



Original Contribution

**APPLICATION OF THE COMPETENCY APPROACH IN BUILDING
A MODERN COMPETENCY PROFILE OF PROFESSIONAL
ACCOUNTANTS IN BULGARIA**

M. Pavlova*, R. Petrova**

Faculty of Economics, "St. Cyril and St. Methodius" University, Veliko Tarnovo, Bulgaria

ABSTRACT

In order to determine the specific qualities that contribute to the successful performance of the functions of the modern accountant, a variety of approaches can be applied both in terms of professional accounting education and current practice. In the present context, a competency-based approach can be applied to build a competency profile of professional accountants. The profile developed for accounting positions can be applied in two areas - in the field of education and in practice. Currently, the development of a comprehensive competency profile for the position of chief accountant in Bulgaria is becoming increasingly important due to the requirements for the education and competencies of accountants recommended by the International Federation of Accountants.

The subject of this study is the competency profile of the position of chief accountant in Bulgaria. In order to build a competency profile, the authors suggest modelling using the competency approach. From a methodological point of view, this publication is a critical review of the Bulgarian practice in this field. As a result of the study, the authors propose a competency profile for the position of chief accountant, in line with both the revised International Accounting Education Standards in 2021 and the new economic reality.

Key words: competencies, qualification profile, chief accountant, accounting profession

INTRODUCTION

Among the main prerequisites for the introduction of practice-oriented learning is the societal need for qualified professionals with knowledge in different fields, who are able to interact with each other in different situations and possess a variety of creative skills, professionally relevant and personal qualities.

In order to concretise the specific qualities which contribute to the successful performance of the modern accountant, a variety of approaches can be applied both in terms of professional accounting education and within specific economic units.

The application of the competency approach for the development of a competency profile of

professional accountants could be specified both in the field of training and in the development of certain competency models in practice. Currently, an improvement of the comprehensive profile for the position of chief accountant in Bulgaria is becoming increasingly urgent due to the requirements for the education and competencies of accountants recommended by the International Federation of Accountants through IES 2 Initial Professional Development - Technical Competence, IES 3 Initial Professional Development - Professional Skills and IES 4 Initial Professional Development - Professional Values, Ethics, and Attitudes.

The purpose of this paper is to propose a competency profile for the position of a chief accountant that is aligned with both the revised 2021 International Accounting Education Standards and the new economic reality.

This study focuses only on the competencies that modern chief accountants in Bulgaria should possess. This is necessary due to the limitations of the publication volume.

*Correspondence to: Prof. Dr. Habil Maria Pavlova, Faculty of Economics, "St. Cyril and St. Methodius" University of Veliko Tarnovo, Bulgaria (1, Arch. Georgi Kozarev str., Veliko Tarnovo 5000), m.pavlova@ts.uni-vt.bg

**Correspondence to: Assoc. Prof. PhD Rayna Petrova, Faculty of Economics, "St. Cyril and St. Methodius" University of Veliko Tarnovo, Bulgaria (1, Arch. Georgi Kozarev str., Veliko Tarnovo 5000), r.petrova@ts.uni-vt.bg

The research methods are based on a study of the current National Classification of Professions and Occupations in the Republic of Bulgaria, the International Classification of Occupations (European Skills, Competences, Qualifications and Occupations (ESCO)), the educational requirements and competencies of accountants recommended by the International Federation of Accountants through IES 2, IES 3 and IES 4.

METHODOLOGY OF THE RESEARCH

The study explores the competencies of modern accountants required to perform their roles successfully. A competency-based approach is applied to build a competency profile for the position of chief accountant for Bulgaria, in line with both the revised International Accounting Education Standards in 2021 and the new economic reality. This publication is a critical review of the Bulgarian practice in this field.

RESULTS AND DISCUSSION

The definition of competence emphasizes the ability of individuals to perform their functions according to the relevant standards and requires an appropriate level of knowledge, skills, professional values, ethics and working attitudes to achieve that competence. The appropriate level of competence varies depending on factors, such as the complexity of the environment and the tasks, the variety of tasks, the necessary field-specific knowledge, etc.

Professional competence is defined as the ability to perform a role according to a defined standard (1). According to the Ethical Code of Professional Accountants of IFAC, it refers to maintaining professional knowledge and skills at the level necessary to ensure that the client or employer obtains a qualified professional service based on the current practice, legislation and methodology. Also working with diligence and in accordance to the applicable methodological and professional standards (2). It is considered to be of such importance to the professional accountant that it is drawn as one of the five fundamental principles they must obey when practicing the accounting profession.

The term professional competence consists of two components: establishing and maintaining professional competence.

The former can be achieved through acquiring professional knowledge, skills and professional values, ethics and working attitude. The latter is possible through continuous education.

The absence of any of the two phases indicates a lack of competence. It can be found in nearly all of the various categories of the accounting profession.

Interdisciplinary learning is at the heart of the competency-based approach and is recognized (3) as facilitating the development of key competences, which ultimately leads to their integrated acquisition. This, in turn, contributes to multi-layered thinking and the formation of integrative qualities of the individual that engage his or her full and conscious personal potential.

In its essence, the competence approach is a set of principles for defining objectives, selecting content, organizing the educational process and assessing learning outcomes. Its main characteristics are as follows (3):

- integrated interdisciplinary interaction;
- practical orientation of training;
- results orientation;
- applying innovative approaches and practices to teaching and learning.

The competency-based approach to training focuses, on the one hand, on the use of knowledge and its practical application, and on the other hand, on the results achieved from the training process and the ability to apply the specific knowledge to the performed activity.

The application of the competency approach in terms of practice is linked to the development of specific competency models. In this regard, N. Ivanov proposes the application of an approach, on the basis of which specific competency models are developed (4).

Such a model is defined (5) as a complete set of competencies (with or without levels) and behavioural indicators. Individual models may contain detailed descriptions of behavioural standards for staff in a particular department or standards of action leading to the achievement of specific goals. Furthermore, they may also include core standards of behaviour designed to fully describe the business structure or activities aimed at achieving a range of different corporate objectives. The set of details included in the competency model description depends on the intended practical application of the specific model.

The possibilities provided by the approaches applied in developing a competency model are the following (6): designing a classical competency study, the process of building a

competency model with the help of expert groups, studying future works or individual works.

Two approaches can be applied in this respect: the American and the European approach. According to N. Ivanov, the American approach is aimed at identifying the main characteristics of employees, such that they are able to demonstrate the right behaviour and, as a result, to achieve high performance at work (4).

The European approach looks at competences from a functional point of view, as a description of job tasks or expected job outcomes. In this respect, competence can be defined as the ability of employees to act according to the standards adopted by a particular organisation. As a result, it can be summarized that the European approach focuses on defining the minimum standard to be achieved by employees, while the American approach prescribes what each individual employee must do to achieve the highest performance (4, 7).

Currently in Bulgaria, there is not much being done in terms of providing a complete and comprehensive competency framework for the position of chief accountant. Job advertisements and proposals from consultancy firms indicate specific tasks and requirements for persons to fill the position of chief accountant. Web-based platforms are built in order to develop employee profiles for the successful practice of the job in different economic sectors. One example is the online platform MyCompetence. The online platform is owned by the Ministry of Labour and Social Policy and is created and maintained by the Bulgarian Industrial Association under a project funded by the Operational Programme "Human Resources Development". According to the information available on the website of the platform (8) the system for assessment of professional competencies is used by over 30 000 customers. Its creators define it as the only national system that currently sets standards for the knowledge and skills needed to fill over 500 positions in 25 economic sectors, online tools for competency assessment, job analysis and evaluation, an e-learning academy and automated online information processing. It proposes developed Sector Competency Models (SCMs) and the SCM is in turn a model of key positions and competencies in a specific economic sector (industry).

In the opinion of the authors of this publication,

the platform has two major disadvantages. A significant drawback of the competency profile of a chief accountant proposed in (8) is the fact that they are not aligned with the requirements of the International Accounting Education Standards. It should be emphasised that IFAC has more than 175 professional accountancy bodies from more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry and commerce, and many of these have agreed in their bylaws to comply with the International Accounting Education Standards.

The second drawback is the contradiction with the national legislative framework. The Law on Accounting stipulates specific educational qualifications for the positions of chief accountant and operational accountant. In accordance with the requirements listed in Article 18, p. 1 of the Accounting Act, the candidate must have completed Bachelor's or Master's degree in Accounting and Control and gained experience in the field of accounting, external and internal audit and financial inspection, tax audits or in teaching accounting: in the case of higher education in accounting and economics – a Master's degree – two years of experience; in the case of higher education in accounting and economics – a Bachelor's degree – three years of experience, with higher accounting and economic education – degree "Professional Bachelor" – four years of experience. In addition, there is a requirement for non-conviction of an offence of general nature under Chapter Five and Chapter Six, Section I of the Special Part of the Criminal Code (Article 18, p. 2).

The MyCompetence platform explicitly states the field of education – Master's degree in Business Administration. The author's study of the educational practice in Bulgaria shows that the training in accounting in the Master's degree in Business Administration is extremely limited and does not suffice for completing even basic accounting tasks. For example, some of the leading Bulgarian universities foresee the following in their curriculum: at the UNWE, Sofia – the discipline is called "Accounting" and includes a course of 60 credit hours; at Sofia University "St. Kliment Ohridski", Sofia – the course is called "Accounting and Finance for Managers" and has a 30 credit hours of lectures; at St. Cyril and St. Methodius University of Veliko Turnovo, the course is called "Accounting" and has a 30 credit hours of lecture time.

Taking into account the serious gaps and contradictions with the International Accounting Education Standards and the national legislation in the MyCompetence platform regarding the competency profile of a chief accountant identified above, the aim of this publication is to propose a profile that is in line with both the revised International Accounting Education Standards in 2021 and the new economic realities.

In the ESCO (9), the following description is given in code 2411 "Auditors and accountants" – to plan, organise and administer accounting systems for individuals and businesses. Some occupations classified here examine and analyse the accounting and financial records of individuals and enterprises to ensure accuracy and compliance with established accounting standards and procedures. Assignments include:

- a) advising, planning and budgeting, controlling accounts and other accounting policies and systems;
- b) preparing and certifying financial statements for presentation to management, shareholders and legislative or other bodies;
- c) preparing tax returns, advising on taxation issues and contesting claims before tax officials;
- d) preparing or reporting profit forecasts and budgets;

- e) conducting financial investigations into issues such as suspected fraud and insolvency;
- f) auditing reports;
- g) conducting research and advising management on financial aspects of performance, inventory, sales, new products, etc;
- h) developing and controlling systems for determining the unit price of products and services.

Examples of occupations classified here are treasury accountant, auditor, chief accountant, financial controller, receiver, management accountant and tax accountant.

It is evident that the tasks of the Accounting Officer, the Management Accountant and the Auditor are not clearly distinguished from one another. Differentiating between these three types of roles of the professional accountant is imperative, both from a legal and functional point of view. The role and tasks of the auditor are clearly regulated by law through the Independent Audit Act. Therefore, some of these tasks can be performed solely by registered auditors. The status, roles and work tasks of the management accountant are not regulated anywhere in the Bulgarian practice. It is therefore crucial to assign the work tasks into the above three categories as shown in **Table 1**.

Table 1. Working tasks assign into categories

<i>Work tasks</i>	<i>Chief accountant</i>	<i>Management accountant</i>	<i>Auditor</i>
Advising, planning and establishing budget, control of accounts and other accounting policies and systems	x	x	-
Preparing and certifying financial statements to be presented to management, shareholders, legislative or other bodies	x	-	x
Preparing tax returns, advising on tax issues and challenging disputed claims before tax officials	x	-	-
Preparing or presenting estimates of the organization's profit and budget	-	x	-
Conducting financial investigations into such matters as suspected fraud, insolvency and bankruptcy	-	-	x
Auditing reports	-	-	x
Conducting research and advising management on financial aspects of performance, inventory, sales, new products	-	x	-
Developing and controlling systems for determining the unit price of products and services	-	x	-

Source: developed by the authors

According to the current legal framework in Bulgaria - The National Classification of Professions and Occupations (NCPO, 2011), chief accountants fall into Class 2 "Specialists", Subclass 24 "Economic and administrative specialists", Group 241 "Financial specialists".

Financial professionals are persons who plan, develop, organise, administer, invest, manage and carry out quantitative analysis of financial reporting systems or funds of individuals, enterprises, public and private institutions.

Financial professionals perform the following main tasks:

- prepare and organise financial reports for an organisation;
 - review the organisation's financial records;
 - provide financial advice to individuals or organisations;
 - produce analytical reports on different economic sectors or on the economy as a whole;
- It is evident that both the ESCO and the NCPO (2011) specify only tasks and in a rather limited way.

The authors' proposed competency profile for the job of chief accountant consists of two main components: a job description and a competency framework.

The job description includes: objective, educational background, language skills and main tasks.

The authors' suggestion is to expand the tasks (relative to ESCO and NCPO (2011)) to include:

1. Developing enterprise accounting policy and advice, planing and establishing budget, controlling accounts and other accounting policies and systems.
2. Preparing the organisation's annual financial statements.
3. Preparing tax declarations required by

national legislation (CITA and LVAT) and advising on taxation issues.

4. Controlling and approving the required reports to the NPA, NII, NSI, banking, insurance and other institutions.

5. Controlling financial flows in the organization (accounts with counterparties and accountable persons).

6. Organizing and controlling compliance with the requirements by the law on accounting regarding document flow, documentation and inventory in the organization.

7. Analysing information from the annual financial statements and preparing analytical reports for the management of the organisation. The second main component of the competency profile of the Chief Accountant position – the competency framework must be fully aligned with the International Accounting Education Standards IES 2 Initial Professional Development – Technical Competence, IES 3 Initial Professional Development – Professional Skills and IES 4 Initial Professional Development – Professional Values, Ethics, and Attitudes and include professional knowledge, skills and professional values, ethics and attitudes.

The content of the authors' proposed competency framework by domain and proficiency level is presented below in **Table 2**.

Table 2. Competency framework by domain and proficiency level

<i>Area of competence</i>	<i>Level</i>
I. Competences Regarding Professional Knowledge	
1. Economics	basic level
2. Business organization and environment	intermediate level
3. Financial Accounting*	intermediate; advanced level
4. Management Accounting	intermediate level
5. Finance and financial management	intermediate level
6. Taxation*	intermediate; advanced level
7. Risk management and internal control	intermediate level
8. National legislation*	intermediate; advanced level
9. Information and communication technologies	intermediate level
10. Business strategies and management	intermediate level
II. Professional Skills Competences	
1. Intellectual*	intermediate; advanced level
2. Interpersonal and communication	intermediate level
3. Personal*	intermediate; advanced level
4. Organizational	intermediate level
III. Competencies in Professional Values, Ethics, and Attitudes	
1. Professional skepticism and professional judgment	intermediate level
2. Ethical principles	intermediate level
3. Commitment to the public interest	intermediate level

Source: developed by the authors

In some areas, two levels of proficiency are provided depending on the size of the enterprise –

for micro and small enterprises an intermediate level is sufficient, but for medium and large enterprises an advanced level of proficiency is required (indicated by a star).

And while elements of the first two accounting education standards (IES 2 and IES 3) are covered to some extent in practice, professional values, ethics and attitudes are completely ignored. At the same time, in global accounting theory and practice, the ethical behaviour of professional accountants occupies a central position. Professional values, ethics, and attitudes are defined as the behaviour and characteristics that identify professional accountants as members of a profession (10). These include the ethical principles generally associated with, and considered essential in, defining the distinctive characteristics of professional behaviour.

Professional values, ethics, and attitudes include a commitment to technical competence and professional skills, ethical behaviour (e.g., independence, objectivity, confidentiality, and integrity), professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), pursuit of excellence (e.g., commitment to continual improvement and lifelong learning) and social responsibility (e.g., awareness and consideration of the public interest) (10).

CONCLUSIONS

The application of the competency profile of the position "Chief Accountant" proposed by the authors can be outlined in two directions.

On the one hand, in the field of higher education – new conditions point to an urgent need for updating and revising curricula; introducing new subjects; defining new inter-subject links and interdisciplinary themes.

The second strand is in terms of practice. In all cases, the competency model is developed with a view on its further use in practice. The most common areas of application of the competency model are staff selection and appraisal.

It is recommended that the competency-based approach is also used in the following situations:

- in organisations where there is high staff turnover, which in turn leads to significant damage to the enterprise;
- when low performance in areas of strategic importance is revealed;
- in career planning (the organization may need employees with certain potential reflected in competencies);
- in organizations that have already undergone or are planning organizational changes (in such cases it is important to know exactly what kind of employees can contribute to growth, to work effectively in conditions of stress and instability).

REFERENCES

1. Glossary of Terms in the Handbook of International Education Pronouncements. *IFAC*, New York, USA, 2014.
2. International Code of Ethics for Professional Accountants. *IFAC*, New York, USA, 2021.
3. Za prehoda ot znania kym umenia, <https://web.mon.bg/upload/21561/II-book.pdf>
4. Ivanov, I. and Lukyanova, T., Razrabotka modeli kompetentsii: podhod i realizatsiya. *Vestnik universiteta*, 1: 14–21, Gosudarstvenny universitet upravleniya, Moscow, 2019.
5. Widget, S. and Hollyford, S., Rukovodstvo po kompetentsiyam. *HIPPO*, Moscow, pp 12, 2008.
6. Spencer, L. M. and Spencer, S. M., Kompetentsii na rabote. *HIPPO*, Moscow, 2005.
7. Kabanov, A. I. and Mitrofanova, E. A., The concept of the competency approach in personnel management: Monograph. *INFRA-M*, Moscow, pp 9, 2014.
8. MyCompetence.bg, <https://mycompetence.bg/>
9. The multilingual European classification of skills, competences, qualifications and occupations, <https://esco.ec.europa.eu/bg/classification/occupation?uri=http://data.europa.eu/esco/isco/C2411>
10. Handbook of International Education Standards, IAESB. *IFAC*, 2019.