

The sectoral focus of financial accounting and auditing teaching New Zealand and the readiness for an accounting framework change

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A paper presented at the Financial Reporting and Auditing Conference Victoria University 19-20 October 2010

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Acknowledgements: I wish to thank the survey respondents and interviewees for their time and input. Also thanks to my colleagues who encouraged me to undertake this project and trialled the survey.

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The underlying concepts and financial reporting standards are core to the tertiary teaching of financial accounting and audit to future accounting professionals. In New Zealand since 1993, the approach to establishing those standards and concepts has been inclusive of profit-oriented, public sector and not-for-profit oriented organisations. The sector-neutral approach assumes that similar transactions can result in similar financial statements, no matter the orientation of the organisation.

Since the announcement in 2005 that New Zealand would move to International Financial Reporting Standards (IFRS), however, increasingly representatives of the public sector and the private not-for-profit sector have expressed concern that the sector-neutral approach is less than satisfactory (Not-for-Profit Sector Advisory Committee, 2009; Office of the Auditor General, 2009). This is because the IFRS are developed from a conceptual framework that assumes the reporting entity is a profit-oriented organisation. As part of its review of the Financial Reporting Act 1993 in 2009, the Ministry of Economic Development issued a Discussion Document on “The Statutory Framework for Financial Reporting” signalling a move away from sector-neutral concepts and standards which have been used for almost two decades (Ministry of Economic Development, 2009). The Accounting Standards Review Board which is responsible for approving financial reporting standards in New Zealand, has also proposed sector-specific standards and concepts for the future (Accounting Standards Review Board, 2009).

Financial accounting education in New Zealand is potentially facing major changes. It is therefore the objective of this research both to analyse the extent to which courses currently cover sectoral factors and, more importantly, to analyse how faculty will deal with teaching and assessing multiple sets of standards to future professionals. While in the late 1980s a number of working papers were developed to highlight the need for more public sector accounting education at tertiary level (for example, Dixon, 1989), the introduction of sector-neutral standards from 1993 appears to have significantly slowed this type of research. This study is contextually bound, however the findings will be of interest to jurisdictions that operate International Financial Reporting Standards (IFRS) in combination with domestic standards for unlisted, not-for-profit and/or public sector organisations.

The paper proceeds with a review of literature on accounting education and sector-specific issues in accounting. Following is an outline of the research project – its methodology and the responses to the survey that was undertaken. Section four discusses the findings before the paper concludes with key findings, limitations and opportunities for further research.

2. Literature review

The changes to New Zealand’s framework are an example of the dynamic environment into which accounting graduates enter. This section briefly reviews the literature on the education for the accounting profession, before turning to specific examples from the teaching of sectoral issues.

2.1 Education for the accounting profession

We are in a ‘knowledge age’ (Parker, 2005) and Howieson (2003) argues that accountants in this knowledge age must develop intellectual capital through life-long learning. In so doing they will be able to respond to future changes such as those identified by the American Accounting Association

(AAA) and the American Institute of Certified Practising Accountants (AICPA) (2010) in their Commission on Accounting Higher Education: "Pathways to the Profession". These include increased:

- globalisation of business and markets, and the use of different accounting rules in different countries
- regulation and the need to conform
- complexity for all businesses which requires reliable decisions
- sophisticated accounting information systems/technology
- needs for reliable information about not-for-profit organisations and non-governmental organisations (NGOs)

The International Federation of Accountants (IFAC) (2010) also note that globalisation, complexity and technology are mega-trends for change impacting accountants in the private, public and not-for-profit sectors. Professions need to respond to this change in order to survive.

Universities have a role to develop graduates with the skills to respond to these trends. The AAA and AICPA (2010, p.5) call for an educational system that "prepares students with the basic skills required to participate in the profession at graduation". While AICPA members need to complete a 150 hour (5 year) minimum requirement, the AAA and AICPA (2010) consider it would be desirable for accountants to hold an advanced professional degree rather than merely a certain number of semester credit hours. Similarly New Zealand entrants to the Chartered Accountants College of the New Zealand Institute of Chartered Accountants (NZICA) must have a minimum of a four-year degree. This expectation of knowledge breadth and depth recognises that education is an essential arm of a profession.

These calls for better prepared accountants are reminiscent of prior professional enquiries urging improved entry standards, ethical behaviour and more competent performance from its members. Van Peurseem (1987) discusses the AAA 1986 report "Future Structure: Content and Scope of Accounting Education" demanding undergraduates broaden their skills to understand the body of knowledge of accounting as well as to develop technical and analytical skills enabling the practise of professional judgment. This demand requires students to be aware of the environment in which they will work upon graduating, including recognising the needs of different users of financial reports and audits.

At the turn of the century, Albrecht and Sack (2000) also highlighted problems with accounting education. Their US-based study found that the number and quality of students majoring in accounting was rapidly decreasing, that practising accountants and educators would rather study another discipline than accounting and that accounting education was in need of significant modification. In addition to education not dealing with the 'mega-trends' previously identified, Byrne and Flood (2003) argue that the narrowness of accounting education is a reason for the reduction in accounting graduates in recent years. Based on evidence from Ireland, they state that accounting education needs to change to recognise the context in which graduates will operate.

One aspect of accounting which is salient to the project at hand is the constant updating of accounting standards guiding the preparation and auditing of financial statements. Cleveland (1985) noted that accountants can be overwhelmed with 'standards overload' and must maintain current

knowledge of the pronouncements that relate to the various aspects of economic life in which they work and advise clients. He regretted that “students have an almost overwhelming amount of technical studies concerning rather specific and detailed accounting matters which reduces the amount of time available to the study of complicated matters” (Cleveland, 1985, p.20). This echoes the disquiet expressed 25 years later with the AAA and AICPA (2010) stating that an emphasis on standards education reduces professional education to a vocational training program. They called for students to develop life-long learning skills so that graduates keep pace with continued changes throughout their professional lives.

Despite the assumption by Howieson (2003) that students develop life-long learning skills at university, Albrecht and Sack (2000) were uneasy about technical undergraduate offerings that are narrowly based on exam-readiness rather than the development of critical and reflective skills. They declared that students were required to learn rules (standards) off ‘rote’, focused on course content rather than developing skills. While the literature is mainly US-based, Parker (2005) notes that in Australia and New Zealand accounting coverage has also narrowed to technical, detailed offerings which largely ignore the broader environment, due to increasing pressure for faculty to increase course content, and to balance large class teaching alongside quality research outputs. He is concerned that accounting and auditing teaching in Australia and New Zealand is largely textbook-driven and that this limits a broad coverage of sectors (Parker, 2005). He recommends that textbook writers include case studies in an integrated way, moving students beyond a technician approach and including different sectors. Sectoral issues introduce complexity and diversity, but are very present in the rise of Public Private Partnerships and Business Social Responsibility-drive sponsorships which draw the public and not-for-profit sector into the corporate sphere (Parker, personal communication).

A technician approach may not be the only reason that students emerge unprepared for the accounting profession. Parker (2005) further notes the drive of professional accreditation reduces the impetus to change the textbook-driven, narrow approach. A small number of Sciulli and Sims’ (2008) interviewees (7%) also noted that professional bodies’ accreditation along with their lack of interest in sectors other than large profit-oriented companies, was a further reason that sector-specific accounting education was limited. Mathews (2004) however, found that, while accreditation may introduce some homogeneity, Australian universities structure specific subjects in different ways – some through separate courses and others through integration within accounting subjects.

2.2 Teaching accounting for different sectors

Teaching financial reporting standards therefore needs to extend beyond IFRS for companies in the capital market, if it is to prepare students for the public sector, not-for-profit sector and small and medium enterprises (SMEs) as called for by the AAA and AICPA (2010). While historically there has been some discussion in the literature about accounting education on the public sector and SMEs, no accounting education literature was found about the teaching of not-for-profit accounting. This section of the literature review considers these teaching issues.

Public Sector

The public sector constitutes a considerable component of any national economy and this segment has grown in recent years. For example, in New Zealand in 1988 public sector expenditure comprised 25% of GDP (Dixon, 1989), growing to average 38.9% over the years 2002-2007 (Dewan & Ettlinger,

2009). Compared to other countries analysed by the OECD, this is a low level of spending, although the public sector comprises a significant segment of the total economy. Despite the smaller size of the government sector in the 1980s, at that time, concern was expressed that the accountants entering the public service were not prepared to respond to the differing issues involved in public sector accounting. These include the need for accountability to be discharged through non-financial as well as financial information, and for accountability to encompass different levels: including probity, process, performance, programme and policy issues (Stewart, 1984; Van Peurse, 1990).

In New Zealand, following the mid-1980s sector reforms, specific public sector accounting standards were introduced, requiring these entities to account for expenditure using an accrual, rather than a cash basis, to capitalise and depreciate their assets, to consolidate, account for service expenditure, and to publish budgetary information (Van Peurse, 1988). Notwithstanding these standards, Van Peurse (1988) reported limitations in public sector reporting and the accountants entering this sector.

Two similar research projects have been undertaken to analyse these accountants and their education – one in the United States (US) and one in New Zealand. Engstrom (1984) reported two research projects which surveyed public sector accounting teaching to US students and their readiness to work in the public sector. He found that the prime reason more public sector courses were not offered was because students lacked interest in the public sector. The second most important reasons were that there was no space or time to cover the public sector and that there was a lack of interested faculty to teach the subject (Engstrom, 1984).

Dixon (1989) repeated the Engstrom survey in New Zealand, being concerned to assess which issues might impede research into and teaching of, public sector accounting. His findings were similar to Engstrom (1984,) that students lack interest in the public sector, and that there was a lack of faculty to teach the courses.

In New Zealand at least, the spotlight on teaching specific public sector issues faded as standard setters agreed to withdraw public sector accounting standards and to issue sector-neutral standards. Specific extra clauses were included in the standards requiring public sector organisations to produce non-financial reports and to exempt them from certain disclosure requirements more suited to profit-oriented organisations. Hence, while academic literature continued to debate conceptual issues in public sector accounting, the extent to which these were included in undergraduate courses is less clear.

However, the issue of ensuring emergent professionals were prepared for public sector specific matters has continued to be of interest. In Australia, Sciulli and Sims (2008) recognised that the constant public sector reforms, combined with its role as a significant employer and contributor to the Australian economy highlighted the need for undergraduates to be exposed to public sector issues. They found graduates were under-prepared for their roles in practice and undertook a series of interviews to develop “a comprehensive picture of the state of public sector accounting education in Australia” (Sciulli & Sims, 2008, p.246). Around 36% of core courses included public sector accounting, 22% of the 42 respondents’ institutions had specific public sector accounting courses and 29% both had specific courses and included public sector accounting in core courses. Limited specific public sector accounting education was due mainly to the curriculum already being very full (22%), a lack of faculty interest in the public sector (18%) and a belief that accounting concepts could

be applied across the board (16%). Faculty also noted that there was a lack of public sector resources (such as textbook support) (13%) to underpin teaching.

SMEs

While the issue of whether or not specific standards are required for SMEs has been a matter of discussion in a number of countries (for example, Cordery & Baskerville, 2006), the teaching of accounting concepts specific to SMEs has not. However, Samujh (2007) summarises the debate around SME reporting and the concerns that “second-class accountants” may develop if a SME standard is adopted. The assertion is that these second-class accountants would be unable to prepare financial statements and advise organisations listed as issuers. IFAC (2010) recognises diversity between accountants not as a weakness, but as a strength. They note “Professional accountants working in small- and medium-sized organizations will usually perform multiple roles applying a broad range of skills, and will often act as generalists” (p. 17). IFAC (2010) continued that this is due to the fact that:

The career and developmental path for professional accountants in business varies depending on the type of organizations for which they work. In larger organizations, professional accountants in business may pursue a range of roles to acquire specialist and generalist skills.

Thus, diversity in skill base amongst accounting professionals is encouraged. Yet, despite calls by Scullli and Sims (2008) and Howieson (2003) for accountants to be proactive and to be prepared for the environment in which they will report, accounting educators have largely concentrated on preparing students for work in and with organisations that access funds from the capital markets. Parker (2005) suggests this is due to technician teaching focused on a narrow set of standards. It is likely to result in students learning a body of knowledge that dates quickly, given the pace of change in today’s society. The challenge from IFAC (2010) and AAA and AICPA (2010) is for accounting educators to take a wider approach, preparing students for a range of environments, including SMEs, the public and not-for-profit sectors, so that they understand the underlying concepts that build the accounting body of knowledge and are able to engage in life-long learning.

3. Research methodology and results

Since Dixon (1989), there does not appear to have been a review of the content of specific accounting courses taught at New Zealand tertiary institutions. The New Zealand Institute of Chartered Accountants requires students to include advanced financial accounting and auditing in their four-year degree. None of these requirements specifically mention the public sector, not-for-profit sector or SMEs, although the NZICA Advanced Financial Accounting Statement of Learning Outcome expects students will be able to “describe and explain alternatives to traditional profit-oriented financial reporting”. This research sought to assess the extent to which these alternatives are being taught. Further, this research sought to assess how New Zealand’s tertiary educators expect to respond to the changes that have been proposed by the Ministry of Economic Development and Accounting Standards Review Board to the standards and framework for financial reporting, which are likely to introduce multiple sets of standards into a previously sector-neutral environment.

A list of tertiary institutions and the programmes accredited to the New Zealand Institute of Accountants was accessed. Each of the 12 providers’ websites was individually accessed and

information regarding the courses comprising the approved financial accounting and auditing courses at these providers was obtained, including the course outlines and textbooks used. A questionnaire was sent to the lecturers listed on the course outlines or websites as delivering the relevant courses. Seventy-one individuals were sent a link to an on-line questionnaire using Qualtrics software. Two responded that they no longer taught financial reporting. Two weeks after the initial approach, a reminder was sent. A total of 31 responses was received.

In addition, three semi-structured interviews were undertaken with accounting academics who have taught financial accounting for many years but who had not been included in the questionnaire. A number of informal interviews were undertaken with lecturers of accounting and auditing. Included in these interviewees were three textbook writers.

3.2 Analysis of the survey

Respondents to the questionnaire taught at a number of different levels and in both financial accounting and audit, as shown in Table 1.

Table 1: Responses to “Please indicate which area of the accounting discipline you teach/have taught in”

	1st Year Degree	2nd Year Degree	3rd Year Degree	Honours level (4th Year)	Responses
Financial Accounting	9	12	16	8	45
Auditing	0	0	11	5	16

Twenty four of the questionnaire respondents taught financial accounting, with 11 having taught at one year level, 6 at two different year levels, a further 6 at three different year levels and one respondent at all levels of the undergraduate and Honours degrees.

Coverage of sectoral issues

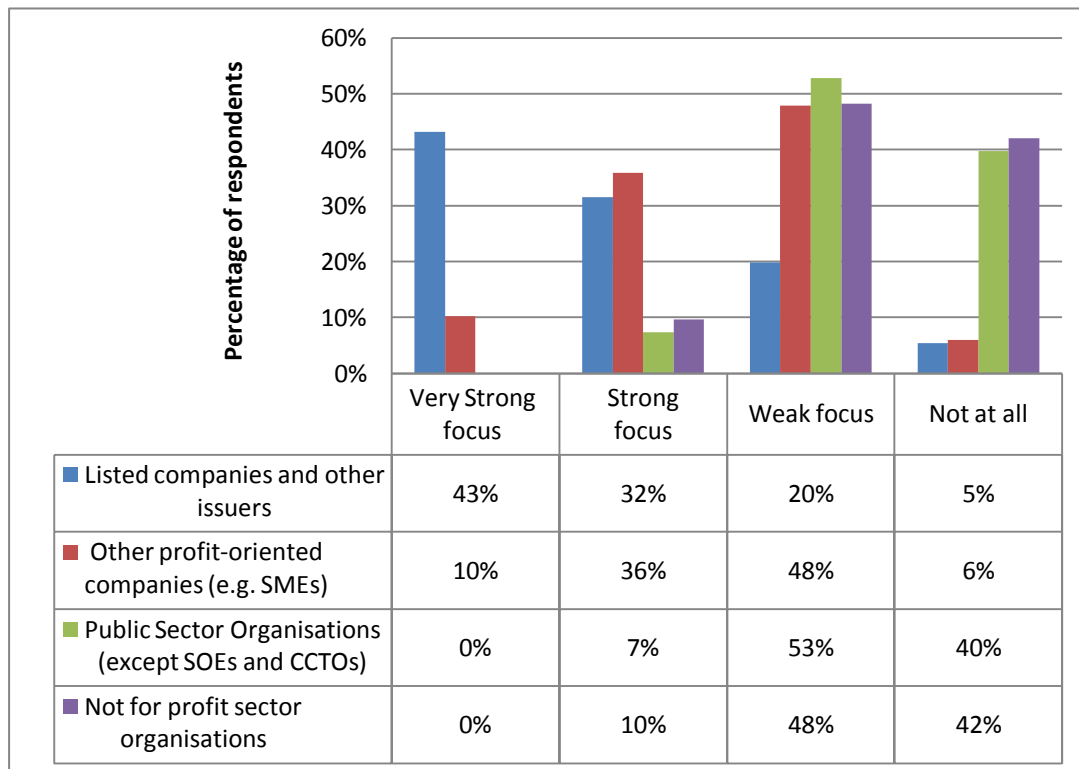
Respondents were asked questions about their course overall and also specific aspects of their course. First, it should be noted that this data is self-reported. The extent to which current courses cover sectoral issues is shown in table 2.

Table 2: Responses to “in respect of your course, how much do you focus on...?”

Focus of course	Very Strong focus	Strong focus	Weak focus	Not at all
Listed companies and other issuers	48	35	22	6
Other profit-oriented companies (e.g. SMEs)	12	42	56	7
Public Sector Organisations (except SOEs & CCTOs)	0	8	57	43
Not for profit sector organizations	0	11	55	48
TOTAL	60	96	190	104

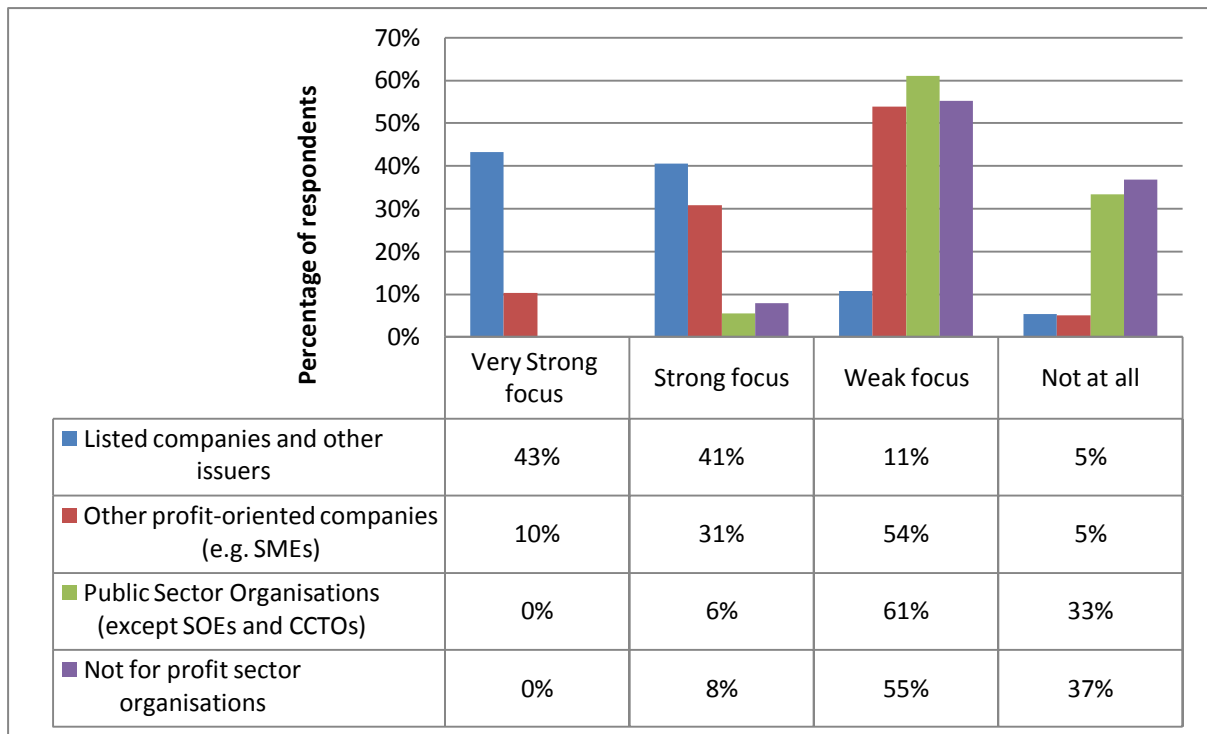
It can be seen from table 2 that there is a very strong and strong focus on listed companies, with only 5.4% (6) of responses intimating that listed companies are not a focus at all. Other profit-oriented organisations, such as SMEs, are also a course focus, with only 6% (7) responses indicating no focus on these at all. By contrast, neither public sector, nor not-for-profit organisations constitute a focus of tertiary courses. A total of 40% (43) of responses noted that there is no focus on the public sector in their courses and 53% (55) that the public sector is a weak focus of their courses. Similarly, the not-for-profit sector is also a weak focus for 48% (55) of responses and is not a focus for 42% (48) of respondents' courses. Two tertiary providers have optional public sector courses on offer. This data is also shown in figure 1 in graphical format with the percentages shown.

Figure 1: Responses to “in respect of your course, how much do you focus on...?” in graphical form



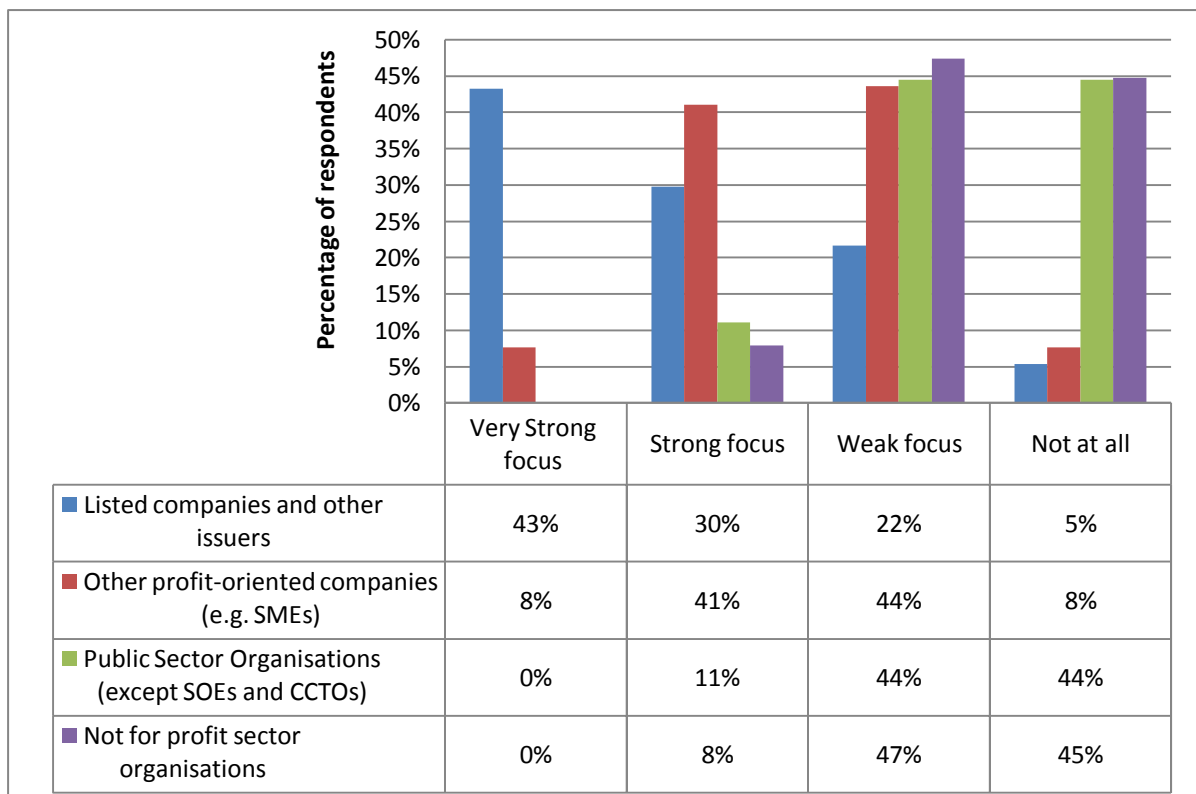
Respondents were also asked to break down by specific content how much of their teaching, tutorial or case study work, and assessment focused in a specific sector. Figure 2 shows that in teaching activities there is a slightly stronger emphasis on public sector and not-for-profit sector issues than compared to all course-related activities. Indeed, there was a similar weak focus on other profit-oriented companies, such as SMEs, as there was on not-for-profit organisations and 61% (22 responses) noted that their teaching had a weak public sector focus.

Figure 2: Responses to “in respect of your course, how much does the content of your teaching focus on...?”



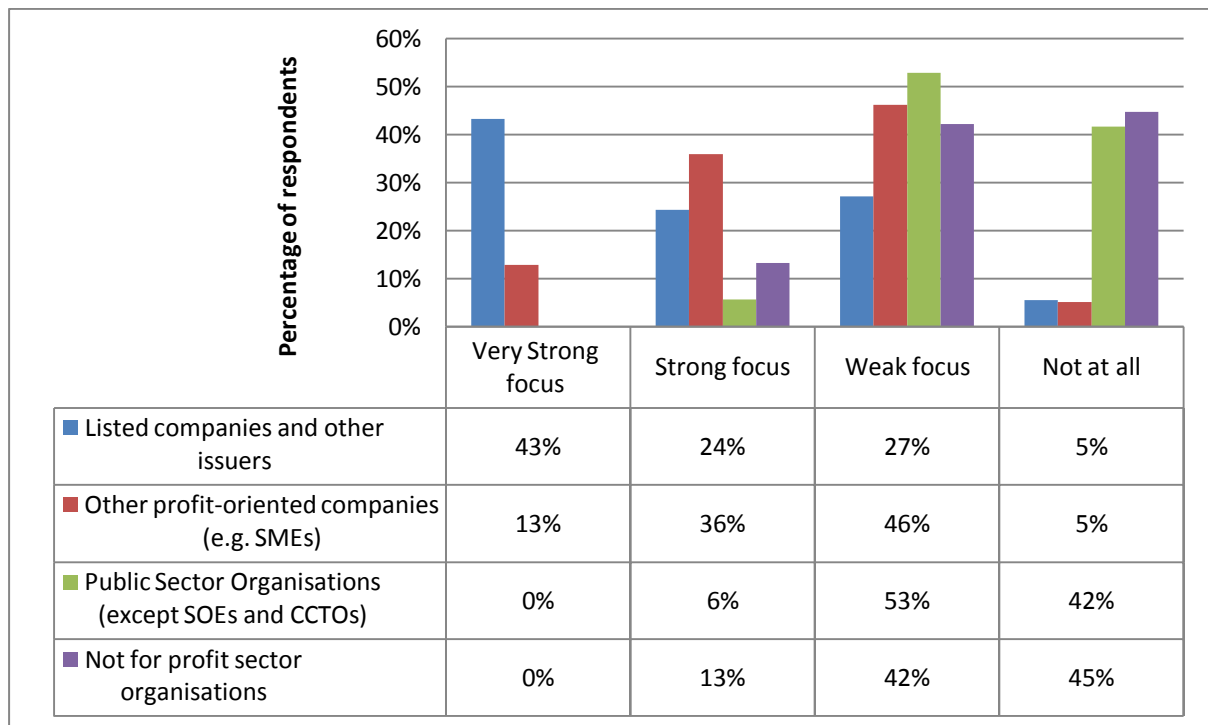
In figure 3 (below) it can be seen that, in tutorial and/or case study work, respondents noted a weak focus on other profit-oriented companies (such as SMEs), public sector organisations and not-for-profit organisations.

Figure 3: Responses to “in respect of your course, how much does the content of tutorial or case study work focus on...?”



Further, respondents noted that in students’ assessment work, there is a weak focus on other profit-oriented companies (such as SMEs), public sector organisations and not-for-profit organisations in tutorial and/or case study work. This is graphically represented in figure 4. For 42% (15) of respondents, there was no assessment on public sector issues, and for 45% (19) of respondents, there was no assessment on not-for-profit sector issues, making it most likely that profit oriented companies, either listed or unlisted, would be the focus of assessment.

Figure 4: Responses to “in respect of your courses, how much does the content of assessment focus on...?”



In addition to this data on specific sectors, some respondents have other sector components in their courses including sole traders and partnerships (2), regulated entities (1), and corporate governance and internal auditing (1). One respondent noted that they emphasise public interest and accountability so that “students are introduced into accounting’s contribution or lack thereof” in these areas. Four respondents further noted that their courses were based around accounting issues rather than the entity that undertakes the transaction. This may lead to a focus on a number of different accountings and stakeholders. For example:

... a case study on Tasman Pulp and Paper will include references to a listed company, iwi, and a green organisation. A Mobil case study will focus on a company which is not an issuer in NZ, the Council, and lobbying organisations...

Another example provided from the interviews was that a week’s discussion on heritage assets was an opportunity not only to present public sector issues but also to encourage in-depth study of the concept of an asset. This means that, while public sector reporting may be a focus of one week’s lectures, it also emerges sporadically from the case studies selected to highlight particular accounting issues.

Of specific interest to this study are the reasons why courses do not focus on the public or not-for-profit sector more than they do. Respondents were asked to rank the top three reasons why their

course did not focus more on the public sector and the results of this part of the survey are shown in table 3.

Table 3: The main reasons that respondents' courses do not focus more on the public sector

Rank	The main reason the course does not focus more on the Public sector	1st choice	2nd choice	3rd choice
1	There is no space/time to cover the public sector	14	7	2
2	The same accounting concepts can be applied to all sectors	14	2	4
3	Our curriculum is driven by professional accreditation which doesn't include the public sector in its requirements	6	6	7
4	There is a lack of suitable resources (e.g. textbooks)	2	6	4
5	Students lack interest in the public sector	0	3	3
N/A	The public sector is not relevant	0	0	0
N/A	The public sector is already covered adequately	0	0	0

The most highly ranked reason as to why courses do not focus more on the public sector are that there is no space or time to cover public sector content. For example an interviewee noted:

If you expect students to have all the detail it will take much longer than three or four years. What we do is provide them with the language, a broad understanding of what has to be done and why. I hope they have some concept of the incentives and social consequences. It is a starting point to build their careers on.

Limited degree lengths reduce the time to cover public sector issues in more depth.

The second most highly ranked reason is that, currently, the same accounting concepts can be applied to all sectors. Even though the public sector is different from the private sector, one interviewee reflected:

We teach from a framework that is business oriented ... It is a pretence that the public sector does not run businesses – the university is a business ... it makes a profit that is indistinguishable from the profit the Telecom makes, except that it is not paid out to anyone else.

Table 3 shows that professional accreditation is also a driver for course content, although it is ranked third. The lack of suitable resources to teach from is fourth and likely to be a second choice.

In table 4, the findings are compared to other relevant surveys both in New Zealand, Australia and the US.

Table 4: Comparison of responses to the question as to why courses do not focus more on the public sector

	This study	Sciulli and Sims (2008) Australia	Dixon (1989) NZ	Engstrom (1984) US
There is no space/time to cover the public sector*	1	1	5	2
The same accounting concepts can be applied to all sectors	2	3	8	._**
There is a lack of suitable resources (e.g. textbooks)	3	4	4***	3***
Our curriculum is driven by professional accreditation which doesn't include the public sector in its requirements	4	6	._**	._**
Students lack interest in the public sector	5	7=	2=	1
The public sector is not relevant	N/A	2	7	6
The public sector is already covered adequately	N/A	7=	._**	._**

* In Dixon (1989) and Engstrom (1984) the statement is “budget constraints” which is not exactly the same as there being no space or time to cover the public sector, but relates to the fact their studies were specifically focused on developing new courses.

** This question was not asked by the study.

*** A lack of interested faculty was ranked second by Engstrom (1984) and third by Dixon (1989) as a reason for not teaching more public sector accounting.

In addition to the reasons provided in table 4, Dixon (1989) and Engstrom (1984) asked their survey respondents why there were not more courses covering public sector issues. The prime reason for a lack of teaching public sector accounting was that it was not a programme priority. Further, Engstrom’s (1984) respondents ranked a lack of employment demand fifth, while Dixon’s (1989) respondents ranked it sixth. The item ranked fifth by the respondents to Sciulli and Sims’ (2008) survey was that the teaching focus was on private sector and/or publicly listed companies. This question was not required in the current study as it was covered in the earlier questions.

In the earlier studies a lack of student interest in the public sector was the main or second reason for not teaching more public sector accounting. The respondents to the current survey did not rank this as an important issue, although some respondents ranked it as their second or third reason for not teaching more public sector accounting.

While Sciulli and Sims (2008) did not find a lack of student interest in the public sector to be an issue, a number of their interviewees stated that the public sector was not relevant. This is at odds with the current survey, where no respondents selected the option “the public sector is not relevant”. Neither did any respondents to the current survey state as one of their top three reasons for not teaching more about public sector accounting “the public sector is already covered adequately”. Similar to Sciulli and Sims (2008), and, to some extent, Engstrom (1984), the respondents to this survey were more concerned about a lack of space and/or time to cover public sector issues.

Table 5 shows the responses to this survey as to the main reasons that New Zealand courses do not focus more on the not-for-profit sector.

Table 5: The main reasons that respondents' courses do not focus more on the not-for-profit sector

Rank	The main reasons the course does not focus more on the not-for-profit sector	1st choice	2nd choice	3rd choice
1	The same accounting concepts can be applied to all sectors	14	5	2
2	There is no space/time to cover the not-for-profit sector	10	9	3
3	There is a lack of suitable resources (e.g. textbooks)	5	3	4
4	Our curriculum is driven by professional accreditation which doesn't include the not-for-profit sector in its requirements	4	5	6
5	Students lack interest in the not-for-profit sector	1	2	3
6	The not-for-profit sector is already covered adequately	1	1	0
7	The not-for-profit sector is not relevant	0	0	2

The item ranked 1 and 2 are the same as the responses to the question on public sector teaching, except that they are swapped around when the number of first choices is weighted as being more important than the total of all choices. The highest ranked survey response as to why courses do not have more not-for-profit content is that respondents believe the same accounting concepts can be applied to all sectors. Very close behind is again the space/time issue that was also a major factor in a lack of a focus on public sector issues. Similarly, the lack of suitable resources and the need to meet accreditation expectations were the third and fourth ranked reasons for not focusing more on the not-for-profit sector. In addition to a lack of interest by students, a small number of respondents believed that there was adequate coverage of the not-for-profit sector, or that it was not relevant to their accounting teaching.

The next question in the survey was posed in order to analyse the validity of concerns of Albrecht and Sack (2000), the AAA and AICPA (2010) and IFAC (2010) who argued that accounting education is becoming more technical and narrowly based on standards rather than concepts. Table 6 shows the responses to the question "at what level do you teach financial reporting concepts or specific financial reporting standards?".

Table 6: Responses to the question "at what level do you teach financial reporting concepts or specific financial reporting standards"

Question	1st Year Degree	2nd Year Degree	3rd Year Degree	Honours level (4th Year)	Responses
Accounting Concepts	13	15	10	5	43
Standards (NZ IFRS)	8	16	13	5	42
Differential reporting standards (for SMEs)	2	15	5	1	23
Standards (IPSAS)	0	1	2	1	4
Standards (based on old NZ GAAP)	1	2	5	0	8

Accounting concepts are taught across all levels of the accounting curriculum. (This question was not as relevant to auditing courses.) More standards based teaching is evident in 2nd and 3rd year courses than at 4th year (not all providers offer Honours degrees). At 2nd and 3rd year level the teaching of standards outweighs the teaching of concepts.

Respondents were asked to comment on whether they had seen more of an emphasis on concepts or standards in the past two decades. This question was asked in two different time periods – for those who had taught before 1993 and the introduction of sector neutrality, and for the period between 1993 and 2005 and the introduction of International Financial Reporting Standards (IFRS), as shown in table 7. Lecturers who have taught only since the introduction of IFRS were offered text input only. There were six respondents in this category.

Table 7: Observations about focus of teaching in two different time periods

Do you agree with the following statement?	Teaching before 1993		Teaching before 2005 and after 1993	
	Yes	No	Yes	No
There is an increasing emphasis on standards rather than accounting concepts	8	9	17	7
There is an increasing emphasis on sector specific matters	2	13	4	17

Respondents who taught before 1993 and are still teaching today were almost equally split in their answers to the question as to whether there is an increasing emphasis on standards rather than accounting concepts. Some respondents stated:

I have not observed any changes over my years of teaching. We are left with a free rein in our teaching to use whatever sector specific matters we consider appropriate in illustrating the accounting and auditing concepts.

However, 71% (17) of those who taught prior to the adoption of IFRS and are still teaching today agreed that there is an increasing emphasis on standards rather than the underlying concepts. Two respondent noted:

In my view, far too much emphasis is placed on teaching how-to from the standards instead of developing reporting requirements from the conceptual framework.

Overall, the depth of financial accounting courses is being compromised; I am increasingly put on the defensive for introducing students into what I believe to be a coherent body of knowledge on financial statements and rules that govern them, whilst developing a critical appreciation of standards and rules they contain;... Many courses attempt to add an ever increasing number of topics and to do a very superficial coverage of them.

These statements echo the concerns noted by AAA and AICPA (2010), Parker (2005) and others that education is technician and focused on standards rather than concepts. However, one respondent commented that:

It is not correct to say one or the other when it comes standards versus concepts; definitely the courses I teach do not try to equip students [to] be merely compliant with standards but also to have a better appreciation of why, how, what standards look the way they do; when it comes to account preparation relevant standards are referred to so students get a feel about the current practice as well.

This respondent is intimating that there are underlying conceptual issues that are addressed in the teaching of standards. Yet an interviewee commented on the difficulty of this:

Quite a proportion of students want to know how to do rather than why to do. We want to focus on what else can be done and why it can be done and how they might make the best choice.

In respect of sector-specific matters, 87% (13) of the respondents who taught before 1993 and 82% (17) of the respondents who taught between 1993 and 2005 stated that there was not an increasing emphasis on sectoral matters. As one respondent noted:

It varies very much with the background of the lecturer as to how much they find these issues of interest personally as providing a lens through which to understand accounting behavior so some integrate it seamlessly whereas others might not consider anything other than listed companies in their examples. Given that almost all of our students will be, at one time or other, a Treasurer, and many will work in small accounting practices they need to know the [SME] reporting, and also nonprofit perspectives, but the issues and their relevance do not have to be always taught as a distinct unit.

It appears from this and other comments, that the background and experience of lecturers is a further factor in the ability to teach specific issues.

For those lecturers who had seen an increase in sectoral content, one comment summarises that this is possible due to a longer period of study being required. That is:

What allowed us to increase other-sector material was reduction in NZICA-mandated topics.... and the availability of optional 4th year (non-hons) and 5th year (masterate-or-honours) special courses in audit.

This sentiment was echoed by one of the interviewees who recognised that higher level courses allowed students to research particular areas. The optional nature of these courses however, means that not all graduates will have participated in higher level study.

Responses to a proposed new framework for financial accounting

Responses were specifically asked how they would respond to the proposed changes to the accounting framework in New Zealand. These responses are shown in table 8.

Table 8: Responses to the question “In light of the possible changes proposed by the Discussion Documents issued by the Accounting Standards Review Board and Ministry of Economic Development last September, if these changes are adopted how do you anticipate you would incorporate a sector-specific approach into your course/s?”

Question	No change to current content	Reduce standards teaching and focus on concepts	Additional course developed to cover content	Have not thought about it	Responses
For Issuers (IFRS)	14	2	3	5	24
For SMEs	6	7	4	6	23
For the public sector (IPSAS)	1	5	5	10	21
For the not-for-profit sector	1	5	6	10	22

As can be seen from table 8, 24% (22) of the responses said there would be no change in their course to accommodate possible changes in New Zealand’s framework for financial reporting. (One respondent noted that they were not currently teaching financial accounting.) Another commented that they would make changes to the coverage of SMEs, public sector and not-for-profit organisations, but that none of the options provided applied. Given the overwhelming evidence that a lack of time or space in courses was the reason there was not more emphasis on public sector, not-for-profit (and by assumption, SME) issues, it is unclear from the response how this will be managed. However one interviewee noted:

It looks as though we can go on teaching the way we do now, because there are very few differences between IFRS and IPSAS that have been highlighted in the OAG’s report to Treasury.

Overall, 34% (31) of the respondents stated they had not thought about potential changes to the framework and standards in New Zealand and the impact on their courses.

In respect of adding courses 20% (18) of the responses agreed this would be required. One interviewee noted:

I have often said we need a “special entities paper” that could cover the public sector and perhaps consider trusts and the primary sector as well ... It’s not just financial accounting concepts, it’s the management of that information as well. What have these organisations achieved with their budget and so on ...

Notwithstanding that some respondents might add another course, an interviewee showed that this is not a simple matter but will include negotiating within their organisation and managing trade-offs. They stated:

A new paper would be the best way to go, but [my Dean says] ‘we’ve got enough going on at the moment’ and we don’t want to cannibalise our current papers. Is it just a whole lot of other costs with no added revenue? Are we going to break our

EFTS¹ cap? Extra papers are very expensive to set up – where are we going to get someone to teach it? We are bound to be reactive than proactive.

Accordingly there is still a number of issues which need to be resolved.

In respect of SMEs, 52% (12) of the respondents noted that either they would make no changes to their courses, or they had not thought about it. In order to teach more about the SME context, 31% (7) of respondents stated they would focus more on concepts and less on standards, while 17% (4) would consider introducing a new course.

Table 8 shows that, in respect of the area where the largest changes are taking place, 48% (10) respondents had not thought about public sector teaching and 45% (10) had not thought about not-for-profit teaching. Only one person stated they would make no change to their current course. The remaining respondents were evenly split between whether they would reduce the amount of teaching on standards to focus on conceptual issues (and fit in more material on the public sector and not-for-profit sector), or whether they would add an additional course to cover the content required.

In addition, respondents were asked what assistance they required to undertake the changes required. These responses fell into three categories. A number of lecturers will incorporate changes in the way they currently respond to changes in financial and auditing standard changes, by undertaking relevant research and background reading. A second group will consult with the profession, in terms of accreditation requirements and in terms of 'what is happening'. There will also be a need (if extra courses or if major changes are made to learning outcomes) for internal academic boards to be consulted with. A third group of lecturers seek changes in the textbooks to respond to the new reporting framework and so that students have local content.

With respect to the textbooks, these are largely standards-based and have virtually no material on entities other than list companies using IFRS. One interviewee suggested:

We will follow the textbook I guess, we will leave it up to [the authors] to sort it out. I don't fancy their chances to expand it, it is already a large textbook.

As one author noted:

We already have something in the book about the proposed changes to the framework and we will continue to include this.

It was recognised by another interviewee that:

The book publishers say 'we don't want to charge more than \$x, so you can't have more than xx pages'.

And also, another book author stated:

The book will need to focus on what other institutions are doing themselves to see what they are going to do as far as any sector focus is concerned.

¹ EFTS is an Effective Fulltime Student. The government funds universities on a fixed number of EFTS. Universities attempt to manage enrolments around this number to maximise the contribution of each student.

The development of textbooks is subject to a market which takes into consideration the costs and usefulness to its users. It seems unlikely at this stage that integrated case studies will be developed to provide material for the teaching of sector-specific standards unless they replace other material.

Discussion and Summary

This study has found that there is a moderately weak focus on SMEs in financial accounting and auditing courses, but a very strong focus on listed companies and other issuers. Further there is a very weak focus on public and not-for-profit organisations in courses at New Zealand's tertiary providers. The lack of suitable resources to underpin these courses is the reason ranked third as to why there is not more focus on these sectors in courses. Yet there is reticence to make textbook changes, as these books are driven by professional accreditation, maximum numbers of pages and affordability for students.

The overwhelming excuse for not covering more material is that there is no space or time within the courses. This finding is similar to Engstrom (1984). Further, after almost two decades of sector-neutrality, it is perhaps unsurprising that a second main reason is that respondents believed "the same concepts can be applied to all sectors". However, the potential changes to the New Zealand framework for financial reporting will mean that, once again, lecturers and students will be expected to understand different concepts and standards for different sectors.

Mathews (2001) suggested that the issues raised by reports such as Albrecht and Sack (2000) are common to many non-US systems of accounting education. He regrets the absence of courses in Australia in accounting theory (that would concentrate on accounting concepts) and the exclusion of non-financial data (that would be relevant to issues such as public sector accounting and also business social responsibility accounting). This study of a non-US environment has also confirmed that there are low levels of concept teaching when compared to the amount of standards teaching at higher levels of the university degree. While some courses include a sectoral focus through case studies and teaching, the lack of assessment on sectoral matters must reduce its importance in students' minds.

This study has also found that there is ambivalence towards change. Almost a quarter of the respondents to the questionnaire noted that, despite the potential for major regulatory change, they would not be revising their course content. More than a third had not considered their future actions to cover new content and sectoral approaches. When considering public sector and not-for-profit sector issues, half of the respondents had not thought about the impending change.

IFAC (2010) recognises accountants should possess a range of generalist skills and be cognisant of private, public, not-for-profit sectors and users' needs. As Parker (2005) notes, accountants are in the knowledge business. Universities are an integral part of developing the professionals for the future to respond to the demand for this knowledge. Notwithstanding that, Howieson (2003) repeated that the system of training accountants has emphasised technical competence as the primary goal of an education and he called for "a major change in the way both practitioners and educators view the objectives of university accounting studies and continuing professional development" (p.85). This project has also detected an emphasis on technical competence and New Zealand is facing a major change.

As a survey of lecturers, this research is limited to those who responded and to the interviewees chosen. While further study of the suite of courses offered at universities in New Zealand would provide more detail of the coverage of public and not-for-profit sectors, this study gives a snapshot of the enthusiasm for sectoral focus and also course change. The context is complex and issues such as government funding, university processes and availability of staff impact choices in course delivery. In addition, the support from professional bodies also is a driver towards change or apathy. Accounting framework change and the need to broaden the preparedness of future professionals therefore requires careful balancing of resources and support of the professional bodies and the universities themselves.

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