

Opportunities for accountants to obtain education and improve professional skills in Latvia

Ruta Šneidere, Inga Būmane*

Abstract: The authors perform research on the opportunities ensured by the educational system of Latvia to acquire knowledge and obtain the professional qualification in accounting. In order to describe the significance of accountants' profession for society, the authors, while continuing the research, analyze the issues of accountants' professional regulations and accountants' certification in Latvia, as well as study the international experience in this field. At the end of the article there have been summarized the main results of research and provided the authors' recommendations for the improvement of the professional improvement system of accountants' education and professional developing.

Keywords: accountants' certification, professional development, Latvia education system

Introduction

The professional services of an accountant are utilized by every public, private or non-governmental institution, because they could not function successfully without the accounting and analysis of economic activities, financial flow and property. The accountants perform the accounting of daily economic activities, calculate the taxes and prepare different statements, reports and declarations for the State Revenue Service (SRS), as well as prepare the annual financial statements, used for the decision-making regarding different issues by the potential investors, creditors, business partners. The observation of laws and regulations and standards, regulating the accounting, advances certain requirements for the set of professional knowledge and skills, while performing the accountant's professional duties, and the form, how the accounting services are rendered, it is not important, whether these services are rendered by an outsource firm or an accountant, chartered by the company. The main aspect is the accountant's qualification, namely, knowledge, skills and experience. The **aim** of the article is to study and evaluate the opportunities for the improvement of accountants' educational and professional system in Latvia within the EU context and to develop the recommendations for the improvement of the system. The research **methodology** is based on the publications of research papers, laws and regulations, the results of entrepreneurs' survey and the analysis of statistical data. **Methods used** – in this research there were applied the widely accepted quantitative and qualitative methods of economic science.

* Docent, PhD. Ruta Šneidere, University of Latvia, Rīga, Latvia, Aspazijas boulv.5, phone +372 67034633, e- ruta.sneidere@lu.lv; Assoc.prof. PhD. Inga Būmane, University of Latvia, Rīga, Latvia, Aspazijas boulv.5, phone +372 67034633, e- inga.bumane@lu.lv.

1. Accountant`s educational programs in Latvia and their analysis

Having studied different information sources on the possibilities to acquire knowledge of accounting, the authors find that there is a wide range of opportunities in this field. The education in accounting could be obtained in the programs of academic education or professional education of different levels, implemented at higher education institutions, colleges and vocational secondary schools. The practical training at enterprises is a very important part of professional study programs; it ensures students with an opportunity to acquire knowledge and skills, necessary for performing professional duties. In the academic bachelor`s educational programs, accounting is included into the study direction Economics and it is implemented at five higher education institutions of Latvia.¹ However, the University of Latvia implements the profound study direction *Accounting, Analysis and Audit* that enables to acquire knowledge of accounting within the framework of economics program. The disadvantage is the fact that in the diploma there is indicated only the degree awarded – *Bachelor`s degree of Social Sciences in Economics* without any indication on the specialization in accounting. The same could be said also about the Academic Master`s Study Program *Economics*, where the degree awarded is *Master`s degree of Social Sciences in Economics*, but the specialization in *Bookkeeping, Audit and Analysis of Business Activities* is not indicated. Accounting could be studied at the University of Latvia at the Doctoral Study Program *Economics*, sub-branch *Accounting and Theory of Bookkeeping*. The range of professional education programs in accounting and the institutions implementing them is wider (Table 1).

At present, the programs of secondary vocational education, where the 3rd level qualification is awarded in conformity with the standard of profession *Accountant*, are implemented at 14 educational institutions in different districts of the country.² Although the titles of programs clearly indicate the field of studies and the qualification to be obtained, the specialization is additionally indicated in the document on obtained education, for example: small enterprise accountant, bookkeeping and accounting employee. It is a reason for the failure to understand the differences in the content of programs and it is impossible to understand it logically.

The first level professional education study programs, where the graduates are awarded the 4th level qualification in conformity with the standard of profession *Accountant*, are implemented at a smaller number of educational institutions – 6, including 14 subsidiaries. The main educational institutions are situated in the capital Riga, but the branches are located in the centres of districts.

The second level professional education programs in accounting are implemented at three higher education institutions, but the qualification to be obtained is *Economist*, because there has been no 5th level qualification developed for the standard of profession *Accountant* yet. The Accountants` Association of the Republic of Latvia tries to deal with this problem in cooperation with the lecturers of the Department of Accounting and Audit of the University of Latvia, but the process is encumbered by the bureaucratic system existing in the country. The master`s study program *Accounting and Audit* is the only accredited professional master`s study program in Latvia and it is implemented at the University of Latvia. The program enables to acquire profound professional knowledge and

¹ Home page: http://www.aiknc.lv/lv/prog_list4.php?id=7.

² Home page: http://www.kurmactivities.lv/latvia_education.

skills in accounting and audit. It was developed as a form of continuing education for the individuals, who had obtained the professional or academic Bachelor's degree in Economics or Management.

Table 1

The Professional Study Programs in Accounting and the Levels of Qualifications*

Standard of profession	Level of qualification	Level of professional education	Type of educational institution	Titles of programs	Duration of studies	Professional practical training
Accountant	3		Vocational Secondary School	Accounting	4 years	Accounting
Accountant	4	1 st level higher education	College	Accounting; Accounting and Taxes; Accounting and Finance	2–2.5	Accounting
			Higher education institution	Finance and Accounting	2–2.5	Accounting
Economist	5	2 nd level higher education (Professional Bachelor)	Higher education institution	Accounting, Analysis, Audit; Accounting and Audit	Undergraduate studies: 4–4.5	Accounting; Financial Analysis; Research on Accounting and Audit
				Accounting and Audit	Master studies: 1–2	Application of International Financial Reporting Standards; Research on the Information of Management Accounting; Research on the Problems of Accounting and Audit

* the table has been developed by the authors

Sources: http://www.aiknc.lv/lv/prog_list4.php?id=7.

2. The Analysis of the Regulation of Accountants' Profession of in Latvia

The concept “a professional accountant”, according to its modern meaning, is viewed more broadly than it was at the origins of the development of this profession. Nowadays a professional accountant is a specialist, who has studied economics and accounting at a higher education institution and, while perfecting his professional knowledge, specialized in audit, accounting or taxes (Table 2).

Table 2

The Present Regulatory Requirements for Different Specializations of Accountants in Latvia

	Specializations	Requirements regarding education	Certification	Job description	
Accountants' profession	Auditors	Provided by the law	Provided by the law	Provided by the law	
	Accountants	Employees	Not provided by the law	Voluntary	Provided by the law
		Outsourcers	Not provided by the law	Voluntary	Provided by the law
	Tax advisors		Not provided by the law	Voluntary	Not provided by the law

* the table has been developed by the authors

Sources: Regulations of accounting and auditing.

The functions of accounting could be ensured at an enterprise by working at the enterprise as an employee or by providing accounting services as an outsourcer.

One of the problems is that in Latvia at present there exists imperfect regulation in relation to the accountant's professional activities. The law of the Republic of Latvia "On Accounting" provides only that the manager of a company is responsible for the accounting. But the regulations on the organization and implementation of accounting are adopted by the Cabinet of Ministers, and there is one general requirement set regarding the qualification requirements – the professional duties shall be fulfilled by qualified employees (MK noteikumi Nr. 585...). According to the research, at present the laws and regulations, regulating the accounting, does not define the criteria for a qualified employee. The accountant's profession, depending on the basic professional objectives to be fulfilled, is included in the Classification of Occupations. All the groups of accountant's profession, included in the Classification of Occupations, have a common trait – one of the basic requirements of their qualification is to apply theoretical knowledge in practice and to perfect it. The basic requirements set for the qualification are described only in general, namely, what one must know, be able to do and what are the responsibilities of the accountants from a particular group. The accountant's profession comprises also the auditors, whose main direction of activities is the control of financial statements. Chief accountants and accounting experts, as well as auditors and certified auditors had been set the same basic requirements for their qualification (MK noteikumi Nr. 461...). However, in other laws and regulations there are particular qualification requirements set for the certified auditor's activities. Firstly, the certified auditors must meet the provisions of the law "On Regulated Professions and Recognition of Professional Qualifications", determining particular requirements in relation to the education of those performing professional activities and to their documents of professional qualification. The aim of the law is:

- to ensure the conformity of a professional activity with the particular quality requirements and criteria, if this activity is related to the protection of the public interests,

- to protect some socially significant professions from the involvement of non-qualified persons providing these professions with the requirements of a certain enhanced level.

The authors find that the fulfillment of the aim of the law may be related to the accountant's activities. It is proved by the norm of the Code of Ethics of the International Federation of Accountants: "A professional accountant shall ensure the public interests, because the investors of the capital, creditors, employers and others working in the business environment, as well as the government and the society on the whole rely on the professional accountants in all aspects". It should be pointed out that at present the accountant's profession (except for the profession of certified auditors) is not included into the list of regulated professions; therefore a person, working as an accountant, can perform professional duties without any document, testifying about education or professional level. It is useful also to study the regulatory requirements set for the outsourced providers of accounting services – legal or physical entities. Research shows that there are no qualification requirements set for the providers of services working in the field of accounting, as well as there is no license needed to start such entrepreneurship. The number of outsourced providers of accounting services increases year by year and at present their number is more than 1000. It is a problem of two aspects. Firstly, the quality of accounting services, as well as, the safety of accounting documents are questionable. Secondly, the involvement of non-qualified persons in the market of accounting services degrades the entrepreneurial environment and hinders the normal competition.

3. The Analysis of International Experience

Latvia has a unique opportunity to learn from the foreign experience on the significance of an accountant's role for the society and the on the significance of criteria set for the recognition of an accountant's professional qualification.

The issues of accountants' professional qualifications are discussed at the United Nations (UN). The Economic and Social Council established the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) as a standing Group of Experts. ISAR formed a consultative group and its task was to design a guideline for the qualification of professional accountants which would establish a point of reference for national qualifications and assist holders of those qualifications to function in a global economy. Such harmonization could close the gaps in national education systems, cut the cost of mutual recognition agreements and thereby increase trans-border trade in accountancy services (Ruffig 2009). By the end of 1998 the group had completed its discussions on the main requirements or elements for professional qualification including:

- General knowledge and skills,
- Professional education (including a detailed curriculum),
- Professional examinations,
- Practical experience,
- Continuing professional education and code of ethics (*Guideline on National... 1999*).

One topic that ISAR had to resolve during the sessions was the definition of "professional accountant". It agreed a professional accountant is a person who is qualified

to be or who is a member of a recognized professional body of accountants or of auditors, or who is recognized as such by a regulatory body (Ruffig 2009).

The issues of an accountant's qualification are also on the agenda of European Commission. The European institutions have introduced the regulations, to make it easy to recognize a professional qualification between the Member States. It was the aim of the Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications.³

The list of regulated professions comprises different account professions - *Tax adviser/accountant, Public finance accountant and Accountant/Auditor* – and they all are considered to be equal, because they are included into one group of codes – 21 – and their main qualification indication is a diploma of higher education. There are countries, where the state institutions issue a certificate or a license for the recognition of an accountant's qualification; however, in the majority of countries these functions are delegated to the professional organizations of accountants. Unfortunately, the Baltic States – Estonia, Latvia and Lithuania – are not included into the database of the regulated professions of accountant. It enables to state that the institutions of the Baltic States, responsible for the implementation of accounting policy, must carry out the necessary procedures for the recognition of an accountant's qualification, in order the citizens of these countries could have an opportunity to provide accounting services in other EU Member States.

4. The Certification of Accountants in Latvia

The essence of the certification of accountants is the continuous perfection of professional knowledge and skills on the basis of fundamental knowledge, ensured by the higher education, and in conformity with the social and economic developmental tendencies (*Continuing Professional...* 2002). The accountant certification was started in the USA, where accountants get bestowed their certificates (in compliance with requirements of professionalism) from the *National Independent Accountant Association*. In Belgium it is the *National Expert-Accountant Board*, in France – *Accountant-Expert association*, and in Ireland – *Institute of Certificated Accountants* (Блейк, Амаг 1997). In United Kingdom it is the *Association of Chartered Certified Accountants*, whose issued certificates ACCA are recognized in many European countries. Also in our neighboring counties Estonia, Lithuania and Ukraine Accountant Association performs accountant certification, and pursuant to decisions of the governments these associations are responsible for certification process (Goloy 2005).

In Latvia the certification of accountants was started by the Accountants' Association of the Republic of Latvia (AARL) already in the year 2000. The certification programs had been developed in conformity with the principles adopted at the conference of the United Nations, as well as with the guidelines developed by the Educational Committee of the International Federation of Accountants. Until now 366 accountants have been already awarded a certificate of a professional accountant by the AARL, and the certification process continues. Every October there are courses organized for the candidates of a certificate (LR GA *Sertifikācijas...*). The certificate of a professional accountant is being

³ *European Commission Regulated profession database*, www.ec.europa.eu/qualifications.

awarded for a limited period of time – five years. The period of validity may be extended by perfecting the professional knowledge during different qualification courses, the volume and structure of which are provided by the recertification regulations of the AARL (*LR GA Resertifikācijas...*).

Conclusions

Having studied the educational system for accountants in Latvia, we can draw a conclusion that there is a wide range of opportunities to acquire knowledge and obtain the accredited diploma recognized by the state for obtaining education in accounting of the respective level. However, there are still unsolved problems. It is the general formulation in the diploma *Bachelor's (or Master's) degree of Social Sciences* for the graduates of academic programs that makes it difficult for the employers to evaluate the prospective accountant's specialization. It is possible to read the prospective employee's specialization in some paragraphs of diploma supplement. In more advantageous situation are the graduates of the professional education programs of the 3rd and 4th levels of qualifications, where it is clearly indicated in the diploma that the professional qualification *Accountant* has been awarded. The second problem is the system of accountants' professional education lacks the standard of the 5th level qualification. In order to improve the educational system in accounting, the Accountants' Association of the Republic of Latvia shall form a work group in cooperation with the university lecturers of higher education institutions for the development of the 5th level qualification for the standard of profession *Accountant*, and asking also the officials of the responsible ministries to take part in this process

The research enables to draw a conclusion that in the international environment the issues of accountant's qualification are paid particular attention. The issues of accountants' qualification are dealt also within the framework of the UN, whose ISAR have developed particular guidelines for the recognition of accountants' qualification. The EU Directive *on the recognition of professional qualifications* enables the citizens of the Member States to render accounting services in other Member States in conformity with their criteria set for the professional qualification. However, the above mentioned international activities cannot be related to the accountants from Latvia – there are no standards for the accountant's profession. Unlike in other European countries, the market of accounting services is not regulated in Latvia. Therefore the accountants from our country are to a certain extent denied the right to carry out professional activities in other EU Member States. The second negative aspect to be pointed out is the inability of our accountants to be competitive, when the professional accountants from other EU Member States enter the market of accounting services in Latvia. The authors find that, taking into consideration the international experience, there should be the conception developed on the criteria for the recognition of a professional qualification of those employed in the field of accounting. In order to implement it, the public and non-governmental professional organizations (The Accountants' Association of the Republic of Latvia, Latvian Association of Certified Auditors and Latvian Tax Consultant Association) should co-operate. The research shows that in many European countries a person may work as an accountant, if the person has a document certifying the professional qualification of an accountant. There are several such documents: the diploma of higher education at the bachelor or master level, a certificate of a professional accountant awarded by a public institution or a professional organization.

Therefore the first measure to be taken is the inclusion of an accountant's profession into the list of regulated professions, namely, the list shall be supplemented in conformity with the Classification of Occupations, with the following accountant's professions – chief accountant and his/her deputy, chief accountant and accounting expert. If the accountant's profession is included into the list of regulated professions, the certificate of professional qualification is necessary for the accountants working in the public practice. If a commercial company provides accounting services, a license is needed.

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Słowa kluczowe: certyfikacja zawodu księgowego, doskonalenie zawodowe, łotewski system edukacji

Cytowanie

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