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# Teaching Consolidation: A Case Study Approach

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## Abstract

This proposed study is on the implementation of a case study approach in teaching the concepts and theoretical aspects of consolidation. The objective of this study is to evaluate the effectiveness of using case study in achieving the course learning outcome and improving the teaching and learning process. The research will be conducted in four phases. The initial phase is the development of a Malaysian teaching case that covers consolidation. The teaching case will be used only for experimental classes. It will then employ experimental and control classes that will be given a set of questions to measure any significant differences in their achievements post the implementation of the study. Experimented students and lecturers will also be asked to reflect on their teaching and learning process. The results of this study would give more insights on the potential issues surrounding the implementation of a case study approach. It will also provide evidence on its effectiveness in improving teaching and learning activities and achieving course learning outcomes. In addition, the teaching case will contribute to the dearth of a Malaysian and emerging market collection of case studies.

**Keywords:** Consolidation, accounting, education, case study

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## 1. INTRODUCTION

Consolidation of group accounts often posed as a challenging topic for accounting students at tertiary level. It becomes more difficult when students are merely looking for the numbers and could not visualise the intricacies behind each group structure. This fallacy often leads to students to merely memorise their journal entries without conceptual understanding. This poses a challenge to achieving a course learning outcome. Traditional method of lecture may aggravate this given that there are fewer opportunities to assess students' understanding. A survey conducted by Blankley, Kerr and Wiggins (2017) found that passive learning methods such as lecture continued to dominate 50% of class time, followed by 35% of active learning and 15% of assessment. The dependence on passive learning method may not allow for development of students' soft skills, a demand required by the industry. Subsequently, the cultivation of these pervasive soft skills may require a shift from a traditionalist approach of teaching to a more active one.

Active teaching and learning methods that centred on students may provide a solution to these predicaments. Ay (2012) in his survey of Turkey accounting students found that non-inclusion of adequate case studies was pointed as a reason for students' difficulty in learning. Teaching case study has been advocated by IFRS Education as it bode well in developing competent accounting students in applying the Conceptual Framework of the International Accounting Standards Board (IASB) (De Souza Costa, Gomes, Braunbeck and Santana, 2018).

This paper presents a proposed design on the implementation of a case study approach in teaching consolidation for an advanced course in accounting. The objective of the proposed study is to assess whether the introduction

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of a teaching case will be a more effective approach in achieving the course learning outcomes of the course that covers consolidation.

The study will be conducted on students undertaking a final year accounting subject in a Malaysian public university. A comparative study will be conducted on classes where a case study method is adopted and control groups where normal and traditional approach of teaching will be continued. A single set of question will be tested on both groups to measure their understanding of the concept of consolidation. The assessment of the effectiveness of the case study method will also involve self-reflections and comparative t-tests. The results of this study would give more insights on the potential issues surrounding the implementation of a case study approach. It will also provide evidence on its effectiveness in improving teaching and learning activities and achieving course learning outcomes.

This literature review is outlined next, is followed by methodology and finally a brief conclusion.

## 2. LITERATURE REVIEW

Biggs (1989) argued that learning can only be genuinely improved via interactive and contextual approaches in tertiary environment. This study applied case study method, a form of active learning pedagogy, to improve upon teaching and learning activities of this accounting course. A case study is defined as a case study is defined “to be a substantial problem based on a real-life example or designed to be similar to the types of problem that occur in real life (Penn, Currie, Hoad and O’Brien, 2016). Case study method has been shown to offer real learning scenarios and develop active and independent students (Wynn-Williams, Whiting and Adler, 2008). Hoskin (1998, p.57) describe case study as, “helping to overcome some of the worst fixations of traditional pedagogy.” The lecturer’s past teaching experience had shown that ‘rote-learning’ was a huge obstacle in ensuring students achieved the course learning outcome outlined for a consolidation subject. Case study approach may also boost students’ motivation to learn (Cochran, 2000), increase level of retention of knowledge (Herreid, 2011) and encourage application of ideas (Robinson, Meadows, Mingers, O’Brien, Shale and Stray 2003).

Case study method will also allow for integration of co-operative learning into the learning process. This will allow students to students to reach out to and help each other (Slavin, 1998). Peer feedback, reinforcement and support form the backbone of co-operative learning that revolved around students’ interactions (Ajaja and Eravwoke, 2011). This opportunity may not be available during traditional teaching. Carlsmith and Cooper (2002) also concurred arguing that students put more effort and learnt more from co-operative learning than traditional lecture and reading. More complex and challenging problems that promotes higher understanding can be presented to students in co-operative learning that was not otherwise possible if the students where to work their own (Michaelsen and Sweet, 2008). However, it is worth noting that Riley and Ward (2017) found that active learning significantly affect the performance of their accounting information systems students who worked individually rather than in co-operative setting.

For example, Doran, Healy, McCutcheon and O’Callaghan (2011) found that their accounting students responded well to the case study method and wanted actively to be part of the learning process. They also successfully embedded collaborative aspects via group formations after initial resistance of individualism. Weil, Oyelere and Rainsbury (2004) showed that students undertaking professional accounting papers benefitted from case study by improving their multi-lateral decision process and developing alternative solutions. A research in Brazil on the IFRS’s Open Safari framework-based teaching case found that the introduction of the case in an accounting theory course improved the ability of students to consider alternative solutions, to gauge scenarios, to consolidate their accounting knowledge from various sources and to relate to actual practice. They also developed their critical thinking and ownership of their own learning (De Souza Costa et al, 2018).

A Malaysian study by Aman, Maelah and Md Auzair (2011) explored their accounting students’ perception on the effectiveness of Integrated Case Study (ICS)<sup>1</sup> course. They showed that students found it to be effective and significantly improved their knowledge and skills in solving real problems. Nazli and Sulaiman (2013), another Malaysian study on case study in an advanced management accounting subject found that students felt it was useful and beneficial. Interestingly, they also argued that in Malaysia, a relative passive learning environment existed. There is a gap to be filled in terms of pedagogical research in this environment. They referred to interpretation by Hwang, Lui and Tong (2005, p. 152) on passive learning environment as “*the social and educational systems are not in favour of teaching innovations,*” and an environment where “*students are not accustomed to participating in classroom activities, nor have they been encouraged to do so.*”

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<sup>1</sup> ICS is made compulsory for all final year accounting student in Malaysia in 2010. The course was based on cases and was set to be a capstone course integrating the students’ prior knowledge attained during their accounting programmes in the universities.

Development of a relevant and applicable teaching case may also be an impediment in the introduction of cases in learning and teaching. Although there are substantial teaching cases around, there is a limited number of teaching cases in Malaysian and emerging markets context, what more on consolidation. Aman et. al (2011) noted that quality of cases should also be an imperative consideration. Consequently, this study has developed a case study based on a real low-cost airline company registered in Malaysia. The teaching case on its own have been reviewed by subject experts and under revision for publication. Hence, the researchers have also strived to ensure the quality of the teaching case before being included as part of this action research.

### 3. METHODOLOGY

#### 3.1 Data sources and collection

The action research will be conducted on students undertaking Financial Accounting and Reporting IV in the Tunku Intan Safinaz School of Accountancy, Universiti Utara Malaysia (UUM). The subject is a final year undergraduate subject for students enrolled in Bachelor of Accountancy. The main coverage of the course is on consolidation and group accounting. This subject had been taught pre-dominantly via traditional lectures and followed by tutorials. The tutorials answers were presented by individual students on the whiteboard. There were limited teaching and learning activities that allowed for students' interactions and co-operations. Students often grapple with the concepts and theoretical aspects behind consolidation given that their expectations are all numbers and journal entries. There are four course learning outcomes (CLOs) in the course. This study will focus on CLO 1 and CLO 2 that are "prepare consolidated financial statements for a complex group structure" and "explain information that relates to operating segments, related party transactions and foreign operations."

#### 3.2 Proposed Research Flow

Figure 1 depicts the proposed research flow for this paper. The research will be conducted in four phases. The first phase is the development of a teaching case that covers the concepts and theoretical issues behind consolidation. A teaching case on a real low-cost airline registered and publicly listed in Malaysia has been drafted (see abstract in Figure 2). The main crux of the teaching case will be on real scenarios involving non-consolidation of foreign entities and the interpretation and application of the relevant International Financial Reporting Standards (IFRS) that covers consolidation. Various key players in the market are captured in the teaching case. The teaching case will also include a comprehensive teaching note for lecturers as to guide them. The teaching note includes suggested questions, activities and board plans for the lecturers. The second phase of the research is to have a traditional lecture to all students. The traditional lecture will be using the common slides made available to all students in the course. In the following phase (Phase III), the teaching case will be introduced only to the experimental classes. The control classes will continue as the norm, with normal tutorials on consolidation.

In the final phase (Phase IV), a single set of questions on concepts of consolidation will be given to all students. It will involve calculation and objective test questions. A mean t-test will be conducted to assess any significant differences in the achievement of experimental and control classes in answering the questions. Descriptive information from the students will also be requested for further analysis. In addition, reflections on the issues and concerns by the experimental classes and their respective lecturers will also be required.

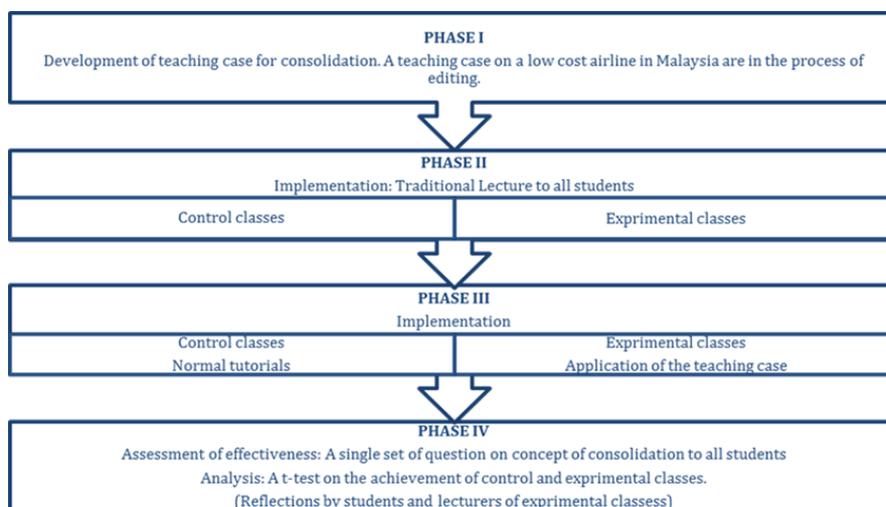


Figure 1 The proposed research flow

A leaked analyst report in 2015 on the accounting policy choices of non-consolidation of foreign entities of a Malaysian low-cost airline foreign created a furore in the market. The report further pointed to possible earnings managements from related parties' transactions and inflated profit figure. The issue was widely discussed and captured in the market. Various key players came into the foray in the days and months to follow. The share price of the airline also was affected by the attention surrounding the questioned accounting practice. The main debate in the teaching case is on the consolidation of the foreign associates of this low-cost airline is on the issue of legal control versus effective control. The underlying concept of every financial reporting standard is to promote true and fair view. The external auditor main argument for the non-consolidation was the legal ruling of ownership in each of the foreign entities' domicile. Consequently, the auditor also invoked the true and fair view override. Students will need to investigate the interpretation, application and interactions between multiple IFRS that cover group accounts. Students are requested to assume the protagonist role of a non-professional investor during the case. Their ultimate decision was to consider their investment in the low-cost airline, considering the issues on the accounting policy choice. The case also allows students to assess the independence of audit committee and external auditors, and the roles of other gatekeepers in the financial reporting ecosystem in influencing accounting policy choice.

Figure 2 Abstract of the teaching case

#### 4. CONCLUSIONS

“By understanding the “whys” before the “whats” and “hows”, the specific accounting requirements contained in each IFRS will be better understood in a full set of IFRS and based on the objective of financial reports, which offers a more robust basis for carrying out the judgments and estimates needed to apply IFRS (De Souza et.al, page 132, 2018).” This statement is an apt representation of the main objective of this study. This research is hopeful that it will allow the students to see consolidation beyond the numbers and to apply the crux of accounting concepts in order to achieve the course learning outcome. The results of this study hopefully will also give more insights on the issues surrounding the implementation of an active teaching pedagogy. It will provide evidence on the effectiveness of case study in improving teaching and learning activities and achieving course learning outcomes. There has also been limited gap in Malaysian studies that investigate the effectiveness of active pedagogical approach in accounting tertiary education settings. In a passive learning environment, this active pedagogical approach may react differently. In addition, this study contributes by providing a teaching case involving a real Malaysian company. This will be off a significant value in limited teaching cases on accounting from emerging markets context.

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