



## Market relevance of university accounting programs: Evidence from Australia

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### ABSTRACT

The quality of university accounting programs has been the subject of discussion and debate among researchers, practicing arms of the accounting profession and international accounting bodies for a long time. More recently, the International Accounting Education Standards Board (IAESB) stated in its Strategic and Operational Plan, 2007–2009 that the development and enhancement of accounting education could largely help strengthen the accounting profession (IFAC, 2007a). This comment was no doubt aimed at the need to regain some of the lost confidence in the accounting profession in recent years. The current study focuses on the issue of whether Australian universities produce accounting graduates with market expected knowledge, skills and competencies. Market expectations were identified by surveying employers of accounting graduates in a major metropolitan area in Australia. Focusing on an analysis of the undergraduate accounting program of a prominent university in Australia, the study provides evidence that the existing university accounting programs may not always be in line with the market expectations due to some inconsistencies of program structure and emphasis. The findings of this study have implications for professional accounting bodies, accounting educators and students, and researchers.

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## 1. Introduction

Given the current focus on strengthening the accounting profession following the financial disasters particularly in the U.S., including Enron and WorldCom, and the more recent global financial crisis, the importance of developing and enhancing university accounting education has been repeatedly discussed (e.g., Carnegie & Napier, 2010; Evans, Burritt, & Guthrie, 2010; IFAC, 2007a; Jackling & De Lange, 2009; Jackling & Keneley, 2009; PricewaterhouseCoopers, 2003).<sup>2</sup> In Australia, 'professional accreditation' has been used by the accounting professional bodies<sup>3</sup> to monitor accounting programs in higher education institutions. As such, it is considered by universities as a symbol which indicates that their accounting programs meet some external 'quality'<sup>4</sup> standards.

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<sup>2</sup> This issue has also been highlighted in the past, for example, AAA (1986), the Big-8 White paper (1989), AECC (1990), IMA (1994), Chambers (1999), Albrecht and Sacks (2000).

<sup>3</sup> In Australia, there are two main professional accounting bodies, namely, the Institute of Chartered Accountants in Australia (ICAA) and CPA Australia (CPAA).

<sup>4</sup> 'Quality' measures in the professional accreditation process include the technical content of accounting courses, staff appointment levels and qualifications, and the ratio of permanent staff to casuals, and library resources, etc.

However, universities cannot rely on professional accreditation alone to promote their accounting programs (Jackling & Keneley, 2009; Lightbody, 2010). It is important to note that the market drives the profile, responsibilities, and career options of accountants in the business world (Carnegie & Napier, 2010; Jackling & De Lange, 2009; Sauser, 2000). One of the responsibilities of universities is therefore to ensure that accounting graduates are equipped with the knowledge and skills identified by the market as desirable for accounting professional practice (AAA, 1986; AECC, 1990; Johns, 2006; Hancock, Howieson, Kavanagh, Kent, Tempone, & Segal, 2009). Simply aligning university accounting programs with the accreditation guidelines may not necessarily increase the employability of accounting graduates.

The purpose of this study is to provide empirical evidence on the extent to which an accredited accounting degree program of a prominent Australian university produces graduates with the knowledge and skills required by the market. The findings of the study reveal some inconsistencies between the current accounting program and market expectations with respect to program composition and emphasis, as well as the need to incorporate a specialized area.

This study is motivated by the recruitment reality of accounting graduates. While the number of accounting graduates has grown rapidly in Australia, there has been a serious shortage of professional accountants (Birrell, 2006). It was reported in 2006 by the Australian Department of Education, Employment and Workplace Relations (DEWR), 72% of employers believe there is a shortage of qualified accountants, and 32% of employers have up to a third of accounting vacancies unfilled (DEWR, 2006).

Many researchers have pointed out the changing nature of accounting work over time (e.g., Carnegie & Napier, 2010; Howieson, 2003; Jeacle, 2008). For example, in the past, it was common to label accountants as being dull, boring and colorless, and to use the term “bean counters” to describe their public image. Accounting conventions mainly emphasized quantitative recording, financial calculation and historical accounting for stewardship of resources (Carnegie & Napier, 2010; Chambers, 1999; Dimnik & Felton, 2006; Friedman & Lyne, 1997; Howieson, 2003; Jackling & Calero, 2006; Jeacle, 2008; Parker, 2000, 2001; Rebele, 1985; Sauser, 2000). Contemporary accounting practice, on the other hand, is believed to be involved in matters beyond the numbers (IFAC, 2005; Jeacle, 2008). Today, accountants are more involved than before in consulting and business advisory services due to the increasing demand for financial and non-financial information and business advice, and they are also expected to work in diverse business areas, such as production, human resource management, marketing, logistics and general management (Carnegie & Napier, 2010; IFAC, 2003b; Parker, 2001; Sauser, 2000). With the changing nature of accounting work, currently accountants are often known as “knowledge professionals” with a global mind-set (Carnegie & Napier, 2010; Howieson, 2003; Jeacle, 2008) or “gatekeepers” of the public interest (Carnegie & Napier, 2010; IFAC, 2005).

The changes in the role and domain of professional accountants are driven by the dynamics of the modern global business environment (Albrecht & Sacks, 2000; Elliott & Jacobson, 2002; Hancock, Howieson, Kavanagh, Kent, Tempone, Segal, & Freeman, 2009; Howieson, 2003; IFAC, 2003b; Jeacle, 2008; Mohamed & Lashine, 2003; Parker, 2001; Sauser, 2000; Smith & Briggs, 1999). Universities should accordingly incorporate the market expectations to their accounting programs in order to ensure that accounting graduates are equipped with knowledge and skills required by the market and ready for the workplace. However, there are increasing criticisms that accounting education has lagged behind developments in the changing business environment (Albrecht and Sacks, 2000; Carr, Chua, & Perera, 2006; Courtis & Zaid, 2002; Evans et al., 2010; Hancock, Howieson, Kavanagh, Kent, Tempone, & Segal, 2009; Hancock, Howieson, Kavanagh, Kent, Tempone, Segal, & Freeman, 2009; Jackling & De Lange, 2009; Kavanagh & Drennan, 2008; Mohamed & Lashine, 2003). For example, Mohamed and Lashine (2003) state that the gap between acquired and required skills for accountants is created due to the rapid changes in the market environment and the slow changes in the curriculum. The periodic surveys of Australian employers, accounting practitioners and accounting students regarding their expectations and assessment of accounting graduates also reveal the existence of expectation gaps among those groups in regard to the required knowledge and skills in accounting education (Courtis & Zaid, 2002; Evans et al., 2010; Hancock, Howieson, Kavanagh, Kent, Tempone, & Segal, 2009 and Hancock, Howieson, Kavanagh, Kent, Tempone, Segal, & Freeman, 2009; Jackling & De Lange, 2009; Kavanagh & Drennan, 2008; Mathews, 1990). For example, Courtis and Zaid (2002) and Hancock, Howieson, Kavanagh, Kent, Tempone, Segal, and Freeman (2009) point out that academics do not appear to be in line with the business community regarding the communication skills required by new accounting graduates who suffer from a lack of communication skills in their early employment. Likewise, Kavanagh and Drennan (2008) compare the expectations of accounting students and employers in terms of professional skills, and report that employers' expectations are much higher than graduating students' perceptions of what is required in the workplace.<sup>5</sup>

The contribution of this study is twofold. First, through an empirical examination it identifies gaps in the accounting education literature. There are many studies that highlight the deficiencies of university accounting programs. They identify the skills and competencies expected of professional accountants in order to keep up with the dynamics of the modern business environment, and emphasize the importance of designing accounting degree programs to ensure market relevance of those programs. But little research has been carried out to examine empirically the extent to which university accounting programs are in line with market expectations.

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<sup>5</sup> It is important, however, that while accounting graduates should be equipped with market expected professional skills, recognition should also be given to educational principles in accounting degree programs.

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