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Does public services accounting belong in the curriculum?

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Abstract

Purpose – This paper aims to analyse the extent to which undergraduate courses in New Zealand contain content on issues from the public and not-for-profit sectors, in addition to a for-profit business focus.

Design/methodology/approach – The research is based on the premise that contextually-appropriate accounting is required within the public services sphere where transactions are complex and ambiguous, have a long-term focus, and where the government often performs a regulatory role. It is informed by a survey of educators, document reviews and semi-structured interviews.

Findings – This research finds that profit-oriented financial accounting education in New Zealand crowds out the teaching of public services content, especially when the same accounting concepts can be applied to all sectors. The imposition of sector-specific accounting standards offers an opportunity to highlight public services, but its inclusion in a crowded curriculum may require coercion from the profession.

Originality/value – This paper offers a contemporary analysis of the focus of teaching in New Zealand at a time when accounting standards and auditing regulation is on the brink of change.

Keywords Public sector accounting education, Accounting education, Not-for-profit sector accounting education, Accounting, Education, Public sector accounting, New Zealand

Paper type Research paper

1. Introduction

The public sector is, by its nature, powerful; the economic consequences of decisions made by the public sector are significant, and its output is immense and diverse (Broadbent and Guthrie, 2008; International Public Sector Accounting Standards Board, 2011). Accordingly, public sector reforms in New Zealand, Australia and the UK from the 1980s onwards have focused on improving that sector's financial management to achieve better value from important public spending (Scott *et al.*, 1990). The push for financial efficiency and effectiveness recognises that there is very little scope to increase revenues (i.e. taxation or debt) to meet the demand for publicly-funded services (Joumard *et al.*, 2004) and that governments face increasing pressure from citizens to increase the equitable provision of goods and services. Accordingly, despite efficiency gains, fiscal deficits remain a pressing issue, especially in difficult economic times.

To ameliorate pressure on the public purse, governments utilise the private not-for-profit sector to carry out service delivery and to access co-funding from philanthropists. Not-for-profit organisations offer lower cost services when they access

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volunteer inputs; they also offer governments increased legitimacy with communities. The encouragement of community development cannot only lead to increased efficiency and effectiveness for government programmes, but also to greater support for not-for-profit organisations. This relationship is therefore increasingly inter-dependent. Further, the intermingling of the financing and delivery of services by the public and private not-for-profit sectors extends the concept of the traditional public sector to one of "public services" (Broadbent and Guthrie, 2008).

Scott *et al.* (1990) argue that key requirements to underpin increased public services efficiency and effectiveness include effective financial reporting, financial management, and financial decision-making. To meet these requirements, accountants must be knowledgeable about public services where transactions are complex, ambiguous and have a long-term focus. Public services may also include a regulatory role. Further, public services accountants are challenged to "balance" not only the books, but also citizens' pressing demands for equitable welfare. It is not surprising that the American Accounting Association (AAA) and the American Institute of Certified Practising Accountants (AICPA) (2010) in their Commission on Accounting Higher Education: "Pathways to the Profession" identified the need for accounting students to gain appropriate skills in accounting for public services, specifically identifying not-for-profit organisations and the information needs of the public sector. Indeed, due to the extent to which the public sector interrelates and also contracts-in advice and skill from the private for-profit and not-for-profit sectors, the International Federation of Accountants (IFAC) (2010) reinforces the need for all accounting graduates to be appropriately prepared to undertake accounting services for all economic sectors.

The issues are particularly relevant in New Zealand. From 1993, the accounting framework was "sector-neutral" (utilising first locally-produced standards and, from 2005, internationally-produced standards) (Lont and Wong, 2010). However, following a period of heightened dissatisfaction with the requirement to use sector-neutral International Financial Reporting Standards (IFRS) for public services accounting (Brady, 2009), proposals were published in 2009 to introduce different financial reporting standards for each sector: for-profit, public and private not-for-profit (Accounting Standards Review Board, 2009; Ministry of Economic Development, 2009). These changes will require the current members of the profession to become knowledgeable about the different financial reporting requirements for each sector. Further, and in line with the appeal from the AAA and AICPA (2010) and the IFAC (2010), this will also require accounting students to be adequately prepared to work in a multi-sector environment upon graduation. Yet, little is known about the extent to which students are already exposed to teaching about public services in their undergraduate courses.

The objective of this research was therefore to analyse the extent to which accounting courses delivered at New Zealand universities and polytechnics as a prerequisite for entry to the profession incorporate teaching on public services (that is, the public and private not-for-profit sectors). It also assesses how New Zealand's tertiary educators expect to change their teaching in light of the proposals to dismantle the previously sector-neutral environment. This study provides insights into the likelihood that graduates will be adequately prepared for pivotal roles in future public services management.

This research used a survey, document reviews, and semi-structured interviews with tertiary accounting educators and textbook authors. Results are compared to prior relevant research (Dixon, 1989; Egenolf and Willis, 1983; Sciulli and Sims, 2008). The findings should be of interest to educators in jurisdictions that operate IFRS in combination with domestic standards for unlisted, not-for-profit public and/or private sector organisations, as it highlights the drivers for and against providing course content specific to public services in undergraduate accounting majors.

The paper first provides a literature review of the relevant accounting education literature and the public services context, before presenting the research method and results. The paper concludes with a discussion and opportunities for further research.

2. Education to prepare graduates for public services

The fast pace of change, as well as economic crises, brought calls from the AAA and AICPA (2010, p. 5) for an enhanced educational system that "prepares students with the basic skills required to participate in the profession at graduation". As noted above, they specifically singled out the need for professionals to be competent in the provision of reliable information for public services. These calls to prepare graduates more effectively for the environment in which they will practise are not new. In the USA ten years earlier, Albrecht and Sack (2000, p. 60) specifically criticised courses that rewarded students who learn rules (standards) off "rote", rather than developing in students the skills to make "critical, strategic decisions". Students who rote-learn will be hampered by dated information and poor professional skills. Their argument was that students must be readied for employment in what Gaffikin (2009) describes as an increasingly complex environment where the boundaries between accountants in public practice, the private and public sectors are blurring. In addition, Byrne and Flood (2003) highlight the need to re-examine how universities prepare accounting students for an expanded role within society that includes citizenship, and management and advisory roles within and for public service entities.

By not embracing these wider issues in an otherwise technical curriculum, accounting educators risk further reducing the appeal of accounting as an academic subject (Byrne and Flood, 2003), limiting accounting students' career flexibility (Parker, 2001) and, most seriously, increasing the possibility of poor public services management. The latter has national and international implications.

2.1 The uniqueness of public services

The differences between the public services context and profit-oriented entities' contexts are at least three-fold. First, the public services context is complex and ambiguous due to the size and not-for-profit aim of public and not-for-profit sector business. While many public services accounting transactions share similarities with the private sector, listed companies' share prices depend largely on their profitability and projected cash flows, but the public services sector needs to account to citizens for performance. Not all performance can be captured by accounting in monetary terms. Broadbent *et al.* (2008) in their research into Public Finance Initiatives in the UK show the need for extensive qualitative analysis of social needs and benefits. Further, public services (such as welfare) are dominated by non-exchange transactions[1] (International Public Sector Accounting Standards Board, 2011). When these services are financed by involuntary tax transfers from other citizens, debates arise, such as: (when the budget is out of balance) should the rate of consumption tax be raised, or should the age at which government funded superannuation is paid be raised instead? These social goals are not readily balanced one against the other, nor are they amendable to perfunctory cost/benefit analysis. When financing public services, the services' quality, quantity and outcomes need to be considered as well as costs, debt servicing requirements and ability to raise sufficient revenue within a socially just regime wherein those who receive benefits are often not those who pay. Accountants provide essential data to inform these debates.

Second, public services also have a long term focus which has no equivalent in the for-profit sector. Rarely do nation states cease to exist; even if bankrupt, they continue to "trade" (International Public Sector Accounting Standards Board, 2011). Borrowing in the short term may reduce inter-generational equity in the long term, a factor difficult to present in an annual financial reporting cycle. In addition, the impact of governments' social expenditures can take many years to be evident. Appropriately measuring outcomes, policy responses and their eventual funding, requires much longer time horizons than the measurement of profits in the for-profit sector. Yet, financial reporting of public services must be able to reflect the political and social pressures for new and "improved" social programmes.

Third, government often functions to correct market imperfections in order to safeguard citizens' consumer interests (International Public Sector Accounting Standards Board, 2011). This regulatory role may be deployed in the utilities market for example, where government may reduce the pricing stronghold of a monopoly supplier, or require social and environmental costs to be reflected in market prices. Such a role requires careful balancing of incentives and monitoring options, and for the regulator to ensure high levels of financial transparency.

Other unique public services issues include those of probity, the ensuing high levels of audit and monitoring of the public sector, and of those to whom services are delegated.

2.2 Financial reporting in public services – New Zealand as an example

Due to its uniqueness, a majority of countries utilise different financial reporting accounting standards for public services. For example, in the USA, the Government Accounting Standards Board established standards specifically for the public sector, and a number of other countries utilise International Public Sector Accounting Standards (IPSAS). Most standards were initially cash-based, and cash remains the basis for many countries' public services budgeting at the present time.

However, the introduction of accrual accounting to the public sector was a key part of the New Public Management reforms, especially in New Zealand and Australia. The argument was that improved information about assets, liabilities and equity would enhance efficiency and effectiveness; a further argument was that accrual accounting would motivate managers to manage public finances better (Newberry, 2003; Scott *et al.*, 1990). In order to develop accrual accounting standards in a relatively small country, in 1993 New Zealand introduced sector-neutral accounting standards by modifying for-profit sector accounting standards for use in the public sector. Despite the differences between private for-profit entities and the public sector, the sector-neutral approach to accounting standard-setting assumes that similar transactions can result in similar financial statements, no matter the organisation's orientation. Newberry (2003) is among those who criticise the objectivity of this framework, stating that accrual accounting supports reduction of the government's role in society, as features such as full costing reinforce growing privatisation and commercialisation at the expense of consideration of social justice.

Notwithstanding concerns with locally-derived sector-neutral standards, from 2005 the basis of New Zealand's local accounting standards moved to a more specific set of accrual accounting standards – IFRS – as a response to globalisation of financial markets and trade (Lont and Wong, 2010). These globalised profit-oriented standards were not developed for reporting on public services, yet this is what they were to be used for in New Zealand. While New Zealand standard-setters modified them for public services use, modifications were restricted to explanatory paragraphs and reducing IFRS options only, rather than reflecting the unique features and accountabilities of public services. However, following implementation, New Zealand public and private not-for-profit sector representatives (who had initially been prepared to observe the effects of this globalisation) vehemently argued that IFRS were an unsatisfactory basis for public services accounting (Brady, 2009; Not-for-Profit Sector Advisory Committee, 2009). In particular, Brady (the Auditor-General) noted the irrelevance of the underlying standards for the public sector and the paucity of local guidance on applying the standards to the public sector, as well as his concern that, as a result, financial statements were deficient and irrelevant to users for decision-making (Brady, 2009). This is unsurprising, given the need for financial reporting on public services to communicate the results arising from a complex and ambiguous sector, as well as it having a long-term focus and responsibility to safeguard citizens' consumer interests.

Shortly after the Auditor-General's statements, the Ministry of Economic Development issued a Discussion Document on "The Statutory Framework for Financial Reporting" to move the responsibility for standard-setting away from the accounting profession to a government entity (the Accounting Standards Review Board[2]) and to propose the use of sector-specific financial reporting standards (Ministry of Economic Development, 2009). This move was supported by New Zealand's Accounting Standards Review Board (2009) and it issued a press release in March 2011 stating "user-needs in the future cannot be addressed by a single set of accounting standards [. . .]" and its intention for public sector-specific standards to be developed during 2012. The 2009 proposals signalled a radical change to financial reporting for public services in New Zealand and motivated this research to investigate the extent to which current courses incorporate teaching on public services and how tertiary educators expect to respond to the changes, if and when they occur.

2.3 Prior research into public services accounting education

Prior research has analysed the availability of separate courses in public sector accounting, especially at postgraduate level in the USA (Egenolf and Norhauser, 1985). Egenolf and Norhauser (1985) reviewed the extent to which Masters in Public Administration/Public Affairs programmes included accounting and whether the coverage was sufficient. That paper built on their survey of undergraduate accounting offerings in US universities, questioning the extent to which separate courses on public sector accounting were being taught and students' readiness to work in the public sector (Egenolf and Willis, 1983); it also drew on prior studies by Engstrom (including Engstrom, 1984). While Engstrom (1984) found that half of the US institutions he surveyed included public sector accounting as an elective course and also as part of an advanced course, he found a 15 percent reduction in courses due to students' lack of interest, a lack of space/time to cover the public sector, or a lack of interested faculty to teach the subject. The conclusion of Egenolf and Willis (1983) was similar and they found an alarming and increasing lack of student interest in public sector accounting issues. In New Zealand, Dixon (1989) analysed the extent of public sector content within tertiary accounting courses, as did Sciulli and Sims (2008) in Australia.

Dixon (1989) repeated the Engstrom (1984) survey in New Zealand and assessed what might impede research into public services accounting and its teaching. His findings were similar to Engstrom (1984) that students lacked interest in the public sector and there was a lack of interested educators. Dixon's (1989) survey was time-bound, being undertaken within an intensive public sector reform period and when cash-based public sector accounting differed significantly from accrual-based private sector accounting – a state that changed rapidly from the 1990s onwards as already noted.

In a more recent study in Australia, Sciulli and Sims (2008) recognised that continuing public sector reforms, combined with the fact that the public sector is a significant employer and contributor to the Australian economy, emphasised the need for undergraduates to be exposed to public sector issues. In their project, they attempted to ascertain whether graduates' lack of preparation for employment could be a result of a lack of public sector accounting education in Australia (Sciulli and Sims, 2008). Yet, Sciulli and Sims (2008) found 36 percent of core courses included public sector accounting, 22 percent of the 42 respondents' institutions had specific public sector accounting courses and 29 percent had both specific courses and included public sector accounting in core courses. Limited specific public sector accounting education was due mainly to the curriculum already being very full (22 percent), a lack of faculty interest in the public sector (18 percent) and a belief that the same accounting concepts could be applied across the board (16 percent). Educators also noted that there was a lack of public sector resources (such as textbook support) (13 percent) to underpin teaching of these concepts.

Parker's (2005) findings that, generally, Australia and New Zealand accounting courses have narrowed to technical, detailed offerings around IFRS for profit-oriented organisations, was confirmed by Sciulli and Sims (2008). Parker (2005) suggests this is due to increasing pressure for educators to increase course content and to balance large class teaching alongside producing quality research outputs. He is concerned that accounting and auditing teaching in Australia and New Zealand is largely textbook-driven and that these textbooks lack sectoral diversity and diversified cases, thus limiting the possibility of a broad education (Parker, 2005).

Further, Parker (2005) proposed that the requirements of professional accreditation reduced the impetus to increase course offerings, and 7 percent of Sciulli and Sims' (2008) interviewees agreed with this. However, earlier, Mathews (2004) found that accreditation was not a strong factor in the structure of Australia's accounting courses. While Devonport (2009) and Gaffikin (2009) discussed the history of accreditation in New Zealand and suggested that it has been influential in course design, specific course content decisions have not been further analysed.

3. Research method and results

More than two decades have passed since the earlier surveys of public sector offerings in New Zealand. Due to the changes since (the impending new accounting framework and increased public services economic constraints), it was important to ascertain the extent to which public services are included in undergraduate courses and the current drivers for and against their inclusion. First, the context of the research will be described, followed by the methods utilised.

3.1 Data collection

The research, undertaken in the last quarter of 2010, utilised multiple methods in order to consider the issue from complementary data sets (Brannen, 2004). First, a questionnaire was designed that drew on those of Egenolf and Willis (1983), Dixon (1989) and Sciulli and Sims (2008); documents including course outlines and textbooks were analysed and a number of in-depth semi-structured interviews were undertaken.

Questionnaires and document reviews. The Sciulli and Sims (2008) questionnaire was favoured as the most recent in this area as only two universities delivered separate public sector accounting courses. However, in selecting options for the questionnaire, comparability to the 1980s surveys was also maintained as much as possible[3]. Most survey questions were structured, but there was also the opportunity for respondents to include free-format answers for further clarification (Rapley, 2004). The strength of survey questionnaires is that they elicit responses from a greater number of participants than interviews can, but breadth is traded off against the fuller responses that can be obtained from in-depth engagement, such as interviews or focus groups.

In the first instance, a list of tertiary institutions and programmes accredited to the New Zealand Institute of Chartered Accountants (NZICA) was developed. Eight universities and four polytechnics were listed as accredited. Each of these 12 providers' web sites was individually accessed and information regarding the 51 courses comprising the approved financial accounting and auditing courses was obtained. Information included the course outlines and textbooks used. Next, a questionnaire was sent to the lecturers listed on the course outlines or web sites against the relevant courses. Seventy-one individuals were sent a link to an on-line questionnaire using Qualtrics software. Two responded that they no longer taught financial reporting[4]. Two weeks after the initial approach, a reminder was sent. Thirty-one responses (44 percent) were received in total.

In-depth interviews. To develop the survey's findings further, six semi-structured interviews were undertaken: three with accounting academics who have taught financial accounting and/or auditing for many years but who had not been included in the questionnaire, and three with textbook authors. The semi-structured interview method is flexible (Rapley, 2004) and allowed us to explore more fully the interviewees' viewpoints, to clarify responses and collect additional information. The interviews were recorded and transcribed and were useful in explaining issues arising from the survey analysis. In the Sections 3.2 and 3.3, quotes are attributed to questionnaire respondents (Qn), interviews with educators (En) and textbook authors (Tn) (where n is the number attributed to each interviewee or respondent).

3.2 Results

Respondents to the questionnaire taught at a number of different levels and in both financial accounting and audit. The 31 respondents taught a total of 61 courses: 15 percent at first year, 20 percent at second year, 44 percent at third year and 21 percent at fourth year (Honours). Twenty-four of the questionnaire respondents taught financial accounting, with 11 having taught at one year level, six at two different year levels, a further six at three different year levels and one respondent at all levels (undergraduate and fourth year Honours). Thirteen of the respondents taught audit in classes at third and fourth year levels. Respondents self-reported the extent to which their current courses cover public services issues. The results are shown in Table I, split into teaching,

Reporting entity	Focus of course	Very strongly	Strongly	Weakly	Not at all	Mean	SD
Listed companies and other issuers	Teaching focuses on issuers	0.464	0.393	0.107	0.036	1.714	0.810
	Tutorial/case studies focus on issuers	0.464	0.321	0.179	0.036	1.786	0.876
	Assessment focuses on issuers	0.429	0.321	0.214	0.036	1.857	0.891
	Average focus on issuers	0.452	0.345	0.167	0.036		
Public sector organisations	Teaching focuses on public sector	0	0.037	0.630	0.333	3.296	0.541
	Tutorial/case studies focus on public sector	0	0.111	0.482	0.407	3.148	1.527
	Assessment focuses on public sector	0	0.037	0.556	0.407	3.222	1.499
	Average focus on public sector	0	0.062	0.556	0.382		
Private not-for-profit organisations	Teaching focuses on not-for-profit sector	0	0.071	0.572	0.357	3.286	0.600
	Tutorial/case studies focus on not-for-profit sector	0	0.071	0.500	0.429	3.214	1.496
	Assessment focuses on not-for-profit sector	0	0.107	0.464	0.429	3.179	1.510
	Average focus on not-for-profit sector	0	0.083	0512	0.405		

Table I.
Responses to the question: "what is the extent to which individual courses cover for-profit and public services issues?"

tutorials or case studies, and assessment. Table I also depicts the mean and standard deviation (SD) for each question, as the respondents agreed that their courses covered each selection "very strongly" (1), "strongly" (2), "weakly" (3) and "not at all" (4).

It can be seen from Table I that 80 percent of courses have a very strong or strong focus on listed companies (and other issuers), with only 3.6 percent of respondents agreeing that listed companies are not a focus at all. The mean and SD also show that there is a very close match between the focus of the course and the tutorials, case studies and assessment. By contrast, the public and private not-for-profit sectors do not constitute a very strong focus of tertiary courses. An average of 38.2 percent of respondents noted that their courses have no focus on the public sector and 55 percent that the public sector is a weak focus of their courses. Only 6 percent agreed it was a strong focus. More respondents noted that the private not-for-profit sector was not covered at all (40 percent), although slightly more respondents stated it was a strong focus. In respect of the public and private not-for-profit sectors, there was much wider variation in the use of this sector-specific material in tutorials, case studies and assessment, as can be seen from the larger SD. An independent analysis of the course outlines supported the questionnaire responses.

However, four respondents noted that their courses focused on various entities and stakeholders as they were based around accounting issues rather than the entity that undertakes the transaction. For example:

> [. . .] a case study on Tasman Pulp and Paper[5] will include references to a listed company, iwi, and a green organisation. A Mobil case study will focus on a company which is not an issuer in New Zealand, the Council, and lobbying organisations[. . .] (Q28).

Another example provided by an interviewee was that sessions on heritage assets were an opportunity not only to present public sector issues but also to encourage in-depth study of the concept of an asset (E1). This means that, while public sector reporting may be a focus of one week's lectures, it also emerges sporadically from the case studies selected to highlight particular accounting issues.

Of specific interest to this study are the reasons courses do not focus on the public sector. Respondents were asked to rank the top three reasons why their course did not focus more on the public sector, and the results are shown in Table II where the rankings are allocated depending on the number of responses and the weight given each response. In Table II, the findings are also compared to the other relevant surveys from New Zealand, Australia and the USA that were reviewed in Section 2.3[6].

As can be seen in Table II, the most highly ranked reason as to why courses do not focus more on public services is that there is no space or time to cover public sector content. As an example of this, an interviewee noted:

> If you expect students to have all the detail it will take much longer than three or four years. What we do is provide them with the language, a broad understanding of what has to be done and why. I hope they have some concept of the incentives and social consequences. It is a starting point to build their careers on (E2).

While another interviewee noted that the public and private not-for-profit sectors are increasingly relevant in the corporate sphere (E1), the consistent ranking of a lack of time within the curriculum over successive surveys (Sciulli and Sims, 2008; Dixon, 1989; Egenolf and Willis, 1983), tends to suggest that programme priorities have changed little in the subsequent decades. One educator suggested that an increasing emphasis on teaching IFRS standards reduced the time available to teach concepts and ambiguities. It was evident from the survey respondents that as students progressed, increasingly more time was spent on teaching standards, potentially

Statement	This New Zealand study	Sciulli and Sims (2008) Australia	Dixon (1989) NZ	Egenolf and Willis (1983) US
There is no space/time to cover the public sector (i.e. it is not a program priority)	1	1	1	1
The same accounting concepts can be applied to all sectors	2	3	6	–[a]
There is a lack of suitable resources (e.g. textbooks and finances)	3	4	4	3 =
Our curriculum is driven by professional accreditation which does not include the public sector in its requirements	4	6	–[a]	–[a]
Students lack interest in the public sector	5	7 =	2	3 =
The public sector is not relevant	Not selected	2	5	5
The public sector is already covered adequately	Not selected	7 =	–[a]	2
There is a lack of interested faculty	Not asked	Not asked	3	4

Note: [a]This question was not asked by the study

Table II. Ranking of responses to the question: "why do individual courses not focus more on the public sector?"

"crowding out" teaching about public services which were not usually covered in IFRS-based teaching.

Another survey respondent commented that course content was educator-specific, stating:

> It varies very much with the background of the lecturer as to how much they find these issues of interest personally [. . .] (Q28).

This respondent further noted that all accountants, at some stage in their lives, could be expected to deal with issues from organisations other than listed companies and intimated that educators should teach accordingly.

The second most highly ranked reason from the survey was that the same accounting concepts can be applied to all sectors. Even though public services differ from the for-profit sector, New Zealand's unique standard-setting over the past 18 years encouraged one interviewee to reflect:

> We teach from a framework that is business oriented [. . .] It is a pretence that the public sector does not run businesses – the university is a business [. . .] it makes a profit that is indistinguishable from the profit the Telecom makes, except that it is not paid out to anyone else (E2).

The entities in the public sector may be business-like, but the public sector requirement to use funds to generate public goods was not highlighted by this educator. For example, once universities generate a profit (surplus) they may (and some do) use that surplus to support needy students via bursaries. Whether the tendency to do this is increased or decreased in a business-like model cannot be stated due to lack of evidence; it may also depend upon government influence in these publicly funded universities. Accordingly, while some public services entities can be and are run in an essentially business-like way, there are other public services entities (especially in respect of social welfare) where the interviewee's analogy is much less appropriate. Therefore, while the same accounting standards could be applied to all sectors, the Auditor-General was among those who argue that the IFRS framework does not meld well with the requirements to report on non-financial aspects, nor to communicate with those who make decisions about public expenditure and equitable distribution of welfare (Brady, 2009).

The third most highly ranked reason for not focusing more on public services was a lack of suitable resources. The lack of coverage of these important issues is also restricted due to space in textbooks, as noted by an interviewee:

> The book publishers say "we don't want to charge more than $x, so you can't have more than xx pages" (E3).

From a review of the 12 different textbooks used across the courses, it was found that half of them have no reference to public services and four of them have one or two pages presenting the New Zealand context, stating the regulatory situation for these entities, or mentioning that the public sector provided future employment opportunities for graduates. Only two textbooks include a chapter (or a significant portion of a chapter) directly related to public services[7].

The fourth most highly ranked option was the issue of professional accreditation. Although the NZICA requirements suggest accounting education should include an alternative to for-profit organisations, the respondents to this survey do not find this a sufficient encouragement to emphasise public services in the curriculum.

In the lowest ranked response (a lack of student interest), there is a significant difference between this study and those undertaken in the 1980s by Egenolf and Willis (1983) and Dixon (1989). This result, combined with its low scoring in the Sciulli and Sims (2008) survey, suggests that students do find public services to be of interest, but that educators find little time or space in the curriculum to teach it. The importance of public services in the economy was marked by not one respondent stating that the public sector lacked relevance, nor did any state as one of their top three reasons that "the public sector is already covered adequately".

3.3 Dealing with future change

The questionnaire specifically asked respondents how they would respond to the changes proposed in 2009 to the accounting framework in New Zealand. Academics in five out of the 12 institutions approached for this study made submissions on the 2009 proposals by the Ministry of Economic Development and the Accounting Standards Review Board, therefore it was expected that these educators in these institutions would have considered them. Notwithstanding that, 48 percent of the survey responders had not thought about what changes might be required to current teaching about public services; only 4 percent of respondents stated they would make no change.

Some survey respondents (24 percent) agreed that setting up a new course would be required. Yet, an interviewee showed that this is not a simple matter, but would include negotiating within their organisation and managing trade-offs. They stated:

> A new paper would be the best way to go, but [my Dean says] "we've got enough going on at the moment" and we don't want to cannibalise our current papers. Is it just a whole lot of other costs with no added revenue? Are we going to break our EFTS[8] cap? Extra papers are very expensive to set up – where are we going to get someone to teach it? We are bound to be reactive than proactive (E3).

The reactive nature of this institution appears to be mirrored by others. The survey was undertaken twelve months after the discussion documents had been released, yet the responses show a degree of caution in dealing with these issues that were still at the discussion stage. The dismantling of sector neutrality is a dramatic change which will require some adjustment.

Those institutions that had established separate courses would continue to highlight students' citizenship roles, the need for integrated public services management, and accounting and financial management to improve public services efficiency, effectiveness and equity. These themes were addressed to a more limited extent by educators who lack the ability to offer a separate course (or for students who do not take this elective). As noted above, these educators highlighted the application and implications of various financial reporting standards in complex environments across different sectors in lectures, tutorials and case studies that are used in addition to textbook material.

Finally, respondents were asked what assistance they would seek to undertake changes in their courses. These responses fell into three categories. A number of lecturers stated they would incorporate changes in the way they currently respond to changes in financial and auditing standard changes, by undertaking relevant research and background reading. Many educators maintain currency with changes by attending professional courses and subscribing to email alerts from accounting firms and standard setters. They also invite public accountants to deliver guest lectures to their classes to introduce new changes. A second group noted they would consult with the profession, in terms of accreditation requirements and in terms of "what is happening", and, if extra courses or if major changes were made to learning outcomes, to consult with internal academic boards. A third group of educators would seek changes in the textbooks to provide new local content following the new reporting framework. One interviewee suggested:

> We will follow the textbook I guess, we will leave it up to [the authors] to sort it out. I don't fancy their chances to expand it, it is already a large textbook (E1).

One local author noted in respect of the short section on the New Zealand context:

> We already have something in the book about the proposed changes to the framework and we will continue to include this (T1).

Also, another local book author stated:

> The book will need to focus on what other institutions are doing themselves to see what they are going to do as far as any sector focus in concerned (T2).

Admittedly New Zealand is a small market for textbooks, but survey respondents commented on the lack of suitable resources. The textbook market takes into consideration the costs and saleability as well as market size. From the responses of these textbook authors, it seems unlikely that textbooks will increase in size to cover public services, unless other material is expunged.

4. Discussion

This research shows that there is a very weak focus on public services in New Zealand's accounting education as delivered through tertiary providers. Given the sector-neutral financial reporting standards and use of profit-oriented IFRS in the recent past, this may have been expected, but it does not bode well for future public services financial management. Respondents to the survey stated that there was an increasing focus on sectoral matters in recent years, yet the course outlines, textbooks and self-reporting of course content appeared to belie this statement. However, the notion that "the same accounting concepts can be applied to all sectors" was not the main reason cited for a lack of public services content in financial accounting and auditing courses.

Despite the recent calls to broaden education and to prepare graduates for the ambiguities of working in and for public service entities (Broadbent and Guthrie, 2008), the main reason for educators to limit the coverage of public services issues is that they lack space/time to cover it. This reason has remained static over three decades as observed in the research by Egenolf and Willis (1983), Engstrom (1984), Dixon (1989) and Sciulli and Sims (2008). With IFRS, one approach to make more time in class is to emphasise concepts rather than teaching individual standards. However, this research shows that the more experienced the students, the more educators focus on teaching IFRS standards. Many educators stated that this situation had not changed over recent years.

The lack of suitable resources to underpin these courses is the reason ranked third as to why there is not more focus on these sectors in courses. Yet the authors who were interviewed and who currently have limited public services coverage were reticent regarding including more public sector-specific material. Textbooks are driven by professional accreditation, maximum page numbers, affordability for students, and profitability of print runs. Adequate resources are essential (Parker, 2001), yet it appears that the constraints of a small market and the demands of IFRS and globalisation, reduce the likelihood of improved or increased public services accounting resources in the short term.

Notwithstanding the weak focus, some educators do include public services content. While two tertiary providers offer public sector courses, other educators utilise broad case studies that enable them to contrast for-profit financial reporting issues with those raised in accounting for public services. These issues populate both lectures and tutorials and are often conceptual, rather than standards-based.

The changes in the New Zealand framework for financial reporting means that graduates will be expected to work in a marketplace where public services are accounted for on a different basis than profit-oriented entities. This will require them to be appropriately skilled and it would be expected that the basis of this would be their undergraduate studies. Yet, this study has also found that there is ambivalence towards change, with almost a quarter of the respondents to the questionnaire stating that they would not be revising their course content to consider a sectoral focus. More than a third of respondents had not considered their future actions to cover new content and sectoral approaches. When considering public sector and private not-for-profit sector issues, half of the respondents had not thought about the impending change. This lack of reaction may be related to the uncertainty of that change occurring, the time pressure that educators are under, or scepticism about whether the changes would take effect.

While there was limited support for the statement that "students lack interest in the public sector" there was more support for the affect of professional accreditation on curriculum design. This impact appears to have increased significantly in recent years and this research concurs with Parker (2005), that professional accreditation is a driver against the inclusion of more public services content in the curriculum.

As a survey of lecturers, this research is limited to those who responded and to the interviewees chosen. However, a review of course outlines and textbooks provided a degree of harmonisation with the views expressed in the survey and interviews. This research has not specifically included postgraduate programmes or Continuing Professional Development which could provide opportunities for graduates to be exposed to the public services context.

5. Conclusion

Parker (2005) notes that accountants are in the knowledge business. He further encourages academics to be "change agents" rather than "change resistors" in delivering appropriate accounting education, as universities are an integral part of developing a broad knowledge in future professionals to enable them to deal with complex and ambiguous public services. With increasing instances of nation states in financial strife, Gaffikin (2009, p. 182) suggests that accountants have a "very real responsibility" to contribute to new approaches to financial management. This emphasises the need for increased quality education for public services accounting that empowers graduates to undertake not only financial management, but also to integrate qualitative analysis of social needs and benefits into decision-making.

Despite the size of the public services sector and its importance, New Zealand's universities teach very little public services content, as IFRS appears to have squeezed this out. There is a lack of resources to inform the teaching of public services, and the profession appears to perceive public services as "alternative" and "non-traditional" so that the sector is not prioritised. It is highly likely that graduates are unprepared to take the expanded role within society advocated by Byrne and Flood (2003). The prognosis for graduates' ability to account for and manage ambiguous public services is poor.

With the dismantling of sector neutrality in New Zealand, further longitudinal research is required into financial reporting and auditing courses to ascertain whether the focus broadens, following the institution of the new regime. Of particular interest will be the methods used by educators to more adequately prepare students for a multi-sector environment upon graduation, given the appeal from the AAA and AICPA (2010 and the IFAC (2010)) that public services become an important skill area for accountants of the future. Further research is necessary into whether the public services content provided meets the needs of this sector and appropriately prepares students for its ambiguous and complex nature.

The context of tertiary education is complex and issues such as government funding, university processes and availability of staff, impact on choices in course delivery. In addition, professional accreditation is a strong driver against expanding the public services content of financial accounting and auditing courses, as it focuses on IFRS due to their global acceptability. Standard-setters can be a promising catalyst in broadening the preparedness of future professionals, but educators need to be alert to changes and encourage textbook writers to be proactive in making changes to available resources. Preparing students to make useful contributions to the effectiveness, efficiency and equitable funding and delivery of public services requires careful balancing of resources, the support of the professional bodies and the universities themselves.

Notes

1. These are transactions the entity pays for but for which they receive no recompense from clients/others (or where the payment is of lesser value than the services).
2. This entity was reconstituted in July 2011 as the External Reporting Board.
3. A copy of the survey is available from the author upon request.
4. Their inclusion on course lists could be explained due to the fact that many of the first year accounting courses include management and financial accounting, whereas public services are typically taught in financial accounting and audit courses only.
5. This large New Zealand company owns forests, runs pulp and paper mills, and exports products. It also owns overseas subsidiaries.
6. In addition to the reasons provided in Table II, Dixon (1989) asked his survey respondents why there were not more courses covering public sector issues. The prime reason for a lack of teaching public sector accounting was that it was not a programme priority, "there is no space/time to cover the public sector". The item ranked 5 by the respondents to Sciulli and Sims' (2008) survey was that the teaching focus was on private sector and/or publicly listed companies.
7. Chapters included one on heritage assets and the other about audit in the public sector.
8. EFTS is an Effective Fulltime Student. The government funds universities on a fixed number of EFTS. Universities attempt to manage enrolments around this number to maximize the contribution of each student.

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