

Professional Accounting Education in Indonesia: Evidence on Competence and Professional Commitment

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Abstract

This study aims at examining whether accounting graduates who have achieved the Professional Accounting Education (PAE) certification possess a higher competency level compared to those who do not yet have PAE certification. The study also examines whether those who possess a PAE certificate have better commitment to their career as public accountants than their counterparts who do not possess PAE certificates. The population of this study consists of auditors or accountants who work in public accounting firms in Jakarta. The population is divided into two sub populations consisting of junior auditors and senior auditors (supervisor, manager and partner). The sample of each sub population was selected using the 'judgmental' method. In order to examine the competency and commitment of junior auditors who had passed the PAE, we used case studies to test them; while questionnaires were used to obtain the perceptions of senior auditors regarding the competency and commitment of junior auditors. The findings reveal that the competency and commitment of junior auditors who possess PAE certificates are significantly higher than those with no PAE certification. This implies that PAE has made accountants or auditors more professional, suggesting that auditors ought to possess PAE certification.

Keywords: Professional Accounting Education, Commitment, Competency, Professional Accountant

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1. Introduction

Throughout the world, future accountants are expected to meet certain minimum educational requirements for entry into the profession. In Indonesia, as in other countries, Professional Accounting Education (PAE) has emerged since the year 2000 as a result of implementing the Government of Indonesia Regulation Number 60 of 1999 that states the education for professional accountants is a mandatory function of the professional association. In this case, it is the Indonesian Institute of Accountants (IIA). IIA established a set of PAE curricula in which a candidate shall pass minimum 7 mandatory subjects or equivalent of 245 hours. The purpose of PAE is to enhance the accountants' professionalism.

There are several chronological stages to be accomplished before becoming a public accountant in Indonesia. These include (1) he/she must hold a Bachelors degree in Economics (we call it *Sarjana*), (2) he/she must pass the PAE, and (3) he/she must pass the Certified Public Accountant examination (we call it *Ujian Sertifikasi Akuntan Publik*). A Bachelor of Economics majoring in Accounting is awarded with the title of SE (*Sarjana Ekonomi*). He/she who continues and achieves the PAE certification will have an additional title, namely professional accountant, abbreviated as *Ak* and will receive a registered number for accountants from the Ministry of Finance. When he/she finally passes the Certified Public Accountant examination, he/she will hold another additional title of Certified Public Accountant (CPA).

This long process requires not only time but also additional costs. To most university accounting graduates this is seen as a barrier to entry towards becoming a Certified Public Accountant. Tompessy (2005) shows that the interest of final year undergraduates to continue their career in a public accounting firm is lower compared to those who are in school. It appears that the undergraduates have better understanding of the process required for becoming Certified Public Accountants i.e. it takes a long time and incurs high costs, when they are in the final years in the university.

A similar situation exists in the United States (U.S.). The American Institute of Certified Public Accountants (AICPA) required 150 hours of education for new members, starting in 2001. The objective of the 150-hour requirement is to improve the overall quality of work

performed by CPAs by improving the quality of future audit staff (Allen and Woodland, 2006). Dresnack and Strieter (2005) examined whether the result of such requirements met the intended objectives. Using combined results of survey data, Dresnack and Strieter conclude that almost three-quarters of CPAs do not see the 150-hour requirement as an improvement. A similar result was obtained by Taylor and Rudnick (2005) reporting that those additional 150-hours of education have added only accounting courses to the traditional four-year program curriculum. This result is not in line with the objective of AICPA to deliver a well-rounded education that includes accounting and business knowledge as well as to develop lifelong professional skills.

Allen and Woodland (2010) do not find an association between additional education requirements and quality of work product as measured by discretionary accruals. Additionally, they find that accountants who work at public accounting firms in the U.S. which have applied 150-hours of education enjoy 4.8 per cent more in audit fees than firms that do not yet implement 150-hours of education.

However, Bloom (2002) evidences that recent changes in accounting education have not been satisfactory. There were significantly decreasing student enrolments in accounting programmes nationwide. Further, they observe that accounting practitioners and educators are so disenchanted with their profession that they would major in another discipline if they had the opportunity to restart their careers from scratch.

In Indonesia the need for audit services has increased dramatically since the introduction of regional autonomy as mandated by the Law along with the global growth of business. The increased need for accountants cannot be satisfied adequately as the number of accounting graduates interested in acquiring 'qualified auditor' credentials is relatively low. Sawarjuwono (2005) has surveyed and reported that only between two to four per cent of accounting graduates continued their professional qualification as an accountant.

The number of accountants in Indonesia is relatively lower than a number of countries within the Association of South East Asian Nations Federation of Accountants (AFA). Table 1 shows the distribution of accountants in the Association of South East Asian Nations (ASEAN) countries. As of December 2009 the number of accountants in Indonesia is the lowest when compared to the others. There are only eight thousand six hundred (8,600) accountants in Indonesia. This number is far below the Philippines, Singapore, Malaysian and Thailand which

have at least 2.5 times the number of Indonesian accountants. Ironically, even the number of accountants in Vietnam is nearly that of Indonesia. Another problem for the Indonesian public accountants is the English language barrier. Indonesian public accountants have relatively low English proficiency. It has been a problem faced by Indonesian accountants when dealing with reports written in English (Baridwan, 1996).

Table 1: Organisation name, number of members and number of public accountants of AFA

No.	Profession organisation	Total members
1	BICPA (The Brunei Darussalam Institute of Certified Public Accountants)	79
2	KICPA (Kampuchea Institute of CPAs and Auditors)	799
3	IIA (The Indonesian Institute of Accountants)	8,600
4	LICPA (Lao Institute of Certified Public Accountants)	171
5	MIA (Malaysian Institute of Accountants)	26,154
6	MAC (Myanmar Accountancy Council)	502
7	PICPA (Philippine Institute of Certified Public Accountants)	20,575
8	ICPAS (Institute of Certified Public Accountants of Singapore)	21,599
9	FAP (Federation of Accounting Professions Thailand)	51,737
10	VAA (Vietnam Association of Accountants and Auditors)	8,000

Source: *ASEAN Federation of Accountants (AFA) annual report 2009, website:www.mia.org.my/afa/reports.htm*

At a recent debate, there existed different views on whether there is a need for professional education. The low number of auditors with APE qualification has raised issues concerning the availability of auditors in Indonesia. As shown in Table 1, the number of auditors in Indonesia is the lowest compared to other ASEAN countries referring to the ratio between auditors and the population number. The need for auditors cannot be instantly fulfilled by existing tertiary education. The longer time required to pass the APE and more costs incurred in taking the APE have constrained the number of qualified auditors. In response to this situation, there seems to be a move not to enforce professional education for new auditors.

The low number of accountants is even worse when we refer to the age distribution of the existing accountants for which about sixty five (65) per cent of them are over fifty (50) years (Tuanakotta, 2007). Table 2 shows the distribution of public accountants and their ages as of July 2007. The age distribution and the number of public accountants draw

great attention from not only the IIA but also the Ministry of Finance, Republic of Indonesia. The aforementioned fact indicates that the need for public accountants is crucial for Indonesia. If this condition is not addressed, there will be a flood of overseas accountants who are believed to possess certain advantages. This will reduce the competitiveness of Indonesian accountants.

Table 2: Distribution of age of public accountants in Indonesia

Age range	Number of accountants	Per cent
<30	2	0.2
30-40	84	9.5
40-50	220	24.9
50-60	254	28.7
60-70	279	31.5
70-80	40	4.5
>80	6	0.7
Total	885	100.0

Source: Tuanakotta (2007:343)

Tompson (2005) studies the effect of affective commitment and continuity of professional commitment with the hierarchy of the accountants as the moderating variable. In this case, the hierarchy of accountants refers to the hierarchy of jobs in a public accounting firm from the highest position of Partner, followed by Manager, Supervisor (Senior Accountant), and Junior Accountant. Accountants in four major cities of Indonesia: Jakarta, Bandung, Surabaya and Semarang, were surveyed through the 'convenience sampling' process resulting in a sample of 144 accountants. The results show that there is a difference in performance between different levels of the hierarchies. Managers are found to have the highest commitment, whilst Junior Accountants have the lowest commitment. The study also indicates that affective commitment affects professional commitment significantly whilst continuance commitment does not affect professional commitment.

Affective commitment indicates a willingness of someone to remain in the current organisation because there is the same goal or goal congruence between organisational goal and his/her goal. Affective commitment makes someone enjoy his/her work in such an organisation. Affective commitment is initially developed by Meyer and Allen (1984). Continuance commitment reveals the willingness of someone to remain

in the current organisation because he/she believes there is significant cost or loss which will be suffered if he/she quits the organisation. He/she believes that he/she still obtain benefit to develop his/her capabilities if he/she continues to work in the organisation. So, continuance commitment is different from affective commitment as it is more related to self development. People are reluctant to leave behind all the efforts they made in developing their capabilities.

The current study is motivated by the issue of whether the PAE in Indonesia is able to improve professional competency and commitment. The reason for this is that PAE is one of the requirements prior to taking the Certified Public Accountant examination. If the candidate does not possess the competency required by the market and does not continue his/her career as public accountant, the ratio of accountants in Indonesia will continue to drop.

A total of seventy one (71) junior auditors and twenty eight (28) senior auditors (supervisors, managers, and partners) who work at public Accounting firms in Jakarta were examined. Overall the findings support the hypothesis that accountants holding professional certificates have higher professional commitment and competency compared to those with no certification.

The remainder of this paper is organised as follows: In section 2 the review of literature and hypotheses development are presented. Section 3 explains the research methodology, followed by research findings and discussions in Section 4. Section 5 summarises and provides limitations and directions for future study.

2. Review of literature and hypotheses development

2.1. Professional accounting education

The mission of the International Federation of Accountants (IFAC), as set out in its constitution is "to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies". In pursuing this mission, the IFAC Board has established the International Accounting Education Standards Board (IAESB). The IAESB develops and issues, in the public interest and under its own authority, pronouncements including, International Education Standards (IESs), International Education Practice Statements (IEPSs), Information Papers and other information documents on pre-qualification education and training of professional accountants and on

continuing professional education and development for members of the accounting profession.

Education refers to those learning processes that are systematic, structured, and often formal. The processes are therefore programmed to a significant extent. Education includes a form of developmental process referred to as training.

The content of professional accounting education should consist of (IFAC, 2008):

- (a) Accounting, finance and related knowledge;
- (b) Organizational and business knowledge; and
- (c) Information technology knowledge and competencies.

The professional knowledge component complements the non-professional knowledge, and the intellectual, personal, interpersonal, communication, and organizational and management skills developed in general education. Daniels (2011) explains that when professions and skills are made obsolete in the knowledge economy the need for continued high level lifelong learning becomes increasingly important to the sustainability and viability of local, regional, and national economies. This lifelong learning is often referred to as Executive and Professional Education (EPE). EPE consists of two primary areas – soft and functional skills. Technical and functional skills are acquired either at work or through formal training and education. Soft skills or social behavioural skills must be learned through understanding and practice (Lewis, 2007). When analysing the growth of specialised certifications in today's world, it becomes clear that an important function of a certifying organisation, in addition to certifying that a practitioner has the necessary competencies to meet a prescribed standard, is to transform or translate tacit knowledge into explicit and formalised knowledge. Most skills are developed "on the job" through experimentation or under the tutelage of others.

Auditors need to possess skills that will help them meet the demands of the real-time economy. Audit education must catch up with the progress being made in the rest of the business world in order to maintain relevance. The traditional accounting education model tends to rely on knowledge of accounting concepts and rules. Audit education must shift students' attitudes, behaviour, and objective knowledge. Putting these three dynamics at the core of an audit education program will prove immensely beneficial to the real-time economy auditors (Vasarhelyi, Teeter, and Krahel, 2010). Indonesia is a member of IFAC,

therefore accounting education policy-makers in Indonesia consider the IESs in developing the professional education and development programmes. According to the Government Regulation Number 60, professional education is a mandatory function of the professional association. The IIA, as the accounting professional organisation, is acknowledged as the governing body to grant certification as a Certified Public Accountant.

IIA has established a PAE Recommendation and Evaluation Team (we called it *Komite Evaluasi dan Rekomendasi Pendidikan Profesi Akuntansi or KERPPA*) which developed the plan for PAE. The plan was developed through discussions within the team or management (committee) and members of IIA. The committee finally appoints the University to conduct the PAE programmes.

The PAE was designed to develop the capabilities of graduates to learn continuously. In the PAE programme, emphasis is given to the applications of concepts and theory studied during the students' Bachelor degree courses. To achieve those goals, the PAE programmes involve 3 aspects: (1) class participation, (2) case studies, and (3) presentation and discussions.

The curricula and syllabi of the PAE consist of materials that are yet to be given at the graduate level in terms of applications, concepts, or theories. All materials offered should consider the demand of users and are expected to be dynamic and adjustable to the environment. Accounting education providers need to take significant action. He suggests that curricula entail a user orientation, a decision-making perspective in every accounting course, a case approach, emphasising real world situation and developing critical thinking. It is desirable throughout all the curricula to enable students to apply accounting to decisions as they will do in the future employment (Bloom, 2002).

PAE programme aims to prepare its graduates to be more ready to work in the accounting profession. PAE certification holder is expected to have stronger concept and professional skill. Learning method and process in PAE is designed to develop accounting and auditing concepts and skills with emphasis on application of theory (concept) and cases in the accounting and auditing practices which are not covered in undergraduate programmes. Therefore, the responsibility for the design of the curricula and syllabi of the PAE in Indonesia is passed by the Ministry of Education to IIA. Since 2002, IIA has established an evaluation and recommendation team which is empowered to design the concept of the PAE (the curricula and syllabi

of the PAE). Such a team involves experts and practitioners in designing and updating the curricula and syllabi of the PAE. This approach is used to implement IES from IFAC (Komite Evaluasi dan Rekomendasi Pendidikan Profesi Akuntansi [KERPPA], 2009).

The curricula and syllabi of the PAE have been updated in line with the latest regulation amended by KERPPA. To conduct a PAE programme, an institution should deliver at least 21 credits and a maximum of 40 credits that will be carried between two and six semesters. The management of the PAE programme may offer other subjects apart from the curricula mandated by PAE team of which the total should not exceed 40 credits and should be offered in less than 6 semesters. The PAE curriculum is shown in Table 3.

Table 3: Curriculum of Professional Accounting Education (PAE)

No	Subjects	Credits
1	Business Ethics and Profession	3
2	Taxation	3
3	Auditing Practice	3
4	Business Environment and Commercial Law	3
5	Capital Market and Financial Management	3
6	Reporting and Financial Accounting	3
7	Costs and Managerial Accounting	3
	Total	21

Source: KERPPA (2009)

2.2. *Professional competency*

Competence is the ability to perform a work role to a defined standard, with reference to real working environment. 'Competency' refers to the demonstrated ability to perform relevant roles or tasks to the required standards. Whereas, capability refers to the attributes which are held by individuals that give them the potential to perform. Competency refers to the actual demonstration of performance. Competency may be assessed by a variety of means, including workplace performance, workplace simulations, written and oral tests of various types, and self-assessment. When an individual draws on capabilities to perform the

required tasks to the required standard, competence is deemed to have been achieved (IFAC, 2008).

The possession of capabilities gives an indication that an individual has the ability to perform competently in the workplace. Capabilities include content knowledge; technical and functional skills; behavioural skills; intellectual abilities (including professional judgment); and professional values, ethics, and attitudes. They are sometimes referred to, in other literature, as competencies, capacities, abilities, key skills, core skills, fundamental skills and values, attitudes, distinguishing characteristics, pervasive qualities, and individual attributes. IES defines capabilities as the professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence. Capabilities are the attributes held by individuals that enable them to perform their roles whereas competence refers to the actual demonstration of performance. The possession of capabilities gives an indication that an individual has the ability to perform competently in the work place (IFAC, 2008).

Moreover Cook, Bay, Visser, Myburgh, and Njoroge (2011) state that personal competencies that relate to emotional intelligence or EI, including leadership, team building, and interpersonal relations, are recognised as important core competency among many professional certification organisation. There is evidence that big public accounting firms regard EI as an important skill. Other employers are also interested in new hires with greater EI skills and are beginning to implement tests of EI into their hiring processes (Noonan, 2006). Unfortunately, according to Cook et al. (2011) accounting students do not possess a level of EI that would qualify them as competent in this non-technical skill, and neither university education in general nor accounting education in particular can be conclusively shown to address this deficit.

In Indonesia, there is the National Body of Professional Certification (*Badan Nasional Sertifikasi Profesi* or BNSP). According to the national competency standard, BNSP formulates working ability entailing knowledge aspect, skills, and/or expertise along with work ethos relevant to the job and position requirement determined according to the regulations. A competency standard is the statement showing skills and knowledge to be carried out when working and when the implementation is in accordance with the requirements stated by the workplace or industry.

The scope of competency enhancement includes (1) formal education according to the profession, (2) related training in line with

and which is verified by a professional certification body, and (3) knowledge gained from experience verified by a professional certification body. Skills covered in the competency include (1) task skill, (2) task management skill, (3) contingency management skill, (4) job or role skill, and (5) transferable skills. Although the public accounting profession has not been following the BNSP, the IIA Board has addressed the certification regulation from BNSP by establishing the Institute for Certification of Accounting Workforce (we called it *Lembaga Sertifikasi Profesi Tenaga Akuntansi or LSPTA*). LSPTA is not involved in the CPA Exam or PAE. (http://www.iaiglobal.or.id/tentang_iai.php?id=9) Up to now, the IIA grants the CPA designation through public accountant certification examinations.

Auditing standards require auditors to assess the competency of other auditors when delegating, directing, supervising, and reviewing audit work. Auditors also assess the work of peers when relying on the work of another audit firm. The reviewers will use their knowledge of a preparer's competency (among other things) in reviewing work papers. If reviewers do not accurately assess the preparer's competency, they may come to inappropriate conclusions (Rich, Solomon, and Trotman, 1997).

Harding and Trotman (2009) investigate the anchors used by auditors in assessing the competency of their subordinate and peers, and then consider the impact of different forms of outcome feedback for improving the accuracy with which assessments of a familiar and unfamiliar peer are made. The result of the study reveals that the process of evaluating competency in an auditing setting differs depending on the level of familiarity between the assessor and those to be assessed (candidates). When assessing the competency of unfamiliar colleagues, assessors most commonly anchor on their perception of the average competency of the peer group from which the candidates are drawn (e.g., the competency of an average staff auditor or senior).

Tan and Jamal (2001) investigate whether an audit manager's assessment of the quality of their subordinates' work depends on their prior impressions of these subordinates. The results show that average managers evaluate memos written by outstanding seniors more favourably than those written by average seniors when they know the identities of the memos' authors. But there is different result when the identities of the seniors are not revealed. The familiarity with subordinates can enhance the efficiency and effectiveness of the review process. Therefore, based on above discussion we hypothesise as follows:

H1: Junior auditors with PAE will be more competent than those without PAE.

2.3 *Professional commitment*

A successful person in his/her profession is usually linked closely to his/her strong commitment to the job. Commitment is related to consistency from some specific aspects, such as career, family, or social environment. Commitment will cause someone to work better and will provide high motivation and a positive impact on the performance of individual. Larkin (1990) mentions that there are four personality dimensions in measuring auditor's performance i.e professional competency, professional commitment, motivation, and job satisfaction. An auditor who has auditing competency can perform his duties well. An auditor who has strong commitment to his profession will give loyalty to his profession. Auditor's motivation encourages him to conduct appropriate activities to achieve his objectives. Job satisfaction relates to the auditor position in the organisation. Moreover, when someone is satisfied with their organisation's performance management system, he is more likely to be motivated to perform well, to be committed to their organisation, and not try to leave the organisation (Kuvaas, 2006).

Choice of career is the self-reflection of personal interest, because the choice shows an individual's motivation, science, personality, and all of the person's abilities. Being an auditor or public accountant is one career choice that could be made by the holder of a Bachelor's degree in Accounting. Other careers available for such degree holders include being in the public sector or being a governmental auditor, management auditor, educator, financial analyst, tax advisor and other similar professions.

Being an auditor is among the top choices of holders of degrees in a Bachelor in Accounting due to a relatively higher salary, the possibility of being sent for training programs, and being acknowledged for performance (Tuanakotta, 2007). Ideally, a professional worker will work independently and would not be tied by any organisation. By working independently, he/she will be able to implement all his/her skills to be successful. Conversely, if the professional person works for an organisation, bureaucratic conflict may arise. For example, when a professional works in an organisation, he/she will face conflicting goals and might feel torn between professionalism and loyalty to the

organisation. In such situations, professional workers would be more committed to their profession than to the organisation (Muawanah and Indriantoro, 2001). In the Benson and Davies study (as cited in Wallace, 1995), it was shown that there has been doubt of the quality of a professional worker within his/her organisation.

Traditional empirical evidence shows that a professional worker having high orientation will experience conflict when he/she works in a bureaucratic organisation with its typical values and norms (Hall, 1967; Scott, 1996; Raelin, 1991; Copur, 1990). Copur (1990) expresses that the cause of the conflict is the existence of differences between managerial values and professional values. This difference could be related to: (1) Partial bureaucratic/managerial tasks and short-term training within the organisation, whilst the nature of the professional job is comprehensive and training outside the organisation requires longer time, (2) A bureaucrat who is loyal to the organisation legitimises his/her actions based on the stated regulations, whilst conversely the professional demands loyalty to her profession and legitimises her actions based on compensation that is technical in nature, and (3) the obedience of bureaucrats is monitored based on hierarchy, whilst the obedience of professionals is monitored through socialisation and ethics and norms stated by the professional association. Hays and Duke (1996) (as cited in Ledvinka, 2009) shows that there is increasing concern that certification will shift the certification holder accountability to an unwavering obedience of professional standards.

Managerial values and professional values sometimes contradict each other, and may lead to conflict within a role. Raelin (1991) identifies three sources that cause role inappropriateness experienced by professionals working in an organisation. These include (1) the professional demanding autonomy in his/ her job, as he/she brings specific skills to the organisation and is required to decide how to utilise those skills, (2) the professional tends to be responsible regarding the profession he/she selected and places professionalism above the organisation where he/she works in, and (3) the professional is loyal to norms and standards stated by his/her professional organisation compared to norms and standards stated by his/her supervisor whom he/ she works with.

The success of an accountant is heavily determined by professionalism and commitment to his/her business or profession and the ability to remain independent. A person's commitment to consistently be involved in the organisation is called organisational

commitment. In this case, we refer to the commitment of a public accountant working in the public accounting firm (the organisation).

Organisational commitment is defined as the relative power of an individual in identifying his/her involvement within an organisation. Kalbers and Fogarty (1995) provide two categories of organisational commitment i.e. affective and continuance commitment. Their research shows that affective organisational commitment relates to one's of professional opinion i.e. the dedication to the profession while continuance organisational commitment has positive relation to working experience and negative relation to one's professional opinion i.e. social obligation.

Affective commitment is the strong tendency inside an individual to keep working in an organisation because he/she believes that the organisation has goals that are in line with his/her personal expectation (goal congruence) and he/she does enjoy working in that organisation. Affective commitment is a term introduced by Meyer and Allen (1984). Continuance commitment is the strong tendency within an individual to keep working in an organisation. When the individual leaves the organisation, he/she will not receive compensation for any costs incurred for self development. The costs are not reimbursable.

The most significant attribute of commitment is employee capability for "fusing individual and organisational goals". So, creating commitment is synchronising employee and company goals in order to obtain self-motivated employee. Commitment is created when employees find a work environment where they can utilise their abilities and satisfy their needs. When the organisation is not dependable, however, or where it fails to provide challenging and meaningful tasks, commitment levels tend to diminish. Employees all bring certain needs, aspirations, and hopes to their jobs, and they become committed to those employers who take concrete steps to help them develop their abilities and achieve their potential. Young graduates or junior auditors often start their jobs expecting challenging assignment to help them test and prove their abilities. Every firm with high-commitment is fully and explicitly committed to helping the workers to actualise themselves (Dessler, 1993).

Occupational hierarchy in public accounting profession has been discussed earlier. Young graduates start their career as junior auditors. The first and second year of their work at public accounting firms are critical periods because most of junior auditors will consider whether

they want to continue to work in the public accounting firm or not. During these periods, their professional commitment is challenged. Turnover rates for employees with low affective commitment were much higher than those with high affective commitment in the first quarter of a 1-year monitoring period, but subsequent turnover rates were roughly the same for the two groups (Culpepper, 2011). Junior auditors who have willingness to pursue PAE are assumed as having better commitment to continue their career in public accounting profession because they have spent a lot of money and time to obtain recognition as professional accountant. And, in the same time, following a programme to enhance the accounting and auditing knowledges and skills in PAE indicates a junior auditor has great motivation to increase his/her competency. Therefore, based on the above discussion we arrive at the following hypotheses:

H2: Junior auditors with PAE will have higher commitment than those without PAE; and

H3: The perception of senior auditors (supervisor, manager, and partner) of the competency and that the commitment of junior auditors with PAE is better than for those with no PAE.

3. Research method

The study uses the 'causal comparative' method (Sekaran, 2003). We categorised two groups i.e. junior auditors and senior auditors. For each group, we designed different tests. We tested the competency of junior auditors PAE and with non PAE using case studies and they solved the cases based on their professional judgement. These junior auditors were also given questionnaires to gain their opinion on commitment. There are three aspects to be examined, namely competency in conducting analytical review, competency in terms of professional ethics, and commitment to profession. It is assumed that differences in competency and commitment are caused by the PAE taken by the individual auditors.

Meanwhile, we gave questionnaires to senior auditors to obtain their perception of the competency and commitment of their subordinates (junior auditors). The study expects that the perceptions of supervisors would be similar to those of the subordinates. Summary of the research design is shown in Table 4.

Table 4: Research design

Population: Auditors working at Public Accounting Firms in Jakarta	
Sub population: Junior Auditors:	Sub Population: Senior Auditors (Supervisor, Manager, and Partner)
Total sample = 71	Total sample = 28
Professional Certificate = 48	
Non-professional Certificate = 23	
Variable:	Variable:
Competency measured by Likert scales	Competency measured by Likert scales
Commitment measured by Likert scales	Commitment measured by Likert scales
Competency Indicators:	Competency Indicators:
Analytical review competency, Ethical perception	Ability to plan audit tasks, Ability to work more efficient, Accuracy of judgment in making decision of audit risk, Ability in analysing the effectiveness of Internal Control Structure, Ethical performance and communication skills, Broad understanding of non-accounting aspects relevant to audit tasks
Commitment Indicators	Commitment Indicators:
Professional commitment follow Meyer (1993)	Willingness to work extra time for given tasks, Professional manner in each action, Self determination and proud of the profession as auditor, Involvedness with Public Accounting Firm where she works with
Instrument: Case Study and Questionnaire	Instrument: Questionnaire
Hypothesis testing : compare means with independent sample t-test	Hypothesis testing : compare means with independent sample t-test

3.1 Population and sample

Population of the study are junior auditors who hold a Bachelor of Economics degree majoring in accounting and taking the PAE programme, junior auditors who hold only a Bachelor of Economics while majoring in accounting, and senior auditors or senior accountants (supervisor, manager, and partner) who work at public accounting firms in Jakarta. Judgement was used to categorise the two groups. The first category comprises of auditors who have working experience of less than five years. We call them junior auditors. The second comprises senior auditors who have at least five years work experience. We then

distribute cases and questionnaires to auditors who noted their willingness to participate in this study (Sekaran, 2003).

A total of seventy one (71) returned questionnaires and answers of case studies from **junior auditors** were usable of which forty nine (49) respondents are males and twenty two (22) are females. There are forty eight (48) persons or 67.6 per cent of the respondents who have completed their PAE and received certificates as public accountants, whilst twenty three (23) or 32.4 per cent have not had PAE. These figures indicate that a large number of auditors have been pursuing their professional degree and received their registered number and become certified public accountants

The perception of **senior auditors** (Supervisors, Managers, and Partners) is generated through questionnaires. Five questionnaires were sent to each of 20 public Accounting firms making a total of 100 questionnaires. A total of 28 questionnaires were returned as usable for analysis or a response rate of 28 per cent. We have been trying to increase the response rate through telephone calls, facsimile, e-mail and by visiting the firms, but there were no additional returned questionnaires.

3.2 *Variables and measurements*

Professional competency was calculated using questionnaires containing audit cases and respondents were requested to use his/her judgment professionally to evaluate each case which he/she is given. Commitment is measured using instruments developed by Meyer (1993). The instruments consist of eight affective commitments and eight continuous commitments. All variable measurements are based on a five point Likert scale.

3.3 *Method of analysis*

The study uses descriptive data analysis as well as compares the mean statistics to test the hypotheses. Before comparing the mean statistics, we applied normal distribution test and Levene's test for equality of variances. The study employs independent sample T test, as the sample comes from independent groups. The study employs independent sample T test to seek evidence whether there is a difference between PAE auditors and non PAE auditors based on their competency and commitment. Independent sample T test compares average of

independent two groups whether those groups have the same significant average score or not (Ghozali, 2005).

4. Results and discussions

4.1. Demography of respondents

The majority of respondents are male (78.6 per cent) or twenty two (22) people whilst the rests are female (21.4 per cent) or six (6) persons. All respondents have been working as auditors for more than 5 years, of which seventeen (17) or 60.7 per cent have been in the business for 5-10 years, and eleven (11) or 39.3 per cent have worked for more than ten (10) years. Two of them are partners, twelve (12) are managers, and fourteen (14) are supervisors.

An auditor could be promoted to supervisor after he/she has been working for more than five years. Supervisors and managers are believed to have direct interaction with young auditors. This may justify that the person who provides evaluation on perception of young auditors is correct. The distribution of age of the respondents shows that seventeen (17) of them are forty (40) years old or less and eleven (11) of them are more than forty (40) years old. Most of Managers and Partners are more than forty (40) years old. In addition, seven of the respondents hold Masters degree and twenty one (21) hold Bachelor degrees.

4.2. Descriptive statistics and hypotheses testing

H1: Junior auditors with PAE will be more competent than those without PAE.

Table 5: Tests for mean difference on competency and commitment

Variables	Levene test for equality of variance (Sig)	Mean Auditor with PAE	Mean Auditor Non-PAE	t-test (Sig)
Competency of Profession	3.277 (0.076)	4.60	3.73	11.035 (0.000)
Commitment of profession	4.738 (0.034)	4.36	3.89	4.937 (0.000)

Table 6: Results of tests on analytical review, ethical perception, and commitment

Competency and Commitment Variables	Mean Score		t-value (Sig)
	With PAE	Without-PAE	
Analytical Review	3.99	3.70	2.322 (0.023)
Ethical Perception	2.07	2.21	-1.109 (0.271)
Commitment	3.89	3.43	4.492 (0.000)

Table 5 provides the results for tests of the mean-difference between the two groups of respondents. Following the results of the descriptive score on competency and commitment between auditors with PAE and those without PAE, the statistical test using t-test indicates consistency that between these two groups there exists a significant difference between competency and commitment. This finding implies that PAE plays an important role in creating auditors with higher competence and commitment.

Table 6 shows that the mean score of auditors with PAE is higher than auditors without PAE when measuring their competency in conducting analytical review. This could be interpreted that auditors with PAE are better in identifying accounts that need more attention in audit tasks. In addition, auditors with PAE seem to have higher agreement concerning the need for specific accounts to be examined. The standard deviation of scores is also lower for auditors with PAE. This indicates that auditors without PAE have more variation in their understanding of analytical reviews, leading to the conclusion that their competency is lower.

H2: Junior auditors with PAE will have higher commitment than those without PAE.

Table 7 relates to the auditor's commitment. The average commitment of auditors with PAE is higher than non-PAE auditors, of 4.36 and 3.89 respectively. This could be interpreted that PAE auditors have a better ability to work professionally than non-PAE auditors. The difference is almost double between commitment aspects (0.46) and competency aspects (0.87). Table 7 informs us that the auditors who with

PAE have professional commitment to working and having careers in public accounting firms, thus supporting H2. This result differs from Clikeman et al. (2001) which reveals no improvement in the new accountants' professional commitment as a result of additional educational requirements.

Table 7: Comparison on perception of commitment between PAE auditors and non-PAE auditors

Commitment on Profession	PAE	Non-PAE	Difference
Willingness to work extra time for given tasks	4.32	4.00	0.32
Professional manner in each action	4.54	4.00	0.54
Self determination and proud of the profession as auditor	4.46	3.86	0.61
Involvedness with Public Accounting Firm where he/she works with	4.36	3.89	0.46
Average Scores	4.36	3.89	0.46

This could mean that PAE in Indonesia is effective both in terms of enhancing conceptual ability and practical ability in supporting auditor competency. Overall it was found that PAE develops better personality traits leading to better competence and commitment. Hence, PAE in Indonesia provides a positive contribution towards producing higher quality and commitment of auditors. This result is in contrast to the situation in U.S. (Allen and Woodland, 2006 and 2010; Clikeman et al., 2001).

But, in both countries, the cost of pursuing PAE is relatively high and this educational requirement has potential impact on the cost of entering the profession. Prior research in the U.S. found that the 150-hour requirement led to a reduction in a substantial number of the candidates passing the CPA exam. Furthermore, there is no consensus whether benefits of additional education outweigh the costs (Allen and Woodland, 2010).

H3: The perception of senior auditors (supervisor, manager and partner) of the competency and that the commitment of junior auditors with PAE is better than those without PAE.

Table 8 provides a comparison of the auditors who have passed the PAE and those who have not passed PAE based on the perception of

his/her supervisors, managers, and partners. It can be seen that the average of non-PAE auditor's competency score was 3.73 on a five (5) point Likert scale which is lower than a PAE auditor's competency of 4.60. The highest difference of competency is the ability in analysing the effectiveness of Internal Control Structure, whilst the second highest difference is the accuracy of judgment in making decisions of audit risk. These two competency factors are known as very important and are highly relevant to any auditor to complete his/her tasks (Knechel, Salterio, and Ballou, 2007). It seems that the professional accounting education contributes to developing these professional skills. The lowest difference is found for ethical performance and communication skills aspects. This could be interpreted that ethical performance and communication skills between auditor with PAE and without PAE is similar.

Table 8: Comparison of competency perception between auditor with PAE and non-PAE

Competency	PAE	Non-PAE	Difference
Ability to plan audit tasks	4.54	3.64	0.89
Ability to work more efficient	4.32	3.89	0.43
Accuracy of judgment in making decision of audit risk	4.89	3.54	1.36
Ability in analysing the effectiveness of Internal Control Structure	4.79	3.36	1.43
Ethical performance and communication skills	4.43	4.07	0.36
Broad understanding of non-accounting aspects relevant to audit tasks	4.64	3.86	0.79
Average Score	4.60	3.73	0.88

Table 8 shows that for technical issues, the seniors acknowledge that the competency of auditors with PAE is higher than auditors without PAE. However, for non-technical issues, there is no significant difference between both junior auditors, with a confidence level of 95 per cent. This result differs from Allen and Woodland (2006) which did not evidence a positive association between the 150-hour requirement and higher quality candidates, whereas the objective of the 150-hour requirement was to ensure higher quality audit by producing better-prepared auditors. Clikeman, Schwartz, and Lathan (2001) also examine whether additional education requirements were associated with new

accountants' professional commitment, ethical orientation, or professionalism and they find no improvement.

As can be seen in Table 6, the differences in analytical review and commitment between the two groups are significant. Meanwhile, the difference in ethical perception is not statistically significant. The results of tests in Table 6 are consistent with the tests on perception of supervisors on subordinates' competency and commitment (Table 8). Auditors with PAE have higher competency and commitment than those with no PAE. We can thus interpret that PAE may contribute significantly to the quality of professional accountants. Nevertheless, the findings reported here do not automatically disregard auditors with no PAE or suggest that they are less professional. It could also be the case that the competency and commitment of auditors with PAE are the results of not only the education process but also because of the synergy between their professional education and practical experience.

5. Implications, Suggestions and Conclusion

The findings of the study suggest that auditors with PAE background possess higher competency compared to those without PAE. Furthermore, auditors with PAE background have better commitment to pursue their career compared to those without PAE. The perception of supervisors, managers, and partners are better for those subordinates with PAE background than for those without PAE. The findings reported in this study to a certain extent confirm that professional accounting education has a significant role in enhancing professionalism in auditors. Thus, IIA should reconsider any ideas for eliminating compulsory professional education for auditors.

The study is not without limitations. First, the low rate of participation may lead to lower generalisability of the findings. Although the number of public accountants (774) in Jakarta is 83.59 per cent of total number of public accountants (926) in Indonesia (data retrieved 10 October 2011 and summarised from <http://www.iapi.or.id/iapi/directory>), focusing on the population in Jakarta may not be representative of Indonesian accountants. The findings may be driven by the intense working conditions in Jakarta known as the busiest city in Indonesia. Second, the study does not consider the difference between domestic public accounting firms and international ones. It may be the case that organisational culture may

affect commitment and competency of auditors (Bonner, Marchant and Lewis, 1990; Norman and Miller, 1997).

Competency-based system requires culture change and a total commitment from management. A good corporate culture will encourage employees to increase their competency (Ford, 2001). Furthermore, it is found that a clear organisational culture is helpful for employees in regard to receiving job satisfaction from their work environment. In addition, employees' organisational commitment is also increased (Chen et.al, 2010). This study can be extended in future to examine whether organisational culture has significant influence to motivate junior auditor thus increasing his/her competency and career commitment in the profession.

Empirically, the findings reported here reveal that PAE impacts the auditors' competency and commitment. It seems that the existing professional accounting education system has been on the right track in that accounting graduates appear to perform better if they continue their study by taking the PAE and become registered as public accountants to meet expectations of the market place. Future study may be done to explore how many alumnae of PAE continue to undertake the Certified Public Accountant examination and how many from them pass in the examinations. Furthermore, such a study should explore how many holders of Certified Public Accountant credentials are interested in working and continuing careers in public accounting firms. If the graduation rate of Certified Public Accountant examination is low and the attractiveness to be public accountants is low too, the problem of a shortage the supply of public accountants will continue in Indonesia.

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