Public Accounting [adapted from Hoggett, Edwards & Medlin, 2003]

Public accountants practise in businesses that offer their professional services to the public. These vary from small, single-office businesses to very large international organisations with several thousand employees. Because of the complexity of today’s business structure and increasing regulations by government, members of public accounting businesses tend to specialise in one of four general services: auditing and assurance services, taxation services, advisory services, and insolvency and administration.

Auditing

Auditing has traditionally been the primary service offered by most public accounting businesses. An audit is an independent examination of a business entity’s financial reports, supporting documents and records in order to form an opinion as to whether the financial reports comply with accounting standards and present a true and fair view of the entity’s operating results and state of affairs. Banks and other lending institutions frequently require an audit by an independent accountant before making a loan to a business. Companies that offer their shares for sale normally prepare a report that includes a set of audited financial reports, and annual audited reports must be presented thereafter if the shares are traded through the Australian Stock Exchange. Creditors and investors who use financial reports in decision-making place considerable reliance on the audit report.

Taxation Services

Another service offered by accountants is advice concerning the tax consequences of business decisions. Individuals and business entities have to collect or pay various forms of taxes including income tax, capital gains tax, sales tax, payroll tax, fringe benefits tax, local government rates, and customs and excise duties. Accountants are often engaged to aid in tax planning to minimise the tax liability of the business, consistent with the rules and regulations established by taxing agencies. Few business decisions are made without considering the tax consequences. Accountants also are often called upon to prepare the state and federal tax returns required by law. To offer such services, accountants must be thoroughly familiar with federal and state tax laws and regulations. They must also keep up to date with changes in taxation law and court cases concerned with interpreting taxation law, which occur frequently.

Management advisory services

Although audit and tax services have traditionally been the mainstay of public accountants, management advisory services have become increasingly important in recent years. While performing an audit, accountants often discover defects or problems in the client’s accounting system. It is natural for the accountant to advise the client on means of correcting defects and improving procedures for the purpose of producing more efficient operations and related cost savings. Clients expect these recommendations and often engage the accountants to undertake additional investigations to improve operations. Public accountants offer a wide range of advisory services, some with little relationship to accounting. Services provided include advice on such events as: installation of computer systems, production systems and quality control.