Emerging Pathways for the Next Generation of Accountants

edited by Elaine Evans, Roger Burritt and James Guthrie
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Emerging Pathways for the Next Generation of Accountants

edited by Elaine Evans, Roger Burritt and James Guthrie
Preface

For more than 25 years I have been a Chartered Accountant. It is a profession I am proud to work in each day, one that is vibrant, dynamic and full of exciting opportunities.

Over the past 10 years in particular, we have all witnessed significant change within business and society. Globalisation, new technologies, increased complexities in government policy, together with high profile social and environmental issues have all impacted business and society. In particular, these factors have impacted the Australian education landscape, which has prompted the complex topic of education pathways to be the theme of this academic thought leadership publication.

Developed in partnership with the Institute and the Centre for Accounting, Governance and Sustainability (CAGS) at the University of South Australia, this publication, *Emerging Pathways for the Next Generation of Accountants*, is part of our esteemed Academic Leadership series, which continues to bring the key issues in Australian accounting education to the fore.

The publication is based on a forum held in Adelaide, on 7 February 2012, hosted by the Institute and CAGS. It was a first in Australia, in that the forum assembled 70 key stakeholders from professional accounting bodies, practitioners and universities to openly explore the changing role, education pathways and future needs of professional accountants in an Australian context.

This comes as the suppliers of accounting education have in recent years rapidly increased in number and now include vocational education and training providers, private higher education providers, public, private and corporate universities, and professional associations. Such expansion applies not only within Australia, but globally.

While the opportunity for more people to venture into an accounting career is important, we need to ensure the quality of accounting education is maintained for the long-term sustainability of the profession. I’m pleased that during the forum and within each of these chapters, the issue of quality and strategies for upholding the highest standards in accounting education is a shared priority.

From the Institute’s perspective this publication and our partnership with CAGS is also one of our many investments in accounting education and supporting the accounting academic community. Other projects include funding for relevant accounting research, participation in wider community debates and representation at the highest levels in government. Our investment in fostering links with the academic community is an important platform for continued dialogue, stimulating debate and forging collaborative projects. This publication is a prime example.

I welcome the participation of several other professional accounting bodies represented in Australia in the debate and their contributions to this volume: Association of Chartered Certified Accountants, Professor Barry Cooper — Incoming President; CPA Australia, Rob Thomason — Executive General Manager, Business Development; Chartered Institute of Management Accountants, Paul Thambar — Chair, Australasian Regional Board, and our President of the Institute, Craig Farrow FCA, who is passionate about accounting education.
Importantly, this edition of the Academic Leadership series includes the process and results of the American two-year inquiry into ‘Pathways to the Accounting Profession’, in a chapter by Professor Karen Pincus, Incoming President, American Accounting Association. The debate about accounting education and the future of the profession is not only taking place in Australia; it is of global importance.

While the challenges in thinking for the future are great, the collaborative vision of the academic, professional and practitioner contributors to this edition in the Academic Leadership Series is inspiring. Thank you to all for their considered, constructive participation.

Lee White
Chief Executive Officer
The Institute of Chartered Accountants in Australia
Preface

On 7 February 2012, I gave the opening address at the Centre for Accountability, Governance and Sustainability/Institute of Chartered Accountants in Australia Academic Thought Leadership Forum (the Forum), hosted by the University of South Australia.

It was a defining moment. Just three months before, in December 2011, I had moved to the University from the Australian Wine Research Institute, where I had held the position of Managing Director. There were two main reasons why I had made the move.

First, I was attracted by the University’s dynamism and determination. I saw an openness to new ideas, a hunger to innovate. I saw the opportunity to contribute directly to new thinking, new ideas and a new culture of innovation. Second, it was clear to me that the University was no ‘ivory tower’. Anchored to social justice, ethical conduct and social responsibility, it was a university connected to the ‘real world’ and that inspired me.

The Forum was a shining example. I saw a community of committed, dedicated professionals who were determined to think ‘big’. I saw a willingness to discuss how bright minds could be attracted to the accounting profession – as academics, as practitioners and as innovators in public policy. I saw a recognition of the ethical challenges faced by the accounting profession worldwide.

Excellence with relevance. Commitment to personal and professional ethics. These values are now the foundation of innovation at the university as a whole. At the Forum, entitled Emerging Pathways for the Next Generation of Accountants, I saw those values in evidence, as academia engaged with industry to discuss and determine the future.

Throughout my career, I have witnessed the significance of engagement between industry and academia. When I came to Australia from South Africa to work at the Australian Wine Research Institute, for example, it was my mission to make a difference. Globally, there was over-supply and Australian wineries faced increased competition.

I remember the day when a young wine researcher at the institute made a breakthrough. We were investigating the ‘spicy’ character in Shiraz wines. We could not find it; we had drawn a blank. We were determined, however, to pursue our ‘big’ idea. The Australian wine industry was counting on us. The young researcher wondered out loud whether the ‘pepper’ in black pepper, was the same ‘pepper’ found in Shiraz. It turned out that the compound was the same and, once we found it, we had a breakthrough. The discovery made headlines throughout the world.

Then came the ‘moment of truth’. I was standing in a McLaren Vale vineyard, when a grape grower asked me a key question. ‘You may have done something amazing, but what does it mean for me?’ I was determined to find out.

We investigated the soil. We monitored weather conditions. We were able to tell different vineyards whether they had the potential to create ‘peppery’ Shiraz. We could also tell them which markets preferred which wines. Our work meant nothing without direct relevance for our stakeholders: Australian wine and grape producers.
Excellence with relevance was a central theme at the Forum. Globalisation, ethical conduct and the adaptability of the accounting profession were also key themes. Make it real; make it work – these priorities stood out for me. The Forum created an opportunity to think ‘big’ and generate positive change.

The contributions to this publication reflect the creativity, passion and ingenuity evident at the Forum. Like a good Shiraz, savouring and appreciating the content is just part of the story. Like the discovery of the ‘pepper’ compound, this publication also stands to contribute significantly to new knowledge and new ideas, creating pathways for Australia’s accounting professionals of the future.

Professor Sakkie Pretorius
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Chapter 1

Challenges for Accounting Pathways in Australia in 2012: An Introduction

James Guthrie, Roger Burritt and Elaine Evans

Pathways provide a formal, structured route which, once traversed, lead to an inevitable destination. Pathways to the accounting profession create the opportunity to apply accounting knowledge in a chosen occupation. There is no single pathway; rather a range of ways is offered to reach the goal of professional entry. In an Australian first, in February 2012, professional accounting bodies, practitioners and universities came together to discuss the significant challenges ahead both for current and emerging pathways for the next generation of professional accountants. The third annual Centre for Accounting, Governance and Sustainability/Institute of Chartered Accountants in Australia Academic Thought Leadership Forum (the Forum), held in Adelaide, considered the changing role, education pathways and future needs of professional accountants in an Australian context.

The accounting profession is made up of accounting academics, professional bodies, employers and policymakers, which all contribute to accounting education and professional training. It is timely to debate the current requirements for developing professional accounting programs designed for students seeking to become professional accountants (the academy and education), the role of the workplace and professional bodies (education and training), and policy because global and national professional accounting education programs are undergoing rapid change.

Internationally, in the past two decades, accounting education programs, which cater to millions of accounting students, have been instituted by higher education and professional accounting bodies, and employers. These bodies have sometimes co-operated and sometimes been in conflict over the education and/or training of future accounting professionals. Concerns about the link between academic accounting education and professional training have new currency because of pressures from students and employers to move more quickly in preparation for entry into accounting practice. The lines are becoming increasingly blurred between education and training, changing the role of institutions responsible for providing the foundations for a career in accounting.

In Australia, the conventional British model, focused on technically-based education directly applied by the profession through training of ‘articled clerks’ (an apprentice in a professional firm), has been replaced first by university undergraduate education in accounting. More recently a hybrid model that encompasses both university-based accounting undergraduate and postgraduate degrees (the US model) has gained prominence; meanwhile opportunities for school leavers and non-accounting graduates to convert to accounting (additional pathways of the ‘new’ British model) have become available.

At present in Australia, as reflected in the debate at the Forum, the expectations of academics, students, employers and professional bodies are struggling to align with the various pathways.
From the perspective of employment in Australia, there is an over-abundance of students undertaking accounting and business degrees in the higher education system. This has led to serious staffing shortages in universities, with consequent limited opportunity for academics to undertake research. It has also led to the emergence of private providers, TAFE and even firm-based universities. These significant changes in the traditional pathways to become a professional accountant do not allow for the teaching–research nexus designed to enhance awareness of the need for future direction and leadership of the profession. Added to this is the rapid globalisation of the accounting profession, where entrants cross national borders and compete with local professional bodies. For instance, the Institute of Chartered Accountants in Australia (the Institute), which is predominantly Australian, faces competition from global accounting professional bodies, such as the Association of Certified Chartered Accountants (ACCA), Chartered Institute of Management Accountants (CIMA), CPA Australia (CPAA) and others, each offering different professional pathways to educational development and membership. The contemporary pathways are explored in depth in this volume. The complexity of current pathways constructed, the evolutionary nature of these pathways and the potential for convergence all emerge as themes in the current competitive milieu.

The Forum concluded that external drivers, such as the Tertiary Education and Quality Standards Agency (TEQSA), the International Accounting Education Standards Board (IAESB), the Association to Advance Collegiate Schools of Business (AACSB), federal government migration policy, continuing globalisation of accounting and accountants, and changes in accounting work as a result of increased technology will serve as the foundations of emerging pathways for the next generation of accountants. Therefore, the main purpose of this latest edition to the CAGS/Institute’s Academic Leadership series is to provide further insights into the contemporary Australian situation and use international examples to explore new and emerging pathways for future accountants, as well as understand the training expectations held by students, academics, employers and the profession.

The chapters provide illustrations of the complexities, evolution and potential for convergence that accounting education and training confront in preparing future accounting professionals. The chapters highlight a variety of experiences and challenges for understanding the central theme of pathways to accounting in the Australian context.

The following is a brief introduction to each of the contributions to this volume Emerging Pathways for the Next Generation of Accountants based on four organisational themes:

- **Challenge and possibility** – historical and contemporary issues for various pathways to the accounting profession in Australia and internationally
- **Challenge and possibility** – visions of global and national professional associations
- **Challenge and possibility** – changes to the Australian regulatory environment
- **Challenge and possibility** – pathways towards inclusion of, and convergence towards, a sustainable future of the profession.

Each of these four organisational themes is discussed in detail.
Historical and contemporary issues for various pathways to the accounting profession in Australia and internationally

Elaine Evans and Chris Poullaos, in their chapter ‘A Brief History of the Various Pathways to the Accounting Profession in Australia’, provide an important historical overview of the major shifts in the educational pathways into the Australian accounting profession over the last century. They use a model of the key shifts in the profession/academic/state relationship to explore the changes in Australian pathways and highlight how more recent conditions in the past have had an impact on the present state of the accounting profession and its future possibilities.

This involves an understanding that the contemporary Australian settings have been influenced by the involvement of CPAA, the Institute and the Institute of Public Accountants (IPA) with the International Federation of Accountants (IFAC), the participation of the Institute in the Global Accounting Alliance and the spread of CPAA into Asia, all testaments to the internationalisation of Australian accounting. Evans and Poullaos state that, whilst professional accounting has always been a pathway to the world, current bilateral and multilateral negotiations may make it easier for accountants trained in one place to work elsewhere. National qualifications and memberships are becoming global and transferable.

Also, they identify that the number of Australian ‘accounting’ professional bodies has shrunk to three (all nationally organised) and other professional bodies, such as the ACCA and CIMA are actively involved in providing various pathways and membership to Australian citizens. For example, CIMA has introduced a joint venture with the American Institute of Certified Public Accountants (AICPA) and has moved to develop the Chartered Global Management Accountant as the pinnacle of brand success. In addition, other professional bodies operating in Australia have emerged specialising in tax, insolvency, financial planning, forensic accounting and internal audit; these being areas of work historically associated with professional accountants.

Evans and Poullaos provide a historical overview of the pathways into the accounting profession. The historical roots of the engagement of higher education and government go back to the 1940s. For the next two decades, the professional accounting bodies continued to solidify their respective qualifying examinations as the foundation stone for entry to the profession as well as being an entry hurdle. The traditional British model of professional training morphed into a US model requiring university education in accounting as the entry point to the examinations of the professional accounting bodies by the 1970s. In 2012, the ‘gate’ at the end of any pathway remains a qualifying examination, which is a revised CPA Program from 2010; new design and delivery mechanism for the Chartered Accountants Program in 2013; and the Core IPA Program with the University of New England or equivalent (IPA).

In concluding their interesting analysis, Evans and Poullaos identify where the pathways to the accounting profession have remained fairly stable over the past 70 years, and what is different about the present pathways.

Karen Pincus, in her chapter addressing ‘The US Pathways Commission: Origin, Structure, Initial Report and Prospects’ outlines the two main models of entry into the accounting profession. She then explores the recently completed Pathways Commission project, a two-year-long project established by
the government, profession and academia to review the various pathways to accounting in the US, the structure behind the Commission’s deliberations and recommendations from Phase One of the Commission’s Report.

Pincus states that no matter the model used, there are global concerns about similar issues: the quantity and quality of new entrants to the profession; weakness in skills, especially communication skills and critical thinking skills; failure to keep up with advances in technology and the growing complexity of global business; lack of diversity or under-representation of minority groups; and insufficient development of ethics and professional scepticism. These concerns are sometimes echoed in discussions about the quality of financial reports and audit quality, for example in Europe where profession-centric education is the dominant model, and in the US, where accounting education is university-centric, following the recent economic downturn.

In 2012, the first report of the Commission was made available and indicated procedures in the second phase of the project. A review of the findings and recommendations in Table 1 of Chapter 3 summarises the recommendations of the US Pathways Commission. Many of these recommendations are relevant to the contemporary Australian situation.1

Visions of global and national professional associations

In the first of four chapters reflecting the position of various professional bodies on contemporary pathways and the future, President of the Institute, Craig Farrow’s chapter, ‘Pathways for Chartered Accountants in the 21st Century’ explores three key themes unfolding in Australian accounting education: the challenges faced by the Australian Higher Education System and the accounting profession that directly impact accounting education; the current pathway to becoming a Chartered Accountant, and the evolution of the Institute’s Chartered Accountant Program, which will be delivered jointly with the New Zealand Institute of Chartered Accountants from 2013; and the need for greater dialogue and collaboration between the various stakeholders with an interest in ‘quality’ accounting education.

In the next chapter, Professor Barry Cooper, Incoming President, ACCA, and Mike Walsh discuss ‘Emerging Pathways for the Next Generation of Accountants: ACCA's Global Qualification’. The vision for growth and the accounting of the future is subject to several variables, not all of which are predictable, and include: the demand for ever higher level business and management skills amongst finance professionals; the emergence of IT as a major delivery method of both learning and assessment on a global basis to a uniform standard; the emergence of national qualifications in formerly developing countries; the demand from international accounting firms as well as other multinationals for uniform professional accounting qualifications, at least in respect of non-regulated functions; the convergence of accounting and auditing standards on international norms; and the demand from growing economies such as China for professional accountants, fuelled by the ambitions and aspirations of a new global middle class for international professional accounting qualifications.

In this chapter, Cooper and Walsh set out the pathways that have emerged and will continue to emerge in respect of the ACCA qualification, as it continues to position itself as a global force in the education and training of accountants throughout the world.

1. Further details, including a copy of the full report, are available at www.pathwayscommission.org
The next chapter, by Rob Thomason and Desley Ward from CPAA, ‘Contemporary Professional Pathways: CPA Australia’, outlines how in 2010 CPAA opened membership pathways to provide a way for graduates without a traditional accredited accounting degree to enter the accounting profession. This was a deliberate shift away from the traditional input focus to an output focus. It meant a significant change in accounting education – no longer was an accredited accounting degree the only point of entry to the CPAA education program.

As well as outlining the CPAA pathways, this chapter highlights several contemporary challenges for professional accounting bodies. These challenges include globalisation because so many aspects of business and the accounting profession have become unified across national boundaries. It asks questions, such as:

- How will professional bodies, and the profession, change as the globe becomes smaller?
- How will the day-to-day roles of members change as technology increasingly takes over the repetitive work that was previously the task of graduates, and which provided for them a solid practical foundation in the profession?
- What steps must member bodies take to ensure they remain relevant to the profession as the changes continue?

Paul Thambar, Chair, Australasian Regional Board of CIMA, outlines his organisation’s pathways and visions for the future of accounting in the chapter ‘The Transforming Finance Function: Implications for the Education and Training of Accountants’. He undertakes a detailed discussion of the contemporary finance transformation, focusing on the evolution of the accounting role and the challenges and issues arising that business, academia and professional accounting bodies need to consider. However, he states that the new roles and focus come with a requirement for new and updated technical and business competencies and skills, which will pose a challenge for educators and professional accounting bodies. New and more in-depth education in business and information technology skills and new areas of knowledge will require educators in universities and professional accounting bodies to develop new courses and modes of delivery to support accounting professionals in the modern finance function.

**Changes to the Australian higher education system regulatory environment**

Mark Freeman and Phil Hancock’s chapter, ‘Accreditation Pathways for Accounting Programs in Australia: Changes to the Regulatory Environment’ provides important insights and implications for accreditation pathways in the accounting profession arising from recent regulatory developments, primarily those in the Australian higher education context. The current pathways to recognition and practice as a professional accountant in Australia are complex, and in the early part of their chapter Freeman and Hancock unpack this complexity, pointing out the part played by professional accounting bodies and regulatory agencies as well as higher education providers.

Freeman and Hancock conclude by stating that there have been several changes to the landscape of accounting higher education and the pathways to professional membership in recent times. The advent of TEQSA and a new national regulatory system for higher education providers in Australia...
adds another potential layer of accreditation to already resource stretched accounting departments. Importantly Freeman and Hancock state that it is therefore essential that the accreditation guidelines currently being revised by the Institute and CPAA integrate and acknowledge the relevance of Australia’s national regulator (TEQSA) and other international accrediting agencies, as well as IFAC, that are increasingly pursuing an outcomes-focused agenda.

**Pathways towards inclusion of, and convergence towards, the sustainable future of the profession**

Gavin Tye, in the chapter ‘Indigenous Pathways to the Accounting Profession’, outlines historical and statistical information relating to Aboriginal and Torres Strait Islander peoples, and some of the challenges the accounting profession faces in addressing the very low numbers of Indigenous Australians within the profession. He discusses what individuals, the joint accounting bodies, the Big 4, mid-tier accounting firms and governments can do to rectify this situation. Tye makes a strong plea for the accounting profession to work more directly with Indigenous communities to promote the benefits of the profession and have a greater cultural understanding of the needs of Indigenous Australians in the workplace.

In the final chapter, ‘Transdisciplinary Nature of Accounting: A Pathway Towards the Sustainable Future of the Profession’ Joanne Tingey-Holyoak and Roger Burritt explore in-depth the new knowledge required by accounting graduates of the future with regards to sustainability. They acknowledge that sustainability accounting will not immediately lead to solutions to complex sustainable development issues, but that it will play an important part in creating awareness of, and encouraging, sustainable business activity. By including accountants in transdisciplinary teams the need for different perspectives, including those from accounting, can be included in addressing sustainability accounting issues. The evidence of demand from within the profession for accountants armed now, and in the future, with education in sustainability suggests that accountants may be the very people who will embrace transdisciplinary responses to calls for corporate sustainability, demanding proficiency for the action that will be required to move toward the sustainability solutions of the future.

**Conclusion**

This and previous publications in the CAGS/Institute’s Academic Leadership series have indicated that accounting education in Australia is at a crossroads (Evans et al., 2010; Evans et al., 2011). The factors influencing contemporary pathways into the accounting profession are complex and have implications for a range of stakeholders. It is the role of the professional bodies, working closely with academia and employers, to provide quality education and training that equips professional accountants with the skills needed for the workplace of the future.

The recent Forum participants agreed that secondary, tertiary, private and public education providers, accounting academics, employers and the professional bodies need to continue working together to discuss and address the issues that are rapidly changing the education sector. Only by strengthening this alliance can the profession ensure it produces confident, articulate and skilled accountants, from diverse backgrounds. As indicated in this volume, a discussion on pathways first must recognise the unique features of the Australian situation and the Australian higher education system. Second, it must consider international trends and context.
Equally important is a responsibility to look to the future to ensure accounting education pathways will meet the diverse roles of the next generation of professional accountants. It is a challenging predicament that can only be achieved by fostering relationships with stakeholders from all areas of the profession, both locally and internationally.

The authors are indebted to the many people who made the Forum and the series possible, especially the presenters and authors whose work appears in this volume. The editors are also grateful to the colleagues who have participated in contemporary debates about the emerging pathways in Australia. Gratitude is also expressed to the Forum participants at the Emerging Pathways for the Next Generation of Accountants Forum held at the University of South Australia in February 2012. All contributions to this volume were independently refereed and edited. The authors are most grateful to Lee White, CEO of the Institute, whose vision and financial commitment made this project possible, and to Professor Sakkie Pretorius, Deputy Vice Chancellor and Vice President: Research and Innovation, University of South Australia for his support, as well as to CAGS for their ongoing financial and organisational support, especially in hosting the Forum. Other financial supporters this year included Adelaide, Flinders and Macquarie Universities; also generous support of CPA Australia is acknowledged. Our thanks are also due to Fiona Crawford and Sara Haddad from The Editorial Collective for their editing and project management in bringing this edition to fruition. Finally, we thank Julz Stevens, Knowledge Research, and Joanne Tingey-Holyoak, CAGS, for their research support.

References


Chapter 2

A Brief History of the Various Pathways to the Accounting Profession in Australia

Elaine Evans and Chris Poullaos

This chapter provides a brief overview of the major shifts in the educational pathways into the Australian accounting profession over the last 100 years or so. Our aim is to provide historical insights into the contemporary situation faced by the profession and the academy as they jointly construct the pathways that future entrants to the Australian accounting profession will traverse.

Two forms of historical analysis are drawn upon. The first contrasts the current Australian accounting arena with that of 1912. The intention is to provide a historical perspective on ‘where we are now’ by contrasting the situation in the early 20th century (when accountants’ professional projects2 were still fairly new) to that of the early 21st century (when they are well-established); notwithstanding that the profession continues to (re)make itself in response to both internal and external drivers. The second historical analysis, whose traces are still in evidence today, identifies key shifts in the profession/academic/state relationship over the past 70 years, thereby providing a sense of how the more recent past conditions the present state of the accounting profession and its future possibilities.

Taken together both approaches will hopefully provide insights into those possibilities and thus provide a useful background to subsequent chapters.3 Specific insights are presented in the conclusion in the form of a response to the question: how have the past 70 years conditioned the current and future entry pathways into the profession in Australia; the corollary being: is this a case of ‘the more things change the more they stay the same’?

Our focus is on the pathways available to new accountants in Australia rather than on the conditions under which accountants trained elsewhere might enter the Australian profession.

Entry pathways 1912 versus 2012: Some key contrasts

A century ago Australia’s political economy was profoundly affected by its membership of the British Empire, still a dominant entity in a trade-friendly international political economy and the major source of Australia’s non-Indigenous (i.e., human, physical, financial and cultural) capital, trade and institutional framework. Not surprisingly, notions of professional accounting came from the same source, albeit with modifications prompted by, among other things, the thin smattering of a small population over a large land mass. Today, Britain’s dominance has long since faded, America’s may be waning and Australia’s engagement with Asia continues in the broader context of multi-polar neo-liberal

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2. A professional project is characterised by the creation of an occupational group with a collective identity coupled with ‘a continual effort to maintain and if possible enhance the position of the group’ (Macdonald, 1995, p. 188).

3. This chapter is best read as a companion piece to Evans (2010) and Poullaos (2010). These works both contain references applicable to the analysis presented here.
globalisation characterised to date, for our purposes, by the exceptional mobility and scale of financial capital across and within borders. Historically, the cross-border movement of accountants and models of professional organisation has been associated with flows of financial capital.

Table 1: Key contrasts in entry pathways – 1912 versus 2012

<table>
<thead>
<tr>
<th>Circa 1912</th>
<th>Circa 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Empire</td>
<td>Globalisation</td>
</tr>
<tr>
<td>British models of professional accounting adapted to Australian conditions</td>
<td>Australian models now being adapted to fit the ‘global’ accounting arena</td>
</tr>
<tr>
<td>Defining and controlling state/national turf</td>
<td>Going beyond the national</td>
</tr>
<tr>
<td>‘Closure’ as a strategy</td>
<td>‘Openness’ as a strategy</td>
</tr>
<tr>
<td>Competition between professional bodies</td>
<td>Competition between professional bodies</td>
</tr>
<tr>
<td>Professional examinations – the way in (not via university)</td>
<td>Entry via a university degree, but professional examinations still a final entry hurdle to full membership</td>
</tr>
<tr>
<td>‘Accounting’ work – not tightly defined, but narrowing</td>
<td>‘Accounting’ work – not tightly defined, but broadening</td>
</tr>
<tr>
<td>Very little government (or university) involvement in entry pathways</td>
<td>Significant government and university involvement in entry pathways</td>
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Relatively little is known about the social background of the accountants of 1912. At that time an unknown number of persons worked as ‘accountants’ without being members of a professional body. Their pathway was to find clients or salaried positions in the marketplace. As ‘unqualified’ accountants they helped to define members of the more visible professional bodies as ‘qualified’. Professional bodies – around 15 existed in 1912 (Carnegie and Parker, 1999, pp. 99 – 100) – were defined partly on the basis of geography (i.e., city, state, nation) and partly on the basis of their efforts to define their identity and position in the occupational pecking order appropriate to their geographical space. As had occurred in Britain, attempts by elite bodies to keep out the incompetent served to encourage the formation of other bodies to encompass those excluded, thereby creating multiple entry pathways of varying degrees of difficulty. Another significant basis of differentiation revolved around the distinction – imported from Britain – between public and salaried accountants. According to some, only the former
could be truly ‘professional’; a view hotly contested by others. By the end of 1912, an attempt on the part of elite public accountants to obtain a royal charter had ground to a halt, unable to overcome the opposition of others unwilling to accept the public accountant/non-public accountant distinction as a definitive basis for structuring the occupation (Poullaos, 1993).

What can be said about the pathways into the organised sector of the occupation of accounting circa 1912? British chartered bodies did not have a formal presence in Australia; the Society of Incorporated Accountants had a minor presence. Australians much preferred to join Australian bodies. There were few opportunities for women (Cooper, 2010) or members of the Indigenous population. White males, seeking entry into a divided accounting community had to choose between a national body for public accountants (The Australasian Corporation of Public Accountants [ACPA]), and bodies catering to both aspiring public accountants and others, some of which were already organised on a national basis (e.g., the Federal Institute of Accountants [FIA]); and others on a state or regional basis, most notably the Incorporated Institute of Accountants in Victoria (IIAV), which had national aspirations. Generally speaking, an aspiring accountant would undertake a series of professional examinations, with trainee public accountants also being subject to practice requirements (by the ACPA and the IIAV at least). Private coaching colleges provided preparation for the professional examinations, not universities. Holders of professional qualifications would at times refer to them as their ‘degrees’. Compared to the unorganised accountants of the mid- to late 19th century, the newly minted public accountants entering the organised profession in 1912 faced association-imposed restrictions as to the range of work they could undertake upon completion of their training. The reason was that the founders of professional bodies saw the elimination of allegedly unrespectable areas of work and work practices as important components of their new professional projects. And, while the state and Commonwealth governments may have impacted upon such projects through their support for, or opposition to, registration schemes, royal charter attempts and, in the case of Victoria, the establishment of auditors’ boards to oversee company and municipal auditors, they did not closely scrutinise the entry pathways constructed by the professional bodies.

In 2012, as in 1912, an unknown number of persons, ‘accounting graduates’ included, undertake accounting work without being members of professional bodies. Those bodies are now happy for their pathways to be populated by women, although the creation of pathways for Indigenous Australians remains a serious challenge (see chapter 9). The number of hard-core Australian ‘accounting’ professional bodies has shrunk to three (all nationally organised) and the entry pathways for the Institute and CPAA (at least) have recently been broadened (see chapters 4 and 6). In addition, other bodies specialising in tax, insolvency, financial planning, forensic accounting and internal audit also operate in Australia, these being areas of work historically associated with accountants.

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4. The ACPA was the immediate predecessor of today’s Institute. By 1921, the IIAV had become the Commonwealth Institute of Accountants, a predecessor, along with the FIA, of today’s CPAA.

5. The Institute, CPAA and the Institute of Public Accountants (IPA). The latter changed its name from the National Institute of Accountants (NIA) in 2011.

6. Entry to some of the professional bodies operating in these areas is on a ‘post-novice’ basis. For example, to join the Insolvency Practitioners Association one must be a member of the Institute, CPAA or the Law Society (see www.ipaa.com.au/default.asp?menuid=176&artid=318). However, an accounting (or law) graduate can apply for membership directly to the Tax Institute (see www.taxinstitute.com.au/go/members/become-a-member).
The British-based Association of Chartered Certified Accountants (ACCA) and the Chartered Institute of Management Accountants (CIMA) are also active in the Australian market (see chapters 5 and 7). The high tension around the distinction between public and salaried accountants prevalent in 1912 has diminished significantly and it is now possible to become a Chartered Accountant without entering public practice. While the nature of the entry pathways into accounting has changed, a diversity of such pathways is still evident, implying in turn ongoing – if not intensifying – competition for members. At the same time, the range of ‘accounting’ work is expanding as the Big 4 ‘accounting’ firms have morphed into broad-based professional services firms, and as new ‘accounting’ challenges arise with which traditional accounting techniques struggle to cope. Today’s pathways lead to places that a 1912 accountant would find both familiar (e.g., audit) and peculiar (e.g., sustainability accounting – see chapter 10).

Further still, the national accounting arena now seems to be too small a stage for maintaining the credibility of one’s professional project as financial capital (and the Big 4) seem to be more nimble in the short term than national governments and professional bodies, and off-shore recruitment provides opportunities for membership growth. The involvement of CPAA, the Institute and IPA with the International Federation of Accountants (IFAC), the participation of the Institute in the Global Accounting Alliance and the spread of CPAA into Asia are testaments to the internationalisation of Australian accounting. While professional accounting has always been a pathway to the world, current bilateral and multilateral negotiations may make it easier for accountants trained in one place to work elsewhere.

In 2012, the tertiary education sector and government are much more active in the provision and supervision of the pathways into accounting than they were in 1912. Indeed, the historical roots of the engagement of higher education and government only goes back to the 1940s. These roots and their contemporary significance are outlined in the next section and in the conclusion.

**Pathways to the profession 1944 – 2012**

Between 1944 and 2012, the state/profession/academy relationship emerged as an important factor in ‘pathway construction’ as policies to address nation-building imperatives were implemented by successive federal governments. However, shifts in this relationship resulted from changes in the market for professional accounting services, competition within a globalising profession, and a re-alignment of higher education to meet changes in the supply of and demand for graduates. These shifts help to explain the advent of new and emerging pathways for the next generation of accounting professionals.

Table 2 outlines some key triggers to shifts in the state/profession/academy relationship in the period 1944 – 2012, along with some key repercussions.
## Table 2: The state/profession/academy relationship and entry pathways, 1944 versus 2012

<table>
<thead>
<tr>
<th>Triggers of shifts in state/profession/academy relationship</th>
<th>Effect on entry pathways into accounting</th>
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<tbody>
<tr>
<td><strong>1940s</strong></td>
<td><strong>1950s</strong></td>
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<tr>
<td>• Commonwealth Reconstruction Training Scheme</td>
<td>• Universities and technical colleges become involved in entry pathways</td>
</tr>
<tr>
<td><strong>1950s and 1960s</strong></td>
<td><strong>1950s and 1960s</strong></td>
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<tr>
<td>• Commonwealth government nation-building</td>
<td>• Expansion of universities and formation of CAEs/Institutes of Technology as entry pathways</td>
</tr>
<tr>
<td>• Profession wary of quality of accounting education in tertiary sector</td>
<td>• Demise of technical colleges and private coaching colleges as entry pathways</td>
</tr>
<tr>
<td>• Expansion of universities and formation of CAEs/Institutes of Technology as entry pathways</td>
<td>• Profession strengthens monitoring of accounting courses and its own entry requirements</td>
</tr>
<tr>
<td>• Demise of technical colleges and private coaching colleges as entry pathways</td>
<td><strong>1980s and 1990s</strong></td>
</tr>
<tr>
<td>• Profession continues to strengthen monitoring of accounting courses and its own entry requirements</td>
<td><strong>1980s and 1990s</strong></td>
</tr>
<tr>
<td>• Crisis in state funding of accounting education in tertiary sector/education viewed as export industry/neo-liberalism influences government policy</td>
<td>• Postgraduate conversion courses established; attract international students</td>
</tr>
<tr>
<td>• Professional concern about quality and quantity of accounting graduates/mutual recognition (with overseas bodies)</td>
<td>• Profession continues to strengthen monitoring of accounting courses and its own entry requirements</td>
</tr>
<tr>
<td><strong>2000s</strong></td>
<td><strong>2000s</strong></td>
</tr>
<tr>
<td>• Continuation of the situation in the 1980s and 1990s</td>
<td>• Profession opens up new entry pathways (apart from accredited accounting courses)</td>
</tr>
<tr>
<td>• Significant increase in numbers of international accounting students</td>
<td>• Return of private providers of accounting education</td>
</tr>
<tr>
<td></td>
<td>• Overseas accounting associations expand their presence in Australia</td>
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<td></td>
<td>• Government enhances regulation of accounting education</td>
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</tbody>
</table>
As previously outlined, the earliest pathway to membership of professional accounting bodies in Australia was via their examinations, candidates for which were prepared by private coaching colleges. However, there were numerous problems associated with a narrow technical focus, non-matriculation entrants, and the lack of professional status. Associated benefits for the bodies were in the form of control of entry and exit points along the pathway, complemented by an entrenched apprenticeship system. The market for accounting services was also very constricted, with the ‘accountant’s’ role limited to bookkeeping tasks.

After World War II, the Federal Government embarked on a plan to train returned service personnel to enter and possibly even lead a broader program of social and economic reconstruction – the Commonwealth Reconstruction Training Scheme (CRTS). As a result technical colleges and universities, with Commonwealth Government financial support, provided full-time training in degree, diploma and certificate courses for returned servicemen. The CRTS was the beginning of a seismic shift in accounting education away from private coaching colleges towards government funded educational institutions. In the late 1940s, the established pathway to the profession through professional examinations controlled by the accounting bodies took an unanticipated twist with the introduction of accounting education in technical colleges and universities. The professional accounting bodies maintained a degree of control of their offerings through joint boards of examiners in technical colleges and advisory boards in universities.

By the early 1950s, the pathways to the profession began to be linked to universities and technical colleges, with the professional accounting bodies granting a growing number of exemptions from their examinations to holders of technical college certificates and diplomas and university degrees. The CRTS had been influential in challenging the accounting bodies’ exclusive hold on the examination of accounting knowledge for membership of the accounting bodies. The demands of post-war reconstruction and its associated drive for rapid growth broadened the work of accountants. Business complexity was growing and accounting had to go beyond bookkeeping skills with accountants being called on to guide management decision making.

The late 1950s and early 1960s mark the second phase of post-war expansion in Australia, and a reconfiguration of the pathways to the profession. The impetus came from the Commonwealth Government’s nation-building imperatives, early attempts at globalisation of the accounting profession and delineation in accounting work. In the late 1950s, the Commonwealth Government explicitly supported the expansion of universities, and a fundamental policy plank was that ‘... it must be responsible for ensuring that the nation has a provision of universities to train graduates in the numbers and kinds of jobs which the country’s situation demands’ (The Parliament of the Commonwealth of Australia, 1958, p. 328). As a result, the number of accounting courses in universities increased. However, by the early 1960s, the Commonwealth Government criticised universities as not being practically oriented to the needs of industry and commerce. The Martin Report (Australian Universities Commission, 1964) concluded that university education was too traditional and that other forms
of higher education were necessary. In 1964, Colleges of Advanced Education (CAEs)/Institutes of Technology were created to provide a binary system of tertiary education in Australia. This event removed an established pathway to the professional bodies being technical colleges (that issued certificates and diplomas) and private coaching colleges, and created a new pathway via CAEs and Institutes of Technology (that issued degrees).

Just prior to the release of the Martin Report, there were negotiations with overseas accounting bodies for mutual recognition. However, these overseas bodies were critical of the standard of the entry pathway: the professional bodies’ examinations and the standard of technical college examinations. This criticism was later confirmed by the Martin Report, which expressed concern about the quality of the non-university sector and commented negatively on the influence of the accounting bodies on universities and technical colleges. In particular, Martin argued that detailed bookkeeping techniques and routine auditing procedures lacked analytical content and had no place in a university course. He also suggested that the granting of exemptions from the professional bodies’ examinations had not always benefitted educational standards because exemptions were only granted for courses that were closely aligned with their professional examinations (Australian Universities Commission, 1964, p. 10.35).

As a consequence of attempts to globalise the profession, both accounting bodies commissioned a Survey of Accountancy Education in Australia undertaken by an academic from the US (Vatter, 1964). The confluence of the recommendations of the Vatter and Martin Reports meant that by 1965 the reconfigured professional pathway was an approved accounting degree/diploma and a professional qualifying examination. For the next two decades, the professional accounting bodies continued to solidify their respective qualifying examinations as the foundation stone for entry to the profession as well as an entry hurdle. The British model of professional accounting had morphed into a US model that requires university education in accounting as the entry point to the examinations of the professional accounting bodies.

Key shifts in the state/profession/academy relationship usually commenced with changes in federal government policy and the next major change came at the beginning of the 1980s when the binary system of higher education unravelled and there was a crisis in funding accounting education. There were perceived problems with the supply side of accounting education and cash-strapped accounting departments/schools were criticised by the professional accounting bodies and employers for producing illiterate and technically incompetent graduates. The Federal Government commissioned a review of accounting education in Australia and the Report of the Review of the Accounting Discipline in Higher Education was released in 1990 (Mathews et al., 1990). Despite its findings, the Government showed no willingness to extend accounting education to a four-year undergraduate degree or increase funding.

To overcome the problem of not producing ‘quality’ graduates and demand outstripping supply, the Australian professional accounting bodies established an auxiliary pathway – conversion courses. These postgraduate courses, either a graduate diploma or a Master’s degree, were open to graduates whose first degree did not include an accounting major. This major change coincided with federal government policy that determined export education would become a significant earner of export dollars (Duhs and Duhs, 1992). In the 1990s, many of the full-fee-paying overseas students enrolled
in business courses, with accounting courses being a big winner. In particular, overseas students enrolled in conversion courses designated as Masters of Professional Accounting (MPA).

The introduction of, and support for, conversion courses was a strategic move by the professional bodies to accommodate the growing number of overseas students who were coming to study in Australia. It also provided opportunities for graduates from growing areas such as IT and finance to join a profession where accounting work was expanding and the quality of the undergraduate education experience in accounting was under constant criticism. At the end of the 20th century there were two educational pathways to the three Australian-based professional accounting bodies: 1) an accounting degree or an advanced diploma in accounting; or 2) an undergraduate degree with a non-accounting major plus a conversion course.

The beginning of the 21st century witnessed the emergence of International Financial Reporting Standards (IFRS), corporate governance obligations (ASX Principles of Good Corporate Governance, 2003), and auditing and taxation reforms (with significant state involvement). In addition, there was the Corporations Act 2001, which gave legal status to accounting standards and Corporate Law Economic Reform Program (CLERP) Reforms. In 2004, accounting was included on the Migration Occupations in Demand List (MODL). This generated a significant increase in overseas students seeking accounting qualifications and permanent residency. The globalisation of accounting and auditing practice brought with it mutual recognition of membership of overseas accounting bodies and increased competition for members, especially in the Asia-Pacific region.

However, the competition was no longer between three Australian-based accounting bodies; the ACCA and CIMA were increasing their presence in Australia and they did not necessarily have graduate accounting entry.

As documented by Poullaos and Evans (2008), challenges besetting the Big 4 accounting firms were a direct or indirect result of:

- employers believing there was a lack of suitable ‘quality’ graduates, and competition for suitable graduates was very high;
- a widely held belief that current accounting undergraduate and postgraduate accounting degrees (conversion courses) were not adequately preparing graduates for professional work;
- graduates allegedly lacking work-ready capabilities such as communication skills;
- accounting work broadening significantly and graduates from other disciplines needing to be recruited;
- a decrease in the number of local students choosing accounting over finance, actuarial studies or economics, the result of the attractiveness of an accounting degree to overseas students (there was a sense that the profession was missing out on the best and the brightest local students);
- employers believing that there had to be another pathway apart from the accounting degree or a non-accounting degree with, as they saw it, an excessively long and inflexible MAcc/MPA added on;
- non-accounting graduates with high-level generic skills being more attractive to firms than graduates with specific (albeit inadequate) discipline knowledge and generic skills.
A third pathway opened up to candidates with a degree that was based on a non-accounting major, and school leavers with significant work experience. The former was aligned with the Institute of Chartered Accountants in England and Wales (ICAEW) and the latter was aligned with the ACCA and CIMA. The initiative taken by the Institute in 2007 was a pathway for non-accounting graduates into its Chartered Accountants (CA) program through an abbreviated conversion course named the Graduate Certificate of Chartered Accounting Foundations. In 2010, CPAA introduced foundation and professional level examinations for school leavers with significant work experience and for non-accounting graduates. One of the rationales for the new pathway was the global accounting arena. Interestingly, the ‘gate’ at the end of any pathway remains a qualifying examination, which is a revised CPA Program from 2010; a revised CA Program in 2013; and the Core IPA Program with the University of New England or equivalent.

This alternative pathway was an accommodation of federal government migration policy (which the professional bodies had lobbied for because of the shortage of qualified accountants) and a solution to the perceived inadequacy of the accounting academy to produce ‘enough’ quality candidates for membership. It included ‘openness’; globalisation strategies of mutual recognition; and initiatives in professional accounting education provision that bypass the study of accounting at diploma or degree level.

**Conclusion**

Having highlighted key shifts in the state/profession/academy relationship from 1944 to 2012 against the broader background of change in the Australian accounting arena over the period 1912 – 2012 (cf Tables 2 and 1) we can now reframe the question in the introduction as follows: how have shifts in the state/profession/academy relationship during the past 70 years conditioned the current and future entry pathways into the profession in Australia; the corollary being: is this a case of ‘the more things change the more they stay the same’?

In general terms, some tendencies have remained fairly stable since 1944, namely:

1. the pre-eminence of a qualifying examination as a ‘final hurdle’;
2. professional bodies are involved in the education of accountants before the qualifying examination (via the CPA Foundations Program and Graduate Certificate of Chartered Accounting Foundations), reminiscent of the old Intermediate Examinations;
3. the ‘quality’ of graduates to be ‘work ready’ continues to attract criticism from employers, with the academy and the profession failing to reach agreement on what is a ‘work ready’ accounting graduate;
4. the skills shortage within the profession;
5. the internal competition between the Australian professional bodies for members;
6. because the Federal Government funds the higher education system, accounting education (as part of that system) appears to be powerless to affect policies for economic growth and contraction and workforce planning strategies;
7. after a considerable period of time, the re-emergence of ‘private providers’ of accounting education/training.
On the other hand, what is different about the present state of the accounting profession in Australia?

1. The ‘old’ British model which focused on technically-based education has been replaced by a hybrid model that can encompass both accounting undergraduate and postgraduate degrees (the US model); and school leavers and non-accounting graduates (the ‘new’ British model).

2. The competitiveness of the Australian professional accounting bodies for members is now ‘global’, while offshore bodies are more serious competitors for local entrants than was previously the case.

3. Technology has changed the nature of accounting work. As a result, accounting work has broadened to encompass aspects of corporate social responsibility and governance, sustainability and risk management as well as the traditional areas of financial accounting, management accounting and audit.

4. The emergence of the overseas student as significant in Australian accounting education, coupled with the contrast between (i) the significant involvement of international students in accounting courses; and (ii) their patchy involvement in accounting work in Australia has complicated ‘pathway construction’.

5. The influence of global accounting bodies such as IFAC and global alliances such as the Global Accounting Alliance (GAA). In particular, the International Accounting Education Standards Board’s (IAESB) international education standards revision project will impact the curriculum of professional accounting bodies in Australia (see Freeman and Hancock, 2012).

The future possibilities for determining future pathways to the accounting profession in Australia will need to recognise enduring traces of, and constraints in, the state/profession/academy relationship, including:

- a) shifts in Federal Government policy in relation to funding higher education, national workforce planning and skilled migration;
- b) the capacity of the academy to accommodate initiatives (such as the Deakin Graduate Certificate in Chartered Accounting) undertaken by professional accounting bodies to train the emerging generation of accountants through to recruiting non-accounting majors;
- c) the globalisation of accountants and accounting, requirements of international bodies, cross-border alliances and credentials, and mutual recognition;
- d) changes to accounting work especially influenced by increasing technology and sustainability concerns.

**Summary**

The pathways to the accounting profession in Australia have changed and developed over the past 100 years. In particular, developments in the past 70 years have conditioned current pathways and will condition future entry pathways. When reflecting on the new directions, we conclude that external drivers such as TEQSA, the IAESB, the Association to Advance Collegiate Schools of Business (AACS), federal government migration policy, continuing globalisation of accounting and accountants, and changes in accounting work as a result of increased technology will serve as the drivers of emerging pathways for the next generation of accountants.
References


Chapter 3


Karen Pincus

This chapter addresses available models of entry into the accounting profession, the ‘Pathways Commission’, which was established to examine various pathways in the United States, the structure behind the Commission’s deliberations and recommendations from the Commission’s report.

Models of entry to the profession

Worldwide, there are two basic education models for entry into the accounting profession. One model is profession-centric. In this model, accounting professional bodies are responsible for determining the appropriate preparation for entry into the accounting profession, including determining the syllabus (curriculum) and either delivering the curriculum to trainees or approving education providers who will deliver the curriculum. This model grew out of the apprenticeship system of preparing for the profession. In this model, trainees are not required to have a university degree; if they do earn a university degree before beginning their professional education, the degree may be in any field.

The alternative model is university-centric. Universities have the responsibility for both determining and delivering the accounting curriculum; students must earn a university degree in accounting before entering the profession. In this model, accrediting bodies (such as the Association to Advance Collegiate Schools of Business [AACSB] in the US) set standards for accounting education providers. In addition to countries that follow one of the two basic models, there are also countries that use a hybrid of the two approaches.

No matter what model is used, today there are global concerns about similar issues: the quantity and quality of new entrants to the profession; weakness in skills (especially communication skills and critical thinking skills); failure to keep up with advances in technology and the growing complexity of global business; lack of diversity or underrepresentation of minority groups; and insufficient development of ethics and professional scepticism. These concerns are sometimes echoed in discussions about the quality of financial reports and audit quality, such as the discussions in Europe where profession-centric education is the dominant model, and in the US, where accounting education is university-centric, following the recent economic downturn. Thus, practitioners and educators alike have good reasons to consider the future of accounting education.
The US Pathways Commission

In the US, *The Commission on Accounting Higher Education: Pathways to a Profession* (the Pathways Commission) was formed in 2010 and issued its first report in July 2012. The Commission’s charge was ‘to study the future structure of higher education for the accounting profession and develop recommendations for educational pathways to engage and retain the strongest possible community of students, academics, practitioners, and other knowledgeable leaders in the practice and study of accounting’ (Pathways Commission, 2012, p. 9). The initial impetus for the formation of the Pathways Commission, jointly sponsored by the American Accounting Association (the AAA, representing accounting educators) and the American Institute of Certified Public Accountants (the AICPA, representing practising accountants), was a federal government-appointed committee focused on the future of the US auditing profession.

In an atmosphere driven by concerns about serious economic and financial markets’ instability as well as questions about how the crisis arose with relatively few warning signals, US Treasury Secretary Henry Paulson established an Advisory Committee on the Auditing Profession (the Treasury Advisory Committee) in 2007. The importance of the Committee can be inferred from the credentials of its leadership. The Committee co-chairs, Art Levitt and Don Nicolaisen, each had recently served important regulatory roles in the US Securities and Exchange Commission (SEC) and had extensive prior experience on Wall Street (Levitt) and in public accounting (Nicolaisen). The Vice-Chair of the Committee was Paul Volcker, former Chairman of the Federal Reserve System, the central bank of the US that controls the money supply. In addition to these three leaders, the Committee consisted of 18 highly experienced members appointed to represent investor, business, academic and auditing profession perspectives. The Committee’s charge was to develop recommendations to ensure the ‘sustainability of a strong and vibrant public company auditing profession’ (US Department of the Treasury, 2008, p. 5).

The Treasury Advisory Committee explored a number of key challenges facing the profession, including: globalisation of business and markets; the escalating complexity of business; the lack of widespread public financial literacy; high profile frauds eluding regulatory scrutiny; increasingly sophisticated technology; and the increasing need for fair value, predictive and non-financial information. They subdivided around three major areas of focus – firm structure and finances; industry concentration and competition; and human capital – and at the end of 2008 offered 31 recommendations in these areas. The Human Capital Subcommittee, chaired by Dr Gary Previtts, a past AAA President, focused its attention on attracting and educating a strong pool of entrants into the profession, with an eye on protecting the public interest, the quality of future audits and the competence of future auditors. A key recommendation from this subcommittee encouraged the AICPA and the AAA to form a commission to study the possible future structure of higher education for the accounting profession.
The AAA and the AICPA created a Sponsoring Committee of four people (two from each organisation) who spent about a year designing a plan for the Commission. The sponsors broadened the Treasury Advisory Committee charge in two ways to include: (1) education not only for public company auditors, but also for all members of the accounting profession; and (2) not only entry-level education, but also career-long continuing professional development. The Sponsoring Committee thus envisioned the objective of the Commission as developing strategies and structures to ensure an adequate supply of the best, diverse talent to sustain the profession, broadly defined, over the long-term.

**Structure of the Commission’s deliberations**

The structure designed by the Sponsoring Committee was a Pathways Commission of six highly-respected people (four academics and two practitioners), who would be responsible for making final decisions about what to include in the report, and supporting ‘supply chains’ to study their areas and suggest potential recommendations. The three supply chains covered high school (secondary education) and community college (two-year postsecondary education) programs; university education (at bachelor, master and doctoral levels); and external constituents and employers (career-long/life-long learning). Each supply chain had representatives with current roles in education, business, public accounting and government. There were a little over 40 people involved in all with a combined total of 639 years of practice experience and 585 years of education experience.

The commissioners and the supply chains held many meetings, both public and private, to gather information on education issues and listen to stakeholders’ views. In addition, the commissioners and supply chains reviewed the past history of accounting education change recommendations in the United States and summaries of prior accounting education research. Literally thousands of pages of data, testimony and research were accumulated and discussed. At this point, two process decisions were made: (1) to simplify the broad scope of the investigation, the initial set of recommendations would focus on education up to the entry point into the profession, postponing consideration of continuing professional development until a future report; and (2) to recognise that many issues identified by the supply chains were common across all three, the supply chains would be reformulated into six issues-focused working groups as shown in Figure 1, with each group covering not only their issue but also related impediments to change.

The first working group dealt with a really basic issue: what is the value proposition for the accounting profession? The key impediments identified by this group included public perception of accounting careers as ‘less than exciting’ and a lack of understanding of accounting’s importance to our economy. The basic premise was: if we want young people to become interested in accounting, it would help to have better public awareness of the profession and what we contribute to society. This working group spent a lot of time talking about how to strengthen the brand and identity of the accounting profession, developed a short statement of the value proposition, and also noted a need for what learning theorists call ‘a signature pedagogy’ from the faculty perspective or ‘signature learning experience’ from the student perspective.
The idea of a signature pedagogy arose from a decade-long research project by The Carnegie Foundation for the Advancement of Teaching on ‘Preparation for the Professions’ – covering how students should be prepared to enter five professions: law, medicine, engineering, nursing and the clergy. For every one of these professions, research found that in addition to coursework to develop technical knowledge and skills, there was a part of the education process designed to develop in students a deep understanding of the profession’s overarching purpose and standards, as well as a sense of professional identity (see, for example, Colby and Sullivan, 2008; Sullivan and Rosin, 2008; see also Wilkerson, 2010 for a discussion in an accounting context). For the accounting profession, the working group thought this formative experience should be about how to think, perform and act with integrity. We teach ethics, independence and integrity in our classrooms and expect young professionals to absorb examples of ethics, independence and integrity from their internships and early career experience, but this group spent a lot of time thinking about whether we could do something better in this area.
The second working group faced an interesting situation: we are measurement professionals, yet we make many education decisions without adequate data. We know some things, of course. We know, for example, that there are now almost a quarter of a million students in US undergraduate and graduate accounting programs, and that about 50,000 to 60,000 a year graduate with their bachelors or masters degrees. We know how many of these graduates take the CPA exam each year and we know where they start working, but then we largely lose track of them. So this group started to envision a national database that would be career-long for all areas of the accounting profession, including both supply and demand data and an inventory of competencies needed for various roles throughout one’s professional career. This repository for data at the national level would then help us make better decisions about education.

The third group talked about strengthening the quality and quantity of high potential accounting students, starting back in the teenage years, and attracting people to want to become accountants. They also discussed how to improve the first course in accounting, typically a financial transaction recordkeeping course, which is not a particularly good recruitment tool for the broader roles within the accounting profession. The group also talked about educational pathways to the profession, focusing on the issues of: what about non-traditional pathways? What about people who aren’t 18 when they decide to enter the profession? This group also considered issues of diversity and underrepresentation of some minority groups in the profession.

The fourth working group focused on the curriculum and pedagogy beyond the first course and concentrated on how to stay ahead of an ever-evolving, complex high-tech global business world. They had a lot of ideas on changing course materials, enhancing teaching materials and taking more advantage of technology. They also discussed pedagogy, especially moving away from lectures as a significant form of delivery of education or potentially making better use of technology to present lecture materials, freeing up costly instructor time for more interactive discussions.

The fifth group looked at faculty issues. The US’s university-centric accounting education requires an adequate supply of high-quality educators as well as high-quality students. So this group examined the supply and demand for new PhDs; they also considered how we prepare our doctoral candidates for teaching accounting. Here, as in many of the groups, there was a focus on trying to get better integration between the practice side and the education side. For example, one issue was how to continue to attract entrants with significant audit or tax experience into doctoral programs. A second issue was how to better integrate what our major accrediting body for accounting programs (the AACSB) has labelled ‘academically qualified’ faculty (those with a PhD who are active in research) and the ‘professionally qualified’ faculty (those typically with a master’s degree and a CPA licence with recent significant practice experience). While some universities have fully integrated these two types of faculty members, in other universities they function almost separately.

The final group looked at another aspect of integration: strengthening the bidirectional links between the business and the accounting profession and the educational community, both on research and teaching, an issue also considered recently at the 2011 CAGS/Institute Forum (Evans et al., 2011). They talked about continuing professional development for faculty, including faculty internships and
other means of exposure to current practice issues. They also talked about refresher academic training for those who have gone into the practice world so they stay up with the current thinking in the academic world.

There was also consideration of our own version of the chicken-and-egg which-comes-first dilemma: getting more research that matters to the profession from the practice side; and getting better access to data and subjects for research from the academic side so that we can do more research that matters. The topics of fraud detection and audit failures came up a lot here – clearly research would be helpful to the practice community, but access to data in the US is very limited due to client privacy and litigation concerns. How to break the chicken–egg dilemma and get better results for all was a big issue.

The recommendations

Altogether, these six groups considered dozens of potential recommendations. The job of the Commission was to decide, based on everything they had heard, which recommendations were the most important to include in the first report and how to proceed in the second phase of the project. Table 1 summarises the recommendations the Pathways Commission chose to make for its initial report. One of the most interesting aspects of the report is the focus on implementation of the recommendations and removing impediments to change. The identified impediments to change include some that are institutional (e.g., the slow pace of curricular change, lack of flexibility in tenure processes, and post-tenure review practices focused largely on research productivity); some that are specific to programs/departments (e.g., the inability to overcome the silo effect within accounting programs/departments); and some that are individual (e.g., lack of appreciation of the importance of innovation, sound pedagogy, or professional relevance). Further details, including a copy of the full report, are available at www.pathwayscommission.org.

Over time, accounting education change is inevitable. As Harold Wilson, the then Prime Minister of Great Britain, commented in his 23 January 1967 speech to the Consultative Assembly of the Council of Europe, ‘He who rejects change is the architect of decay. The only human institution which rejects progress is the cemetery’. But absent a crisis, resistance to change is also part of human nature. The focus on implementation and removing impediments to change is perhaps the key to the future prospects of the Pathways Commission recommendations, as the report itself notes:

> Often, the most difficult challenge for any new endeavor to overcome is its own inertia. The study of physics tells us that the principle of inertia describes the tendency of an object, absent any external force, to resist any change in its current motion. This principle has been evident in the results of past efforts to define new pathways for accounting education. In order to overcome inertia as it relates to implementing the recommendations included in this report, the Pathways Commission’s final recommendation calls for the establishment of a robust implementation process to convert these and future recommendations from good ideas to actual new and enhanced outcomes. (Pathways Commission, 2012, p. 96)
### Table 1: Pathways Commission Phase One Recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 1</strong></td>
<td>Build a learned profession for the future by purposeful integration of accounting research, education, and practice for students, accounting practitioners, and educators.</td>
</tr>
<tr>
<td>Objective 1.1</td>
<td>Integrate professionally oriented faculty more fully into significant aspects of accounting education, programs, and research.</td>
</tr>
<tr>
<td>Objective 1.2</td>
<td>Focus more academic research on relevant practice issues.</td>
</tr>
<tr>
<td>Objective 1.3</td>
<td>Enhance the value of practitioner/educator exchanges.</td>
</tr>
<tr>
<td>Objective 1.4</td>
<td>Integrate accounting research into accounting courses and programs.</td>
</tr>
<tr>
<td><strong>Recommendation 2</strong></td>
<td>Develop mechanisms to meet future demand for faculty by unlocking doctoral education via flexible pedagogies in existing programs and by exploring alternative pathways to terminal degrees that align with institutional missions and accounting education and research goals.</td>
</tr>
<tr>
<td>Objective 2.1</td>
<td>Allow flexible content and structure for doctoral programs.</td>
</tr>
<tr>
<td>Objective 2.2</td>
<td>Develop multiple pathways to terminal degrees in accounting.</td>
</tr>
<tr>
<td><strong>Recommendation 3</strong></td>
<td>Reform accounting education so that teaching is respected and rewarded as a critical component in achieving each institution’s mission.</td>
</tr>
<tr>
<td>Objective 3.1</td>
<td>Increase reward, recognition, and support for high-quality teaching.</td>
</tr>
<tr>
<td>Objective 3.2</td>
<td>Better connect faculty annual review, promotion, and tenure processes to the quality of teaching.</td>
</tr>
<tr>
<td>Objective 3.3</td>
<td>Improve how universities value the importance of teaching.</td>
</tr>
<tr>
<td><strong>Recommendation 4</strong></td>
<td>Develop curriculum models, engaging learning resources, and mechanisms for easily sharing them as well as enhancing faculty development opportunities in support of sustaining a robust curriculum.</td>
</tr>
<tr>
<td>Objective 4.1</td>
<td>Engage the accounting community to define the body of knowledge that is the foundation for accounting’s curricula of the future.</td>
</tr>
<tr>
<td>Objective 4.2</td>
<td>Implement curricular models for the future.</td>
</tr>
<tr>
<td>Objective 4.3</td>
<td>Develop guiding principles and support for a range of faculty development opportunities through varied career paths and cycles.</td>
</tr>
<tr>
<td><strong>Recommendation 5</strong></td>
<td>Improve the ability to attract high-potential, diverse entrants into the profession.</td>
</tr>
<tr>
<td>Objective 5.1</td>
<td>Enhance perceptions of the study of accounting and career opportunities in accounting.</td>
</tr>
<tr>
<td>Objective 5.2</td>
<td>Transform the first course in accounting.</td>
</tr>
<tr>
<td>Objective 5.3</td>
<td>Increase student access to master’s programs.</td>
</tr>
<tr>
<td>Objective 5.4</td>
<td>Develop financial aid literacy programs.</td>
</tr>
<tr>
<td>Objective 5.5</td>
<td>Encourage a separate and more focused study of the impediments to better diversity within the profession.</td>
</tr>
<tr>
<td>Recommendation 6</td>
<td>Create mechanisms for collecting, analyzing, and disseminating information about the current and future markets for accounting professionals and accounting faculty.</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Objective 6.1</td>
<td>Establish a national committee on information needs.</td>
</tr>
<tr>
<td>Objective 6.2</td>
<td>Project future supply, demand, and competencies for accounting professionals.</td>
</tr>
<tr>
<td>Objective 6.3</td>
<td>Project future supply and demand for all accounting faculty in higher education.</td>
</tr>
<tr>
<td>Objective 6.4</td>
<td>Better understand high school accounting education.</td>
</tr>
<tr>
<td>Recommendation 7</td>
<td>Establish an implementation process to address the recommendations in this report by developing structures and mechanisms to transition accounting change efforts, such as this and future studies, from episodic events to a continuous, sustainable process.</td>
</tr>
<tr>
<td>Objective 7.1</td>
<td>Initiate a process that can sustain future accounting educational change efforts.</td>
</tr>
</tbody>
</table>

Source: The Pathways Commission on Accounting Higher Education: Charting a National Strategy for the Next Generation of Accountants

References


Pathways Commission on Accounting Higher Education (2012), *Pathways to a Profession: Charting a National Strategy for the Next Generation of Accountants*, sponsored by the American Accounting Association (AAA) and the American Institute of Certified Public Accountants (AICPA).


Chapter 4
Pathways for Chartered Accountants in the 21st Century
Craig Farrow

Introduction
The Institute of Chartered Accountants in Australia (the Institute) is the professional body for Chartered Accountants in Australia and members operating throughout the world. The Institute is a founding member of the Global Accounting Alliance (GAA), which is an international coalition of accounting bodies and an 800,000-strong network of professionals and leaders worldwide (ICAA Annual Report, 2011).

The Institute was established by Royal Charter in 1928 and today represents more than 70,000 members. In addition, the Institute is an accredited higher education provider in Australia, and each year represents around 12,500 graduates working and undertaking the Chartered Accountants Program (the Program).

As both a professional body and accredited Australian higher education provider, the Institute has a pivotal role in upholding financial integrity in society. Chartered Accountants strive to uphold the profession’s commitment to ethics and quality in everything they do, alongside an unwavering dedication to act in the public interest.

For this reason, the Institute’s focus is on setting the entry requirements for membership and maintaining the highest standards of technical performance and ethical conduct in the Australian accounting profession. Also of note is the Institute’s overarching vision, which is to be a world-class professional body of members trusted for their financial leadership and for their high ethical and educational standards. However, we cannot realise this vision unless we attract and retain high-calibre individuals to the accounting profession. This is vital to the long-term sustainability of the Institute and the accounting profession as a whole.

As discussed at the CAGS/Institute Academic Thought Leadership Forum (see chapter 1), the world is changing rapidly. How professional accountants gain their knowledge and attain a formal qualification will be vastly different 20 years from now. The impact of globalisation, new technologies, changing regulations, heightened social and environmental issues, along with growing challenges and demands in the Australian higher education system are all changing the day-to-day world of students, academics, employers and the profession.
This chapter explores three key themes unfolding in Australian accounting education:

1. The Australian higher education system and the accounting profession are faced with many challenges that are having a direct impact on accounting education
   The challenge for all professional bodies and educational institutions is to adapt and keep pace with a changing environment, while maintaining quality accounting education that meets the future needs of the accounting profession and members, and maintains financial integrity in Australian society.

2. The pathway to becoming a Chartered Accountant, and the evolution of the Institute’s Chartered Accountants Program
   The pathway to becoming a Chartered Accountant is a rigorous journey that ensures employers and candidates know exactly what they have achieved upon completion of the Program. In addition, the Program continues to evolve to meet the changing needs of candidates, members and employers. From 2013, the Program will be more contemporary in its content and delivery, incorporating modern learning design and teaching methods with the latest technologies.

3. The Institute calls for greater dialogue and collaboration between the various stakeholders with an interest in quality accounting education
   The professional accounting bodies, educators, academia and policymakers need to unite to help influence government policy and be a voice on advocacy issues. Collectively we can make a significant difference to the quality and quantity of graduates entering the accounting profession.

Challenges in accounting education and the profession
In their academic leadership co-publication (Evans et al., 2010), the Institute and CAGS highlighted a range of compelling challenges that are impacting the quality of accounting education in Australia. These challenges include: sourcing potential graduates from the secondary school sector; underfunding for teaching accounting and business; growing pressures on academic resourcing and an ageing academic workforce; chronic student-to-staff ratios with large, overcrowded classes; and the increasing need to equip undergraduates with more diverse skill sets.

Starting at the secondary school level, there is a clear deterioration of business and accounting courses in school curriculums across Australia. This is having a detrimental flow-on effect, with fewer and fewer students enrolling in accounting undergraduate degrees. In fact, awareness of the many career opportunities in accounting and business is falling among secondary students. This is a real concern, as secondary education is the starting ground for future Chartered Accountants. That is why more time and investment is needed to tackle these challenges so we can sustain the future supply of professional accountants entering the profession.

Otherwise inadequate prior learning by secondary students inevitably puts upward pressure on the higher education system. While we have many dedicated and brilliant educators, what we are finding is that there are systemic pressures and factors impacting their ability to meet the education needs of students, the profession and a modern society (see Farrow, 2012).
The remuneration gap continues to widen between what teachers and academics earn in the education system, as opposed to the salaries offered in the accounting profession. Also within the higher education system, in each university and institution, competition for resources and funding between disciplines continues to escalate, spearheaded by the globalisation of education, the lure of international revenue and the prioritisation of course content to satisfy various lucrative funding streams (see Ryan, 2010).

The expectation of doing more with less, coupled with dwindling academic and financial incentives to work in higher education, has created a major risk for the accounting profession. How do we rejuvenate and sustain the cohort of accounting educators, while also growing our future generation of professional accountants locally and internationally?

While accounting education is faced with many challenges, the accounting profession is also undergoing change. The roles and responsibilities of professional accountants are more and more diversified. Roles range from traditional audit, risk management and financial reporting, to more strategic and analytical roles, along with assessing the impacts of sustainability and new regulation complexities (see, for example, chapter 10).

Employers also expect professional accountants to be confident communicators, with good teamwork and leadership skills. In fact, more and more employers are in need of accounting professionals who are critical thinkers; who are not only technically proficient, but can tackle the ‘bigger picture’ as well.

**The pathway environment**

Simultaneous to these challenges is the rapid growth in suppliers of accounting education, with many new providers, including vocational education and training providers, private higher education providers, public, private and corporate universities, and professional associations – and this applies not only in Australia but globally (see chapter 8). Meanwhile, the demand for qualified professional accountants is being driven by employers in professional service firms, corporations, not-for-profits and the government sector, all of whom are competing to recruit quality accountants.

For example, Tertiary and Further Education colleges (TAFEs) in New South Wales have predominately been known for vocational education and professional training. Gone are the days when TAFE focused on trade and hospitality certificates; now courses are being offered that will help individuals attain a university degree. The tertiary arm of TAFE enables students to enrol in a bachelor degree in areas such as applied finance and information technology. In some instances, students’ TAFE diplomas can earn them credits towards completing an undergraduate degree at nominated universities (see chapter 6).

With enrolment caps being lifted, some universities are also lowering their university entrance scores to attract more students into their courses (Guthrie, 2012a). While it is important to offer education to a wider group of students so they have every opportunity to attain an education and build a prosperous career, the issue of quality and outputs comes into question. What standard of graduate is being produced under these conditions? Are candidates with low entrance scores being nurtured and supported in every step of their learning, so they can gain the knowledge and harness the skills required by employers?
Of importance is the issue of ‘quality’. Quality is a word that is often not clearly articulated or defined, yet it is a core message used throughout the education and professional sectors. Quality could be interpreted as delivering the best product that offers excellence and value, which should be fundamental to any form of education. However, the Institute would argue that it is the ‘outputs’ or ‘outcomes’ that we must turn our attention to when determining the ‘quality’ of these new and emerging education pathways. That is, determining how graduates obtain the required knowledge and generic skills required to be a contemporary professional accountant (see chapter 8).

In all this we need to determine what type of accounting professional is produced through these new education options and pathways? Will an accounting graduate be able to take their generic skills and apply them in the workplace? Will the graduate become a trusted advisor who will act in the public interest? Will the graduate be able to take the knowledge gained and use it in a critical and analytical way that will benefit business? These are the types of ‘outcomes’ that need to be stated upfront for whichever education pathway an individual selects. It is these graduate ‘outputs’ that I would see as key indicators of ‘quality’.

Take membership of the Institute as one example. Membership requires a relevant undergraduate degree, with three years of relevant on-the-job experience with an Institute accredited organisation, and successful completion of the five compulsory modules in the Program. Only by doing this will candidates be equipped with the knowledge, skills and values essential for being a Chartered Accountant.

This knowledge, and these skills and values have been broken down into the following ten attributes:

1. informed about the latest international, disciplinary and business knowledge;
2. innovative problem solvers;
3. forward-thinking change managers;
4. technology-literate;
5. collaborative team workers;
6. capable communicators of shared understandings;
7. service-oriented;
8. ethical;
9. professional;
10. reflective about their own knowledge, skills and values.

Attaining these attributes and gaining membership of the Institute is part of a career-long pathway. As outlined in Figure 1, the pathway to becoming a Chartered Accountant traditionally begins with candidates learning English, business, economics and/or accounting at secondary level (i.e., high school). Candidates then move onto university (or a higher education provider) and complete a relevant accredited undergraduate or postgraduate course. This is the most straightforward entry pathway into the Program and accounts for approximately 85% of candidate enrolments.
Figure 1: The path to becoming a Chartered Accountant

**Secondary education**
Study maths, English, economics and business subjects

**Tertiary education**
- Attain a relevant undergraduate degree in business or commerce (with a major in accounting)
- Graduates from a non-accounting related degree may undertake a conversion course

**Gain employment**
in an Institute accredited organisation with a mentor

**Undertake the Chartered Accountants Program**
This involves candidates demonstrating that they are in mentored employment and have met the assumed knowledge requirements before they can commence studies

**Complete:**
The five modules of the Chartered Accountants Program. Candidates receive a recognised Graduate Diploma in Chartered Accounting

Three years of practical experience with a mentor

**Become a member of the Institute**

**Continuing Professional Education (CPE)**
Members are required to complete a minimum of 120 hours of training and development over each three-year period

**Further study options: Gain exemptions into Master programs**
The degree attained is generally in commerce or business, with a major in accounting. In order to gain entry into the Program, candidates must have passed in subjects that cover the following core knowledge areas:

- accounting systems and process;
- corporate accounting and reporting;
- accounting theory, professional and regulatory processes;
- legal framework and commercial law;
- Australian corporations law;
- cost and management accounting;
- finance;
- audit and assurance;
- Australian taxation law.

Another pathway available to candidates to enter the Program is as a graduate of a recognised non-accounting undergraduate degree. However, candidates must first complete an accredited graduate conversion course, which will ensure they have passed the core knowledge areas indicated above. In recent years, the transition from traditional to alternative academic pathways to enter the accounting profession has seen an increase in the provision of graduate conversion courses by Australian higher education providers.

As shown in Figure 2, in 2001 non-accounting qualifications and conversion courses constituted approximately 4% of enrolments in the Program, while by 2011 this steadily increased to 11% of enrolments. This is largely due to a rise in employers – the Big 4, commerce, practice, government and overseas sectors – recruiting staff with more generalist skills. Employers value good communicators and strategic thinkers and are faced with skill shortages in some areas. Therefore, they are turning to more graduates from non-accounting degrees who are able to enter the Program via accounting conversion courses.

**Figure 2: Enrolments in the Chartered Accountants Program 2001–2011**

<table>
<thead>
<tr>
<th>Entry Basis</th>
<th>2001</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accredited Degree</td>
<td>94%</td>
<td>91%</td>
<td>85%</td>
</tr>
<tr>
<td>Non-accounting Qualifications + Conversion course</td>
<td>4%</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Overseas/Skilled migration</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>
In 2001, 94% of candidates entered the Program via an accredited degree but this fell to approximately 85% in 2011. While the traditional pathway is still the most favoured, figures illustrate a steady rise in alternate pathways.

Meanwhile, the third pathway into the Chartered Accountants Program is entry via overseas qualifications. Globalisation of the accounting profession has seen an increase in entrants with overseas qualifications, in part because the accounting profession has been recognised on the Federal Government’s Skilled Occupations in Demand List for the last ten years.

Over the last five years, the majority of overseas-qualified skilled migration applicants have come from India, England, China, South Africa, the Philippines, Fiji and New Zealand. This entry pathway requires the three professional accounting bodies in Australia to assess overseas accounting degrees and establish whether the degree meets the core knowledge areas, as outlined above, for entry to the Program.

In addition, the Institute has broadened its delivery of the Program across the Asian region. Since February 2009, the Institute has delivered the Program in Malaysia through an arrangement with the Malaysian Institute of Certified Public Accountants (MICPA). Upon completion of the MICPA Program, candidates are eligible to apply for membership of both the Australian and Malaysian institutes. In Singapore, the Program is also offered as a gateway to membership of the Institute.

About the Chartered Accountants Program

In 2012 the Institute had approximately 12,500 candidates enrolled in the Program. The Program consists of two components:

The Graduate Diploma of Chartered Accounting (GradDipCA) comprises five compulsory modules:

1. Taxation (TAX);
2. Audit & Assurance (AAA);
3. Management Accounting & Analysis (MAA);
4. Financial Accounting & Reporting (FIN);
5. Ethics & Business Application (EBA).

Candidates must also complete three years of practical experience mentored by a Chartered Accountant in an Institute accredited organisation.

The GradDipCA is a recognised postgraduate accounting qualification of the highest standard. It can be used to gain exemptions in many Masters degrees offered by universities around Australia, therefore enabling Chartered Accountants to progress to further study and career development.

On successful completion of all five modules, candidates are awarded the Graduate Diploma of Chartered Accounting. After also concluding the practical experience requirements of the Program, candidates are eligible to apply for membership with the Institute.
Practical experience

In the practical experience component of the Program there are two key roles, candidate and mentor. The candidate’s role is to develop and track key workplace competencies throughout their three years of qualifying service. The Candidate Guidelines and Activity Log are designed to help candidates set development goals and plan a structured approach to achieve the workplace competencies they need to become fully productive employees and qualified Chartered Accountants. The practical experience component is integral to the Program as it helps ensure candidates take their learning and apply it directly in the workplace. The mentor’s role is to guide and validate the candidate’s workplace competency development, by freely offering advice, support and encouragement. As an experienced professional, the mentor is there to act as a role model for the candidate.

About the Chartered Accountants Program from 2013

The Institute is adapting to the fast changing workplace in a global context. A new kind of higher education student is beginning to emerge. The student of tomorrow will have more education options available to them and they will be born in a digital age where their learning experience involves digital applications and social networks (Guthrie, 2012b). How, when and where candidates learn will be their choice, and they will naturally see themselves as part of a global environment.

This is the reality of today’s candidates and our next generation of Chartered Accountants. Our latest research shows 40% of candidates are aged between 21 and 25 years, and 38% of candidates are between 26 and 30 years. This young cohort of professionals is technology and Internet savvy in all areas of their work and personal lives, with their education and learning no exception.

In 2009, the Institute Board called for a review of the Program to ensure it remains fit to meet the future needs of candidates, employers, members and the profession. What followed was two years of extensive planning and consultation. During this time, members, candidates and employers advised us the Program needed to offer more flexibility and cater for the different learning styles of candidates, yet still maintain the quality and rigour that is at the heart of the Program.

Starting from 2013, the Program will be more contemporary in its content and delivery, incorporating modern learning design and teaching methods with the latest technologies. This will be a joint Program delivered in conjunction with the New Zealand Institute of Chartered Accountants (NZICA), which will further enhance the Chartered Accountants designation on both sides of the Tasman.

Importantly, the structure of the Program remains fundamentally the same. As shown in Figure 3, candidates will continue to complete five modules.
Emerging Pathways for the Next Generation of Accountants

Technical modules
The four technical modules will combine technical rigour and practice with contemporary real-world case studies, and provide candidates with the skills and foundations required of a Chartered Accountant. While candidates may not always specialise in one particular field, having the knowledge and skills in each of these technical areas ensures Chartered Accountants can identify and assess business challenges from all angles, ask the right questions, identify and resolve business challenges, and make well-informed, strategic decisions.

Figure 3: Chartered Accountants Program

<table>
<thead>
<tr>
<th>Current</th>
<th>from 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three years practical experience with a Chartered Accountant mentor</td>
<td>Three years practical experience with a Chartered Accountant mentor</td>
</tr>
<tr>
<td>Four technical modules:</td>
<td></td>
</tr>
<tr>
<td>• Taxation (TAX)</td>
<td>• Taxation (TAX)</td>
</tr>
<tr>
<td>• Audit &amp; Assurance (AAA)</td>
<td>• Audit &amp; Assurance (AAA)</td>
</tr>
<tr>
<td>• Financial Accounting &amp; Reporting (FIN)</td>
<td>• Financial Accounting &amp; Reporting (FIN)</td>
</tr>
<tr>
<td>• Management Accounting &amp; Analysis (MAA)</td>
<td>• Management Accounting &amp; Applied Finance (MAAF)*</td>
</tr>
<tr>
<td>Ethics &amp; Business Application (EBA) (will be offered twice in 2013)</td>
<td>New capstone module begins in 2014</td>
</tr>
</tbody>
</table>

* The current MAA module will be updated with new content and the module name changed to Management Accounting & Applied Finance (MAAF). Revising this module aligns with the framework adopted by other member bodies of the GAA.

The capstone
Starting from 2014, the capstone will replace the current Ethics & Business Application (EBA) module. The capstone consolidates learning from the four technical modules and tests the candidate’s application of knowledge and strategic and critical thinking using case studies.

Candidates will also have the opportunity to integrate and apply their technical knowledge and develop their professional skills in ethics, communication, team leadership, research and analysis. Capstone is the final piece in the puzzle. It puts the technical modules to work. Capstone candidates will use the technical modules they have studied to work through a real-world business case study and apply their knowledge. By completing the capstone, candidates can highlight the graduate attributes obtained and become well-rounded professionals, equipped with critical professional skills and business acumen that employers value. With a strong understanding of the technical aspects and practical skills in communications, presentation and teamwork, candidates can provide greater value to their employers.
New delivery method and learning design

Without compromising on quality or rigour, the Institute is reshaping how we present and deliver module content. Using the latest technology and informed instructional design techniques, the Institute’s educational specialists and members will adapt module content to meet a modern blend of online and face-to-face learning.

The introduction of a new online learning management system will facilitate a new delivery model that helps candidates learn step-by-step; building a greater understanding of concepts as they go. Instead of reading complex text, learning materials will be easier to grasp and digest, with an emphasis on step-by-step worked examples, case studies and activities. Difficult or complex topics and theories will come to life through a flexible learning approach. For example support tools will include podcasts, online discussion forums, optional face-to-face lecture forums and virtual classrooms, and an online technical query forum.

Candidates will have greater control of their study, learning in a way to suit individual styles. Candidates will also access their learning online from anywhere during their study of a module, providing freedom to balance work and study.

Delivery technology includes PC, laptop and tablets so candidates have the flexibility to study when and where, and however they choose. For example, study materials will be accessible via the candidate’s laptop or iPad, enabling them to read on their commute to and from work.

This new phase of the Program will ensure our next generation of Chartered Accountants will be trusted professionals, who are highly regarded for their financial integrity, professional judgement, ethics, rigour and commitment to excellence.

Collaboration

While the Institute embarks on a new era in the Program, we recognise that we are just one piece of the puzzle. As a higher education provider, we are keeping pace with change and are committed to delivering a quality, outcomes-driven educational experience. But this cannot be achieved in isolation.

Secondary, tertiary, private and public education providers, accounting academics, employers and the professional bodies need to continue working together to discuss and address the issues that are rapidly changing the education sector. Only by strengthening this alliance can we ensure we produce confident, skilled men and women. This will ensure we help grow and sustain the accounting profession.

Equally important is a responsibility to look to the future to ensure accounting education pathways will meet the diverse needs of the next generation of professional accountants. This is a challenging predicament that can only be achieved by fostering relationships with stakeholders from all areas of the profession, both locally and internationally. The Institute is committed to instigating more collaborative efforts, and this academic leadership publication is one example of how the professions are tackling the issues that impact us all.
Conclusion

This and the two previous editions in the CAGS/Institute’s Academic Leadership series have indicated that accounting education in Australia is at a crossroads (Evans et al., 2010; Evans et al., 2011). It is the role of the professional bodies, working closely with academia and employers, to provide quality education that equips professional accountants with the skills needed for the workplace of the future.

Candidates in the Program come from diverse backgrounds and experiences and require equally diverse educational experiences. However, it is the ‘quality’ of this educational experience that must be monitored, and the Institute will play a critical role over the coming years. As a professional body, representing more than 70,000 members, the heart of the Chartered Accounting designation is a responsibility to act in the public interest; quality accounting education is, therefore, fundamental.

References


Emerging Pathways for the Next Generation of Accountants: ACCA’s Global Qualification

Barry Cooper and Mike Walsh

Introduction

No one can predict what the future will hold. The only thing we can predict is that the world of the future will be different from the world of today. To keep pace with change, the Association of Chartered Certified Accountants (ACCA), like all professional bodies, will need to reinvent itself, perhaps at a faster rate than ever before. The ACCA is already championing a number of themes through its Accountancy Futures program of theme-led research and insights, helping prepare the accounting profession for the immediate and longer-term challenges the future global economy will bring.

In considering the future, this chapter discusses the ACCA’s emerging pathways in the context of six key areas. These include the ACCA’s history and background; its current vision; future trends and emerging pathways; integration of ethics into the ACCA qualification; integrated reporting; and the impact of IT on education and learning.

The ACCA’s history and background

Since its foundation in 1904, changes within the ACCA have been considerable. Arthur Priddle, the ACCA’s first President, would hardly recognise the organisation he helped to establish. By offering its examinations worldwide, the ACCA has grown enormously, especially in the last 20 years. As early as the 1930s, the ACCA began offering its exams outside the United Kingdom and by the 1950s had established branches in former British colonies such as Hong Kong, Singapore, Trinidad and Tobago, and Nigeria. In 1965, the ACCA set up its first joint examination scheme in Jamaica, followed by similar developments in a number of other countries. Rapid expansion into 170 countries over the past 40 years has provided pathways for thousands of students, in both developing and developed countries (there are currently 424,000 enrolled), to gain an accounting qualification. A summarised history is shown in Table 1.

The ACCA’s current vision and core values

The ACCA’s vision is that it will be universally recognised by employers in the corporate, practice and public sectors, as the leading global professional accounting body in reputation, influence and size. It is therefore critical that employers value the competence of the accountants that the ACCA produces. Supporting members with a qualification that makes them desirable in the workplace is at the heart of the ACCA’s goal.
**Table 1: The ACCA 1904 to 2011**

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<tr>
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<tbody>
<tr>
<td>1,000 members in 1910, 13 members outside the UK, 2,800 students in 1922</td>
<td>25,000 members and 22,600 students in 1970</td>
<td>50,000 members and nearly 130,000 students in 1996</td>
<td>147,000 members and 424,000 students in 2011, over 60% are outside the UK</td>
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<td></td>
<td>1950s Branches are set up in Hong Kong, Southern Rhodesia (Zimbabwe), Trinidad and Tobago, British Guiana (Guyana), Nigeria and Nyasaland (Malawi).</td>
<td>1991 An environmental reporting awards scheme is introduced, the first of its kind.</td>
<td>Introduction of the online Professional Ethics Module as part of the ACCA qualification.</td>
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<td>1960s Formal links are developed in Africa as accounting bodies are established in Ghana, Malawi, Nigeria and Sierra Leone, followed by Botswana, Ethiopia, Kenya, Tanzania, Uganda and Zambia.</td>
<td>1996 First body to base its syllabus on International Accounting Standards (IAS later IFRS).</td>
<td>Some 700,000 examinations held in 401 centres in 151 countries in 2011.</td>
</tr>
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<td></td>
<td>1965 A joint examination scheme is established in Jamaica, leading to partnerships with many bodies in the Caribbean. The Malaysian branch is formed after the separation of Singapore and Malaysia.</td>
<td>1997 First International Assembly meeting held. Market development commences in the Middle East.</td>
<td>The ACCA now provides its services through a network of 83 offices and centres in 170 countries.</td>
</tr>
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<td></td>
<td>1975 A committee is set up in Australia, which subsequently expands to include New Zealand.</td>
<td></td>
<td>The ACCA works with IFAC to produce its International Education Standards.</td>
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<td></td>
<td>1980s The ACCA begins to explore opportunities in Central and Eastern Europe, helping to develop the profession in former Soviet states and in the Russian Federation. A branch is also set up in Canada, and then in the United States.</td>
<td>The ACCA collaborates with UNCTAD to produce its Global Curriculum. The ACCA begins to work with the World Bank and others on capacity building projects in Africa, the Asia-Pacific, the Caribbean and Eastern Europe.</td>
<td>The ACCA works with UNCTAD to produce its capacity building framework.</td>
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<td></td>
<td>1988 Market development starts in Mainland China.</td>
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<td></td>
<td>The ACCA elects the first female president of an international accounting body.</td>
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Emerging Pathways for the Next Generation of Accountants
The ACCA springs from, and has been driven quite consistently by, its founding principles, namely to provide opportunity to all people of merit and application, regardless of their background. Following on from this objective, there are five core values that resonate with members, students and ACCA staff around the world. These are opportunity, integrity, diversity, innovation and accountability.

Opportunity comes first when opening up pathways to professionalism and to a professional career. The ACCA provides opportunity, free from artificial barriers, to people around the world, whether students, members or employees and we support them in their careers. This opportunity comes from our range of qualifications, the support for ACCA members, its research and insights program and its technical expertise.

In 2005, the ACCA conducted a consultation with students and members to ask whether a degree should be a prerequisite for revised professional ACCA qualifications. The results revealed overwhelming support to keep the ACCA as inclusive as possible and maintain its open access policy, although many students nowadays gain a degree before taking the ACCA exams.

The complementary accounting technician level qualification – Certified Accounting Technician (CAT) – started in 1998 to allow access for those without degree entry requirements. A new suite of qualifications under the umbrella of Foundations in Accountancy (FIA) was launched in December 2011. The new structure enables people to ‘mix and match’ to obtain the qualifications and certifications they want and need. Many ACCA students, particularly from developing countries, have not been to university, so they value the partnership with Oxford Brookes University, which enables them to obtain a degree through their ACCA studies. The degree started in 2000 and to date almost 15,000 students have graduated.

Integrity is a very important core value of the ACCA and is clearly reflected in the professional qualification. The ACCA itself acts ethically and works in the public interest to deliver public value – that means treating people fairly and honestly. It is critical that through their ACCA qualification, ACCA members not only gain knowledge but also the tools and mindset to enable them to embed professional ethics into their daily lives and to act with integrity. This ethical dimension is supported by online ethics module examinations and practical experience requirements.

The ACCA’s third value is Diversity as a pathway to a professional career. The ACCA respects and values difference, embracing diversity in its people and in its output. Since November 2011, the ACCA has hosted a series of roundtables to discuss the issue of diversity. These events have taken place in Delhi, Singapore and London, and were held jointly with the UK-based Economic and Social Research Council (ESRC). The ultimate aim of these events is to influence policy and to contribute to a debate about diversity. Diversity means different things to different people in different places. But for the ACCA and the ESRC, the aim is to explore the link between diversity and innovation and, in particular, the advantages to organisations in encouraging diversity to achieve business benefits.
Being diverse also means that the ACCA works in partnership with other organisations by conducting Joint Examination Schemes (JES), the purpose of which is to support the development of the global profession. By working in partnership with national accounting bodies, the ACCA is able to increase access to a high quality, internationally recognised qualification, while ensuring local relevance. Students also benefit by receiving support from both the ACCA and the JES partner. Currently, paper exams are offered in 401 centres in 151 countries worldwide, and this number is growing. The ACCA also sets exams in 21 different tax jurisdictions and a similar number of law papers.

Innovation is the next value. The ACCA needs to offer different ways to deliver qualifications and to be contemporary in what it does. Since its formation in 1904, the ACCA has been consistently distinctive in outlook, character, reach and mission. Its history and development shows that the ACCA has been a pioneer, making innovations in accounting education and professional support to improve opportunity and deliver consistent quality global standards. Currently, the ACCA’s professional qualification has three computer-based exams (CBE), and the new FIA has seven. The ACCA has approximately 320 licensed centres in 67 countries running computer-based exams.

Last, but by no means least, is Accountability. This value asserts that the ACCA accepts individual and corporate responsibility for its actions, working together to deliver a quality service and to promote the best interests of its stakeholders. The ACCA’s own pathways are centred on a global framework that works closely with regulators, learning providers, other membership bodies, as well as policymakers, standards setters, employers and oversight bodies.

**Future trends and emerging pathways**

The framework for creating a pathway for the next generation of accountants raises some questions: What will this next generation need? Where will they work? What will their jobs look like? And how will they deal with the challenges ahead of them?

Generations X and Y have grown up, and Generation Z is now hitting the job market. The next challenge for employers and for professional bodies is to deal with the needs of Generation C – always clicking, always connected and always communicating.

Managing the aspirations of the youngest generation in finance will be a big challenge for organisations in the next decade, but equally, so will the on-going management of the aforementioned X, Y and Z generations. Young people are now Internet literate, digitally connected and will want to work in very different ways, and hence will want different career pathways. In a corporate world where finance careers are becoming less uniform, the emergence of career paths based on a corporate ‘lattice’ rather than a corporate ladder will be the norm. The future professional will also work in increasingly diverse and connected teams, including through shared service centres. How organisations such as the ACCA and other professional bodies steer this generation through their careers will be very important. Enabling students and members to achieve and reach their potential is the business that all professional bodies are in.
As a global body, the ACCA has to consider future trends. A key issue is the impact of IT on accountants, which will probably lead to the de-skilling of many professional tasks, especially in the production of financial reports. Much of this work may go to accounting technicians who will be IT literate. The ACCA has to take this into account in its technician as well as its professional qualifications. The possible rise of protectionism driven by nationalistic aspirations and the economic recession are also issues of concern, and the pressures of globalisation may yet lead to greater integration of financial reporting systems. IFRS seems to be the system of choice but convergence seems to be rather more likely than full harmonisation, with various national opt-outs. The ACCA sets its primary qualification based on IFRS but if this is not a uniform standard, then the ACCA has to consider additional variants.

Organisations have a fundamental responsibility to account for their impact on society and the environment, and accountants have a growing role in enabling business and policymakers to measure, understand and reduce environmental impacts. The ACCA regularly publishes reports and articles on environmental accounting (see the ACCA’s website, www.accaglobal.com). Accountants will have a key role to play in bringing about a low-carbon world, through leading on the disclosure of companies’ carbon emissions and the auditing of these disclosures to quantify and promote the financial consequences of climate change. As a driver for this, the ACCA believes it will be imperative to have a common, internationally accepted carbon accounting standard.

A recent research report from the ACCA (ACCA, 2012) found that, according to finance experts from 20 leading global organisations, there is ‘no turning back’ from finance-shared services and outsourcing as a future delivery model for the finance function. But global leaders featured in the report continue to recognise capability shortfalls, from the effectiveness of change management processes to the lack of focus on the retained finance team. Also, there is an inability to see shared services and outsourcing in the context of an overarching vision for finance. These are the types of issues the ACCA has to consider in designing its qualification for the next generation of finance professionals. As can be seen from Figure 1, the ACCA qualification has moved on from the traditional subjects in accounting and auditing. The qualification now includes coverage of management, ethics, risk and corporate governance, in an attempt to address the changing needs of the accounting profession.

The ACCA does not offer tuition itself. However, the ACCA’s directory of tuition providers lists 251 ACCA Approved Learning Partners and 678 other tuition providers. The ACCA also approves four publishers of study materials, in addition to listing ten other publishers. These represent a considerable volume of support for the ACCA’s qualification.
Figure 1: The ACCA’s professional qualification

**Practical Experience Requirements**
(Minimum 36 months)

**Essentials**
Performance Objectives:
- Ethics, governance and risk
- Personal effectiveness*
- Business Management*

**Options**
Performance Objectives:
- Financial accounting and reporting*
- Performance measurement and management accounting
- Finance and financial management*
- Audit and assurance△
- Taxation

**Professional level:**
Options (2 from 4):
- Advanced Financial Management*
- Advanced Performance Management△
- Advanced Taxation
- Advanced Audit and Assurance△

**Essentials:**
- Governance, Risk and Ethics△
- Corporate Reporting*
- Business Analysis△

**Advanced Diploma in Accounting and Business (Skills module):**
- Corporate and Business Law
- Performance Management△
- Taxation
- Financial Reporting*
- Audit and Assurance△
- Financial Management*

**Diploma in Accounting and Business (Knowledge module):**
- Accountant in Business*
- Management Accounting*
- Financial Accounting

* These subjects contain some outcomes that relate to the principles of integrated reporting and sustainability.
△ These subjects include a substantial number of outcomes that underpin principles of integrated reporting and sustainability.
The integration of ethics into the ACCA qualification

The issue of integrating ethics into the ACCA qualification has been a central theme throughout the development of the qualification. The ACCA has already successfully introduced applied ethics education into its existing syllabus throughout many of the higher level papers, but has now developed this much further and given it a much higher profile in the professional qualification and in the FIA suite of qualifications launched in 2011.

Following extensive consultation and benchmarking exercises undertaken by the ACCA where key stakeholders responded to a competence and consultation survey, ethics was identified as a very important area for ACCA stakeholders. Ethics was heavily focused on as a key area of competence by regulatory and advisory bodies, both nationally and internationally. A key challenge for any robust professional accounting qualification therefore is how to make ethics much more prominent. The ACCA has achieved this through a coherent and pervasive multi-pronged approach in accordance with IES 4 (IFAC, 2011) on ethics. This needed to take fully into account recommended best practice, as published in the most recent version of the relevant International Education Practice Statement (IEPS).

The ACCA has therefore followed the Ethics Education Continuum (EEC) approach in developing ethics content, using a flexible, blended approach to incorporating ethics into the new qualification (Leung et al., 2006). This combines the topic approach with the stage-by-stage approach, as included as alternative approaches in IEPS 4 (IAESB, 2007). The ethics education continuum stages include enhancing ethics knowledge; developing ethical sensitivity; improving ethical judgement; and maintaining an on-going commitment to ethical behaviour. The ACCA has developed the ethics aspects of the new qualification by covering each of the above four stages of the continuum through the education syllabus and in the work experience requirement.

The concepts of ethics and professionalism are introduced into the ACCA syllabus in relevant examination papers, starting with a general introduction to ethics, governance and professionalism in the Accountant in Business paper, which helps to contextualise the accounting function and the work of accountants within the wider business setting. Ethics is also integrated as appropriate in ten other papers of the 16 papers within the new professional qualification, particularly in law, audit and assurance, taxation, financial management and financial reporting.

The ACCA has also developed an online ethics module for professional students, which is compulsory for new students but which the ACCA strongly recommends transferring students take before they study for the designated Governance, Risk and Ethics paper (see below). The purpose of this module is to enhance ethical knowledge through introducing the student to different ethical models and perspectives. Finally, the ACCA has developed Governance, Risk and Ethics, a complete examination syllabus in professionalism, ethics and governance. This examination assesses four key areas, namely, governance, internal control and compliance, risk and ethics, and professional values. Students are also required to demonstrate ethical behaviour and sensitivity in the work experience requirements, which are integral to the qualification as a whole. These ethical requirements are given specific prominence as core performance objectives in the practical experience requirement.
Integrated reporting – A review of developments and implications for the professional accounting curriculum

Many leading professional accounting and governing or advisory bodies, their members and business leaders, are increasingly of the view that corporate reporting around the world needs a fundamental review. The consensus seems to be that the time has come to introduce, more widely, reports that provide a holistic and multi-dimensional representation of the organisation, as provided by ‘integrated reporting’. Integrated reporting essentially involves merging a company’s annual report, which is its financial information, with a voluntary corporate social responsibility or sustainability report, and further combining those into a single report to show the relationship between financial and non-financial performance.

In December 2009, Accounting for Sustainability (A4S) convened a high-level meeting of investors, standard setters, companies, accounting bodies and UN representatives which, combined with the Global Reporting Initiative (GRI), has set up a new body known as the International Integrated Reporting Committee (IIRC, 2010).

Figure 2 shows the framework for an integrated report as listed on the IIRC website.

Figure 2: Integrated Reporting Framework

Essentially, for a professional accounting curriculum to properly align with the principles of integrated reporting, it must assess the student’s knowledge and understanding of the business holistically as an organisation within its environment and the needs of those to whom it is accountable. These needs are now perceived as being broader than those for which the traditional accounting curriculum has catered in the past. The main implication for professional accounting educators is an explicit, if belated signal that the accounting curriculum must draw from a much wider range of business disciplines. It must also incorporate more professional attitudes, as well as technical competences, including ethics and professional values, and become more integrated in its approach to assessment.

The ACCA qualification was restructured in December 2007 and updated in June 2011, on the basis of a major consultation with members, students, employers and tuition providers and from competency surveys and their findings. The range of subjects included, and what they assess, reflects the principles of integrated reporting very closely. The ACCA has a professional-level paper devoted to key principles of integrated reporting, including governance, risk and ethics. ACCA members must also complete a professional ethics module and reflect on the experience as a pre-requisite for entry to membership. In addition, 11 of the 16 ACCA examination syllabuses embed ethical principles, and examiners introduce ethical dimensions into technical requirements to examine the candidate’s values and judgement as well as their knowledge. The audit papers also cover governance aspects related to the audit and assurance functions and risk management, internal audit and internal controls.

In other syllabuses such as management accounting, performance management, financial management and business analysis, many syllabus outcomes underpin principles of integrated reporting as outlined by the King Committee (2009). These relate to organisational structure and strategy covered in the subject Business Analysis, which examines the ability of the candidate to analyse business opportunities and threats (or risks), and to evaluate strategic objectives based on internal strengths and weaknesses and resource constraints.

**The impact of IT on education and learning**

Within the last decade, we have begun to see the true power of the Internet. Not only does it transmit knowledge and information but, through social networking sites, it can also bring people with common interests together across geographical boundaries. As a result, we are seeing a new global generation of technology-enabled workers. In its recent report, global management consulting firm Booz & Company (Booz, 2010) states that, by 2020, an entire generation will have grown up in a primarily digital world. The first to be born into and brought up in this digital age, they see computers, the Internet, mobile phones, PDAs, texting, tweeting and social networking as part and parcel of their daily lives. In many economies, a technology-enabled world is the only one they have ever experienced. Booz terms this Generation C – ‘connected, communicating, content-centric, computerised, community-oriented, always clicking’.
As the globalisation of business continues, more companies are made up of highly dispersed workforces, including growing numbers of remote workers. The ability to connect these groups of learners through virtual classrooms and enable them to collaborate is highly valuable, owing to the rich exchange of ideas and experiences.

Online methods offer the capacity to ‘blend’ forms of learning and assessment in a way that is much more efficient and effective. This can provide an experience so close to that of the real world that it is effectively moving beyond simulation to what is termed ‘emulation’, an experience that mimics the real world challenges professionals face. It is this synthesis that many professions are already embracing.

The ACCA is therefore exploring more ways to help its qualifications grow and be even more global by exploring the further use of CBEs and E-Assessment. All scripts historically were marked in the United Kingdom to ensure standardisation (other than local tax and law papers). The move to online marking allows markers from around the world to be employed. There has been a three-year development phase, with three papers successfully marked online in June 2009 as a pilot. This was extended to nine papers in December 2009 and now all papers since June 2010 have been marked online. This is done in partnership with a key provider. In June 2011, the ACCA signed an agreement with a provider to begin a long-term project to move all exams online by 2015. The ACCA’s move to online delivery will bring greater choice and access for employers and students around the world who choose ACCA qualifications for their professional training.

Conclusion

The ACCA is driven by its core values. Size is not the only priority in the ACCA’s vision, which includes reputation and influence. Nevertheless, size is an indication that the ACCA’s qualification is meeting the needs of employers. The ACCA has grown quite rapidly, especially in the last 20 years. This continued growth is subject to several variables, not all of which are predictable. Examples include the demand for ever higher-level business and management skills amongst finance professionals; the emergence of IT as a major delivery method of both learning and assessment on a global basis to a uniform standard; the emergence of national qualifications in formerly developing countries; the demand from international accounting firms as well as other multinationals for uniform professional accounting qualifications at least in respect of non-regulated functions; the convergence of accounting and auditing standards on international norms; and the demand from growing economies such as China for professional accountants fuelled by the ambitions and aspirations of a new global middle class for international professional accounting qualifications.

Not all of these trends mean that the ACCA will continue to grow as it has done in the past but enough of them point to a continuing and high demand for the ACCA qualification, as long as the ACCA can adapt its qualification early enough and in the right direction. This paper has set out the pathways that have emerged and will continue to emerge with respect to the ACCA qualification, as it continues to position itself as a major global force in the education and training of accountants throughout the world.
References


International Accounting Education Standards Board (IAESB) (2007), International Education Practice Statement (IEPS) 1, Approaches to Developing and Maintaining Professional Values, Ethics, and Attitudes, IFAC, New York.


Chapter 6

Contemporary Professional Pathways: CPA Australia

Rob Thomason and Desley Ward

CPA Australia’s 125th anniversary in 2011 marked our long-term commitment to the accounting profession within Australia and internationally. Our current membership of 139,000 includes Associate members, full CPA members, and FCPA members. This is a far cry from the initial meeting held in 1886 to form the professional accounting body in Australia. In 1891 CPA Australia offered the first exams of the Society of Accountants to just a handful of members, and thus began CPA Australia’s commitment to the continual process of regulating entry to the accounting profession.

In 2010 CPA Australia opened our membership pathways to provide a way for those graduates without a traditional accredited accounting degree to enter the accounting profession. Despite initial protests from both the university sector and members of the profession, the opening of new pathways has been positive, for both those wanting to pursue a career in accounting and for the profession as a whole. In the contemporary business environment the challenge for CPA Australia, as for all professional bodies, is to remain relevant to the needs of those seeking to enter the profession, members and the broader profession, whilst protecting the public interest.

This chapter discusses the contemporary pathways to a professional accounting career offered by CPA Australia. The CPA Program, the requirement for achieving the CPA designation, is examined in its entirety to provide a full picture of the education requirements to be met by all aspiring professional accountants. The chapter also examines the competitive environment in which professional bodies operate, and the role of differentiation between professional bodies in the decision as to which body each individual should join.

Pathways

CPA Australia introduced new membership pathways in 2010. This was a deliberate shift away from the traditional input focus, to an output focus. We created an education program that provides graduates with the knowledge and skills required for a career as a professional accountant. This has led to a shift away from requiring an accredited accounting degree as the only point of entry to our education program, and has allowed us to design and develop a pathway to enable those aspiring to a career in professional accounting to demonstrate their ability to meet the rigorous entry requirements of our Professional Level program.

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9. 139,000 includes Associate members, full CPA members, and FCPA members.
Since the introduction of our new membership pathway it is interesting to note that 92% of our members still graduate from a traditional accounting degree. The majority of members continue to graduate from universities within Australia and the Asia-Pacific region. They graduate with an accredited accounting qualification that meets the core accounting requirements for entry and move directly into the Professional Level of the CPA program.

The Foundation Level was introduced to meet a recognised need from those who had completed degrees outside of accounting who wanted to undertake the CPA Program, and from those who saw becoming a CPA as a personal pathway to a more successful and sustainable career. Recently the ‘Pathways Commission’ in the United States also identified that many graduates discover accounting late in their career (The Commission on Accounting Higher Education, 2011). The Foundation Level of the Program addresses the need for candidates to satisfy the core knowledge requirements, which they would have obtained had they undertaken an accredited accounting degree. In most cases candidates need only study between one and three units, so for this group there is a great benefit in being able to display their knowledge without the need to undertake further university study. To date there have been approximately 14,000 individual exam enrolments in Foundation Level units, so this certainly demonstrates the demand for our program. It also begs the question: If all those individuals who have enrolled in the Foundation Level had been required to undertake additional university study in accounting to meet the core knowledge requirements for entry to the Professional Level of the CPA Program, how many would have seen that as an obstacle and hence decided against entering the profession?

The majority of people coming into the Foundation Level already hold a university degree. The majority of these degrees are in finance, economics, financial planning and banking, so these candidates have a finance and business background, but are missing some of the accounting core knowledge requirements for entry into the Professional Level of the CPA program. Their average age is 32, confirming that they are seeking an accounting career at a later stage in their working life. The average number of units that Foundation Level candidates are required to complete is three, which indicates that their previous studies included many of the accounting core knowledge areas. CPA Australia has been resolute in requiring all candidates who are considered for full membership to have an undergraduate degree or other recognised university qualification. Early trends are indicating that those who have completed the Foundation Level program are achieving higher than average results once they commence the Professional Level program, indicating that these are determined individuals, committed to a career in accounting. The other interesting group within the foundation cohort are those who are graduating from some universities in Asia, where they are unable to complete the accounting core knowledge requirements in their degrees. Graduates from those programs are completing anywhere from one to three foundation units so that they can meet the entry requirements for the Professional Level of the CPA program.

CPA Australia has mutual recognition agreements with 13 other professional bodies around the world. Members of those bodies are able to become members of CPA Australia often by completing specified elements of the Foundations Level and/or Professional Level of the CPA program. Figure 1 illustrates the pathways followed from the time of application for membership through Associate membership, to the time when an individual obtains the CPA designation.
Figure 1: Pathways to becoming a CPA
Figure 2: CPA Program Foundation Level

The Foundation Level addresses ten core knowledge areas, through eight exams, as follows:

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<tr>
<th>IFAC core knowledge requirements (IES 2)</th>
<th>Foundation Level unit</th>
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<tr>
<td>Information System Design and Development</td>
<td>IT and Business Processes</td>
</tr>
<tr>
<td>Economics</td>
<td>Economics and Markets</td>
</tr>
<tr>
<td>Quantitative Methods</td>
<td>Foundations of Accounting</td>
</tr>
<tr>
<td>Accounting Systems and Processes</td>
<td>Fundamentals of Business Law</td>
</tr>
<tr>
<td>Commercial Law</td>
<td>Business Finance</td>
</tr>
<tr>
<td>Company Law</td>
<td>Financial Accounting and Reporting</td>
</tr>
<tr>
<td>Finance</td>
<td>Management Accounting</td>
</tr>
<tr>
<td>Financial Accounting</td>
<td>Accounting Concepts and Principles</td>
</tr>
<tr>
<td>Management Accounting</td>
<td></td>
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<tr>
<td>Accounting Theory</td>
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</table>

Each Foundation Level unit is based on a series of learning objectives and is supported by a study manual. The learning objectives are developed in alignment with the competence level required to enable candidates to enter the Professional Level of the CPA Program with a reasonable chance of success at their level.

Foundation Level exams are computer-based and use multiple choice test items. A dedicated team of psychometricians monitor the exam process and set the standard for passing each exam. In 2012, flexible delivery has been introduced for Foundation Level exams, with candidates able to schedule their exam for a time and date to suit their individual needs, at the exam centre most convenient for them, anywhere in the world.

CPA Program Professional Level

The Professional Level of the CPA Program is a comprehensive distance-learning program offered over two 12-week semesters per year, with all assessments being exam-based. Support is available for candidates from CPA Australia and from a number of external training providers.

The Professional Level comprises six segments of study. Candidates undertake three compulsory segments: Ethics and Governance, Financial Reporting, and Strategic Management Accounting, together with two elective segments. In order to complete the program of study all candidates undertake a capstone segment, Global Strategy and Leadership. The capstone segment builds upon the knowledge candidates have gained from their study of the three compulsory segments, and broadens the landscape to focus on strategy and leadership in the context of global business.
In order to support members around the globe, all CPA Program exams are offered at venues geographically positioned to members’ needs. A commitment to making educational programs accessible for all members ensures that members living and working in remote areas are able to complete their studies without the need for excessive travel. Over time this commitment has allowed members working in geographically diverse organisations, such as defence or mining, to complete their studies and obtain the designation.

Professional Level assessment is designed using a combination of multiple choice testing and written response questions. All exams are open book in order to replicate the real life situation where candidates have access to required information. All content and assessment is structured to ensure that the program has a focus on testing higher order skills, rather than to encourage candidates simply to recall information. The program’s strong focus on strategic thinking, analysis and application of theory to practice not only differentiates the CPA Program from more technical offerings, but also ensures candidates are equipped to operate effectively in the contemporary business environment.

Written response questions for all compulsory and capstone segment exams are marked manually by a highly trained group of members, under the supervision of chief examiners who are integral to the exam setting process. The overall quality of candidate outcomes in exams is monitored by our Exam Policy Advisory Committee, comprising academics from a number of universities.

Educational content

CPA Australia looks to our members and employers to determine the strategic themes that guide the development of the CPA Program. As members progress through their career their roles take on elements beyond numbers. They take on management, advisory, leadership and strategic roles, guiding the development of organisations across the globe. The key themes of strategy, leadership and international business are incorporated into the CPA Program to ensure that our members are prepared for their careers, not simply for their current accounting role. With the globalisation of business all professional accountants need a firm knowledge of considerations relating to operating across national boundaries, and for this reason ethics, international standards and theory have been built into the Program.

In recognising the needs of employers and members, CPA Australia has designed a framework to assist members in identifying their level of competence in four ‘skill’ areas. The Career Pathway Framework identifies four key areas: technical skills, personal effectiveness skills, leadership skills and business skills. Each of these skill areas is supported by a personal assessment tool to help members identify their development needs, and a listing of resources designed to help build competence in that skill area. This framework carries through into the Practical Experience Requirement, a compulsory component of the CPA Program, which requires aspiring professional accountants to demonstrate the development of their competence in each of these skill areas. This alignment provides an opportunity for members to design their career pathway to meet their individual needs.
Quality of the CPA Program

CPA Australia is proud of the academic rigour inherent in the design and development of all areas of the CPA Program. Through strong engagement with the academy and the profession, advisory committees are involved with the oversight of the Program, and of individual educational units. Over 400 academics and professionals contribute to the content and assessment of the CPA Program.

The Professional Qualifications Advisory Committee, comprising academics and practitioners, provides oversight of the CPA Program as a whole. This group, advising the Board of CPA Australia, is charged with monitoring educational policies, program design and structure, accreditation matters and other issues that arise in relation to the professional formation of our members.

How does one professional body differentiate itself within the global market?

The decision to pursue a career in accounting is not a simple one. First, a candidate must have met the core accounting knowledge requirements and then there is the decision as to which professional body one should join. While employers sometimes make the decision on behalf of a candidate, for those making a personal choice this decision can be complex and is often confusing. What differentiates one professional body from another, and what are the key determinants for those looking to join? Global reach, service quality and cultural diversity are just a few of the areas that may be considered.

Global reach

With members in 114 countries, CPA Australia is uniquely positioned to operate from a global perspective. The decisions made by the organisation reflect the needs of the member base, regardless of geographic location. CPA Australia has offices throughout Australia and Asia, and in Europe. Each office provides a direct contact point for members to interact with their professional body, and offers unique opportunities for networking and training in their local area. With a presence in 74% of the world’s top 100 brands, including Sony and Google, we are well placed to participate in global business and have gained rare insights into the operation of the global economy and the changing role of accountants.

Service quality

CPA Australia has made a commitment to being the world’s best member services organisation. This commitment is made with a focus on the importance of the member experience in all interactions with their professional body. With such a large member base it is critical that all members are treated with respect and that, at all times, their interactions with us are positive. This focus is about service quality, and is not merely about us meeting each and every request from a member. It is important to note that members are subject to rules and regulations governing their right to gain, and retain, membership and that these rules and obligations form part of the cornerstone of the profession. The challenge for CPA Australia is to provide a positive interaction at all times, without compromising the strength of the profession and the public interest in the name of meeting all individual requests.
**Cultural diversity**

CPA Australia takes pride in the cultural diversity of our members. Many factors have contributed to the cultural diversity of the membership: increased international mobility has provided opportunities for professionals to work and study outside their home country; and the globalisation of business has created a need for professionals with knowledge across diverse and multiple jurisdictions. An important aspect of CPA Australia’s success internationally has been recognition of the benefits to be gained through encouraging a culturally diverse membership, including providing members the opportunity to develop increased cultural awareness and a broader understanding and appreciation of the issues impacting the profession internationally.

**The future**

The challenges for professional accounting bodies are significant and diverse. As a result of globalisation so many aspects of business and the accounting profession have become unified across national boundaries; it is our view, however, that it is important to maintain diversity within the profession. How will professional bodies, and the profession, change with the increasing globalisation of business and the convergence of international standards? How will the day-to-day roles of our members change as technology increasingly takes over the repetitive work which was previously the task of graduates, and which provided for them a solid practical foundation in the profession on which to build? What steps must member bodies take to ensure they remain relevant to the profession as the changes continue?

One recurrent issue facing the profession is the skills shortage. Universities find it difficult to predict how many people are going to graduate from accounting in any particular year, partly due to the broad nature of business and commerce degrees. Research from The Grattan Institute (Norton, 2011) indicates that within Australia domestic accounting student numbers are static. And while Australian universities are attractive to international students it is unsustainable to build a profession based on the assumption that international graduates will provide the numbers to meet Australia’s domestic needs.

As a profession we must continue to expect that accounting and business graduates complete a professional program, such as the CPA Program, and complete supervised work experience before they are considered work ready. The CPA Program provides relevant postgraduate learning and professional experience.

A further challenge for all member bodies is the competition for members between the professional bodies, all basing their competitive advantage and claim for success on being the best at what they do; this is the nature of business. In that competitive environment, however, it is important not to lose sight of what CPA Australia as a professional organisation, and the profession as a whole, is trying to do in terms of supporting our members, working to promote the profession and protecting the public interest.
References


Chapter 7

The Transforming Finance Function: Implications for the Education and Training of Accountants

Paul Thambar

The contemporary business environment is increasingly complex (Stacey, 2010). Dynamic and hyper-competitive environments are becoming more common in many industry sectors. Financial crises, governance failures and social and environmental issues have led to increased uncertainty, risks and costs for all types of organisations. Managers are required to seek more, better and timely information and analyses for decision making, and rely increasingly on the finance function and accountants to provide it. Finance functions, which provide transactional financial accounting (general ledger accounting, payables and receivables, external reporting), specialist services such as tax, internal auditing and finance systems and management accounting (decision support, planning and budgeting, information analysis), are facing the twin challenges of keeping costs down while also providing more and better services. To meet these challenges, finance is transforming (CIMA, 2010), focusing on providing an efficient core service around transactional financial accounting and specialist services, and moving management accounting into the business, as business partners or advisors, to provide an effective value-added service, supporting decision making. This chapter examines two related questions: How should finance transform itself? And what are the challenges that result from this transformation? The second question will raise issues for accounting educators, which will be discussed in this chapter. The Chartered Institute of Management Accountants (CIMA), a global management accounting professional organisation, has spent considerable amounts of time and money in researching these issues, and key findings from this research are outlined in this chapter.

The modern finance function

The modern successful finance function is at the core of all progressive organisations, contributing to the achievement of strategy. A successful finance function is expected to make contributions to the provision of efficient and effective finance processes and to the delivery of specialist services such as audit, tax and finance systems. It should also contribute to effective management of control, risk and regulatory compliance and provide strategic business insight to support decisions through analysis of performance, finance and business information. Importantly, the finance function should have deep engagement with business to support and drive strategic initiatives.
Research by CIMA UK (CIMA, 2011) into the finance function in practice has found that an evolutionary and seismic change is taking place in all types of organisations and industries, driving a closer collaborative relationship between accountants and the wider business. For instance, CIMA (2011, p. 4) state that:

A collaborative finance function which provides effective management support will undoubtedly have a positive effect on company performance … not least through providing support and rigour to investment appraisal, providing line management with appropriate and timely insight and analysis and through ensuring that planning assumptions are well conceived.

This change requires accountants with a diverse range of competencies and skills to fulfil effectively the expected role and responsibilities of the finance function.

The changes taking place in the finance function are not only creating new roles but also changing the focus and delivery of traditional accounting services. Management accounting roles are being reshaped to focus more on value creation; they are ‘outward-facing’, located along the value chain in business units, working closely with business managers. The roles have also been renamed, variously referred to as business partners, business advisors and strategic analysts (business partners will be used in this chapter). The flexible organisation supported by technology is also enabling business partners to be located anywhere within the organisation.

Traditional accounting roles, focused on transactional financial accounting and specialist services, are being refocused with an emphasis on efficient processes, supportive technology and efficient organisation. Many organisations are establishing these roles and responsibilities in shared service centres, generally in low-cost economies, to leverage opportunities for economies of scale and scope and to take advantage of human, process and technology skills.

The transformation of the finance function can be a piecemeal exercise but successful transformations appear to follow a four-step, integrated framework. This framework, described in Figure 1, has been developed from extensive practice research conducted by CIMA. The following sections expand on these steps and discuss their impact on future accounting education.

**Figure 1: Finance transformation framework (adapted from CIMA research)**
Finance strategy: Providing a focus for change

In the past strategy has been focused on content (e.g., objectives, actions) within a static framework (Hoskisson et al., 1999). Informed strategy thinkers suggest that strategy is a process, a recursive one, in which strategy is shaped and reshaped by managers as business conditions change and evolve (Mintzberg, 1987; Whittington, 2006). A transformed finance function needs both a clear and focused strategy and a process that can respond to changes in the business environment. The finance strategy needs to be closely aligned to the organisation’s business strategy. The finance vision must be clear and engage all accountants in the function. The strategy needs to have clearly articulated and measurable goals. The strategy must identify key stakeholders and their expectations. Performance measures and targets must be simple yet effective in helping finance to measure the success or otherwise of its strategy performance. All accountants should be able to articulate the strategy to other members of the organisation simply and clearly.

Finance organisation: Structuring to support efficiency and effectiveness

CIMA research (2010) suggests that the finance organisation is shaped by the organisation’s needs for services and support. Broadly, the finance organisation has three components – transactional financial accounting, specialist services (e.g., tax, finance systems) and management accounting (e.g., business partners) – and the structure for each component is shaped in different ways.

The structure for transactional financial accounting services can be through external provision or internal provision. External provision can take two forms: an external organisation enlisted to provide transactional financial accounting services or a related organisation providing centralised services. An external organisation, known as a Business Process Outsourcer (BPO), is specialised in providing transactional financial accounting services and would operate large service centres providing these services to multiple organisations. The BPO is able to leverage economies of scale and scope, using skilled resources, efficient business processes and technology, providing a low cost service. A related organisation providing transactional financial accounting services is usually a captive shared service centre, operating onshore or offshore, able to obtain much of the benefits of a BPO but retaining control of services within the parent organisational group (Herbert and Seal, forthcoming). In the internal provision mode, the transactional financial accounting services can be provided through a centralised or decentralised finance function. Decentralisation can be full or partial, with the former approach resulting in accountants in each part of the organisation providing transactional financial accounting services. This internal mode of provision has been the traditional approach undertaken by most organisations and remains popular but is under increasing pressure to deliver change and efficiencies.

The structure for the provision of specialist services tends to follow the approach taken for transactional financial accounting services. Specialist services cover three core functions: internal audit, tax and finance systems. Increasingly, these services are provided either by an external organisation (e.g., BPO or accounting, IT organisations) or by a captive shared service centre. The focus is on obtaining these services in the most cost efficient and effective manner.
CIMA research (2011) suggests that the provision of management accounting is the rapidly evolving part of the finance function. The traditional management accounting role within organisations has included tasks such as month end reporting, budgeting and forecasting, and analyses for decision making. In the emerging model, more capable and enlightened management accountants have also been engaged in business case development, strategy development, and planning and business advice. The evolving role of the business partner incorporates responsibility for all these tasks and includes active involvement in supporting business decision making. The business partner is a key advisor to business managers, engaged in ongoing and regular discussions and decisions around strategy, costs, risks, change initiatives and new business opportunities. The business partner spends less time and effort on traditional accounting functions such as transactional financial accounting, tax and external reporting.

Management accounting is the only part of this model for the finance function that is retained within the parent organisation but located, in a decentralised fashion, along the value chain within different functional business units. Business partners can be found in functional units such as marketing, brand, logistics and procurement, operating away from the finance function with matrix reporting responsibility to functional unit managers and to the head of the finance function (e.g., Chief Financial Officer). Business partners have their remuneration and incentives aligned to their functional unit’s business performance, giving them a vital stake in its performance.

### Finance processes and technology: Enablers of change and performance

Finance processes and technology are enablers of change and improved performance. The focus is on having efficient and effective finance processes that are well defined, streamlined and supported by appropriate technology. Process techniques such as business process management, lean sigma and total quality management have enabled processes to be established as enablers of performance. Modern technology, including enterprise resources systems, data warehouses, business intelligence software and personal software and tools (e.g., tablets, smart phones, etc.), have created a huge revolution in the ability of finance to record, process, analyse and deliver information and analyses. The transformation of the finance function has been enabled and driven by improved processes and technology.

### Finance people: Skills and competencies

Human capital and talent is the single most important differentiating factor in the success of the modern organisation (Certified Global Management Accountant [CGMA, 2012]). According to the CGMA report (2012, p. 8), ‘Our future talent base has to more naturally map to our future customer and relationship base and where our business is going to be’. The modern finance function requires a diverse range of skills and competencies (CIMA, 2011). Broadly, a finance professional has two sets of competencies: technical competency and business competency. Technical competency encompasses two distinct skills: accounting skills and IT skills. Accounting skills cover all the financial accounting,
auditing, management accounting and tax knowledge required by an accountant. IT skills cover knowledge on new concepts, techniques, tools and technologies including an ability to work with IT professionals, translating business and accounting issues into IT concepts and language. IT skills do not include the ability to do programming and software development. Business competency covers a range of commercially oriented skills including interpersonal skills (e.g., influencing skills), leadership skills (e.g., mentoring and engaging others), strategic agility (e.g., flexibility), communication skills (e.g., effective discourse with non-finance staff), problem solving skills (e.g., critical thinking), change management skills (e.g., initiating change), and risk management skills (e.g., risk assessments).

The balance and importance of the two sets of competencies differ depending on the organisation type and the role. Technical competency is seen as a basic requirement, fundamental to an accounting role, particularly if the role is involved in transactional financial accounting or specialist roles. Technical competency is also valued more in junior finance roles. Business competency is seen as a vital complement to technical competency in more senior finance roles and, in particular, in business partner roles.

CIMA research (2011) suggests that organisations have a preference for recruiting candidates with technical skills and to then develop the business skills in the work environment. This trend is reinforced by the low demand shown by senior finance managers for business related postgraduate qualifications (e.g., MBA) when recruiting candidates for finance roles. However, both technical and business competencies are not just recruited into organisations but can be developed through workplace training. While the rhetoric suggests that organisations do develop these skills, costs and time away from work act as limitations to this activity. Anecdotal evidence suggests that in tough times, training budgets are one of the first items to be slashed.

**Educating and training future accountants**

A transformed finance function poses many challenges for business, academia and accounting bodies. Should the current trends towards finance transformation continue unabated. With transactional financial accounting and specialist services moving offshore to BPOs and captive shared service centres, the availability of these foundational roles within developed economies will reduce. This reduction will impact on opportunities for recruiting and training accountants.

The increased demand for business support and business partners with both technical and business skills will place a huge emphasis on the education and training of future accountants. Many university and professional accounting educational programs place a greater emphasis on technical accounting skills and a lower emphasis on practical IT skills and business skills. CIMA (2011) research suggests that employers are less enthusiastic about external education, including professional accounting qualifications, despite continuing to rate this item highly in practice surveys. This state of affairs is, perhaps, an indication that university and professional accounting educational programmes need to demonstrate their practical value and produce graduates who are ‘work ready’.
Current Australian university programs (undergraduate and postgraduate) focus on providing technical accounting skills and some broad-based business skills to graduates. Graduates with a specialisation and interest in accounting continue to undertake courses with specific professional accounting bodies to gain professional accreditation and membership. The courses required by the professional accounting bodies focus on assessing prior education and imparting new skills mainly around professional ethics and business skills. As an example, CIMA requires a capstone subject, based around a case study that examines graduate skills in technical accounting, such as business case development and business skills, such as strategic agility and written communication. The programs on offer by universities and professional accounting bodies have been successful in meeting the current requirements of the finance function.

However, in the contemporary globalised environment, a transformed finance function requires universities and professional accounting bodies to develop and produce graduates with a broader range of skills. Current programs will need to be upgraded in two specific areas: business competency skills and IT skills. The current focus on technical accounting skills will need to be modified and updated to respond to changes in the business environment, particularly the shift to a service and knowledge-based economy. While the practice relevance of accounting research has been a topic of discussion for some time (Johnson and Kaplan, 1987; Hopwood, 1983; Evans et al., 2011), with no significant solutions implemented there is also a need for academics to build and maintain industry and practice links to understand and respond to changes in the business environment and in the finance function. This aspect poses a challenge for academics, particularly those who do not conduct field-based research studies, and therefore have limited interaction with practitioners.

Current technical accounting skills included in university programmes need to be reviewed and continually updated to respond to changes in the business environment. As an example, most management accounting subjects deal with product costing and focus on understanding and analysing direct costs, such as material and labour costs. For many products and services, these costs represent a diminishing component (less than 15%) with marketing and branding, and research and development costs forming a larger and important component. Traditional accounting theory treats costs such as marketing as period costs and does not focus on the value provided by these costs. Yet business partners in the modern finance function are being asked to assess and analyse the value generated by these period costs. Accounting research on intellectual capital and intangibles (CIMA, 2011) may be useful to help deal with these issues but this knowledge is not commonly available in university educational programmes.

The modern finance function, particularly business partners, will require a greater level of business and IT skills. As identified by CIMA (2011) research, business skills such as leadership, strategic agility and change management will be essential for business partners. Higher order IT skills such as business intelligence will also be expected as a routine skill set. Most university and professional accounting courses and programs provide a limited array of these skills in their educational contents. These programs will need to become broader and examine new ways of developing and delivering
this content if university education of the modern finance business is to retain its relevance. Delivery options that include industry internships, practitioner taught subjects, and compulsory participation in business game competitions to hone certain business skills (e.g., presentation skills), may also need to be considered.

Accounting academics should be encouraged to build and maintain ongoing links with industry and business. These links are essential for those involved in teaching management accounting subjects. Options such as industry sabbaticals, recruiting academics with industry experience and industry research partnerships should be actively promoted for accounting academics. Presenting research to industry audiences through practice accessible journals and conferences should be encouraged and valued as part of academic performance management.

**Conclusion**

The finance function is transforming. The focus of the function is on efficiently performing the ‘core business of finance’, which is transactional financial accounting and specialist services and being an effective business partner, supporting management decisions. The value adding part of finance is being a business partner, helping with decisions on strategy, costs, risk and new business opportunities. By performing this value added role, finance professionals will be in a position to regain some of the ‘relevance lost’ as suggested by some academics (e.g., Johnson and Kaplan, 1987). ‘I would always tell you our best accountants are the ones that take large amounts of data and then turn it into information; then they are able to articulate that information into an idea about how to generate more money or create more value’ (CGMA, 2012, p. 19).

However, the new roles and focus come with a requirement for new and updated technical and business competencies and skills, which poses a challenge for educators and professional accounting bodies. New and more in-depth education in business and IT skills and new areas of knowledge will require educators in universities and professional accounting bodies to develop new courses and modes of delivery to support accounting professionals in the modern finance function.
References


Chapter 8

Accreditation Pathways for Accounting Programs in Australia: Changes to the Regulatory Environment

Mark Freeman and Phil Hancock

The current pathways to recognition and practice as a professional accountant in Australia are complex. We unpack this complexity, pointing out the part played by professional accounting bodies and regulatory agencies as well as higher education providers. Recent regulatory developments, primarily those in the Australian higher education context, have significant implications for the accounting profession. The release of new higher education regulations and legislation in 2011 and 2012, including a substantial revision of the Australian Qualifications Framework (AQF), and the establishment of the new Tertiary Education and Quality Standards Agency (TEQSA) and its regulatory risk framework, have added further complexity, especially at the level of accreditation for providers. These developments give rise to the following three questions:

1. What should be the role of professional accounting bodies in accrediting accounting programs offered by higher education providers?

2. What are appropriate discipline-based learning standards for professional bodies accrediting accounting programs, given that the AQF establishes generic learning outcomes for all recognised awards?

3. How can professional accounting bodies assure that graduates of higher education providers are meeting the discipline-based learning standards?

To answer these questions we examine the function of professional membership because it impacts employment opportunities and the type of work accountants can undertake. We review current membership pathways and their historical triggers to clarify what needs to be considered for future pathways. We consider the implications of several recent regulatory developments and, finally, respond to the three questions posed.

Function of professional accounting body membership

Remarkably, with the exception of external auditors, tax agents, financial planners and liquidators, there is no legal requirement for accountants to be registered or to be members of a professional body in Australia. However, there are strong self-regulating mechanisms operating within the profession, linked with incentives for accountants to seek membership in a professional body. First, employers in industry, government and public practice tend to seek recruits who are members of a professional accounting body, preferably an Australian one. Second, membership acts as a filter of achieved ability, ongoing professionalism and discipline. And third, accountants seeking global employment, access to resources, networking and professional development can gain a further advantage from joining
an international professional body or an Australian professional body with brand value in the relevant international context.

Professional bodies in Australia vary in reach, reflecting in part their history and size. Formed under royal charter in 1928, the Institute of Chartered Accountants in Australia (the Institute) represents longevity and offers a connection to the international family of chartered accounting bodies with roots to the mid-19th century, formalised in 2006 as part of the Global Accounting Alliance (GAA). The largest Australian body by membership is CPA Australia (CPAA), which traces its heritage most recently to its incorporation as the Australian Society of Accountants in 1952. CPAA is a product of multiple mergers with other Australian professional bodies, including one that boasts 1886 roots, and its brand receives global recognition. The third Australian professional body for accountants is the Institute of Public Accountants (IPA). Increased globalisation of business in the latter half of the 20th century has led to greater opportunities for accountants to gain experience overseas and to contribute to international business. Membership in international professional accounting bodies enhances Australian accountants’ employment opportunities because the bodies’ brands have greater reach. For example, the Association of Chartered Certified Accountants (ACCA), established over a century ago in the United Kingdom, boasts members in 170 countries. It has a strong international presence in Asia and is active in Australia. Another is the Association of International Accountants (AIA), a United Kingdom body with a clear international focus; it has members in 85 countries and its qualification is recognised in 30 countries.

A thumbnail sketch of the pathways to professional membership

In this section we outline the respective histories of the three Australian professional accounting bodies and the two international bodies mentioned above. Understanding historical drivers of change helps to identify what needs to be considered for future pathways.

Traditionally, candidates seeking membership in one of the three Australian professional bodies were required to pass a set of qualifying exams after successfully completing a major course of study in accounting recognised under the AQF – a bachelor degree for the Institute and CPAA or an advanced diploma award for the IPA. AQF-recognised awards could be granted only by higher education providers (HEPs) with self-accrediting authority legislated through a state university, or by a higher education provider accredited for a limited period by one of the state government accrediting authorities. Thus, the Institute and CPAA would accredit Australian HEPs that met certain standards for a limited period, typically five years. More recently, HEPs have sought to have their degrees recognised by the IPA. While standards for professional body accreditation included expected outcomes, the accreditation process focused primarily on teaching inputs or processes, such as qualifications of teaching staff and at least 50% assessment in examinations. One important teaching standard was the provision of the core curriculum areas in the syllabus, which were packaged typically as individual for-credit units of study by HEPs. However, although effectively outsourcing foundation-level qualifying exams, achievement standards on assessed student work have not been subject to external review as

10. Previously the National Institute of Accountants.
11. Accountants already qualified overseas are the exception, since they seek recognition under the Australian government’s National Office of Overseas Skills Recognition.
12. Six core areas for the Institute and nine for CPAA in the 2009 Accreditation Guidelines.
part of the accreditation process by the Australian professional accounting bodies. We return to this anomaly in a later section.

Under this traditional regime, upon graduation with an accredited accounting degree, candidates could seek full membership (of an Australian professional accounting body) providing they had met two conditions:

1. A program of four to six professional-level units of study offered through the professional body.
2. A minimum period of three years of accounting experience, mentored by an existing member.

However, in 2012, pathways to professional accounting membership differ considerably, reflecting several economic and regulatory factors. We discuss these in the remainder of this section.

The capabilities required of accountants increased in the late 20th century due to more complex tax regimes, increased demand to facilitate transactions in new contexts because of globalisation, and technology that simultaneously reduced the time spent recording transactions and increased the potential information available from analysing large databases. By coincidence, at the same time, there was a shortage of qualified and experienced accountants. Table 1 summarises the various pathways offered by HEPs and professional bodies to eliminate this continuing shortage.

**Table 1: 2012 Educational requirements for full membership to professional accounting bodies**

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Because of these shortages HEPs have sought to attract bachelor graduates (AQF level 7) without sufficient prerequisite accounting studies to enter the profession. And in packaging the requirements for those graduates seeking a career change into accounting, some providers created graduate diplomas (AQF level 8) – this being the first new qualification type in the 1990s. But it had unforeseen consequences; because graduate diplomas had little brand value outside of Australia, and accounting became more attractive to overseas graduates holding non-accounting bachelor degrees from international universities, 12-unit accounting conversion master degrees (AQF level 9) became very popular. The Australian accounting master degree provided international bachelor graduates with a further recognised qualification and potential professional membership to the Institute, CPAA or IPA, which also increased their employment prospects at home. It was intended to meet a need for those with Australian employment aspirations, and the award also offered graduates extra points when applying for residency in Australia. Several HEPs have gone further and embed both the professional level exams for the CPA Program as well as foundation level exams, for example, Macquarie University’s Master of Accounting (CPA Extension).

During this period, Australian professional bodies also sought to meet increased demand by encouraging members of international professional accounting bodies to migrate to Australia, and these bodies explored more flexible educational pathways. For example, following a major renewal of its Professional Year Program in 2000, the Institute rebadged it as the CA or Chartered Accountants Program, and its five-unit course also achieved graduate diploma (AQF level 8) status under the New South Wales (NSW) government accrediting authority. The Institute remains the only Australian accounting professional body accredited to offer AQF awards in its own right. In 2007, the Institute announced two further pathways: entrance exams available to those with non-accounting degrees but relevant accounting experience; and (for Australian non-accounting bachelor degree graduates preferring a shorter pre-candidacy than a conversion master) a graduate certificate (AQF level 8), with eight units covering foundational knowledge areas for chartered accounting, as a fully online qualification offered only through Deakin University. Amongst others, Curtin University has since redeveloped an eight-unit accounting graduate diploma (AQF level 8).

Also during this period IPA offered full membership to associate members who were completing the mentored experience program, which provides a structured approach to learning in the workplace, in addition to several pathways through the IPA Program. Completely online and outsourced to the University of New England (UNE), each IPA educational pathway involved an AQF qualification. Full membership was available to candidates with an advanced diploma in accounting (AQF level 6), who then successfully completed an eight-unit UNE accounting master degree (AQF level 9) as the IPA professional program. Candidates with an accounting bachelor degree needed only to complete a four-unit UNE graduate certificate (AQF level 8) to satisfy the core elements of the professional program. In contrast to the Institute and CPAA, career-change graduates holding a level 6 – 9 AQF award that did not include a major course of study in accounting had no other direct pathway to full IPA membership.
The recent CPAA flexible pathways to full membership also blurred the previous pre-candidacy and candidature distinction. Candidates could apply to have their case individually assessed, and those with an accounting bachelor degree (AQF level 7) or accounting conversion master degree (AQF level 9) could continue to forgo the eight-unit foundational element and complete only the six-unit professional element of the professional program. In 2011, an additional flexible entry pathway was announced involving an accounting bachelor degree (AQF level 7) jointly delivered between four universities and Technical and Further Education (TAFE) colleges in NSW. Students will be able to complete the first two years with TAFE as part of an associate degree (AQF level 6) before proceeding to the final year to complete a university recognised bachelor degree in accounting (AQF level 7).13

The last example of creating alternative pathways received plenty of publicity when it was first announced. In 2009, CPAA announced that applicants without any accounting qualification at AQF level 6–9 or relevant experience, including recent high school graduates, could enter and complete the eight-unit foundational element of the CPA Program. If successful, they could then complete the six-unit professional element of the CPA Program. Candidature for full CPA membership is satisfied, however, only on completion of the necessary mentored experience and successful completion of any bachelor or master degree or postgraduate higher education award of not less than eight units (AQF level 7–9).

By way of comparison with these pathways to full membership with an Australian professional body, since 2002 full membership of ACCA became possible for Australian accounting degree graduates, if their Australian provider was accredited with ACCA. They needed to complete only the five professional level units because they were exempt from the nine foundation units if their degree was accredited by ACCA. Like others without an accounting degree, Australians completing the foundation units could also enrol simultaneously for the United Kingdom-based Oxford Brookes University degree.14 They were awarded the degree on completion of the foundation units plus three further Oxford Brookes units (including a major research project), but they still had to complete the professional level units for full membership. Similarly, Australians could enter the AIA six-unit foundation program from school before completing the AIA ten-unit professional program. AIA members could use their studies towards several bachelor and MBA degrees offered by UK universities or complete one of several AIA-recognised diplomas.15

In summary, we see that HEPs continue to be the primary, but no longer the exclusive, providers of foundation level education requirements for membership of Australian professional accounting bodies. Also, overseas professional bodies competing for future member accountants continue to offer foundation as well as professional level programs to satisfy educational requirements for potential members. However, one significant change is that a recognised qualification now plays a greater role at both foundation and professional levels. This raises the potential role that government accrediting authorities can play since they influence requirements for national recognition. We turn now to discuss several recent regulatory developments.

13. The initiative involves Macquarie University, Charles Sturt University, UNE and Australian Catholic University.
14. Bachelor of Science (Hons) in Applied Accounting.
Recent Australian regulatory developments and their impact on membership pathways

Educational requirements for membership of Australian accounting professional bodies are subject to the regulations of the International Federation of Accountants (IFAC) and the national higher education regulator, TEQSA.\(^\text{16}\)

Formed in 1977 to ensure global best practice in accounting, IFAC influences its 164 member organisations in 124 countries and jurisdictions through its independent standard-setting boards covering education (as well as public sector accounting, ethics and auditing and assurance). IFAC member organisations are required to abide by international education standards (IES) promulgated by the International Accounting Education Standards Board (IAESB) covering professional accreditation. Furthermore, decisions of the IAESB are subject to approval by IFAC’s own Public Interest Oversight Board to ensure due process, including extensive public interest consultation.

In December 2011, the IAESB announced a revision and redrafting of the eight education standards, thereby providing greater clarity and alignment to the 2009 revised framework; these revisions will apply from 2014.\(^\text{17}\) The overall objective of the new standards is itself not new: to develop competent professional accountants, where ‘competence’ is defined as ‘the ability to perform a work role to a defined standard with reference to working environments’.

All three Australian professional bodies (ICAA, CPAA and IPA) are IFAC members. Of the two aforementioned professional bodies originating in the United Kingdom, ACCA has a long connection and was a founding IFAC member, whereas AIA is seeking IFAC membership.

As IFAC members, professional bodies are expected to assess the outputs (e.g., workplace performance, workplace simulations, written examinations, and self-assessment) as well as inputs (e.g., number of hours an individual is expected to attend a course or subject) of candidates for membership. Also as identified in an earlier section, Australian professional bodies do not currently review assessed student work as part of their process of accrediting HEPs offering accounting programs.

Furthermore, the 2011 exposure draft for International Education Standard 1 (IES 1), which refers to professional accounting program entry requirements,\(^\text{18}\) removed the obligation that admission to a professional program be at least equivalent to that of admission into a recognised university degree program or its equivalent. Instead IES 1 requires that:

- candidates have a reasonable chance of successfully completing the professional program;
- professional bodies have the relevant information to assist informed decision making by candidates about their reasonable chance of successful completion.

In addition, the ways that professional pathways intersect and interact with recognised Australian qualifications is due to changes to the higher education regulatory environment.

\(^{16}\) International accreditation of accounting programs by the Association to Advance Collegiate Schools of Business (AACSB International) is ignored because it only pertains to two Australian universities.

\(^{17}\) www.ifac.org/publications-resources/international-education-standards-revision-project

\(^{18}\) www.ifac.org/sites/default/files/publications/files/Proposed_Revised_International_Education_Standard_1.pdf
Established in July 2011, TEQSA’s ambit superseded the quality assurance function previously undertaken by the Australian Universities Quality Agency. In January 2012, TEQSA’s ambit superseded the regulatory function previously undertaken by the government accrediting authorities in each Australian state or territory. This single national regulator has been legislated to take a standards-based or outcomes-based approach to assessing the performance and risk of all Australian HEPs. According to the legislation, two of the five standards, namely Provider Standards and Qualifications Standards, have threshold or mandatory status meaning providers must meet them. The remaining three standards to be released – Research Standards, Information Standards and Teaching and Learning Standards – will clearly also impact on learning standards.

It follows that providers will need to meet key sections in the thresholds legislation (Australian Government, 2011) relating to learning standards, ensuring that:

- awards leading ‘to a qualification located at levels 5, 6, 7, 8, 9 or 10 of the AQF meet the corresponding specifications (including the levels criteria and qualification type descriptors) described in the AQF’;19
- internal processes for design and approval of the course of study are robust and ‘take account of external standards and requirements (e.g., published discipline standards, professional accreditation, input from relevant external stakeholders, and comparable standards at other higher education providers);’
- ‘academic standards intended to be achieved by students and the standards actually achieved by students, in the course of study are benchmarked against similar accredited courses of study offered by other higher education providers’;
- ‘students who complete the course of study have attained key graduate attributes, including an appropriate level of English language proficiency’.

The following section of the TEQSA ambit is particularly reassuring for accounting departments in publicly funded institutions that have been facing funding restrictions, ever larger numbers, and more diverse student cohorts (Burritt et al., 2010):

Resourcing for the course of study is adequate to meet the higher education provider’s projected enrolments for the course of study and for students to achieve the expected learning outcomes (Australian Government, 2011).

It will be of comfort to prospective accounting students that TEQSA now publishes online an official up-to-date register of HEPs, which will enable students to ascertain the status of the providers.20

More recently, in March 2012, TEQSA released the regulatory risk framework, which contains a list of the indicators that provider case managers will use to form judgements about the risk of each higher education provider. Although such risk ratings will typically not be public, the rating determines the level of scrutiny and potential intervention. It will take some time for the framework to take effect, but it is worth noting that one of the key risk indicators is ‘compliance issues with professional accreditation’.

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19. www.aqf.edu.au
Whereas TEQSA has indicated that a more detailed risk scan of all regulators will occur later in 2012, it is likely that other concurrent changes taking place, such as demand-driven funding, will further complicate judgements; and it is possible that individual disciplines may be hidden from judgements about the risk profile of any one provider, particularly larger, more-complex ones.

**Accreditation of accounting programs**

Accrediting an accounting program entails a rigorous assessment of the program – according to the requirements for accreditation formulated by the accrediting body; then, if the accreditor is satisfied that the program meets the requirements, official accreditation is given. In the final section of this chapter, we address, in turn, the three important questions posed at the outset.

1. **What should be the role of professional accounting bodies in accrediting accounting programs offered by higher education providers?**

Traditionally in Australia, the Institute and CPAA have jointly accredited higher education programs to provide foundation level learning outcomes. The IPA accreditation process has been separate and less arduous for HEPs than that of the Institute and CPAA. For the IPA, accreditation means that graduates of the accredited program are eligible to enrol in the IPA Professional program. The 2009 ICAA and CPAA joint accreditation guidelines include references to degree admission standards and expected outcomes including generic competencies and assessment practice. The guidelines also list the nine core curriculum areas and refer to the value of employers’ views on the standards of accounting graduates, but do not specify minimum or threshold standards. Importantly, the guidelines do not require HEPs to provide examples of student work to demonstrate any achievement of expected outcomes of graduates. However, TEQSA is concerned with learning standards and outcomes for all AQF-accredited programs. As Australian business schools have increasingly pursued international accreditation with the Association to Advance Collegiate Schools of Business (AACSB) and the European Foundation for Management Development (EFMD) in the last decade, assurance of learning has been emphasised and international benchmarking has had an influence on accounting program curriculum development and quality.

However, the Institute and CPAA have recently been offering pathways for candidates to meet the foundation level requirements, which present the intriguing possibility of competing with providers they also accredit. Such potential conflict has caused some friction between the bodies and accounting academics, as reported by Matchett (2009, p. 29):

> The peak accounting body CPA Australia wants to increase pathways into the profession and the universities are not happy. But while this looks like an arcane argument over accreditation, it involves broader questions of how national qualifications are assessed in a global education market and whether people will always pay for an expensive education when lower-cost options are on offer.

As noted above, having professional accreditation reduces the risk profile of a HEP in the new regulatory environment. Of course, it is possible that TEQSA will view AACSB and EFMD accreditation in the same light as accreditation by a professional accounting body; but at present, business schools and accounting programs face accreditation demands from various bodies and the costs of accreditation processes are considerable. Therefore, as noted by O’Keefe and Henderson (2012):

… there is much value to be gained if higher education institutions and professional accreditation bodies confirm and articulate the intersection of learning outcomes with the professional bodies’ standards and TESQA expectations. This process of identifying and matching the overlapping goals and expectations of educational, professional and government institutions will highlight any gaps or mismatches related to teaching, learning and assessment in such a complex context, and promote a continuous dialogue between institutions, accreditation agencies and TESQA.

It is important in this new world that the professional accounting bodies acknowledge the role and value of other accrediting bodies like the AACSB and EFMD. It is important for business schools with scarce resources that professional bodies’ accreditation requirements avoid duplicating requirements of other accrediting bodies.

2. What are appropriate discipline-based learning standards for professional bodies accrediting accounting programs, given that the AQF establishes generic learning outcomes for all recognised awards?

Sadler (2009, p. 817) defines standards as:

a definite level of excellence or attainment, or a definite degree of any quality viewed as a prescribed object of endeavour or as the recognised measure of what is adequate for some purpose, so established by authority, custom, or consensus.

In 2010, the Australian Learning and Teaching Council (ALTC) published the Learning and Teaching Academic Standards for Accounting (Hancock and Freeman and Associates, 2010). This statement provides a set of minimum or threshold learning outcomes for bachelor and master level degrees in accounting for all Australian HEPs (Freeman and Hancock, 2011). The process to develop the standards included widespread engagement with all stakeholders,22 including employers, with input from the Accounting for the Future study by Hancock et al. (2009). Consistent with Sadler (2009), there was significant consensus about the following five learning standards developed through this collaborative process – communication skills, teamwork and self-management, disciplinary knowledge, being able to critically apply the knowledge in problem solving, and making judgements.

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22. The project engaged over 2,100 participants nationally, representing 38 Australian universities, 21 private and other providers and 20 other key stakeholders including professional and peak bodies.
In the UK, the Quality Assurance Agency (QAA) sponsored development of the subject benchmark statement for accounting includes a similar range of cognitive skills and generic skills: communication, critical thinking, self-management and teamwork (QAA, 2007). Providers are expected to consider them in the curriculum design process. In contrast, while the Australian accounting academic standards have not yet been endorsed by TEQSA, the legislation establishing TEQSA implies that providers will take notice of published discipline standards when designing intended outcomes and that achieved outcomes should be benchmarked against intended outcomes and against those achieved in other institutions. In letters to HEPs in December 2010 and February 2011, the Institute and CPAA have also separately acknowledged the role of the ALTC standards in accounting education in Australia.

Therefore, in summary, it seems reasonable to use the threshold learning standards developed through the ALTC Learning and Teaching Academic Standards project. They were developed through extensive consultation and consensus as advocated by Sadler (2009) and can justifiably be described as published discipline standards.

3. How can professional accounting bodies assure that graduates of higher education providers are meeting the discipline-based learning standards?

One of the challenges for any professional accrediting body is to obtain assurance that applicants for accreditation meet the required standards for that body. Imagine the public outrage if doctors were accredited without evidence that they had met the standards expected of medical practitioners.

The accreditation requirements for the Institute and CPAA are currently being revised, but the principles are expected to be similar to the Guidelines for Higher Education Providers they published in 2009, which state:

The primary objective of joint accreditation is that the human and material resources, program orientation and teaching processes of accredited programs should be appropriate to the achievement of outcomes which meet the changing demands placed on those entering the profession (the Institute and CPAA, 2009, p. 1)

A key guiding principle in the 2009 Guidelines is principle number 4:

Professional accreditation is based on demonstrated quality of the education experience, with higher education providers establishing the objectives to be achieved, the means to their achievement, evidence that the objectives have been achieved, and mechanisms for continuous review and improvement (the Institute and CPAA, 2009, p. iii).
The accreditation process requires HEPs to ensure that the curriculum covers the required subject areas and embeds the development of generic skills, such as critical thinking, problem solving, communication and teamwork, as listed in Table 1 in the Guidelines.

While the Guidelines make reference to expected competencies and outcomes of graduates, the reality is that the accrediting approach of the professional bodies has primarily focused on inputs like staff, libraries and adequate funding levels. Professional body accreditation reviews have not included evidence of students’ achievement (in exams or assignments) of expected learning outcomes. How then do the professional accounting bodies obtain assurance that graduates have the required knowledge and generic skills? Both accounting bodies in the aforementioned letters of December 2010 and February 2011 make mention of the role of accrediting bodies, such as the AACSB, EFMD and TEQSA, and indicate that their reporting requirements will be reduced for schools accredited with these bodies. As argued by O’Keefe and Henderson (2012), synthesising of accreditation requirements would deliver benefits and savings for HEPs. It is encouraging also that the Institute and CPAA have provided both financial and in-kind support for the project *Achievement Matters: External Peer Review of Accounting Learning Standards*, which was initiated by the Australian Business Deans Council in 2010.23

The objective of the project is to collaboratively develop and implement a national model of expert double blind peer review for benchmarking learning outcomes against nationally-agreed learning standards developed under the national Learning and Teaching Academic Standards project (2010). Thus the *Achievement Matters* project has the potential to be incorporated as part of the accreditation process; and it can be a way for HEPs to provide accrediting bodies, such as the Institute, CPAA and TEQSA, with evidence that students are meeting the five threshold learning standards.

**Conclusion**

There have been several changes to the landscape of accounting higher education and the pathways to professional membership in the last few years. The advent of TEQSA and a new national regulatory system for HEPs in Australia adds another potential layer of accreditation to already resource-stretched accounting departments. It is therefore essential that the accreditation guidelines currently being revised by the Institute and CPAA integrate and acknowledge the relevance of Australia’s national regulator (TEQSA) and other international accrediting agencies, as well as IFAC, which are increasingly pursuing an outcomes-focused agenda.

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23. Funding also received from the Australian Learning and Teaching Council.
References


Chapter 9

Indigenous Pathways to the Profession

Gavin Tye

This chapter outlines historical and statistical information relating to Aboriginal and Torres Strait Islander peoples, and some of the challenges the accounting profession faces in addressing the very low numbers of Indigenous Australians within the profession. It discusses what individuals, the joint accounting bodies, the Big 4, mid-tier accounting firms and governments can do to assist Indigenous Australians in joining the profession.

History

Aboriginal Indigenous Australians are indigenous to the Australian mainland and adjacent islands. Torres Strait Islanders are indigenous to the Torres Strait Islands, which are at the northernmost tip of Queensland near Papua New Guinea.

British colonisation of Australia began with the arrival of the First Fleet in Botany Bay in 1788. One immediate consequence for Indigenous Australians’ health was waves of epidemic foreign diseases such as measles, smallpox and tuberculosis. In the 19th century, smallpox was the principal cause of Aboriginal deaths, which has been estimated to have killed up to 90% of the local Darug people (traditional custodians of much of what is modern day Sydney) in 1789.

Australia’s First Nations peoples, the Aboriginal and Torres Strait Islander people, today represent 2.5% (517,000) of the total Australian population. When reference is made to Indigenous Australians, it is important to remember that there are two separate cultures, Aboriginal peoples and Torres Strait Islander peoples, with 90% of Indigenous Australians self-identifying as Aboriginal, 6% as Torres Strait Islanders, and 4% as of both Aboriginal and Torres Strait Islander descent (ABS, 2006).

At 30 June 2006 (ABS, 2006) 32% of the Indigenous population lived in major cities; 21% lived in inner regional areas; 22% in outer regional areas; 10% in remote areas; and 16% in very remote areas. For the non-Indigenous population, a much higher concentration of people lived in major cities (69%) and less than 2% in remote and very remote Australia.

Children aged under 15 years comprised 38% of the total Indigenous population, compared with 19% in the non-Indigenous population; people aged 15 – 24 years comprised 19% of the Indigenous population (14%) and people aged 65 years and over represented only 3% (13%) (ABS, 2006).

The 2006 census revealed that the median age of Aboriginal and Torres Strait Islander people was much lower than the median age of non-Indigenous people (21 years versus 37 years). This provides the accounting profession an ideal opportunity to create a generational change for Indigenous Australians, so that they become more actively involved in financial decision making and value-adding contributions as qualified accountants (ABS, 2006).
Figures 1, 2 and 3 outline the current Aboriginal and Torres Strait Islander population by state and territory geographical distribution, as well as age structure compared to non-Indigenous Australians. Over the past 20 years, the census count of Indigenous people has doubled from 227,593 in 1986 to 517,000 in 2006. Much of the growth in the Indigenous population can be explained by natural increase (births minus deaths).

Other non-demographic factors, such as improvements in census collection methods and people identifying as being of Indigenous origin for the first time in the census, also contribute to the increased growth. Figure 3 shows the societal change of an increased trend toward more Indigenous Australians choosing to self-identify and therefore accurately reflects the total Indigenous population.

As a proud Indigenous Australian myself, even I chose for many years not to self-identify as there was covert, blatant, derogatory and at times overt racial discrimination, which, in one instance nearly led to my two brothers and me being among the ‘stolen generation’ of children in Brisbane in 1971.

‘Stolen generations’ refers to past state and federal government policy of forcibly removing Aboriginal and Torres Strait Islander children from their families. It is estimated that approximately 100,000 Indigenous children were taken from their families and raised in homes or adopted by white families, until the late 1960s and early 1970s. The policy was designed to ‘assimilate’ Indigenous people, and it was these children who became known as the ‘stolen generations’.

**Figure 1: Number of Indigenous Australians and percentage of total Indigenous population**

<table>
<thead>
<tr>
<th>State</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NT</td>
<td>64,005</td>
<td>12.4%</td>
</tr>
<tr>
<td>WA</td>
<td>70,966</td>
<td>13.7%</td>
</tr>
<tr>
<td>SA</td>
<td>28,055</td>
<td>5.4%</td>
</tr>
<tr>
<td>Qld</td>
<td>144,885</td>
<td>28.0%</td>
</tr>
<tr>
<td>NSW</td>
<td>152,685</td>
<td>29.5%</td>
</tr>
<tr>
<td>Vic</td>
<td>33,517</td>
<td>6.5%</td>
</tr>
<tr>
<td>Tas</td>
<td>18,415</td>
<td>3.6%</td>
</tr>
<tr>
<td>ACT</td>
<td>4,282</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

*Source: ABS 2006*
Figure 2: Age groups of Indigenous and non-Indigenous Australians

Age group (years)


Males

Females

Source: ABS 2006

Figure 3: Indigenous population counts

Source: ABS 2006
Aboriginal and Torres Strait Islander Australians place a great emphasis and value on ancestral connections to ‘traditional country’, regardless of whether there are Native Title determinations pending, approved or rejected. This cultural connection to ‘country’ was, and continues to be, a limiting factor for Aboriginal and Torres Strait Islander peoples in leaving their communities. They feel that they are being asked to give up their cultural identity and extended family connections to operate in a non-Indigenous world, by attending private boarding schools, TAFE colleges or universities, which can be thousands of kilometres away from their community of origin, in order to gain formal qualifications.

But it is these formal qualifications that are required within the accounting profession, and other professional career paths, that will bring about changes to future generations of Indigenous Australians. These changes will benefit the individual in the first instance and subsequently their communities. Improving full-time attendance and successful completion rates for Indigenous students through to Year 12 is the absolute key to ensuring that these students progress into studies at TAFE colleges, universities or trades, or to be more competitive in the employment market.

Universities have been funded by the Federal Government to implement programs that will increase future access for low socio-economic groups, which includes Indigenous Australians. Primary to each student’s successful completion of an undergraduate degree are support mechanisms that universities will need to implement to reduce the ‘cultural isolation’ that Indigenous Australians feel in gaining formal qualifications.

**Culture**

There is great diversity amongst Indigenous communities and societies in Australia, each with its own unique mixture of cultures, customs and languages. In present day Australia, these groups are further divided into local communities, which align with most state/territory borders.

The broad term ‘Aboriginal Australians’ includes many regional groups that often identify under names from local Indigenous languages. These include:

- Koori (or Koorie) in New South Wales (NSW) and Victoria;
- Ngunnawal in the Australian Capital Territory and surrounding areas of New South Wales;
- Murri in Queensland and some parts of northern NSW;
- Murrdi in southwest and central Queensland;
- Nyungar in southern Western Australia (WA);
- Yamatji in central WA;
- Wangai in the WA goldfields;
- Nunga in southern South Australia (SA);
- Anangu in northern SA, and neighbouring parts of WA and the Northern Territory (NT);
- Yapa in western central NT;
- Yolngu in eastern Arnhem Land in the NT;
There were over 250 – 300 spoken languages with 600 dialects at the start of European settlement in Australia. Fewer than 200 of these remain in use, and all but 20 are considered to be endangered. Indigenous Australians mostly speak English today, with Aboriginal and/or Torres Strait Islander phrases and words being added to create Australian Aboriginal and Torres Strait Islander English (Australian Institute of Aboriginal and Torres Strait Islander Studies, 2005).

**Council of Australian Governments on ‘Closing the Gap’ targets for Indigenous Australians**

The National Indigenous Reform Agreement (NIRA) was agreed by the Council of Australian Governments (COAG) in November 2007. This agreement commits all states and territories to achieve ‘closing the gap’ targets aimed at overcoming Indigenous disadvantage. The NIRA provides an integrated framework for ‘closing the gap’, which sets out the policy principles, objectives and performance indicators underpinning specific steps state and territory governments are taking to meet these targets.

A subset of the NIRA is the National Education Agreement, and key target areas include lifting the Year 12 or equivalent attainment rate to 90% by 2020 and halving the gap for Indigenous students in reading, writing and numeracy within a decade.

Paid employment is a key in reaching the ‘closing the gap’ targets that directly refer to engagement with the mainstream economy. Paid employment can provide economic independence and autonomy, which will allow Indigenous people to explore their own aspirations through economic development of their own businesses, and ongoing employment of other Indigenous Australians.

The low employment rates of Indigenous Australians has been well documented, and even over-reported in social media. Over-reporting at a state and federal level, while stating the challenges governments, Indigenous communities and the wider community face in addressing these issues, actually exacerbates and even contributes to economic deprivation and a range of social problems within urban, regional, remote and very remote Indigenous communities. If social media continually reports how bad the statistics are, there is the perception amongst Indigenous Australians that it will take a lot longer for them to be engaged in meaningful paid employment.

**Higher education student statistics**

In 2010 there were 1,192,657 domestic and international students enrolled at higher education providers across Australia, an increase of 5.1% from 2009.

Students who self-identified as Aboriginal and Torres Strait Islander comprised only 0.9% of all enrolments (up 6.0% from 2009 to 11,088 students) and 1.0% of commencements (up 4.9% to 5,068). The number of Indigenous students enrolled to study a business related subject, which includes accounting, was very small, with a majority choosing health, education and the arts (DEEWR, 2011).
In 2010, Aboriginal and Torres Strait Islander student retention rates were lower than non-Indigenous domestic student retention rates across all course levels, with student retention rates for undergraduate degrees of 71.9%, compared with 83.8% for non-Indigenous domestic students. Conversely, the percentage of Aboriginal and Torres Strait Islander students (9.6%) enrolled in Management and Commerce was half that of non-Indigenous domestic students (18.9%).

Interestingly the Aboriginal and Torres Strait Islander student retention rate was highest for higher degree by research courses (80.5%), followed by overall higher degree courses (71.9%). Clearly Aboriginal and Torres Strait Islander people who take that first step and engage in the higher education sector actually find that they enjoy the learning experience and pursue additional studies. Universities have now been tasked with increasing access to courses for low socio-economic status groups, which includes Indigenous Australians, and they should do their utmost to ensure that access and support mechanisms are specific to the prospective students’ needs.

Indigenous Australians experience varying degrees of cultural isolation when they make the life-changing decision to leave their ‘traditional country’ in urban, rural, remote or very remote communities to gain formal qualifications through private boarding schools, TAFE colleges or universities. There is also a range of historical and cultural barriers that limit the number of Indigenous Australians attending university to gain tertiary qualifications. Among these is the reality that the finances of Indigenous communities have long been (and in some cases continue to be) controlled by non-Indigenous people. There are, in some cases, also additional community control mechanisms that are the domain of the police. As a consequence some Indigenous people who have raised concerns or taken action against perceived injustice were labelled as troublemakers. These individual(s) were forcibly, quickly (and at times, in the middle of the night) relocated to another Indigenous community via a police watch house.

**The challenges ahead for the profession in attracting future Indigenous accountants**

It is important to acknowledge the tireless previous efforts by both Indigenous and non-Indigenous individuals and organisations who have worked to attract more Indigenous Australians into the accounting profession. Moreover, it is important to encourage those who have been actively involved to remain so, as their concerted efforts are now resulting in positive change.

In my opinion there has been a previous ‘silo mentality’ in the approach by the accounting bodies, primarily based on the competitive nature of each, to be the ‘preferred employer’. This approach means little to Indigenous applicants, who are seeking a range of other support mechanisms, including, but not limited to, work–life balance (in particular in regard to Indigenous employees’ obligations to extended family commitments), recognising and valuing cultural identity, culturally appropriate mentoring programs, and communication protocols.

Historically, Indigenous employees are employed in the private and public sector as ‘token blacks’ to increase Indigenous employment statistics and too often with limited genuine commitment to funding and implementing initiatives. A majority of these staff are often employed at lower remuneration levels than their non-Indigenous colleagues.
Employers need to ensure that their organisations value and promote a workplace culture that enhances diversity amongst their staff, particularly in relation to Aboriginal and Torres Strait Islander employees’ cultural obligations in relation to ‘sorry business’ (funerals), tombstone openings, and links to ‘traditional country’, which could include being a family/community Elder and/or representative for Native Title discussions/negotiations/resolutions and implementation.

Organisations need to factor in issues such as these to ensure their cultural identity is legitimate and meaningful to Indigenous Australians. Some organisations pursue this path as the ‘flavour of the month’ or by submitting to ‘corporate peer pressure’ in implementing Indigenous initiatives, like Indigenous employment strategies or reconciliation action plans. Superficial commitment is quickly recognised by Indigenous Australians as tokenistic and paternalistic.

While financial security is a cornerstone of the accounting profession, Indigenous communities can also create ‘knowledge wealth’ by sharing information that provides education and development opportunities for future generations. An ideal opportunity for increased ‘knowledge sharing’ and educational attainment in the coming years will be realised when the National Broadband Network (NBN) becomes a reality. The NBN will provide greater opportunities for all Australians, particularly Aboriginal and Torres Strait Islanders to access online learning modes, which will alleviate the need for them to leave their communities.

There is a perception amongst the wider Indigenous and non-Indigenous communities that the accounting profession is only about ‘numbers’, whereas many other skills are required to be a successful accountant. Some of these skills include, but are not limited to, communication, problem solving, teamwork, and adaptability to change at a local, organisational and global level.

The current number of Indigenous accountants is extremely low; in fact, only ten chose to self-identify in 2011 (The Australian, 11 January 2012, ‘Indigenous Accountants in Deficit’). Since I began working with the joint accounting bodies in late October 2011, more Indigenous accountants have been identified. Those Indigenous accountants interviewed by Lombardi (2006) feel they work in isolation within the profession.

Therefore promoting and resourcing professional Indigenous accounting networks is imperative to achieving a direct increase in the national base number of Indigenous accountants. Individuals committed to seeing sustainable change, and more Indigenous accountants, have created the following social media forums:

- **A website** – www.indigenousaccountantsrock.com.au
- **A Facebook page** – Aboriginal and Torres Strait Islander Accountants
- **A LinkedIn profile** – Indigenous Accountants Australia.

At a national level, it is an Australian tradition, and part of our social fabric, that we place our sporting role models on pedestals. This is even stronger in Indigenous communities; therefore, ‘culturally appropriate’ marketing materials and attendance at both Indigenous and non-Indigenous specific careers events will need to proactively promote the accounting profession as being dynamic.
The strategic involvement of Indigenous accountants as role models in marketing the profession should be one of many instrumental initiatives in convincing young Aboriginal and Torres Strait Islanders to consider accounting as a professional career path.

Whilst both CPA Australia and the Institute offer a number of postgraduate professional development initiatives, many of these are not taken up, as the pool of Indigenous students studying accounting is very low. Serious consideration needs to be given to moving this funding, in the foreseeable future (five years), toward offering scholarships to students in the senior years of secondary education. This will assist in gaining real and sustainable leverage across the profession and will directly contribute to Indigenous opportunity and assist the joint accounting bodies in future marketing and communications strategies.

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Chapter 10

The Transdisciplinary Nature of Accounting: A Pathway Towards the Sustainable Future of the Profession

Joanne Tingey-Holyoak and Roger Burritt

Traditionally, the main pathway to a career in accounting is through a university degree in a single major discipline. In Australia, the principal source of education provided to accountants is through university and, until recently, both the Institute of Chartered Accountants in Australia (the Institute) and CPA Australia (CPAA) specified a bachelor’s degree in accounting as a minimum entry requirement. Both professional bodies still indicate that the conventional pathway to membership is through the award of an accounting degree; however, they will now accept a degree in another field in addition to the completion of a recognised postgraduate accounting program (CPAA, 2011; the Institute, 2011).

The pathway to the profession through an accounting degree is viewed as having dual, and often, conflicting roles. One view is of a function to provide students with the capabilities to undertake productive employment (Gray and Collison, 2002). An alternative view is one of accounting education that enhances the development of graduates who are broad-minded thinkers with a capacity for independent and critical thought (Humphrey et al., 1996; Mathews, 2001; Gray and Collison, 2002); skills that are in demand as many leaders of the profession reach the end of their careers (CCH, 2007). There is some agreement that the way business currently operates is likely to change substantially in the not too distant future and this will impact dramatically on accountants and the education they will require (Mathews, 1997; 2001; Howieson, 2003). The nature of accounting is shifting in line with the complexity of problems faced by business. The next set of challenges for accounting education and new graduate entrants is advancing at a faster rate than ever before (Howieson, 2003) and requires input from other disciplines to contribute towards resolving complex problems.

Possibly one of the most complex of these issues is corporate sustainability. Sustainability requires understanding and assessment of value and the use of natural, social and economic capital (Buhr, 2007), but is a challenging concept to define, let alone measure, as recent faltering attempts to formulate integrated reporting based on the importance of different capitals demonstrates (IIRC, 2011). Furthermore it requires a transdisciplinary perspective on problem solving. This chapter discusses transdisciplinarity in the context of its importance to complex sustainability problems. It also places the current pathways to accounting in the context of sustainability accounting, highlighting the example of accounting for carbon. The demand for transdisciplinary pathways is addressed, and a proposition developed to test the perceptions of accounting firm managers. The results of this test are presented and discussed in the context of moves towards sustainability of business through transdisciplinary pathways of accounting and accounting education.
What is transdisciplinarity?

Disciplinarity is a word used to describe types of knowledge associated with different academic areas of study. The education of graduates who enter the profession is based on knowledge gained about a few core disciplines, such as accounting, economics, management, finance, communication, information systems and business law. These separate disciplines are taught mostly in functional silos, with the exception of capstone courses such as management control systems and auditing, which rely on a multidisciplinary perspective, using the methods of, and insights from, several disciplines. For example, courses in management control systems require knowledge from the different disciplines of management, accounting, communication, organisation behaviour, politics, and so on. In contrast, interdisciplinary studies involve the use of methods from one discipline within another (Davies and Devlin, 2007), such as the use of ecology within accounting in a combined area for knowledge generation and application termed ‘environmental accounting’. However, to address sustainability issues a complementary perspective is needed based on transdisciplinarity.

Transdisciplinarity has the ability to generate new perspectives and therefore goes beyond interdisciplinarity, or multidisciplinarity. Transdisciplinarity requires approaching a problem from a number of different perspectives beyond discipline boundaries, to create a new way of engaging with issues facing business and society more broadly (Montuori, 2008). Transdisciplinarity invites scientists, industry, government and society to maintain contact, seek support and advice, and deepen each other’s understandings of complex policy problems (Schoot Uiterkamp and Vlek, 2007). Transdisciplinarity involves a holistic approach that incorporates knowledge between disciplines, across different disciplines, and beyond all disciplines to understand problems in the present world – in this case, sustainability. In light of the complexities facing business and society, and especially in the wake of recent financial and environmental disasters, the accounting profession needs to be receptive to pathways of disciplinary expertise developed outside the profession to realise its critical importance as a driver of corporate sustainability. But what are transdisciplinary accounting pathways? Is there a latent demand for transdisciplinary pathways to address sustainability accounting issues? How can alternative transdisciplinary pathways to the profession be achieved? Answers to these questions are critical to the ongoing and enhanced relevance of the accounting profession. The following section will pursue answers to these questions in order to provide insight to possible pathways for the sustainable future of the profession.

What are transdisciplinary accounting pathways?

Accounting pathways must evolve to include other disciplines in order to generate solutions to complex sustainability problems – this requires a transdisciplinary perspective. Transdisciplinarity is at the core of movements towards business sustainability (Scholz et al., 2000; Avelino and Rotmans, 2011), including carbon emissions reduction, waste and water management, fair trade, employee volunteering, and natural resource management. The understanding is that many disciplines will be required for solutions to problems of sustainability (Shin et al., 2008). Accounting graduates, with their connection to business, can apply their diverse set of skills and technical expertise to create usable social and environmental information (Gray et al., 1993; Tingey-Holyoak and Burritt, 2011).
in conjunction with other disciplines. Transdisciplinarity is especially called for where multiple stakeholders are involved with heterogeneous skills and expertise, in order to break free of the assumption that one discipline can deliver final estimates with certainty based on its own disciplinary values (van de Kerkhof and Hisschemoller, 2000; Thompson-Klein, 2004).

Coinciding with the need for transdisciplinary approaches to problems of business sustainability, is the increasing understanding that exposure to sustainability accounting education results in graduates who can be productive on sustainability issues in accounting firms (Waddock, 2005) and who also have an enhanced moral thought process (Mathews, 2001), in order to have input to the broader social and environmental issues facing clients. Sustainability requires transdisciplinary approaches with a new type of knowledge integration, extending and complementing traditional pathways (Scholz et al., 2000). Yet, despite acknowledgement of the business–sustainability relationship and the associated importance of transdisciplinary approaches to sustainability, members of the profession are perceived to have largely failed to engage with sustainability accounting (Gray et al., 1993; Mathews, 1997; Gray and Bebbington, 2000; Gray and Collison, 2002; Lamberton, 2005). The journey toward transdisciplinary approaches demanded by sustainability accounting will be based on previous interdisciplinary research (Quattrone, 1999) that identifies the difficulty for accountants simply to account for sustainability measures (Gray and Collison, 2002; Lamberton, 2005). In light of the emerging demands on business to account for and report sustainability measures, for example in relation to carbon emissions, the relative importance of the skills and knowledge demanded for this task needs to be addressed in order to understand the potential for the evolution of accounting pathways to solve the complexity of sustainability accounting problems facing business. In order to address this latent demand for transdisciplinarity through sustainability accounting, the chapter next investigates whether accounting firms demand sustainability educated graduates based on data gathered in South Australia.

**Is there demand for transdisciplinary pathways to address sustainability accounting issues?**

The institutional environment of sustainability accounting is comprised of the accounting firms, clients, society and the professional bodies and other institutions that provide similar services (DiMaggio and Powell, 1983; Greenwood and Suddaby, 2006). Pathways to sustainability accounting will be driven by these institutions – that is, any moves toward sustainability in the firm will be heavily influenced by society’s and its clients’ demands, in addition to pressures from the professional bodies (Figure 1). The different individual and institutional levels, political, economic and social interests will demand and also supply transdisciplinarity (Quattrone, 1999). Pressures on a profession to alter the educational pathways to understanding can arise from changes in interests underlying existing institutional arrangements (Dacin et al., 2002), such as a change in the interests of society. Society, in this context, refers to a firm’s bounded system of social associations (Giddens, 1984), in particular people with shared relationships and institutions (Williams, 1983). Any social institution, such as an accounting firm, operates in society under a social contract (Mathews, 1995) and because the accounting firm offers institutional power through its services, the firm must continuously demonstrate its relevance in order to maintain society’s approval (Shocker and Sethi, 1974).
Coercive pressure on an accounting firm can result from cultural expectations of the society in which the firm operates (DiMaggio and Powell, 1983). Because the firm manager is part of the accounting profession, which is an integral part of society, the manager’s issues and direction must be related to the future of the environment insofar as can be predicted. Society’s expectations include ensuring that business and accountants play a full and effective leadership role, in partnership with other sectors of society, and for this to occur there is a need for a clear, consistent and effective way to mainstream sustainability issues (Ligteringen and Zadek, 2005). Society demands tools and associated services that integrate and operationalise the concept of sustainability into the strategic and management levels of business operations and relationships. Transdisciplinary pathways include society gradually increasing demand for organisations embracing accounting for sustainability and an emphasis on the provision of sustainability measures (Knoepfel, 2001). An accounting firm manager may wish to acquire graduates with sustainability accounting education and view this education as important, in order to align the firm with society’s reactions to sustainability. The manager is considered then to be coerced informally into adopting a positive perception of sustainability accounting knowledge and services (DiMaggio and Powell, 1983) and the subsequent implicit need for employees capable of transdisciplinary inquiry. Therefore, if accounting firms view society’s expectations as important (Mathews, 1995; Wyatt, 2004) and wish to align themselves with society’s responses (Shocker and Sethi, 1974; DiMaggio and Powell,
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1983; Dacin et al., 2002) to social and environmental issues, it can be proposed that: *Accounting firm managers’ perceptions of the importance of sustainability issues to society, clients and professional bodies are positively related to their desire to recruit graduates with sustainability accounting education.*

To examine this proposition, evidence was gathered from a survey of 121 professional accounting firms in South Australia (*Independent Weekly*, 2009).\(^{24}\) Statistical design included multiple regression and non-parametric tests with the regression equation for the preliminary analysis as follows:\(^{25}\)

\[
\text{GRADUATE} = \beta_0 + \beta_1 \text{SOCIETY} + \beta_2 \text{CLIENT} + \beta_3 \text{PROBODY} + e
\]

where:

- \(\text{GRADUATE}\) = dependent variable, importance of sustainability educated graduate recruits;
- \(\text{SOCIETY}\) = independent variable 1, importance of sustainability to society;
- \(\text{CLIENT}\) = independent variable 2, importance of sustainability to clients;
- \(\text{PROBODY}\) = independent variable 3, importance of sustainability to the accounting professional, and
- \(e\) = the residuals of the equation.

Results of the multiple regression suggest that firm managers’ perceptions of importance to society, clients and professional bodies are all predictors of increased desire to recruit graduates with sustainability accounting education (Table 1).

### Table 1: Multiple regression

<table>
<thead>
<tr>
<th></th>
<th>(R^2)</th>
<th>Adjusted (R^2)</th>
<th>(F)-Statistic</th>
<th>Coefficient</th>
<th>(t)-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.79</td>
<td>0.78</td>
<td>57.69**</td>
<td>2.26</td>
<td>(p=0.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(p=0.03)</td>
<td></td>
</tr>
<tr>
<td>Society</td>
<td>0.27</td>
<td></td>
<td>3.76**</td>
<td></td>
<td>(p=0.00)</td>
</tr>
<tr>
<td>Client</td>
<td>0.16</td>
<td></td>
<td>1.99*</td>
<td></td>
<td>(p=0.05)</td>
</tr>
<tr>
<td>Probody</td>
<td>0.68</td>
<td></td>
<td>8.46**</td>
<td></td>
<td>(p=0.00)</td>
</tr>
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\(^{24}\) Target responses, measured using a Likert scale, relate to the perceptions of firm managers. The response rate was 40% with 49 participants completing the survey.

\(^{25}\) Despite the small sample size, a multiple regression was undertaken as there are still five times more cases than independent variables (Coakes et al., 2008).
Additional items were measured to determine where accounting firm managers perceive their staff are currently obtaining sustainability accounting skills and knowledge, and from where the managers would prefer this training to come. The respondents could choose: (1) internal (in-house) training; (2) external training; (3) university education; or (4) a mix of any of the three items. Responses indicate that at present, the majority of sustainability accounting skills and knowledge comes from external training alone (37%) followed by internal training alone (21%) with no skills and knowledge being provided by universities as the sole source (Figure 2). Accounting firm managers would prefer if accounting skills and knowledge came from university education alone (28%) followed by a mix of university education and external training (25%), trailed closely by a mix of internal training, external training and university education (22%) (Figure 3), indicating a substantial increase in sustainability accounting education at university as the preference.

Figure 2: Sustainability accounting skills and knowledge providers – current

- Internal: 21%
- External provider: 37%
- University: 0%
- All 3 sources: 8%
- Internal and university: 1%
- Internal and external provider: 17%
- External provider and university: 4%
- No training required: 12%

Figure 3: Sustainability accounting skills and knowledge providers – future

- Internal: 10%
- University: 28%
- External provider: 8%
- All 3 sources: 22%
- Internal and university: 7%
- External provider and university: 25%
- No training required: 12%
How can alternative transdisciplinary pathways to the profession be achieved?

In order for the accounting profession to respond to the challenges of sustainability, development of alternative pathways into the profession will need to be undertaken in parallel with acknowledgement of the need for a wider skill set. For example, to account for elements of the environment, engineering, science and other disciplines will be required to help facilitate quantification of sustainability measures. Results presented here suggest that these alternative pathways will still include universities as the main provider of the education required for sustainability accounting but external providers, such as professional accounting bodies will also need to contribute to the development of staff that can be productive on sustainability issues at the firm.

By including accountants in transdisciplinary teams (see Thompson-Klein, 2004 for a discussion of transdisciplinary teams) the need for different perspectives, including those from accounting, can be included in addressing sustainability accounting issues. Burritt et al. (2011) provide a benchmark of the extent to which transdisciplinary teams are being used by leading German companies in the context of managing carbon accounting. Based on the results of interviews with 40 people in ten German listed companies the research found that carbon information systems in use are complex and multi-dimensional; the methodologies used are appropriate to the problems under investigation and integrated from different disciplines, and there is collaboration between researchers drawn from different disciplines with stakeholders and the community to provide a reality check on research processes and outcomes.

Despite the narrow South Australian dataset limiting generalisations to the broader population of accounting practitioners, the findings still have several interesting implications for a future research agenda. The first implication is that the contribution of a demand-side study to the sustainability accounting education and pathways literature, which traditionally is supply-side focused (for example see Owen et al., 1994; Gibson, 1997; Gordon, 1998; Grinnell and Hunt, 2000; Mangion, 2006), could be extended by a larger study at the national and international levels. The second implication is that this research could be used as a foundation to investigate the specific skills and sustainability knowledge accounting firm managers expect their staff to acquire at university. Finally, there is a need for future research to explore the personal position of key decision makers in accounting firms with relation to sustainability issues and their disciplinary backgrounds, in order to attempt to determine the impact of a strong personal commitment of senior firm staff to sustainability issues and transdisciplinarity thinking to predicate change from within the institutional environment.
Conclusion

Sustainability accounting will not immediately lead to solutions to complex sustainable development issues, but it does play an important part in creating awareness and encouragement of sustainable business activity. This chapter places transdisciplinary approaches to complex sustainability problems in the context of sustainability accounting, finding that accounting firm managers perceive pressure for sustainability accounting knowledge and services and implicitly perceive the need for employees capable of transdisciplinary inquiry. In addition, the chapter finds that pathways towards sustainability accounting need to be increased at the university level. The evidence of demand from within the profession for accountants armed with sustainability education suggests that accountants may be the very people who will embrace transdisciplinary responses to calls for corporate sustainability, demanding skills to move toward the sustainability solutions of the future.

References


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