn brings 'thick meaning' to the study.

#### **4.5 Data sources and data collection**

The data sources included in this study originate from different sources that have been acquired at different times, at different locations and from different people (participants). These include primary data gathered from purposively selected participants and secondary data such as official documents, standards, guidelines, and academic research studies. Triangulation allows for data to be collected from different sources as evidence, following the principles identified by Yin (2002) of using multiple sources of evidence within a case study and to use these as a 'chain of evidence', as a link between the questions asked, the data collected, and the conclusions drawn. The different sources and methods of collecting data support the notion of data triangulation and hence the validity of the data (see section 4.6 below).

Data is gathered from the following three sources:

- (1) Responses, insights and perceptions obtained from purposively selected accounting experts, using focus group and individual interviews and open-ended questions.

- (2) Official data originating in the accountancy field, such as publications, standards, regulations, policies, commentary, reports, guidelines and insights published by professional accounting bodies and firms.
- (3) Academic research represented by accounting research studies and papers published in accredited journals.

A detailed description of the processes and procedures followed for the qualitative collection of these data sets, including a description of the availability and access, methods of identification, selection, and interpretation of data obtained from these various sources, is described next.

#### *4.5.1 Availability and access to data sources*

The primary data of this study was obtained from purposively selected accounting experts with the necessary knowledge and experience in BCC. Purposive sampling is a selection technique for in-depth study of information-rich sources from which issues essential to the purpose of the inquiry is acquired and that yields insights and in-depth understanding (Patton, 2002). Rather than attaining empirical generalisations, the exclusive responses of these experts provide in-depth information about BCC knowledge and knower structures, and insights for an in-depth analysis that is necessary for understanding the recontextualizing logics of BCC knowledge.

The data sourced from participants was obtained using focus groups and individual responses. The collection of this qualitative data required ethical approval, which was obtained at the start of this study (see section 4.6.1 below). The participants are professionally qualified accountants identified as experts in the field. My unique position in the SA accounting profession (see section 4.6.3 below) facilitated the identification of the purposively selected participants and subsequent acquisition of the primary data. To limit selection bias, some participants were identified and approached by an employee of the Accounting Standards Board and others through other third parties. These experts' perceptions of knowledge and knower structures of accounting and how this knowledge is acquired and contextualised have been captured as research data informing this study. Challenges were experienced during the collection of research data, mainly relating to the impact of Covid-19 and the national lock down at the time. These challenges and alternative options are explained in section 4.5.3 below.

The second set of data, referred to as official data, is gathered from information that is generally available (usually with access control) to accountants, for example, accounting standards, regulations and other published material. Some of these data sources have access restrictions, where access is only available to members of a professional body. As a member of SAICA (see position of the researcher described in section 4.6.3 below), I have access to these data sources.

The third set of data, namely accounting research papers, is available in libraries and online via the respective publication houses. Even though access to these journals and publications is not readily available to the public, as an accounting academic and PhD student, I have access to these data sources through the UCT library access portals.

The data collected from these sources is all located within the BCC case study as evidence of the production and the recontextualisation of BCC knowledge, and the knowledge and knower structures of BCC knowledge. The sources of data collection are illustrated in Table 4.1 below, linked to its relevance for the BCC case study.

**Table 4.1: Illustration of sources of data in response to the respective research questions**

<b>Data source</b>	<b>Research Question (RQ)</b>	<b>Case study relevance</b>
(1) Expert participants: focus group and individual interviews and responses of purposively selected participants in the field.	<b>RQ2</b>  <b>RQ3</b>	Identify the knowledge and knower structures of BCC knowledge.  Describe the recontextualisation of BCC knowledge and identify the principles for the design of a framework for a professional accounting curriculum.
(2) Official data: publications, standards, regulations, policies, commentary, reports, guidelines, and insights published by accountants and auditors, published by professional bodies and firms.	<b>RQ1</b>  <b>RQ3</b>	Identify and describe sites and sources of the production of BCC knowledge (IFRS 3 and IFRS 10).  Describe the recontextualisation of BCC knowledge and identify the principles for the design of a framework for a professional accounting curriculum.
(3) Academic research: accounting research studies and papers published in accredited journals.	<b>RQ1</b>  <b>RQ3</b>	Identify academic research cited in the production of BCC knowledge (IFRS 3 and IFRS 10).  Describe the recontextualisation of BCC knowledge and identify the principles for the design of a framework for a professional accounting curriculum.

The UCT research data management policy identifies the importance of data sets for scholarship in all disciplines and requires the sharing of research data that is considered to constitute “unique resources” (UCT, 2018). The qualitative data obtained from participants in this study is unique in that it was obtained from purposively selected participants to inform the specific research questions of this study. The investigative value of this data may inform further studies in the field of accounting education. As a result, the primary data collected in this study is stored and protected in line with this policy, after removing any personal identifiable information. Further details regarding the confidentiality, recording, transcription and storing of this data is set out in section 4.5.3 below.

A detailed description of the methods of data collection is discussed next, including an explanation of how the data sources are linked to each of the research questions.

#### 4.5.2 Production of accounting knowledge

The first research question investigates the sites of production and discovery of knowledge in accounting, with reference to Bernstein's (1990, 2000) field of production located in the pedagogic device and which further informed Maton's (2014) epistemic logics (see Chapter 3).

**RQ1: What are the sites of BCC knowledge production in accounting and to what extent do they contribute to the originality, quality and authority of the knowledge produced?**

The aim of collecting data relating to the production of knowledge in accounting is not so much about the number of publications (quantitative), but rather about the production sites, and within each site, the extent to which each site contributes to the originality, quality and authority of the knowledge produced. With specific reference to the BCC knowledge, three **sites** of production of new knowledge are identified and described, namely (1) global accounting standard setters; (2) professional accounting and auditing firms; and (3) academic research. The data collection in each of these sites involved the following:

##### *Global standard setters and regulators*

The main global standard setters and regulators of accounting standards comprise the International Accounting Standards Board (IASB®) and the Financial Accounting Standards Board (FASB). The description of the regulatory legitimacy of these standard setters, their authority and their recognition in the field of practice are described in Chapter 5. IFRS (issued by the IASB) enjoy global recognition considering its global adoption while the FASB sets accounting standards in the USA, which are published as the generally accepted accounting principles (GAAP). Given the location of this study in SA, the IASB is identified as the 'official' standard setter and published data sources, such as its regulatory process, comment letters and post-implementation reviews, are scrutinised, analysed and described as part of the analysis of the BCC case study.

##### *Professional accounting and auditing firms*

The accounting profession is broadly organised in small, medium and large accounting and auditing firms and other consulting entities. Accountants are employed in most of the economic sectors, for example, banking, public sector, manufacturing, retail and so forth, while others are either self-employed entrepreneurs or are part of the accounting and auditing firms or consulting entities. In summary, it is impossible to quantify the number of accountants globally, nor is it possible to identify their type of employment. However, the focus of this research question is not about the accounting profession at large, but rather it relates to the involvement of some accountants, irrespective of their location or employment, in the commentary responses to the IASB standard setting and the reports, guidelines and insights published by accountants in the field of practice. The investigation and analysis of the BCC case study therefore include commentary letters by accountants and firms, as

well as reviews, reports and insights published relating to the BCC accounting standards (IFRS 3 and IFRS 10). Reviews, reports and insights that are identified and described are readily available via the respective websites of the medium and larger professional accounting and auditing firms. Through an extended internet search, these data sources have been purposively selected according to whether they refer to IFRS 3, IFRS 10 or generally to BCC transactions or events.

#### *Academic research*

Several studies support the notion that academic research does not contribute to the regulatory and standard-setting production of knowledge in accounting (Larson & Herz, 2011; Fülbier, Hitz & Sellhorn, 2009), while Guthrie and Parker (2016) express their concerns about accounting scholars' delay in responding to and addressing the emerging issues in accountancy today. Academic research has been selected with reference to the BCC case study as a literature study to inform this research question. This was done by identifying papers published in internationally recognised accounting journals. A search of the online publication sites of the significant accountancy journals, namely Emerald Insight, Science Direct, Routledge and Wiley, was performed, which collectively publish more than 20 journals in the broader field of accountancy. An extended search was conducted via Google Scholar, using the following five key words: *IFRS 3*, *IFRS 10*, *business combinations*, *goodwill* and *consolidations*. Given the recency of the publication of these accounting standards (IFRS 3 was issued in 2004 and the revised IFRS 3 was issued in 2008, IFRS 10 was first issued in 2011, with the latest amendment in 2014), most of the academic papers selected have been published since 2004. This resulted in the identification of 40 papers published in the journals listed in Table 4.2 (see **Appendix A** for complete list of papers, including authors, titles and dates of publication).

**Table 4.2: Summary of number of papers identified in accounting research**

<b>Name of journals</b>	<b>Number of papers identified per journal</b>
Abacus	2
Accounting & Finance	2
Accounting and Business Research	3
Accounting Education	2
Accounting Forum	2
Accounting in Europe	2
Accounting Research Journal	2
Accounting, Auditing and Accountability Journal	1
Asia-Pacific Journal of Accounting & Economics	2
Australian Accounting Review	5
Critical Perspectives on Accounting	2

Name of journals	Number of papers identified per journal
European Accounting Review	2
Journal of Accounting & Organizational Change	1
Journal of Business Finance & Accounting,	1
Journal of Financial Reporting and Accounting	2
Journal of Money Laundering Control	1
Managerial Finance	1
Pacific Accounting Review	1
Review of Accounting and Finance	1
South African Journal of Accounting Research	3
Spanish Journal of Finance and Accounting	1
The British Accounting Review	1
<b>Total</b>	<b>40</b>

The academic papers identified were analysed in terms of their respective purpose and focus, and then categorised to identify each paper's contribution to the knowledge in accounting. The findings of this analysis are discussed in Chapter 5.

#### 4.5.3 Knowledge and knower structures of accounting knowledge

Following from RQ1, which focuses on the sites of production of accounting knowledge, RQ2 and RQ3 are located in the field of recontextualisation. In the process of considering how knowledge in accounting is *curricularised* and identifying what *recurrucularisation*, if any, is required, RQ2 considers the knowledge and knower structures of accounting. Maton (2014) extends Bernstein's pedagogic device when he considers the epistemic and recontextualizing logics, highlighting that specialization codes represent a crucial mediator between the epistemic pedagogic device and empirical realisations. The conceptualisation of the knowledge-knower structures is described in Chapter 3 and is the focus of RQ2.

#### **RQ2: What are the knowledge and knower structures and specialization codes of BCC?**

This research question analyses the knowledge-knower structures in accounting. This requires identifying the *knowledge code*, that is, the ability to think critically and make connections between different areas of knowledge, and the *knower code*, which refers to personal involvement, aptitude and talent. In a similar study that considered the specialization codes of Natural Sciences, Psychology, Music, Mathematics, History and English Literature, Maton (2014) obtained the perceptions of university students using an instrument that asked respondents to consider three 'important things' for being good at the subject: (1) skills; (2) talent; (3) taste. Respondents were asked to rate the significance of *epistemic relations* (ER) to the knowledge structure (skills) and of

*social relations* (SR) to the knower structure (talent and taste) for each subject. The subjects were coded as having a *knowledge code* (ER+, SR-) where possession of specialist knowledge is emphasised as the basis of achievement, and as having a *knower code* (ER-, SR+) where attributes of knowers are emphasised (Maton, 2014, p. 76).

The perceptions of a range of purposively selected accountants, each being an expert in the field, inform the findings of RQ2 (and RQ3, see below). The accountants selected to participate in this study were selected in accordance with their field of experience and expertise, and their years of experience. Their expertise positions them as professional accountants, thus having the necessary qualification and credentials and being a member of a professional accounting body. Their experience relates to whether a participant currently is or was in the recent past engaged in the BCC field, ranging from business owners, directors, consultants, auditors, group accountants and academics. The years of experience or age is considered relevant as the knowledge of recently qualified accountants is more closely aligned with what was acquired during the studying and training period, as opposed to experienced (older) accountants and auditors who have several years of experience acquired in the field of practice rather than during the studying and training period. This is important as the focus of this study is on the current knowledge and curriculum during the study period, as opposed to the experience acquired in the field of practice. The participants' demographics and location of experience is included in **Appendix B**.

Professionally qualified accountants with extended experience in BCC were purposively selected to participate in this study. Participants were approached after being identified through other third parties for their reputation, experience and level of expertise. Twenty-four (24) participants were identified in various positions and locations, including auditors, group accountants, accounting consultants and advisory services, directors, small e-accounting business owners, and employees of regulatory oversight institutions. Ethical approval was obtained for focus group discussions and interviewing of participants (see section 4.6.1 below), including the specific and open-ended questions (see **Appendix C**). Participants were individually invited to participate in this study and asked to complete and sign a consent form prior to any data collection intervention. One of the 24 participants did not sign and return the consent form while another participant completed the consent form but not the questionnaire. These participants were excluded from the final list, resulting in the analysis of the data obtained from twenty-two (22) participants (see Chapter 6).

Initially, this study set out to conduct focus group interviews with the purposively selected accountants. A first focus group interview session was conducted with three participants, which also served as a 'pilot' session. Observations from this pilot session found that the participants' responses were very similar. On reflection, this was attributed to the focus group participants being homogenous in terms of experience and where they studied, resulting in them confirming each other's responses instead of providing an independent response. Using focus groups for data

collection allows for “cross-fertilisation of ideas within an interactive group setting” (Rodger, Turpin & O’Brien, 2015, p. 548). However, in this pilot session the focus group session had the opposite effect. Notwithstanding this observation, the contributions of the participants in the focus group session were considered valuable data and are included in the discussions of the findings. Based on this observation, a decision was made to conduct individual interviews to avoid interviewees echoing one another’s conclusions. As a result, no further focus group sessions were conducted; instead, individual sessions were arranged. Challenges were experienced when these individual sessions were scheduled, as the country went into lockdown because of the Covid-19 pandemic. The result was that only one interview was conducted face-to-face, while two interviews were conducted virtually. For the remainder of the interview sessions, the participants indicated that they would prefer that the discussion questions were emailed to them so that they could respond via email.

The focus group session, the face-to-face interview and the virtual interviews were recorded, and the data collected during these interviews has been transcribed. The transcriptions and the responses received via email, as well as the signed consent forms are stored in an electronic format in a folder with security access. The data collected from the focus group session, interviews and other responses of participants relate to BCC knowledge in accountancy. The data has two parts:

#### *Specialization codes*

The first specific question was structured in line with Maton’s (2014) study referred to earlier:

*In your opinion, how important are these things for being good at Business combinations & consolidations:*

- *Skills, techniques, and specialist knowledge*
- *Natural-born talent*
- *Judgements, decision-making, developing a 'feel' for it*

Participants were asked to provide answers labelled as: *Not at all, Not very, Quite and Very.*

The responses to these questions allow for the identification of each participant’s perception of the specialization codes of BCC knowledge. The participants’ ratings were coded according to Maton’s specialization codes, where a higher the ‘skills’ scale points to ER+, and a higher ‘talent’ and ‘feel’ scale points to SR+.

#### *Qualitative responses to open-ended questions*

Participants were asked to respond to open-ended questions that asked the following:

- *What does it take to be 'good' in Business combinations & consolidations?*

- *How would you define 'achievement' in Business combinations & consolidations?*
- *What knowledge is currently over-emphasised in Accounting Education, as far as it relates to Business Combinations and consolidations?*
- *What knowledge is currently under-emphasised in Accounting Education, as far as it relates to Business Combinations and consolidations? In other words, what needs more attention?*
- *What knowledge is currently ignored in Accounting Education, as far as it relates to Business Combinations and consolidations? In other words, what is missing?*

The aim of these open-ended questions was to obtain feedback about the knowledge that participants had acquired during their studies relating to BCC knowledge to identify knowledge areas that are over-emphasised, under-emphasised and/or missing in the current curriculum (in response to RQ3, see point 4.5.4 below).

The recorded and transcribed interview sessions were analysed using the NVivo 12 coding system to interpret the participants' semi-structured responses and to support the likelihood that the qualitative analysis of the written responses remains firmly rooted in the participants' responses (Bazeley & Jackson, 2013; Saldaña, 2015). This qualitative study aimed to understand participants' experiences to determine the boundaries or characteristics of accounting knowledge in the current curriculum. NVivo allows for the analysis of these non-numeric open-ended responses acquired from a purposively derived sample by using word frequency, text search and matrix coding features (Feng and Behar-Horenstein, 2019).

This analysis was necessary to identify the intellectual and educational fields in accounting, and to describe the knowledge-knower structures and specialization codes of accounting. The analyses and findings relating to the specialization codes (in response to RQ2) are discussed in Chapter 6. The participants' responses to the open-ended questions relating to BCC knowledge in the accounting curriculum informed the exploration of the recontextualisation of BCC knowledge in the curriculum, as discussed below.

#### *4.5.4 Accounting knowledge and curriculum design*

Informed by the findings of the data collected and analysed for RQ1 and RQ2 described above, RQ3 considers the recontextualizing logics that regulate the delocation and relocation of knowledge in the accounting curriculum. Using the BCC case study as illustration, the epistemic relations (ER) and social relations (SR) are mapped to identify the knowledge and knower codes of BCC knowledge, and to describe a framework for the selection, scaffolding and ordering of BCC knowledge in the accounting curriculum.

### **RQ3: What are the principles for the design of a framework for the recontextualisation of BCC knowledge in the accounting curriculum?**

The collective data sources that inform RQ3 include the RQ1 and RQ2 data sources, including the authorised content of the IFRS handbooks, specifically focusing on IFRS 3 and IFRS 10, insights and guidelines relating to BCC, and academic research in response to these standards. Publications by accounting bodies and other stakeholders (including Pathways Commission reports) and international literature identified the need for changes in the education of accountants (see Chapter 2). These included studies describing the competency crisis (Behn et al., 2012.), the expectation-performance gap (Bui & Porter, 2010), studies of future competencies, accounting skills and expectations of employers (Jackling & De Lange, 2009), the effect of globalisation (Hopper et al, 2017) and the need for IT knowledge in the curriculum (Boulianne, 2016). Further, recent reports (since 2010) published by the international and national accounting institutions, representing several professional bodies (such as SAICA, ACCA, CIMA, etc) identify gaps, concerns and challenges for the education of accountant of the future.

Collectively, the perceptions of purposively selected participants, the official data and reports, and accounting literature inform the relative stronger epistemic relations as the basis of legitimacy of knowledge in accounting. The triangulation of data sources informs the analysis and ordering of knowledge in accounting identified as relevant technical knowledge, professional knowledge and skills in the field of practice. The interrogation of the recontextualizing logics of such knowledge informs the design of a comprehensive curriculum framework for BCC knowledge.

The responses obtained from participants (see point 4.5.3 above), the accounting concepts and principles set out in the respective accounting standards, guidelines and insights from professional accounting bodies and firms, as well as the academic literature (identified in section 4.5.2 above), are data sources that inform the findings of RQ3. The argument for the use of IFRS as authorised texts is explained in Chapter 5, while the analysis and findings for RQ3 are set out in Chapters 7 and 8.

## **4.6 Validity of the study and position of the researcher**

The critical realist question is *'What must the world be like if we are to account for the differences and similarities we see?'* Our knowledge may be limited by our experiences and viewpoints, but this is not to deny that a real world exists ontologically. For example, the models and principles employed for the design of an accounting curriculum are based on the ontological views and knowledge requirements of the institution where it is located, and its agents. This requirement for the selection and ordering of knowledge is a mental construction that is open to investigation (Maxwell, 2012). Different institutions in different jurisdictions may construct an accounting curriculum in a different

way, while there may also be significant similarities. The task of the critical realist researcher is to treat these constructs as real, and differences (or similarities) as fundamental rather than superficial.

This study uses a case study in accounting to provide a lens for an in-depth interrogation of the structure of knowledge in this specialised field. Findings relating to the BCC case study may be useful to inform the broader design-principles of a curriculum in accounting. Within a qualitative research approach, bias and reactivity are general validity threats (Maxwell, 2008). *Bias* refers to ways in which data collection or analysis are distorted by the researcher's input, values or preconceptions, where *reactivity* is where the researcher tries to 'control for' the effect of his/her own position in the field. The ethical approval, validity threats associated with the data sources and the use of data triangulation are discussed next. This is followed by a reflection of my position, as the researcher, addressing the different bias lenses I take up.

#### *4.6.1 Ethical approval*

Ethical approval was obtained prior to commencement of this study. The ethics application included a declaration that participants may know me, given my identify and role in accounting education in SA. I have also identified myself and described the purpose of the research to participants. Ethical approval was obtained for the interview of participants, as well as for the specific and open-ended questions listed in section 4.5.3 above. Consent was obtained in writing from the focus group interviewees, while the responses that were received via email included a consent letter that was signed and returned with the completed questionnaire. After providing each participant with a brief outline of the purpose and focus of the interview, participants were asked to sign the consent form. Each participant was provided with an introduction letter that included background of the study and the option to withdraw from the study. Signed consent forms are securely filed in an electronic form.

#### *4.6.2 Data triangulation and interpretation*

Data triangulation is a strategy that reduces the risk of systematic biases due to the use of a selection of data sources and allows for a better assessment of the findings. This study uses three different sources of data to inform and support the findings and to limit the risk of biases. Collis and Hussey (2009, p. 85) state that triangulation reduces the bias in data sources, methods and investigators as triangulation involves "the use of multiple sources of data, different research methods". Primary data was obtained from (1) purposively selected expert participants via focus group and individual interviews, and responses to open-ended questions; and secondary data from (2) official sites such as external publications, standards, regulations and insights published by professional accounting bodies and firms; and (3) accounting research papers published in accredited journals.

The goal with the primary data source is to obtain the views and perceptions of a broad spectrum of participants and to prevent the researcher from being an unwanted cause of influence in the

outcomes. It is impossible to eliminate the actual influence of the researcher (Hammersley & Atkinson, 1995) but it is important that this is understood, articulated and used productively. For all types of interviews, the interviewer has a powerful and inescapable influence on what the interviewee says, and the data collected should be seen as a function of the interview situation (Briggs, 1986). In this study, the participants' perceptions were initially obtained via interviews and then changed by asking the remaining participants to respond directly to the open-ended questions via email. Even though this change was made as a result of the lockdown at the time, it reduced the possible level of researcher influence (Maxwell 2008). The result obtained the 'real perspective' of participants, identifying the 'real purpose and focus' of their perceptions.

The following validity threads and researcher influences were identified:

#### *Purposive selection of the participants*

There is a risk that, due to my position as an accounting academic, and an Accounting Standards Board (ASB) and SAICA Board member, some of the purposively selected accountants are known to me, and as a result, may not provide objective responses or may feel forced to participate in the study. To compensate for this risk, an ASB employee helped to independently identify several participants, while others were identified by other accountants. The participants were asked to sign a letter of consent for participation in the study; two accountants preferred not to participate in the study. Given the aims of the purposive sample selection (discussed above) and the participants' responses, this study proposes that their inputs sufficiently represent a 'voice of reason' from which interpretations can be made for this study.

#### *Framing of purpose of study and questions posed to the participants*

The introduction presented to participants relating to the reasons for this study and open-ended questions posed to the participants during the interviews presented the risk that the participants may be unduly influenced by the researcher. This risk was noticed in the initial focus group interviews (the 'pilot' study). To manage this risk, I was conscious not to provide any commentary during the discussion sessions, except prompting answers. Further, the lockdown resulted in a change to the way some of the data was collected (via emails), which was beneficial to enhancing the 'independence' of the participants' responses.

As described earlier in this chapter, the questions posed to the participants are aligned with Maton's (2014) specialization coding, while the open-ended questions are in line with the purpose of this thesis of identifying the BCC knowledge that is over-emphasised, under-emphasised or missing. The same 'set of questions' was posed to all participants, and where possible, participants were asked to provide answers in writing (see next point).

### *Transcribing the participants' responses*

The initial 'pilot' focus group interviews were transcribed by the researcher, posing the risk of incorrect transcription or excluding some comments. The interviews were recorded and the full recording was transcribed word-for-word. It was then replayed and checked by the interviewees, thereby ensuring the accuracy and completeness of the transcription. The virtual interviews were recorded and transcribed in a similar way, while the data collected via emails did not require transcription as it was already presented in typed format. When comparing the data responses obtained via the interviews with the data responses received via the email participation, apart from the extended length of the interview responses, no other significant differences were noted.

### *Identification, selection and classification of literature*

In addition to the literature review presented in Chapter 2, one of the data sources identified is a review of academic research studies in the form of accounting literature relating to BCC, which presents the risk of selection-bias. This risk was managed by identifying the publication sites of local and internationally recognised accounting journals. An in-depth search of these sites, using key words and a specified timeframe, enabled the identification and selection of these accounting research papers. To verify the completeness of the papers selected, accounting literature review studies, namely Carvalho, Rodrigues & Ferreira (2016a) and Apostolou et al., (2016, 2017 and 2018), were scrutinised to identify further papers, confirming the extent of the accounting research relating to BCC.

By combining the results of different data sources, including external data available in the public domain and data collected from participants, the possibility of contradictory data is reduced. This view is supported by Smith (2011) who states that the validity and reliability of any research is increased through a process of triangulation whereby alternative views of the same phenomenon may be offered.

### *4.6.3 Researcher's position*

In qualitative research, the main concern is understanding how the researcher's values influence the study's conduct and conclusions. At an epistemological level, as the researcher I am mindful that the theoretical lens used to look at reality is but one possible way to analyse the data. The notion of knowledge is complicated, and I have to be conscious not only of my own epistemological views but also keep in mind that the research itself is about knowledge, and that the disciplinary knowledge field under investigation has its own ontological and concomitant epistemological position.

This section sets out an explanation and reflection of my position as the researcher and my connectivity to the field of accounting education research. This discussion covers my various

positions that are relevant to this study, as employee and student at UCT, board memberships and being a change agent.

#### *Being an employee in the College of Accounting at UCT*

I am an accounting academic and an accountant. I started my career in the professional accountancy working environment and changed to the academic space several years ago. I am a full-time employee at the University of Cape Town (UCT) and have been involved in the education of accountants for more than 20 years. My current position as a PhD student in Higher Education Studies at UCT has given me the dual role of being an employee and a student at the same institution. Even though I am employed at UCT, this study does not refer to the academic project at UCT, nor have I used any colleagues or students at UCT as participants in this study.

As an accounting academic I have taught the content of the case study, BCC, at both undergraduate and postgraduate levels. Not only have I attained an in-depth knowledge of the specialised topic, but I have also observed and engaged with students grappling with the rules, principles and procedures, understanding the consolidation process and interpreting the resultant financial information. In this regard, my involvement includes the recontextualisation of knowledge through pedagogical discourse when developing notes and illustrative examples, and the reproduction of knowledge in the classroom. I am deeply involved in supporting students in the field of reproduction and the evaluative rules. This includes the setting of several tests and exam questions based on this topic, which usually involve a practical simulation of the theoretical principles, processes and decisions associated with BCC and integrated with other topics. Lastly, I have evaluated and assessed students' answers to these test and exam questions and through that process, I have observed the level and extent of students mis-perceptions, financial literacy and numeracy challenges and overall weak understanding of both the principles and processes involved. These experiences have encouraged me to consider the knowledge and knower structures of accountancy, focusing on the specialised BCC knowledge. My concerns are particularly about the selection, sequencing, scaffolding and integration of the specialised knowledge.

#### *Being a member of the Accounting Standards Board*

The ASB is a South African government institution (established in accordance with the Constitution of SA) with the mandate to develop, implement and monitor the application of Generally Recognised Accounting Practice Standards (GRAP) for the public sector in SA. The GRAP standards are aligned with the International Public Sector Accounting Standards (IPSAS) and IFRS. This connection is important given that the two IFRSs that are referred to in this study are regarded as part of the 'official' texts.

Further, an employee at the ASB assisted with the identification of some of the purposively selected participants and provided me with their contact details. I made the direct contact with the participants.

### *Being a member of the SAICA Board*

As a chartered accountant (CA(SA)), I am a member of the South African Institute of Chartered Accountants. Since commencing with this PhD study, I have been appointed as a non-executive member of the SAICA board.

SAICA accredits the education programmes of accountants in SA. The relevance of accreditation of undergraduate and postgraduate accountancy programmes is prominent in SA. The accreditation process has given power and focus to the profession's competency framework. I have previously represented SAICA on accreditation visits to other universities and have been the project leader that supported one of the historically disadvantaged institutions with the accreditation of its undergraduate programme.

SAICA has recently revised the competency framework for the CA(SA) designation, which is referred to as the CA2025 project. This project involves a network of data collection, feedback and interpretations from various stakeholders. The focus of the project is on the relevance of the future CA; it identifies several competencies, skills and acumen that should be acquired by candidates during university studies, as well as during the professional training period. I have not been directly involved in the research or development of the CA2025 project, and it is not the intention of this study to evaluate, observe or critique the project. Rather, this study applies frameworks located in the sociology of knowledge to inform the design principles of a holistic curriculum for the education of accountants, using BCC as a case study.

### *Being a change agent*

My participation in and receipt of the Teaching Advancement in Universities (TAU) fellowship a few years ago enabled me to consider the challenges and relevance of accounting education. Through this experience, I realised the importance of continuous investigation to consider what works and what needs to change. The higher education environment in SA has its own unique challenges, and these, combined with the recent challenges in the accounting profession relating to globalisation, information overload and the fourth industrial revolution, combined with several examples of unethical behaviour, have brought a renewed focus on professional knowledge and behaviour.

My role as a change agent prompted this study, and as I acknowledge that I will not be able to find all the answers, recognising the tensions in the different fields of the pedagogic device as it applies to professional accounting knowledge, my aim is to identify, describe and demonstrate the design of a curriculum framework for accountants' education. These principles may help identify the gaps and

the misalignment in the construction of BCC knowledge in the accounting curriculum and demonstrate what changes could be considered.

#### **4.7 Conclusion**

This study follows a qualitative research approach in that the data collected for this study was purposively selected and analysed, using a case study methodology to scrutinise the specialised field of accounting knowledge. This chapter presents the methodology followed to identify the sources of data, the collection of data for analysis and description which support the investigations located in the purposively selected BCC case study. Construct validity is provided through triangulation of multiple data sources that inform the analysis of the production of knowledge in accounting, issues relating to the knowledge and knower structures and the implications for curriculum design. Aspects that may influence selection biases in the study are identified and the researcher's position within the field is explained.

The detailed examination, analysis and findings relating to the three research questions are presented in the next four chapters. Chapter 5 provides the findings relating to the sites of production of knowledge in Accounting (RQ1), Chapter 6 analyses the knowledge and knower structures of Accounting (RQ2), while Chapters 7 and 8 identify, describe and explain the design of a framework for the recontextualisation of BCC knowledge in the accounting curriculum (RQ3).

## Chapter 5 Production of accounting knowledge

### 5.1 Introduction

This is the first of four chapters that explore and describe the findings in response to the research questions. This chapter examines, identifies and describes how knowledge in accounting is produced, using the Business Combinations and Consolidations (BCC) case study as point of reference, as articulated in the first research question.

**RQ1: What are the sites of BCC knowledge production in accounting and to what extent do they contribute to the originality, quality and authority of the knowledge produced?**

Every day countless financial transactions and events are recorded and reported globally that require decisions regarding the classification, recognition and measurement of these transactions and events. Whether it requires the recognition of fish held in a hatchery, the measurement of a provision for the rehabilitation of a landfill site, or the determination of uncollectible amounts of outstanding loans (given the impact of Covid-19 on businesses and people), these decisions are made in unfamiliar circumstances and require professional judgements. Some may argue that such decisions require new knowledge in accounting, while others may claim that these decisions require new accounting principles. Even though these are examples of 'new' transactions and 'new' sites, it does not represent the production of new knowledge in accounting, but rather 'best practice' in accounting.

Further, an accounting system for the recording and reporting of its transactions and events happens within each business. The level of sophistication of the system depends on the nature, size and complexity of the business and its operations. New recording processes and systems are regularly developed based on the information needs of the business and its broader stakeholders. Bunney, Sharplin and Howitt (2015) refer to the 'new knowledge economy' emerging from technological advancement that calls for "graduates across disciplines with flexible mindsets and transferable skill sets, capable of innovating and adapting to a dynamic work environment" (p. 256). However, this emphasis on skills rather than knowledge does not follow the canons of professionalism and, as argued by Svarc (2016), technological innovation is shaking the pillars of scientific professional knowledge. This begs the question of what is considered 'new' knowledge in accounting and how this knowledge is produced.

Bernstein (1990, 2000) and Maton (2014) identify institutions of higher education and private research organisations as knowledge production sites. Further, the discovery of new knowledge forms an integral part of the role of the academic (Boyer, 1990; Duff et al., 2020; Guthrie et al., 2014; Hopper, 2013). In alignment with these descriptions, three sites are identified and analysed to describe the sites of production of new knowledge in accounting, as shown in Table 5.1.

**Table 5.1: Sites of production of new knowledge in accounting**

Field of production sites (Bernstein)	Field of production sites in accounting	Sources of data collection
Professional institutions and bodies	Standard-setters and regulators	Standards, research, bases of conclusions and regulations published by international and national professional accounting institutions and bodies.
Private research organisations	Profession, including accounting and auditing firms	Publications, reports and material produced by professional firms.
Institutions of higher education	Academic publications	Academic research published in accounting journals.

These sources of data collection are identified as production sites of knowledge in accounting. The aim is to examine each site to determine its legitimacy and the extent that each site contributes to the originality, quality and authority of the knowledge produced. Sources of BCC knowledge comprise academic research, accounting standards and regulations, and other publications. These sites of BCC knowledge production are scrutinised with reference to the two accounting standards, namely IFRS 3 (2019), *Business Combinations*, and IFRS 10 (2019), *Consolidated Financial Statements*. The description of the production of knowledge relating to the BCC case study is informed by a qualitative analysis of the data comprising reports and material obtained of standard setters and respective professional bodies (institutes, regulators, firms) and academic literature. The methods and validity of the data collection were described in Chapter 4.

This chapter identifies, analyses and describes the production field and sites where new knowledge in accounting is constructed and positioned. First, a summary is provided of theory in the production and discovery of knowledge in a field. With reference to the specialised knowledge in accounting, the sites of production of knowledge are identified and described. The sites of production are then interrogated to identify their legitimacy for the production of BCC knowledge. Within each of these sites of knowledge production, aspects associated with regulatory process and authority are discussed.

## 5.2 Field of production and discovery of knowledge in accounting

The theoretical framework discussed in Chapter 3 refers to Bernstein's (1990, 2000) pedagogic device that creates, as he argued, an 'arena of struggle' (Bernstein, 1990, p. 206) of practices and contexts that shape pedagogic discourse. His pedagogic device comprises three fields of practice, namely a field of production, a field of reproduction and a field of recontextualisation (Maton, 2014). The three fields are hierarchically related. The reproduction of knowledge depends upon the recontextualisation of knowledge, which in turn depends upon its production. Chapter 3 presents several descriptions of the types of knowledge and expertise, however, not much guidance is provided in the frameworks for what represents 'new' knowledge.

For Bernstein, the production of new knowledge takes place mainly in institutions of higher education and private research organisations (Bernstein, 2000). Bernstein's field of production of new knowledge has clear linkages with Boyer's (1990) scholarship of discovery, which refers to original research that identifies new or revised theoretical principles and models. These include insights about how empirical phenomena operate and original creations in literature, performance or production in the arts, architecture, design, video and broadcast media (Hyman, Gurgevich, Alter, Ayers, Cash, Fahline, Gold, Herrmann, Jurs, Roth, Swisher, Whittington & Wright, 2001). Boyer (1990) argues that all academics must establish their credentials as researchers, as "every scholar must demonstrate the capacity to do original research, study a serious intellectual problem, and present to colleagues the results" (1990, p. 27). According to Austin and McDaniels (2006), original research demonstrates qualities such as enthusiasm for the subject matter, creativity, critical thought, perseverance and attention to detail. Linking the production of knowledge with economic principles, Singh (2002) refers to an increased process of creation, production and distribution of goods and services within the global knowledge economy, integrated via electronic interconnectivity on a global basis.

Knowledge production is socially constructed and plays an important role in the distribution of power and reward in the accounting academy. The sites of production of scientific knowledge in accounting have been deliberated in many studies. These include issues relating to the narrow membership of editorial boards of journals and institutional barriers to participation in the production process (Williams & Rogers, 1995). Concerns are raised about the academy's lack of influencing the accounting establishment and accounting policy makers (Reiter & Williams, 2002), the impact of perceived 'elite' journals on accounting academe research (Locke & Lowe, 2008) and the influence of the professional accounting bodies (Duff et al., 2020) on the focus of accounting programmes.

Globally, knowledge expansion has been mainly driven by the growth in financial markets, increased use of technology and complex products and transitions (Guthrie & Parker, 2014, 2016), resulting an exponential growth in the volume and complexity of new accounting knowledge (Bui & Porter, 2010; Hopwood, 2007). There has been a noticeable increase over the last two decades in the number of accounting and auditing standards and guidelines, frameworks, legislation and regulations. Participation in and contribution to this expansion is mainly positioned within institutions and corporate businesses appointing expert task teams to investigate, analyse, research and develop meaningful solutions. According to Verhoef and Samkin (2017), knowledge in accounting is created by academic research, stating that the rules and techniques produced by the standard setting process is just that: rules and techniques, and not knowledge.

The description of knowledge (see Chapter 3) identifies two concepts that Bernstein developed to distinguish between different types of disciplinary knowledge, namely singulars and regions. Singulars are subject fields characterised by strong boundary maintenance and therefore strong

classification. Regions, on the other hand, are sources of current and future professional knowledge (Young & Muller, 2014). Professional knowledge in accounting is, in Bernstein's terms, regional. It comprises a combination of different disciplines such as Financial Accounting, Management Accounting, Financial Management, Strategy, Auditing and Taxation. Each discipline has its own form and location of the production of knowledge. Considering the extent of the professional accountancy region, comprising various disciplines and the field of practice, it is simply impossible to describe the production of knowledge in this vast field. For this reason, this study uses the BCC case study to analyse, identify and describe the production of knowledge in accounting. The analysis of the BCC case study (see Chapter 4) identifies three sites of new knowledge in accounting: academic research, the standard setters and the profession.

### **5.3 Standard setters as a site to 'produce' knowledge in accounting**

Accounting standards are documents that describe the rules and principles set for the accounting for specific transactions and events. Different accounting standards provide guidance on different aspects of the financial performance and/or position of the business. Setting accounting standards is an act of regulation and their application involves value judgements about the objectives and other high-level principles of Financial Accounting (Fülbier, Hitz & Sellhorn, 2009). These mandatory reporting standards, setting out the recognition, measurement and reporting practices of accounting transactions and events, have an influence on decisions relating to production and utilisation of resources and wealth creation (Fülbier et al. 2009).

Various sets of accounting standards address the specific reporting needs of different jurisdictions. The IASB is an independent standard-setting body responsible for the formation and implementation of the set of international accounting standards (IFRS®). The International Financial Reporting Standards Foundation<sup>4</sup>, through the IASB, oversees the development and promotion of IFRS. However, as explained in the next section, the USA has its own standard setter and regulator, known as the Financial Accounting Standards Board. Other sets of accounting standards include the International Public Sector Accounting Standards that apply to public sector entities, and the International Financial Reporting Standards for Small and Medium-sized entities (IFRS for SMEs®) that are applied by smaller, privately owned entities. The establishment of these standard setters, the processes followed to set accounting standards and the responses to their legitimacy are discussed below.

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<sup>4</sup> eIFRS®, IAS®, IASB®, IFRIC®, IFRS®, IFRS for SMEs®, IFRS Foundation®, International Accounting Standards®, International Financial Reporting Standards®, NIIF® and SIC® are registered trademarks of the IFRS Foundation, further details of which are available from the IFRS Foundation on request. © IFRS Foundation 2017.

### 5.3.1 *The establishment of standard setters*

As mentioned above, the IASB is governed by the IFRS Foundation, which is a not-for-profit, public interest organisation established to develop accounting standards (IASB, 2020). Its work is supported by several international organisations, including the G20, the Financial Stability Board and the World Bank. The process of developing and producing standards requires the IASB to work with the respective standard setters in all its member countries. The IASB comprises a group of experts with practical experience in setting accounting standards. IFRS is widely adopted and legally enforced in several countries (Carmona & Trombetta, 2008). As at the end of April 2020, more than 140 jurisdictions had committed to the adoption of IFRS (IASB, 2020), in that corporates listed on public stock exchanges in those jurisdictions are legally required to publish financial statements in accordance with IFRS. In the South African reporting context, compliance with the IFRS is a Companies Act (2008) requirement for the preparation and presentation of a company's financial information in the financial statements.

Street (2006) describes the evolution of the international accounting standard setting process, including modifications to the liaison structure and the IASB's partnership with its G4 national standard setting partners. The IASB, based in London, began operations in 2001 when it took over from the International Accounting Standards Committee (IASC). The G4 included several national accounting standard-setting bodies: Australian Accounting Standards Board (AASB), Canadian Accounting Standards Board (AcSB), UK Accounting Standards Board (ASB), and US Financial Accounting Standards Board (FASB). Other participants included representatives of the Australian Accounting Research Foundation (AARF) and the NZ Financial Reporting Standards Board (FRSB) (Street, 2006). However, the term 'international' is misleading as the world's largest economy, the USA, has not played a significant role in developing these standards. The USA standards are developed by the FASB, the country's own standard setter.

In a personal reflection on the IASB's journey from its inception in 2001 until 2011, Warren McGregor (an IASB Board member for 10 years) describes some of the critical events that took place and the impact of some of the events on the people directly involved.

*“The International Accounting Standard Board's first 10 years were, in many ways, tumultuous. Established initially as a type of accounting ‘think tank’ with a mandate to develop high-quality accounting standards that could be adopted on a voluntary basis by countries around the world, it soon gained an international constituency that thrust it into the hurly burly of international accounting standard setting. Before it knew it, the Board was faced with not only resolving challenging technical issues but also dealing with the politics and other pressures that accompany attempts to change accounting practices in highly controversial areas” (McGregor, 2012, p. 225).*

In conclusion, the two global accounting setting bodies, the IASB and FASB, represent the 'official' sites for the setting of accounting standards, including the rules, principles and guidance for financial accounting and reporting. Even though they differ in their conceptual approach in accounting, their starting point is a similar Conceptual Framework (IASB, 2010), and they seem to follow similar procedures and processes when setting standards. In light of the broader global adoption of IFRS, the focus of the remainder of this section is the IASB's standard-setting processes.

### *5.3.2 Procedures and processes of setting standards (the methodology followed)*

Standard setters base standard-setting decisions on their conceptual frameworks (Barth, 2007). The rules, principles and practices contained in these accounting standards govern the way transactions are recorded, presented and disclosed in an entity's financial statements.

The IASB claims to follow a transparent and participatory consultation process, referred to as 'due process', which involves interested individuals and organisations from around the world (IASB, 2013). This regulatory process entails public board meetings, agenda papers that inform the board's deliberations, discussion and decision summaries that are made available after meetings, and comment letters received on the consultation documents. The regulatory process comprises six stages, with the trustees of the IFRS Foundation ensuring compliance at various points throughout, including the setting of the agenda, planning the project, developing and publishing the discussion paper, developing and publishing the exposure draft, and developing and publishing the standard, after the standard is issued.

Items for the IASB agenda are selected based on information provided, existing guidance available, the possibility of increasing convergence and resource constraints (IASB, 2013). After the planning process, a discussion paper is published, which includes an overview of the issue, possible approaches to addressing the issue, preliminary views and an invitation to the public to comment. The discussion paper is followed by the publication of an exposure draft used for consulting the public. Unlike a discussion paper, an exposure draft sets out a specific proposal in the form of a proposed IFRS (or amendment to an IFRS). The development of an exposure draft begins with considering issues based on its research and recommendations, reviewing comments received on any discussion paper and suggestions made by the IFRS Advisory Council, working groups and accounting standard-setters, and arising from public education sessions. Comments are invited on exposure drafts and after the comment period ends, the comment letters and results of other consultations and revisions are considered. In some cases, a second exposure draft is issued for comment. As it moves towards completing a new IFRS or major amendment to an IFRS, a project summary and feedback statement are prepared as feedback to those who submitted comments on the exposure draft identifying the most significant matters raised in the comment process and explaining how the IASB responded to those matters (IASB, 2013).

Even though the 'due process' followed by the IASB differs from the 'traditional' research methodology, there are similarities. For example, when the IASB considers an agenda item, consideration is given to work and comments from other standard-setters and interested parties. This objective is similar to that of a researcher who identifies new issues and concerns in the field. Publishing the discussion paper compares to the drafting of a research proposal and receiving feedback, and the publication of the exposure draft represents the draft research manuscript that is subject to expert reviews, feedback and comments. The publication of the final version of an accounting standard is similar to the publication of a research paper, where such a paper is open for analysis and critique by experts in the field.

The IASB also conducts a Post-Implementation Review (PIR), generally a few years after an IFRS has become effective. The PIR starts with an initial assessment of the general adoption of the standard in practice and whether new issues have emerged since the IFRS was issued (IASB, 2013). The IASB's research programme is described as "the analysis of possible financial reporting problems by collecting evidence on the nature and extent of the perceived shortcoming and assessing potential ways to improve financial reporting or to remedy a deficiency" (IASPlus, 2020, p. 1). It considers the broader financial reporting issues, such as how financial reporting is evolving, and encourages international debate on financial reporting matters.

An IFRS consists of practices, rules and principles governing the recognition, measurement and reporting of an entity's financial transactions and events. It is necessary to understand how transactions are measured and reported to fully understand the meaning of the information reported in financial statements. As described above, an IFRS is 'formulated' by representatives of the various interest groups (for example, accountants, academics, businesspeople, regulators and representatives of various industries) and it is documented in a set of published standards that is collectively referred to as 'IFRS'. An accounting standard generally includes:

- an explanation of the basic accounting principle
- guidance on how that principle should be applied
- an explanation of why that principle is the appropriate method to use ('bases for conclusion')
- instructions about what information must be included in the financial statements, in other words, the disclosure requirements
- worked examples of the application of the principles.

The next section discusses participation in the IASB's regulatory process and the critique regarding accounting standards' legitimacy and authority.

### *5.3.3 Responses to the legitimacy of and participation in standard-setting process*

Several studies have considered the legitimacy, participation and relevance of the work of standard setters such as the IASB. Considering the mechanisms by which standard-setting bodies can defend their legitimacy claims, Richardson and Eberlein (2011) evaluated the IASB's regulatory process against the cultural benchmarks established by domestic standard setters in the US and UK and against a normative model of procedural legitimacy. Their study revealed specific innovations that capture some of the complexity of transnational standard-setting, arguing that the "IASB strives to legitimate its self-mandated character by credible self-commitment" (p. 239) implying that relying on IASB documentation as a source may lead to bias, including, for example, the adoption of "supermajority voting requirements to reduce the perception of narrow interests affecting standards" (p. 239). They argue that the steps the IASB has taken, in the absence of judicial review procedures, by embedding due process in its constitution, by adopting strong 'comply or explain' procedures and by instituting a regular constitutional review process of its entire governance structure establish its credible commitment to the regulatory process.

Chua and Taylor (2008) question the inexorable rise of the IASB as a global accounting standard setter, arguing that a review of extant evidence of IFRS suggests that substantive empirical support is not as strong as some may assume. Indicating a focus on financial benefits, they argue that "the rationales offered publicly supporting the rise of IFRS are economic ones" (p. 463). In addition to the political and other pressures (see comment by McGregor, 2012, above), Walker (2010) cautions that the adoption of a single set of global accounting standards has the risk of severely restricting the development of different economic forms as it privileges "one particular way of doing business over alternative forms that currently exist or, more importantly, may exist in the future" (p. 137). Further critical views against the perceived monopoly of IFRS include the notion that it prevents the tailoring of financial reporting to local variations and thereby eliminates the opportunity to compare alternative practices (Sunder, 2011). Isidro and Raonic (2012) found that the global adoption of a single set of accounting standards in isolation is not likely to lead to more comparable and transparent financial statements unless there is change in institutional conditions and firm-specific reporting incentives.

Participation in international accounting standard-setting processes and the presence of biases or unequal access were considered by Jorissen, Lybaert, Orens and Van der Tas (2012, 2013). Their studies observed an increase in participation over time but identified aspects such as national and geographical representation, differences in the institutional regimes of countries and familiarity with the English language, as factors that affect participation and thereby the legitimacy of the international accounting standard-setting process. In a UK study that surveyed the perceptions of investment management firms, Georgiou (2010) found that these firms' participation is not as low as is often inferred from the public record of comment letters, as firms participate through representative organisations such as the Investment Management Association. However, their respondents

consider the accounting profession and the European and USA accounting standard-setters to be the dominant interest groups in the IASB standard-setting process.

Recognising strong support for one set of global accounting standards, Adhikari, Betancourt and Alshameri (2014) acknowledge that comments received by the IASB differ with respect to respondent type, firm characteristics and industry affiliation. In an analysis of IASB comment letters written by academics, Larson and Herz (2011) noticed a low response rate (generating about 2.6% of the responses) enhanced by the performance system in academe. Their study suggests that, given the IASB's profile and structural changes in academic organisations that may acknowledge academic comment letter submissions, academic engagement with the IASB may increase in the future. Fülbier et al. (2009) identified the need for relevant academic research, including possible ways in which interested researchers can contribute into the IASB's standard-setting process.

In conclusion, the IASB follows a regulatory process when developing accounting standards that has similarities to the traditional academic review process discussed in the next section. The IASB has identified several questions for future research and invited accounting academics to get involved in research on several of the global financial reporting topics and issues (Barth, 2007).

#### **5.4 Research as a site of production of knowledge in accounting**

Accounting research, carried out both by academics and by practicing accountants, examines how accounting is used by individuals, organisations, society and government, and considers the consequences these practices have on their perceptions and decision-making. Accounting research encompasses a broad range of topics including research in financial accounting, management accounting, auditing, finance and capital markets, accountability and social responsibility and taxation, to name a few.

Academic accounting research addresses a broad range of topical areas within accounting, often using financial information, experiments, computer simulations, interviews, surveys, historical records and case studies and evidence to support an argument. Academic accounting research requires the use of a wide variety of methodologies and theories by applying scientific methods and using evidence from a wide variety of sources, supported by a systematic model of data collection and analysis that enables documentation of results, thereby giving credibility to the research. The epistemology of the accounting discipline calls for knowledge that is multi- and inter-disciplinary, and, according to Barnett's university in the age of super-complexity (Barnett, 2000), includes knowledge that is worked out in real time combined with critical thinking and inter-disciplinary collaboration.

Academic research contributes to accounting practice and accounting education. Its contribution includes the assessment of current accounting practices to address changing business, economic and societal needs, the extent to which existing practices are 'fit for purpose' and the development of new practices (Unerman & O'Dwyer, 2010). Issues addressed include stakeholders'

understanding and use of information that accountants provide, the impact of changing accounting standards and the future direction of the profession (Gordon & Porter, 2009). Good academic research also informs the teaching curricula in universities, while accounting education research has value for the education of accountants, including teaching, learning and assessment (Sangster, Fogarty, Stoner & Marriott, 2015).

There is broad consensus that academic research has something to offer standard setters, but the relevance of academic accounting research and the role of researchers in standard-setting remains contentious (Fülbier et al. 2009). Hartmann (2017) identified an increase in quality and output of empirical accounting research over the last decades. However, given the quantity of theories and concepts that accounting scholars import from other disciplines (for example, Economics, Finance and Psychology), he questions the value and contribution of accounting research to the broader field of research of other disciplines. He identifies a boundary between academic accounting research and its value for accounting practitioners, stating that practitioners have “very little understanding of the current academic accounting research, nor do they seem to care about it” (p. 7).

Academic research papers published in accredited and ranked journals and that are subject to a rigorous double-blind peer review process are viewed as original research (Verhoef & Samkin, 2017). Bailey, Hermanson and Louwers (2008) describe the peer review process in accounting journals to be fair and unbiased, and to improve the quality of research. De Villiers and Dumay (2013) provide insights and guidelines for the construction and quality of an article after analysing articles published in three high-ranking interdisciplinary accounting journals. These discussions support the notion that academic research is subject to a controlled, double-blind review process by experts. Using journal ranking lists, Guthrie, Parker and Dumay (2015) describe accounting publication outputs and the emphasis on increasing the number and quality of publications. Similar to the IASB’s regulatory process (described earlier), authors of papers under review are required to respond to reviewers’ comments, make corrections, and re-submit for approval, prior to publication of the study.

The division between research and practice has a long tradition and has been described as a ‘crisis’ (Reiter & Williams, 2002). The gap between accounting research and accounting practice has been the focus of several studies, with successive authors arguing that research and practice have become separate and disconnected (Parker, Guthrie, & Linacre, 2011; Tucker & Lowe, 2014). Guthrie and Parker (2016) are concerned about accounting scholars’ slowness in responding to and addressing the emerging issues in accounting. Parker et al. (2011) identify a lack of sufficiently innovative accounting research, citing an increased detachment from practice and society.

Accounting research is also carried out by practising accountants and accounting organisations such as standard-setting bodies. For example, the IASB may initiate research projects for certain issues, the results of which may inform its decisions about adding issues to its agenda (IASB, 2013). Professional accounting firms, and more so the larger international firms, regularly produce research

material and reports that carry the brand name of the firm. These are important sites where accounting practices emerge, become standardised and regulated, and where accounting principles and standards are translated into practice (Cooper & Robson, 2006). In contrast with the institutions, which are usually non-profit organisations, the professional accounting firms are motivated by profit and capital accumulation. Their position in the field of accounting and auditing provides undue benefits and this focus on profitability and personal benefits as opposed to being concerned with the 'public interest' has drawn criticism (MacIntosh & Shearer, 2000). Practising accountants produce research that focuses on solving immediate problems for a single client or for small groups of clients (Gordon & Porter, 2009), while larger accounting firms publish broader research<sup>5</sup> and insights on industries and trends. Research published by practising accountants relate to issues such as the presentation of unusual transactions in the financial statements and the impact of new tax laws on clients, thereby contributing to the implementation of new accounting or auditing standards (Gordon & Porter, 2009).

Research, reports, and insights published by practising accountants that are not published in accredited and ranked journals are usually not subject to a double-blind peer review process. These practising accountants, especially the larger firms, may have their own internal control and review processes that they follow prior to the publication of such reports. These reports and periodicals provide insights<sup>6</sup> for businesses, the public sector, non-government and non-profit organisations, drawing upon research and experience from the professional services in the firm, and may include co-authors in academia and business. These reports aim to be influential and to advance a conversation on a broad spectrum of topics of interest to executives and government leaders. Even though such reports are published under the brand banner of the professional accounting firm, such reports are usually published with a disclaimer, stating that it contains general information only and that the firm does not take responsibility for its contents and statements. This is contrary to academic research published in journals where the reputation of the authors is at stake.

The issue of the impact of research and publications in accounting has received considerable focus recently, with several commentators indicating that accounting research has become insufficiently innovative and increasingly detached from practice and society (e.g., Hopwood, 2007; Baldvinsdottir, Mitchell & Nørreklit, (2010). The organisational structure of the university actively promotes, supports and rewards research activities and the production of new knowledge (Lubbe, 2014). For a university (and Departments of Accounting) to be research-led implies that its primary purpose is the production of research, viewed as "what is to be known, what is yet to be found" (Boyer, 1990). Guthrie, Burritt and Evans (2011) describe a divide or gap between the academic and professional communities in

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<sup>5</sup> See, for example, the PWC research and insight reports available at <https://www.pwc.com/gx/en/research-insights.html>.

<sup>6</sup> See, for example, the Deloitte Insights report, available at [https://www2.deloitte.com/content/dam/insights/us/articles/5065\\_Global-resources-study/DI\\_Global-resources-study.pdf](https://www2.deloitte.com/content/dam/insights/us/articles/5065_Global-resources-study/DI_Global-resources-study.pdf).

accounting, criticising academics for “speaking with their own jargon and aiming to publish research rather than improve practice” (p. 14), while practising accountants are criticised for being reluctant to disclose data and resistant to changing the status quo.

Reflecting on the Australian accounting research context, Carlin (2011) argues that much of the potential for valuable knowledge production within the accounting academy goes untapped. He identifies contributing factors such as a lack of funding, the nature of modern scholarship and research in accounting, the groups who undertake and publish that work and the parties who consume it. Ronen (2012) describes the objective of accounting research as information aimed at managers, traders, and investors “to set accounting policy that maximizes social welfare by improving resource allocation” (p. 3), calling for accounting research that contributes to aspects associated with sustainability issues (King, 2016). Looking further at the divide between accounting theory and accounting practice, Hartmann (2017) is concerned with how the “levels of analysis in contemporary accounting research help our beautiful discipline to further advance” (p. 9) stating the importance of accounting as a practical discipline and that “true accounting knowledge is potentially infinite” (p. 10).

In conclusion, among the vast amount of accounting publications, reports, insights and guidelines produced and readily available, most of these are useful for the interpretation and application of accounting knowledge. Accounting research refers to research produced by accounting scholars, described as academic research, as well as research conducted by practising accountants. The next section examines the sites that contribute to the production of new knowledge in BCC.

## **5.5 Findings of the BCC case study**

Against these broad descriptions of the sites of production of knowledge in accounting, this section examines these sites to identify the production of BCC knowledge. The BCC case study was outlined in Chapter 4. This section describes the findings of the analysis of the two sites: (1) how the standard-setters produce BCC accounting standards; and (2) how BCC knowledge is produced and constructed in accounting research, both by accounting academics as well as by accounting practitioners.

### *5.5.1 Standard setters' production of BCC accounting standards*

As mentioned in the discussion of the BCC case study (see Chapter 4), the accounting treatment of BCC transactions and events is set out in accounting standards, more specifically IFRS 3 and IFRS 10. These IFRSs, issued by the IASB, articulate the procedures, rules and principles for the recognition, measurement and presentation of information in an entity's financial statements. These IFRSs include no explanations relating to why an entity may enter a business combination transaction (IFRS 3), for example, the strategic, risk and other insights necessary prior to approval

of a business combination. Instead, the objective of these standards is to give guidance on the recording and reporting of such transactions after the business combination decision has been made. This implies that the content in the IFRS cannot be relied upon to inform management decisions on whether to enter into a business combination transaction, as it sets out the rules relating to the recognition and measurement of a business combination after the transaction happened.

The development and regulatory process of drafting and authorising accounting standards are described with reference to official sources published by the IASB. The IASB's business combinations project has two phases. The earlier version, IAS 22 *Business Combinations*, was reviewed as part of the international convergence project, leading to the issuing of exposure draft, ED 2 *Business Combinations Proposed Amendments to IAS 36 and IAS 38*. IFRS 3 *Business Combinations* was issued on 31 March 2004, applying to business combinations for which the agreement date was on or after 31 March 2004. In line with its regulatory process, the IASB issued three exposure drafts, held roundtable discussions, and made revisions prior to issuing the revised IFRS 3 on 10 January 2008, with an effective date for the first annual reporting period beginning on or after 1 July 2009 (IASPlus, 2020; ICAEW, 2020).

The post-implementation review process of IFRS 3 was completed in 2015, as is evidenced by the IASB's *Report and Feedback Statement Post-implementation Review of IFRS 3 Business Combinations*. The report showed general support for the accounting requirements in IFRS 3 and identified some areas where further research should be undertaken, including accounting for goodwill. The IASB added the components of this project to its research agenda resulting in a discussion paper that was published on 19 March 2020 with the comment period extended until 31 December 2020.

These descriptions illustrate the regulatory process followed for the development and approval of IFRS 3. A similar regulatory process is followed for the other IFRSs, including for IFRS 10, which was identified as an agenda point in April 2002 and eventually issued<sup>7</sup> as IFRS 10 *Consolidated Financial Statements* on 12 May 2011, together with the amended IAS 27 and IAS 28. As discussed in the next section, the calls for comments and responses, as well as the publication of these standards, have been noticed and well responded to by the larger professional accounting firms.

### 5.5.2 Accounting research, other publications and reports

Following from the description of the development and approval of IFRSs relating to the accounting treatment of BCC transactions and events, this section considers the relevant accounting research and other publications by academic scholars and accountants. The data relating to research

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<sup>7</sup> The due process timeline of IFRS 10 can be viewed at: <https://www.icaew.com/technical/financial-reporting/ifrs/ifrs-standards/ifrs-10-consolidated-financial-statements/summary-and-timeline>.

publications and reports is obtained in accordance with the methodologies described in Chapter 4. This includes investigating the comment letters received by the IASB, guidelines and reports published by the larger professional accounting and auditing firms, and research papers published in leading accounting journals.

The participation of several of the larger professional accounting and auditing firms in the standard-setting process is evident in their comment letters to the IASB on the exposure drafts and their subsequent published reports that provide more information and guidance on IFRS 3 and IFRS 10. The IASB received 47 comment letters (see **Appendix D**)<sup>8</sup> in response to the ED that preceded IFRS 3, comprising 34 from professional institutions, councils and regulators, five from professional accounting and auditing firms, six from corporations and one each from an university group and an independent individual. These responses are evidence of the involvement in and reaction by the professional institutions, accounting firms and larger corporates in the IASB regulatory process. The IASB received 81 comment letters in response to the ED that preceded IFRS 10 (see **Appendix E**)<sup>9</sup>, of which 46 were from the professional institutions, 10 were from accounting and auditing firms, 21 were from corporates, with the balance from individuals. The analysis of the content of these comment letters is not the focus of this study, although such an analysis may be an interesting topic for future research.

There are numerous calls for accounting academics to be more involved with standard-setting as comment letter writers, and academics have the potential to have a strong positive influence in shaping accounting standards (Larson & Herz, 2011). The low response by accounting academics (one university group, *Comite Tecnico IFRS Universidad de Chile*, commented on IFRS 3) in this study is noticeable. This finding is similar to an examination of comment letter submissions to the then IASC from 1997 to 2000, finding that academics wrote less than one letter per IASC issue (Larson, 2002). Academic papers that focus on IFRS 3 and/or IFRS 10 identify their contribution to the field of practice (discussed later in this section). However, this points to a missing link between the standard-setting process and academic research, and it appears that this situation has not changed, pointing to an issue that warrants further research.

The issuing of IFRS 3 was followed by several reports issued by the professional accounting and auditing firms, for example Deloitte's global office published *Business Combinations and Changes in Ownership Interests: A Guide to the Revised IFRS 3 and IAS 27* in July 2008, comprising 16 chapters plus appendices. It contains worked examples and illustrations from published financial reports of major listed companies from around the world. BDO (2018) published its *IFRS Intelligence:*

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<sup>8</sup> The IFRS 3 list of comment letters received by the IASB is available at: <https://www.ifrs.org/projects/work-plan/updating-a-reference-to-the-conceptual-framework-ifrs-3/comment-letters-projects/ed-reference-to-the-conceptual-framework/#comment-letters>.

<sup>9</sup> The IFRS 10 list of comment letters received by the IASB is available at: <https://www.ifrs.org/projects/2014/ifrs-10-investment-entity-consolidation/comment-letters-projects/ed-and-comment-letters/#comment-letters>.

*Business Combinations*, a publication that “brings together and summarises key guidance that you need to know for the practical application of International Financial Reporting Standards (IFRS) as they apply to business combinations” (p. 3). EY explained the amendments to the definition of a business in IFRS 3 as part of its IFRS Developments (Issue 137, October 2018) update, and published an eBook, *Business Combinations*, as a comprehensive guide that offers a global perspective and explanations of complex technical accounting issues to help practitioners interpret and implement IFRS (EY, 2019).

The issue of IFRS 10 (and the amended IAS 27 and IAS 28) by the IASB was followed by similar reports and publications by the larger accounting and auditing firms. For example, PWC (2011) issued its guide, *Practical guide to IFRS Consolidated financial statements: redefining control* and Grant Thornton (2017) published *Under control? A practical guide to applying IFRS 10 Consolidated Financial Statements* containing several practical applications and examples of the identification of control and the consolidation process. The content of these reports and guidelines provides evidence that the professional accounting and auditing firms are producing comprehensive literature that recontextualises the concepts and principles of the IFRSs, including providing practical applications and examples.

Accounting scholars actively participate in the notion of critical analyses, application of the accounting principles and decision-usefulness of disclosures relating to IFRS 3 and IFRS 10. A comprehensive search of papers published by accounting scholars in internationally recognised peer-reviewed accounting journals identified 40 papers that deal with IFRS 3 and/or IFRS 10 issues (see **Appendix A** for the list of papers). These include topics associated with the recognition and measurement of business combination transactions, including the initial recognition and subsequent impairment of goodwill. The papers identified for this analysis have been published since March 2004, the effective date of IFRS 3. The methodology followed to identify these papers is described in Chapter 4. In short, to be relevant, these papers have been identified in accordance with their key words, dates and sources of publication, purpose and focus on IFRS 3, IFRS 10, business combinations, consolidations and goodwill.

This analysis is not to provide a complete list of all papers that claim to focus on the accounting for BCC, but rather to describe the purpose and focus of those papers identified with the aim of describing the relevant contribution of accounting scholars to the production of knowledge. In their analysis of the relevance of academic scholarship and researchers' roles in the IASB's Financial Reporting standard setting, Fülbier et al. (2009) identified that for research output produced primarily for other researchers to be considered by standard setters, it may need to be 'repackaged'. The purpose and focus of each paper were determined to identify their contribution to knowledge in accounting. The analysis found that eight papers performed a critical comparison, while twelve papers focused on the application of and compliance with the principles and disclosures set out in

the standards. Most of the papers (16) performed some form of practical evaluation or comparison of the standards, while two papers used case studies. A further two papers performed a literature review of other studies that evaluated the association between the goodwill impairment and investors' expectations about the entity's future cash flows. The respective focus areas, purpose and findings of these papers are described in **Appendix F** and summarised in Table 5.2.

**Table 5.2: Classification summary of papers identified for the research**

Classification	Frequency
Critical comparison studies	8
Examination and evaluation studies	16
Application and compliance	12
Literature reviews	2
Case studies	2
<b>TOTAL</b>	<b>40</b>

From these analyses, it is evident that the majority of academic research in BCC has, as its main focus and purpose, the evaluation of the practical impact and effect of IFRS 3 and/or IFRS 10, including the recognition of goodwill impairment. The findings further highlight the relevance that accounting research offers to the standard setters and to the field of practice regarding the application and compliance of these standards. The BCC academic research draws attention to an engagement with practice, a critical review of applications and concerns about the effect of accounting standards on economic decisions. These findings point to innovative studies that are, contrary to Guthrie and Parker's (2016) observations, all but detached from practice and society.

## 5.6 Conclusion

The discussions in this chapter illuminate the sites of production of knowledge in accounting. The standard setter participates in the 'official site' by providing rules, standards and guidance on the classification, recognition, measurement, presentation and reporting of financial transactions and events. The standard setter follows a regulatory process that includes receiving comments, critique and feedback prior to the issue of a new accounting standard. Accountants and auditors engage with the standard setter as part of its regulatory process and produce several reports, guidelines and insights of practical applications and illustrations.

Knowledge in accounting is mainly produced in accounting research, including the examination, interrogation and evaluation of the relevance of accounting standards in decision-making, and their application and compliance when preparing and presenting financial statements. The findings posit that the standard setters control the development of accounting standards while the accountants contribute through commentaries, guidelines and insights. Academic research is consequential in

that it contributes to the interpretation and consideration of the application and compliance in the field. However, few academic researchers provide commentary and insight on the standard-setting process, while the regulatory process of the standard setters does not refer to academic researchers' findings. The standard setters' regulatory process is informed by feedback in comment letters and a broad consultation process (IASB, 2016). This points to a missing link in the process of knowledge production in accounting.

The descriptions of the papers in this chapter provide evidence that academic research has something to offer standard setters, albeit a normative judgement. Thus, not only has academic participation in the regulatory process of standard setting been scarce, but the regulatory process followed by the standard setters seems to ignore the value-proposition of academic research. Further, concerns raised in academic research associated with a single, global set of accounting standards and its impact on representative accounting are informative for teachers and students in understanding the field of production of accounting knowledge. An accounting curriculum that only focuses on the IFRS rules and their application in BCC transactions and events provides a restricted view. For a curriculum to be comprehensive and relevant, the selection of knowledge in the field of production must include accounting research that critically reviews the accounting standard-setting process and investigates the evaluation, application and compliance of accounting standards in the field. These findings relating to RQ1 inform RQ3, which is examined in Chapters 7 and 8.

## Chapter 6 Knowledge structures of accounting

### 6.1 Introduction

The focal point of this chapter is the analysis of the knowledge-knower structures in accounting, with specific reference to the business combinations and consolidations ('BCC') case study (described in Chapter 4). As the second of four chapters describing the data and findings, this chapter is concerned with the second research question.

#### **RQ2: What are the knowledge and knower structures and specialization codes of BCC?**

The aim of analysing the knowledge-knower structures in accounting and describing the specialization codes of BCC knowledge is to provide insight into the interconnectivity of factors such as: who the students should become (who is an accountant?); how should students be encouraged to act (how should an accountant act?); and what students should know (i.e., what are the knowledge requirements of an accountant today and in the future?).

The field of production of knowledge (described in Chapter 5) is relevant to recognise that accounting knowledge is strongly classified in accounting frameworks and standards. BCC knowledge includes concepts and principles, an in-depth understanding of the accounting processes of transactions and events, and demonstrating the application of critical thinking and professional judgements. The recognition and measurement of the net assets acquired in a business combination transaction requires knowledge of accounting principles ('knowing that'), while the process of consolidation requires an understanding of the recording of transactions in the separate records of each entity, and the consolidation of these records to report the group as a single economic entity ('knowing how').

This chapter investigates the responses of purposively selected participants when asked to identify the importance of skills, techniques and specialist knowledge, natural-born talent, judgements, decision-making and developing a 'feel' for it, for being good at BCC. These responses, which inform the identification of the 'specialization codes' of BCC knowledge and the qualitative responses to two open-ended questions as motivation for what participants considered important for 'being good' and 'achieving' in BCC knowledge, are analysed.

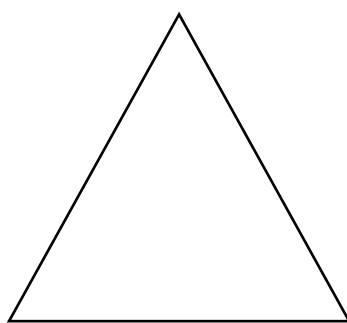
The next section provides a summary of the Legitimation Code Theory (LCT), followed by an analysis of the data and description of the structures of knowledge in accounting, placed within the BCC case study. Section 6.5 sets out the analysis and interpretations of the findings in answering RQ2, by identifying the knowledge structures and knower structures of BCC knowledge. Participants' conceptualisations of the importance of BCC principles and meanings, the consolidation process

and the preparation and presentation of group financial statements that relate to the identification and descriptions of the design of a curriculum framework are set out in Chapters 7 and 8.

## 6.2 Knowledge structures and specialization

As set out in Chapter 3, Bernstein's 'code theory' highlights the role that the structure of knowledge plays in shaping both the explanatory power and positions in the field. When taken together, they indicate that both epistemic and social forms of power are important to achievement, status and identity (Maton, 2014). Bernstein describes two typical ways in which the internal relations of knowledge, namely that of the body of theory or groups of concepts and methods derived from them, hang together.

Hierarchical knowledge structure points to the coherent, explicit and systematically principled structure of knowledge that integrates knowledge at lower levels in an expanding range through an 'integrated code' (Bernstein, 1999, 2000). This integration refers to the process whereby new knowledge is amalgamated with prior knowledge learned. Accounting is identified as having a hierarchical knowledge structure with a high degree of verticality (Mkhize, 2015; Myers, 2016) that integrates existing and new knowledge. A hierarchical knowledge structure is illustrated in the form of a triangle (see Figure 6.1), where the more abstract, overarching concepts governing a discipline are found, while the base of the triangle widens with the increasing knowledge that is incorporated into the discipline. In a hierarchical knowledge structure, knowledge in the field is what is important. The hierarchical knowledge structure of accounting is particularly relevant to this study as it supports the notion that time is required for students to acquire accounting knowledge and that such knowledge builds on previously learned knowledge.



**Figure 6.1: A hierarchical knowledge structure. Source: Bernstein (1999, p. 162)**

Hierarchical knowledge structures with 'strong grammars' and 'verticality' are underpinned by 'knowledge codes', while 'knower codes' tend to underpin horizontal knowledge structures with 'weak grammars' (Lockett, 2009, 2012). Knowledge structures with 'strong grammars' have an explicit conceptual composition that allows relatively precise empirical descriptions and generate practical relations with relatively strongly classified concepts and procedures. A *horizontal knowledge*

*structure* with ‘weak grammars’ lacks the power of rigorous restrictions on the events it addresses because it has weaker powers of definition and empirical description. Differences around the identification of referents for its theoretical concepts lead to vague procedures for knowledge construction that may remain tacit and largely dependent on the judgement or intuition of the knower (Lockett, 2012). Maton (2014) portrays a *horizontal knower structure* as a “series of strongly bounded knowers, each with specialised modes of being, thinking, feeling and acting” (p. 71), each strongly bounded from another. This implies that knowledge claims tend to be legitimated by the authority of specialised knowers who have specialised voices, attributes and personal insights and that disputes are settled through argument, persuasion or power, or they remain unsettled, leading to incommensurability and new sets of knowers (Maton & Muller 2007).

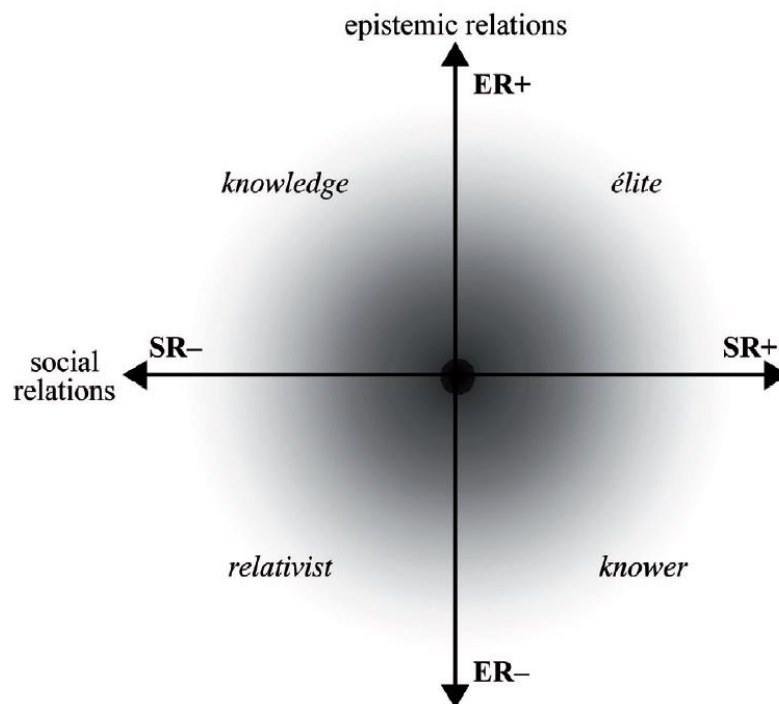
Bernstein (1977) outlined two ‘educational knowledge codes’ which he referred to as a ‘collection code’ (of stronger classification and framing) and an ‘integrated code’ (with weaker classification and framing). The strength of classification (+/-C) refers to the relative strength of boundaries between contexts and categories while the strength of framing (+/-F) refers to the locus of control within contexts or categories. *Classification* describes the relay of power relationships in society by established boundaries between categories in terms of how strongly insulated they are from each other (Bernstein, 2000). For example, the focus in accounting knowledge on standards and regulations (see Chapter 5) points to a stronger classification (+C) on the rules set out in the standards, allowing for the development of ‘specialised’ identities. *Framing* is evident within classified categories and relays principles of control, for example weaker framing entails a ceding of control to students. Accounting knowledge is generally strongly framed within an accredited, structured curriculum that controls the selection of content and evaluative criteria. Based on these descriptions and as illuminated in this chapter (see section 6.3 below), knowledge in accounting is generally coded as strongly classified and strongly framed (i.e., +C, +F).

Maton (2014) builds on this coding system by conceptualising the role of ‘Specialization’ that refers to the practices and beliefs that involve relations, which he refers to as epistemic relations (ER) between knowledge and its proclaimed objects of study, and social relations (SR) between knowledge and its authors or subjects (p. 29). Then, where a specific study exhibits relative weaker classification and framing of epistemic relations, it is coded as ER (-C, -F), or where it exhibits stronger classification and framing in its social relations, it is coded as SR (+C, +F). Maton’s (2014) ‘*Specialization codes of legitimation*’ are conceptualised as the relative strengths of classification and framing for ER and SR that vary independently from stronger (+) to weaker (-) to generate a range of specialisation codes, namely ER+/-, SR+/- (see Chapter 3). The following descriptions are provided for each of these codes (p. 92):

**Table 6.1: Descriptions of codes (Maton, 2014, p. 92)**

ER+, SR-	<b>Knowledge codes</b>	Emphasis on the possession of specialised knowledge of specific objects of study as the basis of achievement; attributes of actors are downplayed.
ER-, SR+	<b>Knower codes</b>	Attributes of actors are emphasised, while specialised knowledge and objects are less significant.
ER+, SR+	<b>Elite codes</b>	Legitimacy is based on both possessing specialist knowledge and being the right kind of knower by possessing legitimate natures.
ER-, SR-	<b>Relativist codes</b>	Legitimacy is determined by neither specialist knowledge nor knower attributes.

These codes are visualised in Figure 6.2 below, as “the axes of a Cartesian plane to create a topological space with both infinite capacity for gradation and four principal modalities” (Maton, 2014, p. 30).



**Figure 6.2: Knowledge-knower structures and specialization codes (Maton, 2014, p. 30)**

Specialization is concerned with the basis of practice of knowledge claims. Specialised knowledge is a basis of stronger ER, while the experiences and attributes of the person is the basis of stronger SR. This chapter considers the knowledge claims in accounting, with the focus on BCC knowledge, to analyse the basis of practices. The BCC case study is revisited and extended in section 6.3 below to provide context for the concepts of classification and framing of accounting knowledge. The data sources, as described in Chapter 3, are then analysed and interpreted in section 6.4, giving ‘voice’ to the knower (accountant) when describing what it takes to be good in BCC and what they perceive

as achievement. The languages of legitimation are used to analyse the data in section 6.5 below to describe the knowledge and knower structures of specialised accounting knowledge.

### **6.3 The BCC case study – classification and framing**

Business combination decisions are informed by various reasons associated with strategy, risk, cash flows, structure and synergies, to name a few. Once an investor has confirmed a business combination transaction, the accounting treatment of such a transaction or event is strongly classified within accounting principles. The business combination transaction is identified in accordance with IFRS 3, which includes the recognition and measurement of the fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Where the acquirer has acquired some but not all of the shares of an entity, the level of control over the acquiree is established with reference to the “rights that give it the ability to direct the relevant activities that significantly affect the investee’s return” (IFRS 10: para 10, p. A531). The conditions and information establish the existence of a business combination transaction and whether the controlling entity is required to recognise and measure a non-controlling interest. Any excess between the purchase price and the fair value of the net identifiable assets and the non-controlling interest is recognised as goodwill. These descriptions of the BCC accounting principles point towards the stronger classification (+C) of knowledge regulated in these standards. The establishment of these principles refers to ‘knowing that’ a business combination transaction has occurred.

Once the accountant has determined that a business combination transaction exists, in addition to the recording of the transaction in the records of the acquirer, the accountant prepares consolidated financial statements for the group at each subsequent reporting date. The process of consolidation requires that the accountant applies relevant ‘accounting principles’, including the adding together, on a line-by-line basis, of the individual assets and liabilities, income and expenses of each entity in the group, and eliminating the effect of any inter-group transactions and events. The process of consolidation refers to ‘knowing how’ and is strongly classified (+C) within the accounting principles of recording and reporting financial information for the group as a single economic entity.

These descriptions of specialised BCC terminology illustrate the stronger grammars that are explicit in the conceptual composition of the complexity of the transaction and its reporting implications. This is evident in the strongly classified concepts associated with BCC knowledge, for example, control, non-controlling interest, wholly owned and partly owned subsidiaries and so forth, and the complexity of consolidation procedures that require the elimination of inter-group transactions using consolidation journal entries. The verticality of BCC knowledge is evident in the integration of prior knowledge; for example, the recognition of assets and liabilities acquired in a business combination transaction requires the prior knowledge of the definition and recognition criteria of assets and liabilities, while the process of consolidation requires the prior knowledge of how to prepare a trial balance, record journal entries and validate closing balances.

These descriptions of 'knowing that' a business combination has occurred, and 'knowing how' to prepare and present consolidated financial statements support the specialization of professional knowledge and judgements. Framing is evident within these classified categories and relays principles of control. The curriculum of professional accounting programmes is strongly framed (+F) within an accredited, structured curriculum that explicitly includes BCC knowledge as a content requirement. Knowledge of IFRS is specified in IES 2 (see Chapter 3) as a technical competency in a professional accountancy education programme. IFRS knowledge is recontextualised in the Financial Accounting curriculum that has, as one of its focus areas, BCC knowledge. The learning outcomes include that accountants can apply, evaluate, prepare and interpret consolidated financial statements and reports in accordance with IFRS. The recontextualisation of BCC knowledge and controls associated with the selection, sequencing, pacing, and evaluative criteria point to the strong framing of BCC knowledge within the curriculum that is discussed in more detail in Chapter 7.

#### **6.4 Data collection and analysis**

The data sources and collection for RQ2 are set out in Chapter 4. The data source comprises 24 purposively selected accountants, selected in accordance with their field of experience and expertise, and their years of experience. Of the initial 24 participants, one did not sign and return the consent form, while another completed the consent form but not the questionnaire. These participants have been excluded from the final list, resulting in the analysis of the data obtained from 22 participants (see Chapter 4).

Accounting experts have been purposively identified and selected based on their various positions and locations, representing auditors, group accountants, accounting consultants and advisory services, directors, small e-accounting business owners and employees of regulatory oversight institutions (see **Appendix B**). Their experience and expertise point to whether a participant currently is or was in the recent past engaged in the BCC field. The years of experience or age is considered relevant as the focus of this study is on the current knowledge and content in the curriculum acquired during the education period, as opposed to the experience acquired in the field of practice.

The data and perceptions of participants were obtained during focus group discussions, individual face-to-face and virtual discussions. During the lockdown, participants indicated that they preferred to provide their responses to the questions in writing via email. As explained in Chapter 4, the focus group session and face-to-face interview sessions were recorded and transcribed, while 16 participants responded by providing comments via emails. The questions posed to the accounting experts are set out in **Appendix C**. The responses were analysed using the NVivo 12 coding to interpret the semi-structured responses of participants (Bazeley & Jackson, 2013; Saldaña, 2015). The analysis of the qualitative participants' comments was performed using NVivo coding for frequency of terms associated with the specialization codes.

The data collected refers to the BCC case study and comprised two parts:

- Identifying the specialization codes of BCC knowledge.
- Qualitative responses to open-ended questions.

The questions relating to the specialization codes are similar to Maton's (2014) instrument that considers three 'important things' for being good at the subject: (1) skills; (2) talent; (3) taste. The open-ended questions aim to obtain feedback about participants' perceptions relating to what it takes to be 'good' in BCC and the meaning of 'achievement' in BCC.

The next section describes the findings associated with the ratings participants gave relating to Maton's (2014) specialization codes of BCC knowledge, followed by a detailed analysis of their qualitative responses.

#### 6.4.1 Identifying the 'specialization codes' of BCC knowledge

Respondents were asked to rate the significance of *epistemic relations* (ER) and of *social relations* (SR) of BCC knowledge. The first question was structured in line with Maton's (2014, p. 80) study of university students (see Chapter 4) and asked participants to respond to this statement:

*In your opinion, how important are these things for being good at Business combinations & consolidations (BCC):*

- *Skills, techniques and specialist knowledge*
- *Natural-born talent*
- *Judgements, decision-making, developing a 'feel' for it?*

Maton's has demonstrated the use of this survey tool in different disciplines (see Maton & Howard, 2016). In the study referenced, 'taste' was not relevant, resulting in the third question reading "getting experience or a 'feel' for English" (p.63). A similar interpretation is made here, asking participants whether 'developing a feel for it' is considered important. The design of these questions asked participants to rate the significance of 'skills' to the knowledge code (ER) and of 'talent' and 'feel' to the knower code (SR) for BCC, by providing answers labelled as: *Not at all; Not very; Quite; Very*.

The responses to these questions allow the identification of each participant's perception of the specialization codes of BCC knowledge. The participants' responses were translated, where a higher 'skills' scale points to ER+, and a combined higher 'talent' and 'feel for it' scale points to SR+. Given that the specialization codes are presented as the axes of a Cartesian plane, the responses were translated using a numerical system. Values have been attributed to the respective answers in line with the earlier descriptions of the four modalities, such that the identification of skills, techniques and specialist knowledge as being *very* important for being good at BCC points to ER++, and are therefore translated to ER+2; while being *quite* important points to ER+, translated to ER+1.

Similarly, where having natural-born talent and using judgements, decision-making and developing a 'feel' for it is considered *very* important for being good at BCC points to SR++, translated to SR+2, and where it was considered *quite* important at SR+, it was translated to SR+1. In summary, the ER/SR scales were translated using a numerical system, as follows:

Translation of ER: Skills, techniques and specialist knowledge, scores:

- *Very* important → ER++ → ER+2
- *Quite* important → ER+ → ER+1
- *Not very* important → ER- → ER-1
- *Not at all* important → ER-- → ER-2

Translation of SR: Natural born talent, judgements, decisions and getting a 'feel for it', scored as:

- *Very* important → SR++ → SR+2
- *Quite* important → SR+ → SR+1
- *Not very* important → SR- → SR-1
- *Not at all* important → SR-- → SR-2

Attributing numerical values to these scales does not represent any scientific or statistical interpretation of these results, it merely enables the 'plotting' the results of these scales. As mentioned earlier, SR coding comprise of two questions, namely the importance of natural born talent, and the importance of judgements, decisions and getting a 'feel for it'. The mean scores of responses to these questions were determined. These scores are further evaluated below.

In total, 22 respondents participated in this study, of which three did not provide specific, direct answers for these specialization questions, resulting in the plotting of the scores of **19** responses to identify the spread and frequency of these answers. Their individual scores for both ER and SR are plotted using a scatter analysis (see Figure 6.3 below) and a spider analysis (see Figure 6.4 below).

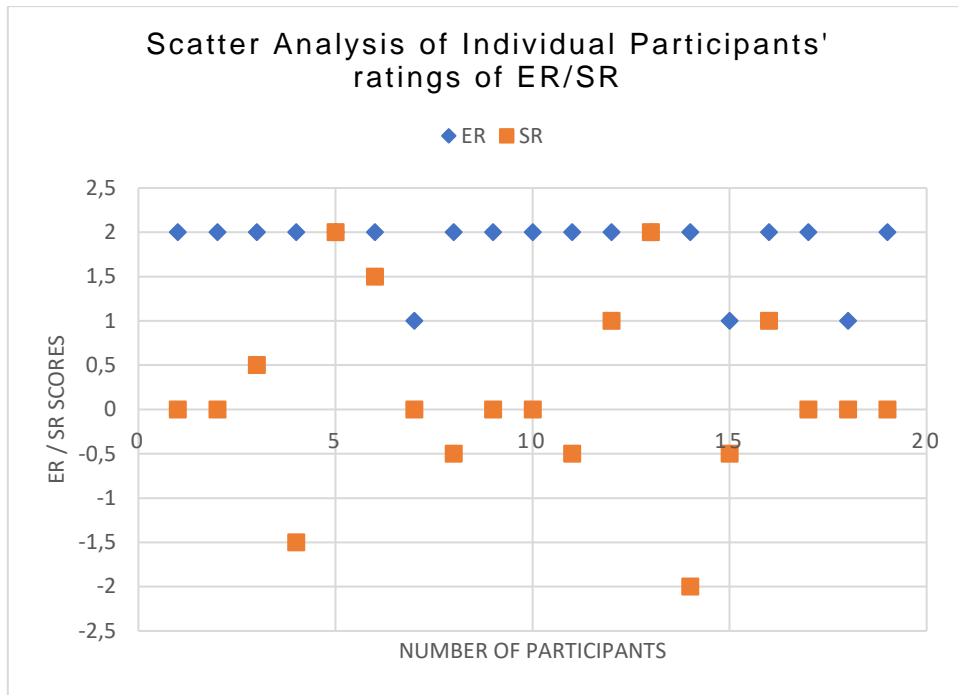


Figure 6.3: Scatter analysis of individual participants' ratings of ER/SR

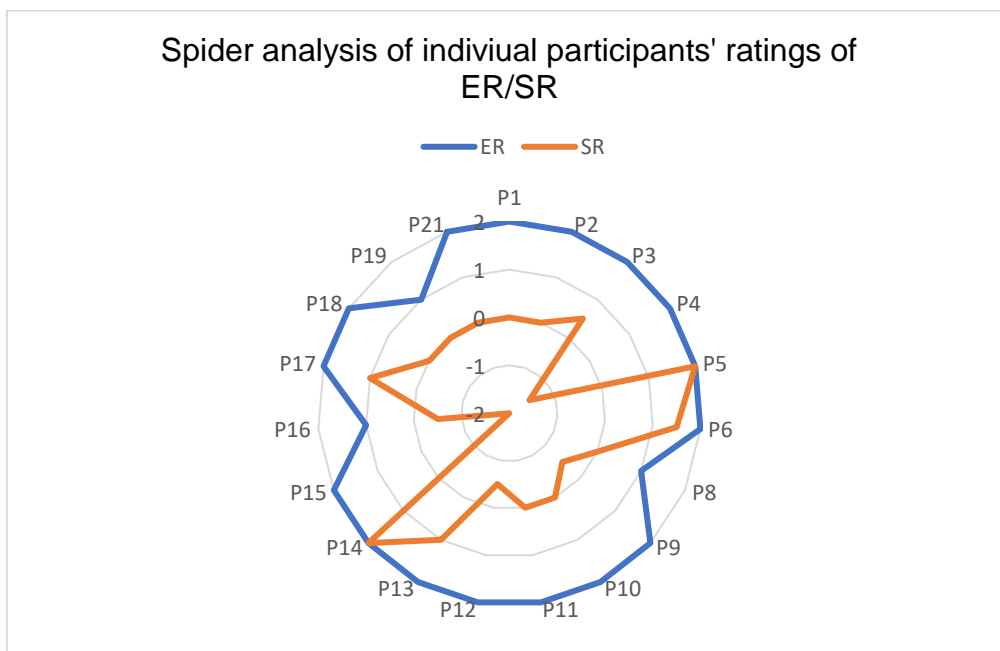


Figure 6.4: Spider analysis of individual participants' ratings of ER/SR

The analysis of the ER scores (◆in blue colour) indicates an overall agreement that ‘skills, techniques and specialised knowledge’ are very important for being good at BCC (mean score of 1,842). This suggests that BCC has a knowledge code, emphasising the stronger classification and epistemic relations (ER+), and the specialised forms of BCC knowledge.

Some participants considered it necessary to add comments on the ratings. Referring to whether skills, techniques and specialist knowledge are important for being good at BCC, this comment was made:

*“The basic principles of consolidations and business combinations remain the same, however complexities are introduced by the different group structures we see in real life. A lot of companies are multi geographical, with different tax legislations applicable to transactions. Taking this into account, along with factoring in deferred tax and considerations to be made on transactions to eliminate on consolidation- only skill, a high level of technical experience and specialist knowledge can contribute to effectively and efficiently navigating around transactions of this nature. At a basic level, however, the argument would be different”.*  
*[Participant 4, Auditor]*

Even though the ER scores (◆ in blue) support stronger epistemic relations, the SR scores (■ in orange) are less conclusive, where some participants considered it very important to have ‘natural-born talent’ and ‘a feel for it’ to be good at BCC, while others considered these unimportant. The mean score of 0,158 indicates a lower SR+ score, pointing to a knower code to be good in BCC. When analysing the individual scores, three participants indicated that being good at BCC knowledge requires an accountant to be equally skilled and talented (scores of ER++, SR++). On the other hand, one participant considered it *very* important to be skilled, but *not at all* important to be talented (score of ER++, SR--). The extent of these differences in the SR indicators requires a deeper interrogation of the knower scales.

Maton’s (2014) instrument was developed to include the notion of ‘natural talent’ as a separate option to ‘developing a feel for it’, as these are often opposed in debates related to ‘nature versus nurture’ (p. 80)<sup>10</sup>. In his initial analysis of the ratings, the scores for ‘talent’ and ‘a feel for it’ were combined, hence the combined results of these two scores above. Given the less conclusive SR scores in this study, it is appropriate to investigate and analyse the responses of the participants of these two options separately, as demonstrated in the scatter analysis (Figure 6.5) and spider analysis (Figure 6.6) below.

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<sup>10</sup> In later LCT studies this question was split into two, namely (1) getting a ‘feel’ for the subject; and (2) having natural born talent (see Maton, Hood & Shay,2016)

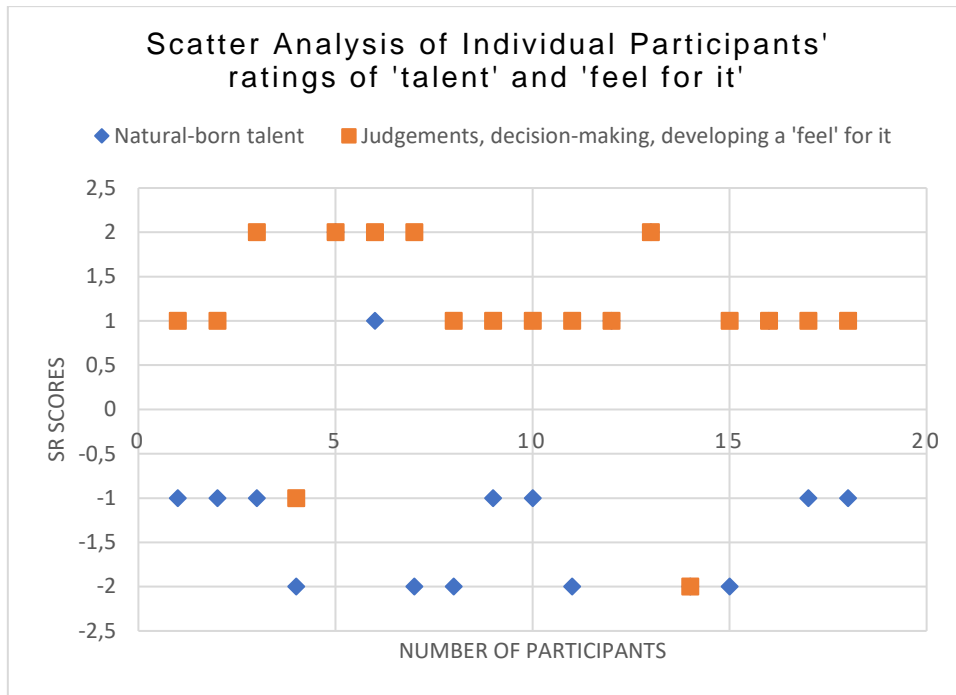


Figure 6.5: Scatter analysis of individual participants' ratings of 'talent' versus 'feel for it'

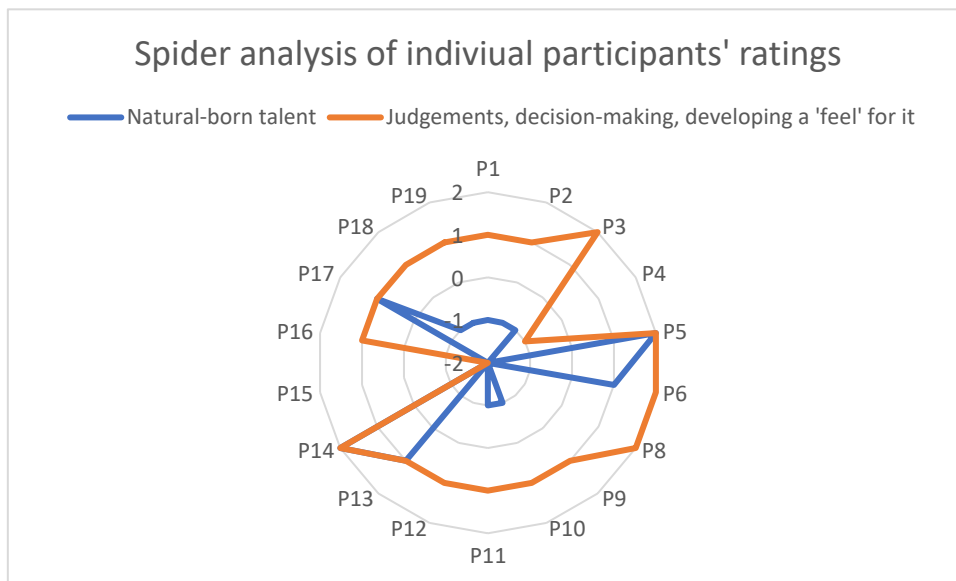


Figure 6.6: Spider analysis of individual participants' ratings of 'talent' versus 'feel for it'

Differentiating between the two questions of having 'natural-born talent' as opposed to judgements, decision-making and developing a 'feel for it' illuminates the perceived importance of these two social relations for being good at BCC. Twelve participants considered the notion of judgements, decision-making and developing a feel for it as *quite* important, while five participants considered this to be *very* important. Considered separately, this nurturing factor has a mean score of 1 (pointing to a SR+ code). In contrast, the natural factor of talent is considered much less relevant to be good at BCC, with a mean score of -0,685, purporting a SR- code. Thus, contrary to the disciplines that require

natural-born talent, for example, music, knowledge in accounting is less related to the talent of the knower and more associated with the knower's ability to make judgements and decisions, and having a 'feel for it'.

This comment from a research participant supports the emphasis on judgement and decision-making as opposed to developing a feel for it:

*"It may be more a case of judgement and decision-making vs developing a feel for it, as every business combination transaction can be very unique, especially the complex ones. This is where skill comes to play. Skill develops the experience that enhances technique and what we then come to term as specialist knowledge due to an extensive amount of exposure to these transactions across industries, geographical locations and encompassing different tax laws for example."* [Participant 4, Auditor]

While these two comments support the stronger epistemic and social relations:

*"Based on my experience of accountants involved in business combinations, there is a mix of skills, talent, expert understanding and judgements".* [Participant 6, Group accountant in corporate]

*"I think skills, techniques and knowledge are very important, you have to have the technical background and understand the theory behind it. And natural born talent, in accounting, I would say, it is more about hard working and being a genius in doing accounting and that is what the second APC is trying to achieve. Yeh, definitely say someone willing to work hard is a better talent than naturally born talent. Then you have to be able to make, in practise, judgements and decision-making, that is very important. That is something that you don't learn at university"* [Participant 1, Group accountant].

A stronger knower code refers to the unique insight of being the right kind of knower that serves as the basis for professional identity within the field. This is not so much a 'social knower code' (see Maton, 2014, p. 32) that is based on class, gender and ethnicity, it refers more to the interests and experiences of the knower. Natural born talent points to a weaker social relation (SR-) indicating that to be 'good' in accounting does not require talent to be associated with the dispositions of knowers. The acquisition and accumulation of specialised knowledge in accounting (as is illustrated in the BCC case study) points to the development of attributes associated with professionalism (such as decision-making and judgement), allowing for a slight *code drift* to a stronger social relation (SR+).

In summary, BCC knowledge is specialised, exhibiting stronger classification and stronger framing of epistemic relations (ER+) and social relations (SR+). The combined ER+, SR+ visualises knowledge in BCC as moving towards an *elite code*, where legitimacy is based on both possessing specialist knowledge and being the right kind of knower. The next section builds on this

'specialization code' analysis by considering the knowledge and knower structures in accounting, and more specifically BCC knowledge.

#### 6.4.2 Qualitative open-ended questions

Participants were asked to respond to five open-ended questions relating to BCC knowledge. Responses to the first two questions are discussed and analysed in this section, while the responses to the other questions are analysed as part of RQ3 in Chapter 7. The two open-ended questions refer to the structure of knowledge in accounting, focusing on BCC knowledge:

- What does it take to be 'good' in Business combinations and consolidations?
- How would you define 'achievement' in Business combinations and consolidations?

The purpose of these two open-ended questions is to extend on the identification of the specialization codes and to obtain information about participants' perceptions regarding what is important to be good at BCC. The most frequent words (as identified in the NVivo-12 word-frequency analysis) participants used in their responses to the first question of what it takes to be 'good' in BCC include words such as 'knowledge', 'experience', 'understand' and 'practice'.

Four participants specifically commented on the **technical knowledge and experience** required to be 'good' at BCC:

*"To be good you need the technical knowledge as a basis and then skills that only experience can bring." [Participant 13, Associate director, Professional practices]*

*"One should have a sound technical knowledge of BCC. After all the required number crunching is done and the product is considered final, one should have the ability to assess the BCC in order to determine whether it is accurate, i.e. does it tell you the correct "story" of what transpired and does it make sense. The latter part is where one should have the natural "feel" for a BCC." [Participant 5, Consultant]*

*"In depth knowledge of the relevant accounting framework standards and practical experience in business combinations and consolidations." [Participant 17, Professional practices]*

*"I think you need a thorough knowledge of IFRS 3, IAS 27 and IFRS 10 and a good understanding of the accounting applied in the underlying statutory entities." [Participant 9, Group finance].*

While this response refers not only to the technical knowledge of BCC, it also emphasises the **level of specialization**:

*“Business combinations and consolidation are very technical standards. They require in-depth knowledge and market research. A thorough training is required for someone to be good in these standards. Business combinations has become a consult standard, a lot of companies who are doing a business combination requires a 3rd party opinion on how to account for the standard. Mostly we have seen Big 4 firms helping most companies in this regard. A lot of investment in time and resource to learn the standards, and supplementary training.” [Participant 14, Technical accountant]*

Four participants mentioned that to be ‘good’ at BCC, it is important to have a good **understanding** of the accounting standards, the nature of the business and transactions:

*“Business Combinations and Consolidations can be very technical and therefore you need to fully understand the entire detail of the 2 standards and potential scenarios that could change potential outcomes.” [Participant 10, Audit]*

*“Knowledge of the accounting standards and tax implications, practical experience, legal knowledge to understand how the agreements should be implemented.” [Participant 12, Director]*

*“I believe an understanding of the concept firstly and secondly a solid knowledge of the requirements of the standards.” [Participant 16, Senior manager, professional practices]*

*“Understanding the underlying accounting transactions as well as having detailed knowledge regarding the technical requirements for calculation of goodwill and for consolidations to eliminate intercompany balances and transactions.” [Participant 19, Senior manager, Professional practices]*

A further three participants extended on the understanding of the standards and principles by explaining **how such an understanding is achieved**:

*“Understanding of relevant accounting standards and also doing a lot of practicing to develop better understanding and application of theory/standards.” [Participant 8, Public sector]*

*“You must understand the nature of the business and the flow of transactions. If the entity makes use of software to assist with the consolidation, the user must understand how the software works.” [Participant 15, Senior manager, Advisory]*

*“Doing a lot of practical examples to really understand the principles. Knowing the theory doesn't necessarily translate to "being good" in Business combinations and consolidations.” [Participant 21, Small business owner]*

Two participants' responses referred comprehensively to the need to **understand** the principles embedded in the accounting standards, combined with the **experience and skills** of integration and application in practice:

*"It takes an understanding of the underlying IFRS principles as a basis of outlining what treatment is required for certain transactions. Further to this is the experience that comes with practical business combination and consolidation transactions that are seen in reality as these present difference nuances and complexities that the principles of IFRS can be applied to, but that also require a significant amount of judgement and advice which comes from experience and having seen a number of these types of transactions across different industries." [Participant 4, Auditor]*

*"To be "good", that is sufficiently competent to carry out my role, I think it requires an understanding of the underlying transactions (what are the terms/ actions/ events that the accounting rules are applied to), a proficient understanding of the relevant accounting principles (which can be assisted by having the skill of knowing how to read and research the standards to find the applicable paragraphs of the standard and to interpret those), an understanding of the disclosure requirements (from various sources - eg IFRS 3, IFRS 12, IAS 1) and then finally the skill to bring these things together to carry out my review. That is, reading the disclosures in the annual report and ascertaining whether the information provided meets the disclosure requirements (i.e. have all pieces of information quantitative and qualitative been given), and/ or is there something that seems to be missing/ not make sense about the transaction that means I have to go back to the audit team/ client and ask for more information to assess the application of IFRS 3/10 etc." [Participant 7, Regulator]*

Then, combining the need for specialised knowledge with an orientation to detail (referred to as a natural-born talent), this participant confirmed that accountants require the critical elements of **judgement** and **decision-making** combined with technical knowledge.

*"I believe the specialist knowledge obtained by accountants during their training, should give them the skills and techniques to effectively use the IFRS texts to be 'good' at business combination and consolidation activities. To a certain degree, I believe the detail-orientation of those individuals (what I may link to natural-born talent) is a key driver in their ability to develop the aforementioned skills. But, I have also encountered accountants who proclaim to be technical specialists, who know IFRS inside out, but have struggled to apply it in the real world. It is one of my big gripes about audit firm opinions and I have found the business actually needs to lead the narrative and convince the auditors of the correct approach, rather than the auditors enforcing a technical opinion. As a result, I also firmly believe that judgements and decision-making form a critical element of applying the accounting*

*standards in a way that pays homage to the commercial spirit of the transactions, and ultimately does not negatively impact the fair presentation.” [Participant 6, Group accountant]*

In summary, these responses identify an understanding of the technical aspects of BCC knowledge (relating to an understanding of accounting principles embedded in the standards), experience of business transactions’ applications in practice and skills associated with judgements, decisions and attention to detail as contributing factors to being ‘good’ in BCC.

The second question posed to participants refers to how they reflected on ‘achievement’ in BCC, where achievement refers to being able to do something successfully, especially using their own effort and skill. One participant provided a summary of her understanding of the meaning of ‘achievement’ in the contexts of BCC:

*“If I am understanding the term ‘achievement’ right in the context of accounting education, I would define it as being able to articulate well, on a non-complex level, how to account for business combination and consolidation transactions; to be able to take a complex transaction and break it apart using the basic principles and finally to be able to advise on the correct treatment of a real-life practical business combination/ consolidation example.”*  
*[Participant 4, Auditor]*

This description of the meaning of achievement in BCC includes several ‘action words’ (identified in the NVivo-12 word-frequency analysis) to describe achievement, such as understand, determine, use and knowing what to expect. For example, four participants focused on **understanding** of the principles (‘knowing that’) and following the **processes** (‘knowing how’):

*“Achievement would be being able to understand any Contract and determining the specific accounting aspects that are required to determine how to account for these items in terms of IFRS 10 and IFRS 3.” [Participant 10, Auditor]*

*“Understanding Purchase Price allocation in IFRS 3 and Understanding of elimination journals for Consolidation. These concepts are what makes the technicalities in the standard.” [Participant 14, Manager, Technical accounting]*

*“I would say preparing for it and knowing what to expect. Plan for the information that you need for e.g. journals and support, adhering to timelines. Eliminating the typically expected problems during the process.” [Participant 16, Manager, Professional practices]*

*“Ultimately it would be about having a sufficient understanding of the principles and ability to use standards (research relevant paragraphs) to ensure best practice is achieved at all steps of the reporting timeline (from business reporting/ capturing to financial reporting/ disclosure).” [Participant 7, Regulator]*

Two participants identified the acquisition of BCC knowledge through **exposure** and **experience**:

*“You need to have a good background and understanding of how it works, but you learn more by gaining experience than what is in a textbook. More real-life examples, more complex transactions, understand not specifically step by step how it is done, but you must obtain a good understanding of how it works. You must be able to explain it to someone. You must be able to write it down, more than just calculations.” [Participant 2, Group accountant]*

*“The more you are exposed to business combinations and consolidations, the more you learn and the better you become in understanding and applying the principles.” [Participant 17, Senior manager, Professional practices]*

While two participants focused on the ability to **explain** decisions and **implementation**:

*“Being confident in the decisions you make and being able to successfully explain and persuade your peers that you[r] decisions are reasonable and thus correct based on the scenario.” [Participant 13, Associate director, Professional practices]*

*“Implementation of the agreement as it was intended by the parties who entered into the agreement. Making sure all transactions are taken into account and are accounted for in the correct way.” [Participant 12, Director]*

Some participants identified broader skills and competencies associated with BCC that seem to be aligned with their day-to-day engagements and time-management skills. Similar comments were received from three participants who are in professional practice and advisory, for example, skills associated with planning and performing the consolidation process:

*“I would say preparing for it and knowing what to expect. Plan for the information that you need for e.g. journals and support, adhering to timelines. Eliminating the typically expected problems during the process.” [Participant 16, Manager, Professional practices]*

*“If your intercompany transactions eliminate correctly and you managed to consolidate the entities correctly.” [Participant 15, Manager, Advisory services]*

*“Providing accurate, complete and transparent information to the users of the financial statements.” [Participant 19, Senior manager, Professional practices]*

While this participant considered achievement in producing quality information on time:

*“In my experience, there are three defining factors: cost, time and quality. Achieving maximum quality information in the shortest time and at the lowest cost is likely to be optimal.” [Participant 6, Group accountant]*

The ability to produce a successful output in the form of a set of consolidated financial statements was considered an important achievement in BCC:

*“Achievement is availability of all needed information to achieve business combination and consolidations such as fair value measurements (valuation expertise), clear accounting policies etc.” [Participant 8, Public sector]*

*“I think achievement is the ability to prepare a complete consolidated set of financial statements that fair presents the financial position and performance of a group of entities.” [Participant 9, Group finance]*

In summary, the participants identified knowledge and skills associated with understanding, implementation, using judgements and decision-making as important for being good at BCC, emphasising both specialised knowledge and being the right kind of knower. These descriptions and the ratings (discussed earlier) support the identification of BCC as moving towards an elite code with stronger epistemic relations (ER+) and stronger social relations (SR+). The next section further analyses and interprets the participants’ responses as these relate to the knowledge and knower structures of BCC knowledge in accounting.

## **6.5 Analysis and interpretation**

The theoretical descriptions set out in section 6.2 above highlight the role that the structure of knowledge plays in shaping both the explanatory power and positions in the field. This section interprets the qualitative descriptions of participants to analyse and investigate the knowledge and knower structures of accounting, as illuminated in specialised BCC knowledge.

### *6.5.1 Knowledge structures of accounting*

When Bernstein (2000) first introduced knowledge structures, he distinguished between ‘horizontal discourse’ (every-day or common-sense knowledge) and ‘vertical discourse’ (scholarly or professional knowledge), describing two distinctive ways in which the internal relations of knowledge, namely that of the body of theory or groups of concepts and methods derived from them, hang together. The internal relation of knowledge in accounting is hierarchical, as accounting principles for the preparation and presentation of financial information are conceptually developed. Accounting standards refer to a framework when describing the concepts and methods of recording and reporting financial transactions and events. As a basic example, the IASB Conceptual Framework (2010) describes the definition and recognition criteria of an asset as follows:

*“An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.” (IASB, 2010, p. A35)*

In a business combination transaction, the investor acquires the controlling interest in the shares (equity) of the investee, implying that the individual assets of the investee are not acquired, instead the investment is in the shares of the investee. Consolidation principles require the investor (parent entity) to prepare consolidated financial statements that recognise all the assets controlled by the group, including the assets of the investee (its subsidiary). The principle remains the same: as the subsidiary is controlled by the parent entity, the parent has control of the net assets of its subsidiary. Thus, knowledge of the underlying principles of accounting is required to apply specialised BCC knowledge, pointing to the degree of “verticality” of the discipline, demonstrated by the degree of “integratedness” or “subsumability” (Muller, 2006, p. 21) as indicated by these two comments:

*“In depth knowledge of the relevant accounting framework standards and practical experience in business combinations and consolidations.” [Participant 17, Professional practices]*

*“I believe an understanding of the concept firstly and secondly a solid knowledge of the requirements of the standards.” [Participant 16, Senior manager, Professional practices]*

Bernstein (2000) refers to disciplinary knowledge structures where a hierarchical knowledge structure “attempts to create very general propositions and theories, which integrate knowledge at lower levels” (Bernstein 2000, p. 161) characterised by ever-increasing abstraction (Wolff & Luckett, 2013). In a hierarchical knowledge structure that exhibits a high capacity for cumulative knowledge-building, a strong grammar exists. For example, in the BCC case study, the objective is to measure the *cost of the business combination to the acquirer*. The cost is measured by determining the fair values of the consideration given by the acquirer, where the consideration transferred is the fair value of the assets transferred, the liabilities incurred and the equity interest issued at acquisition (see IFRS 3, para 37). Terms such as ‘acquirer’, ‘cost’ and ‘fair value’ have an explicit conceptual context in accounting. This rather abstract and theoretical description integrates measurement principles associated with the transfer of assets and determining the fair value of those assets. It further requires investigation of assets that are not separately identified by the acquiree, for example, the value of its brand and customer base. Further, the consideration transferred may be in forms other than cash, for example, a deferred or share-based payment. The accounting recognition and measurement principles associated with different forms of payment are required as prior knowledge when determining the purchase consideration. This supports the notion that accounting has a hierarchical knowledge structure with a high degree of verticality, as the acquisition of new knowledge requires integration with knowledge at lower levels, which was identified by participants:

*“Understanding Purchase Price allocation in IFRS 3 and Understanding of elimination journals for Consolidation. These concepts are what makes the technicalities in the standard.” [Participant 14, Manager, Technical accounting]*

*“I think it requires an understanding of the underlying transactions (what are the terms/ actions/ events that the accounting rules are applied to), a proficient understanding of the relevant accounting principles (which can be assisted by having the skill of knowing how to read and research the standards to find the applicable paragraphs of the standard and to interpret those), an understanding of the disclosure requirements (from various sources – eg IFRS 3, IFRS 12, IAS 1) ...” [Participant 7, Regulator]*

The participants' responses indicated that BCC knowledge is specialised, emphasising the stronger classification and epistemic relations (ER+), confirming that accountants share a common understanding of the concepts, principles, approaches, assumptions and judgements embedded in accounting standards. The analysis of these findings points towards Financial Accounting as an applied discipline, positioned in the region of integrated professional accounting knowledge. Accounting is identified as having a hierarchical knowledge structure with an explicit, coherent and systematically organised structure that is developed through the integration of knowledge at lower levels expanded into more complex scenarios at higher levels.

#### *6.5.2 Knower structures of accounting*

As discussed in section 6.4.1 above, the participants identified stronger epistemic relations (ER+) with subordinate positive social relations (SR+) that moves towards an 'elite code' reading (ER+, SR+) for BCC knowledge. Within the hierarchical knowledge structure of accounting with a strong grammar, in this section attention is drawn to the formation and dispositions of knowers, thereby enabling us to consider the knower structures of accounting.

Fields with hierarchical knower structures develop through social relations, alternatively referred to as the integration of knowers or knower-building (Maton, 2014, p. 94). The degree to which new knowers are integrated or accumulated illustrates the sociality of knowers. One can argue that, in accounting, the knower structure develops through the sociality of experience and growth towards 'becoming' an accountant (expert). Initially, the 'natural talent' of being an accountant is weaker, however, as an accountant acquires specialised knowledge and 'moves' towards being a professional accountant, the sociality is stronger as it is embedded in experience as well as skills, judgements and decision-making. The growth towards becoming an accounting professional is explained by this participant:

*“If we consider the path of a technical accounting supervisor/advisory consultant – in most cases that I came across, this is usually a qualified accounting professional that has had at least 2-3 years' experience/exposure to accounting, auditing, tax, strategy/management accounting/finance, all of which in their small way can contribute to becoming even better at the understanding of business combinations and consolidations ... becoming good at*

*business combinations and consolidations will require an aptitude for intrigue and curiosity behind the treatment of practical, real life examples.” [Participant 4, Auditor]*

Giving attention to the knower allows us to overcome knowledge-blindness. Even though one can argue that knowers in accounting are strongly confined in who they are, each with specialised modes of being and acting, their backgrounds, talents, views and natures are less relevant for being ‘good’ at accounting. Identifying the social relation of BCC knowledge (SR+), the personal attributes associated with position, experience and judgement of the specialised BCC knower points towards a hierarchical knower structure of accountants. Participants’ responses illuminate the importance of judgements, decision-making and developing a ‘feel for it’ as important social relations for being good at BCC, for example:

*“Based on my experience of accountants involved in business combinations, there is a mix of skills, talent, expert understanding and judgements.” [Participant 6, Group accountant in corporate]*

*“It may be more a case of judgement and decision-making vs developing a feel for it, as every business combination transaction can be very unique, especially the complex ones. This is where skill comes to play. Skill develops the experience that enhances technique and what we then come to term as specialist knowledge due to an extensive amount of exposure to these transactions across industries, geographical locations and encompassing different tax laws for example.” [Participant 4, Auditor]*

*“One should have a sound technical knowledge of BCC. After all the required number crunching is done and the product is considered final, one should have the ability to assess the BCC in order to determine whether it is accurate, i.e. does it tell you the correct “story” of what transpired and does it make sense. The latter part is where one should have the natural “feel” for a BCC.” [Participant 5, Consultant]*

Maton (2014) points out that all fields include gazes, that “knowledge-code fields involve trained gazes” while “knower-code fields involve born, social or cultivated gazes” (p. 96). The social relations point towards ‘knower grammars’ where, for knowledge structures with weak grammars, ‘truth’ is a matter of acquired ‘gaze’. Legitimate knowers possess a privileged gaze, where ‘gaze’ refers to a particular insight of recognising and realising what counts as ‘authentic’ (Maton, 2014, p. 94). The ‘knower grammar’ in accounting suggests the development of a ‘cultivated knower’ that is linked to the gaze of particular social groups. Any knower can learn to see the social reality of a business combination (or merger), provided they adopt a certain normative position. The ‘novice’ knower needs to be initiated into the specialised principles of accounting, where the ‘trained’ knower understands the recording and reporting principles of the transaction or event. The accounting of a BCC transaction or event is complex because of the range of interconnectivity, constructing knowers

to 'a way of seeing' or 'gaze'. An 'expert' knower is cultivated in understanding the intricacies of the transaction or event, requiring particular ways of knowing as well as particular sensibilities and dispositions.

In terms of Maton's schema, BCC has a relatively inclusive knower structure that is conditional upon the ability to make decisions and judgements (SR+) relating to the underlying assumptions of the business combination transaction, and to apply the theoretical principles (ER+). The gaze (or 'feel') of a trained knower and his/her disposition is demonstrated in this comment:

*"After all the required number crunching is done and the product is considered final, one should have the ability to assess the BCC in order to determine whether it is accurate, i.e. does it tell you the correct "story" of what transpired and does it make sense. The latter part is where one should have the natural "feel" for a BCC." [Participant 5, Consultant]*

Hierarchical knower structures involve an emphasis on procedural rather than propositional knowledge (Muller, 2012) with knowers' gazes identified as born, social, cultivated and trained. As an accountant acquires a *cultivated gaze*, legitimacy arises from confident understanding, specialist knowledge and professional criticism. Even though Maton (2014) refers to the *trained gaze* as the 'weakest gaze', for accountants 'knowing how' skills are gained through training in specialised principles or procedures. The accountant is required to know 'how to' identify, recognise and measure a BCC transaction and event, and then 'how to' perform a consolidation in accordance with the underlying accounting principles. These comments by participants support the ability to explain decisions associated with the consolidation process:

*"Being confident in the decisions you make and being able to successfully explain and persuade your peers that you[r] decisions are reasonable and thus correct based on the scenario." [Participant 13, Associate director, Professional practices]*

*"I would say preparing for it and knowing what to expect. Plan for the information that you need for e.g. journals and support, adhering to timelines. Eliminating the typically expected problems during the process". [Participant 16, Manager, Professional practices]*

*"If your intercompany transactions eliminate correctly and you managed to consolidate the entities correctly." [Participant 15, Manager, Advisory services]*

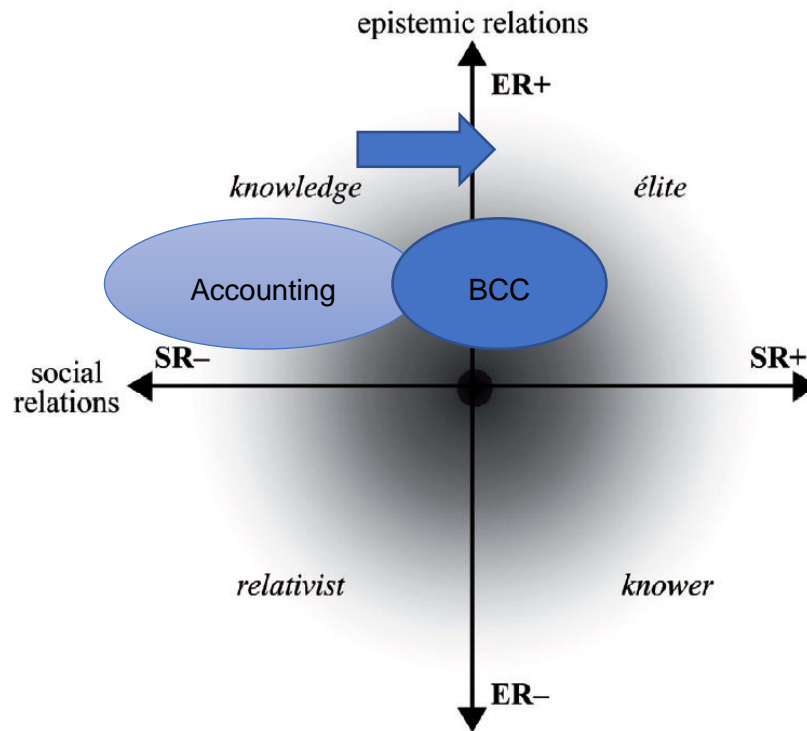
In conclusion, within the specialised BCC knowledge, the accountant follows consolidation procedures and develops a sense of whether the consolidated financial statements adequately reflect the financial performance and position of the group as a single economic entity. Thus, the stronger epistemic relations (ER+) and stronger social relations (SR-) reflects BCC knowledge as drifting towards an *elite code*.

### 6.5.3 Cumulative development towards an elite code

The findings point towards accounting having a hierarchical knowledge structure with a strong knowledge code. For students to be successful in accounting, they should be able to recognise and be competent at what is valued as 'knowledge' in the discipline (Myers, 2016), although at the start, students do not have this knowledge. When students initially embark on studying accounting, it is unlikely that they would possess the ability to make informed decisions and judgements relating to the recognition, measurement, recording and reporting of accounting transactions and events. Thus, the initial acquisition of knowledge in accounting points to stronger epistemic relations (ER+) with a weaker social relations (SR-), which indicates a knowledge code. The natural talent of the knower is less important (see point 6.4.1 above).

However, as the knower acquires an understanding of the accounting principles ('knowing that') and develops the ability ('knowing how') to make informed decisions and apply professional judgements, the accountant experiences a '*code drift*' towards becoming a specialised (professional) accountant. The knower develops a 'cultivated' and 'trained' gaze through specialization, thus moving towards a stronger knower code (SR+). The findings described above posit that specialised BCC knowledge suggests a hierarchical knower structure where being the right kind of knower is emphasised. The accounting principles associated with decision-making and judgements are embedded in the acquisition of BCC knowledge, with a stronger emphasis on being able to make 'judgements, decisions, and developing a feel for it'.

In conclusion, the stronger knowledge code supports that the principal basis for legitimacy is developing accounting knowledge and training specialised knowers. Legitimacy is based on accountants possessing both specialist knowledge and being the right kind of knower by possessing legitimate instincts. The accountant acquires skills and techniques while the legitimate natures of the knower are developed to include the ability to make informed decisions and judgements associated with BCC specialised knowledge (ER+, SR+). This '*code drift*' from a knowledge code to an elite code is visualised in Figure 6.7 below:



**Figure 6.7: Positioning accounting knowledge and BCC specialised knowledge on the specialization plane (Maton, 2014, p. 93)**

## 6.6 Conclusion

This chapter analysed and interpreted the responses of purposively selected participants with the aim of describing the knowledge and knower structures and specialization codes of BCC knowledge (RQ2) in accounting. As discussed earlier, the typological and topological accounts of knowledge-knower structures and specialization codes are visualised by Maton (2014) in the specialization plane (see Figure 6.7 above). Accounting exhibits a hierarchical knowledge structure with stronger epistemic relations (ER+), emphasising knowledge, skills and procedures. Accounting initially indicates a weaker knower code (SR-) pointing to a knowledge code (ER+, SR-) prior to the acquisition of specialised knowledge in accounting (or stated differently: prior to becoming a professional accountant). The acquisition of specialised knowledge (in this case, BCC knowledge) points towards a stronger social relation (SR+), allowing for a slight movement from a knowledge code to an elite code. The accountant possesses specialised knowledge as well as being the right kind of knower, thus exhibiting a hierarchical knower structure. In other words, accounting is identified as having a knowledge code, while the acquisition of specialised knowledge and development towards becoming a professional accountant enables a *code drift* towards an elite code where a series of strongly bounded knowers demonstrate specialised modes of being and acting. These findings inform the recontextualizing logics and design for a curriculum framework identified and described in Chapters 7 and 8.

## Chapter 7 Recontextualisation of BCC knowledge

### 7.1 Introduction

Curriculum is the planned sequence, ordering and pacing of knowledge that supports the educational process and enables students to acquire knowledge to become the knower. The production sites of accounting (RQ1) are identified and described in Chapter 5, with reference to the Business Combinations and Consolidations (BCC) case study. The knowledge and knower structures and specialization codes of accounting knowledge (RQ2) are explained in Chapter 6. The focus of this chapter is to ascertain, recognise and explain the recontextualisation tensions of accounting knowledge, with reference to BCC, as a basis to inform the deliberations in Chapter 8 where the principles for design of a curriculum framework in accounting are identified and portrayed.

The specialization codes that refer to the realisation of achievement in BCC knowledge are identified as elite, being about *what* and *how you know* (stronger epistemic relations) and *who you are* (stronger social relations). This chapter continues with the exploration of knowledge in accounting, focusing specifically on the recontextualisation of BCC knowledge in the curriculum. Within a plane of infinite analytical possibilities of sequencing, ordering and pacing of knowledge, the aim is to demonstrate (in Chapter 8) the selection, sequencing, ordering and evaluation of BCC knowledge, using the recontextualizing logics as a basis in response to this research question:

#### **RQ3: What are the principles for the design of a framework for the recontextualisation of BCC knowledge in the accounting curriculum?**

This analysis is informed by the accounting concepts and principles, literature studies and the perceptions of the purposively selected participants. The data references in this chapter were obtained from multiple sources, framed within the BCC case study, as set out in Chapter 4. The descriptions of the accounting principles, concepts, definitions and recognition criteria are informed by the respective accounting standards. This data source receives its legitimacy as forming part of the 'official knowledge' in financial accounting and reporting, as discussed in Chapter 5. More specifically the Conceptual Framework (IASB, 2010), IFRS 3 and IFRS 10 are referred to in these descriptions of the BCC case study. The literature studies identified in Chapter 5 support the knowledge claims described in this chapter. Responses received from the purposively selected participants provide further support of the legitimacy of the relevance of the knowledge areas, the challenges and the gaps identified.

The next section revisits the knowledge fields and Maton's (2014) extension of Bernstein's (1990) pedagogic device, namely the "epistemic-pedagogic device" (p. 50) where the field of recontextualisation is located. This is followed by a description of the recontextualisation of BCC knowledge that is identified and analysed with reference to the Financial Accounting discipline,

regional knowledge and the field of practice, differentiating among 'knowing that', 'knowing how' and 'knowing why'. These descriptions illuminate the hierarchical knowledge structure of accounting and that prior knowledge of accounting principles is required to conceptualise the more complex aspects associated with a BCC transaction. In addition to the requirement of prior knowledge within the discipline and field of practice, regional integration of accounting knowledge with other disciplines such as Business Management, Finance and Law, is demonstrated.

## **7.2 Knowledge fields and the pedagogic device**

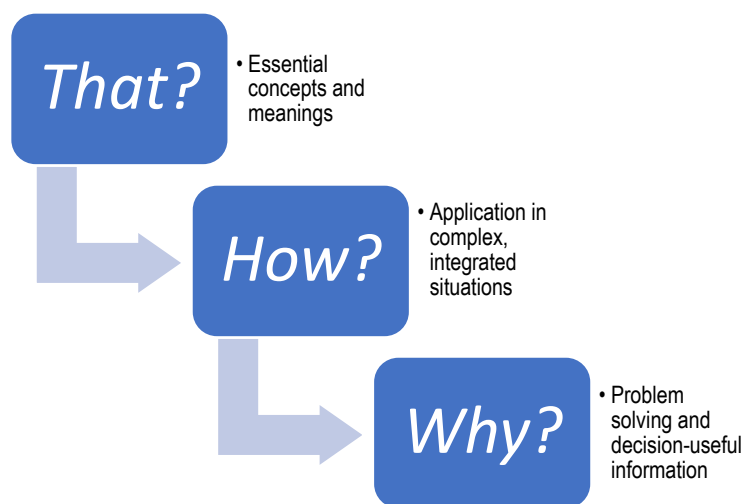
Professional knowledge is both theoretical and practical. As discussed in Chapter 3, professionals need both specialised knowledge and practical expertise (Young & Muller, 2014). The distinction between 'pure' versus 'applied' knowledge is concerned with the kind of knowledge that forms the substance of what gets taught in the professional curriculum and what informs professional decisions and judgements. The differentiation between theoretical and practical knowledge may be too limited when describing professional knowledge, as professional knowledge is sectoral in that it relates to specific occupational sectors requiring specialised disciplinary knowledge as well as knowledge in the field of practice. For professional education to have authority and legitimacy, the importance of an adequate, comprehensive grasp of the relevant field, making the connections between these propositions and an understanding of how subject knowledge is tested, validated and acquired, is emphasised (Winch, 2014).

Disciplines are organised around differentiated knowledge types which in turn have a direct bearing on the development of appropriate curricula (Bernstein 2000; Muller 2008; Young 2008). The knowledge and skills in a discipline form the basis of the curriculum, which teachers teach and students are supposed to learn. Bernstein (2000) introduced the pedagogic device and as described in Chapter 3, it creates an arena that is represented in a collection of rules or procedures through which knowledge is constructed, modified and positioned in curricula to become pedagogic discourse that is available to be taught and learned within the classroom. Maton (2014) extends on Bernstein's pedagogic device when identifying the arena of the 'epistemic-pedagogic device' (EPD). He describes that the recontextualisation between fields occurs in both directions, referred to as the 'transformation' of knowledge (Maton, 2014, p. 51).

When constituting the EPD, Maton (2014) identifies four logics to describe the basis of practice within each field. This chapter focuses on the field of recontextualisation, as this represents the field of relocation, delocation and refocusing of knowledge to become pedagogic discourse. The recontextualizing logics regulate what knowledge is included in the curriculum and how this knowledge is selected, ordered and paced within and across the curriculum.

BCC knowledge is specialised in that it is gained through education and experience. Its specialised nature is recognised in its hierarchical knowledge structure, pointing to the relevance of prior

knowledge and integration, for example, the conceptualisation of the purpose and structure of reporting entity-specific information in consolidated financial statements. Knowledge of BCC includes the attainment of terms, meanings and concepts ('knowing that'), conceptualising the process of combining businesses ('knowing how') and the reporting of decision-useful financial information ('knowing why'), as illustrated in Figure 7.1 below. The significant terms, meanings, concepts, processes and procedures associated with BCC transactions are identified within the Financial Accounting discipline and in other disciplines such as Business Studies, Law, and Finance.



**Figure 7.1: Conceptualisation of BCC knowledge principles**

The objective in this chapter is not to describe the full extent and complexity of BCC transactions, but rather to focus on the relevant essential concepts, principles and applications. The recontextualisation of accounting knowledge is discussed next, focusing specifically on the BCC case study.

### 7.3 Recontextualisation of BCC knowledge

A business combination can be the result of a transaction between the shareholders of two or more combining entities, or between one entity and the shareholders of the other entity or entities. It may involve the creation of a new entity to control the combining entities' net assets transferred, or the restructuring of one or more of the combining entities. The acquisition price may consist of the transfer of funds or other assets, the issue of additional shares by the acquirer, or a combination thereof. To apply the accounting principles associated with business combinations and perform the process of consolidation, an accountant requires prior knowledge of the legal forms of businesses and their ownership, the recognition and measurement criteria of assets, liabilities and equity, and the recording process of accounting transactions and events that results in the production of a trial balance and eventually in the preparation and presentation of this information in the financial statements.

Thus, BCC knowledge is specialised, hierarchical and integrated, and its level of specialization is dependent on the complexity of the BCC contract and transaction. Winch's conditions associated with '*knowing that*' are useful when describing BCC knowledge. The education of accountants also requires a practical component of '*knowing how*' the accounting process happens and more specifically the process of consolidation, and *why* this knowledge is relevant. The decision-usefulness of information presented to users of financial statements supports the significance and relevance of accountancy to society, investors and the world of business, thus the extension to '*knowing why*'.

Within the BCC case study, four specific conceptualisations are identified to analyse and demonstrate the recontextualizing logics of selection and ordering considerations. These four conceptualisations are as follows:

- The *conceptual knowledge* that is located in the Financial Accounting discipline, for instance in the case of the 'business combination' concept.
- The *theoretical knowledge* relating to the recognition and measurement principles in accounting ('knowing that').
- The *practical knowledge* of financial accounting to perform the consolidation process ('knowing how').
- The *information relevance knowledge* relating to the reporting of decision-useful information in the financial statements ('knowing why').

These conceptualisations relating to the BCC case study are used to analyse and interpret the participants' perceptions when describing the recontextualizing logics of BCC knowledge. The terms, meanings and concepts identified in this section demonstrate the cumulative, integrative and specialised nature of BCC knowledge and its reliance on prior knowledge, thereby demonstrating the selection, ordering and scaffolding principles of curriculum design.

### 7.3.1 *Conceptual knowledge (principles, meanings and concepts)*

The combining of two or more entities is often described using terms such as 'merger', 'amalgamation', 'takeover' and 're-organisation'. The term 'business combination' describes the transaction or event in which an acquirer obtains control of one or more businesses. For example, an entity may acquire an operation or division, referred to as a 'business unit' comprising a group of assets and liabilities. Alternatively, an entity may acquire all the shares in another entity, giving it control of that entity's decision-making processes, thereby creating a combined entity that reports on its performance. The accountant requires BCC knowledge that cannot be adequately understood in singular propositions; it requires an "adequate conceptual grasp of the relevant field" (Winch, 2014, p. 49). For example, knowledge of the following concepts is important to correctly identify a business combination transaction:

- The meaning and purpose of a business, its organisation, activities and strategy.
- The legal format of a business (i.e., division, sole proprietor, partnership or company), its forms of ownership (for e.g., shareholders and limited liability) and their voting power.
- Contractual rights and obligations, including valuation of assets and liabilities, and due diligence stipulations all affecting changes in the ownership of a business.

The identification of these concepts and their relevance to BCC knowledge are discussed in more detail below.

#### *Meaning and purpose of a business*

A business comprises a group of assets and activities that are conducted and managed as a single operating unit, with the outcome of the harvesting of value from assets owned by the business using organised activities to produce and sell goods and services. When value is derived from a single asset, for example, renting of a building, it does not necessarily comprise a business. The purpose of defining a business is to distinguish between acquiring a group of assets (for example, five machines) and the acquisition of an entity that can produce some form of output. Participant 17 (Senior manager, Professional practice) indicated that it was a challenge *“to understand the business of the entity and the transactions entered into with other entities in the group”*.

#### *Legal format, directors and voting power*

A business combination happens when one entity has obtained control of another entity or groups of entities. Unpacking the notion of control is essential when determining the existence of a parent-subsidary relationship. Establishing whether control exists requires investigations and judgement. Control is presumed to exist when a parent holds, either directly or indirectly through subsidiaries, more than half the voting power of an entity. Control over the net assets of another entity is obtained by one entity acquiring the shares of another entity in a private transaction or on the open market. When determining whether control exists, knowledge is required of the substance of the transaction as opposed to its legal form; in other words, the fact that more than half the shares are held does not in itself constitute control. When the parent holds half or less the voting power of an entity, control may be established through other arrangements, for example, the power to appoint or remove the majority of the members of the board of directors or equivalent governing body. The board of directors, who are generally appointed by the entity's shareholders, is responsible for the decision-making of an entity. Normally, any entity that is able to exercise more than half the votes at a shareholders' meeting is able to control the entity's decisions as it is able to appoint the board of directors. If an entity has the right to appoint the majority of the board of directors in terms of some agreement and no other party has the right to remove them, this ownership is likely to constitute control.

The importance of understanding the notion of control and interpreting contracts was emphasised by these participants:

*“We are expected to understand what standards are applicable when a new transaction occurs, understand what is control, understand how control is applied from reading contracts which are not written for the accounting aspect but rather from legal aspects.” (Participant 10, Auditor)*

*“I think specialist knowledge, judgements and assumptions [are required] to apply the criteria to determine whether control, joint control or significant influence exist to a very complex group structure.” (Participant 18, Associate director).*

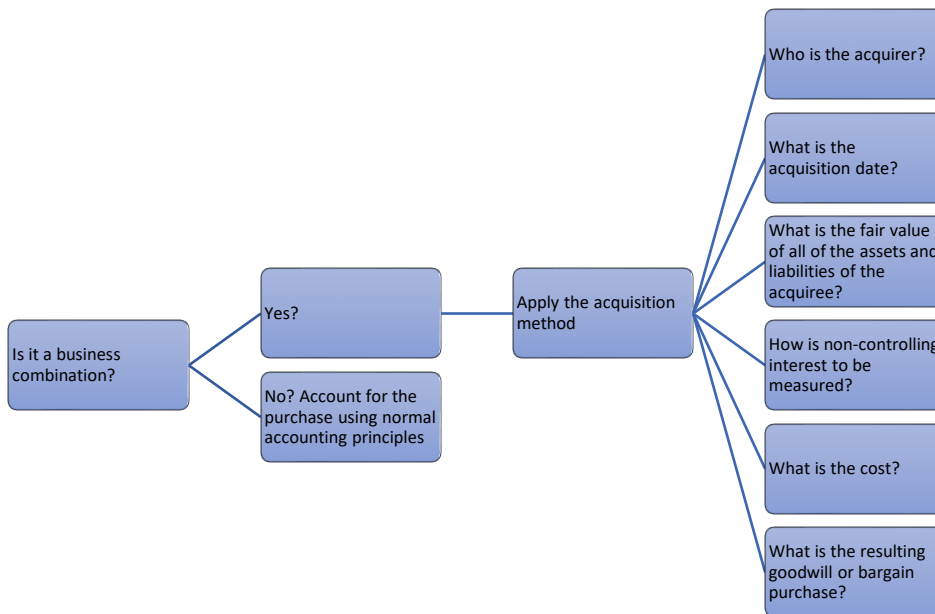
Thus, several meanings associated with business combination concepts are linked to prior knowledge and knowledge in other disciplines that is required to conceptualise a business combination transaction. These are summarised in Table 7.1.

**Table 7.1: Prior knowledge and knowledge fields associated with business combination concepts**

Concept	Prior knowledge	Field/discipline from where this prior knowledge originates
Business operation	Identify a business operation as the organised activities to produce and sell goods and services, its organisation and strategy.	Business management
Business forms and ownership	Identify legal forms of business operations and limited liability, for e.g., sole proprietor, partnership, company.	Business law, Company law
	Voting power, rights and obligations of owner, partner, shareholders.	Business law, Company law
	Role and responsibilities of board of directors of company.	Company law
	Legal requirements relating to changes in ownership.	Business law, Company law

An organisation or business and its owners are recognised and treated as two separate entities, referred to as the entity concept. This requires a conceptual and legal understanding of the notions of business and ownership, which in accounting are referred to as the ‘entity’ and its ‘owners’. The acquirer is the entity that obtains control of the acquiree while the acquiree is the business or businesses of which the acquirer obtains control in a business combination transaction.

The acquisition involves the measurement of the cost of the business acquired at the date of acquisition by identifying the fair values of net assets of the purchased entity. Any excess between the cost and the fair value of the net assets acquired is identified as goodwill. The decisions associated with the acquisition method set out in the accounting standards (IFRS 3) are illustrated in Figure 7.2 below.



**Figure 7.2: Map of the decision options relating to a business combination transaction**

### *Contractual rights, valuations and due diligence*

The acquisition of an investment in an entity is accounted for on a similar basis to the purchase of other assets, where the assets are measured at fair value. This requires the application of knowledge relating to terms such as acquirer, acquiree, cost of acquisition and goodwill, to name a few. The identification and measurement of assets and liabilities require an analysis of the financial statements of the acquiree and performance of equity valuations (Hellman, Andersson & Froberg, 2016). In response to a question where they were asked to identify gaps in accounting education of BCC knowledge, two participants identified that this concept is often ignored in accounting knowledge:

*“... availability of all needed information to achieve business combination and consolidations such as fair value measurements (valuation expertise), clear accounting policies, etc.”  
(Participant 8, Public sector).*

*“Valuation technic [sic] of acquiree assets during business combination” (Participant 14, Business processes, Technical accountant).*

A business combination transaction often requires the execution of due diligence procedures. Due diligence is the investigation or exercise of care that a reasonable business or person is normally expected to take before entering into an agreement or contract with another. Acquisition teams use either equity-based or debt-based considerations when performing their due diligence work (Woodlock & Peng, 2009) to determine how contingent considerations might be best structured to reflect the economics of the acquisition.

A further aspect that is relevant in a business combination transaction is the contractual conditions of the transaction. The contract provides important information relating to the transaction, for example, the identities of the acquirer and acquiree, the date of the transaction, the purchase consideration, the net assets acquired, and any further legal rights, obligations and conditions associated with the transaction (Woodlock & Peng, 2009). The validity of the contract requires verification, for example, whether the respective parties had the authority to enter the contract and sign on behalf of the parties. Participants identified these challenges relating to the legal concepts and agreements of a BCC transaction:

*“The main challenge is putting it into practice and how to read contracts that are written legally to determine what the accounting aspects are.” (Participant 10, Auditor).*

*“Interpreting complicated legal agreements.” (Participant 12, Director).*

The accountant needs to be familiar with these concepts to identify and evaluate the appropriateness of the business combination and the corresponding accounting treatment. These aspects that require knowledge and evaluation and the respective disciplines in which these knowledge areas are located are listed in Table 7.2 below.

**Table 7.2: Prior knowledge in other disciplines required to conceptualise a BCC transaction**

Concept	Prior knowledge	Field/discipline from where this prior knowledge originates
Entity concept	Identify the legal powers of an entity and its separation from its owners	Business law, Company law
Valuations and due diligence	Valuation methods and principles	Financial management
	Due diligence processes and principles	Auditing
Contractual rights and obligations	Legal requirements relating to the business combination transactions	Business law, Contract law

From these discussions, it is noticeable that the sequence and ordering of BCC knowledge in the curriculum needs to be arranged in such a way that enables the acquisition of concepts relating to business operations, business forms and ownership, the entity concept, valuations and due diligence, and contractual rights and obligations, to name a few. Knowledge relating to these concepts is found in other disciplines, for example Business Management, Financial Management, Auditing, and several specialised legal areas.

### 7.3.2 Theoretical knowledge (recognition and measurement principles)

When a business combination has been identified, the following theoretical constructs are important to correctly account for the business combination:

- All assets and liabilities of the acquired business should be identified and measured at fair value at the acquisition date.
- Determining the measurement of the acquisition cost.
- Recognition and measurement of non-controlling interest, where the difference between the cost of the business combination and the fair value of the net assets of the acquiree and non-controlling interest recognised, results in goodwill or a gain on bargain purchase.
- The time frames associated with a BCC transaction.

The accountant requires knowledge associated with general accounting principles, such as the definition and recognition criteria of assets and liabilities, their classification and measurement principles. The acquirer recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree separately from goodwill at the acquisition date. The identifiable assets acquired and liabilities assumed should be measured at their fair values at the acquisition date. The accountant is required to establish the fair value of individual items acquired by focusing on their location and condition at the acquisition date, and assess the amounts for which they could be exchanged between willing buyers and sellers, given those characteristics. These concepts (established in IFRS 3 and IFRS 10) are mainly located in the Financial Accounting discipline and are essential for validating and establishing the substance of the BCC transaction.

#### *Identifiable assets and liabilities*

The accountant needs to identify and measure the assets acquired and the liabilities assumed in accordance with the definitions of assets and liabilities in the Conceptual Framework. This requires the accountant to apply theoretical knowledge of the recognition and measurement principles relating to assets and liabilities (Eckstein, 2004; Whittington, 2008). For this, knowledge relating to the identification and classification of assets and liabilities is applied, as well as the principles associated with the accrual basis, for example, the recognition of lease liabilities and interest accrued (in the case of liabilities). The application of the recognition principle may result in the identification and measurement of some assets and liabilities that the acquiree had previously not recognised in its pre-acquisition financial statements (for example, certain intangible assets such as brand names).

Further, complexities such as the separate identification of an intangible asset (Eckstein, 2004; Carvalho, Rodrigues & Ferreira, 2016b), contingent liabilities (De Jager, 2015) and the tax implications relating to those net identifiable assets (Gee, Haller & Nobes 2010) require consideration and application. In summary, knowledge associated with the identification, recognition and measurement of assets and liabilities in a BCC transaction is conceptually dense, while at the same time requiring application of the theoretical knowledge to the case in hand. The acquisition of such knowledge at levels prior to the inclusion of BCC knowledge in the curriculum is illustrated in Table 7.3 below.

**Table 7.3: Identifying the scaffolding of knowledge relating to the identification, recognition, measurement and classification of assets and liabilities of a BCC transaction**

Concept	Description of knowledge	Level where this knowledge is located
Accrual basis	Recording of a transaction at the acquisition date	Introduction to Financial Accounting
Recognition and measurement principles	Conceptual framework definitions of assets and liabilities.	Introduction to Financial Accounting
	Identification, recognition, measurement and classification of assets and liabilities	Financial Accounting
Initial recognition and measurement of BCC transaction	Fair value of assets and liabilities at the acquisition date	Advanced Financial Accounting
	Separate identification of intangible assets	
	Deferred tax implications relating to net assets acquired	
	Contingent liabilities and other contractual obligations	

The investor either acquires the business operation (comprising assets and liabilities) or the shares (equity) of the acquiree. When the investor acquires the business operation, ownership of the individual assets and liabilities is transferred to the investor at fair value. The previous owner of the business operation derecognises the respective assets and liabilities. Where an investor acquires an equity interest (shares) in an acquiree, the investor recognises an investment (asset). Identifying the substance of the transaction and the resultant journal entries in the respective general ledgers of the acquirer and acquiree requires prior knowledge of the double-entry system and accounting processes (discussed in the next section), as well as the ability to identify each entity affected by the transaction.

#### *Cost of the business combination*

The next concept is the settlement offered (also referred to as the consideration paid) for the business combination transaction. The cost of the business combination can either be settled in cash (monetary asset) or by transferring non-monetary assets. The measurement of the cost of the business combination is determined at the fair values of the consideration given by the acquirer, for example, the fair value of the assets transferred, the liabilities incurred and the equity interest issued at acquisition.

The principles relating to determining the cost of the business combination require the application of knowledge associated with the form, timing and amount of the settlement. The settlement can be made in different forms, for example, by way of cash or other monetary assets that are immediately transferred or deferred, non-monetary assets or the issue of equity instruments. Deferred settlement requires the application of present value principles by discounting the amounts payable to the

present value at the date of exchange, using the entity's incremental borrowing rate. Where settlement is in the form of non-monetary assets, such as property, plant and equipment, investments and intangible assets such as licences and patents, the cost of acquisition is determined as the aggregate of the fair values of the assets given up. In cases where the entity has assumed liabilities to settle the acquisition, in other words, it has incurred borrowings to use as consideration, the fair values of these liabilities are measured as the present values of future cash outflows. Where settlement is in the form of equity instruments, the acquirer issues its own shares as consideration. This requires the accountant to determine the fair value of those shares at the date of acquisition, irrespective of when the shares were issued. To determine the fair value for listed shares, reference is made to the quoted prices of those shares.

Thus, determining the cost of a business combination requires knowledge associated with financial calculations (present value principles), measurement principles and the accounting and legal regulations relating to the issue and valuation of shares. Some of these concepts and prior knowledge principles are from regions outside the Financial Accounting field, as illustrated in Table 7.4 below.

**Table 7.4: Prior knowledge in other disciplines required to determine the cost of the investment of a BCC transaction**

Concept	Prior knowledge	Field/discipline from where this prior knowledge originates
Monetary settlement	Present value of deferred settlement	Financial Management
Non-monetary settlement	Fair value of assets given up and liabilities assumed	Financial Accounting
Settlement using equity instruments	Legal requirements relating to the business combination transactions	Business Law, Company Law

#### *Recognition and measurement of goodwill and non-controlling interest*

The investor recognises the investment in the shares of the acquiree in its separate financial statements at cost at the acquisition date. This represents an asset for the investor, comprising an investment in the equity (shares) of the investee. The acquisition by an entity of another entity's shares (a controlling interest) gives rise to a parent–subsidiary relationship. The parent (acquirer) is the entity that acquired the controlling interest in the subsidiary (acquiree). The parent either acquires all the subsidiary's issued shares (in which case the subsidiary is referred to as a wholly owned subsidiary) or some of the issued shares and control of the subsidiary (referred to as a partly held subsidiary). The concepts of *parent* and *subsidiary* are important for identifying the type of relationship between the entities (for example, the entities are 'related parties'), the level of control the parent is able to exercise over the decisions and activities of the subsidiary, as well as the requirement to

prepare consolidated financial statements of the parent and its subsidiary as a single economic entity (discussed in the next section).

The parent is the controlling shareholder of a subsidiary and the owners of the other shares are called non-controlling shareholders (IRFS 10; Lopes & Lourenço, 2014). This is a category of equity of the group that is identified separately from the equity attributable to the parent equity holders. The non-controlling interest, previously called the 'minority interest', or sometimes referred to as the 'outside shareholders', represents the interests in the shares held outside the group. The non-controlling interest is measured at the acquisition date at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

In the case of a parent–subsidiary relationship, the non-controlling interest is therefore that part of the net assets of a subsidiary attributable to equity interests that are not owned directly or indirectly through subsidiaries by the parent. Identifying the non-controlling interest as equity requires the application of the accounting equation, namely that equity is the residual when liabilities are deducted from assets (equity = assets - liabilities, or  $E = A - L$ ), as illustrated in Table 7.5 below.

**Table 7.5: Identifying the parent and non-controlling interest in a subsidiary**

Net assets of subsidiary measured at fair value at the acquisition date	A - L
Equity of subsidiary acquired by parent	80% of E
Equity of subsidiary not acquired by parent, attributable to non-controlling shareholders	20% of E

When an acquirer pays more than its attributable share of the fair value of the identifiable assets and liabilities of an acquiree at the acquisition date, the excess is referred to as goodwill. **Goodwill** is an intangible asset recognised in a business combination. For example, when the parent acquires an investment in a subsidiary, the substance of the transaction is that the parent acquired the controlling interest in the net assets of the subsidiary, including goodwill. Goodwill is determined as the difference between the aggregate of the consideration transferred, any non-controlling interest in the acquisition and the net identifiable assets acquired. Replicating this description in the format of a formula makes it clearer for students to understand and apply:

$$\text{Goodwill (asset)} = (\text{Cost of business combination} + \text{Non-controlling interest's proportionate share of net identifiable assets}) - \text{Fair value of net assets assumed}$$

The parent's investment in a subsidiary (asset in the separate financial statements of the parent) and any excess paid (goodwill) is in anticipation of future economic and synergistic benefits (the economies of scale) and other benefits arising from combining the entities. This asset, namely goodwill, is identified as a separate non-current asset when consolidated financial statements are presented. The goodwill acquired usually relates to various intangible assets that have not been recognised separately in the statement of financial position of the acquiree, for example, a good

customer base, loyal employees and market share (see Bloom, 2009). The mere fact that a controlling interest is obtained may result in the acquirer being prepared to pay more than just the value of the net assets for an investment.

In rare cases where the fair value of the identifiable assets and liabilities exceeds the cost of acquisition and the non-controlling interest in the acquiree, the business combination is acquired at a bargain price or in other words, at a discount. This is sometimes referred to as negative goodwill (see Carvalho, Rodrigues & Ferreira, 2016b). The acquirer recognises the resulting gain in profit or loss on the acquisition date. The gain arises on consolidation and is attributable to the acquirer.

As mentioned earlier, the non-controlling interest is measured at the acquisition date at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The non-controlling interest's proportionate share of the acquiree's net identifiable assets is that portion of equity of the acquiree that is not held by the acquirer. The fair value of the non-controlling interest is measured based on an active market price of the shares not held by the acquirer or using other valuation techniques. Where the non-controlling interest is measured at its share of the net asset value, the goodwill only relates to the parent entity's investment. This is referred to as the partial goodwill method. If the non-controlling interest is measured at fair value, goodwill relating to 100% of the shares is recognised, referred to as the full goodwill method (Samkin & Deegan, 2010).

In their responses these participants emphasised these technical aspects associated with BCC:

*“Understanding Purchase Price allocation in IFRS 3 and Understanding of elimination journals for Consolidation. These concepts are what makes the technicalities in the standard.” (Participant 14, Business processes, Technical accounting).*

*“Understanding the underlying accounting transactions as well as having detailed knowledge regarding the technical requirements for calculation of goodwill and for consolidations to eliminate intercompany balances and transactions.” (Participant 19, Senior manager, Professional practices).*

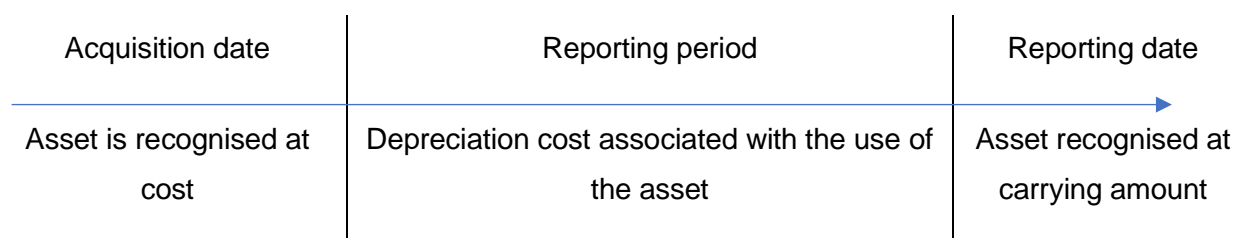
The recognition and measurement of goodwill in a BCC transaction have been the subject of much debate among investors, practitioners and researchers. Some debates refer to the allocation of the premium at acquisition to goodwill as opposed to other identifiable intangible assets (Hellman, Andersson & Froberg, 2016; Tan, 2001), conditions under which the accounting-based acquisition goodwill represents an economic asset (Yehunda, Vincent & Lys, 2019) and the measurement of goodwill and non-controlling interest (Yang & Aquillino, 2017). The accountant (knower) is required to consider all the relevant aspects (i.e., the substance of the transaction) and apply several accounting principles and professional judgement when identifying, recognising and measuring goodwill associated with the BCC transaction (Sue & Wells, 2015, 2018). These concepts (see Table 7.6 below) form part of the acquisition of knowledge in Financial Accounting.

**Table 7.6: Acquisition of knowledge relating to the recognition and measurement of goodwill and non-controlling interest of a BCC transaction**

Concept	Prior knowledge	Field/discipline from where this prior knowledge originates
Accounting equation	Double-entry system, debit and credit	Introduction to Financial Accounting
IFRS principles	Identification, recognition, measurement and classification of assets and liabilities	Financial Accounting
Owners' equity	Rights and powers of controlling and non-controlling interest	Financial Accounting and Company Law
Intangible assets, including goodwill	Recognition and measurement of goodwill acquired	Financial Accounting

### *Time frames in accounting*

The concept of time frames is significant in accounting. The accrual basis of accounting requires the recording of a transaction at the time when the transaction takes place as opposed to when payment is made. For example, when an asset is acquired, recording happens when control of the asset is transferred, even if the payment for the asset is deferred. Once recorded and recognised as an asset, the cost of using that asset is recognised over its expected useful life, and the asset is measured at each reporting date at its carrying amount, which represents the future economic benefits expected to be received from that asset. An accountant is required to possess a conceptual understanding and application of these time frames (illustrated in Figure 7.3 below).

**Figure 7.3: Time frames in accounting**

In a BCC transaction, the acquisition date is the date on which control of the net assets and operations of the subsidiary is effectively transferred to the parent. This is when the acquirer essentially obtains control of the acquiree. This date is also referred to as the *'initial recognition'* date, as it is the date from when the acquirer has the power to govern the financial and operating policies of the acquiree so as to obtain benefits from its activities. Pre-acquisition reserves of the subsidiary (those earned prior to the acquisition date) form part of the net assets purchased by the parent. Post-acquisition reserves are recognised in group equity in the group financial statements. The post-acquisition period commences at the acquisition date and is allocated into the different reporting periods in line with the reporting date of the parent entity. These periods are referred to as the *'subsequent recognition'* period.

The initial recognition of a business combination transaction requires that the fair values of the assets, liabilities and contingent liabilities acquired are determined, including the consideration transferred and the measurement of a non-controlling interest. When it is not practical to finalise the fair values of the identifiable net assets of the acquiree at the acquisition date, an extended measurement period is identified that ends on the earlier of the dates on which the outstanding information relating to the acquisition is received and 12 months after the acquisition date. Measurement period adjustments are recognised as if the accounting for the business combination had been completed at the acquisition date.

Conceptualising the different time frames (stages) of a BCC transaction was summarised by this participant:

*“There are also multiple stages to a business combination or consolidation. Initial recognition of a business combination transaction (i.e. a merger) will often happen over a protracted period of time. The transaction may be completed (legally) months before an exercise has taken place to value intangibles and revalue any applicable assets (often involving teams of consultants if the buyer does not have the in-house expertise or capacity). Therefore, depending on the significance of the transaction, as well as the incentive to take advantage of the specifics within the standard, a business may invest more or less time and money on activities such as revaluing assets and valuing at acquisition intangibles.” (Participant 6, Group accountant).*

The date when control in a subsidiary is lost is another important date. This could happen because of the disposal of the subsidiary or a portion thereof. The difference between the proceeds received from the disposal of a subsidiary and its carrying amount at the date of disposal is recognised as a gain or loss on the disposal of a subsidiary in profit or loss.

Determining and measuring goodwill at the acquisition date requires a detailed analysis of the net assets acquired including other, separately identifiable, intangible assets and non-controlling interest. After initial recognition, the acquirer measures goodwill at cost less any accumulated impairment losses. Goodwill is subject to an annual impairment test (see IAS 36, *Impairment of Assets*). The carrying amount of goodwill, recognised as a non-current asset, is adjusted for any impairments. The accounting treatment of goodwill in the subsequent reporting period requires the application of accounting estimates based on future projections of cash generating units and discount rates, all of which requires significant judgement (Carlin & Finch, 2009), changes in the amortisation of goodwill to annual impairment (James, How & Verhoeven, 2008; Martinez & Rubio, 2011) and complexities relating to the effect of deferred tax liabilities on an impairment test of goodwill (Detzen, Wersborg & Zulch, 2016).

The complexities relating to BCC knowledge were emphasised by this participant:

*“Ultimately, when acquiring a business, it is of fundamental importance that you understanding [sic] the longer term repercussions of how you treat a transaction at the initial recognition stage. This also requires bridging financial reporting and management accounting, by being able to understand how the initial recognition will affect subsequent measurement and therefore determine the impact on the financial metrics in future years. This also starts integrating with taxation principles, especially international taxation, when it comes to structuring transactions – determining how to structure intercompany lending agreements and transfer pricing arrangements to maximize tax efficiencies across countries. And of course international consolidations naturally create deferred tax elements. So, in one transaction, you will see the need to engage with a multitude of standards, from IFRS 3 and IFRS 10, to IAS 16 for PPE treatment, IAS 38 for intangibles treatment, IAS 12 for taxes and especially deferred taxes, and IFRS 9 for financial instruments.” (Participant 6, Group accountant).*

Thus, significant judgement is involved in determining goodwill compared to other intangible assets, and differences often arise among management, auditors and financial analysts relating to the subsequent measurement of goodwill (Filip, Jeanjean & Paugam, 2015).

The subsequent recognition and measurement of acquired assets and liabilities require the application of accounting concepts and principles, including deferred tax implications. Not only is the accountant (knower) required to apply several accounting principles and professional judgement when recording a BCC transaction at the acquisition date, the subsequent measurement requirements associated with the different classifications of the respective assets and liabilities require broader technical knowledge of different accounting standards and taxation legislation. Similar to the recognition and measurement of goodwill and non-controlling interest discussed above, these concepts (see Table 7.7 below) form part of the acquisition of knowledge in Financial Accounting.

**Table 7.7: Acquisition of knowledge relating to the time frames of a BCC transaction**

<b>Concept</b>	<b>Prior knowledge</b>	<b>Field/discipline from where this prior knowledge originates</b>
Accrual basis	Recording of a transaction at the acquisition date	Introduction to Financial Accounting
Recognition and measurement principles	Initial recognition, measurement and classification of assets and liabilities	Financial Accounting
	Subsequent recognition and measurement of assets and liabilities	Financial Accounting

Impairment of goodwill	Subsequent recognition and measurement of goodwill acquired	Financial Accounting
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These descriptions of the recognition and measurement principles associated with a BCC transaction require prior knowledge within the Financial Accounting discipline as well as of other regional disciplines, for instance business operations, financial management, and legal and regulatory knowledge. Accounting concepts such as the accrual basis, the accounting equation and the accounting time frames form part of the prior knowledge usually acquired in Introductory Accounting. The definitions, recognition and measurement principles of assets and liabilities require knowledge in Financial Accounting as an integrated foundation on which the applications and judgments associated with BCC knowledge are based. The application of these concepts and principles when preparing consolidated financial statements forms an important practical component of the structure of BCC knowledge, as discussed in the next section.

### *7.3.3 Application of consolidation processes and procedures*

In the case of the acquisition of a controlling interest, the investor is required to consolidate its interest in the investee company (subsidiary) when preparing group financial statements. A group does not record its transactions in a general ledger. Based on the double-entry system, group financial statements are usually prepared by using a group worksheet, which combines the separate financial statements of the entities in the group as that of a single entity. The consolidation process requires knowledge of the accounting process of recording transactions '(knowing how') and the resultant trial balance to identify and analyse the acquiree's assets, liabilities and equity. These analyses are used to prepare consolidation journal entries to 'record' intra-group transactions such as to eliminate internal transactions and charges between the parent and the subsidiary.

Consolidated financial statements are prepared by the parent. Consolidation is a process of adding together (combining) 100% of the assets, liabilities, revenue and expenses of the parent and all the subsidiaries (including partly owned subsidiaries). The aggregation process is subject to several adjustments because of intra-group shareholdings and transactions between entities within the group. The consolidated financial statements include an adjustment for the non-controlling interest unless all subsidiaries are wholly owned.

The following consolidation procedures ensure that consolidated financial statements present financial information about the group as that of a single entity:

- Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.
- Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

- Eliminate intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group. This includes profits or losses resulting from intra-group transactions that are recognised in assets, such as inventory. Where these eliminations may give rise to temporary differences, deferred tax implications need consideration.

Each of these procedures is based on accounting principles embedded in the double-entry system, the accrual basis of accounting and the entity concept. As a group does not record its transactions in a general ledger, group financial statements are prepared by using a group worksheet, which combines the separate financial statements of all the entities in the group. The equity of the subsidiary is allocated across the different time frames, namely at the acquisition date, since the acquisition date and the current reporting period (see above). This analysis supports the allocation of equity between the different equity holders and is used to prepare consolidation journal entries.

The financial information of the parent and its subsidiaries is combined in the group worksheet, which also reflects the consolidation journal entries. The group worksheet gives rise to the group financial statements. Performing these procedures is challenging, specifically if not performed regularly, as identified by these two participants:

*“Understanding the system used for performing the consolidation which might be as a result of not performing such tasks often.” (Participant 17, Senior manager, Professional practices)*

*“Accurate preparation of multi-year journals on entities with multiple types of business combinations and consolidations.” (Participant 19, Senior manager, Professional practices)*

The recording of accounting transactions and the consolidation process, representing the application of knowledge of BCC transactions (described in section 7.3.2 above), require the accountant to use different forms of technology.

#### *Use of information technology*

Technology has a significant impact on the way business operations are managed, for example, the use of point-of-sale electronic devices to record purchases, sales and payments, and the use of accounting software packages to record, monitor and report inventory levels, outstanding receivables and payables. These software packages are developed based on the concepts of the accrual basis and double-entry accounting system. The accountant (knower) is required to have knowledge of accounting concepts and their application in these software packages and be able to process and analyse transactions when using technology. Accounting information technology therefore forms an integral part of the accounting process (Burnett, Friedman & Murthy, 2010).

Similarly, several accounting consolidation software packages are available and generally used for the routine aspects associated with the consolidation process, for example, the ‘adding together’ of

separate classifications of assets, liabilities, income and expenses. Thus, software technology is useful for the consolidation procedure of combining the trial balances of the parent and its subsidiaries. The importance of using technology was emphasised by participants as knowledge that is currently ignored accounting education.

*“You must understand the nature of the business and the flow of transactions. If the entity makes use of software to assist with the consolidation, the user must understand how the software works.” (Participant 15, Senior manager, Advisory),*

*“The use of accounting software solutions, to prepare fast and accurate information for clients.” (Participant 19, Senior manager, Professional practices)*

The use of information technology is an enabler that requires procedural knowledge of the double-entry accounting system, the accrual basis of accounting, processing of journal entries in the general ledger and preparation of a trial balance. However, the absence of this knowledge in accounting education was flagged by these participants:

*“In practice, consolidations are a lot easier than in taught examples, and rely on technology (spreadsheets), which are never used as a teaching medium.” (Participant 11, Senior business consultant, Advisory).*

*“I remember having to audit consolidations in my first year of articles some of which were manual in excel (adding and subtracting subsidiary and adjustment columns printed on paper to check) and some which were in software packages as adjusting journal entries - these different versions of consolidations requires a step up in the application of my technical consolidation knowledge; where I had to try and convert the mechanical learning I had done to apply to the different forms/ interfaces which had exactly the same principles but it took a lot of work and help from my seniors for me to see that and be able to apply my knowledge.” (Participant 7, Regulator).*

Further, the use of a consolidation software package requires identification of the BCC transaction at the acquisition date, the preparation of consolidation journal entries eliminating pre-acquisition and inter-group transactions, and the recognition of goodwill and non-controlling interest. Once an automated consolidated trial balance has been produced, the accountant is required to evaluate, verify and reconcile the respective group balances, for example, ensuring that the equity of the group is correctly reported and that the appropriate amounts of goodwill and non-controlling interest are recognised. Also, that the effect of inter-group transactions is eliminated so that the consolidated trial balance reflects the cumulative amounts of the group as a single economic entity.

The complexities when analysing the equity of a subsidiary were emphasised by this participant:

*“... those calculations - it was always easy to do the equity analysis. But in practice, most of the time there isn't even an equity analysis. Here we don't have the five at-acquisition journals that are available in a nice document that says here is the analysis of equity.”*  
(Participant 1, Group accountant).

Thus, the accountant needs to be familiar with these concepts to identify and evaluate the appropriate application of the consolidation process when using software technology, as listed in Table 7.8 below.

**Table 7.8: Application of technology in the consolidation process**

Concept	Accounting process	Use of technology
Double-entry system	Complete and accurate recording of accounting transactions	Accounting software packages
Entity concept (single entity)	Recording of transactions in a single trial balance, supported by details of transactions and events recorded in the general ledger	
Consolidation	Combining (adding together) the assets, liabilities, income, and expenses of all entities in the group	Consolidation software packages or spreadsheets
Elimination investment in subsidiary at acquisition date and recognise goodwill and non-controlling interest	Use of consolidation journal entries at acquisition date	
Elimination of inter-group transactions	Consolidation journal entries effecting the since acquisition and current periods	

Technology has been identified as a gap in accounting education of BCC knowledge, as demonstrated in the responses by these participants to the question of asking what knowledge is often ignored in accounting education:

*“Then I would say something that they maybe can add is to teach different kinds of consolidation software. Caseware or any other systems that there are. If you at least see it once then, after university, you are much more prepared for ...”* (Participant 1, Group accountant).

*“Systems! There is an inextricable link between accounting consolidation theory and the practice of performing a consolidation, especially within an accounting consolidation system – both upon initial recognition and monthly. This requires an understanding of the basic principles of financial reporting (the end product being the financial statement of the company or Group) as well as an understanding of the structure of the financial database.”* (Participant 6, Group accountant).

Practical applications of these accounting technology software packages are important knowledge for the accountant when executing the consolidation process. Even though the use of technology is

effective and efficient for the first consolidation procedure, the second and third consolidation procedures require the accountant to apply knowledge relating to those accounting concepts discussed in section 7.3.2 above.

The process of consolidation ('knowing how') can be more complex than described in this section, for example, when there is a decrease in the investment in a subsidiary but control is maintained, or when the decrease in the investment results in the loss of control. These advanced consolidation procedures require specialised knowledge and even though these are extremely relevant to the acquisition of BCC knowledge, the focus in this study is on the broader, more general consolidation process.

#### *7.3.4 Preparation and presentation of group financial statements*

Financial statements present the financial position and performance of the business for the reporting period to provide relevant and decision-useful information to users (for example, existing and potential investors, employees, lenders and other third parties). Information reported in financial statements needs to represent faithfully the transactions or other events of the business entity and must be complete, neutral and free from error. Relevance refers to qualities associated with the comparability of information between different entities, and from one reporting period to the next, and whether the information is material in nature and/or amount. When preparing and presenting financial statements, accountants require knowledge of *why* information reported is relevant to the users and how it informs the decisions made by users. The relevance of financial information equally supports *why* such knowledge is required, thus supporting the motivation for acquiring the knowledge.

Consolidated financial statements are the financial statements of a parent and all its subsidiaries presented as a single economic entity by combining the financial statements of all the entities within a group. The preparation and presentation of consolidated financial statements require knowledge relating to the accounting policies adopted by the group entities and the reporting period and date of the group (discussed in section 7.3.3 above). The management of the parent entity is accountable for the use of the resources and activities located within the other group entities, for example its subsidiaries. The consolidated financial statements report the assets under the control of the group, the group liabilities (claims against those assets) as well as the risks and benefits associated with these assets (Jermakowicz, Chen & Donker, 2018).

The disclosure requirements of information relating to business combination transactions are extremely comprehensive (Glaum, Schmidt, Street & Vogel, 2013). The value relevance of disclosures associated with the recognition and measurement of goodwill in the consolidated financial statements and the decisions and judgements relating to impairments have been the focus of several studies (Jifri & Citron, 2009; Day, 2020; Carlin & Finch, 2010; Andreicovici, Jeny & Lui,

2020). Emphasising the lack of compliance in reporting judgements regarding impairment testing methodologies and key input variables for the estimation of recoverable amounts (Carlin & Finch, 2011), the relevance of decision-useful information presented in group financial statements is emphasised. In response to what knowledge is currently ignored in accounting education, this participant pointed towards disclosures:

*“Disclosures in IFRS 3. Impairment of CGU and Goodwill allocation in business combination. Noncontrolling interest measure in foreign subsidiaries for consolidations.” (Participant 14, Technical accountant, Business processes).*

The key objective of the disclosure of information in group financial statements is to ensure that an entity presents information that enables users to evaluate the nature of its interests in other entities and the risks associated with those interests, as well as the effects of those interests on the financial position, financial performance and cash flows. The preparation of group cash flow statements and more complex business combination transactions, for example, indirect interest in subsidiaries, foreign subsidiaries and changes in shareholding have not been discussed in these sections. Even though these areas are complex, their importance as knowledge for the accountant was emphasised by this participant:

*“Group cash flows with foreign subsidiaries in different functional currencies with intercompany trading and hedging activities is not uncommon. It could be argued that this is ‘specialist’ knowledge given that it is often reserved for consultants or teams of reporting specialists to address. But equally, both technical and commercially-focused individuals find themselves as finance directors requiring an understanding of how their entity fits into the bigger reporting picture.” (Participant 6, Group accountant)*

Knowledge of the recording and reporting of BCC transactions was emphasised by this participant:

*“I think it requires an understanding of the underlying transactions (what are the terms/ actions/ events that the accounting rules are applied to), a proficient understanding of the relevant accounting principles (which can be assisted by having the skill of knowing how to read and research the standards to find the applicable paragraphs of the standard and to interpret those), an understanding of the disclosure requirements (from various sources - eg IFRS 3, IFRS 12, IAS 1) and then finally the skill to bring these things together to carry out my review. That is, reading the disclosures in the annual report and ascertaining whether the information provided meets the disclosure requirements (i.e. have all pieces of information quantitative and qualitative been given), and/ or is there something that seems to be missing/ not make sense about the transaction that means I have to go back to the audit team/ client and ask for more information to assess the application of IFRS 3/10 etc.” (Participant 7, Regulator).*

A global reporting issue that has drawn attention refers to integrated sustainability reporting (King, 2016). In addition to reporting financial information, the accountant (knower) requires knowledge of the reporting of non-financial information, referred to as environmental, social and governance (ESG), for example, reporting on the environmental impact of the business operations and governance of its human resources. These reporting issues are equally important when group financial statements are prepared and presented. Several studies (Amernic & Craig, 2004; Gray & Collison, 2002; Gray, 2006, 2013; Mburayi & Wall, 2018) have called for the integration of sustainability knowledge into accounting.

In summary, BCC knowledge includes the accounting principles, definitions and recognition criteria, the process of recording accounting transactions and the relevance of financial and non-financial information reported in the financial statements of an entity. In addition, knowledge of concepts and meanings located outside the accounting discipline is required, for example, legislative and regulatory requirements associated with business operations and entities. This emphasises the specialised nature of BCC knowledge that is hierarchical and integrated, as explained by this participant:

*“During your education you learn and is assessed on individual subjects / topics. In practice things does not work in silos, you need to be able to be able to [sic] consider more than one scenario and that is a gap in current education. The difficult answers are given and when you have to apply your knowledge you learn but there is a big gap as you now do not know where to get these ‘answers’. For example to determine if you are an associate or subsidiary with 49% shareholding.” (Participant 13, Associate director, Professional practices).*

These findings explain that ‘knowing that’ is useful when identifying, describing and analysing a business combination transaction. The application of accounting knowledge is demonstrated in ‘knowing how’ the accounting process, and more specifically how the process of consolidation is performed. Further, the accountant requires ‘knowing why’ the presentation of information in financial statements is relevant and decision-useful for the users. The next section describes the practical application and integration of BCC knowledge.

### *7.3.5 Practical application and integration*

Several participants identified an aspect that relates to Young and Muller’s (2014) observation that professional knowledge is both theoretical and practical. The practical component is purposive and contextual, thus linking ‘knowing that’, ‘knowing how’ and ‘knowing why’. This refers to what Bernstein terms ‘regional knowledge’ that, within accounting, shapes the specialised knowledge and enables the conceptualisation of real-world practices and processes in new ways. The training of accountants includes a practical component that is acquired during the professional training period, which usually happens after obtaining the formal university accounting degree. However, several

participants pointed towards a lack of practical application of knowledge during their studies, for instance:

*“... another issue that presents itself in undergraduate content on the topic is the lack of integration of the theory behind these transactions with practical knowledge e.g. A business combination in a real life setting can actually be a merger/acquisition transaction and these are the transactions we read of in headlines, but the mind is trained to think in a box because the only transactions we mainly see in tutorials or lectures are companies acquiring subsidiaries. Granted that the content is meant to illustrate principles, becoming good at business combinations and consolidations will require an aptitude for intrigue and curiosity behind the treatment of practical, real life examples.” (Participant 4, Auditor)*

*“I think overall, the most difficult thing about learning these standards are to put it into practice. Business Combinations and Consolidations are done at a very high level and does consider the complexities that occur when dealing with this in practice.” (Participant 10, Auditor)*

*“Decision making, knowing where and how to apply the more difficult principles. You get the answers during your education. For example, entity A has 49% share in Entity B and it is considered a subsidiary. You are not given more realistic scenarios to test your decision making and arguments and then working with your answer. It is all so right or wrong while in practice things are hardly ever that easy.” (Participant 13, Associate director, Professional practices).*

*“The challenges this presents is the availability of real-life scenarios with from a business combination perspective as some companies can be protective over such information. For older transactions, however, that are still relevant and are public knowledge, there is a need to incorporate these into classroom education to further contextualize the meaning and practicality of these subject matters.” (Participant 14, Business processes, Technical accountant)*

These participants identified a need to link practical experiences and ‘real-life scenarios’ when educating accountants, an area that has mostly been absent in professional accounting curricula. This is supported by a similar observation made by an academic participant:

*“A lot of my knowledge is obtained from a theoretical point of view, i.e. going through the accounting standards as opposed to dealing with real life, practical and complex examples of group accounting.” (Participant 22, Academe)*

Acquiring practical experience during university studies has been the topic of several studies (see Chapter 2). Work integrated learning refers to those insights gained either in the workplace or within

a learning environment that emulates key aspects of the workplace (Abeysekera, 2006; Reeders, 2000) and serves as an interaction between the student and the external environment. It is described as “a partnership among students, educational institutions and employers, with specified responsibilities for each party” (Abeysekera, 2006, p. 8). A work integrated learning process allows for application of ‘knowing how’ in practical interactions and experience of the theoretical ‘knowing that’ content knowledge. While the content and applications are acquired during university studies, the practicality of accounting in the world of work is seldom addressed. However, as Young and Muller (2014) point out, the relationship and interaction between theory and practice lie at the heart of professional knowledge.

The participants’ comments listed above are seminal in that they stress both the integration and the practicality of accounting that requires knowledge acquisition and experience in the world of work. Thus, in a similar way to other professions (such as Engineering and Health Sciences), the acquisition of theoretical and practical knowledge requires a ‘movement’ between the classroom and the world of work. Practical experience is important as it provides the building blocks for conceptualising BCC knowledge in the accounting curriculum. The acquisition of other competencies associated with specialised knowledge, such as critical thinking and professional judgement, require technical competencies as well as ‘knowing why’ the information is relevant and useful in practice. Mastering this construction involves inferential ability, itself a form of practical knowledge, just as the ability to validate and establish truths demands a variety of forms of practical ability (Winch, 2013). The requirement to include practical experience in the accounting curriculum is pivotal and discussed further in Chapter 8.

#### **7.4 Summary and conclusion**

The recontextualisation of BCC knowledge described in this chapter illuminates the hierarchical knowledge structure of accounting and demonstrates how, within the discipline, prior knowledge of accounting principles is necessary to comprehend the more complex concepts associated with a BCC transaction. These findings correspond with the education standards of professional accountants (discussed in Chapter 4), where the learning outcomes for Financial Accounting identified in IES2 (IAESB, 2019) refer to the application of accounting principles to transactions and events, ability to prepare consolidated financial statements in accordance with IFRS, and so forth.

In addition to the requirement of prior knowledge within the Financial Accounting field, the findings accentuate the regional integration of accounting knowledge with other disciplines such as Business Management, Finance and Law. These discussions demonstrate that knowledge acquired at one level applies to the next, and that knowledge acquired in one discipline is equally binding in another discipline. To understand the concepts and processes of a BCC transaction, students refer to their knowledge about a business operation, their legal knowledge about the rights and responsibilities of owners and directors, and their accounting knowledge of the recognition and measurement of assets

acquired. However, students are not always able to draw these connections due to the way the content is organised in the curriculum, their tendency towards “silo learning” and the lack of practical exposure. It is therefore important that the design of the curriculum allows for these connections and integration of knowledge, and that these connections are made visible pedagogically. According to IES3, aspiring professional accountants are required not only to demonstrate intellection and interpersonal skills, but they should also be able to integrate their technical knowledge with professional values, ethics and professional competence (IAESB, 2019). These features are discussed in the next chapter.

## Chapter 8 A framework for the construction of BCC knowledge in the accounting curriculum

### 8.1 Introduction

This chapter brings together the descriptions, analyses and findings in Chapters 5, 6 and 7 to construct a framework for the education of business combinations and consolidations (BCC) knowledge in an accounting curriculum. The respective research questions and findings described in each of these chapters are briefly summarised in this introduction.

**RQ1: What are the sites of BCC knowledge production in accounting and to what extent do they contribute to the originality, quality and authority of the knowledge produced?**

The findings in Chapter 5 identify that the production site of BCC knowledge is dominated by the standard setter, while accountants and auditors engage with the standard setter as part of their due processes. Accounting and auditing firms also produce several reports, guidelines and insights containing practical applications and illustrations. The regulatory process followed by the standard setters seems to ignore the value-proposition of academic research, whereas academic participation in the standard-setting process has been scarce. Academic research appears to consequentially discuss, compare and analyse the application and compliance with these standards.

The reproduction of knowledge relies on the recontextualisation of knowledge, which in turn results from its production. BCC knowledge is selected from its field of production to become pedagogic discourse in the field of recontextualisation. As discussed further in this chapter, low participation by accounting academics in the production of knowledge may impede what knowledge is selected from the production sites and how this knowledge is rearranged and located in the curriculum.

**RQ2: What are the knowledge and knower structures and specialisation codes of BCC?**

The analysis of the data in Chapter 6 identifies accounting as exhibiting a hierarchical knowledge structure with stronger epistemic relations (ER+), emphasising knowledge, skills and procedures. Prior to the acquisition of specialised knowledge, a weaker knower code (SR-) is identified, pointing to BCC knowledge having a *knowledge code* (ER+, SR-), while acquisition of specialised knowledge (in this case, BCC knowledge associated with judgement and developing a 'feel for it') points towards a stronger social relation (SR+), allowing for a slight code drift towards an *elite code* (ER+, SR+). Specialization requires that the accountant (knower) possesses specialised knowledge as well as being the right kind of knower. The identification and construction of BCC accounting knowledge that

supports the field of reproduction and enables students to acquire pedagogised knowledge (to become the knower) are discussed further in this chapter.

### **RQ3: What are the principles for the design of a framework for the recontextualisation of BCC knowledge in the accounting curriculum?**

Focusing on the field of recontextualisation, Chapter 7 describes the significant terms, meanings, concepts, processes and procedures associated with BCC transactions. Professional knowledge in accounting includes the Financial Accounting discipline and knowledge in other disciplines, representing regional knowledge. These are explained according to 'knowing that' and 'knowing how' transactions are identified, recorded and reported, and 'knowing why' this is relevant.

Bernstein placed knowledge at the centre of the conceptualisation of curricula when he defined curriculum as 'what counts as valid knowledge' (Bernstein 1975, p. 85). The ordering and sequence of hierarchical knowledge acquisition is demonstrated in that prior knowledge of accounting principles is required to understand the more complex concepts associated with a BCC transaction. The integration of knowledge with other disciplines such as Business Management, Finance and Law accentuate the regional knowledge. Its real-world applications require the integration of technological applications and the acquisition of broader skills such as critical thinking and professional judgement. Recontextualizing logics regulate what knowledge is included in the curriculum and how this knowledge is selected, rearranged and transformed within and across the curriculum to become pedagogic discourse.

This chapter continues to explore RQ3, focusing specifically on the recontextualisation of BCC knowledge in the curriculum. Portraying the construction of BCC knowledge, this chapter brings together the findings of RQ1 and RQ2 to identify the principles for the design of a framework for the inclusion of BCC knowledge in the accounting curriculum (RQ3). Within a plane of infinite possibilities, the aim is to demonstrate the principles associated with the selection, sequencing, ordering and pacing of BCC knowledge, using the recontextualizing logics as a basis.

The next section conceptualises what Bernstein (2000) summarises as choices about the classification and framing of BCC knowledge in the curriculum. The construction of BCC knowledge in the curriculum for the education of accountants is then mapped, followed by a discussion of the design considerations and principles.

## **8.2 Conceptualising BCC knowledge in an accounting curriculum**

The recontextualisation of BCC knowledge described in Chapter 7 illuminates the hierarchical knowledge structure of accounting, and demonstrates how, within the discipline, prior knowledge of accounting principles is required to understand the more complex concepts associated with a BCC transaction. In addition to the requirement of prior knowledge within the accounting discipline, the

discussions also accentuate the regional integration of accounting knowledge with other disciplines such as Business Management, Finance and Law.

The notions of professional knowledge (Young & Muller, 2014; Winch, 2013, 2014) and specialization inform the recontextualizing logics (Maton, 2014) and the different underlying principles legitimating different curriculum choices. These logics are briefly discussed before they are used to describe the design-principles for constructing BCC knowledge in the curriculum.

#### *Selection (what knowledge is required)*

The epistemic pedagogic device (EPD) identifies the circulation of knowledge in the arena among the fields of production, recontextualisation and reproduction. The production sites of BCC knowledge in the Financial Accounting discipline are identified and discussed in Chapter 5. These discussions recognise the selection of BCC content that is curricularised from the production to recontextualisation fields. The selection of content from the field of production is demonstrated further in section 8.3 below, including a call to include academic research in the selection.

#### *Sequence (in what order)*

The selection of BCC content supports the building blocks of knowledge that inform its sequence and the order in which accounting knowledge is obtained. The acquisition of prior knowledge of accounting concepts and principles is required to identify a BCC transaction and understand the more complex recognition and measurement of assets, liabilities and owners' equity. Further, the field of practice and real-world applications require the integration of business ethics, sustainability, technology and professional judgement, to name a few. The sequence of the selected discipline content and the integration with other disciplines such as Business Management, Finance and Law form the building blocks for knowledge acquisition. Progression is achieved when the theoretical specialization is strengthened from one level to the next (Shay, 2013). The sequence and order in which BCC knowledge is structured in the curriculum strengthens the capacity for the hierarchical development of accounting knowledge.

#### *Pace (how much time, how long)*

Pacing refers to how much time is allocated to specific content in the curriculum. The recontextualisation of BCC knowledge requires theoretical, discipline specific knowledge and regional knowledge. This knowledge is located across the curriculum and the logic of curriculum design is obtained by how the different types of knowledge are presented in different weightings and in different places. Pacing further involves the time students require to engage with the content and achieve progression. The 'standard' undergraduate accounting curriculum is a linear progression that extends over three years, with an additional fourth year at postgraduate level. This systemic timeframe ignores challenges associated with quality of the schooling system and access to higher

education. These challenges are present in many parts of the world and prominently in South Africa (Scott, Yeld & Hendry 2007; Shay, 2013), for example, socio-cultural and language diversity. Addressing these challenges requires systemic structural solutions that are beyond the focus of this study.

### *Evaluation (what counts for assessment)*

Evaluation logics regulate the teaching and learning of pedagogic discourse in the reproduction fields. Even though the field of reproduction and what counts for assessment are not the focus of this study, it is important to emphasise that the same principles that describe the selection, sequencing and pacing of content in the curriculum affect its evaluation. An effective curriculum design becomes ineffective when the evaluation logics fail to support the scaffolding and integration of knowledge across the region and with reference to the field of practice. For example, progression within the accounting discipline can only be demonstrated when an assessment integrates the evaluation of prior knowledge. Evaluation rules support the demonstration of knowledge acquisition from novice to expert, in other words, the code drift experienced by the knower.

The next section revisits the legitimacy of BCC knowledge in the field of production (see Chapter 5) and the selection logic.

### **8.3 Selection of BCC knowledge in the field of production**

Knowledge expansion in accounting has been mainly driven by the growth in global economies and financial markets, increased use of technology and complex products and transactions, resulting in an exponential growth in the volume and complexity of new knowledge in recent times (Bui and Porter, 2010; Hopwood, 2007). Participation and contribution to this knowledge expansion is mainly positioned within institutions and corporate businesses that appoint expert task teams to investigate, analyse, research and develop meaningful solutions.

Chapter 5 considered the production of BCC knowledge in accounting and found that the field is dominated by the institutions (standard setters, accountants and auditors). Academic research mainly happens post-implementation of new standards, focusing on the challenges associated with compliance with the accounting standards, and to critically discuss, compare and analyse financial information presented in accordance with these standards.

The accounting and auditing firms actively participate in the consultation process and produce several reports and guidelines that provide practical insights into the application of the accounting standards. When accounting academics select BCC knowledge from its field of production, they seem to focus on the content of the accounting standards, supported by the guidelines and insights provided by the accounting and auditing firms. The lack of reference to academic research relating to BCC knowledge is evident in this extract from the list of references included in a BCC final year

undergraduate module<sup>11</sup> outline. The references listed include a selection of accounting standards, guidelines relating to these standards published by PwC, a large, international accounting and auditing firm, and the financial statements of a listed entity (Clicks Group).

### **Consolidation notes**

#### References:

- IFRS 3: Business Combinations
- IAS 27: Separate Financial Statements
- IAS 1: Presentation of financial statements
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- IAS 38: Intangible Assets
- IFRS 5: Non-current assets classified as held for sale and discontinued operations
- IFRS 10: Consolidated Financial Statements
- IFRS 12: Disclosure of Interests in Other Entities
- International Accounting Standards Board, 2015, IFRS 10: Consolidated Financial Statements, IASC Foundation Publication Departments, London, United Kingdom, 2015
- International Accounting Standards Board, 2015, IFRS 12: Consolidated Financial Statements, IASC Foundation Publication Departments, London, United Kingdom, 2015
- International Accounting Standards Board, 2015, IAS 27: Separate Financial Statements, IASC Foundation Publication Departments, London, United Kingdom, 2015
- PricewaterhouseCoopers (PwC), 2011, Straight away IFRS bulletin from PwC, accessed from [www.pwc.com](http://www.pwc.com). Accessed on 1 June 2011
- PricewaterhouseCoopers (PwC), 2010, Manual of Accounting: IFRS 2010, PricewaterhouseCoopers, London
- [http://www.clicksgroup.co.za/IRDownloads/IntegratedAnnualReport2016/Clicks\\_AFS\\_2016.pdf](http://www.clicksgroup.co.za/IRDownloads/IntegratedAnnualReport2016/Clicks_AFS_2016.pdf)

The extract from the references included in the course outline highlights the emphasis on technical knowledge. The content of accounting standards is seen as the main source of knowledge selected from the field of production when developing pedagogic discourse in the field of recontextualisation. Accounting research in BCC is largely ignored. Further, because of the narrow focus in Financial Accounting on the accounting standards, integration with information technology and regional knowledge is large excluded (see discussions in section 8.5.2 below). This points to tensions between a discipline-specific focus and a broader selection of knowledge sources to support the education of professional accountants. In other words, the regional knowledge is largely ignored.

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<sup>11</sup> This extract (referred to as a 'teaching artefact' (Maton, 2014, p. 61)) was obtained from a module included in the final year undergraduate Financial Accounting course in 2020, offered as part of a professional, accredited accounting programme at an established university in South Africa. The inconsistent way of listing the references is in line with the original document.

Bernstein's (2000) pedagogic device, described as 'the arena of struggle' (Maton, 2014, p. 50), illuminates this tension. The traditional boundaries of accounting knowledge in the 'core' disciplines of Financial Accounting, Management Accounting and Finance, Auditing and Taxation have added to this tension, resulting in silos in the education of accountants. Albrecht and Sack (2000) call on accounting educators "to eliminate the 'silo' mentality" (p. 62) while Mohamed and Lashine (2003) call for integration of traditional courses in the business curriculum to "break down the silos" (p. 4). Several literature studies have called for the integration of accounting knowledge, as well as the integration of research, education and practice (AICPA, 2012; Lawson et al., 2015; Sledgianowski, Gomaa & Tan, 2017). This tension points to a dissonance between research and teaching in accounting (Burke-Smalley, Rau, Neely & Evans, 2017; Hancock, Marriott & Duff, 2017).

Maton's (2014) extension of Bernstein's pedagogic device to the EPD describes the circulation of knowledge among the fields and supports the important links between teaching and research (see Chapter 3). The circulation from production to recontextualisation happens when knowledge is curricularised from the sites where it is created to the sites where it is recontextualised. In the opposite way, knowledge from the recontextualised field may be intellectualised or absorbed into production fields. The lack of inclusion of academic research in BCC modules points to a blind spot in the selection of BCC knowledge from the field of production, which is enhanced by the limited participation of academics in the standard-setting process. Further, this limits any intellectualisation of recontextualised knowledge into the production process, what Maton refers to as "antecedent knowledge that serves as raw material for creating 'new' knowledge" (p. 51).

In summary, BCC knowledge is selected from the field of production to become pedagogic discourse in the field of recontextualisation. The selection of BCC knowledge is often limited to the content of accounting standards and some guidelines published by accounting and auditing firms. The findings in Chapter 5 identified a gap between the academic research and the standard-setting process. The descriptions of the academic papers in Chapter 5 maintain that academic research contributes to the identification and critical analysis of challenges associated with compliance with the accounting standards. Section 8.5.5 below recommends a capstone course as a conclusion to the accounting degree and, based on the above findings, it will be argued in this section that academic research should be included in this capstone course.

#### **8.4 From novice to expert: the code drift**

Specialization, a dimension of the Legitimation Code Theory, reveals the organising principles or underpinning logics that shape and inform what academic disciplines do with knowledge and associated ways of knowing (Maton, 2014). Specialization posits that disciplines obtain their status, recognition and position within higher education by using discourses that mark them as having attributes worthy of recognition (Clarence, 2016). The theory of knowledge flags two dimensions of learning: the objective dimension (knowledge itself) and the subjective dimension (those who come

to make and hold that knowledge). An accountant is required to be a knower (expert) of the technical knowledge (knowing that) and its field of practice (knowing how). These claims to status or legitimacy are based on deeper, often tacit understandings of the principles underlying the knowledge structure within accounting. LCT and the specialization codes in accounting, what and how you know (a knowledge code) or who you are (a knower code), inform the discussions relating to RQ2 (see Chapter 6).

The concept of 'knower structures' extends Bernstein's conceptualisation of intellectual fields as 'knowledge structures' (Maton, 2014, p 83). It supports the analysis of the structure of knowledge in accounting and more specifically brings the proposition of the knower into the picture. Specialization, comprising epistemic relations (ER) and social relations (SR) allows for the consideration of both relations simultaneously, thereby enabling curriculum designers and lecturers to think relationally about how they are developing both knowledge and knowers, rather than only seeing one or the other (Maton, 2007, 2014). The concepts of knowledge and knower structures provide a basis for building knowledge about knowledge-building in accounting. Considerations of the structure of accounting knowledge and its recontextualisation in the curriculum are incomplete without consideration of the knower (the accountant). Adding knower structures and considering what is important to be good at accountancy allows for a deeper understanding of specialization codes. It demonstrates that hierarchy resides in the knower and enables a more integrated account of the arena created by the pedagogic device.

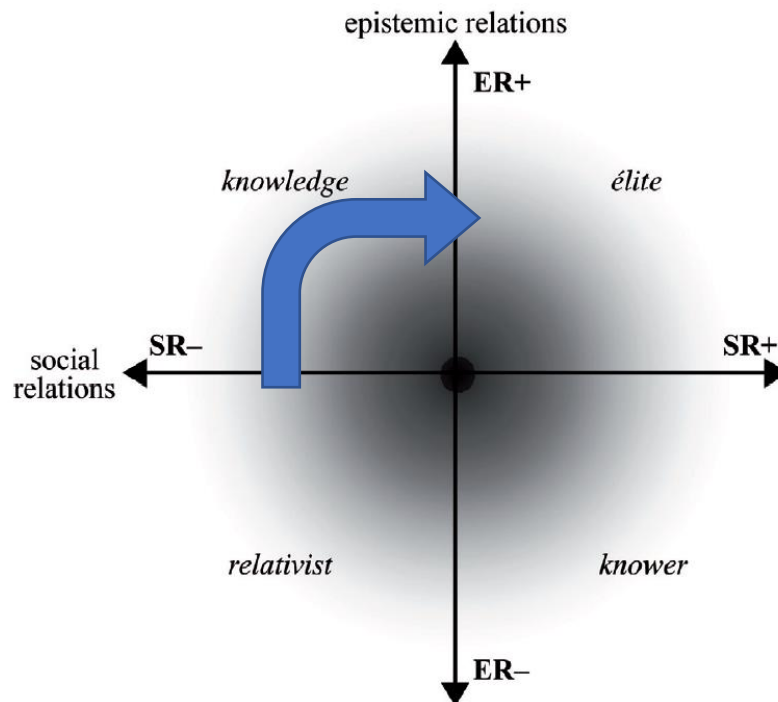
The findings in Chapter 6 point towards accounting having a hierarchical knowledge structure with a strong knowledge code. BCC knowledge is both specialised and integrated. To be successful in accounting, students should be able to recognise a BCC transaction and be proficient at consolidations and the presentation of financial information in the group financial statements. When students initially embark on studying of accounting, it is unlikely that they would possess the ability to record accounting transactions, identify and classify assets and liabilities. The student accountant initially does not possess accounting knowledge (ER-) and the sociality of the student towards what is required to be a good at accountancy is weak (SR-). These weak specialization codes point to 'relativist' codes, contingent on the acquisition of knowledge and development of skills. The student accountant is a novice, possessing weak specialist knowledge and weak knower attributes.

Hierarchy in BCC knowledge acquisition resides in the knower's initial acquisition of knowledge associated with business operations, legal forms and ownership, followed by an understanding of accounting concepts and principles. The integration of knowledge associated with the identification of a BCC transaction, the classification, recognition and measurement of assets and liabilities, tax implications and the measurement of goodwill and non-controlling interest allows for the hierarchical building of knowledge through cumulative learning experiences. Expert knowledge is underpinned

with technical expertise where the accountant can apply competencies associated with specialised knowledge, along with critical thinking and professional judgement.

Using the BCC case study as a framework, Chapter 6 illustrates the code drift that happens through the acquisition of specialised knowledge and the development of professional judgement and a 'feel for it'. The student accountant gains an understanding of the accounting principles and concepts, and the recording of accounting transactions and events. The recontextualisation of accounting knowledge in the curriculum provides for the selection, ordering, pacing and evaluation of such knowledge. The student accountant's exposure to and engagement with curriculum knowledge enables the acquisition of accounting knowledge (technical skills) and when achieved, over time allows for a code drift from novice accounting knowledge (ER-) to advanced accounting knowledge (ER+).

The acquisition of knowledge in accounting points to a knowledge code (stronger epistemic relations (ER+) and weaker social relations (SR-)). As the knower acquires a deeper understanding of the accounting principles ('knowing that') and develops the ability ('knowing how') to make informed decisions and apply professional judgements, the accountant experiences a *code drift* towards becoming an expert professional accountant. The knower develops a 'cultivated' and 'trained' gaze through specialization, thus moving towards a knower code (stronger social relations(SR+)). The student accountant initially holds limited (if any) accounting knowledge (ER-) and has weaker knower attributes (SR-), positioned as a 'relativist code'. The recontextualisation of accounting knowledge in the curriculum, and its pedagogical reproduction allows for the student accountant to move from novice/student (ER-, SR-) to the 'knowledge code' of being competent in accounting (ER+, SR-). Then, when acquiring the specialised knowledge and developing competencies associated with professional scepticism and judgement, the accountant becomes an expert. The acquisition of social relations associated with an accountant (ER+, SR+) points to the 'elite code'. These 'code drifts' are illustrated in Figure 8.1 below.



**Figure 8.1: Illustration of the code drift in accounting knowledge enabled by the acquisition of knowledge and development of a ‘trained’ gaze (Maton, 2014, p. 93)**

The accounting principles associated with decision-making and judgements that are embedded in the acquisition of BCC knowledge put a stronger emphasis on being able to make judgements, decisions, and developing a feel for it. The accountant acquires expert skills and techniques while the legitimate nature of the knower is developed to include the ability to make informed decisions and judgements. Legitimacy of the accountant is based on the possession of both specialist knowledge and being the right kind of knower.

These descriptions of the knowledge and knower structures of accounting and the dimension of ‘specialization’ (drawn from LCT) points to the prospect that both epistemic relations (ER) and social relations (SR) in accounting can be acquired, provided that the underlying organising principles of discipline and regional knowledge are considered in the construction of the curriculum.

### **8.5 Construction of BCC knowledge in an accounting curriculum**

Accounting has a hierarchical knowledge structure, which means that knowledge acquired at one level applies to the next, and that knowledge acquired in one module is equally applicable in another module. However, students are not always able to draw these connections due to the way the content is organised in the curriculum and their tendency towards ‘silo’ learning. It is therefore important that the design of the curriculum allows for these connections and integration of knowledge, and that these connections are made visible pedagogically. Such integration ought to be done both vertically and horizontally.

- Verticality means that knowledge acquired at the foundation level is prior to knowledge required at intermediate level, and similarly, that knowledge acquired at these levels is required as prior knowledge at the advanced level. **Vertical alignment** is required in the selection and ordering of content at the respective levels within the discipline (see section 8.5.1 below).
- **Horizontal and diagonal alignment** means that knowledge that is acquired in one discipline informs knowledge covered in another discipline and/or level. For example, a module in Financial Accounting at the intermediate level can only refer to the legal format and ownership requirements of different entities if that knowledge is adequately included in the business and/or company law module at the prior or same level.

Thus, identifying and describing the knowledge and knower structures and specialization codes enable an analysis of the underlying organising principles of disciplines in the education of accountants. Using specialization codes as an analytical lens facilitates the design of a curriculum framework that consider not only the specific course or module, but also the module's place within the degree programme (regional knowledge). With this analysis in mind, the basis for achievement can be consciously considered, taking into account the different forms of knowledge and knower development that indicates what the legitimate basis for achievement and success could be.

Conceptualising the construction of BCC knowledge in an accounting curriculum requires identifying principles for the design of a framework, such as integration, alignment, scaffolding, use of capstone courses and an extended curriculum with more time, to name a few. Even though the earlier descriptions of BCC knowledge have their origin in accounting standards and the principles included in the Financial Accounting discipline, the descriptions of the building blocks (Chapter 7) indicate that a broader knowledge from other disciplines in the region is required. The identification of this knowledge (selection) and its ordering supports the scaffolding of BCC knowledge in the curriculum.

This analysis provides a critical lens that looks beneath the structure of BCC knowledge and the development of the knower when describing the regional knowledge and field of practice. The principles for designing a curriculum framework are identified and described next, with a 'big picture' summary of the construction of BCC knowledge in the accounting curriculum included in section 8.5.6. Throughout these sections a numbering system (①-⑩) is used to link the curriculum framework with the overall summary at the end. Within the BCC case study, the following specific selection, sequencing and ordering of knowledge are identified.

#### *8.5.1 Integration of knowledge within Financial Accounting discipline ①*

Much has been written so far about the structure of accounting knowledge (see Chapter 6) and the acquisition of BCC knowledge in accounting (see Chapter 7). Within the Financial Accounting discipline, the selection of knowledge is strongly framed in accounting standards and the supporting

guidelines provided by professional institutions. The accountant (knower) acquires skills, techniques, and specialised knowledge in accounting (knowledge code).

Accounting has a hierarchical knowledge structure located within the Financial Accounting discipline as well as knowledge accrued in the region, thus combining specialised regional knowledge to the specific purpose in the field of practice. Within the applied discipline, accounting theories (for example the accrual basis of accounting) and principles articulated in the Conceptual Framework (IASB, 2010) containing definitions, and the recognition and measurement criteria of assets and liabilities are acquired. In response to the question of how BCC knowledge was acquired, this participant replied:

*“Basic principles and IFRS theory gleaned from education at university.” (Participant 6, Group accountant).*

The selection of accounting knowledge refers to building blocks associated with specialised BCC knowledge within the accounting discipline. The content selection demonstrates the alignment with prior knowledge by linking to information that is already familiar to students. In Financial Accounting, BCC knowledge is selected focusing on the accounting standards (in this case, IFRS 3 and IFRS 10) by including the concepts, definitions and accounting treatment of BCC transactions identified in these standards. Guidelines and insights produced by the accounting and auditing profession are often added when BCC knowledge is recontextualised. However, academic research is often ignored which posits a narrow selection of BCC knowledge limited to the theoretical application of accounting standards. In response to the question which asked what it takes to be good at BCC, this participant confirms the emphasis on theoretical knowledge in accounting standards:

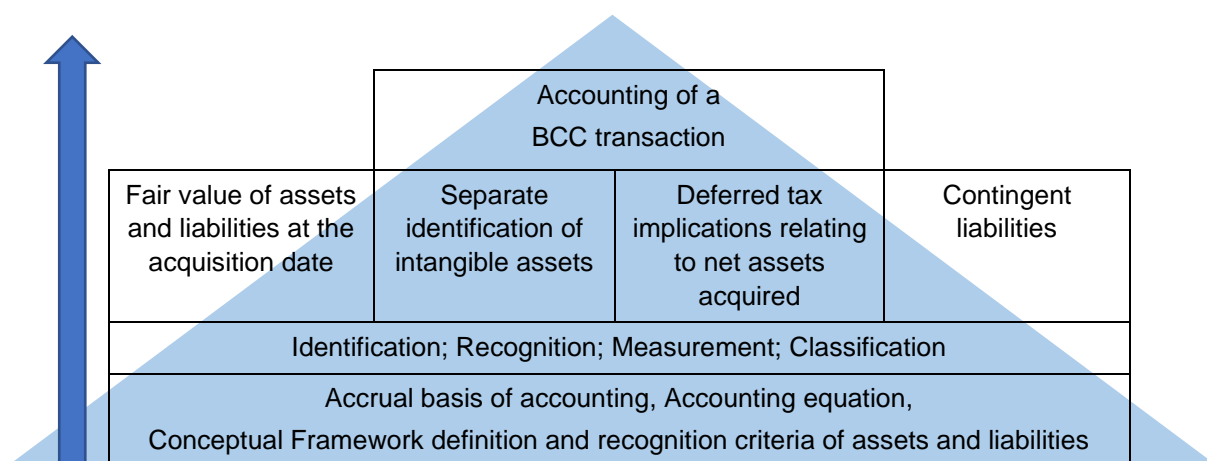
*“Solid theoretical knowledge of the applicable standards, as well as the ability to correctly apply principles therein to given scenarios.” (Participant 22, Accounting academic)*

Sequencing refers to the manner in which content is ordered in the curriculum and in what order knowledge is acquired to achieve progression. The hierarchical knowledge structure of accounting is particularly relevant as it supports the notion that time is required for students to develop accounting knowledge. The sequence of acquiring knowledge in accounting happens over time and is spread over different levels, demonstrating the ordering of knowledge from foundation level (usually first year, undergraduate level) to that of an expert (acquired in the field of practice). For example, the accountant is required to know and apply the accounting equation and the double-entry system prior to being able to prepare financial statements. Prior knowledge links information that is already familiar to new concepts and applications, thereby recognising the building blocks of professional knowledge. Progression is achieved through the mastering of these concepts and applications. For example, if a student is not able to master the recording of transactions using

journal entries, progression towards the preparation of consolidation journal entries (as part of the consolidation process) will not be achieved.

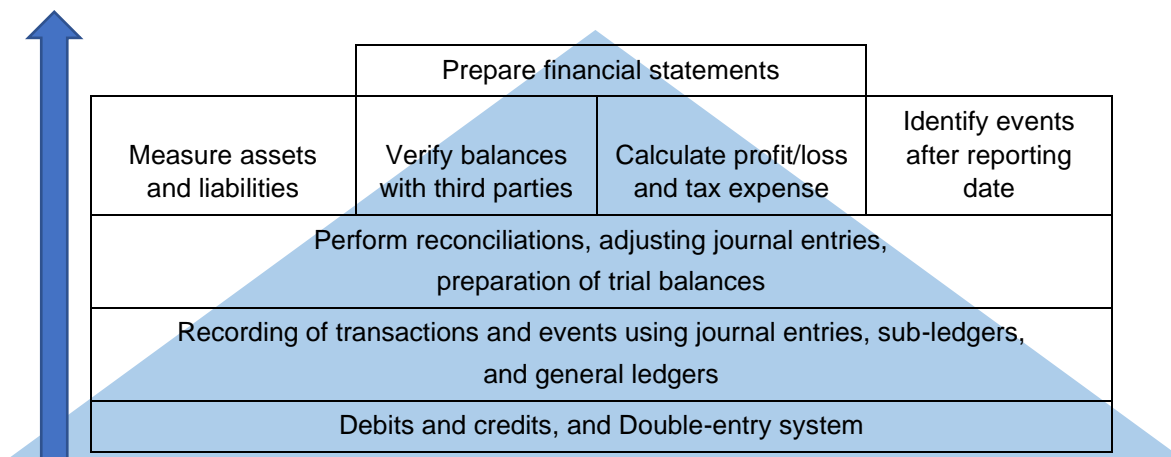
The sequence in which the BCC knowledge is scaffolded in the curriculum is paramount for the provision of the building blocks required for knowledge acquisition in Financial Accounting. For example, for the student accountant to be able to identify, classify, recognise and measure assets and liabilities, calculate profit/loss and tax expense and prepare financial statements, prior knowledge of the accounting equation and the recording of transactions is required. The acquisition of such knowledge forms the building blocks for the student accountant to progress to an advanced level and be able to determine the fair value of net identifiable assets, initial and subsequent recognition and measurement of goodwill and non-controlling interest, and to perform consolidation procedures (see Figure 8.1 below). The complexities associated with the separate identification of an intangible asset, contingent liabilities and the tax implications relating to those net identifiable assets of a BCC transaction (i.e., expert level) require knowledge associated with the identification, recognition and measurement of assets and liabilities (advanced level). Further, to be able to identify and recognise the net identifiable assets acquired (advanced level), the accountant must apply knowledge of the definitions of assets and liabilities in the Conceptual Framework (intermediate and foundation levels). Similarly, prior to being able to prepare group financial statements, the student accountant requires knowledge relating to the recording of transactions, preparation of trial balances and separate financial statements.

These discussions relating the selection and sequence of theoretical BCC knowledge are demonstrated in Figure 8.2 below. The arrow on the left illustrates the direction of theoretical knowledge acquisition.



**Figure 8.2: Illustration of the acquisition of specialised BCC knowledge within the Financial Accounting discipline**

In addition to the theoretical knowledge acquisition demonstrated above, the accountant acquires knowledge of accounting processes and procedures, including the double-entry system, the recording of transactions using journal entries, sub-ledgers, and general ledgers, summarised in trial balances and reported in financial statements. The accountant acquires knowledge of the process 'how' transactions and events are recorded and reported, as demonstrated by the actions and direction of the arrow in Figure 8.3 below.



**Figure 8.3: Illustration of the acquisition of procedural knowledge within accounting, relating to the recording and reporting system**

The recording of accounting transactions and events and the reporting of financial information require knowledge of the application of technology using accounting systems software, which is often acquired outside the accounting discipline, if at all. This is problematic for the acquisition of practical knowledge, as discussed further in section 8.5.3 below.


A curriculum that commences with a basic accounting module that is horizontally integrated with the other business studies modules and vertically supports Financial Accounting knowledge provides for a foundation to acquire a comprehensive understanding of accounting. Start-up business accounting knowledge includes the accounting equation, debits and credits and the double-entry system, the recording of transactions and events using journal entries, performing reconciliations, adjusting journal entries and preparing basic, single entity, financial statements. The importance of including sufficient building-blocks from the foundation level to that of an expert is emphasised by this participant:

*“... it is evident that a lot of time is spent on building foundation of an accurate treatment of basic business combinations and consolidation transactions. A lot of time is spent on illustrating the principles around pro-forma [consolidation] journal entries, financing of the transactions, fair value adjustments on assets and liabilities, treatment of contracts and intangible assets etc. In some instances, although the purpose of using numbers to illustrate*

*the principles behind the treatment of business combination and consolidation transactions is to build on principles- experience from tutorials and lectures has noted that students place so much focus on the numbers/memorising how certain tutorials dealt with a transaction that there is no room for flexibility in their learning because they have used the influx of information as a crutch for building on their foundation or understanding. Which is a flaw. Once again, this is where the emphasis on real life and different practical transactions can help learners visualize the principles and not get bogged down on the overflow of information that emphasizes numbers when illustrating complex transactions. Therefore, while there is a lot of teaching and focus on teaching of principles through numbers/discussions, the emphasis is not always to give learners exposure to the right content.” (Participant 4, Auditor)*

In line with the observation of foundation knowledge and building blocks, this study envisages that a comprehensive and inclusive curriculum includes a foundation course, referred to as a ‘ground-stone course’ and an expert, specialised course referred to as a ‘capstone course’. These concepts are discussed further in sections 8.5.4 and 8.5.5 below. The selection and sequence of BCC knowledge within the Financial Accounting discipline ① is illustrated in Table 8.1 below.

**Table 8.1: Illustration of the selection and sequence of BCC knowledge in the financial accounting discipline**



Applied financial accounting (capstone course)	Complex BCC transactions and case studies, including topical academic research. Step-acquisitions and disposals, fair value adjustments and deferred tax implications, and considerations associated with impairment of goodwill (using estimates and professional judgement). Consolidation of complex groups, including changes in ownership, preparing group financial statements and note disclosures.
Advanced financial accounting	Identify a BCC transaction, measure fair value of net identifiable assets. Initial and subsequent recognition and measurement of goodwill and non-controlling interest. Consolidation process (including software packages and spreadsheets) and preparing group financial statements.
Intermediate financial accounting	Identify and apply the time frames in accounting. Identify, classify, recognise, and measure assets and liabilities. Calculate profit/loss and tax expense. Prepare financial statements.
Business accounting (ground-stone course)	Perform reconciliations, adjusting journal entries, preparation of trial balances, recording of transactions and events using journal entries, sub-ledgers, and general ledgers. Debits and credits, double-entry system, and accounting equation.

The selection and ordering of BCC knowledge illustrated in Table 8.1 demonstrates its hierarchical knowledge structure. The scaffolding of BCC knowledge supports the code drift experienced by the knower from a novice (at the foundation level) to an expert. Progression towards the acquisition of specialised BCC knowledge happens at each level through vertical alignment. As mentioned earlier,

it is important that the evaluation rules support these building blocks when including prior knowledge in the assessment of BCC knowledge. As the knower acquires a deeper understanding of the accounting principles (knowing that) and develops the ability (knowing how) to make informed decisions and apply professional judgement, the accountant experiences a code drift towards becoming a professional accountant.

### *8.5.2 Integration of knowledge in other disciplines (region)*

Epistemologically, a professional accounting curriculum comprises a range of subjects that are fundamentally different in nature and which require very different learning and application practices. BCC knowledge requires a broader specialisation associated with professional knowledge, skills and competencies, some of which are located outside the Financial Accounting discipline, thus accentuating the regional knowledge of the accountant. The application of Bernstein's theories on knowledge structures demonstrates that there are kinds of knowledge that are fundamentally different, with different epistemological origins (for example, Business Law) resulting in difficulties when integrating knowledge in the region (Wolff & Lockett, 2013).

The nature, size and extent of the region is never fixed and disciplines within the region often "express a tension between the demands of disciplines that are constantly searching for new, more general, knowledge, and the demands of the field of practice" (Young & Muller, 2014, p.15). In this sense, it is impossible to describe the extent of regional knowledge associated with BCC, as this may change depending on the field of practice and the complexity of the transaction. The selection of relevant regional knowledge, and the sequence in which it is ordered, together with the theoretical knowledge of other disciplines in the curriculum, supports the basic building blocks of professional knowledge.

The discussions of the BCC case study knowledge in Chapter 7 identified several concepts and meanings that are important to correctly identify a business combination transaction, for example, the internal environment of a business organisation, the legal format of a business, forms of ownership and valuation techniques of assets and liabilities, to name a few. This selection is supported by the participants' identification of the need for broader knowledge to be acquired from other disciplines and its integration with specialised BCC knowledge. For this purpose, the following disciplines have been identified as regional knowledge sources to illustrate their theoretical and practical relevance to BCC knowledge (see Table 8.2 below).

**Table 8.2: Illustration of the region knowledge relating to a BCC transaction**


<p>② <b>Information systems &amp; technology</b></p>	<p>Accounting systems, data security and analytics, and other software applications to enhance business processes and mitigate risks.</p>
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③ <b>Company &amp; Business law</b>	Legal forms of businesses, shareholders and voting power, rights and obligations of owner, role, and responsibility of board of directors, contractual rights and obligations.
⑤ <b>Financial management</b>	Business funding arrangements, cash management, and sources of funding, business financial model and valuation models.
④ <b>Taxation</b>	Income tax and case law, and case studies. Basic tax planning of BCC business transactions.
⑥ <b>Management accounting</b>	Business processes, costs and income allocation. Costing methods and the value creation process. Cost allocations across business units. Transfer pricing systems and the effects of transfer prices capacity utilisations.
⑦ <b>Audit &amp; Governance</b>	Governance structures and practices of the organisation relevant laws, regulations regulatory requirements. Board committees, their charters and duties.

A curriculum that includes BCC knowledge in the Financial Accounting discipline only, without any consideration of regional knowledge, is incomplete. A comprehensive understanding of the complexities associated with BCC is impossible without the prior knowledge of a business, its legal construction and its integration with other disciplines in the region. Sequencing points to the order in which the integration of knowledge within the region happens, for example, when identifying a business combination transaction, decisions and judgements are required relating to the ownership, risks and strategy of the combined entity.

The sequence of acquiring knowledge in the broader region is important for students' ability to link new knowledge with information that is already familiar to them. Thus, the building blocks of specialised BCC knowledge emphasise the importance of vertical, horizontal and diagonal alignment with knowledge acquired in other disciplines. Table 8.3 below illustrates the vertical scaffolding of knowledge, where the novice student acquires knowledge about the business entity, its ownership and how value is created in the business. This informs knowledge about the legal forms of businesses and the roles and responsibilities of shareholders and directors, which informs the existence (or not) of a controlling interest. The funding and business risk decisions inform the decisions associated with the cost of the investment, while real-life case studies and academic research inform the implications associated with the initial and subsequent measurement of goodwill and non-controlling interest.

**Table 8.3: Illustration of the acquisition of knowledge ‘that’ located outside the accounting discipline, relating to a BCC transaction**



⑤ Business risks and strategy	Business risk identification and management, research and critical analysis strategies or techniques (including information technology), manage information (quantitative as well as qualitative) from multiple sources and perspectives through research, analysis, synthesis and integration.
④ Financial management	Organisation’s financial and its business model, financial and valuation models.
③ Business & Company law	Legal forms of businesses, shareholders and voting power, rights and obligations of owner, role and responsibility of board of directors, contractual rights and obligations.
② Business management	Distinguish between different types of entities, ownership, and the roles they play in society, measures of business success and value creation in business.

As described as part of the BCC case study (Chapter 4), the content of a professional accounting programme is strongly aligned with the knowledge, skills and competencies set out in the International Accounting Education Standards (IAEs). The IAEs identify learning and development activities that enhance accountants’ professional competence (Murphy, 2017). These activities are broader than the Financial Accounting discipline and require the selection of knowledge located in other disciplines. Knowledge and competencies include business and financial management, ethical conduct and professional scepticism, legislative environment, and technology, to name a few (IAESB, 2019). The effective integration of regional knowledge and competencies has the potential to develop accountants who behave ethically and create sustainable value for a wide range of stakeholders.

**Information technology ②**

Information technology (IT) can no longer be kept ‘outside’ business studies and accounting, nor viewed as a separate discipline when educating accountants. It forms an integral part of the accountant’s scrutiny, judgement and analysis of transactions and events when applying accounting knowledge (Burnett, Friedman & Murthy, 2010). Several studies have called for the integration of IT competencies into the accounting curriculum (see Apostolou et al. 2016; Boulianne, 2016; Sledgianowski et al., 2017; Al-Htaybat et al., 2018). The integration of knowledge relating to accounting software is illustrated as part of the ‘ground-stone’ course, discussed in more detail in section 8.5.3 below. At a foundation level, this includes cloud computing, while the more complex applications are specialised, such as eXtensible Business Reporting Language, business and data analytics and other software applications that have transformed the way companies report financial

performance and make business decisions (Pan & Seow, 2016). Applications relevant to BCC knowledge are selected for inclusion within the information systems and technology discipline.

The process and procedures of consolidation require the accountant to know about debits and credits, double-entry system and how to combine the trial balances of several entities. Given the use of technology in business operations and systems, application and integration with technology is essential. Technology has a significant impact on the way business operations are managed and financial information is communicated. Participants' responses confirm the importance of information technology knowledge and its absence in the teaching of BCC knowledge:

*“You must understand the nature of the business and the flow of transactions. If the entity makes use of software to assist with the consolidation, the user must understand how the software works.” (Participant 15, Senior manager, Advisory)*

*“...the use of accounting software solutions, to prepare fast and accurate information for clients.” (Participant 19, Senior manager, Professional practices)*

*“In practice, consolidations are a lot easier than in taught examples, and rely on technology (spreadsheets), which are never used as a teaching medium.” (Participant 11, Senior business consultant, Advisory)*

Accounting software packages have been developed to provide real-time financial information for decision-making, thereby forming an integral part of the accountant's scrutiny, judgement and analysis of transactions and events when applying accounting knowledge, as confirmed in this statement:

*“...the use of accounting software solutions, to prepare fast and accurate information for clients...” (Participant 19, Senior manager, Professional practices)*

The use of information technology is an enabler that requires procedural knowledge of the processing of accounting transactions and events, and the consolidation process. Several technology user competencies are required in support of BCC knowledge, as summarised in Table 8.4 below:

**Table 8.4: Use of technology knowledge in the consolidation process**

<b>Use of technology</b>	<b>Accounting applications</b>
Accounting software systems and packages	Complete and accurate recording of accounting transactions. Recording of transactions in a single trial balance, supported by details of transactions and events recorded in the general ledger.
Consolidation software packages or spreadsheets	Combining (adding together) the assets, liabilities, income, and expenses of all entities in the group, record consolidation journal entries in different reporting periods.

Use of technology	Accounting applications
Word processing software	Communication of financial and other information (for example letters, memoranda, reports, working papers, and other written correspondence) relating to legal, ethical, regulatory and business requirements of BCC transaction.
Data security	Use of secure data sites and ensure safeguarding of information technology resources where the information is stored. For example, organisational IT infrastructure, laptops (and other portable devices), software, cloud (and other) storage.

The sequence of acquiring expert knowledge within the Information Technology discipline is specialised. Thus, sequential alignment with prior knowledge (horizontal) and accounting knowledge (vertical) is essential. For example, accounting students require knowledge about the use of accounting software to process accounting transactions, produce a trial balance and analyse exception reports. At a more advanced level, progression is achieved when knowledge of consolidation software (including the application of spreadsheet technology) is demonstrated.

Not only do businesses rely on technology for communication, marketing and advertising of their products, the reliance and integration of technology is noticeable when placing product orders, making online sales and receiving electronic payments. These systems require reliable, accurate, complete and real-time accounting software to record and report financial and non-financial information. Based on the technology applications in a BCC transaction described above, the integration of technology knowledge is of paramount importance for the accountant's knowledge acquisition.

In addition to knowledge about information systems and technology, the curriculum for the education of accountants includes other regional knowledge located in legal studies, financial management, taxation, management accounting and auditing.

### Legal knowledge <sup>3</sup>

An essential aspect of knowledge about businesses and more specific BCC knowledge, is the knowledge located in legal studies, such as company law and business law. Epistemologically, studies in law have their own discourse and are fundamentally different in nature to that of accounting, although a strong legal knowledge is essential for achievement as an accountant. For example, prior to the initial recognition, the accountant is required to identify a BCC transaction. This requires a selection of knowledge associated with the legal disciplines, such as the type of business entity acquired, its ownership and the respective voting rights (to determine whether a controlling interest has been acquired) and the rights and conditions stipulated in the binding contract.

## **Taxation** ④

Taxation, seen as a significant section of the field of knowledge of the accountant, is also positioned within legal studies with its focus on tax law and cases. Studies in taxation include the obligating principles associated with the payment of taxes by different entities, corporations and individuals. Several forms of taxation are considered, including income tax, capital gains tax, value added tax, dividend tax and so forth. Knowledge in the Taxation discipline informs the tax consequences of the BCC transaction, for example, prior to the acquisition date, the decision whether to acquire the individual assets and liabilities (as an operating business) or the equity of the acquiree may have tax consequences. At the acquisition date, the accountant is required to determine the fair values of the net assets acquired and the respective deferred tax implications. Even though deferred tax is an accounting concept, the underlying principles for determining and measuring deferred tax are located within the legal taxation requirements.

## **Financial Management** ⑤

The discipline of financial management is broad with several areas of specialization relating to the nature of finance, performance, risk management, and the industry in which the business operates. Within the specialised BCC knowledge, the settlement of a BCC transaction requires Financial Management knowledge about funding options and sources of funding, cash management and valuation models. Thus, the order in which this knowledge is located in the design of Financial Management courses and where it is placed in the curriculum (the sequence) support diagonal and horizontal integration of the acquisition and scaffolding of regional knowledge at the intermediate level.

## **Management Accounting** ⑥

Knowledge associated with the costing models, inventories management and the process of value creation are in the Management Accounting discipline, among several others. One of the motivations for entering a BCC transaction relates to the synergies between the entities and benefiting from these synergies in its value creation process. Group entities often transact with each other, for example, performing management duties on behalf of another entity and selling assets to another group entity. Such inter-group transactions are often important for the overall value creation process but have entity specific implications. For example, the transfer of inventory from one entity to the other may be at prices that are not market related, resulting in the 'movement' of profits between entities. Such inter-group transactions affect the profitability of the respective entities and their shareholders (for example, transfer-pricing) and have taxation implications.

Consolidation procedures require the elimination of inter-group transactions and the resultant reporting of the group profits as that of a single entity. These are important principles associated with

BCC knowledge highlighting the inter-connectivity of knowledge in the region and the order in which it is included in the curriculum.

## **Auditing and Governance** 7

The accountant acquires knowledge located in the Auditing discipline, which includes several areas of specialization, for example, internal audit, external audit, forensic auditing and governance. When focusing specifically on the auditing of a BCC transaction and event, the accountant is required to establish the validity of the contract, verify the fair values of the net identifiable assets and establish whether the BCC transaction has been correctly recorded. Further, the auditor is required to evaluate the consolidation process and procedures and perform an external audit on all the aspects of the group financial statements. This demonstrates the interconnectivity of knowledge acquired in the Financial Accounting discipline and Auditing discipline, thus pointing to the importance of planning the sequence of knowledge in these courses to achieve horizontal, diagonal and vertical alignment.

In summary, these descriptions refer to several disciplines located in the broader regional knowledge associated with a BCC transaction. The selection of regional knowledge located in these disciplines that inform a BCC transaction is paramount for the education of accountants. The sequence in which these respective disciplines are located in the curriculum, and the ordering of the respective areas within each discipline to enable the scaffolding of knowledge supports the vertical and horizontal alignment in the curriculum. Progression in the region depends on achievement in each of the disciplines, for example, not acquiring the legal knowledge associated with shareholders, boards of directors and voting rights may result in a gap in identifying the existence (or not) of control in a BCC transaction. This highlights the importance of integration of regional knowledge when evaluating the acquisition of BCC knowledge.

### *8.5.3 Integration with field of practice* 8

The fields of practice are the specialised practical contexts in which professionals exercise knowledgeable and reasoned judgements (Young & Muller, 2014), where they draw on their acquired knowledge and apply that in practice. The curriculum is the platform that facilitates the transition from knowledge to practice. Acquiring practical experience during university studies has been identified as relevant to student learning and what they bring back into the classroom (Cloete, 2018). This can either happen in the workplace or within a learning environment that simulates key aspects of the workplace (Abeysekera, 2006; Reeders, 2000) and serves as an interaction between the student and the external environment.

Studies in accounting education have identified several innovative methods of pedagogy that develop students' practical, problem-solving abilities, for example, simulations and role plays (Fortin & Legault 2010), interactive case studies, games and group work (Jayaprakash, 2005). However,

teaching methods often have no significant effect on students' academic performance (Turkey, Hosal-Akman & Simga-Mugan, 2010) if these are not embedded in the curriculum and students' learning experiences. Participants in a study in New Zealand (Wells, Gerbic, Kranenburg & Bygrave, 2009) identified education quality items to include "learning experiences based on real-life case studies that specifically develop the interpersonal and personal skills needed in my particular profession" and the "use real-life workplace problems" (p. 413). Similar challenges of learning in the field of practice have been identified by research participants in this study:

*"I think overall, the most difficult thing about learning these standards are to put it into practice. Business Combinations and Consolidations are done at a very high level and does consider the complexities that occur when dealing with this in practice." (Participant 10, Auditor)*

*"We emphasis to little on the principles with simplified scenarios that we do not educate on the practical reality. Transactions is complex and in most instances, things are not black or white but grey. Education should put more emphasis on decision making and interpretation." (Participant 13, Associate director, Professional practices)*

As noted earlier, the relationship and interaction between theory and practice lies at the heart of professional knowledge (Young & Muller, 2014). Several professions, for example, Health Sciences and Engineering, include a practical component as an integrated part of the curriculum. Professional accountancy education programmes usually comprise an academic and a practical training component. Part-time academic programmes facilitate combining the academic and training components, although for full-time students, these are usually two distinct learning experiences. This participant commented on the gap between university studies and the training period (referred to as articles):

*"Too theoretical, I think there are gaps in practical application in what we are studying. Because it is a shock when starting with your articles after you studied." (Participant 2, Group accountant)*

Other challenges, such as the socio-economic background of students, their schooling and lived experiences, impact on their access to practical experiences. In response to the question of how BCC knowledge was acquired, the value (or lack) of practical experience was emphasised by these participants:

*"Basic principles and IFRS theory gleaned from education at university. Virtually no exposure during training in practice. The practical side of my understanding has been develop [sic] through experience." (Participant 6, Group accountant)*

*“Knowledge of the accounting standards and tax implications, practical experience, legal knowledge to understand how the agreements should be implemented.” (Participant 12, Director)*

*“In depth knowledge of the relevant accounting framework standards and practical experience in business combinations and consolidations.” (Participant 17, Senior manager, Professional practices)*

Practical experience in accountancy, while being enrolled as a full-time student, is not commonly available, especially in SA. In some cases, candidates may be able to enrol for vacation work. This participant reflects on his experience during vacation work, flagging the limited exposure and practical learning:

*“I did vac work, they put us all in a room and we did team building exercises and we learned about the company culture and I walked away maybe with a free pencil bag and backpack. I learned nothing. So I think it really comes down to what does the vac work look like, and the bigger firms they have very strict processes and high profile clients, so to grab somebody from university and put them on the [xx] audit - I think the employer will feel that is a very big risk and that they will end up having to baby the person in order to get through the four to six months because they don't know anything. And they will be a liability. Often, I think people get vac work and get shut in the corner and having to make coffee, and not practically learning about what it actually is going to be.” (Participant 20, Small business owner)*

Knowledge in accounting includes theoretical and practical knowledge associated with the recording and reporting processes of transactions and events. While the content and applications are acquired during university studies, the practicality of accounting in the world of work is seldom addressed. The accounting curriculum combines the theoretical ('knowing that') and practical ('knowing how') knowledge, but often fails to allow students the opportunity to experience the application of this knowledge in the world of work (in practice). In lieu of the practicality of accounting, students are encouraged to seek opportunities to acquire work experience while studying (for example, internships or vacation work).

Linking the curriculum content with the field of practice enables students to transfer academic knowledge to the workplace. Selecting a practical component in the curriculum may include, among others, the use of real-life case studies, a video simulation course and a field experience. By working through case studies and solving complex, realistic 'problems' portrayed through practical scenarios, students learn the practical application of theoretical issues. However, Hesketh (2004) points out that the success of case studies depends on the trustworthiness of the findings and their possibilities for wider relevance. A video simulation course enables a virtual experience of a simulated, practical event (for example, in auditing, see Siegel, Omer & Agrawal, 1997). Including a field experience

combined with an assignment in the curriculum may provide space for the integration of BCC knowledge within the discipline and the broader regional knowledge and linking it with the field of practice.

Full-time accounting students are novice in their knowledge and practical experience. The sequence in which content is included in the curriculum (see sections 8.5.1 and 8.5.2) enables the building blocks by which knowledge is acquired. Aligning practical experiences with the acquisition of theoretical knowledge not only supports the learning experience but also achieves progression. However, such practical experience should not be limited to pedagogical interventions, a deliberate selection of practical exercises, case-studies and assignments that include evaluation of acquisition, supports the development of the novice accountant in becoming the expert. Two practical components relating to BCC knowledge are identified at each of the intermediate and advanced levels in Table 8.5 below. The purpose of the respective components is also identified.

**Table 8.5: Illustration of the selection and sequence of a practical component in the curriculum, relating the BCC knowledge**

Level	Purpose	Practical component <sup>⑧</sup>
Advanced	Identify, analyse and interpret a real-life BCC transaction	Assignments that include real-life case studies of recent BCC transactions.
Intermediate	Experience a business operation and its activities	Participate in practical business activities, including the acquisition and disposal of assets and liabilities, and determining profitability.

The construction of BCC knowledge over the period of a 4-year curriculum takes into account the entry-level academic requirements of students and then provides building blocks scaffolded over the period taking into account the vertical integration of knowledge within the Financial Accounting discipline, as well as the diagonal and horizontal integration across the region. This is supported by a deliberate integration with practical experiences embedded in the curriculum.

The acquisition of theoretical and practical knowledge in accounting is hierarchically structured, thus requiring careful consideration of the acquisition of foundational knowledge in a 'ground-stone' course and demonstrating the integration of knowledge in a final year, 'capstone' course. The principles for designing a framework for curriculum change are discussed next.

#### 8.5.4 'Ground-stone course' at foundation level <sup>⑨</sup>

A novice accounting student is unable to identify accounting principles and does not know how these principles apply in a business context, without prior knowledge of what a business is and how it operates. The requirement of the need for business knowledge and skills development from year 1 was identified earlier in the study by Gammie, Gammie and Cargill (2001). A 'solid foundation' of business knowledge is required that not only introduces several concepts such as business forms, operations and systems but it also supports the integration of such knowledge. As mentioned earlier,

when there is no integration of knowledge between disciplines, students are unable to make the links, resulting in ‘silo’ learning. The combination of knowledge of what a business is and how it operates in a single ‘Business studies’ unit, introduced earlier as a ‘ground-stone course’, comprises of several relevant concepts, which are identified in four focus areas (or modules), broadly illustrated in table 8.6 below.

**Table 8.6: Illustration of broader content selection of business studies ‘ground-stone’ course.**

<b>Business accounting ①</b>	<b>Business operations ⑥</b>	<b>Business systems &amp; IT ②</b>	<b>Business management ⑤</b>
Perform reconciliations, adjusting journal entries, preparation of trial balances, recording of transactions and events using journal entries, sub-ledgers, and general ledgers, debits and credits, double-entry system, and accounting equation.	Identify different forms of business operations and sectors.  Business processes, costs, and income allocation, including how it serves stakeholders such as customers, employees, surrounding community and investors.	Identify, design, and evaluate business systems and controls.  Accounting software applications  Other applications, for e.g., Excel spreadsheets and Word documents.	Distinguish between different types of entities, ownership, and the roles they play in society, measures of business success and value creation in business.

The ground-stone course allows students to acquire knowledge at a foundation level across various disciplines. The selection of content is at a foundation level, while the sequence is weakly framed as knowledge about what a business is and how it operates ‘circulates’ among these modules. The relevance of concepts and principles is demonstrated with reference to practical applications in small business operations using case studies and projects. Such a ground-stone course provides an opportunity to combine and integrate foundation knowledge relating to all areas of a business and allows for the connections to be visible to students. It provides for a broader understanding of the various aspects associated with the operations of a business, its systems, controls and management, thereby supporting integrated learning. Progression is achieved when the student accountant demonstrates acquisition of the broader business studies knowledge, including distinguishing between different types of entities’ ownership, shareholders and voting power, rights and obligations of owners, and identifying assets, liabilities and owners’ equity.

Even though participant 13 does not specifically refer to foundation-level knowledge, the integration of knowledge is supported by this comment:

*“During your education you learn and is assessed on individual subjects / topics. In practice things does not work in silos, you need to be able to be able to consider more than one scenario and that is a gap in current education.” (Participant 13, Associate director, Professional practices)*

The design of a ground-stone course allows for the acquisition of several competencies and skills at the foundation level. Studies in accounting education have identified competencies associated with intellectual and interpersonal skills, such as communication, time management and teamwork skills, and reading comprehension and listening skills (Butler's, 2016; Coetzee, Janse van Rensburg & Schmulian, 2016; Levant et al., 2016; Riley & Simons, 2016; Webb & Chaffer, 2016). The novice accounting student acquires foundation competencies when the curriculum is designed to facilitate integration and pedagogic activities include reading relevant news articles and making summaries, writing reports, working on team projects and presenting their findings. The purposeful planning of integrated projects and assignments across the modules of the ground-stone course enables the evaluation of achievement.

#### 8.5.5 Capstone course at expert level <sup>10</sup>

Recommendations identified and outlined by the Pathways Commission (AICPA) (2012) include the integration of research, education and practice. Accountancy programmes have been criticised for being overly technical and artificial (Humphrey et al., 1996; Boyd, 2004; Boyce, 2008), while professional bodies and accounting firms (the employers) indicate that accounting education programmes need to be more relevant to the market. In addition to technical knowledge in accounting, accountants require professional competencies to improve success in their future professional careers (Ballou, Heitger & Stoel, 2018). These include critical thinking skills (Carmona, 2013; Howcroft, 2017; Terblanche & De Clercq, 2019), business ethics, ethical values and conduct (Christensen et al., 2016; Dellaportas et al., 2014; Jennings, 2004; Keevy, 2020; Martinov-Bennie & Mladenovic, 2015; McDonald, 2004; Sorensen, Miller and Cabe, 2017; Taylor, 2013) and professional skills (Ballantine & McCourt Larres, 2009; Kavanagh & Drennan, 2008; Tan & Laswad, 2018).

In line with the descriptions above of identifying the use of real-world case studies, this participant describes how this enhances critical thinking:

*“The critical thinking – not relying on the A4 world examples to comprehensively teach the topic. I think real-world case studies would make a difference in how easily the knowledge can be translated in practice.” (Participant 21, Small business owner)*

This participant identified the importance of practical experience with BCC transactions when applying judgement and professional scepticism:

*“It [BCC] takes an understanding of the underlying IFRS principles as a basis of outlining what treatment is required for certain transactions. Further to this is the experience that comes with practical business combination and consolidation transactions that are seen in reality as these present difference nuances and complexities that the principles of IFRS can*

*be applied to, but that also require a significant amount of judgement and advice which comes from experience and having seen a number of these types of transactions across different industries.” (Participant 4, Auditor)*

Some participants identified a lack of experience with complex BCC transactions and applying judgement and materiality as a gap in their university studies:

*“Generally, the complex transactions, which require judgement, are driven by industry knowledge and norms.” (Participant 9, Group finance)*

*“Accounting for some items in business combinations where judgement is required, such as intangible assets and contingencies.” (Participant 17, Senior Manager, Professional practices)*

*“To be able to interpret and apply the standards by using my specialist knowledge, experience, judgement and research skills.” (Participant 18, Associate Director – Professional practices)*

The acquisition of these competencies combined with the technical knowledge, while integrating regional knowledge, is best located in a final-year capstone course. A capstone unit provides an opportunity to combine and integrate prior knowledge and make the connections concrete and visible to students (Stanley & Marsden, 2013). To increase academic rigour in the final year of university studies, a capstone course facilitates integrated learning, improves a broader understanding and confidence among students and supports the development of skills such as teamwork, research and investigation, critical thinking, communication and presentation skills. In most cases, capstone courses and projects are interdisciplinary, in the sense that they require students to apply skills or investigate issues across many different subject areas or domains of knowledge (West, & Buckby, 2020). Capstone projects also tend to encourage students to connect their projects to community issues or problems and to integrate outside-of-school learning experiences, including activities such as interviews, scientific observations or internships.

Regional and practical integration is particularly relevant in capstone courses and when using case study assessments, as identified by this participant:

*“I think less focus should be spent on performing the BCC, but rather more focus on assessing the BCC. Therefore, instead of asking a student to perform a BCC over-and-over-again, rather give him/her a completed BCC and let that student then assess whether the BCC is reasonable by applying his/her technical skills, judgement, etc.” (Participant 5, Consultant)*

The selection of BCC knowledge for inclusion in a capstone course at the expert level are illustrated in Table 8.7 below.

**Table 8.7: Illustration of BCC content selection of capstone course.**

<p><b>Integrated reporting, strategy and risk, mergers and acquisitions</b> ⑩</p> <p>Financial proposals and planning of the organisation's strategic objectives.</p> <p>Complex BCC transactions and case studies, including topical academic research that analyse and evaluate the impact, risks and financial implications of mergers, acquisitions and divestitures on business strategy and organic growth options for the organisation.</p> <p>Funding arrangements, its, costs, benefits, implications for operational and future financing decisions and tax, and other legal implications. ⑤</p> <p>Valuation methods (e.g., asset-based approaches, discounted cash flow, market-based approaches) to analyse and interpret a plausible range of values for a business unit or an organisation, valuation methods to value new-age businesses. ⑤</p> <p>Step-acquisitions and disposals, fair value adjustments and deferred tax implications, and considerations associated with impairment of goodwill (using estimates and professional judgement).</p> <p>Consolidation of complex groups, including changes in ownership, preparing group financial statements and note disclosures.</p>
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Participants identified the need for practical experience to support knowledge, thereby reinforcing the fact that being able to apply theory to practical situations is what most graduates are expected to do in practice, for example:

*“I think there is a practical element that is missing: performing a process end-to-end and producing documentation to substantiate and justify the treatments chosen– a project if you like. Generally, transactions such as a merger, will not be done under time pressure; will require a collaborative approach; will require documentation, presentation & evaluation of both the current and longer term effects of the accounting (and of course underlying performance) for the transaction. I am not advocating a Group project, as I believe those have their own drawbacks, but there is a broader skillset required than I believe is currently assessed at University.” (Participant 6, Group accountant).*

This participant referred to a ‘group project’ that required a collaborative approach, including presentation and evaluation. This points to two major elements of a capstone unit or project, namely the elements of integration and intellectual consolidation (Stanley & Marsden, 2013). A capstone project located in a real-life scenario is a multi-faceted assignment that serves as a culminating academic and intellectual experience for students at the end of the learning-pathway. Capstone projects are generally designed to encourage students to think critically, solve challenging problems and develop skills such as oral communication, public speaking, research skills, media literacy, teamwork, planning, self-sufficiency and goal setting – i.e., skills that will help prepare them for the world of work (Dzuranin, Jones & Olvera, 2018).


The purpose of a capstone unit is to integrate knowledge, provide students with an opportunity to reflect on prior learning and the programme as a whole and to prepare them for the transition into


the professional workplace (Stanley & Marsden, 2013). Including a capstone course in the curriculum provides space for the integration of BCC knowledge within the discipline and the broader regional knowledge and linking it with the field of practice.

8.5.6 Positioning BCC knowledge in the curriculum

The discussions and descriptions in this chapter locate BCC knowledge in the broader curriculum of professional accountancy, demonstrating the selection of knowledge, its location in the different disciplines and the building blocks of specialised knowledge in the way that the knowledge is ordered, paced and evaluated. The choices of selection, sequence and ordering of BCC knowledge in the curriculum are demonstrated in Table 8.8 below. The framework identified in the sections above are illustrated in the table using the same numbering system.

**Table 8.8: Illustration of the location of BCC knowledge in the curriculum**

Level	Positioning BCC knowledge in the curriculum	
Expert 	<p style="text-align: center;"><i>'Capstone' course</i> 10</p> <p><b>Integrated reporting, strategy and risk, mergers and acquisitions</b></p> <p>Financial proposals and planning of the organisation's strategic objectives.</p> <p>Complex BCC transactions and case studies, including topical academic research, 1 that analyse and evaluate the impact, risks and financial implications of mergers, acquisitions and divestitures on business strategy and organic growth options for the organisation 5</p> <p>Funding arrangements, its, costs, benefits, implications for operational and future financing decisions and tax, and other legal implications 5</p> <p>Valuation methods (e.g., asset-based approaches, discounted cash flow, market-based approaches) to analyse and interpret a plausible range of values for a business unit or an organisation, valuation methods to value new-age businesses 5</p> <p>Step-acquisitions and disposals, fair value adjustments and deferred tax implications, and considerations associated with impairment of goodwill (using estimates and professional judgement) 1 4</p> <p>Consolidation of complex groups, including changes in ownership, preparing group financial statements and note disclosures 1</p>	Other majors

<b>Advanced</b>	<p><b>Financial accounting ①</b></p> <p>Consolidation process (including software packages and spreadsheets), Fair value of net identifiable assets, and deferred tax implications, Initial and subsequent recognition and measurement of goodwill.</p>	<p><b>Audit &amp; Governance ⑦</b></p> <p>Governance structures and practices of the organisation relevant laws, regulations regulatory requirements.</p> <p>Board committees, their charters and duties.</p>	<p><b>Taxation ④</b></p> <p>Income tax and case law, and case studies.</p> <p>Basic tax planning of BCC business transactions.</p>	<p><b>Management accounting ⑥</b></p> <p>Costing methods and the value creation process.</p> <p>Cost allocations across business units.</p> <p>Transfer pricing systems and the effects of transfer prices capacity utilisations.</p>	<p><b>Practical component ⑧</b></p> <p>Assignments that include real-life case studies of recent BCC transactions.</p>
<b>Intermediate</b>	<p><b>Financial accounting ①</b></p> <p>Identify, classify, recognise, and measure assets and liabilities, Calculate profit/loss and tax expense.</p> <p>Identify events after reporting date.</p> <p>Prepare financial statements.</p>	<p><b>Company &amp; Business law ③</b></p> <p>Legal forms of businesses, shareholders and voting power, rights and obligations of owner, role and responsibility of board of directors, contractual rights and obligations.</p>	<p><b>Information systems &amp; technology ②</b></p> <p>Accounting systems, data security and analytics, and other software applications.</p>	<p><b>Financial management ⑤</b></p> <p>Business funding arrangements, cash management, and sources of funding, business financial model, and valuation models.</p>	<p><b>Practical component ⑧</b></p> <p>Participate in virtual/augmented business activities, including the acquisition and disposal of assets and liabilities, and determining profitability.</p>
<b>Foundation</b>	<p><i>'Ground-stone' course: Business studies ⑨</i></p> 				<p>Other foundation disciplines, for example:</p> <ul style="list-style-type: none"> <li>-Economics</li> <li>-Maths &amp; Stats</li> </ul>
	<p><b>Business accounting ①</b></p> <p>Perform reconciliations, adjusting journal entries, preparation of trial balances, recording of transactions and events using journal entries, sub-ledgers, and general ledgers, Debits and credits, Double-entry system, and Accounting equation.</p>	<p><b>Business operations ⑥</b></p> <p>Identify different forms of business operations and sectors.</p> <p>Business processes, costs and income allocation, including how it serves stakeholders such as customers, employees, surrounding community and investors.</p>	<p><b>Business systems &amp; IT ②</b></p> <p>Identify, design, and evaluate business systems and controls.</p> <p>Accounting software applications.</p> <p>Other applications, for e.g. excel spreadsheets and word documents.</p>	<p><b>Business management ⑤</b></p> <p>Distinguish between different types of entities, ownership, and the roles they play in society, measures of business success and value creation in business.</p>	

The various discussions and findings in this chapter point to the construction of BCC knowledge in a holistic accountancy curriculum. It is important that the curriculum as a whole, as well as the individual courses and modules, include specialised knowledge which is balanced with sufficient time to build knowledge and develop skills. This requires a process of integration of discipline knowledge with regional knowledge and linking these with the field of practice. These descriptions illustrate the ordering of BCC knowledge over the 4-year academic programme. Clear selection and sequencing principles that support the scaffolding of knowledge and competencies, for example, vertical, diagonal and horizontal coherence of knowledge and competencies, are useful to counteract curriculum overloading. These principles for designing of a framework for curriculum change are summarised in Table 8.9 below:

**Table 8.9: Summary of the principles for the design of a curriculum framework for BCC knowledge**

A curriculum framework for BCC knowledge in the accounting curriculum		
	Discipline	Design principles
1	Financial Accounting	<p>Selection of knowledge within the field originates from accounting standards, guidelines and insights from accountants and auditors, and academic research.</p> <p>Sequence and ordering of knowledge over the four academic years that supports vertical alignment and scaffolding of knowledge.</p>
2	Information systems and technology	<p>Selection of specialised BCC knowledge located in other disciplines in the region.</p> <p>Sequencing that supports vertical and horizontal alignment and scaffolding of knowledge across the disciplines.</p>
3	Legal courses	
4	Taxation	
5	Financial Management	
6	Management Accounting	
7	Auditing and Governance	
8	Practical component	<p>Selecting a practical component for inclusion in the curriculum to expose students to the field of practice. For example, real-life case studies, simulations, and field experiences.</p> <p>The sequence of practical components is vertically and horizontally aligned with the order of theoretical knowledge, with the purpose of illustrating its application in practice.</p> <p>Progression is achieved when the student reflects on the experience and demonstrates an understanding of the application of the theoretical knowledge in the field of practice.</p>
9	Ground-stone course	<p>A ground-stone course allows students to acquire knowledge at a foundation level across various disciplines. The selection of content is at a foundation level, while the sequence is weakly framed as knowledge about what a business is and how it operates 'circulates' between these modules. The relevance of concepts and principles is demonstrated with reference to practical applications in small business operations using case studies and projects. Progression is achieved when the student</p>

A curriculum framework for BCC knowledge in the accounting curriculum		
		accountant demonstrates acquisition of the broader business studies knowledge.
10	Capstone course	<p>A capstone course that selects specialised regional knowledge linked with the field of practice (using case studies) and academic research which supports the acquisition of professional competencies such as teamwork, research and investigation, critical thinking, communication and presentation skills.</p> <p>The location of the capstone unit in the final year of the studying period provides for integrated understanding.</p> <p>Progression is achieved when the student participates in an integrated case-study and can demonstrate mastering of concepts and principles, critical thinking and decision-making, and effective communication and presentation of knowledge.</p>

Accountants' knowledge base is located within the discipline of Financial Accounting together with knowledge accrued from other disciplines, thus combining specialised regional knowledge in the field of practice. For example, accounting students initially learn about accounting theories when studying the Conceptual Framework containing accounting principles, definitions and the recognition and measurement criteria of assets and liabilities. Later, they learn more about BCC knowledge through understanding and applying the identification and classification of assets and liabilities. But it is only when students have acquired knowledge from other disciplines, for example, Business Studies, Financial Management and Law, that they are able to comprehend and unpack the complexities of a BCC transaction. This demonstrates the "double movement in the professional curriculum" (Young & Muller, 2014, p. 14) that requires students to shift from "a singular to a regional mode".

The accounting curriculum is a linear progression that usually extends over 4 years of 'formal' university studies. The scaffolding of knowledge in the curriculum framework is spread over this period as follows:

- **Expert level:** Integrated specialised knowledge in single capstone course.
- **Advanced level:** Disciplines with vertical, horizontal and diagonal integration.
- **Intermediate level:** Disciplines with vertical, horizontal and diagonal integration.
- **Foundation level:** Basic knowledge combined in single 'ground-stone' course.

A strong foundation level course is envisaged, referred to as a 'ground-stone course', which provides for a selection of basic business studies knowledge that supports BCC knowledge, as well as a broad basis for further studies in accounting and other disciplines. At the final year of the study period, a capstone course integrates prior discipline and regional knowledge acquired with the field of practice and academic research. Such a course supports integrated learning (as opposed to silo learning) and the acquisition of professional competencies such as teamwork, research and investigation, critical thinking, communication and presentation skills.

An effective curriculum design is enhanced by evaluation logics that support the scaffolding and integration of knowledge within the discipline, across the region and with reference to the field of practice. Progression is achieved through assignments and assessments that appropriately integrate cumulative knowledge at each of the respective levels. In other words, progression within the Financial Accounting discipline requires the evaluation of prior and current knowledge, and progression in the capstone course requires demonstration of the acquisition of both Financial Accounting and regional knowledge, as well as professional competencies.

## **8.6 Conclusion**

BCC knowledge is specialised in that it is gained through education and experience. Its specialised nature is recognised in its hierarchical knowledge structure, where prior knowledge is integrated, requiring conceptualisation of the purpose and structure when reporting entity-specific information in consolidated financial statements. For example, a business owner may negotiate a merger or take-over of another entity (i.e. business combination), whereas a bookkeeper is able to provide the trial balances of the respective entities, the accountant identifies, recognises and measures the various components of the transaction and prepares consolidated financial statements.

This chapter describes the construction of BCC knowledge with the aim of identifying and demonstrating its recontextualisation in an accounting curriculum. Recontextualizing logics regulate what knowledge is included in the curriculum and how this knowledge is selected, rearranged and transformed within and across the curriculum to become pedagogic discourse. The descriptions and findings in Chapters 5, 6 and 7 are used to inform these recontextualizing logics. Revealing the construction of BCC knowledge, this chapter brings together the findings of RQ1 and RQ2 to establish the principles for designing of a framework for the inclusion of BCC knowledge in the curriculum (RQ3). The framework exhibits the selection, sequencing, ordering and pacing of BCC knowledge in the curriculum when educating accountants.

## Chapter 9 Summary of findings and conclusion

### 9.1 Introduction

This final chapter first provides a short summary of the position and relevance of the study in the field of accounting education. A summarised description of the research design and findings is then presented, followed by the contribution to knowledge and implications of the study. The chapter concludes with reflections by the researcher, the limitations of the study and suggestions for future directions.

### 9.2 Position and relevance of the study

A global shift to 'knowledge-based economies' has led to national and institutional curriculum debates about how best to prepare graduates for a knowledge economy (Shay, 2015) while embracing both the local and global citizen (Clifford & Montgomery, 2017). Professional accounting bodies and accounting educators have embarked on studies that identify the competencies required of accounting students in preparation for various challenges associated with a career in the accounting profession. While accounting programmes continue to focus on accounting rules and regulations, concerns have been raised that accounting education fails to provide the required skills, durable knowledge and lifelong learning opportunities.

The main themes in accounting education literature (see Chapter 2) include a renewed focus on the integration of knowledge (i.e., theoretical knowledge and the field of practice), professional competencies such as ethics and ethical behaviour, decision-making and critical thinking (to name a few), and the use of technology (both as an application of knowledge and in the teaching and learning of students). While some studies identify and describe the urgent need for change in the education of professional accountants, a gap exists in the literature relating to the description of the underlying organising principles of accountancy knowledge and the development of a framework for curriculum design. This study addresses this gap that has been identified in the literature by applying the theory of knowledge located in the field of sociology to investigate and analyse the production of accounting knowledge, knowledge and knower structures in accounting and its implications for the design and construction of a holistic accounting curriculum.

This study uses the seminal work of Bernstein's (2000) pedagogic device to describe the social structures of accounting knowledge and Maton's (2014) LCT to explain knowledge and knower structures in accounting and its epistemic and social relations. With reference to the field of production of accounting knowledge, knowledge and knower structures in accounting and recontextualizing logics, this study demonstrates the hierarchical knowledge structure of accounting and the implications for the design of an integrated curriculum containing both discipline and regional knowledge.

Using a case study, this study explores the sites of production of accounting knowledge and analyses its knowledge and knower structures. Then, with reference to the recontextualizing logics, a framework for the design of a curriculum for the education of accountants is constructed. BCC, the case study, is positioned in the Financial Accounting discipline. BCC knowledge is identified as having a hierarchical knowledge structure, requiring the integration of prior knowledge and conceptualisation of the purpose and structure of BCC transactions and their specialised nature. The construction of BCC knowledge in the curriculum recognises the scaffolding of knowledge within the discipline and integration with knowledge in other disciplines.

Although this study was conducted in SA, it has a broader, international relevance when conceptualising the production of accounting knowledge and the knowledge and knower structures of accounting. As future accounting and business professionals are required to think in diverse and integrated ways, they are required to adopt transdisciplinary approaches to solve complex system-design problems. The particular relevance (and contribution) of the study is its identification and construction of a framework for the design of an integrated accounting curriculum containing both discipline and regional knowledge. The contribution of this study in the broader field of sociology, and the field of accounting education specifically, is articulated in section 9.4 below.

### **9.3 Research description, design and findings**

Bernstein's (2000) concept of the pedagogical device and the work of Maton (2104) and others support the development of a theoretical understanding of differentiated knowledge domains and the extent to which this impacts on curriculum design. The study considers three interrelated research questions that identify the sites of production of accounting knowledge, analyse and describe the knowledge and knower structures of accounting and demonstrates how the construction of specialised knowledge in the curriculum requires an incremental and integrated approach.

Following a qualitative research methodology, the data collected for this study was purposively selected. The primary data source that informs this thesis includes observations and perceptions gathered from purposively selected participants, supported by secondary data obtained from academic research studies, and documents, guidelines, insights and artefacts produced by professional accounting and auditing firms. These various data sources allow for data triangulation by providing different origins, insights and perceptions obtained from accounting experts. Given the extent of the field of professional accountancy knowledge, this study refers to a specialised section, namely Business Combinations and Consolidations, as a case study. The purposive sampling method was used, both for the identification and selection of participants and the selection of BCC as the case study. Participants in this study were purposively selected on the basis that they are accounting experts in the BCC field. The data collection methods and the validity of explanations and conclusions drawn from these data sources are described in Chapter 4.

This is a short summary of the three research questions, respective data sources and findings:

**RQ1: What are the sites of BCC knowledge production in accounting and to what extent do they contribute to the originality, quality and authority of the knowledge produced?**

RQ1 is concerned with the field of production of BCC knowledge and uses Bernstein's (2000) pedagogical device as theoretical basis (see Chapter 5). This study identifies the standard-setters, professional accountants and accounting researchers as participants in the 'official site' of BCC knowledge production. By providing rules, standards and guidance on the classification, recognition, measurement, presentation and reporting of financial transactions and events, the standard setter follows a regulative process that includes receiving feedback from various stakeholders prior to the issue of a new accounting standard. The findings indicate that professional accountants and auditors regularly engage with the standard setter as part of its due process and that they produce several reports, guidelines and insights that inform the practical application of these standards. An analysis of BCC accounting research identifies consequential academic research that critically examines, compares and analyses the compliance and implications of accounting standards and regulations. A missing link was identified between the academic research and the standard-setting process, in that the standard setter does not refer to academic research as part of its due process (IASB, 2016). Rather, standard-setting is informed by feedback in comment letters and a broad consultation process. While research may be ignored in the due process, academics are engaged in the standard setting process as members of the respective committees, thereby providing a research lens.

Identifying and describing the production sites of accounting knowledge and who has control of the establishment of new knowledge in accounting is relevant for the circulation of knowledge to the field of recontextualisation. Knowledge in the field of production informs the selection, ordering and progression of knowledge in the field of recontextualisation (see RQ3 below). The RQ1 findings point to a rather low level of participation by academic researchers in the feedback in comment letters, indicating that the due process followed by the standard setter seems to ignore the value-proposition of academic research. The relevance of this finding confirms the notion that accounting academics tend to participate in the evaluation of accounting standards post-implementation, when recontextualising this knowledge in the accounting curriculum.

**RQ2: What are the knowledge and knower structures and specialization codes of BCC?**

Maton's (2014) LCT is used as the theoretical tool to analyse the knowledge and knower structures of accounting in response to RQ2 (see Chapter 6). The participants' (purposively selected professional accountants) responses strongly supported the notion that accounting exhibits a

hierarchical knowledge structure with stronger epistemic relations (ER+), emphasising knowledge, skills and expertise of accounting knowledge. Participants provided extensive commentary that supports the level of technical knowledge and experience required to be 'good' at BCC, using words such as 'knowledge', 'experience', 'understand' and 'practice', as remarked by this participant:

*“To be good you need the technical knowledge as a basis and then skills that only experience can bring.” [Participant 13, Associate director, Professional practices]*

Steering towards the knower structure of accounting, participants' responses illuminated the importance of acquiring a curiosity beyond the technical knowledge and practical experience, for example:

*“If we consider the path of a technical accounting supervisor/advisory consultant – in most cases that I came across, this is usually a qualified accounting professional that has had at least 2-3 years' experience/exposure to accounting, auditing, tax, strategy/management accounting/finance, all of which in their small way can contribute to becoming even better at the understanding of business combinations and consolidations ... becoming good at business combinations and consolidations will require an aptitude for intrigue and curiosity behind the treatment of practical, real life examples.” [Participant 4, Auditor]*

Participants indicated that accounting initially display a knowledge code (weaker social relations (SR-)) prior to the acquisition of specialised knowledge in accounting. The acquisition of specialised knowledge points towards stronger social relations (SR+) associated with judgements, decisions and developing a feel for it, as explained by this participant:

*“Based on my experience of accountants involved in business combinations, there is a mix of skills, talent, expert understanding and judgements.” [Participant 6, Group accountant in corporate]*

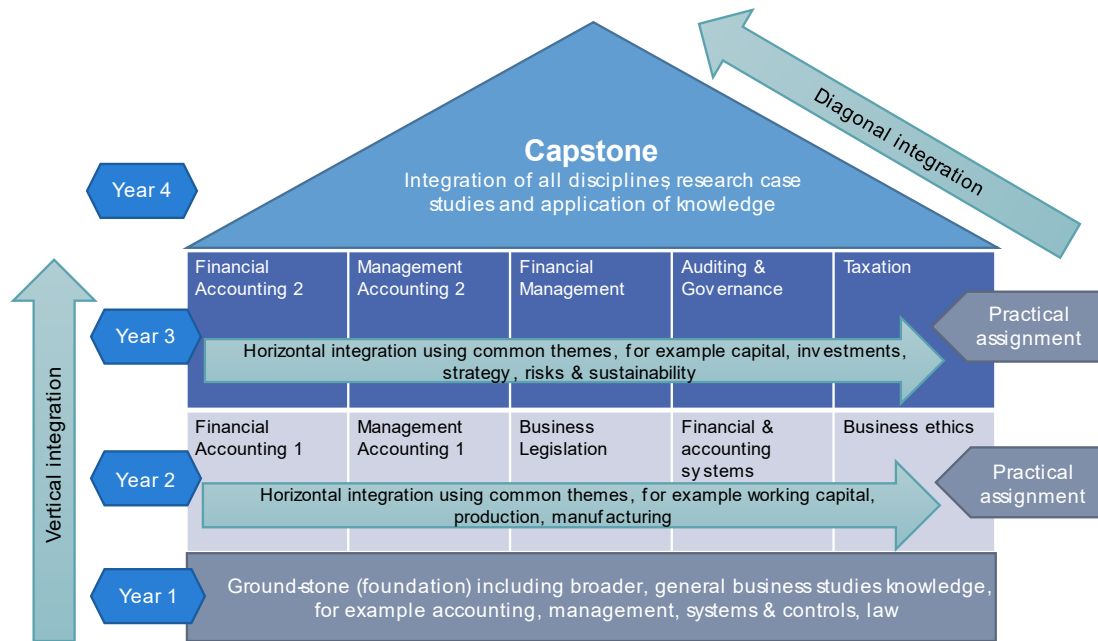
These findings, with their unique focus on the education within a profession, provide a language to describe the knowledge and knower structures of accounting. The development of attributes and competencies from novice (student accountant) to expert (professional accountant) demonstrates that education enables the knower to 'move' hierarchically when acquiring specialised knowledge and professional attributes. The identification of accounting as having a *knowledge code* and how the acquisition of specialised knowledge enables the knower to move towards becoming a professional accountant points to a *code drift* to an *elite code* where a series of strongly bounded knowers demonstrate specialised modes of being and acting. This movement confirms that the professional accountant displays a hierarchical knower structure by holding specialised knowledge as well as being the right kind of knower. These findings are relevant to the next research question as it informs the recontextualizing logics for the design of a curriculum framework, as identified and described in Chapters 7 and 8.

**RQ3: What are the principles for the design of a framework for the recontextualisation of BCC knowledge in the accounting curriculum?**

The explanations of professional knowledge and expertise, descriptions of regional knowledge and the recontextualizing logics identified in the epistemic pedagogical device (Maton, 2014) provide the theoretical basis that identifies and describes the design of a framework for the selection, sequencing, ordering and pacing of BCC knowledge in the accounting curriculum (RQ3). Winch (2013) described a good curriculum design as its ability to manage the different types of knowledge in a sequence that matches the needs of the discipline and the student, so that the different kinds of disciplinary knowledge are introduced in a way that does not compromise the development of expertise. The participants' responses strongly supported that prior knowledge within the discipline is essential, together with the integration of regional knowledge. The descriptions of the recontextualisation of BCC knowledge confirmed the hierarchical knowledge structure of accounting and demonstrated how, within the discipline, prior knowledge of accounting principles is required to comprehend the more complex concepts associated with a BCC transaction. The participants' perceptions and the findings from academic research in BCC (see Chapter 7) demonstrate the need for incremental knowledge integration: that knowledge acquired at one level applies to the next and that knowledge acquired in one discipline is equally binding in another discipline.

The construction of BCC knowledge is further explored in Chapter 8 where its recontextualisation in an accounting curriculum was investigated with reference to observations emphasised by participants. Recontextualizing logics regulate *what* knowledge is included in the curriculum and *how* this knowledge is selected, rearranged and transformed within and across the curriculum to become pedagogic discourse. An effective curriculum design is enhanced by evaluation logics that support the scaffolding and integration of knowledge within the discipline, across the region and with reference to the field of practice. Progression is achieved with incremental integration of cumulative knowledge at each of the respective levels. In other words, progression within the Financial Accounting discipline requires the evaluation of prior and current knowledge, and progression in the capstone course that is recommended, requires demonstration of the acquisition of both discipline and regional knowledge, as well as professional competencies.

The respective data sources in this study inform the design of a framework that exhibits the hierarchical structure of BCC knowledge in the curriculum when educating professional accountants. Figure 9.1 (below) outlines the framework developed and described in Chapter 8, followed by a summary of the main areas in the framework. The similarity of the illustration to that of the design of a house is intentional.



**Figure 9.1: Framework for the design of an accounting curriculum, using the BCC case study as illustration**

*Ground-stone course*

Participants identified the need for the acquisition of the breadth of knowledge relating to what a business is, its purpose and operations. This points to the need for strong conceptual and foundation knowledge, which this study identifies as a ‘ground-stone course’. A ground-stone course allows students to acquire knowledge at a foundation level across various disciplines. The selection of content is at a broader foundation level, while the sequence is weakly framed as knowledge about what a business is and how it operates ‘circulates’ among these modules. The relevance of concepts and principles is demonstrated with reference to practical applications in small business operations using case studies and projects.

The content of a ground-stone course provides for a selection of basic business studies knowledge that supports BCC knowledge, as well as a broad basis for further studies in accounting and other disciplines. Integration of basic areas at the initial stage of the curriculum supports the breaking down of silos and enables student accountants to grasp the purpose of a business and its operations, thus supporting the notion of acquiring integrated knowledge at the starting point. Progression is achieved when the student accountant demonstrates acquisition of the broader business studies knowledge.

*Vertical integration*

For the expert participants, the acquisition of discipline-specific knowledge was paramount. The hierarchical knowledge structure of accounting requires the acquisition of knowledge over time,

constantly building on prior knowledge when acquiring new knowledge. The selection, ordering and sequence of knowledge within the discipline supports the notion of providing incremental building blocks from novice level to advanced level and then to expert level. However, currently the selection of knowledge within the field originates from accounting standards, guidelines and insights from professional accountants and auditors, while academic research is largely ignored. A broader selection, including academic research at the advanced level, is required to support the acquisition of critical thinking and decision-making, and illustrate practical applications.

#### *Horizontal and diagonal integration*

The inter-connectivity of accounting knowledge with other regional disciplines (such as Law, Business Studies, Finance, etc.) was emphasised by the participants. When the accounting student (novice) acquires broader professional accounting knowledge and skills, progression is achieved to an advanced and later an expert level. The selection of broader knowledge located in other disciplines in the region was identified extensively by the participants. Sequencing that supports horizontal and diagonal integration and scaffolding of knowledge across the disciplines require careful consideration. This is an important design principle that is often ignored in curriculum design, and more so when students fail one course and are allowed to continue with another course, while some knowledge has not yet been mastered.

#### *Capstone course*

A capstone course selects specialised discipline and regional knowledge linked with the field of practice and academic research. Such a course supports several relevant aspects identified in the literature and by the participants, such as integrated learning (as opposed to silo learning), research (in the field) and the acquisition of professional competencies such as teamwork, research and investigation, critical thinking, communication and presentation skills. The location of the capstone unit in the final year of the studying period increases the academic rigour and provides for integrated understanding. Participants strongly emphasised the need for integrated BCC knowledge, supporting a broader interdisciplinary knowledge acquisition that is required of a professional accountant. Suggestions included the use of interdisciplinary case studies and research projects, enabling students to apply skills or investigate issues across many different subject areas or domains of knowledge, for example, a business case that integrates ethics and technology. Progression is achieved when the student demonstrates the mastering of concepts and principles and the acquisition of research skills, applying critical thinking and decision-making, and effectively communicating and presenting the knowledge acquired.

### *Exposure to field of practice*

Experience in the field of practice was identified by the expert participants as vital for accounting students to acquire a sense of business transactions and activities. The purpose is to illustrate and experience the application of accounting knowledge in practice. The recommendation was exposure to the world of work and developing an appreciation of the impact of decision-making on the business, the broader society and environment. The positioning of the practical components in the curriculum requires vertical and horizontal alignment within the content of theoretical knowledge. Such a practical component in the curriculum encourages students to connect their projects to community issues or problems, and to integrate outside-of-school learning experiences, including activities such as interviews, scientific observations and engagement. Participants recommended that a practical component could include real-life case studies, simulations or field experiences. Progression is achieved when the student reflects on the experience and demonstrates an understanding of the application of the theoretical knowledge in the field of practice.

In summary, a key feature of a good curriculum design is its ability to manage the different types of knowledge in a sequence that matches the knowledge structure and enables the acquisition of specialised knowledge, while giving consideration to the development of knower expertise. The framework identified in this study provides for a constructive, comprehensive grasp of the relevant field (also referred to as 'knowing that'), it enables the making of connections between these propositions (verticality and horizontally), supports the acquisition of specialised knowledge over time ('knowing why'), and allows for a practical application of accounting processes and procedures ('knowing how').

## **9.4 Contribution and implications of the study**

With reference to the sociology of knowledge and using an educational lens, this study addresses the problem of curriculum change in accounting. In response to calls for curriculum change and by following a new approach in analysing the education of professional accountants, this study provides a framework for the design of a holistic academic curriculum. The identification of the production sites of knowledge, and more specifically the knowledge and knower structures of accounting, explain how education enables the movement of an accounting student (novice) to become a professional accountant. These findings inform the main contribution of this study, namely the construction of a framework for the design of an accountancy curriculum, with reference to the specialised BCC knowledge. The framework illustrates the design of a curriculum that selects, rearranges and transforms relevant accountancy knowledge to become pedagogic discourse by using an incremental and integrated approach for the ordering and pacing of specialised accounting knowledge, competencies and skills.

This study furthers the conversations around professional knowledge and the education of professional accountants. Positioned on the boundary, this study adds to educational knowledge in the field of sociology as well as professional knowledge in accounting. Even though the study is located in SA, the findings have implications for the education of professional accountants nationally and internationally, as explained below.

#### *9.4.1 Connection with field of Sociology*

This thesis connects the sociology of education with the education of professional accountants. The study addresses a gap in accounting education in three ways: (1) the pedagogic device informs the production and recontextualisation of knowledge in accounting, highlighting the power and control of the field of production and the tensions between the standard setter, professional accounting and auditing bodies, and accounting research; (2) the analysis and description of the knowledge and knower structures in accounting (using LCT) illustrate the *code drift* that happens when novice accounting students acquire knowledge and expertise, moving towards becoming experts; and (3) the application of the recontextualizing logics are demonstrated in the design of a holistic accounting curriculum.

With reference to the BCC case study, this thesis identifies the field of production of accounting knowledge and enables a combined analysis of the knowledge and knower structures in accounting. In an investigation of the LCT list of publications (LCT, 2020) no other studies in accounting education, using LCT, have been identified that investigate the knower structure and thereby identify the *code drift* in the analysis of specialised knowledge in accounting. The study contributes to the field of Sociology in its combined analysis of the knowledge structure of accounting and the description of the knower structure (accountant), resulting in the identification of the *code drift* from a *knowledge code* to an *elite code* (see discussion in Chapter 6).

#### *9.4.2 Contribution to the field of accounting education*

The knowledge field of the professional accountant is broad, stretching over several disciplines; it requires a practical training component with professional skills associated with decision-making and judgements. This thesis demonstrates that knowledge in accounting requires an in-depth comprehension of accounting theory, principles and their application ('knowing that'), while, at the same time, acquiring a deep understanding of the accounting processes and procedures ('knowing how') to present faithfully the outcome of a transaction or event in a format that is relevant and decision-useful ('knowing why'). While these conceptualisations are relevant for the education of professional accountants, the third notion of 'knowing why' is identified as relating to the relevance of accountancy to society, investors and the world (as discussed in Chapter 7).

This study contributes to the global calls for change in the education of professional accountants in four ways: (1) with reference to the field of sociology, it provides a language of description of accounting knowledge by portraying the application of the seminal work of Bernstein (1999, 2000) and Maton (2014) in accounting education; (2) the knowledge and knower structures of accounting are identified and described, and the development of the professional accountant as the knower is illustrated; (3) the different aspects of professional knowledge in accounting are recognised, namely the principles and fundamental concepts of subject matter (technical expertise) are identified as ‘knowing that’, the application of accounting processes and procedures referring to ‘knowing how’ is articulated, while the relevance of professionalism, critical thinking and problem solving skills point to a new, third dimension, ‘knowing why’; and (4) a framework for the design of a professional accounting curriculum is constructed, using the BCC case study as demonstration.

This narrower focus on the BCC case study allows for a detailed analysis and discussion of the location of BCC knowledge in the Financial Accounting discipline and the region, thereby enabling the identification of the broader knowledge base of accountancy. The investigation of the field of production of BCC knowledge and its recontextualisation is supported by the comments obtained from expert participants who identified how BCC knowledge is acquired, what is missing and what is over-emphasised. These commentaries and observations support the recommendations that student accountants require prior knowledge within the discipline, regional knowledge and practical experience. These findings inform the principles for the design of a framework for a holistic accounting curriculum, namely the acquisition of foundational knowledge that is located in a ‘ground-stone’ course, the horizontal, vertical and diagonal alignment, and the integration of knowledge in a capstone course.

## 9.5 Reflections of the researcher

My position as researcher and my motivation for investigating the challenges associated with a professional accounting curriculum were articulated in Chapter 1. I indicated my concerns about the sites of production, the knowledge and knower structures of accounting and the relevance of the selection, sequence, ordering and scaffolding within the professional accounting curriculum. At the start of this study, I described an analogy I developed at that time, referring to the accounting curriculum as an old house, and that *“this old house has seen several re-vamps and add-ons, to the extent that the owners no longer find the house practical or functional. The house is now in a condition where you often have to walk through the bathroom to get to another bedroom, and the maintenance cost is huge”*. Further, at that time the house was identified as requiring *“significant upgrading, or even re-building. Not only should its structure and flow be improved, but it should also be brought into the twenty-first century with features that are efficient and technologically updated”*.

Continuing with the metaphor, this research study is designed to identify alternative outcomes and resolutions for this analogy. Located in the education of professional accountants, this study set out

to determine whether to clear the building site and re-build the house, in other words, start with a 'clean page', or to do extensive renovations. To make an appropriate decision, consideration needs to be given to the production site, the purpose and use of the building and its occupants, and the design that supports the desired outcomes. At the start of this study, I was eager to change the entire curriculum – to bring in the 'big machinery' and clear the building site.

This study, however, is about seeking wisdom from authorities and experts in the field and analysing their inputs to draw conclusions. During this research journey that allowed for investigation, deliberation, reflection and consultation about BCC knowledge, I identified the need to retain the 'good old stuff', while making the necessary upgrades and changes. I conclude that the house requires extended renovation that includes breaking down internal walls and changing the layout. Upgrades include bringing in digital technologies and ensuring that the building meets its residents' needs, is safe and is protected against natural disasters. Similarly, curriculum change for professional accountants requires the breaking down of discipline silos while maintaining the integrity of the disciplines.

I have articulated my concerns about the knowledge-blindness (see Maton, 2014) in curriculum design, given that the changes proposed by the professional institutions seem to foreground attributes, skills and competencies. As academics, we must caution against competencies and skills receiving a larger emphasis in the curriculum at the cost of knowledge in accounting and an in-depth understanding of accounting applications. I have witnessed, over many years, how curriculum overload happens when content is added without consideration of the relevance of what is maintained and what needs to change. Further, the silo focus and lack of integration in the current accounting curriculum seem to ignore the hierarchical knowledge and knower structures of accounting.

The education of professional accountants in SA is strongly classified within the knowledge and competency requirements of the professional accreditation frameworks. The different roles I fulfil in the education of professional accountants in SA may affect my insights and result in a biased view. As a student and author of this thesis, my position in the field and interest in this study have been explained in section 4.5.3. As accounting academics, we should take ownership of the educational space and not allow the professional bodies and the accreditation process to dictate what content is taught, how it is taught or how it is assessed. The academic integrity of the education programme should remain our responsibility as accounting educators.

## **9.6 Limitations and future directions**

This research study used a qualitative approach for data collection and description, positioned within a case study that holds that "knowledge is constructed rather than discovered" (Stake, 1995, p. 99). A qualitative research methodology has inherent limitations associated with representative sources

of data and researcher bias relating to participant selection and data interpretation. The construction of an understanding of the phenomena based on observations and the role of the researcher as the interpreter and reporter on the construction of knowledge that is gathered through investigation is articulated in Chapter 4.

Using different sources for data collection from a purposively selected group of participants and obtaining other third-party reports and guidelines are useful for managing any biases. As mentioned earlier, the respective data sources provide for the effective use of data triangulation, thereby reducing the risk of systematic biases or limitations of a specific method and allowing for a better assessment of the validity and generality of the explanations developed. The main data sources that inform this thesis include observations and perceptions gathered from purposively selected participants using focus group interviews and responses to open-ended questions, academic research studies, and documents, guidelines, insights and articles produced by professional institutions and firms. Even though the purposively selected sample is relatively small, it is representative and adequately heterogeneous. I would argue that a larger selection of participants would probably not have been more representative or heterogeneous and although they might have provided different comments, they would probably not have significantly influenced the overall findings. These data sources offer a broad spectrum of investigative insights and perspectives that inform the research questions and findings.

The BCC case study was purposively selected for its location within the Financial Accounting discipline, while BCC transactions and events also require broader regional knowledge. The BCC case study enabled the analysis and description of the production of knowledge in accounting and how knowledge is structured and recontextualised. BCC knowledge is specialised and requires both expert knowledge and application in the field of practice. This informs the selection, ordering, pacing and sequencing of BCC knowledge in the curriculum; it also informs the design of a framework for a curriculum for the professional accountant of the future. The selection of a different case study or focus area may have resulted in some different descriptions. However, as the design principles are located within the recontextualizing logics, the principles remain valid.

While much of the discussion in this study is oriented toward the development of an accounting curriculum at undergraduate level, graduate education, continuing professional education and professional development are also important considerations. Further studies include the description and development of a framework for professional accounting specialisations such as tax, auditing and integrated reporting that should be reserved for master's-level programmes (Lawson et al., 2014). Issues associated with teaching time and the effort to develop specific learning objectives based on a framework to integrate professional competencies across the curriculum and the development of appropriate assessment mechanisms require further interrogation.

This study focuses on two fields in Bernstein's pedagogic device, namely the field of production and the field of recontextualisation. Further studies in the field of reproduction of accounting knowledge are necessary, specifically pedagogic practices associated with distributive and evaluative logics require further attention. Studies that consider how the reproduction of knowledge in the teaching of accounting may need to change to be relevant in the future, are paramount.

Further, SA higher education has experienced specific challenges associated with calls for a decolonised curriculum and the more recent impact of Covid-19. The Covid-19 lockdown has impacted on the way teaching and learning happens and has brought the notion of online facilitation and how students participate to the forefront. These challenges have not been addressed in this study.

Systemic design issues of undergraduate accounting programmes remain problematic in that the knowledge and skills base of a professional accountant have grown exponentially in the recent past, while the period (time) stipulated for undergraduate studies remains unchanged at three years. Given the challenges experienced relating to the quality of basic education (specifically in SA), and aspects associated with student through-put (Scott, 2010) and literacy (Paxton & Frith, 2013), students require more time to engage with their studies to achieve the expert level. The academic, personal and social stress on students when failing courses not only has a negative impact on their self-esteem, it is problematic for the scaffolding of their knowledge (for example, prior knowledge has not sufficiently been acquired before students' progress to the other courses in the curriculum). Further studies in the systemic design of a 4-year undergraduate accounting programme are required.

## 9.7 Conclusion

The development of any curriculum remains a work-in-progress, not only because of the continuous discovery of new knowledge globally, who the students are change, as does the space where learning happens. This study sets out, at the start, to find answers to three research questions to describe how knowledge in accounting is structured, which knowledge and skills are required of the future accountant and the implications for a relevant accountancy curriculum. Several studies have identified the need for change in the education of professional accountants, emphasising different aspects and areas for improvement. Pincus et al. (2016) describe the forces for change in accounting education, including technology advances. Their study identifies some areas that have not significantly changed, namely what we teach (curriculum) and how we teach (pedagogy). The focus of this research study is on *what* we teach, in other words, the selection of content and how this is ordered and scaffolded in the design of a curriculum that has, as its main principles, maintaining the integrity of each discipline while at the same time allowing for knowledge integration.

In summary, this study responds to the calls for a reconceptualisation of a relevant accounting curriculum that focuses on integration and innovation. Professional accountants are likely to face an

increasingly complex and unpredictable future, while demands are being placed on academic programmes to become more holistic and integrated in their approach. This thesis sets out to describe the relevant field of professional accounting knowledge, demonstrating the inter-connectivity among the different disciplines in the field, and illustrating the sequence in which knowledge is acquired. It concludes by identifying a framework for the design of a relevant professional accounting curriculum for the future.

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# APPENDICES

## Appendix A

**Analysis of academic research (literature) that focuses on Business Combinations and Consolidations (IFRS 3 and IFRS 10)**

**Main purpose and focus of study**

	Authors	Title	Date	Journal	Critical comparison	Evaluation/analysis	Application/compliance	Literature review	Case study
<b>Emerald insight</b>									
E1	Carlin, T. M. and Finch, N.	'Goodwill impairment testing under IFRS: a false impossible shore?'	2011	Pacific Accounting Review			x		
E2	Samkin, G. and Deegan, C.	'Calculating non-controlling interest in the presence of goodwill impairment'	2010	Accounting Research Journal			x		
E3	Sahut, J. M., Boulerne, S. and Teulon, F.	'Do IFRS provide better information about intangibles in Europe?'	2011	Review of Accounting and Finance	x				
E4	Carlin, T. M., Finch, N. and Laili, N.H.	'Goodwill Accounting in Malaysia and the Transition to IFRS – A Compliance Assessment of Large First Year Adopters'	2009	Journal of Financial Reporting and Accounting			x		
E5	Carlin, T. M. and Finch, N.	'Resisting compliance with IFRS goodwill accounting and reporting disclosures: Evidence from Australia'	2010	Journal of Accounting & Organizational Change			x		
E6	Quaranta, A. G., Di Gabriele, N. and Zigiotti, E.	'Impairment of intangible assets and disclosure by Italian banks'	2019	Managerial Finance		x			
E7	Nwogugu, M	'Real options, enforcement of goodwill/intangibles rules, and associated behavioural issues'	2015	Journal of Money Laundering Control	x				
E8	Yang, J. G. S. and Aquilino, F. J.	Measuring goodwill and noncontrolling interest under the new consolidation accounting standards	2017	Journal of Financial Reporting and Accounting	x				
E9	Su, W. H. and Wells, P.	'Acquisition premiums and the recognition of identifiable intangible assets in business combinations pre- and post-IFRS adoption'	2018	Accounting Research Journal		x			

	Authors	Title	Date	Journal	Critical comparison	Evaluation/analysis	Application/compliance	Literature review	Case study
E10	Nobes, C.	The development of national and transnational regulation on the scope of consolidation	2014	Accounting, Auditing and Accountability Journal		x			
<b>Wiley</b>									
W1	Kabir, H	A Research Note on Bargain Purchase Gains on Acquisition'	2018	Australian Accounting Review			x		
W2	Martinez, A. A. and Rubio, J. A. C.	'The Economic Effects of IFRS Goodwill Reporting'	2011	Australian Accounting Review		x			
W3	Carvalho, C., Rodrigues, A. M. and Ferreira, C.	'Goodwill and Mandatory Disclosure Compliance: A Critical Review of the Literature'	2016	Australian Accounting Review		x			
W4	Carvalho, C., Rodrigues, A. M. and Ferreira, C.	'The Recognition of Goodwill and Other Intangible Assets in Business Combinations – The Portuguese Case'	2016	Australian Accounting Review				x	
W5	Detzen, D., Wersborg, T. S. and Zulch, H.	'Impairment of Goodwill and Deferred Taxes Under IFRS'	2016	Accounting Education	x				
W6	Hellman, N., Andersson, P. and Froberg, E.	'The impact of IFRS goodwill reporting on financial analysts' equity valuation judgements: some experimental evidence'	2016	Accounting & Finance	x				
W7	Su, W. H. and Wells, P.	The association of identifiable intangible assets acquired and recognised in business acquisitions with post acquisition firm performance	2015	Accounting & Finance		x			
W8	Knapp, J.	A Reconsideration of Consolidation Accounting Requirements and Pre-acquisition Dividends	2013	Australian Accounting Review	x				
W9	Bloom, M.	Accounting for Goodwill	2009	Abacus		x			
W10	James, K., How, J. and Verhoeven, P.	Did the goodwill accounting standard impose material economic consequences on Australian acquirers?	2008	Abacus		x			

	Authors	Title	Date	Journal	Critical comparison	Evaluation/analysis	Application/compliance	Literature review	Case study
W11	Filip, A., Jeanjean, T. and Paugam, L.	Using Real Activities to Avoid Goodwill Impairment Losses: Evidence and Effect on Future Performance	2015	Journal of Business Finance & Accounting,		x			
W12	Baker, C. R., Biondi, Y. and Zhang, Q.	Disharmony in international accounting standards setting: The Chinese approach to accounting for business combinations	2010	Critical Perspectives on Accounting	x				
W13	Van Zijl, W. and Maroun, W.	Discipline and punish: Exploring the application of IFRS 10 and IFRS 12	2017	Critical Perspectives on Accounting					x
<b>Routledge</b>									
R1	Eloff, A. and De Villiers, C	The value-relevance of goodwill reported under IFRS 3 versus IAS 22	2015	South African Journal of Accounting Research		x			
R2	Jifri, K.A. and Citron, D.	The Value-Relevance of Financial Statement Recognition versus Note Disclosure: Evidence from Goodwill Accounting	2009	European Accounting Review			x		
R3	Yehuda, N., Vincent, L. and Lys, T.	The nature and implications of acquisition goodwill	2019	Asia-Pacific Journal of Accounting & Economics		x			
R4	Eckstein, C.	'The measurement and recognition of intangible assets: then and now'	2004	Accounting Forum	x				
R5	Gee, M., Haller, A. and Nobes, C.	'The Influence of Tax on IFRS Consolidated Statements: The Convergence of Germany and the UK	2010	Accounting in Europe		x			
R6	De Jager, E.	'IFRS 3 "grey area" regarding contingent liabilities	2015	South African Journal of Accounting Research			x		
R7	Dorata, N. T.	'History repeats itself: The acquisition method and nonrecurring charges'	2009	Accounting Forum			x		
R8	Day, C.	'Goodwill impairment testing disclosures – South African compliance in 2018'	2020	South African Journal of Accounting Research			x		

					Critical comparison	Evaluation/analysis	Application/compliance	Literature review	Case study
	Authors	Title	Date	Journal					
R9	Schatt, A. et al.	'Do Goodwill Impairments by European Firms Provide Useful Information to Investors?'	2016	Accounting in Europe				x	
R10	Andreicovici, I., Jeny, A. and Lui, D.	Disclosure Transparency and Disagreement Among Economic Agents: The Case of Goodwill Impairment	2020	European Accounting Review			x		
R11	Lopes, A. I. and Lourenço, I.	Determinants of engaging in business combinations through partial acquisitions'	2014	Spanish Journal of Finance and Accounting		x			
R12	Glaum, M. et al.	Compliance with IFRS 3- and IAS 36-required disclosures across 17 European countries: company- and country-level determinants	2013	Accounting and Business Research			x		
R13	Mazzi, F. et al.	Compliance with goodwill-related mandatory disclosure requirements and the cost of equity capital	2017	Accounting and Business Research			x		
R14	Detzen, D., Hoffmann, S. and Zülch, H.	Bright Pharmaceuticals SE: Accounting for a Business Combination under IFRS 3	2013	Accounting Education					x
R15	Tan, P. H. N.	An investigation of goodwill accounting policy choice within a specific knowledge framework	2001	Asia-Pacific Journal of Accounting & Economics		x			
R16	Gore, P., Taib, F. M. and Taylor, P. A.	Accounting for goodwill: an examination of factors influencing management preferences	2000	Accounting and Business Research		x			
S1	Oliveira, L., Lima, L. and Craig, R.	'Intangible assets and value relevance: Evidence from the Portuguese stock exchange	2010	The British Accounting Review		x			
		<b>TOTAL</b>		<b>40</b>	<b>8</b>	<b>16</b>	<b>12</b>	<b>2</b>	<b>2</b>

## Appendix B

### Experience of purposively selected participants

Location of experience	Number of participants
Academe	1
Accounting consultants - advisory	2
Auditors in large accounting and auditing firms	2
Business processes	1
Group accountant	4
Group finance	1
Directors	1
Monitoring and regulation	1
Public sector	1
Professional practices & auditing	5
Small business owners	2
Technical accountant	1
<b>TOTAL</b>	<b>22</b>

Demographic analysis	Number of participants
Male	9
Female	13

Location	Number of participants
Local	19
International	3

Race	Number of participants
Not required	

Age	Number of participants
Between 30–45 years	22

## Appendix C

### Questions for discussion with accounting experts

Accounting curriculum: focus on **Business Combinations (IFRS 3) and Consolidations (IFRS 10)**

Kindly respond to these questions in as much detail as you wish:

(1) In your opinion, how important are these things for being good at Business combinations & consolidations:

	Not at all	Not very	Quite	Very
Skills, techniques and specialist knowledge				
Natural-born talent				
Judgements, decision-making, developing a 'feel' for it				

(2) What does it take to be 'good' in Business combinations & consolidations?

(3) How would you define 'achievement' in Business combinations & consolidations?

- (4) What knowledge is currently over-emphasised in Accounting Education, as far as it relates to Business Combinations and consolidations?
- (5) What knowledge is currently under-emphasised in Accounting Education, as far as it relates to Business Combinations and consolidations?  
In other words, what needs more attention?
- (6) What knowledge is currently ignored in Accounting Education, as far as it relates to Business Combinations and consolidations? In other words, what is missing?



## Appendix D

Exposure Draft and comment letters – Reference to the Conceptual Framework (Amendments to IFRS 3)

ID	Submitter	University/ academe	Individual	Institute/ Council/ Regulator	Professional Accounting and Auditing firm/ network	Corporation/ Bank
1	Federation of Accounting Professions [สภาวิชาชีพบัญชี] [Thailand]			x		
2	Mazars				x	
3	Financial Reporting Council (FRC) [UK]			x		
4	Instituto de Contabilidad y Auditoría de Cuentas (ICAC) [Institute of Accounting and Auditing Spain]			x		
5	The Institute of Certified Public Accountants in Ireland (CPA Ireland)			x		
6	Repsol					x
7	Deloitte Touche Tohmatsu Limited (DTTL) [UK]				x	
8	The Malaysian Institute of Certified Public Accountants (MICPA) [Institut Akauntan Awam Bertauliah Malaysia]			x		
9	The Institute of Chartered Accountants in England and Wales (ICAEW)			x		
10	International Organization of Securities Commissions (IOSCO) Committee 1			x		
11	Israel Accounting Standards Board (IASB) [המוסד הישראלי לתקינה בחשבונאות]			x		
12	Organismo Italiano di Contabilità (OIC) [The Italian Standard Setter]			x		
13	Accounting Standards Council Singapore (ASC)			x		
14	Komitet Standardów Rachunkowości [Polish Accounting Standards Committee (PASC)]			x		
15	The Institute of Chartered Accountants of India (ICAI) [भारतीय सनदी लेखाकार संस्थान]			x		
16	Confederation of Swedish Enterprise [Svenskt Näringsliv]			x		
17	Accounting Standards Board of Japan (ASBJ) [企業会計基準委員会]			x		
18	The South African Institute of Chartered Accountants (SAICA)			x		
19	RSM International				x	
20	European Financial Reporting Advisory Group (EFRAG)			x		
21	Accounting Standards Board (AcSB) [Canada]			x		
22	The Japanese Institute of Certified Public Accountants (JICPA) [日本公認会計士協会]			x		
23	Malaysian Accounting Standards Board (MASB) [Lembaga Piawaian Perakaunan Malaysia]			x		
24	Raad voor de Jaarverslaggeving [Dutch Accounting Standards Board (DASB)]			x		
25	Comitê de Pronunciamentos Contábeis (CPC) [Brazilian Committee for Accounting Pronouncements]			x		
26	The Swedish Financial Reporting Board [Rådet för finansiell rapportering]			x		
27	Association of Chartered Certified Accountants (ACCA)			x		
28	Group of Latin American Accounting Standard Setters (GLASS) [Grupo Latinoamericano de Emisores de Normas de Información Financiera (GLENIF)]			x		
29	Korea Accounting Standards Board (KASB) [회계기준위원회]			x		
30	Accounting Standards Committee of Germany (ASCG) [Deutsches Rechnungslegungs Standards Committee (DRSC)]			x		

ID	Submitter	University/ academe	Individual	Institute/ Council/ Regulator	Professional Accounting and Auditing firm/ network	Corporation/ Bank
31	David Hardidge		x			
32	Ford Motor Company					x
33	EY				x	
34	Institute of Indonesia Chartered Accountants [Ikatan Akuntan Indonesia (IAI)]			x		
35	National Board of Accountants and Auditors (NBAA) [Tanzania]			x		
36	Petróleo Brasileiro - Petrobras					x
37	Associação Brasileira das Companhias Abertas (ABRASCA) [Brazilian Association of Publicly Held Corporations]			x		
38	Norsk RegnskapsStiftelse [Norwegian Accounting Standards Board (NASB)]			x		
39	Banco Bradesco					x
40	Comite Tecnico IFRS Universidad de Chile	x				
41	The Institute of Chartered Accountants of Nigeria (ICAN)			x		
42	SwissHoldings [Federation of Industrial and Service Groups in Switzerland]					x
43	Institute of Certified Public Accountants of Kenya (ICPAK)			x		
44	BusinessEurope					x
45	PricewaterhouseCoopers (PwC)				x	
46	Consejo Mexicano de Normas de Información Financiera (CINIF) [Mexican Financial Reporting Standards Board]			x		
47	Institute of Singapore Chartered Accountants (ISCA)			x		
	<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>34</b>	<b>5</b>	<b>6</b>

Source: IASB website: <https://www.ifrs.org/projects/work-plan/updating-a-reference-to-the-conceptual-framework-ifrs-3/comment-letters-projects/ed-reference-to-the-conceptual-framework/#comment-letters>

## Appendix E

Exposure Draft and comment letters – Investment Entities:

Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28)

ID	Submitter	University/ academe	Individual	Institute/ Council/ Regulator	Professional Accounting and Auditing firm/ network	Corporation/ Bank
1	Sumant Kr.Singh	x				
2	Yuko Yoshinaga		x			
3	The Institute of Chartered Accountants in England and Wales (ICAEW)			x		
4	CPA Australia-CA Australia and New Zealand			x		
5	The Institute of Certified Public Accountants in Ireland (CPA)			x		
6	Comité de Pronunciamentos Contábeis (CPC) [Brazilian Committee for Accounting Pronouncements]			x		
7	Autorité des normes comptables (ANC) [French accounting standards authority]			x		
8	Mazars				x	
9	Crowe Horwath International				x	
10	Grant Thornton International				x	
11	China Accounting Standards Committee (CASC) [中国会计准则委员会]			x		
12	Institut Akauntan Awam Bertauliah Malaysia [The Malaysian Institute of Certified Public Accountants (CPA)]			x		
13	Fédération des Experts Comptables Européens (FEE) [The Federation of European Accountants]			x		
14	Rådet för finansiell rapportering [The Swedish Financial Reporting Board]			x		
15	Group of 100 [Australia]			x		
16	3i Group					x
17	Irish Funds Industry Association					x
18	The Hong Kong Association of Banks (HKAB) [香港銀行公會]					x
19	Norsk RegnskapsStiftelse [Norwegian Accounting Standards Board (NASB)]			x		
20	Australian Accounting Standards Board (AASB)			x		
21	The Institute of Chartered Accountants of India (ICAI) [भारतीय सनदी लेखाकार संस्थान]			x		
22	Accounting Standards Committee of Germany (ASCG) [Deutsches Rechnungslegungs Standards Committee (DRSC)]			x		
23	Standard Chartered Bank					x
24	The Renewables Infrastructure Group					x
25	HICL Infrastructure Company					x
26	Zambia Institute of Chartered Accountants (ZICA)			x		
27	Japan Foreign Trade Council (JFTC) [日本貿易会]			x		
28	The Life Insurance Association of Japan (LIAJ) [生命保険協会日本]					x
29	Association of Chartered Certified Accountants (ACCA)			x		
30	Sprott Resource Corp					x
31	Accounting Standards Board of Japan (ASBJ) [企業会計基準委員会]			x		

ID	Submitter	University/ academe	Individual	Institute/ Council/ Regulator	Professional Accounting and Auditing firm/ network	Corporation/ Bank
32	European Private Equity & Venture Capital Association					x
33	Baker Tilly UK Audit				x	
34	Consejo Mexicano de Normas de Información Financiera (CINIF) [Mexican Financial Reporting Standards Board]			x		
35	BDO IFR Advisory				x	
36	Macquarie Group					x
37	Malaysian Accounting Standards Board (MASB) [Lembaga Piawai Perakaunan Malaysia]			x		
38	Dewan Standar Akuntansi Keuangan (DSAK) [Indonesian Financial Accounting Standard Board]			x		
39	FAR [The Institute for the Accountancy Profession in Sweden]			x		
40	PricewaterhouseCoopers (PwC)				x	
41	Deloitte Touche Tohmatsu				x	
42	Association pour la participation des entreprises françaises à l'harmonisation comptable internationale (ACTEO) [French association for the participation of businesses in the convergence of accounting standards]					x
42	Association française des entreprises privées (AFEP) [French Association of private companies]					x
42	Mouvement des Entreprises de France (MEDEF)					x
43	Citigroup					x
44	Raad voor de Jaarverslaggeving [Dutch Accounting Standards Board (DASB)]			x		
45	Securities and Exchange Board of India (SEBI) [भारतीय प्रतिभूति और विनिमय बोर्ड]			x		
46	RSM International				x	
47	Ernst & Young (EY) [Global]				x	
48	Kim Chiu Chua		x			
49	Larsen & Toubro					x
50	Public Sector Pension Investment Board / Investissements (PSP) Investments			x		
51	British Private Equity & Venture Capital Association					x
52	Institute of Certified Public Accountants of Kenya (ICPAK)			x		
53	The South African Institute of Chartered Accountants (SAICA)			x		
54	Financial Reporting Council (FRC) [UK]			x		
55	KPMG IFRG				x	
57	Accounting Standards Board (AcSB) [Canada]			x		
58	Financial Reporting Council (FRC) [Mauritius]			x		
59	Grupo Latinoamericano de Emisores de Normas de Información Financiera (GLENIF) [Group of Latin-american Accounting Standard Setters (GLASS)]			x		
60	The Investment Funds Institute of Canada (IFIC)			x		
61	Association des Banquiers Canadiens (ABC) [Canadian Bankers Association (CBA)]					x
62	Chartered Accountants Ireland			x		

ID	Submitter	University/ academe	Individual	Institute/ Council/ Regulator	Professional Accounting and Auditing firm/ network	Corporation/ Bank
63	Canada Pension Plan Investment Board			x		
64	Korea Accounting Standards Board (KASB) [회계기준위원회]			x		
65	The Japanese Institute of Certified Public Accountants (JICPA) [日本公認会計士協会]			x		
66	NOFA Foundation					x
67	The Institute of Chartered Accountants of Pakistan (ICAP)			x		
68	Gesamtverband der Deutschen Versicherungswirtschaft (GDV) [German Insurance Association]					x
69	Repsol					x
70	La Caisse de depot et placement du Quebec					x
71	Komitet Standardów Rachunkowości [Polish Accounting Standards Committee (PASC)]			x		
72	Institute of Singapore Chartered Accountants (ISCA)			x		
73	Accounting Standards Council Singapore (ASC)			x		
74	Instituto de Contabilidad y Auditoría de Cuentas (ICAC) [Institute of Accounting and Auditing Spain]			x		
75	European Securities and Markets Authority (ESMA)			x		
76	Denise Juvenal		x			
77	Hong Kong Institute of Certified Public Accountants (HKICPA) [香港會計師公會]			x		
78	European Financial Reporting Advisory Group (EFRAG)			x		
79	Commissie voor Boekhoudkundige Normen (CBN) - Commission Des Normes Comptables (CNC) [Belgian Accounting Standards Board]			x		
81	International Organization of Securities Commissions (IOSCO)			x		
	<b>TOTAL</b>	<b>1</b>	<b>3</b>	<b>46</b>	<b>10</b>	<b>21</b>

Source: IASB

<https://www.ifrs.org/projects/2014/ifrs-10-investment-entity-consolidation/comment-letters-projects/ed-and-comment-letters/#comment-letters>

## Appendix F

The respective focus areas, purpose and findings of the academic papers are classified as follows:

Classification	Frequency
Critical comparison studies	8
Examination and evaluation studies	16
Application and compliance	12
Literature reviews	2
Case studies	2
<b>TOTAL</b>	<b>40</b>

The respective categories and a short summary of each study is provided below.

### Critical comparison studies

**Eight** of the papers have, as their focus, a critical comparison of the new accounting standards and the implications of the measurement and recognition of goodwill arising from business combinations on information reported in financial statements. The focus and findings of some of these studies are briefly described below, for illustrative purposes.

- In a study that compares the measurement and recognition of intangible assets ‘then and now’, Eckstein (2004) (labelled **R4**) reviews US, UK and IASB accounting standards relating to intangibles. It highlights inconsistencies in the measurement and reporting of Intangibles under US Generally Accepted Accounting Principles (GAAP), and the new IFRS on business combinations, goodwill and other intangibles at that time. The study objective was to provide evidence to improve the measurement and reporting of intangible (intellectual) capital and facilitate harmonisation.
- Changes resulting from the updated accounting standards for consolidated financial statements have formed the basis of investigation in the study by Yang and Aquillino (2017) (labelled **E8**). This is a US study that investigates the changes associated with the measurement of goodwill and noncontrolling interest. They state that, under the new accounting standards, goodwill consists not only of the parent company’s portion but also of the non-controlling interest’s share and that the non-controlling interest now comprises the subsidiary’s identifiable net assets and goodwill. A further change is the treatment of non-controlling interest from liability to equity. Using the new accounting standards, this study formulates an equation to measure goodwill and non-controlling interest and

provides some examples to demonstrate the effect of these changes on financial statements.

- Addressing two distinct aspects of disharmony in international accounting standard setting, Baker, Biondi and Zhang (2010) (labelled **W12**) considered the Chinese standards setters' approach to the accounting for business combinations which challenges the IASB's goal of achieving international accounting convergence through the fair value model. The first aspect relates to the political and economic context of financial accounting standards, illustrated by the Chinese standards setters' decision to allow the pooling of interests method of accounting for business combinations, despite the prohibition of this method by both the FASB and the IASB. The second aspect relates to the role played by differential understandings of the fundamental objectives of financial reporting in an international context. The IASB's goal of producing one set of global accounting standards to serve the needs of global capital markets has led to a reduction in the number of permissible accounting methods and a move towards the fair value accounting model. In particular, the IASB concluded that the acquisition method of accounting for business combinations should be the only method allowed for business combinations. The study found that the Chinese standards setters appear to base their decisions on political and economic factors related to the need for industrial reorganisation in China rather than a desire to serve the needs of global capital markets. Further, the Chinese standards setters have recognised the existence of both mergers and acquisitions, and in response, they created two different methods of accounting for business combinations.
- Considering the consolidation accounting consequences of the IASB's decision to replace the cost method of accounting for investments in subsidiaries with a new model that requires the recognition of dividend revenue for distributions received or receivable from pre-acquisition profits, Knapp (2013) (labelled **W8**) shows that the recognition of pre-acquisition dividends as revenue with a potential indication of impairment causes problems for consolidation accounting procedures that may reduce the information content of consolidated financial statements. In a review of the due process relevant to the replacement of the cost method, this study indicates that the standard setter may have paid insufficient regard to accounting concepts and principles.
- Focusing on goodwill and goodwill impairment, Detzen, Wersborg and Zulch (2016) (labelled **W5**) consider the effect of deferred tax liabilities (DTLs) on an impairment test of goodwill. In a critical analysis of the requirement in IAS 12 *Income Taxes* that DTLs are recognised at the acquisition date and their influence on the amount of goodwill an entity recognises, they state that this recognition of DTLs triggers a 'day one' impairment of goodwill. Their study suggests that professional literature indicates that to avoid this

impairment charge, the DTLs should be deducted from the carrying amount of the cash generating unit. As this method appears contentious conceptually and is unable to shield the entity from an impairment in subsequent periods, the study provides four possible solutions to the problem and recommends a conceptual re-think of the mechanical recognition of deferred taxes in a business combination.

- Comparing the change from local accounting standards to IFRS, Sahut, Boulerne and Teulon (2011) (labelled **E3**) investigate the empirical relationships between market value of European listed companies and the book value of their intangible assets. Focusing on the information content of intangible assets under IAS/IFRS when compared to local accounting standards, this study finds that the book value of other intangible assets of European listed firms is higher under IFRS; however, financial information conveyed by capitalised goodwill is less relevant under IFRS, pointing to less value-relevant information for shareholders when unidentified intangible assets have been transferred into goodwill.
- Hellman, Andersson and Froberg (2016) (labelled **W5**) compare how professional financial analysts evaluate a corporate acquisition announced by an IFRS preparer. By analysing the way that participants considered the acquisition to be value-enhancing when the premium was allocated to goodwill, compared to value-reducing when allocated to identifiable intangible assets, their study find that professional analysts are affected by preparers' acquisition premium allocations.
- Nwogugu (2015) (labelled **E7**) considered the codification of accounting standards implementation and enforcement. By analysing existing theories about real options and enforcement of regulations/statutes, and introducing new psychological biases that can arise, the study finds that the real options approach suggestion for handling the enforcement of goodwill/intangibles regulations ineffective.

### **Examination and evaluation studies**

The practical impact and effect of IFRS 3 and/or IFRS 10, including the recognition of goodwill impairment, have been examined and evaluated by the following **16** studies:

- In this first of two papers, Su and Wells (2015) (labelled **W7**) evaluate accounting practices for identifiable intangible assets with the transition to IFRS. No evidence is found of identifiable intangible assets acquired and recognised in business acquisitions being associated with post-acquisition firm performance or changes in post-acquisition firm performance, either before or after transition to IFRS. The findings show inconsistency with the requirements of IFRS 3 *Business Combinations* and IAS 38 *Intangible Assets*, pointing to no empirical evidence supporting the present regulatory distinction between acquired and internally generated and revalued identifiable intangible assets.

- In this follow-up study, Su and Wells (2018) (labelled **E9**) evaluate the relation between acquisition premiums and amounts recognised as identifiable intangible assets (IIAs) in business combinations in periods before and after transition to IFRS. Using data from business acquisitions, they find that firms recognising IIAs in business combinations seem to recognise higher acquisition premiums in the pre-IFRS period. The results in this study suggests that it is attributable to overpayment, pointing to the economic consequence of accounting opportunism and accounting flexibility.
- In a study that focuses on the development of national and transnational regulation on the scope of consolidation, Nobes (2014) (labelled **E10**) analyses changes over the last century in the four countries that have been the main drivers of change (the US, the UK, Germany and France), and the transnational regulations of the EU and IASB. The study finds several concerns relating to clarity and application of definitions and terms such as 'control' and power' in the regulations and standards, suggesting clarification of the scope of consolidation.
- This is one of two studies published in *Australian Accounting Review* by Carvalho, Rodrigues and Ferreira (2016b) (labelled **W4**). It investigates the magnitude of goodwill recognised in business combinations from 2005 to 2009 by the Portuguese companies listed on Euronext Lisbon. Their study analyses goodwill and other intangible assets recognised separately from goodwill, and the level of compliance of those companies with the main disclosure requirements of IFRS 3. The results suggest that Portuguese companies do not undertake sufficient efforts to individually identify and disclose intangibles acquired in business combinations. This fact is reinforced by the reduced level of compliance with the disclosures required by IFRS 3, particularly the factors that contribute to the recognition of goodwill.
- Focusing on postponement of goodwill impairment and its consequences on future performance Filip, Jeanjean and Paugam (2015) (labelled **W11**) examine the role of management in convincing the various gate-keepers (e.g. auditors and financial analysts) that recognising an impairment loss is unnecessary although it seems economically justified. They predict that managers manipulate upward current cash flows to support their choice to avoid reporting an impairment loss. In analysing whether this real earnings management is detrimental to future performance, they note that firms suspected of postponing goodwill impairment losses exhibit significantly positive discretionary cash flows compared to various control groups.
- Examining the association between the goodwill balance reported and the market value of a company before and after the introduction of IFRS 3, Eloff and De Villiers (2015) (labelled **R1**) show that the goodwill balance reported according to IFRS 3 provides

information that is more value-relevant than the previous International Accounting Standard (IAS) 22 treatment. Given that the application of IFRS 3 significantly changed the initial and subsequent measurement of goodwill and the ongoing debate around the accounting treatment of goodwill, this study provides regulators and researchers with valuable information to further assess the efficacy of the IFRS 3 goodwill treatment.

- Investigating the conditions under which the accounting-based acquisition goodwill represents an economic asset in the US, Yehunda, Vincent and Lys (2019) (labelled **R3**) analyse the stock market reaction to an extended sample of business acquisitions. Their findings suggest that, where the acquirer records positive accounting goodwill, investors perceive it to have a negative net present value consistent with overpayment for the target. They find that adjusting the goodwill to eliminate any overpayment results in a better prediction of future operating performance and constructs a better predictor of future operating performance.
- In a study that examines the scope for tax influence on IFRS consolidated financial reporting in Germany and the UK, Gee, Haller and Nobes (2010) (labelled **R5**) find more similarity now in the overall position for Germany and the UK. They state that previous studies on the links between tax and financial reporting suggests that the strength of those links varies over time and from one jurisdiction to another. The links in Germany were seen to be particularly strong and those in the UK rather weak. They further find that, even for unconsolidated reporting under domestic accounting rules, the extreme positions recorded for the two countries in the 1990s have been modified.
- Investigating the firm-level and country-level conditions affecting a company's decision to engage in partial acquisitions, Lopes and Lourenço (2014) (labelled **R11**) performed an empirical analysis in 14 European countries based on the existence or non-existence of non-controlling interests (NCI). Their study finds that size, leverage, profitability, cross listing, internationalisation and institutional characteristics all play an important role in explaining the likelihood of engaging in partial acquisition of subsidiaries that results in reporting of NCI in consolidated financial statements. The findings further indicate that a company's incentives to engage in partial acquisitions and reporting NCI includes the ability to access alternative sources of financing, the ability to share risks and obtain benefits from synergies and the ability to enter in new markets.
- Given the debates that surrounded the changes in goodwill accounting resulting from the new standard, Gore, Taib and Taylor (2000) (labelled **R16**) investigate the factors that influenced the position of managements of UK listed companies at that time. The factors that are investigated include whether management preferred immediate write-off or capitalisation-based approaches. Their results support certain contracting cost-based

hypotheses, but they also indicate that management beliefs about changes in market perceptions of their companies constitute a strong influence on their preferences.

- This study investigates the relationship between Chief Executive Officers' ('CEOs') specific knowledge and the accounting method choice on capitalisation of goodwill. Using Singapore data, Tan (2001) (labelled **R15**) proposes a positive relationship between human capital specificity of CEOs and the recognition of purchased goodwill on the balance sheet. This study proposes that specialised assets arise from firm-specific circumstances and that firm-specific knowledge potentially explains the recognition policies pertaining to specialised assets. Overall, the evidence in this study supports a positive relationship between CEOs' firm-specific knowledge and the capitalisation of goodwill.
- Assessing the value relevance of the amounts for identifiable intangible assets and goodwill reported in the financial statements of all non-finance companies listed on the main market of the Portuguese Stock Exchange from 1998 to 2008, Oliveira, Lima and Craig (2010) (labelled **S1**) explore the impact on value relevance of Portugal's formal adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in 2005. They find that net earnings, reported goodwill and other intangible assets are highly significantly associated with stock price. Even though the change to IAS/IFRS had no impact on the value relevance of identifiable intangibles, the evidence suggests that there was a positive effect on the value relevance of goodwill.
- Exploring the empirical association between takeover bid premium and acquired (purchased) goodwill, James, How and Verhoeven (2008) (labelled **W10**) test the strength of the association changes after the approval of new accounting standards in Australia. AASB 1013<sup>12</sup> mandated capitalisation and amortisation of acquired goodwill to the income statement. Their results show that reducing the variety of accounting policy options available to bidder management after an acquisition results in a systematic reduction in the strength of the association between premium and goodwill.
- Identifying the relative significance of financial statement recognition and note disclosure as an important issue for accounting regulators, preparers and auditors, Jifri and Citron (2009) (labelled **R2**) argue that the empirical evidence on the value-relevance of note disclosures is mixed. Their study examines the two modes of presentation, where old pre-IFRS 10 goodwill continues to be disclosed in the notes to the accounts at the same time

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<sup>12</sup> AASB 1013, Accounting for Goodwill, is an Australian Accounting Standard that was issued by the Australian Accounting Standards Board in June 1996. Australia decided to follow the International Accounting Standards Board (IASB) set of accounting standards from 1 January 2005. As a result, AASB 1013 no longer exists. It has been replaced by AASB 3 *Business Combinations*, which is the Australian version of IFRS 3 *Business Combinations*. Systematic amortisation of the capitalised acquired goodwill balance is not required by AASB 3 (James, How & Verhoeven, 2008).

as new post-FRS 10 goodwill is capitalised. Their study finds that, based on a sample of 243 non-financial firms containing amounts of both recognised and disclosed goodwill in their 2002 financial statements, both variables are significantly associated with share price.

- Considering the economic consequences of the application of the two accounting methods that existed at that time, namely the amortisation of goodwill and an annual impairment test, Martinez and Rubio (2011) (labelled **W2**) contrast financial information in the Spanish securities market for the two periods, pre-IFRS (1998 to 2004) and post-IFRS (2005 to 2011). Their study reveals that opting for one or the other method could distort the quality and comparability of the information transmitted by firms and the accurate assessment of future cash flows, and that the application of either of these methods affects financial statements and the usefulness of the information.
- Examining the methods used to perform impairment tests for intangible assets from a business combination by a Group of Italian banks in the period 2009–2014, Quaranta, Gabriele and Zigiotti (2019) (labelled **E6**) confirm that there is a positive link between profitability and the tendency of managers to post the impairment losses of intangible assets promptly and accurately. This study identifies a link between profitability and the quality of disclosure.

### **Application and compliance**

The literature analysed shows that **12** of the studies are concerned about the appropriate application of IFRS 3 and/or IFRS 10, and the compliance with the recognition, measurement, disclosure and reporting requirements of these new accounting standards. The foci of these studies are briefly listed below.

- Carlin, Finch and Laili (2009) (labelled **E4**) interrogate the level of compliance and disclosure quality associated with goodwill accounting and impairment in Malaysia. Their findings point to mixed compliance, with many firms producing financial reports that have failed to meet the mark of the new standard. Two further studies by Carlin and Finch (2010, 2011) relate to the compliance with accounting standards and the recognition of goodwill. In their study labelled **E1**, Carlin and Finch (2011) catalogue the practice of goodwill impairment testing in Australia and provide evidence of the extent of compliance with respect to the disclosure requirements of international financial reporting standards (IFRS). Their study labelled **E5** reports the findings of a study designed to understand the extent of compliance with the goodwill accounting and reporting disclosure requirements among a sample of goodwill intensive Australian firms over the first 2 years of their IFRS adoption.

- Bloom (2009) (labelled **W9**) considers the accounting for goodwill as an unidentifiable intangible asset that is often an entity's largest value component. He argues that, despite the general recognition that, in practice, the two classes of goodwill are indistinguishable in terms of their ability to generate streams of revenue, a distinction is traditionally drawn between internally generated and purchased goodwill. While there is no difficulty in recognising purchased goodwill, current accounting principles state that internally generated goodwill should not be brought to account because it is impossible to do so within the accepted rules of double entry bookkeeping and historical cost-based accounting.
- In a US study relating to the FASB's issued Statement No.141 (R), Dorata (2009) (labelled **R7**) evaluates the application of the acquisition method and the required accounting treatment to expense acquisition-related transactions costs. She argues that the expense treatment is a departure from purchase accounting procedures. The results support evidence that expensing acquisition-related costs may improve transparent reporting and the expectation that expense treatment for acquisition-related costs increases the likelihood that these costs appear more frequently and are greater in magnitude.
- Using two scenarios, Samkin and Deegan (2010) (labelled **E2**), illustrate how goodwill impairment loss should be accounted for when measuring non-controlling interest in subsidiaries. This study finds that the way that management values the non-controlling interest in a subsidiary results in different amounts being disclosed in financial statements for non-controlling interest in earnings, non-controlling interest, retained earnings and total equity. It further provides practical guidance on the measurement of NCI and goodwill in accordance with IFRS.
- Stating that IFRS aims to provide a framework that can be applied to ensure comparable financial information, De Jager (2015) (labelled as **R6**) identifies some 'grey areas' where judgement is required. She describes one such area as that relating to the classification of contingent liabilities (specifically pending lawsuits) in a business combination. Using data obtained from a survey of the Top 40 South African listed companies regarding different lawsuit scenarios on whether the specific scenario presented a possible obligation (which would not be recognised in a business combination) or a present obligation (which would be recognised). The study finds some statistically significant differences in opinion among the companies surveyed, which could have significant implications for goodwill calculations in a business combination.
- Kabir (2018) (labelled **W1**) explores the incidence, amounts, disclosure and potential sources of bargain purchase gains reported by an Australian sample of firms during 2013–15. This study showed that acquirers reported bargain purchase gains during this period,

however, in contravention of IFRS 3, not all acquirers with material bargain purchase gains disclosed in notes why the gain arose, suggesting uncertainty about the sources of the gain.

- Reviewing compliance with the IAS 36 goodwill impairment testing disclosure requirements by South African entities, Day (2020) (labelled **R8**) compared the disclosures provided by entities with material levels of goodwill to the key IFRS requirements. Analysing the results through a critical narrative proposing insights relevant to preparers, auditors, regulators and standard setters, the study finds results that the disclosures of South African entities are often incomplete and inconsistent, presented in a minimalist, generic, 'boiler-plate' fashion considered to be of limited use to decision-makers assessing the reliability of impairment testing.
- Examining whether more transparent disclosure about goodwill impairment tests conveys useful information, Andreicovici, Jeny and Lui (2020) (labelled **R10**) draw on a sample of European companies from 2006 to 2014. They construct a dataset on the transparency of goodwill impairment disclosure and develop two analyst disagreement measures to show that the level of disclosure transparency is negatively associated with both disagreement among analysts and disagreement between analysts and managers. Their study speaks to the usefulness of goodwill impairment test disclosures to analysts and highlights that opportunistic and boilerplate disclosure by some firms hampers the ability to resolve information asymmetry and information uncertainty.
- Glaum, Schmidt, Street and Vogel (2013) (labelled **R12**) analyse compliance for a large sample of European companies, focusing on disclosures required by IFRS 3 and IAS 36 *Impairment of Assets*. They find substantial non-compliance both by company- and country-level variables, indicating that accounting traditions and other country-specific factors continue to play a role despite the use of common reporting standards under IFRS. Aspects identified at the company level include the importance of goodwill positions, prior experience with IFRS, type of auditor, the existence of audit committees, the issuance of equity shares or bonds in the reporting period or in the subsequent period, ownership structure and the financial services industry as influential factors. At the country level, the strength of the enforcement system and the size of the national stock market are associated with compliance. Both factors not only directly influence compliance but also moderate and mediate some company-level factors.
- Examining compliance levels with IFRS 3 and IAS 36 *Impairments of Assets* mandated goodwill-related disclosure and their association with firms' implied cost of equity capital (ICC), Mazzi, André, Dionysiou and Tsalavoutas (2017) (labelled **R13**) find a statistically significant negative relationship between the ICC and compliance with mandated

goodwill-related disclosure. Using a sample of European firms for the period 2008–2011, they find a median compliance level of about 83% and significant differences in compliance levels across firms and time.

## Literature reviews

The **two** papers that performed literature reviews relating to BCC include the following:

- In their second paper published in *Australian Accounting Review*, Carvalho, Rodrigues and Ferreira (2016a) (labelled **W3**) perform a critical review of literature that investigates the compliance with the mandatory disclosure requirements of goodwill. After performing a critical analysis of the literature published from 2002 to mid-2015 on disclosures of goodwill and their respective impairment tests, this study summarises the main determinants of disclosures on goodwill in the literature as well as the still scarce studies' conclusions of those disclosures in the market. Their findings reveal that the information disclosed about goodwill is incomplete and largely heterogeneous, indicating a reduced level of compliance with the disclosures required by accounting standards.
- In a discussion of the academic literature, Schatt, Doukakis, Bessieux-Ollier and Walliser (2016) (labelled **R9**) present an extended literature review regarding the association between goodwill impairment (under the new accounting standard) and the revision of investors' expectations about a company's future cash flows. They note that academic literature posits that, in some specific cases, IAS 36 may help investors to revise their expectations. They further identified that "goodwill impairment seems relevant when: (a) there is strong asymmetry of information between managers and investors, (b) managers disclose detailed information in the notes regarding their own assumptions about future cash flows, and (c) managers do not manage earnings and provide reliable information to investors" (p. 307). Their study calls for more research to understand in which circumstances impairment-test-only is more useful and when it is less adequate.

## Case studies

Lastly, **two** papers were identified that referred to BCC as a case study. These studies are different in that the first study has a teaching and learning focus, while the second case study uses concepts associated with BCC to describe the power, control and legitimacy of accounting standards.

- In a case study of Bright Pharmaceuticals SE, Detzen, Hoffman and Zulch (2013) (labelled **R14**) develop an instructional resource to familiarise students with the accounting for business combinations under IFRS 3 and illustrate the uncertainty and professional

judgement involved in asset valuation and consolidation. Students first need to assess the quality of information generated under IFRS 3 and fair value accounting. They are then asked to account for a business combination by identifying possible input parameters to measure several intangible assets and a contingent liability. Based on their valuation results, they compute the amount of goodwill recognised on the acquisition and assess the effects of their parameter choices on the values of different assets and liabilities. As an optional third task, the case asks students to consolidate the financial statements and evaluate the impact of the acquisition on the financial position of the acquirer.

- Van Zijl and Maroun (2017) (labelled **W13**) use IFRS 10 and IFRS 12 as a case study to demonstrate how a sense of enclosure, partitioning, hierarchical surveillance and normalising sanction is used to encourage compliance with new accounting prescriptions. Their study used detailed interviews with corporate governance, financial reporting and financial regulatory experts to explore the functioning of Foucauldian power in a practical accounting system. They argue that motifs of disciplinary power and control form part of a sophisticated legitimisation process and that “the enclosure of the ‘consolidation accounting space’, coupled with the possibility of monitoring by independent regulators, creates a valid expectation of enhanced financial reporting practices on the part of users of financial statements” (p. 43). They further state that the appearance of structured and prescriptive accounting standards allows the IASB to respond to perceived weaknesses in existing accounting practice, securing the legitimacy of International Financial Reporting Standards as a global basis for preparing financial statements.