

INTERNATIONAL ACCOUNTING CERTIFICATION IN THE RUSSIAN LANGUAGE: A CASE STUDY

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ABSTRACT

The 15 former Soviet republics known as the Commonwealth of Independent States (CIS) all have their own national accounting and auditing certifications. These republics have been evolving in different directions since the break up of the Soviet Union. However, they have at least one thing in common – their certifications are not held in high regard beyond their borders, and perhaps even within their own countries. Several internationally recognized certification bodies have tried to fill the market need by offering their exams within the borders of the CIS, but these attempts have been only partially successful because these international certification exams are offered only in the English language. As a result, the majority of accountants in the CIS are not able to write a professional exam. Until recently, non-English speaking accountants within the CIS had no alternatives other than their national exams. Starting in late 2001, a plan was made to introduce into several former Soviet republics a series of examinations

based on the accounting principles used in the developed market economies. These exams were offered in the Russian language, thus offering non-English speaking accountants an opportunity to earn a certification based on internationally recognized accounting principles. This paper reports on this movement.

Key words: Accounting certification, Russia, Central Asia, certified accounting practitioner, CAP, certified international public accountant, CIPA

INTRODUCTION

A private sector initiative to reform and upgrade accounting certification is well underway in several former Soviet republics. This initiative is important to accounting educators in Russian speaking countries for several reasons. For one, the topics covered in the exams are different from the topics currently being taught in many universities in the region. Thus, there is a divergence between university accounting education and what is being demanded by the market. As these examinations grow in popularity, increasing pressure will be placed on universities in the region to change their accounting curriculum to prepare students to pass these certification exams. Universities that fail to meet this demand will be faced with a loss of accounting student enrollments, while universities that incorporate these new subjects into their curriculums will see their enrollments grow.

Another reason why this examination program is important to educators in the Russian zone is because many professors and lecturers may not be sufficiently familiar with the material to adequately teach it. The reason for this lack of familiarity is because much of the content of these exams is based on International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), financial management and management accounting, which are topics that were probably not taught in the universities when the present generation of lecturers and professors were students. Thus, in order to teach these new subjects, these faculty members will somehow have to become familiar with this material. Those who have a command of the English language can become proficient by reading some of the many books and articles that have been published in the English language on these subjects, but those who cannot read English are at somewhat of a disadvantage, because the accounting materials available in local languages such as Russian, Ukrainian, Uzbek, Tajik, and Kazak are not as numerous and not of the same quality.

Another reason that professors in the Russian zone might be interested in this recent development is because it could be an extra income opportunity for them. If they can learn the material sufficiently well, they may have the opportunity to teach it in the private sector exam preparation courses that are emerging to serve the demand for instruction. Since the private sector generally pays higher hourly salaries than state universities, teaching in these private programs could provide a good salary supplement for professors who can qualify.

Professors in the developed market economies might also find this initiative of interest, since nothing like this has ever been attempted before. After the communists took over in Russia and communism spread to the other Soviet republics, a conscious effort was made to destroy private sector institutions so that the Communist Party would have a monopoly on power. As a result, private institutions went out of existence. Since the fall of the Berlin Wall, private sector institutions have been re-emerging, with the help of billionaire George Soros, who has

contributed hundreds of millions of dollars toward private sector institution building in Central and Eastern Europe as well as the former Soviet Union. Various governmental and nongovernmental organizations such as the World Bank, U.S. Agency for International Development, Tacis, the Asian Development Bank, the European Bank for Reconstruction and Development, and the International Finance Corporation have also been engaged in institution building. Trying to rebuild private institutions after several generations of communism is something that has never been attempted before. There is no roadmap to provide directions for creating and fostering the development of private sector institutions where none previously existed (Shleifer and Treisman, 2000). The development of private sector accounting certification provides a good case study.

The Old System

The old Soviet accounting system worked well for what it was called upon to do. Over a period of several generations, a very elaborate system of bookkeeping evolved to keep track of accounting transactions. However, the old bookkeeping system did not collect or report on the information that is needed in a developed market economy. There was no calculation of profits and losses, which led to a massive misallocation of resources. This deficiency was pointed out by Ludwig von Mises as far back as the 1920s (Mises, 1920; 1923; 1935). Thus, when the Soviet Union collapsed and the former Soviet republics began their transition to a market economy, a new system of accounting was needed. Foreign experts from many developed countries flooded into the Commonwealth of Independent States, Eastern Europe, and Central Europe to provide advice during this transformation process. This advice included guidance on how to establish and use market oriented accounting rules.

New Certification Models

The various former Soviet republics began to develop and adopt accounting and auditing certification programs that were based on Western models. However, it was the old guard that was in charge of this development process and they brought their old Soviet mindset with them. The corruption that was rampant under the old system did not evaporate as new, private accounting associations were created to provide the institutional framework for the new, private sector accounting profession. Under the Soviet regime, truly private accounting associations could not exist, since such organizations would pose a threat to the monopoly of the Communist Party.

Because of this lack of reform, the new accounting certification models that evolved lacked credibility in international capital markets, or even in the home country. In some republics, accounting certifications could easily be purchased without the need of an exam. In other cases, the examination process was not sufficiently rigorous to screen out incompetent accountants (McGee, 1999a; 1999b). The marketplace knew this and reacted accordingly by discounting the credentials of anyone who held a national certification.

Credible certified accountants were needed but none existed. The market rushed in to fill this vacuum. The UK-based Association of Chartered Certified Accountants (ACCA) already had a credible certification program that had been in place for nearly 100 years. ACCA certification was recognized in well over 100 countries. Its certification program was rigorous and had worldwide credibility. The ACCA had somewhat of a monopoly on credible certification in the CIS for a few years.

However, shortly after the transition process to a market economy began, the US-based Institute of Management Accountants (IMA) began offering its Certified Management Accountant (CMA) and Certified Financial Manager (CFM) exams in some Eastern European, Central European, and former Soviet countries. Anyone who could pass these exams earned instant credibility. The problem with these exams – the ACCA, CMA and CFM -- was that they were offered only in the English language. Thus, the vast majority of accountants in these countries were not able to take advantage of this upgrade opportunity.

An attempt to break this monopoly, or rather to provide an alternative for non-English speaking accountants, was made by the United States Agency for International Development (USAID) when it began supporting a Russian language certification model that was based on the Canadian Certified General Accountant (CGA) exam. This certification model was tried first in five Central Asian republics. In 2002, the model was spread to Ukraine, and later to Moldova and Russia.

CAP AND CIPA CERTIFICATIONS

Objectives of the Certification Program

The Certified Accounting Practitioner (CAP) and Certified International Public Accountant (CIPA) exams are the only truly international accounting certification exams offered in the Russian language. They test on International Financial Reporting Standards rather than national standards, which makes certificate holders more marketable, not only in every Russian speaking country, but also to a certain extent in other countries. The exam process is not corrupt, which also greatly enhances the credibility, acceptability and prestige of the designations. Candidates must pass examinations in (1) Financial Accounting I, (2) Tax & Law and (3) Managerial Accounting I, to earn the CAP designation. Four additional exams in Financial Accounting II, Audit, Managerial Accounting II and Finance must be passed for the CIPA designation.

Overview

The International Council of Certified Accountants and Auditors (ICCAA) was formed in late 2001 with the assistance of USAID and others to offer internationally recognized accounting certification exams. Its target market includes the countries of the former Soviet Union, although its main focus at the moment is on the five Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. It also has a presence in Ukraine, Russia and Moldova.

One reason why these international certifications are needed is because none of the existing local certifications have much credibility. One reason for the lack of credibility is because certification can sometimes be sold outright without taking the exam. Another reason is because the degree of difficulty of the local exams is not very high. Thus, there is a very real need for a certification that is perceived as high quality. The existence of a credible certification would make audited financial statements more credible which, in turn, would help attract foreign direct investment. The problem is that the only truly international accounting certifications, the ACCA, CMA, CFM and, to a lesser extent the American CPA, are offered only in the English language.

The CAP and CIPA Certifications

The CAP and CIPA exams were created to fill this gap. They are given in the Russian language and are modeled after the Canadian Certified General Accountant (CGA) designation. The content of the exams complies with the International Federation of Accountants (IFAC) International Education Guidelines and the United Nations Conference on Trade and Development's (UNCTAD) Global Curriculum for the Professional Education of Professional Accountants (1998), as do the ACCA exams. This compliance is extremely important, because it gives the CAP and CIPA exams instant international credibility.

The UNCTAD curriculum is really a set of guidelines that countries can use to establish benchmarks when they revise their accounting curriculums to prepare accountants to function in an interdependent economy. Its guidelines list requirements in three areas: organizational and business knowledge; information technology; and accounting and accounting-related knowledge. The accounting and accounting-related knowledge consists of the following modules:

- Basic accounting and preparation of financial statements, the accounting profession and international accounting standards
- Advanced financial accounting practices
- Advanced financial reporting principles
- Management accounting – basic concepts
- Management accounting – information for planning, decision-making and control
- Taxation
- Business and commercial law
- Auditing fundamentals
- Auditing – advanced concepts
- Business finance and financial management

IFAC's set of International Education Guidelines are also intended to serve as benchmarks for the education and development of professional accountants. There is a great deal of overlap between the two sets of guidelines, but they are not identical. However, professional certification organizations that meet the standards of one of these organizations do not have any difficulty also meeting the guidelines of the other organization.

There are two levels of certification. The first level is designated Certified Accounting Practitioner (CAP). This designation is earned by passing three exams – Financial Accounting 1, Management Accounting 1, and Tax & Law. One must also have one year of experience working in accounting, as well as computer literacy. CAP exams are offered quarterly with the first given in May 2002. As of mid-April 2004, more than 1,500 candidates have passed all parts of the CAP exam and have been awarded certificates. Table 1 shows the number of CAP holders by country.

The second level certification is called Certified International Professional Accountant (CIPA) and is earned by passing four additional exams – in Financial Accounting 2, Management Accounting 2, Finance, and Audit. CIPA exams are offered semi-annually. One hundred and four individuals have passed all parts of the CIPA exam (correspondence with Steve Kenney, April 5, 2004). The first CIPA exams were given in November 2002. The exams were first given in the five Central Asian republics plus Russia and Ukraine (CIPA Exams Taking Root, 2003).

TABLE 1
Number of CAP Holders by Country
April 2004

<u>Country</u>	<u>Number of CAPs</u>
Kazakhstan	519
Kyrgyzstan	324
Russia	6
Tajikistan	71
Turkmenistan	20
Uzbekistan	158
Ukraine	440
Total	1,538

Source: www.cipaen.org

Increase in Popularity

The first CAP and CIPA exams were offered for free. Exam fees and registration fees were introduced in Kazakhstan, Moldova and Ukraine starting in August 2003. Turnout – the number registered for the exam versus the number actually taking the exam -- increased significantly after fees were introduced. For example, turnout increased from 61.7 percent to 84.7 percent in Kazakhstan (Kenney, 2004).

TABLE 2
CAP Passes for the
March 12-14, 2004 Exams

<u>Country</u>	<u>Financial Accounting 1</u>	<u>Tax & Law</u>	<u>Management Accounting 1</u>	<u>Total</u>	<u>% of Total</u>
Kazakhstan	503	479	404	1,386	28.6
Kyrgyzstan	451	292	139	882	18.2
Moldova	39	67	33	139	2.9
Tajikistan	162	152	150	464	9.6
Turkmenistan	24	25	15	64	1.3
Ukraine	323	294	293	910	18.8
Uzbekistan	556	248	198	1,002	20.7
Totals	2,058	1,557	1,232	4,847	100.1

Source: Kenney (2004)

TABLE 3
Comparison of CAP and CIPA Exams Taken
Q4 – 2002 and 2003

<u>Exam</u>	<u>2002 Q4</u>	<u>2003 Q4</u>	<u>Increase</u>
CAP	5,598	6,086	8.7%
CIPA	659	711	7.9%
Total	6,257	6,797	8.6%

Source: Kenney (2004)

The exams are growing in popularity. Attendance for the March 2004 exams was at record levels in Kyrgyzstan, Tajikistan and Uzbekistan. In Uzbekistan, 1,002 candidates took the March 2004 CAP exams, compared to 564 in June 2003. More than 30,000 candidates took one or more parts between May 2002 and March 2004. The CAP exam results for March 2004 are summarized in Table 2. As can be seen, the largest number of exam candidates came from Kazakhstan (1,386), followed by Uzbekistan (1,002), Ukraine (910), Kyrgyzstan (882), Tajikistan (464), Moldova (139) and Turkmenistan (64).

The number of individuals taking the CAP exams far exceeds those taking the CIPA exams, which might be expected, given the fact that the exams are relatively new and that the CAP exams must be passed before the CIPA exams may be attempted. Table 3 shows a comparison of the CAP and CIPA exams taken in the fourth quarter of 2002 and 2003 in all countries where the exams were given. The popularity of both exams has increased by an average of 8.6 percent.

Table 4 shows the number of exams taken in the five Central Asian republics between September 2002 and August 2003. About 90 percent of the exams taken were the CAP exams. The pass rates for the lower lever (CAP) exams were much higher (45.8%) than the pass rates for

TABLE 4
Exams Taken and Pass Rates
Five Central Asian Republics
September 2002 to August 2003

<u>Exam</u>	<u>Exams Taken</u>	<u>Turnout Ratio</u>	<u>Pass Rates</u>
CAP (90%)	13,880	63.1%	45.8%
CIPA (10%)	1,528	51.4%	8.4%
Total (100%)	15,408	61.7%	42.4%

Source: Kenney (2004)

TABLE 5
Pass Rate Comparison
CAP and CIPA Exams
November 21-24, 2003

	November <u>Exams Written</u>	November <u>Pass Rate</u>	Comparison 2002-03 <u>1st Year Rates</u>
CAP (87%)	4,974	54.5%	45.8%
CIPA (13%)	711	14.2%	8.4%
Total	5,685	50.9%	42.1%

Source: Kenney (2004)

the higher level CIPA exams (8.4%). There seem to be at least two reasons for this. For one, the CAP exams test more basic material, which would make those exams easier to pass. The other reason is because candidates need attain a grade of only 50 percent to pass the CAP exams, whereas the CIPA exams require a score of 75 (correspondence with Steve Kenney, April 20, 2004).

Pass rates have been increasing for both the CAP and CIPA exams, as shown in Table 5, which includes statistics for all countries where the exams were given. The CAP pass rates are comparable to the pass rates for other international exams, such as the CMA, CFM and ACCA exams, although the CIPA pass rates are much lower.

Table 6 shows a breakdown by country of the CAP and CIPA exams taken between September 2002 and August 2003. As can be seen, the largest number of candidates taking the exam during the period under study came from Kazakhstan, with 42.1 percent of the total. Ukraine is a distant second with 19.4 percent. Turkmenistan was in last place, with 1.3 percent. Moldova is not included because exams did not start there until after August 2003. Russia is not included because regular exams did not start there until after August 2003, although some potential trainers took a few exams as part of a pilot project.

Ukraine

Separate exam statistics are available for Ukraine, broken down by subject. Table 7 shows the number of candidates and pass rates for the CAP and CIPA exams from May 2002 to November 2003. As was true of pass rates in general, the CAP pass rates for Ukraine were higher than the pass rates for the CIPA exams. The zero percent pass rate on the November 2002 CIPA exams could not get any lower.

Statistics for the individual exam parts for the Ukraine exams are also available. Table 8 provides a breakdown by exam and date. Some boxes are blank because not every exam was given in every examination period. Scores were remarkably low for some exams and for some exam dates. The November 2002 exams appear to be a disaster for Financial Accounting 2 and

TABLE 6
Exams – by Country
September 2002 to August 2003

<u>Country</u>	<u>Exams Taken</u>	<u>% of Total</u>
Kazakhstan	8,049	42.1
Ukraine	3,707	19.4
Kyrgyzstan	3,119	16.3
Uzbekistan	2,734	14.3
Tajikistan	1,258	6.6
Turkmenistan	248	1.3
Total	19,115	100.0

Source: Kenney (2004)

TABLE 7
Level of Activity and Pass Rates
CAP and CIPA Exams
Ukraine
May 2002 – November 2003

	<u>May</u> <u>2002</u>	<u>Sept.</u> <u>2002</u>	<u>Nov.</u> <u>2002</u>	<u>March</u> <u>2003</u>	<u>Aug.</u> <u>2003</u>	<u>Nov.</u> <u>2003</u>
<u>CAP Exams</u>						
Examinees	435	551	1,409	839	645	1,034
Pass Rate	57%	40%	39%	48%	53%	65%
<u>CIPA Exams</u>						
Examinees	47		228		77	116
Pass Rates	34%		0%		19%	16%
<u>Total All Exams</u>						
Examinees	482	551	1,637	839	722	1,150
Pass Rate	55%	40%	33%	48%	50%	60%

Source: Mino (2004)

TABLE 8
Level of Activity and Pass Rates
Individual Exam Summary
CAP and CIPA Exams
Ukraine
May 2002 – November 2003

	<u>May</u> <u>2002</u>	<u>Sept.</u> <u>2002</u>	<u>Nov.</u> <u>2002</u>	<u>March</u> <u>2003</u>	<u>Aug.</u> <u>2003</u>	<u>Nov.</u> <u>2003</u>
<u>Financial Accounting 1</u>						
Examinees	102	194	525	263	219	362
Pass Rate	36%	27%	37%	27%	44%	57%
<u>Tax & Law</u>						
Examinees	238	263	561	396	236	326
Pass Rates	71%	51%	33%	74%	76%	77%
<u>Management Accounting 1</u>						
Examinees	95	94	323	180	190	346
Pass Rate	43%	35%	52%	24%	35%	62%
<u>Financial Accounting 2</u>						
Examinees	42		129		23	39
Pass Rate	29%		0%		0%	21%
<u>Audit</u>						
Examinees	5		99		15	21
Pass Rates	80%		0%		13%	14%
<u>Management Accounting 2</u>						
Examinees					27	32
Pass Rate					48%	13%
<u>Finance</u>						
Examinees					12	24
Pass Rate					0%	13%

Source: Mino (2004)

Audit, since not a single person passed either of those two exams. No one passed the next Financial Accounting 2 exam either. The low pass rates were attributed to poor preparation, and perhaps poor training. The problem of poor training and preparation were addressed by giving a workshop for the trainers during summer 2003. Pass rates have since improved (correspondence with Steve Kenney, April 20, 2004).

Table 8 also shows a large increase in the number of candidates sitting for the November 2002 exam. Two reasons were given for the jump in enrollment. For one, fall exams seem to be more popular than exams offered at other times of the year. But the more important reason for the jump is probably because the project announced that it would start charging fees for the

exams beginning in 2003, which led many candidates to sign up for the November 2002 exam, which was free (correspondence with Steve Kenney, April 20, 2004). A survey that was taken of potential exam candidates revealed that cost was a very important factor in determining whether to take the exams, so free exams were much more attractive than exams that involved a fee, even if the fee were only a few dollars (Filshin and Karabekova, 2004).

Expanding the Program into Russia

Although Russia has the greatest population of any of the former Soviet republics, the certification exams are practically nonexistent in Russia. This is because USAID intended to start the exams in Central Asia and Ukraine, and then refine the examination process before exporting it to Russia (correspondence with Steve Kenney, April 5, 2004). The CIPA program did not start in Russia until November 2002, and even then, it started only as a pilot program. Funded by USAID, the project had the following objectives:

1. Identify potential trainers of accountancy courses (about 25 persons);
2. Purchase complete sets of educational materials and distribute to potential trainers;
3. Conduct examinations of potential trainers;
4. Conduct pedagogical training of successful examinees and identify acceptable trainers;
5. Administer training of accountants through accepted trainers;
6. Conduct examinations of accountants.

The first CAP exam was given in Moscow at the end of November 2002. Fifteen potential trainers took the Financial Accounting 1 exam and 10 took the Management Accounting 1 exam. Two additional exams were given to potential trainers in March and June, 2003. As a result of these exams, 10 candidates earned the CAP designation (correspondence with Olga Petrova, April 13, 2004).

Twelve individuals were selected to be trainers and the USAID project helped them organize and deliver some CIPA training courses in preparation for future exams. The first exams for non-trainers were given in November 2003. The results were as follows:

1. Financial Accounting 1 – 42 candidates
2. Management Accounting 1 – 27 candidates
3. Tax & Law – 26 candidates
4. Financial Accounting 2 – 5 candidates
5. Management Accounting 2 – 4 candidates
6. Audit – 2 candidates
7. Finance – 4 candidates

As a result of these exams, 13 additional individuals earned the CAP designation, raising the total number of CAPs in Russia to 23 as of the end of 2003 (correspondence with Olga Petrova, April 13, 2004). The USAID pilot program was completed in 2004. A new USAID accounting reform project started in Russia in 2004, with the objective of promoting the CIPA in Russia. However, it is too early to tell whether this new project will be successful or whether the

market demand for the CAP and CIPA designations is sufficient to warrant continued marketing efforts. However, if the success of the program in Central Asia is any indication, the Russian program can expect a groundswell of support, since there is no other international accounting certification available in the Russian language. Local accounting organizations are understandably hesitant to promote a new accounting certification, both because it is relatively unknown, as well as because any change in the status quo will chip away at the existing power base of the old guard. This is a common phenomenon in Russia. As Friedman and Friedman (1984) pointed out, the status quo is always perceived to be the best of all possible worlds. This perception is difficult to overcome, especially if the old guard continues to cling to the old idea. Knowledge is power, and as the younger generation acquires knowledge of the new accounting, power will be transferred from the old guard to the younger generation. But presently, the older generation is still in charge, and there is a natural tendency for them to resist change of any kind because it is they, the older generation, that will be the loser as change is effected.

FUTURE RESEARCH

It appears that local practitioners view the CAP/CIPA certifications quite positively. Evidence of the high regard in which these exams are held is evidenced by the fact that so many practitioners have decided to incur the effort and expense needed to take and pass the exams. Interviews conducted as part of this research revealed that employers also hold these certification exams in high regard, as evidenced by the fact that some employers give raises to employees who pass the exams. Some employers also reimburse employees for some or all of the costs involved in taking the exams. Some employers require at least the CAP designation as a condition of employment for some positions.

Thus, from looking at the numbers, it appears that the exams are popular. The interviews conducted with practitioners support this conclusion. The practitioners who were interviewed were enthusiastic about the exams. However, the sample of practitioners interviewed was quite small, taken from just one accounting firm that had a few employees taking the exams. Furthermore, the head of the firm was involved in the program, in addition to being one of the first individuals to pass all of the certification exams, so perhaps the sample was biased. If one were to conduct follow-up research on this topic, it might be worthwhile to interview a wider spectrum of practitioners to see whether their views correspond closely with the views of the limited group of practitioners that were interviewed as part of the present study. It could be that the reason for the rapid increase in the number of people taking the exams is because employers require it as a condition of employment or advancement. From the preliminary evidence it appears that this is not the case, but additional interviews would confirm this preliminary finding.

For a number of reasons, it is difficult to compile a detailed list of the differences in content between the local certification exams and the CAP/CIPA exams. For one, some of the local exams are given in the local languages and none of the authors are familiar with Kyrgyz, Kazak, Tajik, Uzbek, etc. Another difficulty that would be encountered if such an attempt were made is that not all of the local exams are publicly available. A third complication is that the local exams are not all the same, as each country has its own exam or set of exams.

Thus, there is the possibility of conducting research to compare the local exams of each of the five Central Asian republics, plus Ukraine, Moldova and Russia, to the CAP and CIPA exams. Such research would probably have to be conducted by individuals who were conversant

in the local languages. However, even bilingual individuals would have obstacles to overcome, because not all of the local exams are available for inspection. Other means would have to be used to gather the necessary data.

One way to obtain some relevant information would be to interview individuals who have taken both the local and the CAP/CIPA exams. Such individuals would be sufficiently familiar with both sets of exams to provide good information. Another possibility would be to interview the individuals in each country who construct the local exams, and perhaps show them some sample questions from past CAP and CIPA exams so that they would be able to compare and contrast their local exams with the CAP and CIPA exams. These two groups could also be given a detailed list of the topics included in the UNCTAD and IFAC suggested curriculums and asked to place a check next to the topics that are covered in the local exams. Thus, it is not necessary to obtain copies of the local exams to gather some relevant information, although having copies of the exams would be the best alternative.

Some differences between the local exams and the CAP and CIPA exams were uncovered during the course of the interviews. For example, the local exams test on local (national) accounting rules, whereas the CAP/CIPA exams test on International Financial Reporting Standards (IFRS). Another general statement that could be made is that the CAP/CIPA exams are more rigorous than are the local exams. Some evidence of this increased rigor was uncovered during the course of the interviews with some of the individuals who are implementing the CAP/CIPA exams, and with some students who took both the local and the CAP/CIPA exams.

CONCLUDING COMMENTS

There is a definite need for internationally recognized certification in the CIS. The national certifications that presently exist are not very credible in the eyes of the international investing community or even within national borders. The English language certifications that are making inroads into the CIS are helping to alleviate this problem, but they are limited in their effectiveness because they appeal only to the minority of Russian speaking accountants who can also read English sufficiently well to pass the English language exams. The CAP and CIPA exams have the potential of serving this vast untapped market of Russian speaking accountants who have no viable alternative to the present system. Although it is too early to tell whether these new Russian language certifications will be able to completely alleviate the problem of credible certification, the early results are encouraging.

The marketplace is starting to recognize the value of these new certifications and a critical mass is about to be reached. The main threat to the long-term viability of this program is funding. It is not yet clear what will happen when USAID withdraws its financial support. Efforts are being made to make the program self-sustaining. If those who want to take the certification exams are able to pay the fees needed to keep the program viable, then the program has a good chance of success.

It would probably be fair to say that the local certification exams test some of the same subjects that were tested during Soviet times. Each of the fifteen Soviet republics had to use the same chart of accounts, which was issued from Moscow during the 1930s, and which has been modified somewhat since then. The Soviet accounting system was basically not much more than a well developed bookkeeping system. Accounting statistics were used for compilation purposes and to make government reports, not to make management decisions. Information was not

compiled with shareholders in mind because there were no shareholders. Exams did not require students to compute profits, losses, or profit margins because there were no profits, or even income statements. The CAP/CIPA exams, on the other hand, test these and other subjects. Things like financial statement disclosure, transparency, footnotes, financial management, break-even analysis and even many aspects of cost accounting are new subjects in this part of the world. Thus, there is a big difference between the content of the local exams and that of the CAP/CIPA exams.

A larger question, which is often asked by the old guard, is whether the content of the CAP/CIPA exams is suitable to the local environment. Very few companies in the former Soviet Union presently use IFRS, so it becomes a legitimate question as to why such topics should be tested. Several arguments could be made to support the position that the CAP/CIPA exams are relevant.

One strong argument in their behalf is that all of the former Soviet republics are in the process of adopting IFRS. The Russian Finance Ministry has declared that many companies and all banks must adopt IFRS as of January 1, 2004, one full year before EU companies have to adopt IFRS. Some former Soviet republics are ahead of Russia in the adoption of IFRS, while others are moving at a slower pace. But they are all moving in the same direction, even though they are taking different paths and are moving at different rates of speed.

Another point that could be made is that the CAP/CIPA exams test much more than just IFRS. They also test on auditing, management accounting and financial management, for example. All of these subjects are important for accountants in developing economies to know. These subjects are tools that can aid in development and economic growth. Thus, they are needed in the local environment.

Making international accounting certification available in the Russian language is a big step forward for all the countries in the Russian zone. It provides local accountants with an opportunity to learn the same kind of accounting that is being used in the more developed market economies, which will aid in their countries' economic growth. The majority of accountants in the Russian zone cannot read English well enough to profit from the English language literature on such accounting methods and techniques, so it is crucial that the information be made available in a language they can understand.

The spread of these exams has implications for accounting education and accounting educators in the Russian zone. The university accounting curriculum of the future will at some point have to include the topics covered in the CAP and CIPA exams, not so much because the exams cover these topics, but because these are the topics recommended by the UNCTAD and IFAC. Having a curriculum that corresponds to the IFAC guidelines is especially important for countries that want to gain international credibility in the eyes of foreign investors. National financial reporting systems that are not on a par with those of the more developed market economies will place countries in the Russian zone at a competitive disadvantage for attracting foreign capital. One of the essential steps to achieving internationally recognized financial reporting standards is to teach International Financial Reporting Standards and International Standards on Auditing in the university curriculum. Taking this step will require updating present course materials and also updating the skills of both present accounting faculty, as well as practitioners. The CAP and CIPA exams, along with the exam preparation materials that accompany these exams are a major step in the right direction.

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