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Language gives new life to accounting

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Colour Accounting offers an easy method of learning accountancy

THE accounting literacy movement may not sound very revolutionary, however it is regarded as a breakthrough in the way people "talk" accounting.

The main aim of the movement is to focus on the language of accounting and to communicate the correct use of terms.

If accounting is approached as a language it will become accessible to everyone, Colour Accounting International president Peter Frampton, who is a key driver behind the new movement, says.

He failed accounting while studying in SA, but immigrated to Australia and subsequently obtained his chartered accountancy qualifications there. He has an infectious passion to develop a new way of thinking about, and teaching, accountancy.

"Accounting literacy means you are fluent and clear in the language of business," he says.

Mr Frampton aligns himself with a recently published discussion document about the role of accounting in SA by the South African Institute of Business Accountants. It argues that the present education and training model in SA is geared to developing "high-end" accountants for the needs of listed companies, without considering the accounting needs of the majority of businesses in SA — small-and medium-sized entities.

Research by the South African Institute of Chartered Accountants shows SA has a shortage of more than 20,000 accountants.

Mr Frampton says that this decline in interest — which begins at school — happens because people do not grasp the basic elements of accounting.

There are only five elements in accounting to learn and understand. Colour Accounting developed a single-page framework to explain the five elements: assets, liabilities, equity, expenses and income. It illustrates, using different colours, which belong on a balance sheet and which belong on an income statement.

Expenses are "verb concepts" and assets are "noun concepts", the framework explains.

Basic mistakes are made, even by accountants, when "talking" accounting, Mr Frampton says. One of the most common mistakes is that income is "cash in" and expenses are "cash out".

"The better definition for income is value generating activities, and a better definition for expenses is value consuming activities," he explains in a telephone interview from his home in Geneva, Switzerland. "You cannot receive income. You receive cash. Overcoming this linguistic faulty wiring is the job of the new generation of accounting teachers in our accounting literacy movement.

"Expenses are value sacrificing or consuming activities. It is not cash flowing out of the business. That is the worst possible definition. It is the activity and not the cash that is important. Assets are valuable, liabilities are obligations to lenders or creditors and equity is an obligation — to shareholders."

Independent Examination Board internal moderator for accounting Anne Kriel-Brown says accounting is an abstract concept. She has been teaching accounting for many years and is head of accounting at Hilton College in KwaZulu-Natal.

"I have seen that pupils are finding it harder and harder to grasp the basic accounting concepts. Children increasingly learn by doing and visualising," she says.

After they grasp the basics, "traditional" accounting is brought back into the learning process.

Many learners drop out of accountancy because they consider it too difficult. Since the introduction of the BaSIS framework, enrolment in accounting increased 38% at Hilton College.

People who had studied accounting find the framework confusing, mainly because of preconceived ideas about the basic concepts. Those without any accounting background pick it up quite quickly.

"The concepts are so easy to teach," Ms Kriel-Brown says. It has also been helpful in teaching other professionals, such as lawyers and business people, she says.

South African Institute of Business Accountants CEO Nicolaas van Wyk supports the new way of thinking about accounting as a language and not as abstract numbers. However, it will take time to catch on in mainstream thinking and teaching, he says.

"The use of colour and visualising the concepts makes the learning easy, less abstract and less intimidating. There are the purists who will remain sceptical, but there has to be room for different ways of teaching the same thing."

Accounting language has remained static for years. It needs new and innovative thinking, he says. The accounting literacy movement talks to a different part of the brain, says Mr van Wyk.

Accounting illiteracy impoverishes society, just like writing illiteracy, says Mr Frampton. Businesses fail, clients are poorly defended by lawyers, governments are held less accountable and fraud goes undiscovered.

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