The ICAA pathways project: Identifying the issues

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Executive Summary

This paper revisits the debate about the new pathway into the ICAA’s CA Program for non-accounting graduates via an abbreviated conversion course. It aims to articulate and probe the opposing views about the pathway so as to identify unresolved issues around which future disputation may arise and negotiations may ensue. Our approach is (i) to put the profession’s position to the academic community and vice versa and (ii) to contextualise the debate in both historical and contemporary terms so that future debate, negotiation and research may take place on a more informed basis given that the controversy has the potential to create damaging divisions between (and within) the academic and professional communities. It is, in our view, unlikely that a research/evidence-based adjudication between, or resolution of, disparate views is feasible at this time. Basically, the various parties will need to negotiate their way through the issues.

The paper is based on interviews with various participants in the public debate and other interested parties. Interviewees include representatives of the ICAA, the Big 4 and a mid-tier firm; and a number of academic accountants. The focus throughout is the identification of arguments and issues per se.

Following the lead of the ICAEW, the ICAA has long held that the training of its members is a crucial element in establishing and maintaining its elite status. Its tight grip on the training of its members was loosened after WWII as accounting education moved into the universities under the influence of government policy and as the profession moved to graduate entry. Over time, the ICAA has protected itself from shifts in the federal government’s higher education policy by modifying its own training programs. We argue that the new pathway may be seen as a further instance of this pattern and that the present accreditation arrangements are now in question as a result of further shifts in government policy (and the response of the universities to them).

The present Australian higher education program accreditation arrangements go back to the 1980s, when the ICAA sought to manage the massification of higher education by requiring all tertiary institutions seeking to prepare students to enter the CA Program, to reach a minimum standard. In the early twenty-first century, with the profession more concerned with expansion than exclusion, the new pathway’s promoters have looked to the ICAEW for inspiration. In England, there are many possibly routes to the ICAEW’s examinations and, in contrast to the present Australian accreditation arrangements, there is no prior point at which all entrants to the CA Program are required to establish equivalence. While proponents of the new pathway point to the success of the ICAEW model in one of the world’s most sophisticated capital markets, its opponents highlight the dangers of watering down the principle of equivalence in the Australian context.

The new pathway emerged after a long period of government indifference to pressures (identified in a succession of inquiries in the late twentieth century) on university accounting departments. More recently, while the number of domestic accounting graduates has remained relatively static, the universities have been graduating a large number of overseas students, attracted into accounting programs by generous permanent residence visa requirements. This has occurred at a time when the Big 4 have been growing their businesses. From their point of view, the latter group, generally speaking, has not been a suitable supplement to the former on account of: perceived weaknesses in
communication and other social skills/attributes demanded locally; lack of locally relevant business experience; and the possibility of an early exit from Australia. At the same time there has been some concern about the quality of domestic accounting graduates and the Big 4 have also faced stiff competition from other employers for the ‘best’ graduates. Therein lies the appeal of looking for additional suitable (domestic) graduates from ‘non-relevant’ degree programs who may, in any case, offer additional skills and perspectives relevant to today’s multidisciplinary professional service firms. Such graduates will be hand-picked to join the firms prior to attempting the GradCert program, and will ideally benefit from the firms’ internal training systems and from learning in a real-world context. In any case, if they do not pass the CA Program they will not go on to become chartered accountants. The GradCert program is allegedly preferable to existing accredited postgraduate conversion courses on the grounds of cost, duration and the motivation of other students enrolled in them. In this context, the challenge has been put to accounting academics to make a more decisive choice between being either ‘vocational’ or ‘educational’ in their programs. If they choose the former they may decide to negotiate with the Big 4 to produce more ‘work ready’ accounting graduates – otherwise the Big 4 ‘will walk’ and ‘look for alternative suppliers’.

The new pathway’s critics among our interviewees have expressed concerns about the manner in which it was introduced and some have seen it as setting up a situation where the ICAA is both regulator of, and competitor to, extant accredited programs. Some have questioned whether the CA Program may be compromised given the readily-apparent compression in the coverage of accounting and cognate disciplines in the GradCert in comparison with other accredited programs. Critics also question the wisdom of reducing the required quantum of entry-level accounting-related knowledge in a rapidly changing world and make a case for ‘education in accounting’, particularly in respect of those engaged in audit/external reporting.

The two-part counter-argument to the compression argument, viz., that there are compensatory mechanisms associated with the pathway and, secondly, the insistence that the CA Program will remain robust, cannot readily be tested.* A major issue here, however, is whether the principle of equivalence embedded in the current accreditation process is sustainable if the GradCert-style pathway becomes firmly established. When one also factors in the doubts within academia as to the legitimacy and opportunity costs of the accreditation process and the questions posed within the profession as to whether it has been effective in maintaining quality, one wonders about its future viability. Table 1 below elaborates this (and some related) issues for the universities, the ICAA and the Big 4. The broader question is: how involved should the academy be in the production of professional accountants? In England, this issue was resolved, after decades of discussion and debate, by the academics and the practitioners effectively going their own way. Possibly, Australia is about to go through its own version of that debate.

* The same might be said about some of the critics’ comments.
<table>
<thead>
<tr>
<th>Focus of Issue</th>
<th>Universities</th>
<th>ICAA</th>
<th>Big 4</th>
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| Accreditation (as a joint project for determining who can enter the CA Program) | 1. What is its ongoing value to the universities (individually or as a group)?  
2. Does it unduly constrain the design of ‘accounting’ programs?  
3. If it is abandoned will students still enrol in accounting programs?  
4. Are other forms of accreditation preferable? | 1. Accreditation is about standardisation but has it really succeeded?  
2. Is passing the CA Program a sufficient test of entry to the profession?  
3. If it is abandoned will the role of the ICAA be diminished (or enhanced)?  
4. Balancing the interests of Big 4 vs other firms/members | 1. Has accreditation contributed to the production of entry-level accountants of ‘sufficient’ standard?  
2. Is passing the CA Program a sufficient test of entry to the profession?  
3. If it is abandoned will training/recruiting costs rise?  
4. Does it unduly constrain who can become a ‘CA’ (or who the firm can employ)? |
| ‘Work-ready’ entrants to accountancy                | 1. Are universities vocational or academic institutions (e.g., teaching life-long learning skills rather than changing standards)? Is there a middle way – ‘education in accounting’?  
2. Should judgements about 1 be undertaken individually or in concert?  
3. Should negotiations with the ICAA/Big 4 be undertaken individually or in concert? | 1. & 2. As per ‘Big 4’. Or, alternately:-  
3. Is the ICAA a body for ‘accountants’ only?  
4. What are the core areas of work on which accountancy’s claim to professional status is based; and how can education contribute to that status?  
5. Balancing the interests of Big 4 vs other members/firms. | 1. What is accounting work? For which service lines is the CA Program/ designation appropriate?  
2. Within the ‘accounting’ areas – what does it mean to be work ready (at an entry level)?  
3. How much reliance is to be placed on the ‘relevant’ degree programs to provide work-ready entrants?  
4. How are training costs/riskks to be managed if more ‘non-relevant’ degree graduates are hired; or if ‘relevant’ degrees become more ‘academic’?  
5. Re: 1-4: Negotiate directly with the universities or through the ICAA? |
| Core accounting knowledge                          | 1. What is this knowledge?  
2. Who determines/produces/updates it?  
3. Where is it acquired (by entrants to the profession)? | 1. What is this knowledge?  
2. Who determines/produces/updates it?  
3. Where is it acquired (by entrants to the profession)? | 1. What is this knowledge?  
2. Who determines/produces/updates it?  
3. Where is it acquired (by entrants to the profession)? |
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So I would assume that most of the academic colleagues around the country are basically worried about watering down standards. That would be their concern because they probably don’t understand what is the standard that’s being applied (A9)

But unless there is some dialogue along that space, there will always be this mystery that exists between the Big 4 accounting firms and the universities (F3)

I am utterly amazed that CPA Australia are also looking at doing a similar thing but they are going to consult widely before they do it. Well I am still waiting for them (A10)

1. Introduction

The introduction in 2007 by the Institute of Chartered Accountants in Australia (ICAA) of a new (or ‘alternate’) pathway for non-accounting graduates\(^1\) into its CA Program through an abbreviated conversion course provoked robust debate in the media and at a Pacioli meeting in March 2007. At that meeting its relative merits and the relationship between ‘town and gown’ as joint producers of accounting professionals were vigorously discussed. In brief, the new pathway is the Graduate Certificate of Chartered Accounting Foundations, a distance education program offered by U5. It is available to local students\(^2\) who hold a three year bachelor degree (or equivalent) and can be completed in one year of part-time study. Successful completion enables graduates to meet the educational requirements for entry into ICAA’s Graduate Diploma in Chartered Accounting (the CA Program).

The introduction of the new pathway created ‘shock and awe’ within the academic community while the ensuing academic ‘blowback’ was disconcerting for at least some of the pathway’s proponents. The passionate debate revealed fracture lines between town and gown and, to some degree, within academia itself. Differences of opinion remain and as a result we doubt that the debate has been had and that everyone is ‘over it’. Accordingly, the aim of this paper is to articulate and then probe the opposing views about the pathway so as to identify unresolved issues around which future disputation may arise and negotiations may ensue. We hope to articulate a more extensive and nuanced array of issues than is presently available in the public arena. In doing so

\(^1\) The term ‘non-relevant’ degree is also used.

\(^2\) Local students are defined as those who are Australian citizens, New Zealand citizens or holders of a permanent residency visa.
we attempt, albeit tentatively, to identify what is at stake for some key parties. Our approach is (i) to put the profession’s position to the academic community and vice versa and (ii) to contextualise the debate in both historical and contemporary terms so that future debate, negotiation and research may take place on a more informed basis given that the controversy has the potential to create damaging divisions between (and within) the academic and professional communities. While it may be possible to test some claims against evidence and previously published research it is, in our view, unlikely that a research/evidence-based adjudication between, or resolution of, disparate views is feasible at this time. We seek instead to facilitate mediation between the various parties, not necessarily (or solely) by identifying common ground but rather (or in addition) by highlighting points of divergence in relation to which their accommodations – or otherwise – will have implications for the future education and training of accountants. Basically, the various parties will need to negotiate their way through the issues.

Our original intention was to examine the claims made publicly for and against the new pathway on the basis of what we perceived to be relevant literatures. We soon formed a view, however, that participants in the public debate and other interested parties should be offered the opportunity to state their views more fully in an interview. To date 22 interviews have been completed. Some interviews involved multiple interviewees, the result being that the total number of interviewees is 32. The interviewee group included both supporters and opponents of the pathway. Representatives of the ICAA and the ‘Big 4’ were nominated by those organisations themselves. The Big 4 interviewees held a range or positions including senior operational roles in either the (Australian) firm as a whole or in the audit/assurance service group within the firm, audit partners (some with responsibility for recruitment or training), and more specialist roles in training, HR and marketing. A mid-tier firm was also interviewed (and two others were contacted by phone) to get a feel for whether size matters. An academic at U5 who played a major role in the introduction of the graduate certificate (hereafter ‘GradCert’) was also interviewed. Thirteen other academic accountants were interviewed, from senior lecturer level to full professors. Some presently hold senior management positions in universities whose graduates are actively sought by the Big 4 and some now hold specialist teaching and learning positions. The views expressed, however, were personal. A number had contributed in various ways to the ICAA’s activities and/or those of CPA Australia. Again, their views are personal, although a number expressed views as members of the ICAA. A non-accounting academic who has undertaken extensive research into the
impacts of migration and government policy on the Australian accounting profession and the universities was also interviewed. The other interviewee, who does not fall in any of the above categories, has had long experience in the profession and in commerce, has previously served as an officer of professional bodies representing financial executives at both national and international levels and is on the advisory board of a university Faculty that produces accounting graduates (among others).

A set of topic areas derived from the media debate and arguments put at the Pacioli meeting of March 2007 was devised and used to guide discussion during the interviews. The interviews were open-ended in that the interviewers were prepared to improvise specific questions based on interviewees’ remarks in order to seek further clarification or elaboration, sometimes of arguments not evident in the public debate. In some cases specific questions were devised that were geared to particular interviewees with a view to exploring specific issues particularly germane to them. The duration of the interviews ranged from 30 to 80 minutes and 19 out of the 22 interviewees agreed to the recording of conversations. Transcripts of recorded interviews were prepared and forwarded to interviewees for inspection. In the other 3 cases hand-written notes were taken during the interviews. Interviewees and organisations have been anonymised in the following fashion: ‘A1’, ‘A2’ (etc) are academics. ‘F1’, ‘F2’ (etc) are accounting/professional services firms. Where more than one interviewee was present from the one firm the interviewees have been designated as ‘F1-1’, ‘F1-2’ (etc). Similarly, ICAA interviewees have been designated as ‘I-1’, ‘I-2’ (etc). ‘U1’, ‘U2’ (etc) are universities. ‘O’ is the ‘other’ interviewee.

The focus throughout has been the identification of arguments and issues per se. We do not claim to have conducted a survey or a poll on the GradCert pathway in the sense of estimating how many were for or against it (or any particular argument raised about it) and with what degree of intensity. The arguments identified below, however, might be helpful to someone interested in conducting survey research of that kind. For the time being we invite readers to consider the arguments on their merits and to reflect upon the issues raised accordingly. Nor do we claim to have captured all possible arguments from all possible interest groups. Clearly the coverage of the views of ‘users’ of financial statements or professional services more generally, ICAA members (including solo practitioners and small firms), regulators and others is thin or non-
existent. Although the analysis below is exploratory and suggestive rather than comprehensive and systematic, we nevertheless maintain that the issues identified are relevant to the professional and academic communities.

Other limitations should be kept in mind. First, it is still early days for the new pathway and the number of GradCert graduates who have moved into the CA Program to date is small. Nevertheless, we do not accept as definitive the claim that this paper is premature for that reason. While the performance of those graduates in the CA Program is clearly of interest, to regard it as the sole criterion for assessing the merits of the GradCert pathway is problematic to the extent that it assumes either that it is the only issue that counts, or that all other issues will simply die away. Both assumptions are highly contestable. Second, the views from the ICAA and the professional services firms/accounting firms reported below are those of persons nominated by the ICAA and the firms. We do not claim that they are representative of the views of ICAA members or partners/employees of the firms generally. Third, it is not possible to test the claims of the various parties comprehensively or definitively. Some claims are prognostications about the future – indeed, that is why they are interesting. As noted by Porter (1981) such ‘anticipations’ can nevertheless influence outcomes. Evaluation of other claims would require much more intensive research than a short interview (or even a follow-up interview) and require access to proprietary intellectual capital (e.g., training and educational processes and materials). Furthermore, the perceptions of the stakeholders are also likely to affect behaviours and outcomes, whether supported by reams of evidence or not. Fourth, the potential field of the study expanded with each interview. As we moved from one interview to the next, an interesting argument put at the ‘first’ interview might be raised for comment in the ‘next’ (and so on to later interviews). This approach provided opportunities to dig deeper and deeper but the result is that not all arguments have been put to all interviewees. On the other hand, as this is an ‘Issues’ paper, interviewees will be able to respond further in the debate that may flow from it.

The next section contextualises the study from historical and contemporary perspectives. Section 3 explains the reasons for the new pathway from the proponents’ viewpoint while Section 4 articulates the scepticism of its opponents. Section 5

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3 Nor have we, in this preliminary draft, included potentially insightful comparisons with the USA, New Zealand, Scotland etc.

4 Under pressure of time this draft does not formally incorporate arguments on the public record. It focuses on the interviews. There is, however, a substantial overlap between the former and the latter.
highlights a selection of unresolved issues for ongoing discussion while Section 6 provides brief concluding remarks.

2. Historical background and contemporary context

2.1 The English influence in the formative years of Australian accountancy

In the late nineteenth and early twentieth centuries, Australian accountants seeking to establish themselves as the elite of a nascent occupation containing an alleged mass of unqualified or inferior accountants turned to the model of professionalism exemplified by the Institute of Chartered Accountants in England & Wales (ICAEW). In particular, the passing of examinations devised by a watchful professional body, supplemented by on-the-job training with a properly-qualified man, restrictions on the range of work performed and the way it was performed, a range of personal attributes (‘character’) and a firm delineation between public practice and salaried employment were the hall-marks of the ideal professional accountant put forth by the men that laboured for decades to establish the ICAA, eventually ‘incorporated’ (in 1928) by a royal charter which proclaimed the right of members to use the ‘chartered accountant’ designation. The market advantage that could not be secured by legislation alone could be achieved, they believed, by following a version of the ICAEW model adapted for antipodean conditions.5

In the early twenty-first century, while the CA designation lives on as a ‘brand’, many of the strictures of the professional model listed above are being rolled back as the logic of the market has increasingly come to the fore.6 But, well before the latest turn of the century, commencing after WWII, the ICAA’s tight hold on its training processes loosened, gradually bringing it into contact with a range of entities (universities included) with which it previously had barely had a nodding acquaintance.

2.2 The relationship between the tertiary sector, professional bodies and government policy

Before WWII, candidates were prepared for the Intermediate and Final Examinations of the ICAA by private coaching colleges, correspondence schools and private tutors. The ICAA had tight control of all aspects of accounting education offered through these media. Following the war, changes in federal government policy created alternate

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providers of accounting education. Accounting education spread into universities (and technical colleges), a move that was challenged by the ICAA (Evans, 2003). However, when it could no longer resist those changes the ICAA managed its closer relationship with universities by setting up mechanisms whereby subjects taught at universities were recognised as equivalent to subjects in its Intermediate Examination. In the 1960s, federal government policy in relation to universities and the concomitant creation of Colleges of Advanced Education (CAEs) once more pushed the ICAA to reconstitute its stance in relation to the growing number of accounting courses in the higher education sector and to embrace the concept of graduate entry to the profession. The ICAA shifted from recognition of subjects in these courses as equivalent to ICAA subjects to approval of the courses themselves. However, because the ICAA was concerned about the proliferation and quality of these accounting courses, it ‘strengthened’ the examination which acted as the barrier to membership and renamed it as the Professional Year (PY) of Study.

Again in the 1980s when federal government policy moved the higher education sector from an elite to a mass education system, the ICAA warned its members about significant variations in course content, quality of teaching staff and entry and exit points from universities (and CAEs), and moved to the concept of accreditation of courses based on a prescriptive ‘Statement of Knowledge’ expected of candidates entering the PY. Accreditation remained a prescriptive process until the mid 1990s when it moved further towards an outcomes focus.

For many decades, accounting education in the tertiary sector has been under constant scrutiny from the professional bodies and it is possible to trace a pattern of changes to the PY (now CA) Program as a response to federal government policies that created more (and different) pathways for students to enter tertiary education. As the final entry hurdle to the ICAA, the PY/CA Program has been changed over time to compensate for “variations in course content, quality of teaching staff and entry and exit points from universities” (Minutes of ICAA National Council 24 November 1980: NLC. 750). There is evidence that the new pathway grew out of a working party that looked at refocussing the CA Program back to technical skills, away than the ‘soft’ communication, interpersonal skills etc., that had been part of a wider federal government imperative in relation to generic skills acquisition at university, as well as requirements

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7 See Evans (2003).
under the accreditation guidelines themselves. Certainly, the latest changes to the CA Program can be interpreted as the ICAA ‘taking back’ control (to a greater or lesser extent) of the technical training of CAs.

2.3 Studies of accounting (and business) in Australia

Over the past forty years, there have been at least four national studies undertaken in Australia which have included accounting education as their focus. There are common threads which bind these studies to the current study and unresolved issues in the present have their seeds in the past. These include: the common core of [generalist] accounting knowledge which all accountants (that is, members of professional accounting bodies) must possess and that professional bodies look for in the curriculum of universities seeking approval/accreditation of their courses; and the concept of a flexible undergraduate education with a specialisation in a fourth year of study in part-time mode (to enable on-the-job learning) at a postgraduate level. The funding of accounting education has been an unresolved agenda item since the Task Force for Accounting Education was constituted in 1985. According to Tippett (1992), overall lobbying was largely ineffectual although the government did allow salary loadings (to be financed by productivity gains in the teaching area). Both the Mathews inquiry in 1989 and the Australian Business Schools study in 2001 highlight government resourcing of accounting in higher education as a cause for concern.

2.3.1 The Vatter Survey 1964

The Survey of Accountancy Education in Australia (the Vatter Survey, 1964) was undertaken by William J. Vatter, Professor of Business Administration, University of California at Berkeley. It was commissioned by the ASA and ICAA and targeted a number of issues:

- Low entrance standards and high failure rates in the examinations of the professional bodies\(^8\) that were damaging the reputation of the accounting profession (p. 10);
- Inadequate preparation for managerial responsibility (p. 14);
- Too much accounting instruction being tailored to the content of the professional syllabi (p. 17); and
- The possibility of education for professional work being located in a university where the discipline of accountancy could be applied to business problems (p. 19).

The relevant recommendation from the Vatter Report was the completion of an accounting degree after two years full-time and two years of part-time study. After

\(^8\) Even though increasing numbers of candidates were obtaining accounting qualifications from universities and technical colleges (as entry points to the ICAA Final Examination) the great majority were not graduate entrants to the profession.
completion of the degree the candidate would sit for a qualifying examination based on the undergraduate study. Then postgraduate study would consist of two years of part-time study in two selected fields of study. In addition, Vatter recommended that the role of the professional bodies in the examining field be confined to the qualifying examination. Vatter also attempted to describe the common core of knowledge that all accountants should possess.

2.3.2 The Task Force, 1985-88

The Task Force for Accounting Education, with representatives from the ASCPA (now CPA Australia), ICAA and AAANZ (Association of Accounting Academics of Australia and New Zealand, now AFAANZ) met between 1985 and 1987 and issued its report in 1988. It targeted a number of issues:

- The common core of knowledge desirable in an undergraduate accounting program and the degree of flexibility of subject matter to be included (unresolved since Vatter);
- Future entry requirements to the profession and their effects on educational processes (to reflect changes in accounting work);
- The accreditation of accounting degrees as a basis for entry to the profession; and
- Accounting conversion courses.

Tippett (1992, p. 103) describes its most significant recommendations as greater flexibility in the content of undergraduate degrees and later specialisation at postgraduate level in a fourth-year part-time program; and an increase in human and financial resources through fairer resource allocation by the universities and contributions by the profession and industry/commerce. Intense lobbying to universities and the government followed the release of the report. One of the objectives was to alleviate the chronic shortage of full-time staff (heavy reliance on part-time staff was noted in the report) by addressing the overall funding issues. Tippett (ibid.) doubts whether the report or the lobbying had any effect on the government or the universities. One piece of irony in all this is that some believe the report was instrumental in forcing the government to allow salary loading in accounting, to be financed by productivity gains in teaching. The current situation in most universities is that market loadings are paid to accounting academics from international student revenue (‘productivity gains’).
2.3.3 The Mathews Report 1990

The Report of the Review of the Accounting Discipline in Higher Education (The Mathews Report) was released by the federal government in 1990⁹ (DEET 1990). It was commissioned by the government as a result of lobbying by the professional accounting bodies and accounting academics. The major recommendations listed below are relevant:

- Undergraduate accounting degrees should be more broad-based and provide broad general education. A fourth year should focus on professional accounting and can be undertaken by graduates in other disciplines subject to certain conditions
- Full-fee courses should be primarily directed to educational objectives and should not be regarded simply as a means of raising revenue. Also fee income should provide staff and resources sufficient to meet the extra demands of these students.
- The target student-staff ratio should be 16:1.

The federal government did not respond formally to the report and Tippett (1992) notes that at least one of its principal education agencies rejected most of the report’s major recommendations.

2.3.4 Australian Business Schools Study 2002

In 2002, DEST published the Australian Business Education Study: Enhancing the Quality of Australian Business Education and circulated it to all universities and business faculties in Australia. The Study (commissioned and funded by the Australian Universities Teaching Committee – ‘AUTC’) investigated, amongst other things, the current state of business education in 37 Australian universities, analysing their operational data (1997-2000) as well as data drawn from 2001 national surveys and interviews. One critical finding was underinvestment in business education, undermining standards and quality. The Study recommended increased government and university funding to restore standards and to arrest the decline in reputation and competitiveness. It found inequity and unfairness in universities’ resourcing of business education. It reported student-staff ratios in business faculties of 30:1 compared to 12:1 in non-business faculties. The Study had the same fate as the Mathews Report: with respect to the investment recommendation, neither the universities, nor AUTC nor DEST have addressed the chronic underfunding problem. To date, Professor Richard Johnstone, the then Chair of the project’s Steering Committee and AUTC member, has made no public

⁹ See Tippett (1992) for an overview.
announcement supporting the Study’s recommendations and no reforms to accounting/business education arising from it are apparent.

2.4 The contemporary context

Government policy and action/inaction continue to impact upon the profession and the academy.

2.4.1 Domestic students, overseas students, government policy and the universities

The interaction of these ‘variables’ from 1995-96 to 2005-06 has been examined by Birrell and Rapson (2005), Birrell (2006a, 2006b) and Watty (2006), among others. The following points are relevant:

- In the decade to 2006 the number of professional accountants rose by 40% (to around 140,000). Very little of this increase, however, is attributable to domestic students trained in Australian universities. It mostly consists of “recently arrived migrants” while “over the last few years, the majority have come from the ranks of former overseas students who have completed accounting courses in Australia” (Birrell, 2006, p. 1).

- Responding to “evidence of shortages of accountants in Australia” (ibid.) the relevant government departments have devised visa conditions that have contributed significantly to the trend noted above. They have been extremely successful in attracting overseas students into accounting programs in Australian universities, postgraduate ones in particular. To date, however, this trend has not translated into a surge of new entrants into professional accountancy, largely because of limitations in the language/communication skills of overseas-born graduates. Strikingly, 34% of graduates granted permanent residence visas in 2005-06 failed to achieve a ‘competent’ level of English-language skills (IELTS band 6) when tested upon completion of their Australian courses (Birrell, 2006b, p. 58). Further, CPA Australia, the ICAA and the NIA who act as accreditation authorities for immigration purposes have been reluctant to themselves test the language-skills of overseas students, while individual universities have a competitive disincentive to test students’ English skills and require remedial courses on a unilateral basis (ibid., pp.

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10 “Between May 2001 and May 2006 the proportion of all employed accountants who were Australian-born fell from 71% to 66%. Most of the increase in the proportion of overseas born accountants came from those born in Chinese speaking countries” (ibid.)

11 Lack of occupational experience and familiarity with local business conditions also play a part. Birrell & Rapson (2005, pp. 16-17) use quantitative analysis to whether “prejudice against persons with non-English speaking backgrounds” (NESB) is a factor. They argue that it is not, finding, for example that recently arrived NESB-born accountants trained in Australia are more successful in finding professional and managerial work than NESB-born accountants trained elsewhere. The implication is that if training in Australia made a difference then prejudice was not an issue. On the other hand, James & Otsuka (2007) believe, based on a interviews with a small number of Chinese-born accounting graduates living in Australia, that subtle forms of discrimination are in operation when “lack of Australian working experience, lack of knowledge of Australian culture and lack of ‘Australian English’” are put forward as rationales for rejecting job applications.

12 43% in the case of students from China (Birrell, 2006b, pp. 58-59). Ideally, entrants into the accounting profession would fall into IELTS band 7, as required for medicine and nursing. Visa requirements, IELTS bands and shifting government policies are explained in Birrell (2006b).
According to Birrell, universities “cope by lowering the English demands in the courses they teach”, for example, by setting “problems which do not require essay writing skills, or by setting group assignments in which the students with better English help out” (ibid., p. 62).

- Watty (2007) argues tentatively for a link between accounting academics’ perceptions of declining quality in accounting education and levels of English competency. The latter arguably affects students’ capacity to respond appropriately to assessment modes (e.g., essays, case studies, presentations) designed to assess “those generic skills normally listed under the umbrella term ‘communication skills’ (ibid., p. 26) with the result that their lecturers have tended to shift to assessment of technical content. The implication is that some international students “‘get the degree’ … with an English language competency well below that expected for effective participation in the professional workforce” (p. 27).

- Birrell and Rapson (2005) provide 2 reasons why universities are reluctant to shift limited government-funded places to accounting. First, in respect of disciplines where there are plenty of domestic applicants such a move would result in “protests from students, staff and unions” without providing any financial advantage. Second, the financial return from admitting a fee-paying overseas student “is much higher than that received for teaching a domestic student” (p. 4; see also Bradley et al, 2008; Yates et al, 2008).

- Birrell (2006a, p. 18) concludes, nevertheless, that “there appears to be an urgent need to increase the number of domestic students being trained in accounting in Australian universities” – a position strongly endorsed by the profession.

The remarks of interviewees supporting the alternate pathway resonate strongly with the above in a context where accounting departments play a ‘cash cow’ role, staff-student ratios remain high, there are chronic academic staff shortages, there is no agreed position on the common core of accounting knowledge for graduates entering the profession and the quality of accounting education is under intense scrutiny – not least by

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13 Birrell (2006b) notes that the one institution with a motive to act is DIMA (Department of Migration and Cultural Affairs; now DIAC – Department of Immigration & Citizenship). DIMA/ DIAC’s recent efforts to improve the situation are discussed in ibid., pp. 63-64. See also the details of the Skilled Migration Internship Program-Accounting at [http://www.charteredaccountants.com.au/A121675933](http://www.charteredaccountants.com.au/A121675933).

14 Burch (2008) provides an account of the difficulties of applying ‘modern pedagogies’ to a first-year postgraduate accounting subject as international students have flowed into it “over the past five to six years” (p. 12). While his is a personal account of the experience of “just … one … subject in one school” we suspect that many accounting academics will empathise with his experience.

15 On the other hand, A4 observes that university management may be prepared to transfer HECS-places to business/commerce units where other disciplines are unable to fill their HECS places. The broader higher educational background is discussed in the Bradley Review’s Discussion Paper (Bradley et al, 2008).

16 See the submissions to the Bradley Review of Higher Education of CPA Australia, ICAA and the NIA, dubbing themselves as ‘the Joint Accounting Bodies’ (JAB, hereafter ‘JAB, 2008’); and a group consisting of the CEO/Chairs of the Big 4, the Chairman of the Advisory Board of the Graduate School of Management, University of Melbourne, the CEOs of the Commonwealth and National banks, the Co-Chairman of the FMAA, the Chairman of First Charnock and the Director of the Trawalla Foundation (hereafter ‘Yates et al, 2008’).
the Big 4 as major employers of accounting graduates (around 25%) who can’t find ‘enough suitable graduates’ to grow their businesses.

2.4.2 The English influence in the contemporary context

Recent analyses by Annisette and Kirkham (2007, hereafter ‘A&K’) and King and Davidson (2009 forthcoming, hereafter ‘K&D’) of the separateness/parallel existence of the academic and professional arms of accountancy in England are highly germane to the Australian controversy. The proponents of the ICAA’s alternate pathway interviewed are aware of, and find inspiration in, at least some aspects of the English system. A number of them are, indeed, products of it and are seeking to reproduce at least parts of it in Australia. In particular, the ICAEW does not require trainee entrants to hold ‘relevant’ (i.e., accounting) degrees. In 2004, only 4% of entrants did so (A&K, 2007, p. 3). In the Australian context this finds expression in the belief of some interviewees that one does not need to hold a relevant degree to become a good accountant. Second, student entry into the ICAEW effectively requires that the student find a CA employer before commencing intense training in accounting through a private training firm (A&K, 2007, p. 11). In Australia, the three Big 4 firms that are more or less actively pursing the alternate pathway at present employ non-relevant degree holders before they enrol in U5’s graduate certificate (notwithstanding that it does not appear to be an intense training program on the English model).

Third, “the attractiveness to the ICAEW of university graduates is more linked to their general abilities rather than their specific knowledge” (A&K, 2007, p. 14). This point finds expression in the position of some of our interviewees that it is ‘quality’ or ‘raw intellect’ (or similar) of the non-relevant degree-holder employed that will potentially allow him or her to successfully retrain as an accountant. Fourth, one of the advantages, in England, of having an entry pathway for non-relevant degree-holders is that the Big 4 “can maximize the supply of potential recruits thereby enabling themselves to meet increasing or changing demand for professional accountants without sacrificing the academic quality of the entrant” (ibid., p. 15). In the Australian context, this point resonates with the desire of some interviewees to ‘widen the pool’. All in all, given the circumstances described above and in section 3 (below) and the success of the ICAEW model in one of the largest and most sophisticated capital markets in the world, it is not at

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17 Birrell (2006a, p. 16).
18 There were more entrants with degrees in Engineering (4.6%), Arts (4.8%), Social Sciences (6.9%), Mathematics (12.2%), Science (13.9%) and – by far the largest group – Business (45.9%) (ibid.).
all surprising that these ‘familiar’ features would be built into the Australian alternate pathway.

There is another side of the story however. A&K believe that the separation of practitioner from the academic has been beneficial for both. For practitioners, the risk of their trainees undergoing “university examinations [that] would not be an adequate substitute for professional examinations” was avoided (ibid., p. 19). The risk avoided for academics pursuing reputations as researchers was that of the ICAEW “dictating course content” and the attendant possibility that they “would suffer a loss of academic status” (ibid.). Under what circumstances did such risks arise? The answer is: when proposals were on the table “to establish a direct role for accounting departments in the professional accreditation and training of chartered accountants” (ibid.). Australia, of course, has an accreditation process along these general lines. More generally, K&D (2009) recognise the historical contingency of the English model when they observe that it “has been a workable one” but that “[this] is not to say that other models are not also effective”. One of the issues raised by the Australian debate about the alternate pathway, for both academics and practitioners is: which aspects of the Australian accreditation model (historically contingent in its own way) are worth preserving?

2.5 Building the alternate pathway

It is possible to pull together a general account of the genesis of the pathway, as its supporters/builders see it. Some of the latter turned out to be interviewees. In 2004/05 the ICAA Training Working Party (which later became an Industry Advisory Group) on which representatives of the Big 4 were prominent, formed the view that the CA Program was overemphasising soft skills at the expense of technical skills. “We took the view that because the combination of the CA Program and the university education was not producing accountants of sufficient technical depth that we needed, we said well where is the best place to focus? It’s probably on the Institute CA Program rather than trying to interfere in the undergraduate degree” (F3).

“That then morphed into, OK … let’s get the Program right. Now what about the entry requirements?” (F5-2). The question at hand was: “Is there another way we can get people into the profession? We’re willing to take the risk of taking these people [non-accounting graduates] on and training them and converting them for want of a better

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19 The dates and timing are approximate.

20 Some interviewees remembered the working party as going back to 2003/04 (F1-2, F3, F4-3, F4-1, F5-2, I-1). F4-5’s recall is that the new pathway “was first mooted, probably ten years ago”.

word into chartered accountants. … [The] safety valve for me was always, well, if these people are no good who are coming through the alternative pathway, they will not pass the CA Program” (F3). (Toughening up the CA Program technically may be read as bolstering its capacity to play this role.)

“We were getting lots of really good qualified people but they weren’t eligible [to enter the CA Program]. So they had what they called the challenge program” (F4-3). The question then arose “who was then going to train them to do it?” (F4-1). Arising from consideration of that question was the notion of “the year’s program and ultimately the challenge [exam] had sort of dropped away” (ibid.).

“The Big 4 were looking at setting up … their own education piece to be able to drive it in-house and then have them [i.e., the trainees] come into the CA Program and the Institute was facilitating that process but there were some risks in doing that in that you could end up having 4 different training programs” (I-3). The universities were invited to tender to provide a training program (for trainees with non-relevant degrees). Three or 4 did so and U5 was successful. A7 at U5 was of the view first that the proposed program might be a means by which domestic non-accounting graduates would have the opportunity to enter the CA Program, thereby helping to alleviate the skill shortage in professional accountancy, without having to endure a costly and problematic MPA (Masters of Professional Accounting [conversion] program) and second that the training program would be subject to better quality assurance if it were set up under the Australian qualification framework as a graduate certificate which could then articulate readily into the CA Program which had previously gained recognition under the same framework as a graduate diploma. With the ICAA agreeing to this proposal, the stage was set for conflict with the academics (section 4). At this stage, we note that all interviewees cited above are either products of, or very familiar with, the English model and referred to it favourably during the interviews. For them, as F1-2 put it succinctly, the drivers were “the shortage issue and the quality issue” (see section 3).

Where is the ‘build’ of the new pathway up to?

- The AFAANZ Newsletter of September 2008 (p. 2) reports that:
  A total of 416 candidates have enrolled in the Graduate Certificate . . .
  81% have an Australian undergraduate degree
  38% have a commerce undergraduate degree
  45% are employed by the “Big 4”

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21 The ‘challenge’ took the form of an entrance exam.
22 There remains an ‘entrance exam’ pathway into the CA Program. It is not discussed here.
60 of the 416 candidates have obtained the full Graduate Certificate award. 53 of these have enrolled in the Chartered Accountants Program. The addition of two financial accounting units to the Graduate Certificate has delayed the accreditation of this [Graduate Certificate] program. The expanded set of accreditation paperwork was submitted to the Institute in June and is currently under review.

- The additional units were added to the original six to address “potential concerns” put by AFAANZ as to “the ability of the Graduate Certificate program to equip graduates to enter the accounting profession” (letter, ICAA to AFAANZ, 7/11/07).
- The content of the Graduate Certificate units aligns with the core curriculum areas specified by the ICAA in the Professional Accreditation Guidelines for Higher Education Programs, issued jointly in January 2008 by the ICAA and CPA Australia. Should it be accredited, it will be the first graduate certificate program allowing entry to the CA Program (see the Accredited Tertiary Courses Listing, 2008).
- In late 2007 AFAANZ raised the question of whether “students completing the ICAA’s core curriculum requirements as part of a Masters of Accounting (conversion course) [would be allowed] entry into the CA program. Universities could offer students an exit award from existing accredited Masters of Accounting (conversion) courses” (letter, AFAANZ to ICAA, 21/11/07). Our interviews with the representatives of the ICAA and U5 suggest that other universities will be able to enter the graduate certificate market, either through the suggested method or otherwise. Both “the Institute and us have deliberately and clearly [said] that we don’t want exclusivity. Any university can do whatever we did” (A7).
- While it is still early days, F5-2 advises that of 15 of the firm’s graduates who had entered the CA program via the new pathway and sat a CA paper last semester, 12 had passed and 2 had achieved merits. F4-3 advises that the pass rate achieved by 13 of its staff during one CA Program term “was largely consistent with the overall ICAA pass rate for that term”.

3. Why the new pathway? The perspective of its proponents

The Big 4 see the new pathway as an aid to realising their growth prospects. Achieving that aim depends on the quantum of expert labour available to them, entry-level (‘graduate’) labour included. From their point of view, the universities are not producing enough of the right kind of accounting graduates. The graduate certificate pathway is deemed preferable to existing accredited postgraduate conversion courses as a method of getting additional suitable graduates into those segments of their businesses serviced by CAs. This section articulates various elements of their position. Section 3.1 explores how the lack of additional suitable graduates was experienced by the Big 4. Section 3.2 articulates the role of the new pathway as a way of ‘widening the pool’. Section 3.3

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23 ‘AFAANZ’ is the Accounting & Finance Association of Australia and New Zealand, a body representing academics. Pass/fail rates cannot be discerned from the numbers provided. We have sought clarification from U5 as to whether the 416 number includes 2007 enrolments alone and if so, what are the 2008 numbers? To date we have received no reply.
articulates the challenges posed to both the Big 4 and the academic community by the new pathway, from a practitioner perspective.

3.1 Shortage and quality

According to Birrell (2006a, p. 2):

In the case of accountants, the labour market is in short supply, particularly at the entry level. One indicator of this shortage is that in September 2004 the Federal Government added accountants to the Migrant Occupations Demand List (MODL). Accounting has remained on this List through 2006. The decision to place an occupation on the MODL is based on assessments of the Australian job market by the Department of Employment and Workplace Relations (DEWR). To qualify, an occupation must be in widespread shortage across Australia.24

Against this background, the interviews were used in part to get a sense of how (in what forms) the shortage was experienced by the firms. In part this was done by asking interviewees to discuss, in very general terms, the relationship between the number of graduates they were after and the number of applications they received. In ballpark terms, the firms advised that they received from 5 to 15 applications for every available position.

Commenting upon the “conventional wisdom that there is a skill shortage in Australia”, A4 believes that a better way of putting it is that there is a shortage of employable graduates. Indeed, the remarks of interviewees cited below are consistent with A4’s view. A5 remarks: “IFAC lists which professional bodies belong to [it] and you can look up their number of members and Australia has per capita more accountants than any other country in the world, already, so one has to wonder about this supposedly unsatisfied demand for accountants in this country.” An issue arising here (which we do not address) is whether addressing the shortage of employable graduates (as perceived by the Big 4) would result in a socially sub-optimal allocation of expert labour to accountancy.

3.1.1 Shortage of ‘quality graduates’

While the Big 4 seemed to be able to more or less hit their targets they reported that they received a considerable number of poor applications. The implication is that they would hire more ‘quality’ accounting graduates if they were available.

F4-4 reported that of 8,000 applications received 50% “would be put to one side straight away”. Only 12-13% of applicants received an offer. The firm’s recent efforts to ‘open up’ the international student pool have not been fruitful. Only 1% of international

24 See also Birrell & Rapson (2005, pp. 13-14, 16).
student applicants have received an offer (F4-4). Most successful applicants will receive 10-15 offers in any case (ibid.). Furthermore, high-level communication skills are vital to a career in the firm but they are often lacking, particularly in overseas students (F4-3, F4-5, F3) who may also have problems in applying the knowledge they have acquired on the job (F4-1). F5-1 also commented upon the social/communication skills of overseas students noting also that “a fair chunk of them choose not to work in Australia”. F3 also felt that the lack of English language skills was problematic for the firm and remarked further are “the economics/law/commerce faculties being used as a visa production factory? And that again is against the constituency of the Big 4 firm which is saying, we want you to produce accountants or relevant degree people for us in Australia.” F3 was also concerned about the technical skills of local graduates “which today is one of the reasons why we push back hard on the Institute around the CA Program because people are not coming out of universities with the skill sets that will get them through”. F1-1, commenting upon the 40-50% of graduate applicants that are of overseas background, remarked:

They ask us two questions. They ask us, can you get me permanent residence? They then ask us, if not can you get me a job in your firm overseas? And what that means is that of the 100% pool we’re left from a selection point of view with about 50-60% of the numbers in universities available to us to pick from.

While the Big 4, F3 less so than the others, were more or less accepting of the graduates25 they employ – factoring in a more or less resigned acceptance that considerable resources must be expended in training them, there are also a significant number of graduates that they are not interested in employing. This could be where the new pathway comes in. There could be, that is, a tipping point where the firms prefer to take on a ‘good quality’ non-accounting domestic graduate and put them through the new pathway rather than hire either a ‘poor-quality’ domestic accounting graduate or an overseas student who, while being academically sound, might leave the country or struggle with English, or lack the social skills or attributes demanded locally.26

25 While some interviewees offered views on the graduates they employed in respect of their generic and technical skills they are not discussed in detail here. A major 2-year study presently under way (reported by Hancock et al, 2009 forthcoming) will hopefully address this issue in greater depth than is possible here.

26 As A9 observes, one can hardly be surprised if overseas students respond rationally to incentives to study in Australia and concludes “it’s the system that’s wrong not the students”. The submissions of JAB (2008) and Yates et al (2008) are consistent with this view to the extent that they urge government to offer further support to international students. A9 also wonders why the firms don’t invest in language training as a way of tapping the large pool of international students given that they already have technical training infrastructures onto which they might graft language training.
Whilst acknowledging that the quality of overseas students is variable, A11 nevertheless observes that it can be high. But:

that is not recognised by the local chartered accounting firms or accounting firms in Australia as a general point. They seem loath to employ international students and so even though we seem to be graduating more students, those particular MPA ones are not being picked up by the local accounting firms nor the international students in undergraduate to any great degree either. (A11)

3.1.2 Competition for graduates

The discrepancy between the number of graduates available and the growing demand for them, reflected in concerns about the intensity of the competition for their labour, was another way that shortage was experienced. For example:

I would say that in terms of what is happening out there on campus when we think there is a shortage, we do recruit a lot of different and diverse degrees now. But we do still obviously want to recruit a fair proportion of accountants. We do have 200 people coming into the audit, marketing and advisory practices every year and I guess we just don’t see that there has been an increase in any of the domestic accounting students in the last 5 years and as we recruit more people and as our competitors recruit more people and even the medium size firms have increased their recruitment quite remarkably, there just doesn’t seem to be a big enough pool for us all to choose from (F4-4).

[It’s] not just the accounting firms that we are competing with … 10 years ago, if Macquarie Bank recruited 10 graduates, I’d be surprised, right. Now you know they are coming in and just cleaning out.27 So you take the investment banks. You take the traditional retail banks that are big graduate employers. By the time you actually add their exponential growth to our exponential growth in demand, you start to get a pretty bleak picture that there is not enough coming through. So therefore the demand is far outstripping supply. You’ve got two things you can do there. One is, you can go elsewhere for your supplies [of graduates], which is what we’re seeking to do with this [new pathway] or you can limit your growth opportunities … So it does become purely economic in the end (F4-5).

F2-2 noted that within public practice, competition had become so intense that employees were changing jobs even before completing the CA Program. “If you will ask some of our managers and directors, you would never leave a firm [before then]. It just would not be done”. As an extension of this theme, F5-2 noted that, in his experience, the staff turnover rate “is similar to what its always been” but that disgruntled trainees were more prone to leave the profession before completing their CA training than had been the case 10 or 20 years ago.

27 According to F2-1, Macquarie Bank “used to have more people in the CA Program than any of the Big 4 firms”. F3 stated that “we’re not getting any longer the top echelons that are coming out of relevant degrees out of the university. I think the Big 4 accounting firms are seen as a step down from the investment banks.”
The theme of planning for the future in the circumstance of shortage-in-relation-to growth-prospects in a tight labour market was evident generally in the interviews. For example:

If you go out to any recruitment agency in Australia let alone globally, the ability to find a tax manager, an audit director, a senior manager in say growth solutions [one of F1’s service lines] is just next to near impossible. All the agencies want to come and talk to us and tell us they have the candidates but when we look at them they’re pretty much non-existent. So we’ve actually taken it a step further. We actually set up a sourcing function where we have researchers who go in behind the Seek and Monster boards with agencies and we go behind that and we search the CVs globally for specific skill-sets in order to bring those in. So they’re not there. So the only other way we can supplement that is ensure we’ve got a steady growth pattern of graduates coming into our system (F1-1).

If we could continue to get talented individuals through our graduate recruitment from the universities we wouldn’t have a problem. We wouldn’t be looking to change anything. But . . . we know not just for what exists today in the talent pool but what exists for 2010-2012 is going to change and unless we’re looking to be flexible and adapt – we don’t want to get to 2012 find that we’re the last person still playing in the same pool, haven’t adapted our sourcing strategies and find that we’re not getting the candidates we want (F1-1).28

When F4 interviewees were asked whether the firm’s finance industry competitors might slow down their recruitment in the face of the current ‘sub-prime’ financial crisis F4-5 replied:

[These] investment banks have sufficiently robust and significantly embedded businesses now here in Australia that they’re always going to be looking for talent. … They know like us that all they have at the end of the day is the talent that walks in and out of the door … So, you know, the desks and the computers that we have are irrelevant. The assets walk in and out of the door. It’s the same with Macquarie Bank. It’s the intellectual capital.

And everyone has learned in the last downturn … that if you stop recruiting now you’re just shooting yourself in the foot later. So they’re not going to stop recruiting (F4-1).29

A15 argues plausibly that, in relation to their competition for graduates with Macquarie Bank, the Big 4 may have sustained a relevant injury in the early to mid-90s when they

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28 These remarks were made in the context of competition for accounting labour with governments as well as the finance sector. “The largest employer of graduates now is the federal government” (F1-1. Note: ‘graduates’ here does not refer just to accounting/commerce graduates). F5-1 identified the ATO as another significant competitor for graduates.

29 F5-2, however, replied to a similar question by noting that “we are seeing signs [that more graduates may become available] because the likes of Macquarie have reduced their intake numbers. They move much more quickly in terms of adapting to the market than we need to … If everyone’s going bust, we’ve got a corporate recovery business which will hold things up”.

did not push hard enough, in his view, to stop the ICAA allowing the practice requirements associated with the CA Program to be met outside of public practice.30

[Many] people ... were saying to people in the Big 4 firms [or Big 6 or 7 as may have then been] what are you doing? You are giving away your key competitive advantage. Because when I go back to when I was doing my undergraduate degree ... you lined up to be interviewed by the then Big 8 [and do the PY as it was then] even if you really didn't necessarily have any particular desire to be a partner in one of those firms. It was a pathway. It was a pathway into senior positions and successful careers in a wide variety of businesses including the finance sector. I still to this day find it staggering that they were [prepared] ... to give away their key hiring advantage. So now they ... say, oh the best students won’t come and work for us when we’re offering them $55K a year. They all go and work for Macquarie Bank who offer them $85K a year.

It’s their business model, right, that’s the problem. It’s the way the business model works for the Big 4 firms. It’s the up or out system. The triangle notion. It relies on bringing a large number of talented people in at a junior level who can quickly do relatively significant and responsible work. But [it] ... really relies on having those people coming through and the majority of them of course move on, particularly, after they’ve qualified as a CA, into other areas. Now those other areas can offer those people a career right from the start including access to the CA Program (A15).31

3.1.3 Why not the existing accredited postgraduate conversion courses?

Further to and paralleling the discussion in 3.1.1, those courses were not seen as producers of suitable entry-level expert labour. The issues around overseas students raised in sections 3.1.1 and 2.3.2 apply here as well.

On a different tack – if the firms want to take on domestic non-accounting graduates then why not put them through existing conversion courses accredited by the ICAA? F5-2’s advises that the firm has previously used conversion programs “when that was the only pathway”. They are, however, time-consuming and costly and “we as an employer don’t believe we need that degree of conversion”,32 while “the people who do those courses are not looking to become accounting professionals in Australia. They are looking to get a qualification which will give them the benefit of permanent residence”. In F3’s view the conversion programs:

30 A15’s view is that the move “was not driven by the big accounting firms, it was driven by the Institute’s own staff to get bigger to survive against the CPA takeover”.
31 A15’s view was that the model needed to be changed so that the Big 4 could compete with Macquarie Bank et al. O, noting the serious challenges facing the profession given the rapid rate of change in business globally commented: “I don’t accept the view though, that necessarily the market isn’t there. I think it’s a supply and demand market and to attract the best brains, I believe they’ve got to pay the price. They’ve got to meet the market”.
32 See section 3.2 for the context of this remark.
don’t actually meet the needs of the CA Program and they take too long and they’re not attractive therefore [to] smart graduates because you see the other thing … the academics need to look at is also from the perspective of the student. The student having done a three year undergraduate degree in engineering, for example, who is a smart person who says, I want to be an accountant for whatever reason. I have seen the pathway. It seems attractive to me. To then be told the only way to become a chartered accountant is if they spend another two years at another university. To be frank with a bunch of people who are there to get visas not to become employees. Why would you do it? … Why would they want to wait 2 years before they can be effectively ready to enter into the CA Program and that was very much our thinking when this alternative pathway was going, is that the only people who want to do this are smart people.

F4 interviewees also report a lack of interest in the conversion courses amongst their employees. “I never saw one person that decided to take it up” (F4-1). The length of the courses was also an issue given that their employees’ objective was to get the CA qualification, a credential recognised internationally (some of them desiring to work overseas) rather than a Masters degree which quite possibly was not (F4-1, F4-3, F4-5). Furthermore, “they want to study with their buddies as well … and there is a lot of support and teamwork … going through the CA [Program]” (F4-3). In any case, the firm has not traditionally used the Masters degree as an entrée into the CA program (even apart from the MPA programs developed in recent years) (F4-1, F4-5). I-3 estimates that less than 5% of the CA intake comes from Masters programs, attributing this result in part to them being “very long” and “incredibly expensive”.

Cost and length aside, A7 gives good reasons as to ‘why not a conversion course’ stating that “many MPA students I found really did not possess the kind of pre-requisite knowledge and skills that we would like them to have”. In addition, A7 claims, at some universities MPA students are just put into the final year of an undergraduate degree.

3.2 Widening the pool – the new pathway as a response to shortage and quality issues

Under the circumstances, its proponents argue, the new pathway is an appropriate response to shortage/quality issues. It is a means of ‘widening the pool’ or ‘opening the funnel’. This position is associated with a sense of the flexibility and malleability of expert labour coupled with a strong belief in the general abilities of (‘good’) graduates rather than their specific knowledge (A&K, 2007), and confidence in the firms’ selection and internal training processes (see section 4).
F3 offered the following articulation of ‘widening the pool’:

[The] frustration is the actual quality of the graduate and if we’re only seeking to fill the quality quota from one particular pool, which is relevant degree, we feel we’re basically commercially constrained. If we believe we have people who have got the skill-set that we think is relevant to be a successful advisor in the broader sense of the word within a firm like ours, we’d like to be able to choose from other graduate streams … 33

F4-5 described:

[The] strategic imperative that … led to the formation of the working party and the subsequent [new pathway] program that was put in place … [The] background to this is all about generating capacity within the firms and ensuring that we have sufficient talented people given the diversity of our practice, first of all, and the need to guarantee the pipeline of future leaders of this firm and the profession generally is an absolute imperative to make sure that we have as wide a funnel if you like as possible and … following the success of I guess the UK model where it is more the norm than the exception to do a non-relevant degree.

This may be read as an affirmation of the up-and-out model adjusted for (a) the multidisciplinary nature of the contemporary professional service firm ['not just tax and audit – F4-5]34 and (b) the difficulties of recruiting ‘quality’ entry-level graduate labour.

During the interview the following issue was discussed: if the firm was after around 500 new graduates (in all relevant disciplines) and received 8000 applicants (for positions in all the firm’s service groups), how could there be a shortage?

[Part] of the answer to that question is in the context of the Graduate Certificate and the opening the funnel imperative is that we’d actually like to see 14,000 applications from all different disciplines so that we can have a wider pool to choose from because if you’re choosing from only one subset, you don’t know what you’re missing out on. So that may well mean that we can in fact not necessarily raise the standard of the quality, but we can have a different view of what quality is. So you say, OK, well in fact because we have seen such a great quality coming out of that particular pool that’s caused us to review our model. … So this is about widening the pool from which to choose from rather than expanding on the numbers that we might end up choosing (F4-5).

33 Part of the point here is that “We still think an accounting qualification, the CA qualification, is a sound basis on which to build most business careers whether they are within [F3] or … outside of [F3].”

34 “[If] you look at where our revenue is generated, probably 25% is generated from audit, 25% generated from tax, the other 50% generated from advisory services which, you know, quite frankly doesn’t need a whole lot of accountants. So we’re already taking our graduates from a vast array of disciplines” F4-5. F4-5 also estimated that while 95% of newly-employed graduates going into the audit practice “are funnelled through the CA Program”, overall, 60% of graduates are “not being employed in traditional accounting/auditing functions”. F4-1 also advises that, in the Sydney practice at least, some tax staff may be trained outside the CA program. In contrast, F3’s preference is, on the whole, that tax staff complete the CA Program. Interestingly, while F1 is a supporter in principle of the new pathway, and its audit practice “has grown substantially” (F1-2), the firm’s use of it to date has advisedly been slight (F1-1, F1-2).
In part the point here is that the firm can access a different type of person, in terms of knowledge sets and personal attributes or both, through the new pathway. For F4, part of adjustment (a) is that the graduate certificate, either in whole or in part, may be used to provide tax staff (F4-1) and other non-audit staff with accounting skills beneficial to their work when it is not essential that they go on to complete the CA Program. F4 has provided figures suggesting that of 77 employees who have commenced the graduate certificate to date, around 43% work in the tax area, 33% in risk advisory services, 18% in audit, 4% in financial advisory and 4% in shared services (email from F4-3, 7/8/08). We doubt that accounting academics would be concerned about the alternate pathway being used in this way. Nevertheless, it remains a possible means of getting into audit (or other ‘accounting-related’ services) at F4, while F5 and F3 clearly see it as an entry way into audit via the CA Program.

In this context, the views of Big 4 interviewees’ views about the characteristics of the GradCert graduates that might go into the firm’s hard-core ‘accounting’ areas are of interest. F4-5’s position was that if the people selected to go down the pathway had “a certain level of technical knowledge … a lot of training on the job … a sense of accountability and responsibility and also a lot around drive and resilience and willingness to learn … [a] desire to continue developing knowledge and teamwork … and communication, that ability to work with others” (F4-4) then “I wouldn’t care what their academic background [i.e., field of study] was because I could turn them into a very effective auditor. As much as it pains me to say it, you don’t have to be a rocket scientist to be an auditor” (F4-5). As F5-2, an audit partner, put it: “I recruit about 25 into my own business unit that I head up each year. I don’t mind if they’re all accountants or none of them are. I want the best 25 I can get in the market-place.” The non-accountants chosen to go into the pathway would be those with “a higher order of intellect” and “well-rounded in terms of – they’re engaging, they can develop relationships, they’re motivated, they’re enthusiastic, they’re team players” (ibid.). F3 spoke often of the ‘quality’ and ‘rounded’ person that the new pathway would allow the firm to employ. F1-1 spoke generally about the importance of “relationship, communications, EQ [emotional intelligence] type skills . . . [and an] ability to get up and present and present

35 Nor did the ones we spoke to, or O, express concerns about firms bringing in different types of skills to suit their businesses. When it came up during discussion they were supportive.
with comfort and communicate in general” while F1-2 added that “at the end of the day people are at a university to do a degree and to learn how to think”.

3.3 The academic reaction and the commercial logic underlying the new pathway

The initial reaction of the academic community to the new pathway prompted some conciliatory/challenging remarks from F3 touching on cost/benefit judgments that may exercise the minds of both his professional peers and academic accountants. As to the former, F3 conceded that there were risks for the pathway’s proponents that would put pressure on them to be careful about the selection of people to take it up and to invest in their training:

[A non-relevant] degree graduate is always a riskier proposition than a relevant degree graduate by definition because you’ve got to train them more highly. But in my view, if two people have got the same personal skill-sets, for example, and one of them comes from an engineering background and one of them comes from an accounting or a commerce background, I know who we would employ because it’s a less risky prospect.

The thing to me which is important is that this isn’t about the Big 4 or the accounting firms sponsoring a sausage machine … because we’re only going to put our best quality people [non-relevant graduates] through this. We’re not going to sponsor them otherwise, because there is a huge commercial risk to us.

F3 exhorted the academic community to engage in dialogue – in the mode of market-place negotiation. One example is his challenge to the academic community to make its relevant degrees more relevant to the Big 4:

[We] weren’t as a Big 4 and again as a firm … trying to nail the universities. … We’ve no interest in destroying the relevant degree programs. In fact quite the contrary, we’d like more people to come through the relevant degree programs. But please don’t assume that someone can only be a good accountant if they’ve come through a relevant degree at one of the big 8 universities. It does not follow and that’s the market responding, the users of your students responding to you and saying we will vote with our commercial feet.

…. [The] best way of defeating it [the new pathway] – piece of gratuitous advice for the academics – is … to actually look at their own courses and say our own courses, our own faculties – are they delivering what the Big 4 and the employers want? And that comes back to my point about working with the Big 4 and the accounting profession about making what your degrees are, within the constraints

36 While these remarks were made in the context of discussing what they would look for in a graduate they would presumably be applicable to trainees selected by the firm to take the new pathway.

37 F3 frequently called upon academics to engage with the Big 4, either on an individual university basis or through AFAANZ so that they “might make that judgement from a position of knowledge not from a position of supposition”
of academic rigour and independence, relevant to what the Big 4 employers want. My view is if that happens, the non relevant degree intake will always be a substantial minority.

A second challenge – an extension of the first – is to make a more decisive choice between being ‘vocational’ and ‘educational’. “Because I think if you’re trying to be both, you’ve got a real danger of failing on both accounts” (F3). Articulating further:

Again, the dialogue is one of sharing and saying this is what the people who buy your output, for want of a better word, are looking for. Now whether you choose to offer that, that is your call – you’re a provider. But like any other supplier/customer relationship, if the supplier doesn’t give the customer what he or she wants, they will walk and they will look for alternative suppliers and that to me is the crux of the issue around this dispute between the profession versus the academia, is that no matter how much the academics might not like the concept, this is a commercial environment because the universities have chosen to go down a vocational route, you’re training people to be job ready. Now as soon as you get into that space, you leave yourself open to the vagaries of the market. If all you’re doing is training people to have learnt how to learn and to be good rounded individuals and a bit more mature at 21, a la almost the UK college type system, then you’re much less prone to interference from the employing market because the employing market says, the only thing we want from you universities is just produce decent graduates with an ability to learn and who’ll mature during those late teens/early 20’s years, and we the employers will do the rest. We will take them on. We will train them. We will recruit them. We will put them through relevant postgraduate. You then the universities maybe then supplying some of that postgraduate quality, but we the employers are driving the operation. So there is a lot less requirement for interaction between the two bodies because it’s a much less commercial arrangement in that situation. But the moment you’re in the vocational space, you are in a supplier-customer type relationship. (F3)

The choice articulated by F3 is very much the one played out by English academics and practitioners over a period of decades (A&K 2007, K&D 2009, Geddes 1995).

Some of the complications that might arise in taking up F3’s approach are captured in A13’s response, commenting on the situation that the ICAA might be placed in:

So do you wish to be a regulator or don’t you? … At one level you want to regulate because you want to carve out who can be in and who can be out … But unfortunately as demand [for expert labour] starts to increase and supply is shorter, one wishes to relax who’s going to be in and who’s going to be out, at some level, because you want more people to present themselves and so the old strategy of closure no longer works.

So the real issue, I think is a real dilemma between regulating half and yet at the same time wishing to create market settings and so the Big 4 partner that says, we don’t care. You can compete. But we don’t actually have a flat market setting.
So when one does that [moves to a market model for negotiating with the Big 4] one has to think about the regulated segment of the market which you have built up as a very deliberate professional expertise-based strategy [so that] you don’t actually cut the ground from where you came.

A particular area of ‘regulation’ under discussion here is accreditation. See sections 4 and 5 for further discussion.

4. **Why the new pathway? The perspective of its opponents**

A wide variety of concerns about the new pathway were expressed by the academic interviewees, although some were sympathetic to some of its features. Interviewee O shared the misgivings of the academic critics. As stated in the introduction, we did not intend to take a poll of academic opinion in general. Rather we sought the views of a knowledgeable group that we thought would come up with interesting arguments that we could then contrast with those of the pathway’s proponents in order to identify issues that might usefully considered by both sides of the debate in the future.

An issue that kept coming up in the interviews was the manner in which the pathway was introduced. We have included some of this material in section 4.1, *first* because it may well have affected their attitudes to the pathway and *second*, because if the dialogue envisaged by F3 is to take place then a degree of openness and transparency are probably desirable to produce trust. 4.1 suggests that these features were lacking in the way the pathway was introduced. 4.2 identifies a number of potential conflict of interest scenarios involving the ICAA which may threaten its legitimacy, in the academics’ eyes, as a regulator and dialogue partner. 4.3 identifies a range of concerns about the features of the pathway itself. As will be seen there was some division amongst academics in this regard. As some of the academics’ concerns had been put to interviewees supporting the pathway during the interview process, those responses are included.

4.1 **The manner in which the new pathway was introduced**

The tentative and incomplete account of the evolution of the pathway in section 2.4 suggests that it went through a number of phases. Some of these took academics by surprise. There may have been good reasons for them from the proponents’ point of view but they don’t seem to have been explained to the academic community. As far the

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38 The non-accounting academic (A8) was sympathetic to the pathway as a means of responding to the shortage issue and of providing access to a professional career for domestic students but was understandably reluctant to comment on whether or not the coverage within the graduate certificate was sufficient for the purpose.
AFAANZ Board was concerned, the ICAA had not kept it informed (Letter, AFAANZ to Heads of School, 3/11/07), a point that the ICAA has now acknowledged on several occasions (I-3).

For example, at one stage AFAANZ was advised that the pathway would involve completion of an entrance examination by candidates sponsored and employed in a chartered firm or an accredited organisation where on-the-job training was available. However, when on 14 December 2006 the ICAA announced “a partnership with [U5] to offer the Graduate Certificate of Chartered Accounting Foundations” the proposed certificate did not require the student to be employed in that manner (AFAANZ Newsletter, June 2006). A15 was also surprised by the announcement, recalling that the ICAA’s Academic Board “was told that the [pathway] essentially consisted of a challenge exam”. When the issue of training to prepare for the exam came up the Board advised that:

there would be organisations that would create programs and it was then also pointed that the worry would be that that would have to be outside the conventional entry route completely because, of course, it would be nothing like the process that providers had to go through to be accredited by the Institute and CPA Australia. So we were told very clearly that there was no plan, there was no plan to have anything other than the existing system and the challenge exam. I was stunned, no more than about four weeks after Academic Board had terminated at the end of 2006 to read in the Financial Review the announcement by the Institute of the [GradCert] Program which of course was presented as a six unit program and which if you passed those units, you did not have to do the challenge exam. That completely contradicts, completely contradicts, what Academic Board was told and what would be minuted in the Academic Board notes.

A12 recalls being present at meeting of focus session leaders where the pathway idea was presented. There were:

Probably… about 100 of them … about … manager level [who] had been involved with the CA Program for quite a while and in fact [there was an] almost unanimous absolutely no, because they couldn’t see how that would work and this, of course, was never discussed openly.

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39 I-1 advises: “we made no requirements of [U5] to accept only students who wanted to come into the CA Program. It’s an open-enrolment program. We don’t have any control over the proportions. All we know is that in the very first enrolment where the Big 4 were completely at the starting blocks to get their young non-accounting graduates in, 60% were from the Big 4 basically – not even other public practice”. As noted in section 3, the Big 4 users of the new pathway advisedly hire the people first and send them down the pathway later.
A12 points out that ICAA members did not vote formally on the pathway and asserts that “very few members would actually know much about it”.

A11 still believes that the ICAA is “not paying much attention to what the Heads of Schools are saying” and is effectively “put[ting] a wedge between that professional body and some of the universities” while A9 has formed a view that the pathway’s proponents:

haven’t really thought about what does this mean for all the pathways for entry into the profession. Should we be much more flexible in what the minimum requirement is in a commerce degree for example? So I would assume that most of the academic colleagues around the country are basically worried about watering down standards. That would be their concern because they probably don’t understand what is the standard that’s being applied.

As F3 might put it, supposition was filling the vacuum left by lack of knowledge. For A9:

I think earlier there was a sense that … it was very much … a matter between the large accounting firms and the professional body and given that the institutions, the universities and training colleges and so on had been involved with this, I think rightly they thought that as a stakeholder, a very important one at that, there ought to have been greater transparency and consultation than had occurred (A13)

I-3, in conceding that consultation might have tempered the negative academic response, nevertheless questioned whether:

if we’d have talked with academics, would we have actually achieved this or would we still be spinning our wheels or having a Masters Conversion Program? Would we have been innovative?

And how would our members feel about the lack of action for something that they had so clearly through a two year training working party sent the message to us and they’re the owners of the Institute (I-1)

I-3 and I-1 also pointed out the great difficulty they’d had in getting cooperation and action from AFAANZ in matters of common interest.

4.2 Conflict of interest scenarios
The introduction of the new pathway has aroused a degree of outrage amongst our academic interviewees whose perception is that the ICAA regulates and competes with them at the same time. Whilst accepting of “any number of different alternative pathways”, A15 believes that the U5 program was “set up as a direct competitor in many respects to a set of programs which the Institute itself accredits and [to which] it applied a different standard than the accreditation standard.” That is, “the Institute is endorsing a particular program but accrediting all the others on a different basis”
On the question of conflict of interest, A10 endorses AFAANZ’s view “that there does appear to be a conflict of interest here in terms of the ICAA being an accrediting body and then trying to run something itself”. The problem lies in the perception of the ICAA basically accrediting itself. A10 suspects that if other universities had multiple-choice questions as their only form of examination, they would not be accredited. A4 notes that “it’s a particularly tricky situation for the Institute because through the qualification framework exercise their program is accredited as an academic program and on the other hand through the accreditation processes in Australian universities they are also the regulator. So it is true it is both a participant and a regulator in the same market.” A13, and A6 expressed comparable concerns while A12 perceived the situation to be one where the GradCert has had special rules created for it and “there is no equity”. A12 sees it as a privileged program which may represent “a potential threat to our normal intake of students,” and sees it as a situation where “the Institute is almost dictating, so overtly now dictating, and trying to take a space in the market in education”. Yet another concern is that the substantial body of information the ICAA collects about university accounting programs as a regulator could potentially be used to aid the design of its own competitive programs.

A point noticeable in many of the above comments is the perception that the GradCert is ‘the Institute’s’ program. We are unaware of the exact relationship between U5’s program and the ICAA – but nor is the academic community generally. The views reported here indicate such a degree of distrust that the credibility of the accreditation review of GradCert may be in doubt, notwithstanding the assurances of I-1, I-3 and A7 that it will be independent.

A worse-case scenario, given that the case for the new pathway assumes a rock-solid CA Program, derives from the belief that the ICAA has the ability to “vary the [CA] program to fit the altered intake requirements” (A15). We stress that this is a commentary on extant institutional arrangements rather than anybody’s actual behaviour to date. The counterclaim of the ICAA and Big 4 is that the CA Program is so crucial to their reputation that they could not afford to let it degrade in any way. To quote I-3:

... it was raised quite often that we would “dumb down” the CA Program to accommodate the [U5] Program and certainly in everything that I said to the Heads of Department and to AFAANZ and so on, there is no way that I as the Chief Executive or the Education Board would change the CA Program for any group of students or dumb it down. I mean the CA Program is our brand. If you meddle with the brand, then we’ve lost the whole reason for the Institute of Chartered Accountants existing and so these students will be treated in the same
way as any student from any university or any conversion course or challenge exam.

F3 makes a comparable case. As A4 puts it, however, “I understand those arguments but they have to be demonstrated.” The issue is: can the institutional arrangements be modified to increase trust?40

4.3 Arguments against the new pathway itself

4.3.1 Does it reduce standards through truncation/compression?

The Professional Accreditation Guidelines for Higher Education Programs (CPA Australia and ICAA, 2008) specify six core curriculum areas in accounting and business required to meet the educational requirements of the ICAA but they do not prescribe what is sufficient coverage of various topics. For academics, this raises the question of: what content and how much content is sufficient for the eight unit [U5] GradCert to be equivalent to an undergraduate accounting degree or a 12 or 16 unit Masters? And, in the case of the GradCert has quality been sacrificed in the process of compression? As A13 states, “what is the quantum of training required to sit the CA Program?” and concomitantly, do all education providers have equal access to this information? Here is a selection of views presented in elaboration:

How can you with 8 units get on top of taxation law? How can you get on top of financial accounting? Have intimate knowledge of standards? Have audit and assurance? Have statistics knowledge? You know all those things our students are presumably deemed to have to be able to even enter the CA Program? (A12)

How can you look at the philosophical basis of accounting like some of the big recurring controversial issues like whether you have a revenue and expense view, like a matching view or whether it’s an asset and liability? … The idea that we could prepare people for the accounting profession or cover all the basic requirements in a one-year part-time course is nothing short of amazing. (A14)

There’s a great danger that they [the ICAA] are reacting to a hiring shortage in the minimum way with the minimum barriers they can, to get anyone in”. [The new pathway is] reactionary and not visionary. (A9)

Students studying accounting or any discipline need time to reflect and need time to digest what they’re studying. I think we’ll be going more to accountants being more like technicians if we proceed down this pathway (A10)

40 A14, a long-time ICAA member, when asked what would assure him that the CA Program had not been compromised replied: “Probably you need a very good competent educator going in and checking out the [GradCert] Program and then looking at the statistics and doing some sort of study of how the CA Program has changed … and whether they are justifiable changes and if there are any loopholes, if there’s more reliance on group-work or there’s opportunities to fudge.”
[The new pathway represents] an enormous erosion of standards and technical skills (A5)

A11 is concerned that other universities will meet market demand by introducing eight and ten unit programs. “Students should have more teaching not less if communication skills are an issue. They should be there longer rather than shorter times.”

In contrast, a line of argument sympathetic to the pathway is provided by A6. A crucial point in the argument, put in ideal-typical form, is that the Big 4 firm is able to select ‘good quality’ employees to take the new pathway. They will “have already proven they’ve got a degree and … already proven they’ve got the interpersonal skills and already proven that they’re highly motivated to work in accounting”; partly through having performed well in the degree and partly through their successful negotiation of the firm’s selection process.41 In addition, GradCert students will be learning on the job where learning will be real, where they will also be mentored by “some great managers, audit managers or seniors who can be beside them to teach them” (A6) and where they will get additional training sessions. The implication is that any deficit that a GradCert student may have in terms of knowledge compared to a relevant degree student can be compensated for if all the above conditions are in place.42 (The latter will also be subject to the above conditions but, theoretically, will require less training, mentoring, etc.)

Building upon this line of argument, F3 denies that the new pathway necessarily involves any drop in standards at all. While it is costly to provide compensation mechanisms and success in getting the cost/quality trade-off right is not guaranteed, the CA Program provides a useful test of whether the firm has succeeded in the first instance. If the pathway graduate and the relevant degree graduate both pass the Program, and the Program is robust, then they are equivalent and there has been no drop in standards, in practice terms at least. What’s the problem? What the academics are concerned about, in part, is whether the relevant degree graduate and the pathway graduate are equivalent entrants to the CA Program – if not, there is “inconsistency at the point of presentation for the CA Program” (A6).43 But, it might be argued in response, what is the point of a

41 We did have some discussions (not reported here) with interviewees about the issue of how ‘soft’/generic skills that might be acquired through the GradCert. As the description here implies, this issue may be largely irrelevant in operational terms. “So I would never say that the Graduate Certificate remotely should even attempt to provide soft skills training” (F4-1).

42 Indeed, if all these conditions are in place the GradCert student is more likely to experience deep learning than the relevant degree student received at university (A6).

43 Some academics may well believe that there will be implications for the subsequent professional careers of the two candidates. See section 4.3.2.
comparison like that? It precisely ignores all the compensation mechanisms described above. What counts, it might be argued, if we’re talking about early-career training, is whether or not the graduates pass the CA Program.

For present purposes we simply raise the following question: if the comparison is pointless then why have a regulatory/accreditation process that assesses whether the GradCert and a relevant degree program meet the same accreditation guidelines? If the CA Program is the last-resort test for all comers, why have a prior benchmark – especially if you want flexibility to widen the pool and the benchmark is a lightning rod for friction between town and gown? See section 4.3.4 for further discussion.

4.3.2 How can the quantum of accounting education be reduced when ‘required knowledge’ is becoming more complex?

A number of the new pathway’s critics expressed concerns based on the perceived complexities of globalisation, corporate collapses, technological change, the difficult challenges of fair value accounting and so on. (This is an extension of 4.3.1. with change and breadth highlighted.)

A5 developed the following scenario:

But I think the mark of an education is to develop people’s understanding and curiosity about what’s going on around them and we’ve just been through an unprecedented long boom in Australia. We’re about to see a downturn in the economy and perhaps that’s an opportunity to give an example. … [Someone] who has been through a university course that devoted some time to looking at the ways in which accounting has failed in the past to reflect the circumstances of firms, the risks of high gearing and so forth would’ve been perhaps better able to worry about the way in which some of the private equity firms are operating, being concerned if they were running businesses themselves, to be a little bit more prudent to manage their liabilities and treasury function in a sensible way, whereas people who have got a limited understanding or haven’t lived through an economic cycle, and haven’t even talked about the consequences of an economic cycle, might’ve been caught very much unawares. … So I can’t see how … in-house training is going to give people a broader perspective on the workings of the economy and the risks associated with the kind of practices we were just talking about.

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44 Which are, however, ‘unaccredited’ although they possibly could be. They are also largely unobservable from outside the firm, although: “The feedback comes through from clients who are unhappy with the quality of work being done” (A15). “I know managers get very cranky if their time is wasted by junior people asking them dumb questions or by turnover of audit staff and personnel” (A5).

45 I-3 puts forward a similar rationale for the profession taking in graduates from other disciplines. However, the academics we spoke to were sympathetic to this proposition but such graduates still need training in accounting which takes us back to the beginning. As O put it: “It gets back to what level and where you start”.

A5 further believes that graduates entering the profession should be familiar with the history of ideas of accounting and familiar with the major contributors to accounting thought. All these are missing from a certificate which emphasises the technical content of accounting. A4 argues that the:

fundamental core of knowledge that professional accountants need to have today is bigger and more sophisticated perhaps in some ways, than what it was previously. So I think that the fundamental intellectual preparation of people in the tertiary sector is more demanding now than what it ever was in the past.

Now, obviously I am a supporter of professional programs. … Understandably they are more directed to practice related issues, and that’s appropriate, than with a rigorous intellectual training around the essential subject matter of accounting and the economic, technological and regulatory framework within which accounting is practised, however you might like to define accounting in that setting. … [We] want to prepare accounting graduates who have strong analytical skills, whose intellectual capacities have been challenged, who can think through these issues and that we’ve sort of peppered their minds with ideas about: what are the causes for [corporate] failure, what are the related issues around the failure, where is all this sort of stuff going? And what sort of skill sets do we think accountants need to have in globalised world of corporate financial reporting? … What does [fair value] mean for the accounting profession? What skills sets do accountants therefore have to have relative to simply knowing a set of rules? (A4)

With the expansion of knowledge and technology and the pace of change and the inability of the finance sector to keep apace of the regulatory and statutory reporting requirements it indicates to me that there is no justification in reducing the educational process (O)

[The university environment is one where a student can] be exposed to a range of competing ideas of strength … put very strongly for you to think about yourself and be pushed to the edge of your thinking (A6)

In developing an argument that accountants should be exposed to cognate disciplines A15 argues that:

a lot of the really high profile accounting controversies in terms of alleged accounting fraud and misstatement in the U.S. and the UK and in Australia and other developed capital markets in the last decade, have typically had at their core some degree of inability by accountants to understand complex financial instruments and how you might account for them. Enron. Now how do you value? How do you mark to market a 20 year put-option on an electricity supply contract? Most professional accountants over 45 don’t know what a put-option is let alone how it’s valued.

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46 F1-2 is sympathetic to the general line of argument put here but insists that an English-style intense training program with “a lot of one-on-one” could achieve it. F1-2 concedes that the U5 program is not of this kind at present but it, or others like it, could evolve in that direction.
In contrast to F3’s distinction between the vocational and the educational, the above arguments make a case for ‘education in accounting’. Whilst sympathetic to the above line of argument, F3 argues that (say) a knowledge of accounting history, is “worthless unless someone has got the basic skills” as a foundation. The in-depth stuff can be acquired later on though subsequent reading or study. But will that be soon enough?

4.3.3 More on accreditation

As noted in section 4.2, a number of academic interviewees were strongly of the view that the GradCert program did not meet the accreditation standards applied to extant accounting programs which was thus deemed to be receiving special favours. Indeed, senior academics from U2 have written to the ICAA suggesting that “if the Institute continued to go down the path of applying what we regarded as a blatantly different standard to what we had to teach and force our students to do compared what [U5] could do with its particular program, then we would simply tell the Institute to take their accreditation elsewhere, … and that we will go and deal directly with the employers.” Such a direct negotiation with the employers seems to be what F3 has in mind when urging the universities to engage and negotiate with the Big 4 (section 3.3). And, as argued at the tail-end of section 4.3.1, it is far from clear that the accreditation process adds anything to the case that the new pathway does not represent a reduction in standards; particularly as A6 regards it as “the lowest common denominator”. We point out further that in England there is no equivalent to the Australian accreditation process and non-relevant degree holders are supposedly successfully integrated into the profession without it.

One of the practical reasons why the new pathway has raised the hackles of academics is that it has highlighted how the accreditation constrains their accounting programs.

There are some [universities] that actually would like to maybe have a bit more freedom to put other things in or encourage their students to go off and do journalism subjects or other things, you know, or not necessarily do finance. Do something else like quantum physics or something and there is certainly no freedom to do that or very limited freedom … in the current accreditation [process] to do that sort of design if you want to. (A9)

47 “Australia has punched above its weight in the international community in debates about accounting issues. You need only look at the membership of IFAC Committees now and the authors of IFAC papers and they’re predominantly Australian authors. Why is that? Because we have a tradition of disciplinary-based education” (A5).
An example of a perceived anomaly is that a Bachelor of Communication graduate from U1 who wants to retrain as a chartered accountant could enter the CA Program upon completion of the GradCert but, under the current accreditation rules, a Bachelor of Arts graduate who had completed an accounting major within that degree would not be able to do so. “What’s the difference between these two people in an educational sense” (A9)? To make the point in a slightly different way, imagine a university graduate whose studies have included units comparable to those in the GradCert plus a whole array of disparate material. Imagine further that this person is a ‘quality candidate’ that a Big 4 firm wants to employ. Having not completed an accredited undergraduate degree s/he could only enter the CA Program through the entrance exam. But someone exiting the GradCert having done the ‘same’ units could enter the Program without sitting the entrance exam. (Perhaps s/he could apply for exemption from all 8 GradCert units!)

Another issue still is that if the combination of university training and the CA Program is flawed (as F3 would have it) then the accreditation process is clearly implicated because it is the nexus between them.

Accreditation is incredibly important for us. … I need to know, where does our program start because I need to know where do the unis finish in terms of the accounting knowledge and if there is not an alignment then the universities are teaching into a black-box and we would get some very different success rates in the CA Program. … If we don’t keep that clarity then without accreditation we wouldn’t know and the universities wouldn’t know. (I-1)

I-3 acknowledges that there are critical issues around accreditation. For example:

In terms of the content of courses and so on, are we rigorous enough around that and are we challenging enough around that? And then from the university perspective, the universities or a number of universities, like it for both marketing purposes to potential students and secondly for leverage with their Vice Chancellor or Council for funding or other issues that there might be internal. So there are competing interests and on one side you will say, what is the value in it? The second – and that’s got an issue from the Institute’s point of view and an issue from the universities' point of view – is the value of accreditation in terms of the quality of the work that comes out and you know we’ve had recent discussions about, should we get a lot tougher on saying a University is not accredited whether the results or the quality is not there or should we do as we’ve done in the past and that might be suspend the university to enable them time to get the right staff or whatever?

F3 is also a supporter of continued accreditation by the ICAA of university accounting programs notwithstanding his call for the universities to engage with the Big 4.

[We] as [F3] can tell you what we want. But that might be very different from what a small chartered accounting firm wants, what a medium sized accounting
firm wants. The Institute [are] trying to accredit on behalf of the entire profession.

Against this position we point out that small and medium sized firms have survived in England without Australian-style accreditation. Furthermore, it is still unclear what the rationale is for having a two-stage process (accreditation of a university’s program plus the passing of the CA Program by its accounting graduates). The operational issue raised by I-1 is, arguably, one of information exchange. The challenge for the ICAA of somehow aggregating or balancing the requirements and interests of different groups members remains irrespective. Arguably, it needs to ‘figure out’ what the minimal knowledge requirement of its members is and make that known to the universities. To senior academics such as A9 and A13 the ICAA’s support for the GradCert as equivalent to an accredited 3-year undergraduate is a confusing signal about what someone about to enter the CA Program needs to know.

This issue arises, in part, because of the principle of equivalence implicit in the Australian accreditation process (the benchmark might be vague but everyone has to meet it). The promotion of the GradCert has been seen as a flagrant flouting of that principle. The ICAA might usefully, at this stage, develop some argument as to whether (a) the principle of equivalence has passed its use-by date or, to the contrary, (b) that it is still met in the case of the GradCert because of the additional training by the Big 4. To make that argument stick, the Big 4 might consider bringing their training programs into the accreditation process. The complication here is that the Big 4 may no longer have an interest in the principle of equivalence (as a principle of accreditation) if they are going to negotiate separately with the universities.

In any case, we note that our interview with the representatives of F2 and phone calls to two other mid-tier firms suggest that none of them are using the new pathway in any significant way at present. The implication is that a dual engagement process between practice and academia may emerge with separate arrangements being in place for the Big 4 and ‘The Rest’. If universities engage seriously with the two groups, individually or through the ICAA as the case may be, and their requirements are different and technically-oriented, there may be even less scope for ‘education in accounting’ than there is now.

4.3.4 U5 and the new pathway

As the co-designers of the pathway and providers of the GradCert, A7/U5 have been at the receiving end of the critics’ attacks on the GradCert. A7 strongly defended the
The pathway controversy raises an array of issues about the professional status of chartered accountancy particularly as, for many academics, the inter-relatedness of education, credential and professionalism is crucial. In this preliminary draft we refer to just one. In questioning the coverage in the GradCert pathway A4 contends that:

4.3.5 Professional status

The pathway controversy raises an array of issues about the professional status of chartered accountancy particularly as, for many academics, the inter-relatedness of education, credential and professionalism is crucial. In this preliminary draft we refer to just one. In questioning the coverage in the GradCert pathway A4 contends that:

48 A5 also advocated a review of this kind by, however, persons independent of U5.
[At] the end of the day, the status of the profession is going to be judged by how society sees the quality of corporate reporting and auditing and the safeguards for the community that are intended to be built around those … [and] the dispassionate person will … say what educational experiences did you have to go through in order to get this credential? How much subject matter did you really have to get expertise in to get this credential? At the absolute end, what particular fields do you have to be competent in, in order to get a professional credential?

For A4, corporate reporting and auditing are the areas of specialised knowledge in which accountants have staked a claim to exclusive expertise (see also West, 2003), even if the great bulk of them work in other areas. A4 notes that the “regulations that have come out of the latest wave of corporate and auditing failures around corporate governance” have “been very good for the business of the profession” and provide evidence of how the community views their social role. As A15 put it when asked to comment upon the claim that the Big 4’s internal training processes will compensate for any differences between pathway and relevant degree entrants to the profession:

If they want to teach them that’s their problem. They don’t actually have a comparative advantage in doing that I don’t believe. But if they want to try and do that, that’s fine. That’s their problem. It’s their business problem. Save for the … fact that they are the beneficiary of a publicly awarded business mandated by legislation, so you know whether you can really take my laissez-faire approach and sit back and say, look it’s a problem for the accounting firms, you know, and if they stuff up as a result of having people who don’t know what they’re doing or don’t know as much as they might have otherwise known, that’s their problem. I suppose there are broader social problems or there is a broader social cost as a result and that needs to be considered in light of the fact that auditing is mandated. A lot of their business is directly doing a statutory audit of a corporation as mandated and in some senses delegated then through the applicable accounting and audit standards and that’s a bit of a dilemma I think.

4.3.6 GradCert graduates on-the-job/Audit staff working with them

A1 believes that the workplace would be stressful for GradCert entrants while they were undertaking the GradCert and A14 raises the ethical issue of whether you should let people do the CA Program if they have an insufficient preparation. The tail-end of section 4.3.1 details conditions under which such concerns might be allayed. Consistent with that scenario, when questioned about the training arrangements for GradCert trainees and their cost, F4-3 replied:

We know that they had to be supported. So we had spent quite a lot of time actually devising what are the competencies that we would see that they needed to achieve, from when they went in to when they went out. So that … there was the support to go onto the CA Program which is a postgraduate certificate that people are very proud of. So before they can get that, which is very high and elite, you need to make sure that you just don’t put your people out to pasture and just say
‘get on with it’. We had to put a support process in there and we knew we’d have to pay for it and making sure that [we had a support framework] to give them a stepping stone and help them get … into the CA Program was paramount.

[We] wouldn’t have blindly supported the Graduate Certificate without firstly undertaking an analysis of what would we have to do from a firm perspective to make sure that it was fulfilling our needs … You can’t have a gap [where you say to the trainee], you will join us on the 1st of January and you will start the Graduate Certificate that year and then start the CA Program on the 1st of January the following year. Oh, by the way, in the meantime you’re on your own. You have to have a framework and a support network. … But we support them and it’s an added cost to our business. But the cost benefit analysis is, well, it’s a no-brainer to be honest because the added cost is insignificant compared to potential benefit. (F4-5)

Ideally, GradCert holders will have more senior mentors “beside them to teach them”. But such people will be under:

a lot of time pressures, and productivity is such a huge issue in the firms, where your every five minutes or whatever needs to be accounted for, and your billable hours need to be a certain percentage, it will put a lot of pressure on them because it doesn’t fit in with this other priority about billable hours and productivity. (A12)

A14 recounts the story of an employee of F3 whose experience was that people:

coming in with an alternative degree that don’t have much discipline-specific knowledge are terrible to supervise because they don’t know what they’re doing. They’re fumbling around on the job … At least the people out of the three-year program have had a bit of drilling in corporations law, tax … I don’t know in the long run whether it really works.

5. Ongoing issues (a selection)

Is the new pathway a good idea or not? As stated in the introduction we have not sought to answer this question as if it were a ‘research question’. Instead, we have acknowledged that a passionate and potentially damaging debate has already taken place, seemingly one where the profession (the Big 4 and the ICAA at least) was on one side and the academy on the other, and claimed that it would be helpful to the relationship between town and gown to put the profession’s case to the academy and vice versa in order to identify specific points of contention around which future discussion might take place. The rationale for making this attempt is that the existing Australian accreditation system is a joint project between the profession and the universities, for determining (in part) who can enter the CA Program and under what conditions (having how much knowledge, about what, and having which skills?). Our value judgment is that while this remains the case then it is preferable that relations between town and gown be based on
some degree of mutual understanding and cooperation, subject to the benefits of robust
debate and the application of different perspectives to a shared role. This paper is offered
as precisely an exercise in mutual understanding. But to our surprise, the arguments put
for and against the pathway raise the tentative possibility that the role, or the sharing of it,
or both, may shift in a significant manner or cease altogether. We think this possibility is
worth reflecting upon and discussing both as between and within the professional and
academic communities.

The historical analysis informs us that throughout its history the ICAA and its
stakeholders have felt that they were the elite of the profession and have sought to control
the training that comprised a crucial part of the gateway in. Control has been shared
reluctantly and been associated with shifts in government policy. Accreditation has a
much shorter history, being an attempt to protect the ICAA from the massification of the
‘accounting degree’. It offered protection to the ICAA and its members by providing
some assurance that the holders of those degrees had at a standardised minimal degree of
knowledge (and later, ‘generic skills’) before they attempted the ICAA’s exams. Now
the tide has turned and as section 3 has suggested, there are now not enough ‘quality’
accounting graduates from the Big 4’s point of view. As A13 suggests, the problem is
not how to keep them out – rather it is how to get them in. The case that government
policy and action/inaction has let them down is plausible, as is the claim that universities
and accounting departments have responded in ways not in their (the Big 4) interests. We
believe that Section 3 provides an account of why the Big 4 felt ‘that they had to do
something’. The benefit to the Big 4 is that they can grow their businesses by providing
more services to their customers. In addition it provides a pathway for domestic students
into chartered accountancy, albeit in an unusual one, by local standards.

Section 4 provides an account of the perceived obstacles to achieving those
benefits. Sections 4.1 and 4.2 suggest that, to the extent that the cooperation of academia
is required, that some rebuilding of relationships is required particularly as the
negotiations over the future role of the universities in professional education envisaged
by F3 will require some serious dialogue. Section 4.3.1 identifies conditions for the most
plausible defence to the charge that for the new pathway necessarily involves a decline of
standards. The problem is that, the academics we spoke to – even those sympathetic to
the point that a combination of academic and work-based learning is a defensible and
possibly even superior pedagogical arrangement to what we have now – were concerned
about whether ‘there was enough relevant material’ in the GradCert itself. If the
pathway’s proponents actually want to persuade their opponents then they might spell out their internal support processes particularly as 4.3.6 suggests that they may or may not work. 4.3.5 identifies the threat to the profession that may arise if it ignores the core staple service line (audit/financial reporting) upon which its traditional claim to professional status is based. 4.3.2 makes the in-principle case, in effect, for the ‘education in accounting’ graduate as the preferred type for maintaining that status. How many graduates of this kind the universities actually produce is another question (as A2 suggests) given the variability between and the financial pressures upon them.

A major point of likely future negotiation that figures in our analysis is accreditation. As argued in Section 4.3.1, the case that the new pathway does not necessarily imply a decline in quality (in the rush to get in quantity to take up growth opportunities) depends critically on the CA Program as the final arbiter of entry. In this context, having a separate accreditation progress is both superfluous (because the CA Program will supposedly do the requisite vetting) and irksome because (a) it involves negotiation with academics who will not necessarily be concerned with the firms’ economic imperatives and who question the legitimacy of the process in any case\(^{49}\) and (b) it presently embodies the principle of equivalence which is hostile to the system institutionalised in England but not in Australia that one can start off one’s career or study at different levels or stages and end up at the same place at the end (sitting the ICAEW’s exams). The challenge for the Big 4 if they want to keep the academics on board is to make the case for a multiple-level suite of entry pathways and the modification or abandonment of the principle of equivalence. The challenge for the academic community is to consider (more carefully than they have to date) that there may be another way of training or even educating accountants, to realise that that they don’t have a monopoly on accounting training (or education?) and to reflect upon whether financial considerations may have affected their own activities.

The prior question, of course, is, will the Big 4 want to keep the academics on board and will the latter want to be there in the same space? From the Big 4’s point of view, disengagement from the Australian accreditation process might give them the opportunity to set up the training they would like (whether it be through direct negotiation with individual universities or the encouragement of private education providers on the English model). For their part the academics might have less

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49 We stress again that we do not know how widespread this view is.
‘interference’ in their accounting courses – assuming students still want to do them – (but they might have more interference as well). There are complications that cannot readily be read off from the English experience. In that case their English colleagues negotiated, in a space where there was no accreditation, about whether to set it up. In Australia, however, we are already engaged in an accreditation process and for the practitioners and academics to go their own way they would have to work out how to close it down, gracefully and without undue cost – or to modify it ‘appropriately’. This may be a long process. Both the academy and the Big 4 would have costs and benefits to weigh. For the academics – or more particularly for university administrators accustomed to a steady cash flow from accredited courses – there is a risk that students may not show up to ‘unaccredited’ courses, although competing accreditation process are now available, some of them international. Our intuition is that there wouldn’t be a rush to be the first university to walk away from existing accreditation arrangements. Indeed, some universities may feel tempted to take up F3’s offer to negotiate directly with the result that accounting academics there are occupied developing more rigorous technical courses.

On the other hand, the universities most likely to walk away from the existing accreditation arrangements are the very ones that provide the ‘quality candidates’ that the Big 4 want. They are also the universities most likely to identify, not with the profession, but with other universities. They will also feel accountable to a broad array of stakeholders including other employers than the Big 4. It may be that they will be under such pressure to operate in F3’s ‘education’ mode that they will not modify their mainstream course offering in the way F3 would like. They might develop special courses or special ‘professional training’ units for the profession but they will probably be more expensive than regular degrees. The result might be an increase in training costs for the Big 4, if and as accounting degrees evolve that are less ‘relevant’. (A middle way suggested by A6 involves “putting back market forces into our accounting programs in universities by having employers involved in the assurance process at the graduating level”.) They and the ICAA will also have to work out how to handle the threat to the profession’s reputation in the broader public sphere. (It may be easier and cheaper just to pay more for the best graduates). Another issue for the profession as a whole and the ICAA in particular is that the middle tier and small firms might be relatively happy with

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50 However, this may address the quality issue without addressing the quantity issue.
the existing arrangements and it is not clear whether it will be possible to bring about an arrangement where accreditation is maintained and the Big 4 can strike individual deals with individual universities.

If the academy and the Big 4/profession decide to maintain a reasonably close relationship then a number of long-standing issues might be fruitfully addressed at this time. One that the new pathway debate has clearly exposed is the need to define an agreed ‘core of accounting knowledge and skills’ as an underpinning to accounting education (broadly defined and diversely located) which can be understood, agreed and used by all providers of accounting education at both undergraduate and postgraduate levels. Arguably a successful negotiation along these lines would help to address the vexed question of how ‘work ready’ an accounting graduate can or should be. Achieving consensus on these points could go a long way to resolving the current instability and uncertainty that has emerged within the system from the different criteria and approaches of the academy and the profession. It might also help rebuild the strained relationship between town and gown. There are some issues arising, however.

In the 1970s when faced with the dilemma of determining a common core, Chambers suggested that the answer lay in finding out what accountants do and in turn find out what knowledge and skills are required to do that work. But what is the present understanding of the field of accounting? What does an ‘accountant’ do? Which of the many services that the Big 4 provide are to be encompassed by that label? Is it possible to describe/prescribe a core of knowledge that a generic accountant needs? If we can decide on a minimum common core, can the universities be flexible in offering degrees that incorporate that core and include intellectual aspects of the discipline rather than technical and procedural details? Can each university decide for itself what is a common core of accounting knowledge in relation to the market for students and specialise, for example, in public practice, public sector, various parts of commerce and industry, etc?

There are many other issues that have been uncovered in this study, but their resolution is not in the domain of academic and professional community relations. However, one particular issue that cannot be ignored because it impinges on the quality of accounting programs that can be offered in Australian universities is the funding of accounting education in universities and the dependence of universities upon the revenue generated by full-fee paying overseas students in undergraduate courses and MPAs (or their equivalent). This problem, accompanied by the decreasing number of Commonwealth supported students in undergraduate accounting programs was identified
20 years ago in the 1988 Task Force’s report, again in the 1990 Mathews Report, in the Australian Business Education Study published in 2002 and in Birrell’s 2006 report. The potential spread of GradCert-style programs across the university sector will potentially highlight this issue further as it may provide a stark contrast between, on the one hand, domestic students with jobs, paying ‘low’ fees for 8 units and on the other expensive 12-unit courses, populated by overseas students who cannot get professional level jobs after they graduate. These contrasting arrangements seem morally, politically and economically unsustainable as the introduction of SMIPA effectively acknowledges.

In A8’s view “[accounting] professional bodies … tend to be fairly passive in their orientation towards these issues. I’ve rarely encountered anybody who wants to actually go public on this to make a fuss. They have not acted aggressively [on the issue of the reasons for the shortage of accountants] and … I think you can argue that the profession hasn’t been very effective in communicating the seriousness of the situation.” This may be an opportune time for the professional bodies to join with AFAANZ to take appropriate action. In fact, this hope was expressed by I-3 at the AFAANZ IAAER Conference held in Sydney in July 2008.

6. Final Remarks

In our view the success rate of GradCert graduates in the CA Program will not, of itself, resolve the issues raised in Sections 4 and 5 above. The broader significance of this paper is to open up debate about accounting education in Australia in general and accreditation of accounting courses in particular, by bringing to light and reflecting upon the arguments expressed by an admittedly limited number of people in the profession and the academy. The issue of how involved the academy ‘should be’ in the production of professional accountants took 20 years to ‘resolve’ in England. We hope it won’t take that long in Australia.

51 Although JAB (2008) and Yates et al (2008) may indicate a tipping point.
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