

English Language Proficiency and the Professional Employment Outcomes of Overseas Accounting Students in Australia: An Empirical Test

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Abstract

This study compares the performance of local and overseas accounting students studying in a West Australian university with respect to a written and a practical component of an examination question associated with a second year level accounting unit. An analysis of the results, using an analysis of variance, indicated that the language background for these two groups of students was a significant discriminating variable with respect to the written, but not the practical, component. This result suggests that the standard of written English language skills of overseas students is below that of their local counterparts, and this outcome lends support to the assertion that English language difficulties contribute to overseas graduates being less likely to gain professional employment than their local counterparts. Notwithstanding the extreme importance and implications of this research for concerned stakeholders including educators, educational institutions, graduates, employers and regulators, the research findings are tentative and further research is needed in relation to both academic performance and professional employment outcomes.

Introduction

In recent years tertiary educational institutions in Australia have experienced rapid growth in the number of overseas students studying for an accounting qualification. The growth in numbers has had important implications for how accounting is taught in universities. For example, a number of institutions provide off-shore courses which enable students to complete their studies in their own country or, at the undergraduate level, to complete two years of study in their own country with the final year in Australia. However, for reasons that are described below, the majority of students elect to complete the entire accounting course in Australia—on-shore rather than off-shore. Further, ‘almost all of

Australia’s regional universities have sought to capitalise on the potential growth in enrolments’ by establishing branch campuses in the main cities in Australia and customising courses to meet the needs of ‘overseas students at both the undergraduate and Masters [sic] level’ (Birrell, 2006: 8).

This increase in the number of overseas students enrolling in the on-shore mode of university accounting courses in Australia is attributable to changes to the skills selection system under the skilled migration program introduced by the Australian Government in 1999. The system is designed to overcome a skills shortage in several high-demand occupations, including accounting. The selection system effectively gives priority to accounting applicants in the management and commerce educational sector and, in turn, those who received their qualifications in Australia. In the year 2003–04, overseas students made up 47 percent of all commencing students in accounting. Further, a total of 6,559 visas were issued to Australian-trained overseas accounting students in the year 2005–06. This compares with an annual figure for domestic accounting graduates of approximately 6,500. Thus, Australian-trained overseas students are a major component of new graduates entering the accounting jobs market.

The number and the country of origin of Australian-trained overseas accounting graduates accepted under the skilled migration program over the period 2001–02 to 2003–04 is depicted in Table 1 (Commonwealth of Australia cited in Morris, 2005a). The overwhelming majority of the applicants are from Asia and, therefore, from non-native English speaking backgrounds (NESB). China represents the single largest group in all three timeframes, and Chinese graduates also have the highest propensity to seek permanent residence in Australia (Birrell & Rapson, 2005).

Table 1: Australian-Trained Overseas Accounting Graduates Accepted Under the Skilled Migration Program

COUNTRY	2001–02	2002–03	2003–04
<i>China</i>	288	409	1029
<i>Hong Kong</i>	59	81	155
<i>India</i>	85	99	279
<i>Indonesia</i>	255	198	278
<i>Malaysia</i>	57	117	184
<i>Singapore</i>	26	46	71
<i>Rest</i>	163	226	489
Total	933	1176	2485

Source: Commonwealth of Australia (cited in Morris, 2005a).

The question arises then as to whether the new skills selection program has been successful. In terms of the overall response to the program, the answer is *yes*. As shown in Table 1 there was a 166.4 percent increase in the total number of applicants over the period 2002–03/2003–04. However, despite the growth in numbers, the program was flawed to the extent that many of the overseas graduates, the NESB group in particular, have been less successful than their local counterparts in finding professional employment

(Birrell & Rapson, 2005). Senior administrators of Australian academic institutions have suggested that the low employment rate may reflect cultural bias in the employment policies of the major accounting firms (Morris, 2005a). A review undertaken on behalf of CPA Australia (Birrell & Rapson, 2005), on the other hand, refutes this suggestion, identifying English language difficulties as a major contributing factor. The basis of this conclusion is derived from statistics showing that Australian-trained overseas NESB students are less successful than their local counterparts in gaining professional employment but are better off in that respect than overseas-trained NESB graduates (Birrell & Rapson, 2005).

Out of concern that the migration policy may not be working as intended, the Commonwealth Government appointed a parliamentary committee in 2005 to look into its program. This led to the release of a report in March 2006 which identified English language difficulties as a contributing factor in the comparatively low success rate of the NESB group in gaining professional employment (Birrell, Hawthorne & Richardson, 2006). As a result, the review committee recommended changes to the selection system designed to redress the English language skills deficiency. The changes became effective from 1 September 2007 and required visa applicants to have either a minimum threshold level of 7 on the IELTS score, recent completion of not less than 12 months' work experience, or completion of a professional year with the Australian professional accounting bodies.

One might expect the English language competencies of NESB students be below that of their local counterparts; however, whether or not they are is an empirical question. The study investigates this issue in the context of the foregoing discussion of whether overseas students are lacking in English language skills relative to their local counterparts. As employer groups have indicated that accounting graduates need to possess a high standard of written and spoken communication (Business/Higher Education Round Table, 1991; Coopers & Lybrand & Business Queensland, 1991), this study examines the written skills of accounting students.

The importance of this issue of English language skills in the context of this study is the implications it holds for the professional employability of overseas accounting graduates and, at the same time, the success of the underlying skilled migration program. The program is ultimately designed to facilitate the competitiveness of Australian industries in the global market, now and in the future¹, and while the economic benefits to Australian universities—central to achieving the desired educational outcomes of the program—are substantial, the economic and social costs to the various stakeholders involved arising from the failure of the system are also substantial.

Further, the motivation of the overseas students entering the program is economic. This is evident in the changing demographics of the graduates accepted under the skilled migration program over the period 2001–2 and 2003–4 reflected in Table 2. The change is driven by the magnitude of the divide between the financial return to accountants in overseas countries and those of their Australia counterparts (Birrell & Rapson, 2005). It should also be noted that overseas students culturally enrich local programs and promote

relationships between countries, the benefits of which would not otherwise accrue to the individuals and communities concerned.

Table 2: Increases (and Decreases) in the Number of Australian-Trained Overseas Accounting Graduates Accepted under the Skilled Migration Program and Ranking by Country

COUNTRY	2001–02/2002–03		2002–03/2003–04	
	NUMBER	RANK	NUMBER	RANK
<i>China</i>	121	1	620	1
<i>Hong Kong</i>	22	4	74	5
<i>India</i>	14	6	180	3
<i>Indonesia</i>	(57)	7	80	4
<i>Malaysia</i>	60	3	67	6
<i>Singapore</i>	20	5	25	7
<i>Rest</i>	63	2	263	2
<i>Total</i>	243		1 309	

Source: Adapted from Commonwealth of Australia (cited in Morris, 2005a).

The remainder of this paper is organised as follows. Section two reviews prior Australian anecdotal and empirical research. Section three provides the details of the present study, including the hypotheses to be tested. Section four reports the result of the statistical tests. The paper concludes with a discussion of the implications of the results, the limitations of the study and suggestions for further research.

Prior Research

The Mathews enquiry into accounting education in 1990 recognised the special needs of full fee-paying overseas students, including their difficulties with the English language, and identified a range of measures to assist them in their course of study. Ballard and Clanchy (1991) also suggested that overseas students may experience language difficulties when studying in Australia, particularly in situations that could be a source of anxiety such as examinations. More recent anecdotal evidence reported in the press (see Morris, 2005b; *The West Australian*, 2007) indicates that overseas students experience difficulties with both written and spoken English. However, again, such opinions ought to be tested empirically. Otherwise we will have, as Brown (1971) suggests, ‘little more than a morass of untested assertions ... with no end to arguments, and no end to words’ (p. 2).²

There is a reasonably large body of empirical studies that examines the determinants of the academic performance of students of accounting at the tertiary level (Schroeder, 1986; Farley & Ramsay, 1988; Buckless, Lipe & Ravencroft, 1991; Christopher & Debreceny, 1993; Rohde & Kavanagh, 1996; Keef & Roush, 1997; Jackling & Anderson, 1998; Koh & Chyekoh, 1999; Duff, 2004; Hartnett, Romcke & Yap, 2004). It is difficult to succinctly summarise the findings of the research due to differences in the methods employed, which include the operationalisation of the dependent and independent constructs, the statistical tests employed, and the role of confounding variables and

characteristics of the samples of participants such as their country of origin and level of exposure to the English language. An extensive search of the literature did, however, indicate that the following four studies are of immediate relevance to the current study as they collectively examine a range of determinants of student academic performance including language and/or the country of origin of the participants: Christopher and Debreceeny, 1993; Keef and Roush, 1997; Jackling and Anderson, 1998; and Hartnett *et al.*, 2004.

A longitudinal study by Christopher and Debreceeny (1993) compared the performance of second year level undergraduate students in a single West Australian metropolitan university who had English as a second language with students from an English-speaking background. Overseas students were allocated to the English group if they had been in Australia for 10 or more years. In essence, the study was geared toward testing the proposition of the report into accounting education by Mathews (1990) that suggested that overseas students ought to be specially catered for. Performance in units requiring largely *worked* responses to *problems* (Cost Accounting II and Financial Accounting II) was compared with performance in units requiring largely *written* responses to *fact situations*. The results of this study indicated that in only one unit—Financial Accounting II—was there a significant difference in performance. Here, the results of the NESB group were higher than their English speaking counterparts. The findings of this study did not support the concerns expressed by Mathews (1990).

Jackling and Anderson (1998) conducted a study into the performance of accounting students in Management Accounting I taught in second year at a Victorian university. Unlike the study by Christopher and Debreceeny (1993), their research included other variables in addition to language. These other variables were entry qualifications, prior study of accounting, general ability, gender and study mode (full-time or part-time). They found significant variables to be entry qualifications (path), and that part-time students performed better than full-time students. General ability (measured using the Anderson Tertiary entry score) was found to be significant using a t-statistic, but was not found to be significant in the ordinary least squares (OLS) regression model. Therefore, language, as with the earlier Christopher and Debreceeny (1993) study, was found not to be a significant variable in terms of performance.

Hartnett *et al.* (2004) also examined student performance with an international student focus. The study was undertaken in a New South Wales university in three undergraduate accounting courses: Financial Accounting Fundamentals (year 1), Corporate Accounting and Reporting (year 2) and Accounting Theory (year 3). Hartnett *et al.* (2004), as with Jackling and Anderson (1998), included a number of variables in their study. The variables were student origin, ability, anxiety, work experience in accounting, accounting study prior to university and enrolment status. Two main research questions were investigated. First, whether international students performed differently from local students. Second, whether the performance of international students improved over time. Multiple regression (OLS) was employed to analyse research question 1 and logistic regression for research question 2. In the analysis of research question 1, all variables were found to be significantly associated with performance. In relation to the variable *student origin*, after controlling for the remaining key variables, the study reported superior

performance for the international student cohort. However, with respect to research question 2, an improvement by international students over time was rejected.

Finally, Keef and Roush (1997) examined the effects of race, gender and expectations on the academic performance of students enrolled in a second-level management accounting unit at a New Zealand university. After controlling for academic ability, they found no evidence of gender or racial differences.

The foregoing studies display some important characteristics that warrant noting. Notwithstanding the fact that the studies were undertaken in different universities over varying time periods, they have produced reasonably similar results with respect to the performance of local and international students. However, even though the actual units tested in each study have been different, as have the number of units in each study (and not all units were in accounting), only the Debreceeny and Christopher (1993) study expressly investigated language. All four studies have their limitations, some of which appear to have been resolved if one considers the studies in totality, though a major limitation of the studies is that they did not control for teaching effects on student performance (Seidel & Shavelson, 2007). Further, with the exception, to a limited extent, of the Christopher and Debreceeny (1993) study, the emphasis has been on the aggregate level of performance—final examination or course average—and not specifically related to language performance per se. The present study addresses these limitations.

The Study and Hypotheses

This study is designed to compare the performance of local and overseas students on a question that formed part of the final examination in a second year financial accounting unit called Financial Accounting II—a core unit in the bachelor of business with a major in accounting of the university concerned. The unit content gave equal weighting to the theory and practice of corporate financial reporting in Australia.

Selective criteria were employed in choosing the sample. The examination paper contained a total of six questions and required any five to be completed. With respect to the NESB students, having a choice of questions had the effect of controlling for the impact of foreign language anxiety which Horwitz *et al.* (1986) maintain ‘frequently shows up in testing situations’ (p. 126). Another criterion was that a student must have attempted the question in its entirety. Finally, in order to control for prior learning effects, it had to have been the first time the student had attempted the unit.

The question selected to form the basis of the test of performance between the overseas and local students contained two sections. Part A required a written answer to a theoretical question dealing with the regulatory definition and recognition criteria of a liability. Part B, the practical component of the question, required the preparation of an income statement based on the Edwards and Bell current cost accounting measurement model. The question forming the basis of the study is provided in the Appendix.

The choice of question and unit of study were selected as being suitable for a number of reasons. First, the question contained both a written and practical section to enable testing on the same unit and the marks allocated for both components were equal in

amount (10 marks each). The selection of a second year level accounting unit meant that the students were entrenched in their accounting major and in university study in general. In addition, the acculturation of the overseas students (Redfield, Lenton & Herskovits, 1936) into the Australian environment would have commenced. Finally, the lectures were taken by the same academic staff member, enabling researchers to control for teaching effects.

The reliability of the examination marking process was promoted in two ways. First, an experienced marker was used. Prior literature suggests that 'experienced examiners are not susceptible to the biasing effects of handwriting style and presentation' (Meadows & Billington, 2005: 26). Second, a model answer for the practical question and guidelines for assessing the written component, and a marks allocation system for both elements, which were agreed upon by two separate examiners, were used (Yorke, Bridges & Woolfe, 2000).

As a consequence of the limited prior evidence on the role of language, per se, as a predictor of the academic performance of accounting students and the fact that, unlike prior studies, this study distinguishes between written and practical performance, the hypotheses are expressed in the null form and are as follows:

H^{o1} - The performance of overseas students will not be significantly different to that of local students with respect to the *written* component of a question.

H^{o2} - The performance of overseas students will not be significantly different from local students with respect to the *practical* component of a question.

Results

Of the 97 students who sat for the examination, 59 (61%) were local and 38 (39%) were overseas.³ A total of 84 students (87%) attempted the question, all of whom were attempting the unit for the first time. The final sample consisted of 54 (64%) local students and 30 (36%) overseas students. Thus the final sample was representative of the population from which it was drawn. The country of origin of the final sample of students is provided in Table 3.

Descriptive statistics on the results of the written and practical sections of the question are shown in Table 4. The average score for both sets of students was lower on the written component than the practical component. The mean (standard deviation) for the local students was 4.41 (2.37) and the overseas students 2.67 (2.66) on the written component.⁴ The mean (standard deviation) for the local students was 7.56 (2.30) and 8.28 (2.48) for the overseas students on the practical component.

An analysis of variance (ANOVA) was used to test the performance between the overseas and local students on the literacy component (H^{o1}) and practical component (H^{o2}) of the examination question. Levene's homogeneity test upheld the equality of variances assumption of the groups on the written (Sig = 0.349) and practical components (Sig = 0.846).

Table 3: Percentage of Student Population and Country of Origin

COUNTRY	NUMBER	PERCENTAGE (%)
Local	54	64.29
<i>Australia</i>		
Overseas		
<i>Bangladesh</i>	1	1.19
<i>Botswana</i>	1	1.19
<i>China</i>	13	15.48
<i>Hong Kong</i>	4	4.76
<i>Japan</i>	2	2.38
<i>Kenya</i>	1	1.19
<i>Malaysia</i>	1	1.19
<i>Taiwan</i>	1	1.19
<i>Thailand</i>	1	1.19
<i>Zambia</i>	2	2.38
<i>Zimbabwe</i>	3	3.57
<i>Total</i>	84	100.00

Source: Original table.

Table 4: Descriptive Statistics for the Written and Practical Components of the Question

COMPONENT	LOCAL (n = 54)		OVERSEAS (n = 30)		COMBINED (n= 84)
	MEAN	STD DEV	MEAN	STD DEV	MEAN (STD DEV)
<i>Written</i>	4.41	2.37	2.67	2.66	3.79 (2.60)
<i>Practical</i>	7.56	2.30	8.28	2.58	7.82 (2.41)

Source: Original table.

Table 5: ANOVA for the Written and Practical Components of the Question

SOURCE	SS	DF	MS	F	P
<i>Written</i> - Between Groups	58.439	1	58.439	9.561	0.003
- Within Groups	501.204	82	6.112		
- Total	559.643	83			
<i>Practical</i> - Between Groups	9.957	1	9.957	1.725	0.193
- Within Groups	473.365	82	5.773		
- Total	483.321	83			

Source: Original table.

The results in Table 5 indicate a significant difference in the written component scores between the two groups ($p=.003$). However, there was no significant difference in the practical component ($p=.193$). Thus, the results support H^{01} but not H^{02} and suggest

that the standard of the written language skills of overseas students is below that of their local counterparts.

Additional Analysis

The written result is also consistent with that obtained using ANOVA with respect to the remaining major item of assessment completed during the semester, which involved the preparation of a 1,500 word essay worth a total of 15 marks. The mean (standard deviation) for the local students was 9.98 (2.38) and 7.78 (3.17) for the overseas students. The results of an ANOVA based on the means showed a significant difference between the two groups ($F[1, 82]=12.868, p=.001$). However, Levene's homogeneity test did not support the equality of variances assumption on the essay scores ($p=.041$). Therefore, a Mann-Whitney U test was performed. The results of the non-parametric test also demonstrate a significant difference in the essay scores for the two groups ($z=-3.38, p=.001$). Gender was not found to be a predictor of performance in relation to the three dependent variables (written, practical and essay).

Conclusion

The purpose of this study was to examine the performance of local students in comparison to overseas students in both written and practical aspects of the same question from the final examination in a second year level financial accounting unit in Semester 2 of 2005. Unlike the empirical research discussed earlier in the paper, the findings of the study, subject to the limitations listed below, suggest that there is a significant difference in the performance between the groups on the written part of the question (Part A) but not on the practical part of the question (Part B). The written result is inconsistent with the findings of earlier studies which may, in part, be attributable to the changing cohort of overseas-born accounting graduates accepted under the skilled migration program in recent years. The findings of the study lend empirical support to the assertion that English language difficulties contribute to the comparatively low level of professional employment of NESB graduates, assuming of course that these findings extend through to graduation.

The findings of this study have implications for educational institutions with respect to the role they are to play in providing students with the opportunity to improve their English language proficiency, such as facilitating the transition from education to work. As Mathews (1990) asserted, '(a)ll students who are admitted as fee-paying students must be as well qualified as local students, but support systems need to be established to ensure that their academic performance is not impaired by factors beyond their control' (Vol 1: 72).⁵

A limitation of this study is that it did not control for student ability which prior studies identify as an important indicator of academic performance in general. The relevant data was not available to the researchers for reasons of student privacy. However, with respect to the issue of the role of ability on performance, the results of this study highlight differences in generic abilities, such as communication skills versus rules-based problem solving. A further limitation of the study is the fact that the participants were in their

second year of study. It may have been better, given the research question and the context of the study, to have tested third year (graduating) students.

Further research may provide additional insights into the important research question investigated in this study. The research could include: a longitudinal study in the same institution; the use of Masters by coursework students, who are the primary source of the growth in overseas student enrolments in accounting in Australia; an examination of other language skills; and specific country analyses.

The analysis of specific countries may have the potential to pinpoint whether or not one or more countries require additional support—an important issue in relation to the need for the efficient use of scarce resources in universities. An exploratory analysis of the current data, not reported here because of the smallness of the numbers involved, suggest this issue may be worth examining further. In addition, the study ought to be replicated in other educational institutions in Australia as this would strengthen or otherwise weaken the findings of this study.

Finally, as a note of extreme caution, there is no basis in this study to conclude that some local students do not lack language skill or that, despite being found in this study to outperform overseas students, that their language skills cannot be improved upon or are even satisfactory from the perspective of employers.

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Appendix

QUESTION 2 20 Marks

Part A

On 1 June 2006 the directors of X Ltd decided to donate \$50,000 to the Australian Animal Protection Society. The Society was informed by letter on June 6 of the company's intention and that the donation would be paid in August 2006.

REQUIRED

- (a) Discuss whether the commitment meets the **definition** of a liability to X Ltd, and whether the commitment would meet the criteria for **recognition** on the face of X Ltd's balance sheet at 30 June 2006. Support your discussion with reference to the relevant sections of the *AASB Framework for the Preparation and Presentation of Financial Statements*. (8 marks)
- (b) Would your answer to (a) above be different if the Society had not been advised of the decision by 30 June, 2006? Why/Why not? (2 marks)

Part B

On 1 July 2005 Kite Ltd began its first year of business with the following assets and liability:

Assets	At cost
Cash at bank	\$10 000
Inventory (8,000 units at \$6 per unit)	48 000
Plant and machinery	50 000
Non-current loan	10,000

The total inventory was sold on 31 December 2005 for \$12 per unit and was immediately replaced at a cost of \$8 per unit (8,000 units). Wages for the year were \$35,000 and sundry expenses, including interest, totalled \$5,000. All four transactions were for cash.

At 30 June 2006 a total of 8,000 units of inventory were sold on credit at \$14 each. The 8,000 units were replaced at a cost of \$9 each, on credit.

The company depreciates its plant and machinery using the straight-line method. The depreciation period is 8 years. The plant is expected to have a zero residual value.

The replacement cost of the plant and machinery at 30 June 2006 was \$52,000.

REQUIRED

Show your workings where appropriate

Prepare Kite Ltd's **income statement** (only) for the year ended 30 June 2006 using the Edwards and Bell's CCA measurement model from the financial capital perspective. **(10 marks)**

Notes

- ¹ The long-term success of the program also lies, in part, in the demographic goals of the migration program, which fall outside the scope of this study.
- ² Brown's (1971) assertion was made in the context of the debate surrounding the choice of measurement models for financial reporting.
- ³ For the purpose of this study 'local' refers to Australian residents and 'overseas' to overseas residents. The students were placed into the two groups on the basis of the status of their enrolment (Local or Overseas) with the university concerned.
- ⁴ The comparatively poor performance of all of the students on the written component may be indicative of the lack of employer satisfaction with the communication skills of graduate students in general (Hiatt, 2006).
- ⁵ The forms that the support systems may take are various. Their presence or otherwise and effectiveness in Australian universities falls outside the scope of this study.