

**Accounting Practice in the New Millennium: A Practitioner's
View**

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**This dissertation is submitted in partial fulfilment of the requirements
for the Degree of MA in Accounting, Letterkenny Institute of
Technology**

31st July 2006

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Abstract

The business environment is constantly changing and evolving, resulting in significant change on the nature of the accountants work in practise. Accountants are of vital importance to the efficient operation of the economy. They work with businesses of every size to set up and maintain the systems that collect and report information about business activity. The daily tasks of the accountant in practice include meeting clients, managing client expectations, accounts preparation, audit work and the supervision of junior staff. Beyond carrying out the fundamental tasks of their work many accountants are now required to possess a wide range of skills, including excellent basic technical ability and knowledge of the general business environment.

The study has shown that the key driver of change for the profession is increased regulatory pressures. In contrast to literature Marriott & Marriott, (2000), the increase in the audit exemption threshold is not seen as a threat to the income of the small practice. Accountants are broadening the scope of services they offer to include financial analysis, tax and investment planning, and wealth management.

This study has highlighted that the trainee accountant is not efficient in basic book-keeping skills at college leaving them in a weak position when they start out in training. It is evident from this study that regardless of firm size, traditional accounting work such as audit and accounts preparation remains a substantial proportion of the work performed and continues to be an essential source of revenue.

Accountants have embraced information technology and effectively incorporated it in to all core services. The image of the accountant as 'bean counter' although still existent is gradually diminishing. Finally a suitable title for the accountant in practice was identified as either business advisor or accountant and financial specialist.

Acknowledgements

I would like to take this opportunity to thank my research supervisor Mr Paul Mc Devitt for his invaluable advice and support through out the year. I would also like to thank Mr Michael Margey for his guidance with the research methodology during the year.

I would like to thank my sister Louise for her help and guidance with this research project. I would also like to thank my mother Monica and my girlfriend Michelle for their support throughout this year.

I would also like to thank the master's class of 2006 for making it a memorable year. Finally I would like to thank the library staff and all the staff in the business studies office for their help throughout the academic year.

Dedication

In memory of my father Seamus Gorman RIP.

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Chapter 1

INTRODUCTION

1.0 Introduction

In recent years the global accounting profession has witnessed many changes, the most recent being the increased regulation accounting firms now have to comply with. The latter part of the 20th century has witnessed an expansion in the range of activities in which the accountants have become involved with. Recent research by Parker (2001) has shown that certain environmental factors are changing the way accountants carry out their work, these include the internalisation of business, the impact of technology and the development of the knowledge based economy. In his analysis Parker has identified areas that need future research; he stated “clearly there is a need for further studies of the positions occupied and the scope of work being undertaken by accountants in public practice firms”. Having reviewed literature by Parker and other key authors in the area this dissertation will examine the accounting practice in Ireland with the objective of identifying the changing nature of the accountants work with continuous correlation to the research objectives .This was conducted by way of semi-structured interviews and questionnaires with accounting practitioners. The research methodology applied will be outlined in greater detail in chapter three, the findings and analysis are discussed in chapter four and conclusions and recommendations will be outlined in chapter five.

1.1 Research aim and objectives

The aim of this study is to investigate the nature of the accountants work in practice in Ireland . This can be broken down into a number of smaller research objectives.

My research objectives are as follows

1. To investigate the nature of the accountants work in 2006.
2. To highlight emerging areas of work in accounting practice.
3. To gain insights into a typical working day for an accountant
4. To explore the necessary skills to be a successful accountant in practice.
5. To determine the use of information technology in accounting.
6. To determine if the title 'Accountant' is appropriate for accountants in 2005.

1.2 Value of the research

In answering this research question, this research will be of benefit to a number of people. It will be of use to accounting practitioners because it will give evidence about the nature of accountants work and the significant changes in accountants work will be highlighted. It may also be of use to the Institute of Chartered Accountants in Ireland (ICAI) as they are at present under going a strategic review and restructuring their education system.

1.3 Limitations of the research

This research presents itself with certain limitations which could not be overcome. These limitations include the following

1. Time, the researcher only had one academic year to complete the study
2. Financial resources were limited which affected the research process and the size of population sampled had to be limited.
3. Response Rate: Due to the choice of postal survey, it meant that not all respondents answered. If more responses had been received then more trends and developments may have been identified. However a satisfactory 42% (59) of 140 respondents replied.

Chapter 2

LITERATURE REVIEW

2.0 Introduction

The beginning of the 20th century was of vast importance to the accountancy profession; it heralded the birth of modern accounting regulations and also saw the introduction of the external audit (Edwards, 2000). The introduction of accounting principles was the beginning of business as we see it today and the basic concepts such as the true and fair view underlie several of the most influential processes in society (ICAI, 2000). Evidence of the ever changing environment that accounting operates in, and the effects of this on accounting concepts is provided by Littleton (1933), cited by Carnegie & Napier (1996), Littleton argues that as older methods become less effective under changing conditions, earlier concepts become irrelevant in the face of new challenges. Littleton states that these new challenges stimulate the ingenious to develop new methods and that as they become successful they begin to impact on the surrounding conditions, the result we call progress.

2.1 Definition of accounting and accountants

Accountants are of vital importance to the efficient operation of the economy. They work with businesses of every size to set up and maintain the systems that collect and report information about business activity. They play a critical role in regulatory functions of government, including day-to-day operations, taxation, and detection of crime. An accountant can be defined as ‘one that keeps audits and inspects the financial records of individuals or business concerns and prepares financial and tax reports’ (Houghton, 2004). Beyond carrying out the fundamental tasks of their work i.e. preparing, analysing, and verifying financial documents in order to provide information to clients—many accountants are now required to possess a wide range of knowledge and skills.

The concept of accounting can be defined as the process of ‘recording, summarising, and allocating all items of income and expense of the company and analysing, verifying, and reporting the results’ (Houghton, 2004).

2.2 The Bean Counter profile

For centuries accountants have always been linked to the stereotype and image of being a 'bean counter' or 'number cruncher' who as Bougen (1994) writes are somewhat 'dull unimaginative and boring'. It is a stereotype that appears to have become immovable from the image of the accountant. Bougen relates the stereotype to the relationship that the accountant had with bookkeeping in that it was a reflection of the work accountants carried out and not the actual accountant. Accountants must move forward and be able to compete with others in the changing environment, Parker (2000) states 'those accountants that remain content to carry out routine accountant compliance work are set for sub-ordinate corporate career prospects, declining customer bases and ultimately early retirement'. He reveals that the challenge for accountants in order to prosper is to break the mould and shake off the traditional accountant-image by projecting a business advisor and leader image.

Accounting and the role of accountants has changed vastly over the last 100 years but much more rapidly during the last 50 years. Accountants have become increasingly prominent in the business community. In today's world accountants are not just seen as bookkeepers but as auditors, business advisors, consultants and are an integral in the operation and viability of the majority of small, medium or large business.

2.3 Evolution of accounting services

There has been a strengthening growth in the accounting profession from the beginning of the 20th century to the present day. This growth has been two-fold in both the number of professional bodies and members that have joined the profession and also an expansion of the services that the profession has offered to its client base.

Since the development of the accounting profession the basic auditing and accounting work provided by accounting firms has given them a steady and reliable source of income. Up until the late 1960s research has shown that the core business services provided by accounting firms were audit and accounting services but that now their relative contribution to firms profits have stagnated (Sikka & Hampton, 2005). There is early evidence however, that since the start of the 20th century, the accountant has diversified into other services by using titles such as ‘consultant economist’ or ‘business advisor’ (Previts & Merino 1979, cited by Parker 2001). As early as the 1880’s accountants in public practice in America offered a wide range of services to their clients that included bookkeeping, investigations, legal work as well as commercial audits (Previts and Mednick, 1987). It has been suggested that environmental changes such as the industrialisation of America following the civil war set the stage for the expansion of accounting services in the decades that followed. Moreover introduction of tax legislation in America in 1913 gave accountants the chance to meet regularly with their clients and therefore begin to offer a wider range of services (Previts and Mednick, 1987).

Accountants have been constantly trying to expand the services they offer from that of the traditional audit and accounting services to that of consulting and management advisory services such as tax planning, budget analysis, financial and investment planning. In recent years we have witnessed many changes in the accounting profession worldwide. Audit and accounting problems at firms such as World Com, Enron and other major corporations had left the perception of the profession in tatters. However the national governments of many countries have introduced new legislation governing our accountants, for example in Ireland the government has appointed the Irish Auditing & Accounting Supervisory Authority (IAASA) as regulators for the accounting profession.

During these difficult times the global accounting profession have faced a lot of negative press, conversely in Ireland the demand for the services of accountants by business and personal customers has never been greater (Caniffe, 2002). It has been suggested however that some small businesses were not happy with the services provided by their accountant. Research by Doran (2004) identified services required by small business but as of yet were not provided by their accountant. Some of the services where clients sought more advice included: costing/advice profitability, business expansion and practical analysis of accounts.

As with most professions accounting has evolved to keep pace with the changing world all around it. Perhaps at times the speed of change was much slower than the demands of the changing environment, however during the last 20 years, the nature of accounting and the role of accountant is hardly recognisable from that at the beginning of the 20th century.

2.4 Environmental trends and drivers of change

A number of recent studies have been conducted by accountancy bodies to examine the changing environment of the global accounting professional. An example of one such study conducted by the Institute of Chartered Accountants in England and Wales (ICAEW) in 1997 outlined the key changes to affect chartered accountants by 2005. This study identified six environmental change drivers, which will have an impact on the future of the accounting profession. The Institute stated that individually most of the factors are well known but that few have considered the cumulative impact on the future of their firm and their professional qualifications.

The environmental change drivers identified include;

2.4.1. Internationalisation of business

As the world market becomes borderless it is quickly developing into a global marketplace as barriers to trade in goods and services are being lowered. The ICAEW (1997) study highlights that along side large organizations, small and medium enterprises are engaging in export and joint international ventures. The effect of this for accounting firms is that they face more competition, which is putting increasing pressures on large professional firms to internationalise their structure and operations.

2.4.2 Increased Competitive Pressures- the growth of the world economy and the internalisation of large companies are just two factors indicating increased competitive pressures on European businesses. Customers not only expect world-class service- they will expect them to be delivered with world-class efficiency and effectiveness. Service has become an important differentiator and key source of competitive advantage (ICAEW, 1997).

2.4.3 The Growing Importance of Small business

Small business will become even more important to the economy as we enter the 21st century. Many small businesses will be dependent on large businesses for key contracts and outsourced work. In turn many of the larger companies will be dependent on smaller companies for specialist skills and niche services (ICAEW 1997). The European Federation of Accountants and Auditors (EFAA) provide some evidence of the

importance of the small business to the European economy 'the European business sector is dominated by the SME sector'. This sector represents 99.8% of all enterprises in Europe, 66% of all jobs and 65% of the total turnover of the European Union (Doran, 2004)

2.4.4. Broader Scope Accountability Pressures

An increased demand for broader accountability, with corporate governance is becoming a subject of increasing concern to stakeholders (ICAEW, 1997). Recent accounting scandals such as Enron, Parmalat and WorldCom have tarnished the reputation of the profession, however it has brought about a wave of new legislation which has seen increase costs for accounting firms, as Caniffe (2002) reveals 'one of the main market concerns is the impact of over regulation and increasing risk on the audit function with onerous requirements pushing up responsibilities and costs'.

2.4.5 Information Technology

The capabilities of the next generation software for small business will rule out the need for an accountant for small business owners (ICAEW, 1997). Tools such as the Internet have overcome problems such as trade barriers and have introduced all businesses to increasing competition due to the globalisation of business. While these advancements in technology present many challenges, they also offer a great deal of opportunities. Research by Doost (1999) revealed how we have evolved from an agricultural to industrial and now a service economy in a matter of a century. While focusing on advances in accounting and communication Doost emphasised that we have now entered an era of knowledge in which we can expand our horizons and better those around us by using the fascinating tools that are now at our disposal. Doost views are supportive of those expressed by Gottlieb (1998) in that there are still some who live in the previous world and if they do not wake up quickly, it will be too late.

In a later article Doost (1999b) argues that the future for accountants seems uncertain, and they have not kept up to date with changes in information technology. He concludes 'the current situation must change to save our profession from a takeover by others who can do our job better in these modern times'.

Change in the accounting industry is a reflection of the massive changes that have taken place in business operations and the technology supporting them. Accountants can no longer ignore the new business environment and must be seen to exude confidence in areas such as information technology if they are to survive.

2.4.6 New Work Patterns and attitudes

With reference to the nature of work in general, it is evident that the basic nature of work itself is changing, to knowledge work, as Grantham & Ware (2003) write 'it is the only true source of innovation and competitive advantage'. They also state that the basic value of work has shifted from that of physical assets of the firm to that of social capital. The views of Grantham & Ware are supported by Ulrich (1991) as cited by Chang and Birkett (2004) in which they reveal that the emergence of the knowledge age and knowledge intensive organisations in the form of professional service firms has seen intellectual capital replace land, labour and physical or financial capital as the main factor of production. Chang and Birkett reveal that professional service firms (PSF) are 'knowledge intensive organizations that provide expert advice and services to clients'; they include accountants under the umbrella of PSF's.

Elliott & Jacobson (2002) argue that a new economic model has created a need for a new type of information professional. They reveal that we have evolved from a hunting and gathering to agriculture to industry and now into information economy in which knowledge work is key. It is evident that we are now in an era where the importance of information and intellectual capital seems to be in many cases invaluable especially when this is related to a knowledge based profession such as accounting.

The above factors are seen as operating to produce a variety of changing work opportunities for both accountants and the competitors (Parker, 2001). Specifically the ICAEW report revealed future growth areas in the area taxation work as companies recognise the role that tax planning should play in corporate strategy. Other areas of specialisms include that of internal audit, benchmarking and the financial services sector. The report reveals that the likely result of these changes is that an increasing numbers of the professional body will leave their accountancy origins behind and move into non-financial bodies.

2.5. The Nature of Accountants Work

In a similar way to most other professions, accountants do not subscribe to the typical forty-hour week. Research in Ireland has shown that accountants in practice work very long hours, the accountants surveyed felt they needed to work sixty to seventy hours a week to get to the top of their careers (Monks & Barker, 1996). Historically the primary role of the accountant was to carry out routine bookkeeping and the preparation and auditing of business accounts, which was commonly referred to as the 'bread and butter' of their income. As discussed earlier apart from this traditional work, accountants now offer a range of services to their clients such as tax planning, budget analysis, financial and investment planning. Having already considered the 20th Century definition of the accountant it is important now to consider how the role and work of the accountant has varied from this definition. This section will examine the changing nature of accountants work to identify how environmental factors have changed the accountants work, the services they offer, the tasks they carry out, the impact of information technology and the emerging areas of work in the profession.

2.5.1. Change in accountants Work

Although a number of drivers of change have been previously discussed it is without doubt that in recent years the impact of technology and globalisation has changed significantly the context within which the accountancy profession works. This change is well documented by a number of authors both in Ireland and across the world. A recent international study by the International Federation of Accountants (IFAC, 2001) highlighted those members of the (ICAEW) in business only spend up to 40% of their time on accounting work. The IFAC study also highlights that 10% of Certified Public Accountants in America are now given up their CPA designation so that they can compete in markets for non-traditional services. More evidence of the change in the role of the accountant and the vital task of the provision of information is provided by Collins (2000) as he writes 'we must find the key data, assess its relevance and then translate this into a language that is meaningful to the user'. Collins concluded that the key challenge the accounting profession faces is to shift our focus from the way we have been doing things and move forward with the same values but different goals.

These views are supported by Cooper (2002) who states that Accountants need to capitalise on traditional values such as independence and concern for public interest, through migrating to higher value added activities, developing broader skills and being committed to lifelong learning.

An indication of this potential shift in the heart of accountants work is provided by Gilchrist (2004) who writes that 'auditing, accounts preparation and compliance tax services has a very suspect future'. Gilchrist's controversial advice to firms is to outsource the "boring work to India", enhance communication through keeping all people informed, and give staff specialised training especially in information technology and allow for flexible work arrangements. More views on the changing business culture are provided by Podesta (1994) who writes that 'to the traditional accountant the changing business culture is making the call think different or be unwanted'. Podesta reveals that there are many opportunities for the accountant to provide consulting services and capitalise on the changing business culture, but that they are unlikely to succeed unless they build from a three pronged strategy: 1. Develop a clear understanding of the nature and extent of the changes sweeping through the business culture. 2. Identify niche markets. 3. Enhance their professional expertise and range of services.

While the above suggest that accountants should be diversifying into new fields, however it would appear that basic audit work is still very important to the practising accountant. Research by the ICAI (2001) revealed the majority of small to medium practices still rely on basic audit work as their prime source of income. The survey which identified that almost 70% of small to medium sized firms revenue was obtained from basic audit and accounting services. A more recent survey by the Institute Certified Public Accountants of Ireland (CPA 2004) reinforces that for practitioners basic audit and accountancy services still remain the main source of income however while compared with 2003 there is a small drop in the income. One of the issues the CPA highlighted which could have caused this drop was the rise in the audit exemption limits to €1,500,000. However in the respondents plan for the future over 13% of the respondents believed that they would have to change the focus of their services in order to compete in the changing environment. They believe that the full impact of the audit exemption limits have not affected their firms income yet. This is supported by Marriott

and Marriott (2000) who states that as the statutory audit exemption extends in the years to come, it would appear that some companies will only use their accountant to cope with government form filling, that they do not have the time, inclination or ability to complete. This leaves the small practitioner accountant fulfilling a role that can be seen as little more than ensuring bureaucratic compliance.

As discussed earlier it is without doubt that changes in the business environment and technological advances have had a major impact on the repositioning of the accountant (Byrne & Flood, 2000). Evidence of the importance of information technology and the impact on accountants work is provided by Charron & Lowe (2005) in which they write 'the nature of tasks to be performed by accountants, whether in public or private practice is often being performed by computerised systems'. An earlier reflection on the challenges facing the accounting profession with reference to information technology is provided by Pierse (1998) in which he writes that 'apart from a few exemptions accountants are absolute disasters when it comes to IT'. Pierse argues that as accountants are in danger of losing out to IT professionals and seeing another area of traditional strength being eroded just as others have been in taxation, accounting and auditing. Evidence of the improvements in software packages for accountants was highlighted in the Institute of Chartered Accountants in Ireland (ICAI) practice comparison survey. The survey examined the software packages used by accountants and they found that the majority were rated very highly (ICAI, 2001).

The accounting profession in Ireland has experienced considerable change in the past 15 years, while traditional accounting activities still remain the core part of the accountants work, there has been a shift from traditional to non traditional work when compared to five years ago more time is now spent performing forward- looking, such as strategic planning, and internal consulting (Meagher, 2001).

It is evident that accountants must now be prepared for a shift in focus, where the emphasis of accountants work is now on information analysis and strategy rather than on traditional tasks of data collection and historical reporting. As technology has become more sophisticated and freely available, it has taken activities such data management and reporting under its arm.

2.5.2 Structural changes

The ICAEW report has recommended that practitioners should use their existing solid client base from audit work but also refocus their strategy to aim for 60% of revenue from consultancy or other advisory services. More recent research emphasises that the large accountant practice will have to implement a new structure and business plan in order to compete in the changing environment. Research by Howieson (2003) reveals that practices will have to become multi-disciplinary in order to compete. A conflicting view presented by McKenna (2002) must also be considered as he suggests that the model of the multidisciplinary business services firm until recently was the dominant business plan, but that now most large accounting firms are reversing course and returning to act as financial auditors.

There are also implications for small size practices as Gottliebsen (1998) predicts firms will need to invest heavily in the latest technology, have a better knowledge base, and that those who do not do this will disappear along with the clients who did not adapt. He also revealed possible structural changes for small accounting practices where in the future we are likely to see groups emerge that franchise smaller accountants. This will enable smaller accountants to have the latest technology and information needs at their disposal. Gottliebsen argues that in the future the accounting qualification will be a starting point to a career that if it succeeds, will need to adapt to many changes as he writes 'accounting qualifications will become a ticket to a much broader range of experiences- which will require training in a large range of areas'.

2.5.3 Emerging areas of work

The emerging business challenges from the changing business environment for the accountant are complex, but as we have seen according to Podesta (1994) with the right strategy in place there will be many opportunities and potential income sources for the accountant in areas such as;

- Employee relations and HRM
- Measurement, feedback and performance indicators
- The designs of systems and procedures
- Delegation, empowerment and accountability
- Education, skills, knowledge and attitudes
- Communication
- Rewarding and incentives- remuneration packaging

He concludes that if one of the prime roles of the accountant is to help the business to be profitable and competitive, then this will inevitably mean that accountants will need to be far more involved than their traditional bean counter role within the firm.

A recent American survey by Robert Half International (RHI) in 2001 argues that as the nature of accounting work becomes more complex the need for professionals with specialist expertise has increased however there will always be a demand for general accountants who can perform the traditional auditing work. The survey identified the following areas of emerging work and sought after specialisms

1. Financial analysis-Professionals needed who can identify trends and participate in forecasting and budgeting activities.
2. Internal Auditing- Public and private firms will continue hiring internal auditors to improve their organizations overall accountability.
3. Audit and Assurance- With more rigorous expected, public accounting firms will need practitioners with an auditing and assurance background.
4. Forensic Accounting- as corporate fraud becomes more complex, forensic accountants with specialist fraud qualifications will be in great demand.

Gilchrist G (2004) states the 'audit is dead' that the future services offered by accounting firms will include strategic planning, financial services, banking consultancy marketing consultancy cost reduction consultancy, human resources and bench marking to name a few. As the accountant's work and role is expected to continually change within the business environment it operates, it has been suggested that the accountant will now need a variety of new skills in order to survive. This next subsection will examine the changing skill set of the accountant.

2.5.4. Changing skills

As a result of the changes in the global environment as highlighted by the environmental factors and issues such as a continual rise in the audit exemption to that of European union levels it has been suggested that the accountant of the future will carry out a wide range of services and activities. According to the ICAI (2000) significant change is necessary for the accounting profession. "We need to assume a new role as accountants — a role in which we become the drivers of corporate change, rather than the controllers of corporate destiny. The accountant as innovator, visionary, accountants as intrapreneurs within the organisations we serve". In order to cope in such a dynamic and changing environment the accountant will need to develop new skills. The following statements underline some of the skills that the accountant of the future will need.

The presentation of information as of key importance and accountants need to know how to present the best quality with the least quantity, 'doing this needs skilled blending of content, presentation and numeric details' (Collins, 2000).

As more and more diverse roles are emerging for the chartered accountant in Ireland, the core skills required involve communications, team participation and interaction, information technology, decision-making and strategy and planning (Meagher, 2001).

The accountant will need a more versatile skills base, enabling him or her to become a premier 'business advisor' and a skilled decision maker in the commercial sector as opposed to being a custodian of, highly developed auditing and accounting skills (Walsh, 2002).

The successful accountant of the future will be a strong communicator, be well versed in information technology, be able to combine technical skills with strategic vision, seen himself as a professional advisor and learn from the profession's past mistakes (Cooper, 2002).

The accountants of today and tomorrow will require 'traditional skills plus' in two ways. They must continue to develop and maintain expert competence in relevant technical accountancy areas and link this expertise with other relevant and generic business skills (Anderson-Gough & Hoskin, 2004).

Moreover evidence from recent competency studies highlighted a set of key attributes of which future accounting graduates should be trained on in years to come, these include communication skills, general business knowledge, accounting knowledge, problem solving skills, information technology, personal attitudes and capabilities and computer skills (Palmer, 2004)

Accounting information is continually changing and the accountant needs to develop the skills to continuously acquire new information. The above skills would suggest that the accountant of the today and the accounting graduate of the future will along with their core accounting skills also need to be able to reflect and show expertise in a management advisory and analyst role.

2.6 The accountant's designation

Due to the expected changes that the accountant will face in the coming years from competition and changes in the structure of their practice and the services they offer, some now feel that the title accountant does not match the various fields on which they can advise clients. The title accountant has been in general use since the middle of the 19th Century (ICAI, 2001). They ask how does the traditional definition of the accountant match to the 21st century accountants work, and refer to how the big four companies have branded themselves successfully to cover a range of services by calling their firms professional service providers.

Another major problem with the term accountant in Ireland is that at present there is no statutory definition, however the minister for trade and commerce has asked the Irish Auditing & Accounting Supervisory Authority the job to define the term accountant. The minister wants it defined with some kind of precision, such that it can limit situations where somebody with no accounting qualifications can purport to be an accountant, to the detriment of the customer and the profession. He states “On the one hand we want to prevent this kind of situation but I am also conscious of the need to avoid any kind of initiative which cut across the provision of services by persons perfectly competent to do so. At present in Ireland there is no legislation stopping anyone setting himself or herself up as an accountant and offering services to the public.

The ICAI along with the other Irish accounting bodies have welcomed the announcement by the government to examine the use of the term accountant, by unqualified and regulated self styled accountants (ICAI, 2006)

There is a strong agreement that the term accountant no longer reflects the range of activities undertaken by members of the professional accountancy bodies. Walsh (1999) argues about the title of the accountant and states that increasingly there are those who think the term accountant has become redundant, in that it no longer represents the broad range of activities and services of the members of the profession. Alternative descriptors such as ‘business adviser’ are perhaps more accurate, offer greater scope and suggest an individual who can solve complex business problems.

2.7 Conclusion

The literature review has highlighted that as the business environment changes so to does the role of the accountant and the services they provide. The drivers of change as highlighted by the ICAEW are seen as key to influencing the environment in which the accountant now operates. The literature also suggests that the accountant must develop the key skills to acquire new information. From this literature review the primary research was undertaken. The nature of the accountants work, the required skills base, the services they provide and the emerging areas of work are key areas of research.

Chapter 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter will identify and explain the methodology adopted which will include a description of the research problem, research process and data collection methods used. The research methodology describes “an approach to a problem that can be put into practice in a research programme or process, which formally defines an operational framework within which the facts are placed so that their meaning may be seen more clearly” (Remenyi *et al.*, 2003).

3.1 Research Process

The research undertaken was instigated by an explicit review of the literature in the specific research area. After all secondary sources of information were explored and reviewed; primary research was carried out through the following research process.

3.1.1 Research Problem

The aim of this research is to investigate the changing nature of accountants work. This will involve a specific look at chartered accountants who work in practice in Ireland. At present in Ireland around 35% of chartered accountants work in practice while the remainder work in industry (ICAI 2006). This fact itself may indicate that the nature of accountants work has changed in Ireland. It will involve investigating;

- ⇒ Extent of environmental factors on work
- ⇒ Focus of accountants work
- ⇒ Check for evidence of traditional or non-traditional work being undertaken.
- ⇒ Gaining the perceptions of accountants practitioners in Ireland.

3.1.2 Research Questions and Objectives

The main research question was to explore the changing nature of the accountants work in practice in Ireland with continuous correlation to the following research objectives.

1. To investigate the nature of the accountants work in 2006.
2. To highlight emerging areas of work in accounting practice.
3. To explore the necessary skills to be a successful accountant in practice.
4. To gain insights into a typical working day for an accountant.
5. To determine the use of information technology in accounting.
6. To determine if the title 'Accountant' is appropriate for accountants in 2005

3.1.3 Research Philosophy

One of the first steps for the researcher in designing their research strategy is to identify the most suitable research philosophy to pursue. Your research philosophy will depend on the way that you think about the development of knowledge (Saunders *et al.*, 2003).

3.1.3.1 Positivism

If your philosophy reflects the principles of positivism then you will probably adopt the philosophical stance of the natural scientist. In this tradition the researcher assumes the role of an objective analyst, coolly making detached interpretations about the data collected (Saunders *et al.*, 2003). In essence Saunders argues that positivism is a scientific approach using quantifiable data where there is no room for observer bias. Saunders *et al.* (2003) and Remenyi *et al.* (2003) see the positivist researcher as an objective analyst.

There are also many commentators Collis & Hussey (1997) Saunders *et al.* (2003) Remenyi *et al.* (2003) who are critical of the use of positivism in a world where the environment is constantly changing, according to Saunders *et al.* (2003) those critical of positivism argue that rich insights into this complex world are lost if such complexity is reduced entirely to a series of law like generalisations. Interpretivism was developed as a result of the criticisms of the positivistic paradigm, which include;

1. Impossible to treat people, as being separate from their social contexts and people cannot be understood without examining the perceptions they have of their own activities.
2. A highly structured research design imposes certain constraints on the results and may ignore more relevant and interesting findings.
3. Researchers are not objective but part of what they observe, they bring their own interests and values to the research.
4. Capturing complex phenomena in a single measure is at best misleading, e.g. it is impossible to assign a nominal value to a person's intelligence. (Collis and Hussey, 2000).

3.1.3.2 Interpretivism

Interpretivism or Phenomenology as it is sometimes known assumes that the social world is continually changing and that the research and researcher is part of this. In contrast to the positivist approach, rather than studying facts and developing a series of law like generalizations, interpretivism is concerned with understanding and appreciating the different constructions and meanings that people place on their experience (Easterby-Smith et al., 2000; Saunders et al., 2003). The table below summarises the main features of the two philosophies and contrasts the differences among them

Table 1 : The main features of Positivism and Interpretivism

Positivism	Interpretivism
Tends to produce quantitative data	Tends to produce qualitative data
Uses larger samples	Uses small samples
Concerned with hypothesis testing	Concerned with generating theories
Data is highly specific and precise	Data is rich and subjective
The location is artificial	The location is natural
Reliability is high	Reliability is low
Validity is low	Validity is high

(Adapted from Saunders *et al* 2003)

Advantages of interpretivism

- ❑ Explores subjective meanings behind peoples actions
- ❑ Highly flexible giving many different answers
- ❑ Accounts for changing business environment

Disadvantages of interpretivism

- ❑ Data analysis and collection can be time consuming and difficult
- ❑ No exact pattern or law like generalisations
- ❑ Not perceived to be as credible as the positivist approach.
- ❑ Observer bias can be evident

(Adapted from Saunders *et al.*, 2003)

3.1.3.3 Justification of Choice

For my research philosophy I used interpretivism as my research involves accounting practitioners interpreting the nature of their work to me in the form of semi-structured interviews. Then I must interpret their opinions in my analysis and findings. In this stage of the research process the author's findings will be open to observer bias. There is also a positivist element via the use of questionnaires where those surveyed will interpret their findings in a more quantifiable manner in the form of yes no answers and the use of the likert scale in some questions. In the positivist approach the researcher will assume the role as Saunders states of an "objective analyst".

3.1.4 Research Focus

Saunders (2000) states that: "the classification most often used is the threefold one of exploratory descriptive and explanatory research". The researcher will explain each of these research methods briefly.

3.1.4.1 Exploratory

Robson (2002) states that exploratory studies are a valuable means of finding out 'what is happening; to seek new insights; to ask questions and to assess phenomena in a new light'. Through exploration the researcher develops the concepts more clearly, establish priorities, and improves the final research design (Cooper & Emory 2000). Exploratory

research is particularly useful if you wish to clarify your understanding of a problem. It may well be that time is well spent on exploratory research, as it may show that the research is not worth pursuing (Saunders *et al.*, 2003).

There are three principal ways of conducting exploratory research

1. A search of the literature
2. Talking to experts in the subject
3. Conducting focus group interviews.

(Saunders *et al.*, 2003)

3.1.4.2 Explanatory

Saunders *et al.* (2003) state that ‘studies that establish casual relationships between variables may be termed explanatory studies. They state that the emphasis here is on studying a situation or problems in order to explain the relationships between variables.

3.1.4.3 Descriptive

Cooper & Emory (1995) state that; ‘the objective of a descriptive study is to learn the who, what, when, where and how of a topic’. The study may be simple or complex and can be done in many settings. Robson (2002) as cited by Saunders *et al.* (2003) argue that the object of descriptive research is to ‘portray an accurate profile of person’s events or situations. They state that it can be used as an extension to or forerunner to exploratory research. Sekaran (2000) identified the following benefits from conducting descriptive research,

1. They assist in decision-making
2. Provide a basis for further research
3. Develop an understanding of the group.

3.1.4.4 Justification of research choice

The research undertaken was both exploratory and descriptive which helped the author gain both qualitative and quantitative research about the issues of the research. Due to

the limited time and resources available I used exploratory research in the form of semi-structured interviews with chartered accountants who work in practice. One of the great advantages of exploratory research is that it is flexible and adaptable to change (Saunders *et al.*, 2003). The interviews carried out enabled the researcher to get a feel for the key issues of interest before developing an appropriate questionnaire. While this study can be said to be descriptive it is not conclusive due to the size of sample chosen.

3.2 Research Tools

The type of method used for data collection depends entirely upon the research undertaken. All research methods or tools have advantages and disadvantages, which need to be considered. The following is a review of some of the research tools available.

3.2.1 Interviews

Interviews are a common research tool for collecting data where selected people are asked questions in order to find out what they do, think or feel about a specific research topic. Interviews are usually divided into three different formats which are structured, unstructured or semi structured (Saunders *et al.*, 2003). Collis and Hussey (2000) suggest that for a positivistic approach structured interviews should be used while an interpretive approaches which lend itself to semi structured or unstructured interviews.

3.2.1.1 Different formats

Structured interviews use questionnaires based on a predetermined and standardised or identical set of questions. The answer is recorded in a standardised format, usually with pre-coded answers. Semi structured interviews will have a list of themes and questions to be covered, which may vary from one interview to the next. Some questions may be omitted given the specific organizations or profile of persons interviewed. Unstructured interviews are highly informal and used to explore in-depth a general area of interest. There are no predetermined questions. (Saunders *et al.*, 2003)

Easterby-Smith *et al.*, (2000) suggest that unstructured or semi structured interviews methods are most appropriate when it is necessary to understand the constructs that the

interviewee uses as a basis for his or her opinions and beliefs about a particular situation or matter

One aim of the interview is to develop an understanding of the respondent's 'world' so that the researcher might influence it, either independently or collaboratively as in the case with action research.

3.2.2 Questionnaires

Easterby-Smith *et al.*, (2000) identify four ways of collecting quantitative data which are questionnaires, interviews, tests/measures and observation. Questionnaires are a widely used research tool and Easter by smith state that 'while there are easy to use their design is by no means simple. The following number of points should be considered when drafting your questionnaire;

Make sure questions are clear and unambiguous

Avoid jargon or special language

Avoid negatives or personal questions

Avoid questions, which suggest indirectly what the right answer might be

(Adapted from Easterby-Smith *et al.*, 2003)

Saunders et al state that the design of the questionnaire will affect the response rate and reliability and validity of the data collected. They argue that response rates, validity and reliability can be maximised by, careful design and clear layout of questions, pilot testing carefully planned and executed administration. The researcher will explain the questionnaire in greater detail when looking at the questionnaire design undertaken in the next subsection

3.2.3 Case study

A case study may be defined as an empirical enquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and the context are not clearly evident, and in which multiple sources of evidence are used' (Yin 1999, cited by Remenyi *et al.*, 2003).

The case study method allows a researcher to obtain a good understanding of the circumstances and processes, which occur in the chosen environment or entity being researched. Various methods of data collection may be used from interviews to questionnaires, focus groups and participant observation.

3.3 Constructing an instrument for data Collection

Some of the most common data collection methods have been reviewed above. This enabled the researcher to determine the data collection methods most suited to the research project and help in fulfilling the research questions and objectives.

3.3.1 Interview design

It was decided to use semi-structured interviews with three chartered accountants who work in small medium and large accounting practices respectfully. The main function of these interviews was to seek the opinions of the practising accountant on the research questions and objectives. They proved a useful research tool as they helped identify further questions, which were used in the design of the questionnaire. All the questions were open ended, which enabled the researcher to seek insights and probe questions were necessary in order to explore questions and answers more in depth. Unfortunately due to ethical reasons all the interviewees preferred if the interviews were not recorded, as they did not feel comfortable with the tape recorder being used. This meant that all interviews were hand written and then typed up accordingly. A sample of the interview guide can be found in appendix 3.

The first interview was with a chartered accountant who works with a Big 4 firm in Dublin. The interview took place on the June bank holiday weekend. It should be noted that all interviewees were asked if they required a copy of the questions to be sent to them before the interview but they all declined. The second interview was with a medium sized practice and took place on the 14th of June. The third interview was with a small firm of chartered accountants and took place on the 16th of June.

3.3.2 Questionnaire design

A copy of the questionnaire designed can be found in appendix 1 along with a copy of the cover letter (appendix 2) sent with the questionnaire. The cover letter stated who the researcher was and what the research was about. The cost of 140 questionnaires, covering letters and stamped self-addressed envelopes was significant, and took a considerable amount of time to prepare, send and analyse. When designing questions Saunders *et al* (2003) States that questions can come from one of three sources, which are either:

1. Adopt questions used in other questionnaires.
2. Adapt questions used in other questionnaires.
3. Develop own questions.

All the questions were designed by the researcher, which were relevant to the literature reviewed and areas highlighted as important from the secondary research. Each question was carefully designed; making sure it was clear and unambiguous. Once the questionnaire had been designed it was pilot tested by two qualified accountants who work in practice. This enabled the researcher to test the time taken to fill in the questionnaire and test the questions for mistakes. There was a combination of both open and closed questions, however the majority of questions were either yes/no answers or the likert scale was used. The concept behind the use of more closed questions was to make it as quick as possible to answer thus maximising response rate.

3.3.3 Research population

Once it was decided to use a questionnaire a sampling frame had to be decided upon. Due to the limited resources available, it was only possible to survey 140 chartered accountants in practice. In order to get a list of the chartered accounting practices in Ireland, permission was first obtained from the Institute of Chartered Accountants in Ireland (ICAI). A copy of the letter sent to the Institute can be found in appendix 3. The ICAI forwarded a list of their members in CD-Rom format. This list was able to provide the accountants county of work. The researcher then took a random sample of accountants from each county to ensure all counties within Ireland were surveyed. A

40% response rate was received which was satisfactory when compared to the average expected rate of 25% as stated by Saunders *et al.*, (2003).

3.3.4 Analysis of questionnaires

Questionnaires were analysed using EPI INFO 2000, a free software package specifically designed for the analysis of questionnaires. It can be obtained from www.cdc.gov.

3.4 Ethical Concerns

When performing research it is important that the researcher takes into consideration all ethical issues, which may affect any respondents to their research. Saunders *et al* 2003 state that ‘ethical concerns will emerge as you plan your research, seek access to organizations and to individuals, collect analyse and report your data. One of the main ways to ensure a high standard of research ethics is to focus on the following three principles

1. Ensure a high degree of respect for the autonomy of the individual;
2. Work towards the benefit of society as a primary motivation of research
3. Respect justice

(Jenkins 1996, cited by Remenyi *et al* 2003)

When the researcher decided to adopt a survey strategy, permission was first obtained from the Institute of Chartered Accountants in Ireland. When permission was granted a confidentiality statement was placed on each questionnaire. This ensured the respondents that their names would remain anonymous in the analysis of the research.

3.5 Limitations of the research

As with any type of research there are also some limitations or constraints placed upon the researcher. Within this research two of the main constraints were the limited time and resources available. The effect of these resources meant that it was not feasible for the researcher to examine all the population as this would have cost a large amount of

money and taken considerable time to analyse. This left the researcher with no choice but to perform a postal survey and perform only three semi structured interviews.

The postal survey main restriction was that it did not allow the researcher to seek elaboration on particular points and also response rates may be low, however the researcher tried to combat this by including prepaid stamp address envelopes and follow up email reminders. Another major limitation to this research is the risk of interviewer bias, which must be guarded against. One of the key methods to eradicate observer bias is tape record the interviews when in process. However due to ethical reasons none of the participants felt comfortable with the interviews being tape-recorded.

3.6 Summary

This chapter has identified the specific research process adopted by the researcher. Where possible the researcher has tried to justify the choices of tools and methods used throughout.

Chapter 4

ANALYSIS AND FINDINGS

4.0 Introduction

This chapter will examine the data collected from the research process and divide it into appropriate sections so that conclusions and recommendations can be drawn. As stated in the research methodology chapter the research tools chosen to collect the data were semi structured interviews and questionnaires. For the semi structured interviews, one accountant from a large, medium and small firm was interviewed to identify and explore the research question. The data gathered from these interviews and from review of the literature was then used in the development of a questionnaire which could be sent to a substantial amount of accountants working in various small, medium and large practices throughout Ireland. For the purposes of discussion those interviewed will be know as interviewees while those who replied to the questionnaire will be know as respondents.

4.1 Background information on the interviewees and questionnaire respondents

One of the first steps in both the interview process and in the questionnaire was to gain some background information in relation to the environment in which the accountant worked. Tables 2 and 3 below summarise the background data obtained.

4.1.1 Background information on the interviewees

As can be seen from the table below, the accountant from the large practice was younger and worked longer hours than either the accountant from the medium or small firm (Table 2).

Table 2: Background information on the interviewees

Interview No	1	2	3
Firm Size	Large	Medium	Small
Position	Accountant	Partner	Partner
Age	25-35	46+	46+
Hrs worked per week	50-60	35-40	35-40
Busy Season	December year end	October	October
Main Revenue Source	Audit	Accounts prep & Audit	Accounts prep & Audit

4.1.2. Background information on the questionnaire respondents

Of those who replied to the questionnaire 25% (15) were employed in a large firm, 31% (18) in a medium sized firm and 44% (26) in a small firm. 58% (34) of respondents were aged between 25 and 35 years, 14% between 36 and 45 years (8) and 27% (17) were aged over 46 years. Interestingly 93% (14) of the respondents from the large firms were aged between 25 and 35 years. When asked about the amount of hours worked per week, the analysis shows that 49.2% (29) worked between forty and fifty hours, and 23.7% (14) worked from fifty to sixty hours per week. The number of hours worked was almost identical in the medium and small firms, however 93% (14) of respondents from large firms worked over 50hrs per week. Overall 60% (36) of respondents were male and 40% (23) were female, however, 80% (12) of respondents from large firms were female and 20% (3) were male, which is in complete contrast to the respondents from small firms in which 20% (5) were female and 80% (21) were male (Table 3).

Table 3: Background information on the questionnaire respondents

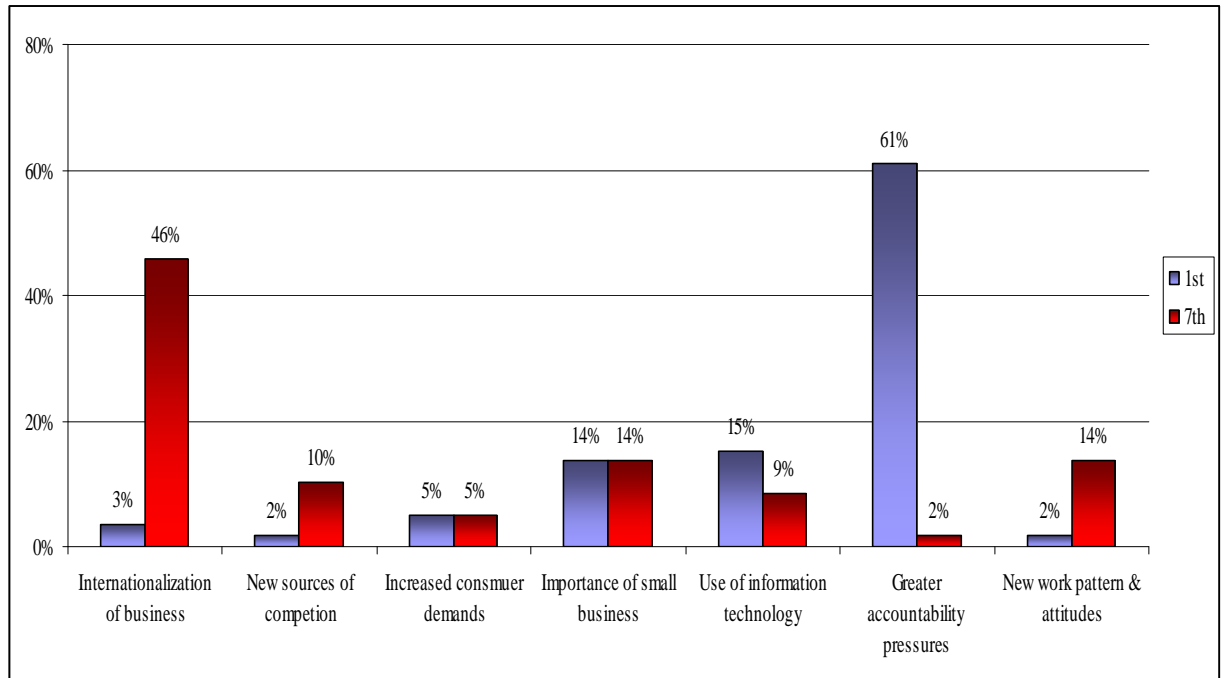
Firm Size		Large	Medium	Small	Total
Respondents		15 (25%)	18 (31%)	26 (44%)	59
Age	25-35yrs	93%	50%	42%	58%
	36-45yrs	0%	11%	23%	14%
	46yrs+	7%	33%	35%	27%
	No Answer	--	6%	--	1%
Hours worked per week	30-40hrs	0%	17%	19%	14%
	40-50hrs	7%	61%	65%	49%
	50-60hrs	53%	22%	18%	24%
	60+hrs	40%	0%	18%	13%
Gender	Male	20%	67%	80%	60%
	Female	80%	33%	20%	40%
Main Revenue Source		Audit	Audit & Accounts preparation	Accounts preparation	--

4.2 Significant impacts / Drivers of change on the Irish accounting profession

When asked to identify some of the most significant impacts or drivers of change in the accounting profession in Ireland over the last 10 years, the interviewees all highlighted greater accountability pressures due to new legislation and the associated costs it had on their firms. Other impacts were the corporation tax rates for companies set up in the Irish Financial Services sector (IFSC), and the development of the revenue commissioners improving their efficiency.

Analysis of the questionnaires showed that greater accountability pressures have been the most significant impact with 61% {36} ranking it preference 1.

Figure 1: Impact on the accounting profession – ranked 1st and 7th



The findings here support the information obtained in the interviews where all three interviews highlighted greater accountability pressures due to increased regulation as being one of the major factors influencing the accounting profession. The next important factor identified is the impact of information technology with 15.3% {9} ranking it one. The internalisation of business was ranked as the least significant impact on the profession in Ireland (figure 1).

4.2.1 Regulatory pressures

During the course of the interviews it was highlighted that increased regulatory pressures had a severe impact on the accounting firms, as a result the interviewees were then asked to comment on any policies or procedures they had in place to help keep up to date with the legislation. Interviewee one (from a large practice) stated that there is often daily lunchtime seminars provided for all staff on keeping up to date with Irish and American legislation. In the interviews with the partners of the small and medium firms both of the partners stated that they have monthly partner meeting to ensure all

important queries are covered. Interviewee three stated that they were currently looking into employing someone to take control of all the regulations involved in carrying out audit work, but as of yet they could not find anyone suitable.

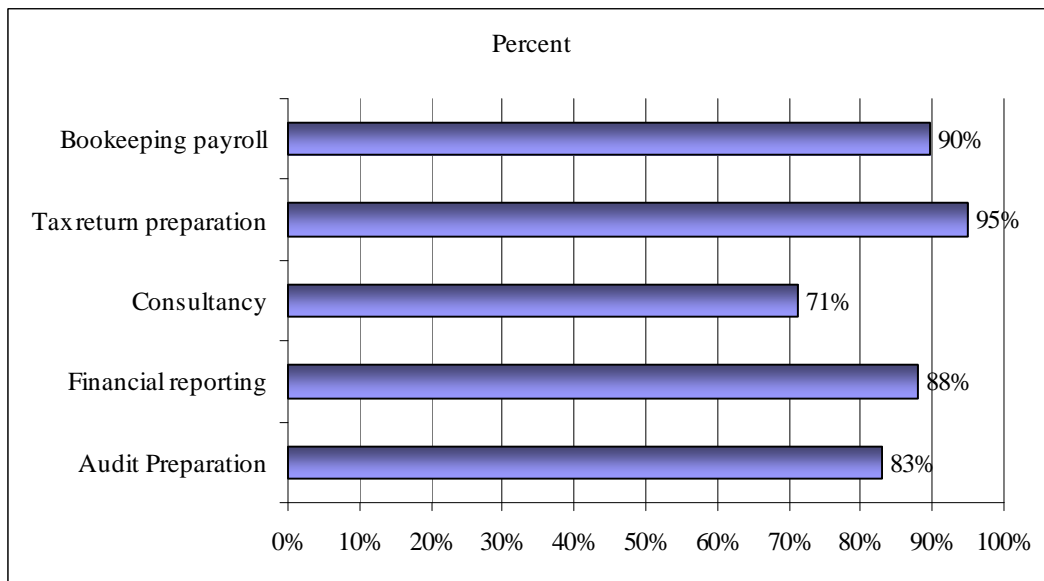
4.3 Information Technology

A key research objective of this dissertation was to examine the impact of information technology on the accountant in practice. All three interviewees agreed that it has improved the overall quality of the work of the accountant. The improvements in IT have meant that accountants now never use excel when carrying out their work. For the big four firms they have designed their own specific software systems for example k-tax which performs all the necessary tax computations. The areas identified where Information technology packages were most beneficial include accounts preparation and tax return preparation. Interviewee three also highlighted the usefulness of the revenue online service (ROS) for sending in tax returns. The interviewees also felt that IT improvements will not reduce the work they receive from their clients, Interviewees two and three believe that while their clients can carry out routine daily tasks they still want the specialist advice on certain issues.

The questionnaire findings also support the importance of IT. The findings demonstrate that 71.5% (54) of respondents firms are heavily computerised and all staff use IT and stand alone accounting software packages. Question three asked the respondents the importance of IT in the daily work of the accountant; the findings show a massive 98.3% (58) of respondents see IT as being very important. Interestingly only one respondent stated that IT was of neutral importance, this respondent worked in a medium sized firm, where only some staff use computers, and excel is used in place of accounting software packages.

Question four was developed to discover where the significant improvements in IT, was most useful for the accountant in their daily work. Not surprisingly all interviewees found IT useful for account preparation and tax returns. This is supported by the respondents of the questionnaire who replied that IT was useful in every area of the accountants work, even consultancy (Figure 2).

Figure 2: Areas where IT is most useful



Question five and six explored whether the significant improvements in IT would have a detrimental affect on the overall income a firm receives from its clients. 54.3% (32) of respondents either agreed or strongly agreed that IT software improvements have reduced the work they perform for their clients, while 27.1% either disagreed or strongly disagreed with this statement. The respondents were further asked did they see these improvements as a threat to their income from their clients 84.7% (50) stated no. This would again support the findings of the interviews were interviewees two and three stated that while their clients can carry out routine daily tasks they still want the specialist advice on certain issues.

A synopsis of the findings highlights that the usefulness of IT for the accountant in practice seems limitless. The findings show that the majority of accounting practices are now heavily computerised and the accountant can use software packages in nearly every area in which they provide service. The advantages are that information can be compiled quickly and accurately. Moreover this research highlights that why it may reduce the workload of the accountant it won't reduce the revenue they receive from small clients.

4.4 A typical day for the accountant in practice

A key research objective of this dissertation was to outline a typical day for the chartered accountant in practice in 2006. When conducting the literature review there was little or no evidence in literature which gave insights to the role of the qualified accountant.

It was evident from the three interviews that the ability to multitask was of paramount importance. Interviewee one stated, a typical working day consisted of general duties such as basic audit compliance work, and taking phone calls and emails from clients on both general and specific tax matters. Interviewee two highlighted the need for the qualified accountant in practice to be able to be efficient in areas such as, the supervision of junior staff and managing client assignments. Other basic duties involve designating work to other accountants in their department, reviewing jobs and dealing with client queries on a daily basis. Interviewee three stated that a typical day for an accountant would include reviewing work and personal accounts, meeting clients to discuss appropriate financial advice and correctly billing clients to ensure income stream to the firm.

Just over 81% (48) of questionnaire respondents answered this question. A number of common themes emerged from the analysis of these responses. The main daily tasks were identified as 1. Client meetings and managing client expectations. 2. Accounts preparation, audit work and accounts review work. 3. Liaison with the revenue commissioners. 4. Meeting with colleagues. 5. Supervision of staff. The following statements provide evidence of these themes.

Respondent no 001 “Dealing with new queries, corresponding with clients, assisting others in tasks, reading new tax/accounting information bulletins”. “Meet with colleagues to review/update ongoing queries, prepare computations and audit files”.

Respondent no 019 “A typical day would include meeting with clients to discuss accounts and tax dealing queries over the phone. Managing an office and dealing with

staff queries. Reviewing files: planning audit programmes and reviewing progress: attending meetings and attending Continuing Development Courses (CPD).

Respondent no 039 “For me, dealing with phone, email and postal correspondence from clients. Preparation of accounts and tax returns. Supervision of trainees, liase with partners in relation to client affairs and job progress. Constant communication with the revenue commissioners.

These results show that the typical day for an accountant in either a small medium or large firm is surprisingly similar and consists of audit and accounts work, meeting with clients and co workers and liasing with the revenue commissioners.

4.5 Requisite skills for the accountant in practice

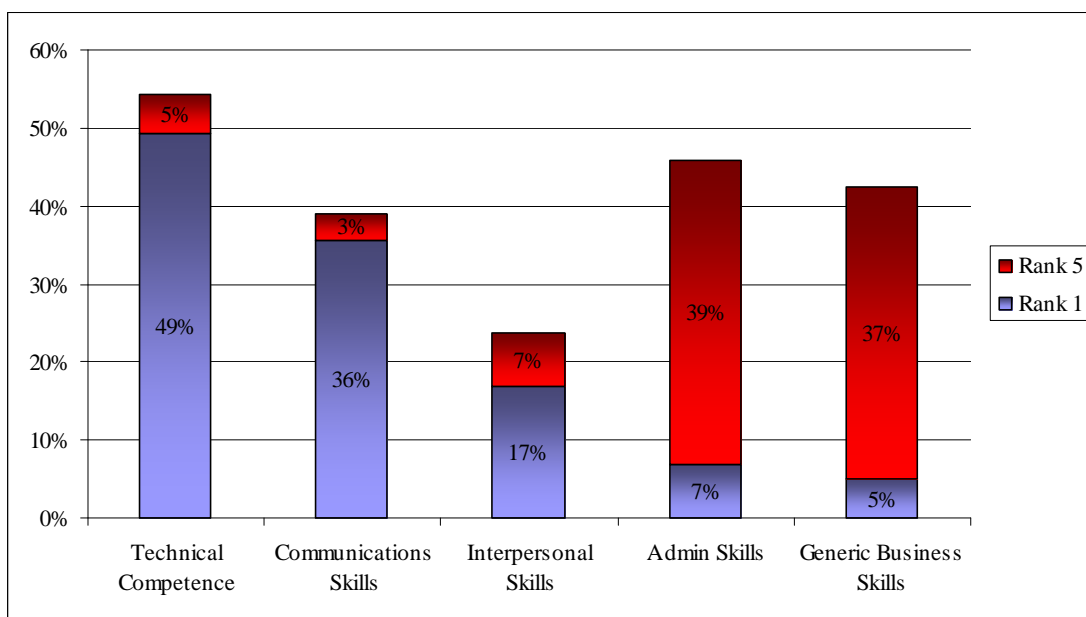
Having reviewed the daily tasks the accountant performs, the skills needed to perform these effectively was examined. Interviewee one stated that the most important skill was patience and the ability to always think “10 steps ahead”. She ranked basic skills such as communication and interpersonal skills as equally important and concluded by commenting that the management of client expectations was also important, “for example tax might be due in on Monday and you have received nothing from your client. It’s important to let your client know the process and information needed in order to successfully comply with revenue”. Interviewee two stated that there are three key skills;

1. Having the basic technical ability to be able to carry out the tasks,
2. Good management skills in order to be able to delegate work and manage staff,
3. Good interpersonal skills are key as you sometimes have to deal with awkward clients and under performing staff.

Interviewee three took a different approach in which he commented, “Well I think you will develop the skills you need through the training and experience you receive. He did not identify any one skill as being more important than another, but argued that in his situation the ability to deal with the general public and being able to explain to them the state of their business can only be learned from experience in the work place.

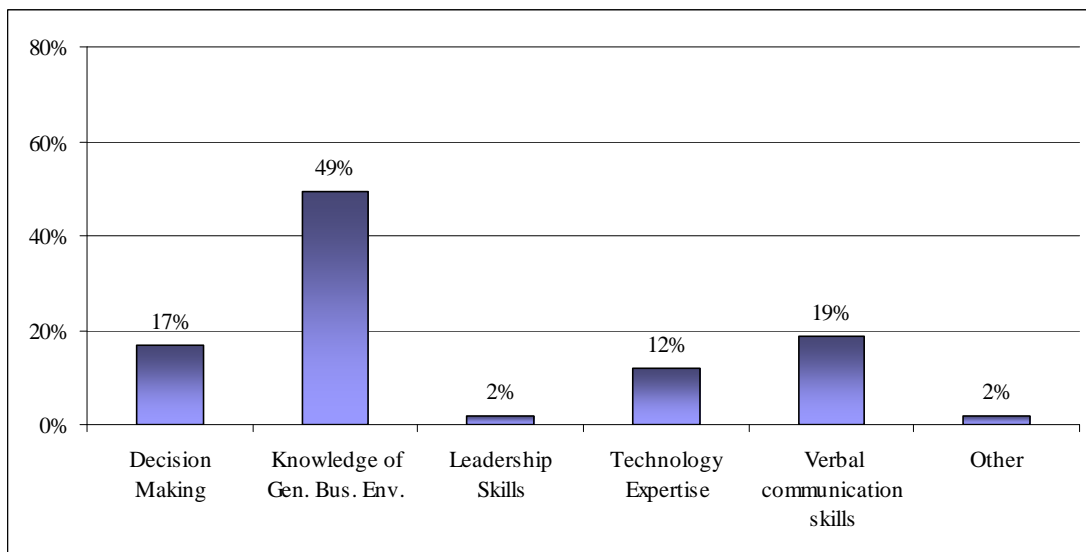
All three interviewees identified basic technical competence, excellent communication skills and the ability to deal with the general public as key to perform their tasks. The analyses of the questionnaires support these findings. 49% (29) of respondents ranked technical competence first, with 36% (21) ranking communication skills most important (figure 3). In contrast only 7% (4) ranked admin skills while 5 % (3) thought generic business skills were important.

Figure 3: Important skills for the accountant in practice



Knowledge of the general business environment was the most important competencies with 49.2% (29) stating it was most important (figure 4). Again the importance of communication is evident with 19% (11) of the respondents believing that verbal communications to be the most important competency to perform well and fulfil client expectations.

Figure 4: Most important competencies



These findings demonstrate that the accountant in practice needs a basic interest in their work, the technical ability to perform the job and knowledge of the general business environment so as to advise clients on the state of their business. Equally important skills include effective communication skills and interpersonal skills in order to interact with clients and co workers effectively.

4.6 Requisite skills for the trainee accountant

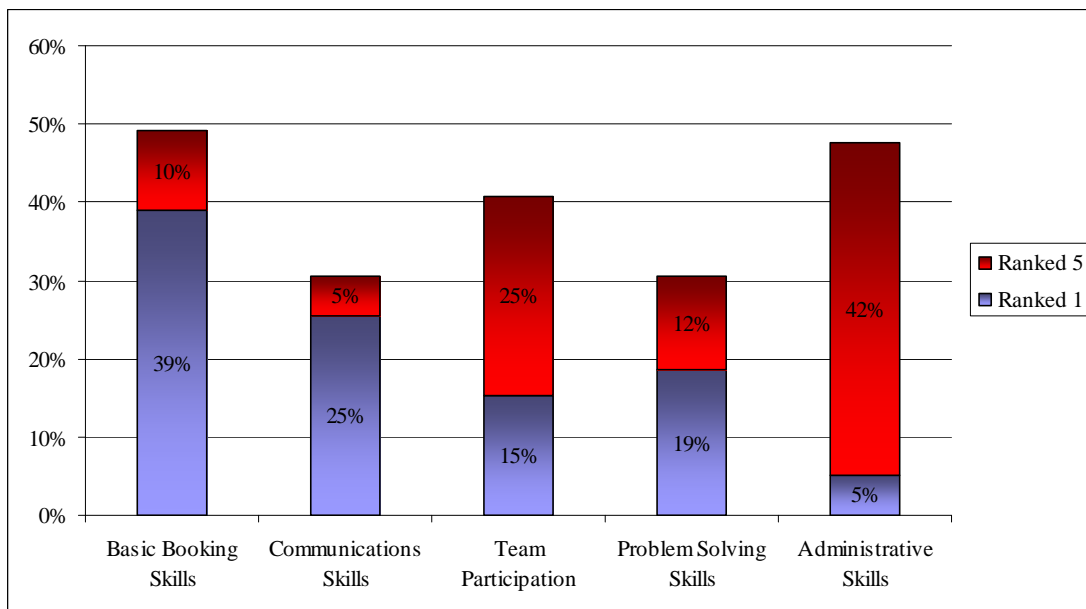
At present the Institute of Chartered Accountants in Ireland are undergoing a strategic review on all areas of the institute and the service they provide to its members. One area that is being reviewed is that of student training and practical experience. With this in mind it was decided to include a question on what the trainee accountant lacked when they started training with accounting firms.

The shortcomings of the trainee accountant were illustrated clearly by interviewee one, “flashy courses’ i.e. degree and masters often leave out basic bookkeeping skills and they include elements that are ‘way too advanced’”. She concluded “hands on experience in this area are essential and that you soon learn from your mistakes”. More evidence of the lack of basic bookkeeping skills was provided by interviewees two and three respectively “quite often basic technical skills are lacking, “Students don’t do debit and credit bookkeeping at college”. Interviewee two also argues that males take

longer to mature professionally when they start out in training. The findings from all three interviews suggest that the need for basic bookkeeping skills is paramount for the trainee accountant.

The questionnaire analysis reinforces the findings in the interviews. Figure 5 shows that basic bookkeeping and communication skills are ranked as most important requisite skills for the trainee accountant. In contrast administration skills were ranked as least important.

Figure 5: Most important skills for the trainee



The questionnaire respondents were further asked to comment on the skills the trainee accountant lacked. 50% (25) identified the lack of basic bookkeeping skills, however some respondents felt that most trainees can learn the basics quickly. The lack basic bookkeeping skills is effectively illustrated by respondent 015 “Realism, can talk at length about FRS s or latest regulatory standard but unable to reconcile a bank account or prepare control accounts, i.e. wanting to sprint but unable to crawl”. Other skills lacked by the trainee accountant include time keeping, the ability to problem solve and general ‘cop-on’.

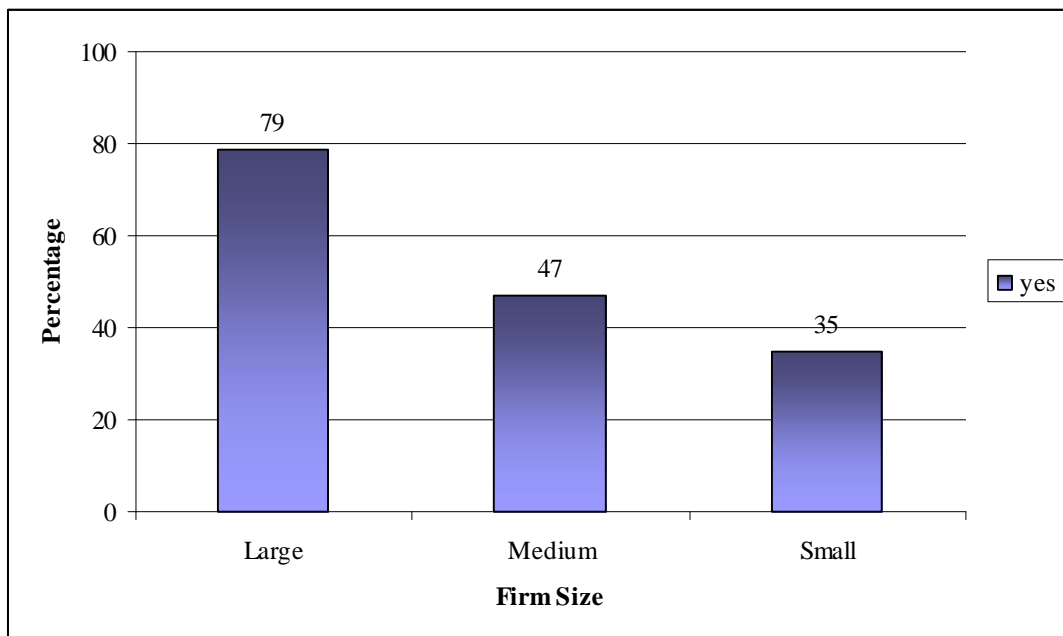
In summary the analysis emphasises the importance of basic bookkeeping skills for the trainee accountant, some respondents argue that the accounting graduate is not trained

in the basic bookkeeping skills at college leaving them in a weak position when they start out in training. Similarly with the qualified accountant, good communication skills are also important for the trainee accountant.

4.7 Key services for the accountant in practice

Gilchrist (2004) have stated that accounts preparation and the audit has a suspect future, with this in mind question nine was developed to see if the accountant felt that the audit will still be a core service now and in the next 10 years. The analysis of question 9 highlights a strong division in those who responded with 49.2% (29) stating it is not a core service now or expected to be in the next ten years, while 47.5% (28) stating it is and will be a core service in the future. When this information is broken down into the size of firm (figure 6), the opinions gathered during the interviews were supported. 78.6% of respondents from large firms see the audit as a core service now and in the future while in contrast only 35% of small firms see the audit as a core service.

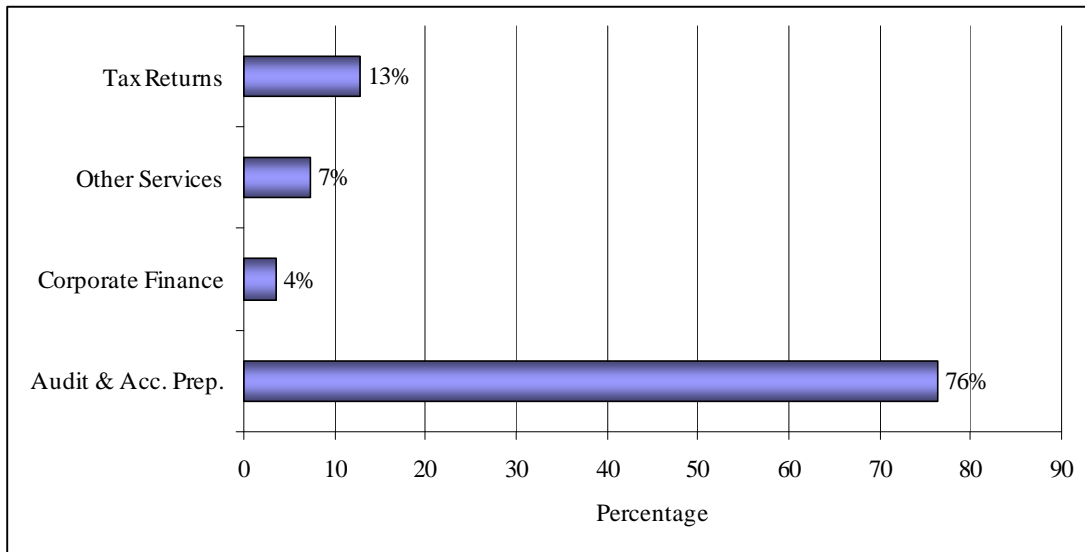
Figure 6: Audit as the main core service in the future?



While the audit may be of less importance to the small practice in years to come the analysis of question sixteen however illustrates (figure 7) that the audit and accounts

preparation is still a key source of revenue with 71.2% (42) of all firms stating that it is the most important source of revenue to their firm. Some respondents highlighted other areas which provide most revenue to their firm; these include business consultancy and advice, interim management and financial control development.

Figure 7: Most important revenue source



4.7.1 The need to diversify services

With reference to diversifying the services they now offer 74.6% (44) of respondents feel that it is important or very important to diversify services. A total of 67.8% (40) of respondents are already taking steps to diversify the range of services they offer. Respondent no 002 stated “yes at present I act as a consultant/financial controller and provide banking and financial services advice to clients”. Other areas where respondents identified that they were diversifying into include tax planning, business process outsourcing advice and financial services.

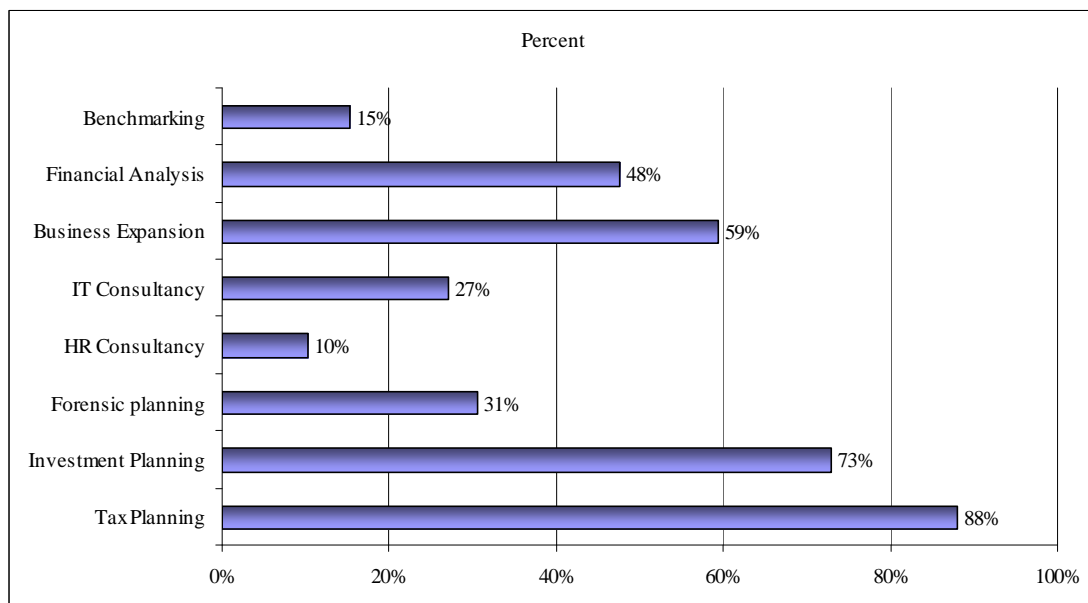
In summary the findings here show that the key services for the accounting firms are still audit work and accounts preparation. It is evident that the majority of accounting firms are concerned with the potential of the audit to generate revenue in the future and

are therefore diversifying the range of services they offer in order to attract more clients and improve their revenue sources.

4.8 Emerging areas of work

Emerging areas of work for the accountant in practice was another key research objective. Interviewee 1, from the large accountant firm stated that they were trying to diversify into two key areas these were the property market and aircraft leasing. With regard to the property market, this will involve advising clients on how to invest in property in a tax efficient manner. This accounting firm were able to use the contacts they have in foreign countries to find out the ‘cleanest way of doing things’ and get ‘the best answers’ from the right companies abroad. The interviewee from the medium sized firm stated “At the moment we are redefining our product range to focus more on the non audit services”. “In the future I can see a specialist audit group emerge among accounting firms, wealth management, investment and tax planning will also be key areas of growth in the coming years”. Interviewee three stated “the fact that there is more money around, more people are seeking advice on inheritance planning and passing on wealth to their family members”. Analysis from the questionnaires (figure 8) highlights that tax planning, investment planning and business expansion will be the key areas of work for the accountant in practice in the coming years.

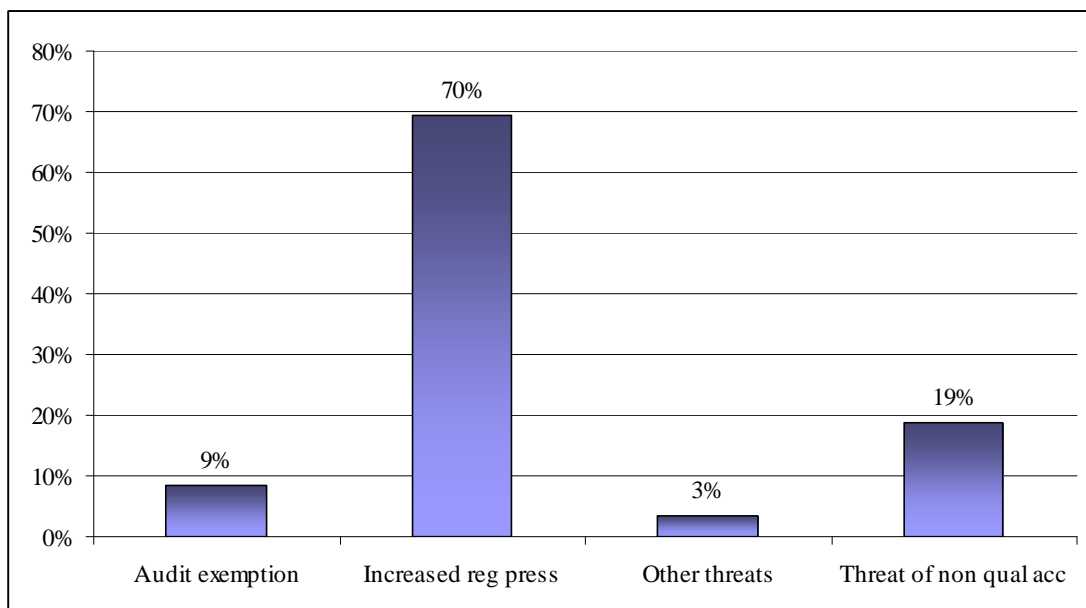
Figure 8 Emerging areas of work.



4.9 Threats to the profession

When asked about perceived threats to the accounting profession, no real concerns were identified by the interviewees. Interviewee one highlighted that they compared their business and economy to Luxembourg and the Netherlands and that if they kept ahead of them then they are “doing ok”. Interviewee two (from a medium sized firm) stated that he had “no real worries” but perhaps if interest rates rise, this could bring on a downturn to the economy. Interviewee three was of the same opinion he saw no threats to the profession but did say that the increased regulation costs were a “burden but by no means a threat to the profession”. In contrast 69.5% (41) questionnaire respondents replied that the influence of increased regulatory pressures will be the greatest threat to the profession in the next 10 years. Over 19% of respondents felt that the non qualified accountant was a significant threat to the profession “Non-qualified accountants half perform work bringing the whole accounting profession into disrepute as a result”.

Figure 9: Greatest threat to the future of the accounting profession in Ireland



4.9.1 Audit exemption issue

Another threat to the accounting profession identified from literature was the issue of the audit exemption increase for accounting firms. Marriott & Marriott (2000) stated that it would reduce the accountant to an office bureau and form filler. For the large

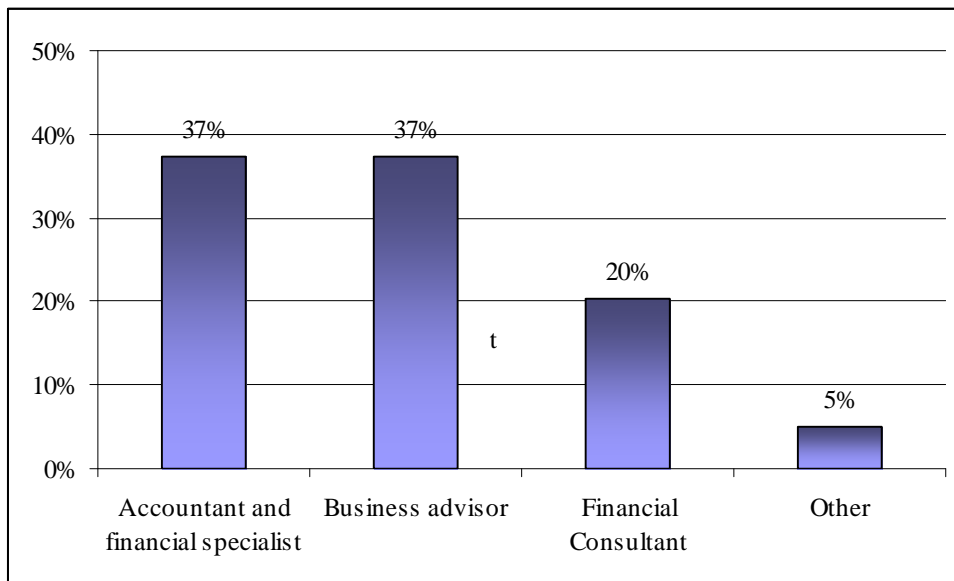
accounting firms the audit exemption issue was not a factor as all of its clients were large corporations whose turnover exceeds the audit exemption threshold. With regard to the small and medium sized firms both of the interviewees would welcome the increase to €7.5 million for various reasons. Interviewee two states the audit exemption will be a good thing as so much regulation does not benefit the small firm, “while we might lose potential audit work we will make up for it through other services” This was re-iterated by interviewee three he stated “It will be a good thing for us as we will charge for accounts preparation and if an audit is needed there may then be an extra charge to clients, some have argued that our fees will drop when the exemption limits are increased, but I think they won’t”.

The findings here show that the main threat to the profession is the increased regulatory pressures the accounting practice must deal with. The increases in the audit exemption does not affect the large practice and it is seen as a good idea for the small practice as it reduces some of the regulation it has to deal with.

4.10 The accountant designation debate

One of the final research objectives of this dissertation was to try to discover a title for the accountant in practice which helps best describe the services they offer and the work they do. With reference to the interviews with the small and medium sized firm both agreed that a change in the title accountant might be appropriate for the exact same reason. Interviewee two stated that “it needs to be defined in law to eradicate the threat of non-qualified accountants performing accountants work”, whereas interviewee three felt that “anybody can still call themselves an accountant which is a joke, you don’t see people out there calling themselves solicitors or barristers unless they have qualifications and it should be the same for the accountant”. While now of the interviewees could think of a suitable title for the accountant, the analysis of the questionnaires highlight a division between two particular titles (figure ten).

Figure 10 Another title for the term accountant



The findings show that the title accountant needs to be defined in law, and that the title of either business advisor or accountant and financial specialist would best describe the services the accountant now provides in 2006.

4.11 Outsourcing of services

All three interviewees claimed that they did not outsource any work to other accounting firms. The findings of the questionnaire show that 80.5% of respondents agree with the interviewees in that they do not outsource any services. However the remaining 19.5% respondents outsourced services such as secretarial work, training and IT systems implementation.

4.12 Contract work and work life balance

The three interviewees stated that they could not see contract work entering the profession. The questionnaire findings on the issue show that 61% of respondents agreed. One of these respondents gave reasons for their answers which include, “No I can’t see that working in the accountancy sector. Secretaries and bookkeepers may be able to avail of this but I can’t see it being available to audit staff”.

4.13 The accountant stereotype

The final topic covered was the matter of the accountant stereotype and image portrayed of the accountant in the 21st century. Accountants have been notoriously linked to a bean counter or number cruncher image in the past. The questionnaire analysis shows that almost 60% (35) of the respondents still think that they are stereotyped as being a number cruncher or bean counter in 2006. However 40% (24) reassuringly feel that the bean counter has been eradicated.

Chapter 5

CONCLUSIONS AND RECOMMENDATIONS

5.0 Conclusions

This research was exploratory in nature and was undertaken to identify the changing nature of the accountants work in 2006 and explore areas such as emerging areas of work, skills needed to be a successful accountant, the use of information technology, typical daily tasks, and finally if the title 'Accountant' is appropriate for accountants in 2006. The research process employed two commonly used research methods, semi structured interviews and questionnaires.

This research demonstrates for the accountant in 2006 that although the traditional compliance work is a key revenue source there is a shift towards non traditional areas such as tax planning, investment planning, business expansion and financial analysis as emerging areas of work. These findings are supported by a number of studies in literature such as RHI (2001) who commented that although accounting work will become more complex there will always be a need for traditional auditing work. However one of the main reasons for diversifying the range of services offered was the concern with the potential of the audit to generate revenue in the future. One surprising finding from this study, and probably a reflection of the celtic tiger economy in Ireland was the demand on the accountants surveyed to advice on inheritance planning and wealth management.

This study also shows that the skills required by the accountant in practice in Ireland are in agreement with similar studies carried out in the United States, Palmer (2004) and the United Kingdom, Cooper (2002). This study identified key skills such as technical competence, knowledge of the general business environment and the ability to advise clients on their business. Equally important skills included effective communication skills and interpersonal skills. This study further showed the essential requirement of basic technical skills for the trainee accountant in fact some respondents argue that the accounting graduate is not trained in the basic bookkeeping skills at college leaving them in a weak position when they start out in training.

It was obvious from these findings of this study that information technology is wide spread in the majority of accounting firms. Gone are the days of the accountant performing notorious mundane manual number crunching tasks, superseded by software packages tailored for the accountant. This has led to an increase in the pace at which the accountant can operate and therefore reduce his workload. In contrast to the findings of the ICAEW (1997) who stated that the capabilities of the next generation software for small business will rule out the need for an accountant for small business owners, this study showed that respondents believed that improvements in IT have no significant impact on the revenue they receive from small business.

On analysis of a typical day for an accountant it became clear that whether the accountant was employed by a small, medium or large firm his daily duties consisted of audit and accounts work, meeting with clients and co workers and liaising with the revenue commissioners. Similarly, regardless of firm size, all accountants agreed that the biggest threat to their profession was the increased regulatory pressures that the practice must deal with. However not surprisingly the increases in the audit exemption does not affect the large practice as all their clients are above the threshold limits. On the other hand audit exemption is seen as a good initiative for the small practice as it reduces some of the regulation it has to deal with. These findings conflict with literature, as seen in Marriott & Marriott (2000) who stated that the audit exemption increase would reduce the accountant to an office bureau and form filler.

The profile of the accountant as number cruncher is gradually becoming more detached from the emerging areas of work that the accountant now performs. In this study 40% of respondents felt that the stereotype of number cruncher had disappeared. However with 60% of accountants perceiving that this stereotype still exists, it will take a considerable length of time before this image is eradicated. In order to facilitate the move away from the bean counter image this study suggested that the title of accountant is replaced by either business advisor or accountant and financial specialist.

5.1 Recommendations

- This research highlights that in Ireland there are an increasing amount of opportunities for the accountant in practice to diversify their services and therefore increase their client base and revenue.
- A key recommendation from this study is to ensure that when the trainee accountant has completed his third level education that he is proficient in basic book-keeping skills. Some respondents stated that more practical training is needed with college programmes
- The term accountant no longer accurately describes the extent of work performed by an accountant. This study has suggested that either business advisor or accountant and financial specialist may be suitable replacements.
- Although the response rate from the questionnaires was 42% and is similar to other studies in the area (Doran 2005) a larger sample would provide more validity to the study.

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Appendix 1: Questionnaire

Changing Nature of Accounting Practitioners Work

Confidentiality: Please note that all information collected in this questionnaire will be used for the purpose of my dissertation only and none of this information will be available to third parties. My final results will not reveal the identity of any individual responses.

Section A

Name of firm: _____ Location: _____

Number of Partners: Your Position: _____

Your Gender: Male Female

Your Age Group: 25-35 36-45 45+

Section B

1. Please rank the following factors in order of importance 1-7 {1 being most important} on how you think they have impacted on the accounting profession?

Internationalisation of Business	<input type="checkbox"/>
New Sources of Competition	<input type="checkbox"/>
Increased consumer demands	<input type="checkbox"/>
Importance of small business	<input type="checkbox"/>
Use of information Technology	<input type="checkbox"/>
Greater accountability pressures {e.g. Regulatory}	<input type="checkbox"/>
New work Patterns and Attitudes	<input type="checkbox"/>

2. Information Technology has been identified as a driving force in changing aspects of accountants work, to what degree does your practice embrace Information Technology?

Heavily computerized and use of it packages in all areas of work	<input type="checkbox"/>
All staff use computers and stand alone accounting software packages	<input type="checkbox"/>
Some staff use computers and spreadsheets in place of software packages	<input type="checkbox"/>
Practice is not computerized	<input type="checkbox"/>

3. How important is the use of IT in the daily work of the accountant?

Irrelevant	Unimportant	Neutral	Important	Very Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. In what area of the accountants work is IT software most useful?

{Tick all that apply}

- | | | | |
|---------------------|--------------------------|------------------------|--------------------------|
| Audit Preparation | <input type="checkbox"/> | Tax return Preparation | <input type="checkbox"/> |
| Financial Reporting | <input type="checkbox"/> | Bookkeeping Payroll | <input type="checkbox"/> |
| Consultancy | <input type="checkbox"/> | All Areas | <input type="checkbox"/> |

5. Do you agree that continuing improvements in IT software packages will reduce the basic work accountants perform for their clients?

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

6. Do you see these improvements in information technology as a threat to part of the income of any of the services you offer?

- Yes No

7. If you answered yes to the above question please specify which service you currently offer to clients that will be replaced by information technology software packages.

8. What do you believe to be the greatest threat to the future of the accounting profession in Ireland in the next 10 years?

- | | |
|--|--------------------------|
| Increased Regulatory Pressures {Associated costs} | <input type="checkbox"/> |
| Future increases in the audit exemption to EU levels | <input type="checkbox"/> |
| The threat of non-qualified accountants performing accounting services | <input type="checkbox"/> |
| Other Threats {please specify} | |

9. Now that the audit exemption has been increased to over €1.5million do you still see the audit as one of your primary services now and in the next 10 years?

- Yes No

10. What would be the average hours worked per senior partner per week?

- 35-40 40-50 50-60 60+

11. Do you believe that contract work will replace full time positions in the future for those seeking work/life balance?

12. Please rate the importance of the following skills in performing your daily tasks.

- Communication Skills
 - Interpersonal Skills
 - Administrative Skills
 - Technical Competence
 - Generic Business Skills
 - Other Skills {Please specify}
-

13. Other than financial expertise, which one of the following competencies do you think is most important in order to perform well in the accounting practice environment and fulfil client expectations?

- Technology Expertise
 - Leadership skills
 - Knowledge of the general business environment
 - Verbal communication Skills
 - Decision Making
 - Other {Please specify}
-
-

14a. With regard to accounting graduates entering the profession please rank the importance of the following skills when they start training with your firm.

- | | | | |
|--------------------------|--------------------------|------------------------|--------------------------|
| Basic bookkeeping skills | <input type="checkbox"/> | Problem Solving Skills | <input type="checkbox"/> |
| Communication Skills | <input type="checkbox"/> | Administrative Skills | <input type="checkbox"/> |
| Team Participation | <input type="checkbox"/> | | |

14b. Could you outline some of the skills trainee accountants lack when they start training with your firm?

15. Could you outline some of the routine daily tasks of an accountant in practice?

16. Which of the following services is the most important revenue source to your firm?

- Audit and accounts preparation
- Tax return preparation
- IT advice/training/installation
- Bookkeeping/payroll
- Corporate Finance
- Other Services {Please Specify}

17. Do you outsource any of the above services rather than process in house?

18. How important do you feel it is to diversify the range of services offered to clients and in so diversifying fee income? {Rely on compliance work only}

- Very unimportant Unimportant Neutral Important Very Important

19. If you believe this is important are you taking steps to diversify into other areas of accounting or consultancy work?

20. What do you think are the emerging areas of work for the accountant in practice over the next 10 years. (please tick all that apply)

- | | | | |
|---------------------|--------------------------|--------------------|--------------------------|
| Tax Planning | <input type="checkbox"/> | IT Consultancy | <input type="checkbox"/> |
| Investment Planning | <input type="checkbox"/> | Business Expansion | <input type="checkbox"/> |
| Forensic Accounting | <input type="checkbox"/> | Financial Analysis | <input type="checkbox"/> |
| HR Consultancy | <input type="checkbox"/> | Benchmarking | <input type="checkbox"/> |

Other Areas {please specify}

21. Do you see in the coming years accounting practitioners joining forces with solicitors and financial services sector to operate together as multi-disciplinary firms?

- Yes No

22. At present IAASA have undertaken a role to define the term Accountant. Other than accountant which of the following titles might best describe your position and services you offer?

Business Advisor	<input type="checkbox"/>	Financial Consultant	<input type="checkbox"/>
Financial Analyst	<input type="checkbox"/>	Accountant and financial specialist	<input type="checkbox"/>
Other {Please Specify}			

23. Do you feel that accountants are still being stereotyped under the image of number cruncher or bean counter in the 21st Century ?

Please feel free to add any additional comments

Thank you for taking the time to complete the questionnaire

Appendix 2: Letter to ICAI

14th February 2006

XXXXX
XXXXX
XXXXX

Dear XXXXX

As part completion of my **Master of Accounting Degree** at the Letterkenny Institute of Technology I am currently undertaking a dissertation entitled “**Accounting practice in the new millennium**”; **A practitioners view** . In order to complete this I need your help by participating in my research.

The primary purpose of my study is to determine if the nature of accountants work in practice has changed in Ireland. This will involve interviewing accounting Practitioners in Ireland.

I would be grateful if you could forward a list of your registered accounting practices in the Republic of Ireland as I will need this in order to draw a sample of practices to be selected for interview purposes.

I would also appreciate access to any literature such as surveys, reports or articles that may assist in carrying out my research.

I can assure you that any information obtained will be treated as strictly confidential

Would it be possible to obtain the list of practices in electronic format?

I have also included contact details of my supervisor Mr Paul McDevitt if you wish to contact him concerning the matter.

Please send any information to the following contact address

John Gorman,
Drumnahe,
Letterkenny,
Co Donegal.

I would like to take this opportunity to **thank you** for your time and co-operation and I look forward to hearing from you soon.

Yours sincerely

John Gorman
johnpaulgorman@yahoo.ie

Mr Paul Mc Devitt. FCCA Course Director.
Contact no 0035374 91 86238 Email Paul.mcdevitt@lyit.ie

Appendix 3: Interview guide

Changing Nature of Accounting Practitioners Work
Topic Guide for Interview

1a. Avg Hours per week _____
Overtime _____
Busy Season _____

1b. Could you outline a typical day working in your firm/department?

2. Could you identify the skills you feel are most important to carry out these tasks?

3. Having gone through the training process and qualified as an accountant what do you think are the skills that trainee accountants lack when they start out in a training contract?

4. What do you perceive to have been the most significant impact on the accounting profession and the accountants work in Ireland in the last 10 years?

5. How do you believe the significant improvements in Information Technology have impacted on the routine daily tasks the accountant performs?

5.b. In what area of accounting is IT most beneficial?

6. Do you think these improvements have reduced part of your workload and in what areas do you believe IT is most important?

7. What would be the most important type of clients to your firm, e.g. revenue source from small medium or larger corporations?

8. What service provides the most revenue to your firm?

9. Do you think that IT software has reduced or will reduce the work accounting firms receive from small firms?

10. How do you feel the audit exemption issue has affected accounting firms development plans for the future, Do you believe your firm has a strategy in place to cope with continual rises in the audit exemption to EU levels?

10b. With increased regulatory pressures now on accounting firms, have your firm implemented any programmes or steps to improve the overall governance with accounting regulations in your firm?

11. What do you see to be the greatest threat to the accounting profession in Ireland and accounting firms in the next 10 years?

12. Could you outline new or emerging areas of work in which your firm are trying to break into over the next 10 years?

13. Are you aware of any services that your firm outsource to smaller firms in Ireland or other EU countries?

14. Have you perceived a shift in the accounting environment from traditional accounting services (the audit) to non traditional accounting services such as consulting, strategy building and business expansion?

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