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Paul de Lange^a & Kim Watty^b

^a RMIT University, Australia

^b Deakin University, Australia

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AE BRIEFING

Accounting Education at a Crossroad in 2010 and Challenges Facing Accounting Education in Australia

PAUL DE LANGE* and KIM WATTY**

*RMIT University, Australia; **Deakin University, Australia

ABSTRACT *Of the various reports released in 2010, two purport to examine the state of accounting education in Australia. These are Accounting Education at a Crossroad in 2010 and Challenges Facing Accounting Education in Australia. Both were released as collaborations of the leading academic organisation, the Accounting and Finance Association of Australia and New Zealand (AFAANZ) or professional accounting bodies in Australia including the Institute of Chartered Accountants in Australia (ICAA), the Institute of Public Accountants (IPA),¹ and Certified Practising Accountants of Australia (CPA Australia). As their titles imply, the main thrust of these reports is to examine the challenges facing accounting education in Australian universities and, as such, they act as the input for this AE Briefing. The main challenges articulated in these reports portray a sector suffering from the combined pressure of a large international student enrolment, high student-to-staff ratios, an inadequate funding model, and an ageing academic staff profile. By way of commentary, we suggest that, if these gloomy circumstances continue to develop unabated, then the future for the sector will play out as a ‘perfect storm’² with the sector suffering on-going troubled development.*

KEY WORDS: Funding models, international students, student-to-staff ratios, Mathews Report

Introduction

The year 2010 was a busy one for stakeholders within the domain of accounting education in Australia. Notable examples of this activity culminated in the release of two national reports which examined a range of challenges facing Australian accounting education in recent years. These two reports are: *Accounting Education at a Crossroad in 2010*, (Evans, Burritt and Guthrie, 2010) and *Challenges Facing Accounting Education in Australia*, by Cappalletto (2010). The significance of these reports is that they are products of pressures within the education sector from which their data is drawn. This is a sector with high international student enrolments³ given that accounting graduates are offered preferential immigration treatment for those contemplating migration to Australia (Birrell, 2009; Birrell and

Correspondence Address: Paul de Lange, School of Accounting & Law, RMIT University, GPO Box 2476V, Melbourne, Australia. Email: paul.delange@rmit.edu.au

Edwards, 2009). Stakeholders' concerns over the future of the sector are evidenced by their direct contributions to these reports and the provision of financial support to produce them.

This *AE Briefing* is motivated by the challenges and issues discussed in the reports. They are of a nature that informs those who have an interest in the future of accounting education as an education sector, including accounting academics, professional accounting bodies, and graduate employers. The aim of the *Briefing* is to inform *Accounting Education's* readers around the world of the developments within Australia, and to provide a concise commentary and assessment of these reports, with citation details to permit easy access for future reference.

Overview of the Reports

Accounting Education at a Crossroad in 2010

According to the ICAA website, partnering with industry and the academic community to ensure the quality of accounting graduates is maintained as being one of its key priorities. With this as an overarching philosophy, the ICAA, together with the Centre for Accounting, Governance and Sustainability at the University of South Australia, combined to produce *Accounting Education at a Crossroad in 2010*, (Evans *et al.*, 2010) hereafter referred to as ICAA 2010.

According to James Guthrie, Head of Academic Relations at the ICAA, the allegiance among the profession, industry and academia is critical, and ICAA 2010 goes some way toward developing this relationship. The main contents of the report are an amalgam of the key findings from the Accounting Education Forum held in Adelaide on 4 February 2010. This Forum investigated the changing nature of the tertiary education environment and resultant contemporary challenges for the accounting profession and education. Representation from key stakeholder groups included participants from 19 universities, the ICAA, CPA Australia, Australian Learning and Teaching Council, and the Accounting and Finance Association of Australia and New Zealand (AFAANZ).

ICAA 2010 has contributions from 12 different authors and examines a range of pertinent issues in its 92 pages. The first chapter outlines the entire contents of the manuscript and contains a summary of each chapter. From the outset, the report takes the position that it is timely to revisit the 'state' of accounting education some 20 years after the well-publicised and acclaimed Mathews Report (Mathews, Jackson and Brown, 1990).⁴ The findings of the Mathews Report are described as a 'litany of woe' by Macve (1992, p. 29), who cites long periods of chronic neglect of the discipline, inadequate resourcing, discriminatory funding by institutions resulting in the diversion of resources from the accounting discipline to other disciplines, and increasing student-to-staff ratios.

Some 20 years later, ICAA 2010 reports that the sector's systemic problems, many of which were reported by Mathews *et al.* (1990), still exist and, in some cases, they have been exacerbated. Indeed, the Mathews Report is mentioned/referred to in chapters 1, 5 and 7 and it provides a historical backdrop for the current inquiry. The challenges that are summarised in ICAA 2010 are:

1. Low level of commonwealth Government funding per student place for accounting and business students. This challenges the sector to take on greater numbers of full tuition paying students from overseas, thereby turning the education sector into a revenue or profit sector.
2. As a result of 1 above, large class sizes reflecting increasing international student enrolments.

3. An ageing academic population as the young are not attracted to the sector.

For those involved in the sector we might conclude that challenges faced are well-known and indeed have been well-documented in the past. However, the report is commended as it attempts to bring together views of key stakeholders to discuss the future of accounting education. Notably, on p. 11, the editors suggest that:

The book's objective is to provide a foundation for an open national discussion on possible strategies, issues and changing skill sets for accounting graduates, accounting academics and higher education providers, by identifying major challenges and strategies for addressing them.

While such an objective ought to be supported for its intent, we were unable to locate any substantive 'takeaways' in the report for those academics wanting to update their skill base.

Several additional aims of the report are also intended, notably:

- to promote dialogue between the accounting profession and academics; and
- to encourage dialogue regarding current and future accounting curriculum design.

From a commentary perspective, the agenda and intent of ICAA 2010 ought to be applauded, as it does promote helpful dialogue. However, we contend that the missing contribution is that which explores the role of accounting education research as a means of improving teaching pedagogies. Although there are many worthwhile and thought-provoking ideas contained in ICAA 2010, the absence of the link between research and improved pedagogy and students' learning outcomes is a stark omission.

The strength of ICAA 2010 is contained in the initiative that was undertaken prior to the compilation and subsequent release of the report. The Accounting Education Forum held on 4 February 2010 provided an opportunity for academics and the profession to engage in valuable dialogue regarding the challenges facing accounting education. The Forum was structured around the presentation of eight main challenges and these were subject to comment and input by other participants. This structure provided the basis for an open and frank debate that culminated in the following list of proposed actions:

Action 1

The ICAA and CPA Australia should jointly commission a taskforce of employers, early career accountants, and management educators to identify management skills, education opportunities, and requirements for accounting students and professionals to discuss the issues and challenges facing accounting education. However, accounting academics are not to be included in this taskforce.

Action 2

Before academia 'puts its house in order', the professional bodies should clarify their strategic objectives. Are they the safe keepers of professional standards or are they businesses in which market share growth and cash flow are the principal objectives?

Action 3

There is a need to explore what makes a well-rounded, employable graduate. What skills are required and where do they come from? Is this the responsibility of the universities? It is acknowledged that graduates need to have had part-time jobs or experience as volunteers.

Action 4

The links between the profession, academics and industry (not enough pressure is currently put on industry to contribute) to develop appropriate quality graduate skills need to be built. However, universities need to help to develop work experience programmes, etc. that have been shown to develop graduates' skills greatly. The profession can be a conduit between academics and industry.

Action 5

An annual forum of the accounting professoriate to discuss strategy could be very effective in bringing forward new ideas relating to the profession and the development of government policy in relation to (accounting) education.

Action 6

The issue of how access to work experience positions can be improved needs to be addressed. Most positions are currently filled by local students rather than by international students.

Action 7

A forum needs to be established that focuses on key issues: funding of accounting education; new accounting academics; and the loss of PhD graduates to the USA as a result of salary relativities.

The concluding remarks in this section draw a stark reminder about the lack of progress for accounting education from policy-makers in Australia over the last 20 years: 'In conclusion, accounting education in Australia has not progressed much since Mathews *et al.*'s (1990) report' (ICAA, 2010, pp. 13–14).

Challenges Facing Accounting Education in Australia

Motivated by many of the same perceived problems facing accounting education in Australia, the second report released in 2010 was that commissioned jointly by the three professional accounting bodies (CPA Australia, ICAA and IPA), together with the leading academic organisation AFAANZ. The report, prepared by Capellato (2010), is organised around some of the well-known structural realities of the sector, which give rise to a number of themes in the report. The study is prepared against the backdrop of the plight of accounting education from the university sector's perspective, and leverages off a number of themes, which form the basis of the inquiry in the report. Designed to illuminate the problems in the sector, the four main themes are presented as follows:

1. *The vulnerability of funding models particularly related to international student income.* The report suggests that universities' reliance on international students' fees varies from

3% of total revenue to 44%. This trend highlights the reliance of Australian universities on education as an export commodity, which may change as other countries relax their rules on the issuance of international student visas—most notably the USA, the UK, and Canada. To put the problem succinctly, the author states: ‘As it flows through to accounting departments the impact could be profound as international students constitute up to 80% of enrolments for accounting courses at some institutions.’ (p. 3).

2. *Falling numbers of domestic students and the impact of international student enrolments.* While there is a perception that domestic student numbers have fallen in the last decade, this report suggests that, based on the evidence, this is not the case at either undergraduate or postgraduate levels.

3. *Unmet demand for accounting graduates and issues such as poor communication skills.* Many accounting departments have been struggling with the large influx of international student enrolments, which has had an impact on their ability to deliver quality education. The report suggests that: ‘this is particularly influenced by the fact that the majority of international students studying accounting are drawn from non-English-speaking backgrounds’ (p. 4).

The Profile of Accounting Academics

The findings indicate that the age profile of accounting academics is a systemic problem. It is suggested that the gap between academic and practitioner salaries was, in the past, offset by more attractive and flexible working conditions in the university sector. The ongoing work demands of academia now fail to offset the shortfall in financial rewards afforded by the practitioner employment path. The impact of this reality sees potential academics not joining academia as a career path, thereby creating huge challenges for those attempting to replace an ageing workforce.

The report has a number of similarities with ICAA 2010. It begins with the challenges of the Mathews Report (Mathews *et al.*, 1990) and suggests that policy-makers have failed to heed the advice issued to successive policy-makers over recent decades. Further, it highlights that the situation is not unique to Australia, with reference to the report of Albrecht and Sack (2000) in the USA. The rigour of the report stems from the fact that it does not report anecdotal evidence, but rather data from 19 of the 39 (or 49%) accounting departmental heads in Australia. In view of this dataset and the recentness of the report, its strength lies in its ability to illuminate both real and current issues facing the sector from a unique perspective. This is the perspective of those who have an intimate knowledge of the challenges as managers and leaders—in this case, departmental heads.

Conclusion

The Australian higher education landscape continues to evolve and change as the sector adjusts to its environment. For the last two decades successive governments have failed to address funding deficiencies within the sector (Capellatto, 2010; Mathews *et al.*, 1990). To address the funding crisis, the ‘market’ has, to some extent, responded by increasing the numbers of fee-paying international students (Birrell, 2009). This strategy has served universities well with regard to supporting their strained budgets by providing budgetary slack (or soft dollars) in times of financial need. At one level, additional funds are a welcome addition to departmental budgets, but the real impact of this quest for revenue is felt by teaching and administrative staff at the ‘coal face’. It is our contention that many of the issues dissected in both reports are a product of long-term inadequate funding, where the market has sought to repair its own budgetary shortfall through its

own entrepreneurial means. The consequences of these actions are now being questioned by key stakeholders, as the influx of vast numbers of international students seems to be abating, in a climate of an appreciating Australian dollar, perceived safety and security issues, and more stringent immigration rules. If reduced international student demand is the reality for the sector in the near term, then a ‘perfect storm’ may build. In an already stressed sector, the systemic issues outlined in these two reports can be expected to worsen with the addition of budgetary pressures brought about by reduced fee income from international students.

Notes

¹Prior to April 2011, the IPA was known as the National Institute of Accountants (or NIA).

²Reference to the state of accounting education as moving toward a ‘perfect storm’ is an analogy that has been widely used in the higher education press in Australia and in dialogue at the local level.

³Numerous academics and commentators have aired their concerns about the quality of accounting education generally, given increasing class enrolments, linguistically-diverse student cohorts, and a lack of resources (Bretag, 2007; Watty, 2007). Parker highlighted some of the major concerns in his contribution to ICAA 2010 when he wrote: ‘These include huge growth, low-cost, high revenue generating programs, and staffing casualisation. This creates pressure for product and pressure for graduation at all costs, leading to a reduction in quality that ranges from communication to technical’ (p. 17).

⁴The Mathews Report has been extensively cited in scholarly journals. By way of example, on 15 October 2011 the search engine *Google Scholar* shows a citation count of 44.

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