

Funding the Future

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I am speaking at an online conference on accounting at South Bank University this morning. My theme will be the need for reform of undergraduate education in the UK, based on the Accounting Streams project with which I am engaged.

I made a test recording of what I might say. That is available here:

https://soundcloud.com/user-371490417/accounting-streams?si=fca597622dbe4b298b7f5c482a079725&utm_source=clipboard&utm_medium=text&utm_campaign=social_sharing

The transcript is here:

When Graham Hambly first asked me to speak today he suggested that I should speak about tax. Some of you will know that I have a passion for that subject, but I asked to speak about the future of accounting education instead.

There was good reason for my request. With Professor Susan Smith at University College, London and Jenni Rose at the University of Manchester, I have, over the last few months, been putting together a project called Accounting Streams. It is featured in this month's PQ magazine. Our aim, put simply, is to transform the way in which accounting is taught to undergraduates in UK universities. Streams stands for 'Stakeholders, transparency, reporting and ethics: accounting for management and society.'

Accounting is a difficult academic discipline. The practice of accounting developed long before the theory. The theory has very largely been developed by practitioners. The influence of academia on the subject is open to question. Large numbers of students who study the subject do so with the primary goal of seeking exemption from subsequent professional examinations. As a result the professional accounting institutes have considerable influence over the syllabus that is taught. This is not a necessarily healthy mix of influences.

The Accounting Streams project is a reaction to all these issues. Susan, Jenni, I and our Advisory Board plus many, many other academics and former students that we have spoken to or know, are aware that there is a massive problem with the way in which accounting is now taught to undergraduates in UK universities.

My own experience reinforces that belief. I have been a practising accountant for 40 years, and senior partner of a firm in London. I've also been an entrepreneur, a company director, and over the last 20 years, a campaigner for economic and tax justice. Along the way I've written more on accounting than most will ever do. And based on all that experience what I know from observing what young people are taught in our universities is that the courses that we offer them do not answer most of the questions that are necessary.

I would suggest that this is especially true for our students. Let me be bold, and even risky for a chartered accountant, and suggest that no one ever went to university to learn the double entry required to record the disposal of a fixed asset that had previously been re-valued, and how this impacts the statement of realised and unrealised reserves. I know it's shocking, but I'm going to put it to you that that is true. I do, however, know that this is taught, and examined, in the final year of undergraduate courses. I have literally no idea why.

Let me make another straightforward suggestion. It is that most undergraduate accounting students did not go to university expecting to only learn only about the interests of shareholders in large multinational companies. They might have been aware before their courses began, and will certainly do so again when they come to look for jobs, that accountants have other roles in society. Accountants also help SMEs, charities, local authorities, the government, pension funds, and so many other types of organisation, but, if you look at the course materials used in universities, it would seem that only large multinational companies and their shareholders that are of concern.

As a result we have teaching dominated by the idea of profit maximisation.

I have to tell you that I was 19 when I realised what a lot of nonsense the idea of profit maximisation was. I had, however, by then enjoyed the considerable advantage of having prepared a set of accounts in the real world, unlike most of my fellow students. As a result, I was aware that none of the clients of the small firm for which I was working whilst at university had the slightest idea what their profit was before we told them. They also, most certainly, did not know that they were required to equate their marginal cost and marginal revenue to maximise their well-being as profit maximisation requires, and I will also tell you that their ignorance was appropriate: that is very definitely not what you should do.

What you should do when accounting is, of course, to take into account all the other people with an interest in an entity as well as its shareholders. The suppliers, the customers, the employees, its regulators, its tax authorities, and civil society in all its

forms: all of them need to be accounted to by an organisation, and most especially one that enjoys the privilege of limited liability. Where, however, is the concern for all these groups when it comes to an accounting undergraduate course? They're pretty much absent.

Is it any surprise, therefore that as yet the environment is also not getting a proper look in?

And as for ethics: I am afraid that they are still treated as an afterthought and are not interwoven throughout our teaching as they should be. That is, perhaps, most especially true when it comes to tax. I say that not just because I couldn't avoid another mention of it, but because ethics will invariably go unmentioned when teaching that topic, although how to calculate the benefit in kind on a company car will get a thorough treatment. That has to be wrong.

Our suggestion is that students are losing out as a result of the limitations, and implicit assumptions, inherent in the education that we supply to them. That education is far too narrow in focus, without that choice of focus having even being explained to the students taking a course in far too many cases. No wonder so many students reach graduation still wondering what the whole subject of accounting is all about, which I fear is true.

No wonder, too, that accounting and finance undergraduates are not the chosen preference of those employing graduates to be trained as accountants aspiring to membership of any of our professional bodies. That is because many employers say that the graduates who come through these courses have been insufficiently intellectually challenged whilst at university. I hate to say it, but I think they are right.

Courses focused on the technical dimensions of accounting that do not ask the reason why we account in the way that we do, and for some people to the exclusion of others, means that far too many accounting undergraduates are ill prepared for the questions that they will face in the real world of work as an accountant, or potentially anything else.

All this matters.

Firstly, it matters, because the number of applicants to UK accounting courses is falling. Universities should be worried.

It also matters because our professional institutes should be concerned that the influence that they have over these courses, and their demands for technical knowledge, are constricting the scope of what we can teach students about the broader issues facing the accounting profession which are of importance to us all, and to society on a much broader level.

And all of this most certainly matters to our students.

So, what can we do about this?

First, and perhaps at this moment most importantly, we can acknowledge that this problem exists. That is what Susan, Jenni and I, and all those who are supporting Accounting Streams, are doing. Our object is to state that there is a problem and secure agreement that this is the case. I wish that were easy to achieve: I am not, however, sure that our professional institutes agree. For that reason alone, what we are doing is important.

Second, we are adopting a solution focus to our work. We are not just saying that something is wrong, although it obviously is. We are going to suggest that we know how to put this right.

Our inspiration comes from the Core Economics project, which was pioneered at UCL in the last decade by Professor Wendy Carlin. She recognised that the undergraduate economics course was truly terrible. She was right: it was. In far too many institutions it still is. In fact, it is often much worse than the undergraduate accounting course. So, with colleagues, Wendy Carlin set up Core Econ to rewrite the undergraduate economics textbook and courses to reflect the real world that students could see all around them, and not the fantasy world of the economics faculty.

The Core Econ team's aim was straightforward. Not only would they rewrite courses, but they would make the materials to teach those courses freely available to both academics and students. That course is now being taught in hundreds of universities and tens of thousands of students have already benefited.

We want to do the same thing. We want to rewrite the undergraduate accounting course, starting with financial accounting, and then moving on to management accounting. We'll start with the first year and then move into the more advanced modules before adding in auditing, taxation and maybe (because it's going to be necessary) changing the way in which finance is taught.

This is a truly ambitious goal that is intended to tackle those focuses on large corporations, shareholder interests, techniques over understanding, and the absence of ethical questioning of assumptions, practices and outcomes, that I have noted above.

Our aim is to have the first-year undergraduate financial accounting module ready for September 2025. That is ambitious. All of us have other work to do. We are operating on a shoestring, and so far, our appeals for funding are falling on largely deaf ears, not least when the ICAEW turned us down for a grant out of the £147 million of funds by which they have been enriched as a result of fines paid as a consequence of audit failures over the last decade. When they are duty bound to spend that money on advancing the interests of the profession within society, and they have not as yet made

any statement on how they might do this, we were surprised by that rejection.

Third, therefore, we need practical support at this moment. We are looking for people to write chapters to contribute to the book that we are planning, working within the framework that we are creating.

In addition, I am hoping to write a parallel narrative volume to these modules that will seek to relate the issues that we will address to the real-world experience of young entrepreneurs, who might be those taking the courses we want to teach, or who will be those they will advise in the future.

Fourth, we are encouraging students to join Rethinking Accounting because a body of undergraduates is needed to engage with us to make sure that we truly understand their needs, and so that they can influence the faculties in which they are learning so that generations to come might benefit from training that will be to the long-term benefit of our profession, and society.

Finally, before I open the questions, I just want to highlight that last point, which is that this is about society is a whole, and the relationship of accountants to it. There are many reasons why I want to do this course, but one of them is based upon my experience of how accounting has been treated in far too many organisations.

During my time as a practitioner I was quite often asked to visit companies that were failing and were in need of a financial turnaround to keep a bank or other creditors off their backs. I particularly remember one were a very good part qualified accountant called Stan worked.

Stan was located, with his small team, at the far end of a long corridor at the greatest possible distance from the office of the CEO, the sales department, the product development engineers, and those actually responsible for getting stuff out of the door. Good as Stan and his team were, they were treated as if they were a world apart, and almost irrelevant to the functioning of the company. No wonder it was in a mess, because I promise you, it was.

Stan survived the resulting reorganisation of that company, but not everyone did. And once that process was complete what Stan could deliver for the other managers was also much better understood, not least because everybody had to take part in monthly meetings on the management accounts. He was, thereafter, within the corporate team and not a spare part at the end of the corridor.

Much of the world treats accounting the way that company treated Stan and his team, as a bit of a technical afterthought to be suffered, but not engaged with. By teaching accounting the way that we do right now we encourage that idea of accounting as a world apart. Accounting Streams is about changing that relationship so that accounting is put at the heart of the decision-making process of organisations. The aim is that

those organisations might as a result better understand and so serve every stakeholder who is dependent upon that organisation in the future by not just providing them with better data, but better decision making as well.

That is what we want undergraduate students to understand is the role of the accounting profession that they might enter. I hope you might agree that this is a cause worth supporting.