



Accountancy

by Philip Colquhoun

The accounting profession got off to a slow start in New Zealand. But in 2008 the New Zealand Institute of Chartered Accountants had around 30,000 members. Big international firms have a strong local presence. The global trend of recording social and environmental costs on the books has also taken root.

Accounting and accountants' organisations

Accounting has been defined as recording, measuring and reporting the financial aspects of an organisation's activities. Rules on how to do this are determined by the accounting profession. They have changed over time. The modern accounting profession first arose in 19th-century Britain, mainly to deal with cases of bankruptcy and insolvency, when people or companies were unable to pay their debts.

More recently accountants have focused more on auditing, preparing financial statements and taxation, as well as providing general business advice. Auditing does not involve checking every transaction, but rather looking for misstatements. Accountants working in taxation services help their clients prepare returns to make sure they pay the right amount of tax to the government. They also advise their clients on how to legally pay a minimal amount of tax. Technological advances such as calculators, computers and specialised software mean much accounting work takes much less time and effort than in the past.

New Zealand's first accountants

For most of the 19th century there was little demand for professional accountancy services in New Zealand. Only a few people could earn a living entirely from accountancy, mostly working for large institutions such as banks. Others combined accountancy work with work in related fields, such as clerical work, law or real estate.

The first New Zealand accounting firms were small private practices with up to three partners serving a single city or town. One of these, Dunedin's Thompson, Lang and Associates, was established in 1900 by T. H. Thompson, whose grandson Kevin Thompson was one of the partners in 2008. It claimed to be the oldest accounting practice in the world with the founding family still involved.

By the end of the 19th century many New Zealand businesses and industries needed full-time professionals to manage their finances. In 1901 the government required all private companies to be independently audited, and this caused the accountancy profession to develop rapidly.

Professional accountants' organisations

The first professional accounting body in New Zealand, the Incorporated Institute of Accountants (IIA), was formed in 1894 with the aim of raising the standard and profile of the profession. Within two months it had over 100 members and the auditor general, J. E. FitzGerald, was elected president. The IIA admitted as members only accountants who had passed an entrance examination similar to that used in Australia, partly to enable its members to work in either country. Until the First World War no women were allowed to join the IIA.

Some experienced but unqualified accountants disagreed with the IIA's admission policy, and in 1898 they set up the rival Accountants' and Auditors' Association (AAA). In 1902 this became the first accounting body in the British Empire to admit women as members, when Eveline Pickles of Christchurch and Winifred Hill of Nelson were admitted. Within a few years the AAA also required prospective members to pass an entrance exam.

New Zealand Society of Accountants

The number of trainee accountants passing the qualifying exams was so low that an alternative qualifying process was looked for. In 1908 the New Zealand Society of Accountants Act was passed, resulting in the legal recognition of qualified accountants. The New Zealand Society of Accountants (NZSA) was set up, admitting members who belonged to either of the two earlier organisations, or to any other recognised British accountancy organisation, and admitting any accountant with three years' professional experience. From its formation the NZSA accepted women as members. Of its founding membership of more than 2,000, 19 were women.

The AAA wound up in 1950 and the IIA in 1972, leaving the NZSA as the only New Zealand-based professional accounting body. In 1996 it changed its name to the Institute of Chartered Accounting of New Zealand, and 10 years later to the New Zealand Institute of Chartered Accountants (NZICA). In 2008 the NZICA celebrated its centenary. It had 30,000 members, with a total of more than 46,000 members over its first 100 years.

In the early 2000s qualifying as a chartered accountant required four years of university-level study, including specified accounting and business courses, at an institution recognised by the NZICA. The successful graduate was then entitled to a

Early accountant

The profession of accountant was well known in early colonial New Zealand, and in 1851 Auckland listed one accountant among its professionals and tradespeople. In 1852 the Hokianga chief Āperahama Taonui was teaching the young boys in his village to read, write, use figures and speak English. A Pākehā settler described him as 'a good accountant' who wished to 'devote his time to the benefit of the rising generation and at the same time gain an honest subsistence for his family'.¹

period of provisional NZICA membership, including three years' supervised practical experience and professional exams, followed by full membership.

Footnotes

- New Zealander 8, no. 674 (29 September 1852), p. 3. Back

Modern accountancy

By the 1960s a number of large New Zealand accounting firms with strong connections to major international companies had emerged. By the 1980s the eight largest international accounting firms were also the main players in New Zealand accounting. Subsequent mergers and business collapses reduced this number to four large international firms, Ernst and Young, KPMG, PriceWaterhouseCoopers and Deloitte. Known as the 'Big Four', they were all operating in New Zealand in 2009. There were also a number of nationwide New Zealand accounting firms with links to smaller (but still very large) international firms.

There are smaller accounting firms around the country offering either highly specialised services, or general accounting services to small and medium-sized businesses.

Accountancy and professional services

In the early 2000s the role of accountants continued to change as businesses changed. Many firms described themselves as professional services rather than accountancy firms, and saw their role as providing expert advice on finance, technology and strategy, as well as auditing, accounting and taxation services. For this work an understanding of both accounting and law is needed, and often lawyers and accountants worked together. The most important areas of commercial law included company, insolvency and contract law.

Professional services firms offered their clients traditional accounting services such as financial control, reporting, business valuation, insolvency services and taxation planning and advice. They also provided financial, economic and strategic advice, and risk management assessment.

Improving financial accountability

US success

Many New Zealand accountants have chosen to work overseas, and some have risen to the highest positions in their profession. John Bethune Inglis was born in Coromandel and trained as an accountant in Wellington. He went to New York in 1925, at the age of 24, and joined the public accountancy firm of Price, Waterhouse, and Co. (later PriceWaterhouseCoopers). He became a partner of the firm in 1939 and chairman and senior partner in 1954. He also served as president of the US National Association of Accountants and was professor of business at the

In the early 2000s large multinational firms such as Enron and WorldCom suffered a series of high-profile financial collapses and failures of management. Those firms' accounting practices were thought to have contributed to their collapses and failures, and this led to a worldwide increase in accounting requirements. Increased financial reporting has also been required in the not-for-profit sector. The demand for greater transparency and accountability has seen bodies such as the New Zealand Charities Commission set up to register, monitor and advise recognised charities.

Developments in accounting

Women as accountants

For most of the 20th century the number of women members of the New Zealand Society of Accountants (NZSA) remained low. Very few educated women were in paid employment before the Second World War and there was little encouragement for them to join the accountancy profession. For most of the 1920s Auckland sisters Alice and Caroline Basten were New Zealand's only female chartered (registered as qualified) accountants.

Later in the 20th century many more women worked full time and the number of women accountants increased. Women made up less than 1% of the NZSA's membership in its first 10 years (1908–1918), 10% in 1987 and 39% in 2009. The New Zealand Institute of Chartered Accountants (NZICA) elected its first woman president, Sue Sheldon, in 1999.

Accounting Standards Review Board

In 1973 the NZSA began formalising the rules or principles used for certain transactions into accounting standards, as part of an international trend. In 1993 the Accounting Standards Review Board was established to approve and give legal authority to these standards, which applied to both the private and the public sector. In 2005 New Zealand replaced its own accounting standards with International Financial Reporting Standards, modified where necessary for use in New Zealand.

Government accounting

Reforms to the New Zealand public sector in the mid-1980s saw an increase in the role and amount of accounting used by government departments. The Public Finance Act 1989 introduced accrual (or businesslike) accounting to government entities. New Zealand became a world leader in government accounting. From 1993 government accounting was no longer controlled by Treasury officials but by the independent Accounting Standards Review Board.

Dull copy

In 1922 the Society of Accountants set up its own magazine, the Accountants' Journal. Many found it a dull read. In 1924 a Dunedin newspaper called it 'an intensely, almost depressingly, respectable paper. One imagines it taking the

Accounting for the environment

From the early 2000s there has been an increase in reporting of non-financial factors as part of businesses' accounting reports. For example triple-bottom-line reporting measures the social and environmental as well as financial aspects of a business operation.

chairs at public meetings and wearing a tall glossy silk hat on Sunday. It discusses fine points of commercial law and the deeper problems of accountancy with gravity and a certain reserve.¹

Prominent New Zealand accountants

Accounting seems to come to public attention only when a business runs into financial difficulties. As a result, few accountants ever make a name for themselves outside their own profession. The few New Zealand accountants who have gained a high public profile are generally known for other activities. Accountant Robert Muldoon was New Zealand's prime minister from 1975 to 1984. Whatarangi Winiata, inaugural president of the Māori Party, tumuaki (director) of Te Wānanga-o-Raukawa, and professor of accounting at Victoria University, also began his career as an accountant.

Footnotes

- Quoted in A. W. Graham, *The first fifty years: 1909–1959*. Wellington: New Zealand Society of Accountants, 1960, p. 50.
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External links and sources

More suggestions and sources

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