

METI (Ministry of Economy, Trade and Industry) -Commissioned Program
**Report on the Result of Substantive Tests for Ten Asian Countries
To Design the Globally Uniform FASS Test**

I. Overview

What is the Globally Uniform FASS Test?

As the firms seek to expand their business into the overseas market on an accelerated pace, they have a compelling reason to establish a cross-border human resource management system so that strategic deployment of workforce can be achieved from a global perspective. Among others, the finance and accounting function is under growing pressure to improve and maintain the financial reporting system through managing skills of the group-wide employees to accommodate the needs of management including preparation for efficient transition to IFRS-based financial accounting system.

For the objective of providing a system to support the above-mentioned corporate needs, Japan Association for CFOs was commissioned by the Ministry of Economy, Trade and Industry to study and structure the Globally Uniform FASS Test that will enable the firms to measure the practical skills of finance and accounting staff with a “common measure.”

Implementing substantive tests for the purpose of evaluating effectiveness of the test questions

With a goal to structure the Globally Uniform FASS Test program, the substantive tests were implemented in ten Asian countries, namely China, South Korea, Indonesia, Philippines, Vietnam, Thailand, Singapore, Malaysia, India and Hong Kong and as the first step to evaluate appropriateness and effectiveness of the test questions.

The substantive tests were successfully implemented with the total of 1,694 participants who work for overseas branches and subsidiaries of Japanese multinational corporations that operate in the above ten countries.

* The questions used in the substantive tests were developed based on those used in the FASS Test that is currently being administered in Japan and modified as appropriate to adjust to the local business environment of each participating country before translating them into relevant local languages to avoid any influence caused by the language proficiency level.

II. Results of the substantive tests

<Assessment of questions used for the substantive tests>

Over 50% of the questions were found to be examinable throughout the participating countries

As the questions used for the substantive tests were developed based on those used in the FASS Test in Japan, roughly 50%~70% of those, if translated correctly into the local language, were found to be examinable in each participating country without any modification to the content, and over 30% of those, if correctly translated into the local languages, were found to be examinable throughout the ten participating countries.

Those questions that required modifications were adjusted in accordance with the local legal system and commercial practices with their question topic, measuring points and difficulty level kept intact.

It was found that the test questions can appropriately measure the practical capability of the examinees

Reliability coefficient* was used to assess whether the test questions are reliable enough to appropriately measure the examinees' capability,

* Reliability coefficient is an indicator of the degree of test score reliability to which the same examinee could obtain the same score consistently if he or she would repeatedly be tested under the same condition. The coefficient takes a value between 0 and 1 with 0.75 or more indicating that the question has a desirable level of reliability.

Although the assessment should be made on a country-by-country basis since not all the test questions are the same throughout the participating countries, only China, Vietnam and Indonesia of the five participating countries reached the sufficient number of samples (examinees) to assess the reliability in a statistically significant manner.

Consequently, the reliability coefficients of the above three countries fall into the range of 0.8211 to 0.8988, showing that the substantive tests administered in any of the three countries can appropriately measure the practical capability of the examinees in the field of finance and accounting. The reliability coefficients of the participating countries are shown in the following table with the figures of South Korea and Philippines disclosed

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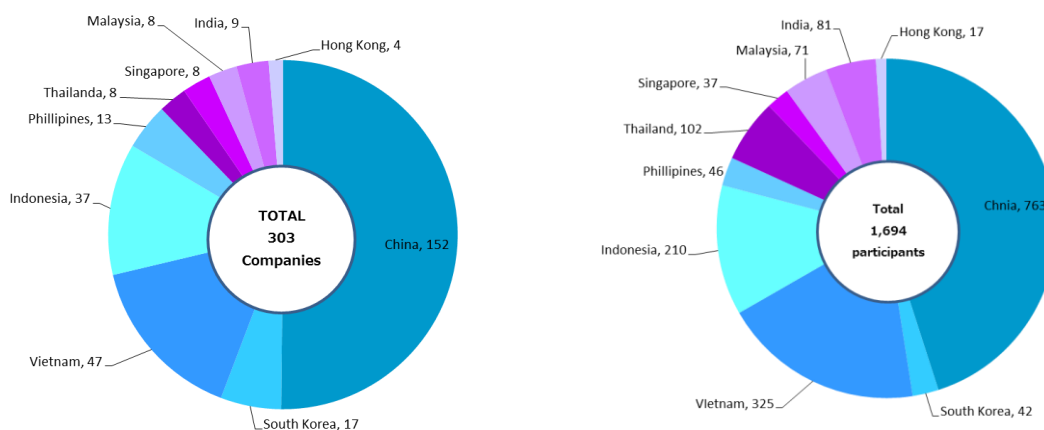
China	Vietnam	Indonesia	Philippines	South Korea
0.8998	0.8771	0.8211	0.9051	0.9137
Thailand	Singapore	Malaysia	India	Hong Kong
0.8462	0.8890	0.8052	0.8660	0.9098

* The questions commonly used in the substantive tests throughout the participating countries.

<Profile of examinees>

1,694 examinees in ten countries, the majority of whom were in China

The total number of examinees in the ten participating countries is 1,694, with over 50% of them are in China, followed by Vietnam and Indonesia.



The followings are the breakdown by sex, job function and job position:

- By sex
 - Nearly 70% of examinees are women.
- By job function
 - As the substantive tests are intended to target finance and accounting staff working for overseas branches and subsidiaries of Japanese multinational corporations, more than 90% of the examinees belong to finance and accounting function.
- By job position
 - About 60% of the examinees are those at staff level, and more than 30% are at general manager, manager

<Test results>

Average score is 456 marks (nearly 60% of questions correctly answered) with the highest average score achieved by examinees in China

China is a country that is the highest not only in terms of the number of examinees but

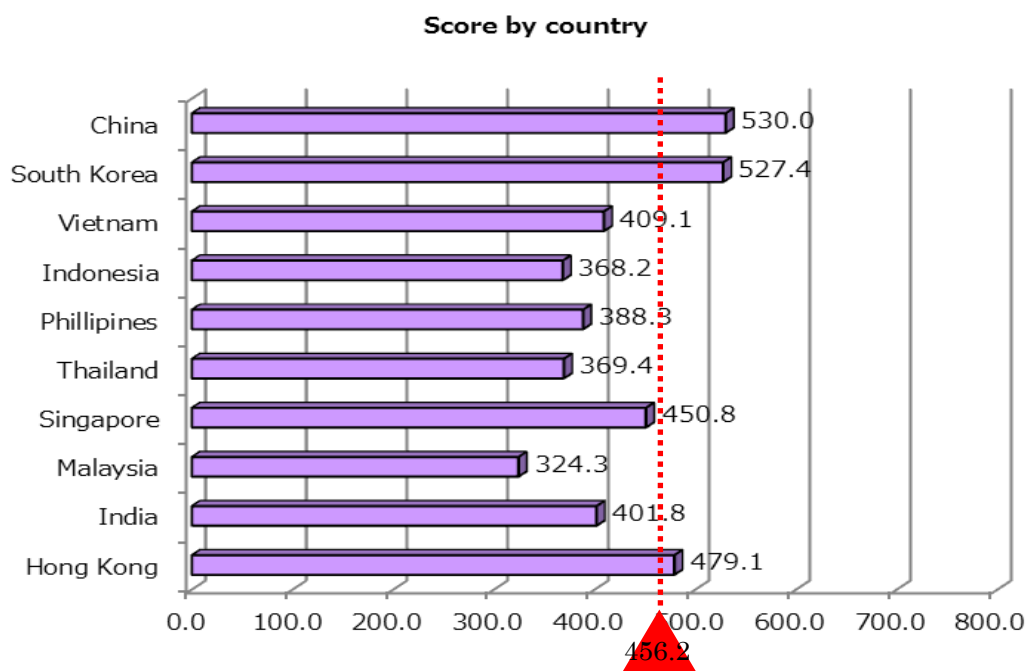
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also in terms of the average score. Notably, the average score of Indonesia, the country with the third largest number of examinees after Vietnam, is the lowest.

➤ **Score/Level**

The average score of the ten participating countries is 456 marks, which implies that nearly 80% of the examinees have been assessed at Level D or lower (560 marks or lower).

Looking at the average score on a country-by-country basis, China achieved 530 marks, which implies that more than 40% of the examinees have been assessed at Level C or higher (561 marks or higher).



Distribution by Level

Level	China		South Korea		Vietnam		Indonesia		Philippines	
A	6	1%	2	5%	2	1%	0	0%	0	0%
B	58	8%	4	10%	1	0%	0	0%	1	2%
C	261	34%	12	28%	3	1%	0	0%	4	9%
D	328	43%	16	38%	120	37%	38	18%	9	19%
E	110	14%	8	19%	199	61%	172	82%	32	70%
Total	763	100%	42	100%	325	100%	210	100%	46	100%
Companies	152		17		47		37		13	

Level	Thailand		Singapore		malaysia		India		Hong Kong		Total	
A	0	0%	0	0%	0	0%	0	0%	0	0%	10	1%
B	0	0%	0	0%	0	0%	1	1%	1	6%	66	4%
C	0	0%	3	8%	0	0%	3	4%	4	24%	290	17%
D	21	21%	20	54%	5	7%	24	30%	5	29%	586	34%
E	81	79%	14	38%	66	93%	53	65%	7	41%	742	44%
Total	102	100%	37	100%	71	100%	81	100%	17	100%	1,694	100%
Companies	8		8		8		9		4		303	

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- Degree of achievement by job function (Assets, Closing, Treasury and Tax)
 China showed the highest average degree of achievement in the job functions of Assets, Closing and Tax, and in those of Treasury, South Korea showed the highest average degree.
 China and South Korea also exceeded the total average degrees of achievement in all the fields.

	China	South Korea	Vietnam	Indonesia	Phillipines	
Assets	70.2	66.2	53.5	43.0	53.1	
Closing	61.5	59.9	49.7	50.5	48.8	
Treasury	64.3	70.6	42.9	39.2	46.3	
Tax	68.1	63.5	63.4	58.8	44.7	

	Thailand	Singapore	Malaysia	India	Hong Kong	ALL
Assets	47.0	61.5	40.7	51.7	65.1	59.3
Closing	41.0	50.1	43.8	49.0	62.5	54.7
Treasury	44.8	51.2	37.8	48.5	48.3	53.3
Tax	52.7	63.2	41.8	52.0	68.6	62.4

<Attribute analysis>

Little correlation with existing qualifications, implying that the test could measure capabilities that are totally different from those measured by existing qualification exams

As a result of a comparison performed between job position/years of experience/qualifications obtained and the test results, it is found that the higher the job position or the number of years of experience, the higher the score. However, after comparing the test score with finance and accounting related qualifications obtained by examinees in each participating country, it is found that those who hold qualifications that are deemed to be difficult to obtain do not always achieve high scores in the substantive test. This result shows that the result of the substantive test have little correlation with the existing finance and accounting related qualifications, implying that the test could measure capabilities that are totally difference from those measured by existing qualification exams. Please refer to Attachment for the details of comparison results.

III. Concluding Remarks

Call for a tool that can accurately measure “skills for doing the job”

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While the ten participating countries in Asia have varying levels of sufficiency of the finance and accounting related qualification systems, the results of the substantive tests have revealed that there is little correlation between the test and the existing finance and accounting related qualifications and therefore the test could measure capabilities that are totally different from those measured by existing qualification exams. This is probably because it is generally the case that the existing qualification exams are intended to assess the examinees' level of theoretical and conceptual knowledge in the field of finance and accounting, and that there are very few exams that are intended to assess the examinees' practical skills.

When Japanese firms assess the skills of the finance and accounting staff in their overseas branches and subsidiaries, they usually look to local qualifications such as CPA as one of the important judgment criteria. However, the results of the substantive tests tell that holding local qualifications may not serve as proof of having practical skills in the field of finance and accounting.

Enhancing capabilities to manage global workforce through a “common measure across the world”

If the Globally Uniform FASS Test is rolled out on a commercial basis, Japanese firms will be able to obtain effective and objective information for assessing practical skills of the staff that local qualification systems may not be intended to cover, and utilize that information for the purposes of recruitment, training and deployment of the workforce. Furthermore, as this test can work as a common measure to compare the mastery level of the practical skills of the staff throughout the world, it will greatly facilitate human resource management of the firms on a global basis. As JACFO acknowledges the growing demand for conducting the research study of similar nature in other regions that many Japanese firms operate including other Asian countries and regions, as well as Americas and Europe, it is committed to expanding the area for the research study on an ongoing basis to help Japanese firms enhance their capabilities to manage their global workforce.