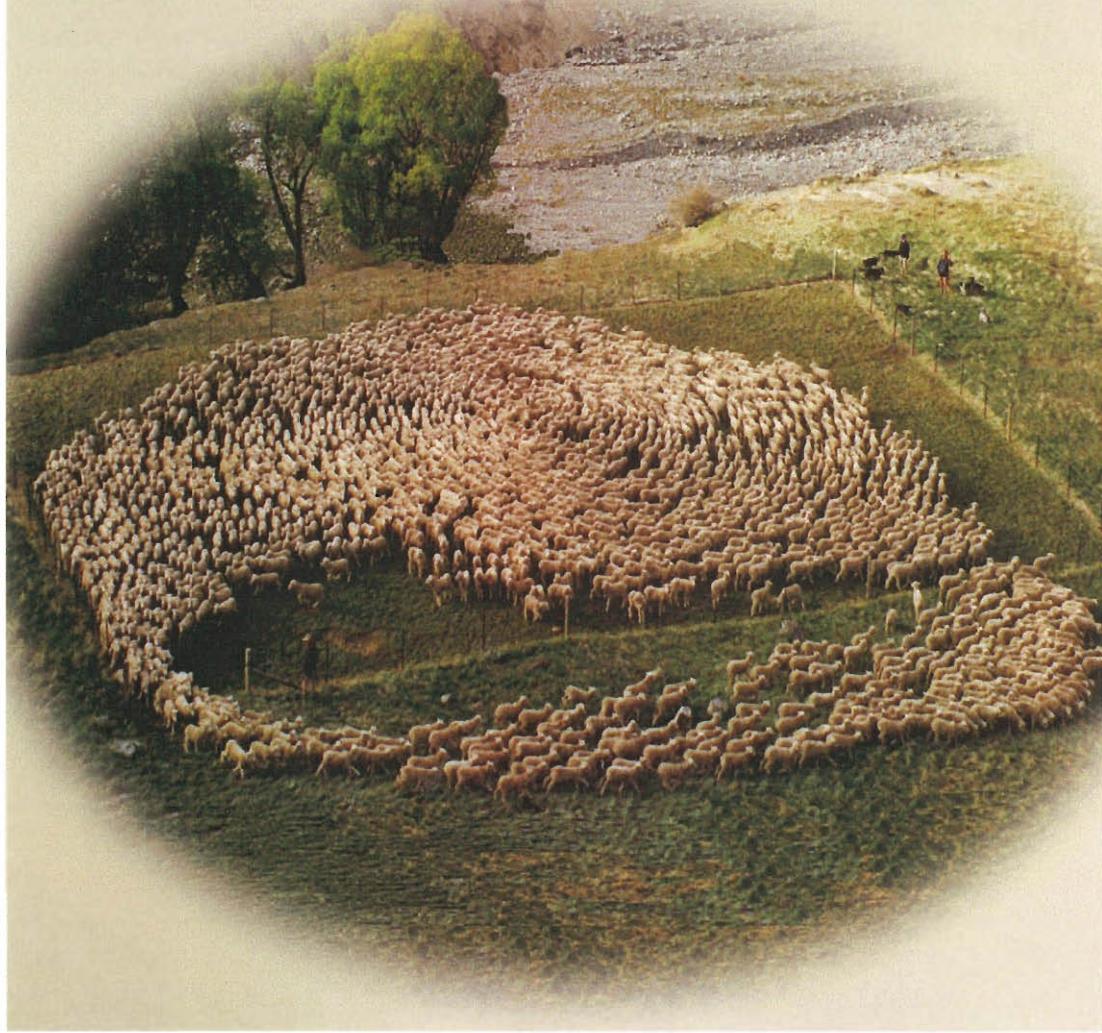


Collier, George (2002)

Accountancy requirements of the Primary Sector

Accountancy Requirements of the Primary Sector



Prepared for: "Primary Industry Council/Kelloggs Rural Leadership Programme"

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APPENDICES

- Survey of Primary Sector Customer Needs – Accountants
- Survey of Primary Sector Customer Needs – Farmers

INTRODUCTION & BACKGROUND

Developments in Primary Sector Accounting

Like any industry, the primary sector is undergoing constant change. Farming today is becoming more business focused and accountants need to adapt their services to meet their customer needs. For any business, including the service sector business of accounting to survive and prosper going forward, there is a constant need to meet the changing requirements of customers.

While it is not always possible to meet the exact requirements of all our customers, there will always be opportunities to improve the delivery of service. To do this there is a constant need to understand what the accountancy requirements of farmers are, and for accountants to position their skill base, attitude, services and business structure to meet these needs.

Often the most challenging part of meeting customer's needs is to firstly understand clearly what those customers needs are. Too often professionals servicing the primary sector incorrectly assume what customers needs are. When a profession clearly knows exactly what is expected of them they are better able to meet their customers needs and therefore continue to survive and prosper in their respective industry and business.

The Institute of Chartered Accountants of New Zealand (ICANZ), has over recent years adopted a strategy of rebranding in order to raise the perceived value of Institute members and in particular the title "Chartered Accountant".

Part of this rebranding campaign has been an emphasis with the following slogan;

Chartered Accountants

"They speak your language"

Accountants who take into account the outcomes of this project and up skill themselves accordingly, will be more able to meet the needs of their farmer clients.

Customer retention and the ability to secure new customers from the primary sector will be greatly enhanced if accountants are aware of the servicing requirements of farmers.

PROJECT OBJECTIVES

1. To quantitatively determine the needs of primary sector accounting customers (farmers).
2. To identify:
 - (i) What farmers accountancy needs are currently being met by accountants
 - (ii) What farmers accountancy needs accountants are not currently meeting?
3. To identify opportunities for professional development for primary sector accountants to bridge the gap between the actual current service being provided for farmers and services required by farmers.

Outcomes

1. Provide clear information from a survey sent out to primary sector accountants and farmers.
2. Provide an indication of extra service opportunities that would be of value to farmers, which they would be willing to pay for.
3. Provide recommendations for potential professional development courses with primary sector accountants.
4. Obtain feedback from farmers, accountants and agribusiness people on how primary sector accountants could improve their service.

Benefit to Primary Sector Accountants

1. Accountants will be clear about the servicing requirements of farmers.
2. Significant and practical opportunities identified for training courses for primary sector accountants. These opportunities will be identified as a result of feedback from farmers identifying their present needs which are currently not being met by accountants.

Benefit to Primary Sector Customers (Farmers)

1. The improved skill base of accountants will be better able to service farmers.
2. A better empathy and understanding by accountants of the accountancy requirements of farmers.
3. Better value will be obtained by farmers' investment in accounting services.

Overall Industry Benefit

Given an improved awareness by accountants of farmers accountancy requirements and an increased level of up-skilling by accountants as a result of understanding those requirements, there will be significantly better outcomes generated from farming businesses.

Other Outcomes

1. There will be an article published in the Chartered Accountants Journal of New Zealand from this research topic
2. The result of this project will be presented at the Primary Sector Accountancy Conference.

SCOPE OF THE REPORT

To objectively ascertain the accountancy requirements of the farmers, a survey was sent out to 1300 farmers (including sheep, beef, deer, dairy, pipfruit, cereal cropping farmers). A mirror survey was also sent out to 1,480 accountants asking the same questions.

In effect, a perception survey (accountants) and reality survey (farmers) has been completed for this project.

In addition, a number of agribusiness people from throughout New Zealand were contacted and asked for their input.

ACKNOWLEDGEMENTS

In developing this research report, I have been greatly aided by many individuals to whom I owe a debt of gratitude.

I gratefully acknowledge the assistance of the Delahunty Primary Industry Research Trust for the funding assistance provided.

This trust was established in 1987 as a perpetual charitable trust to provide research grants to foster primary industry accountancy research.

The focus of the research is research with a practical application.

For further details contact:

Delahunty Primary Sector Research
Primary Sector Accounting Committee
Institute of Chartered Accountants of New Zealand
P O Box 11-342
WELLINGTON

I gratefully acknowledge the time and effort put in by farmers and accountants in filling out the survey and the feedback I have received from agribusiness people throughout New Zealand.

I am also grateful for the support I have received from the Primary Sector Committee of the Institute of Chartered Accountants in providing much needed feedback for this project.

Thank you to Charlie Lamb at Lincoln University for the statistical analysis of this data.

I also wish to acknowledge and thank ICANZ, Meat New Zealand, United Wheat Growers Association, Pipfruit Growers New Zealand Incorporated, Deer Farmers Association and Fonterra, for either providing their database, or for sending out the surveys on my behalf.

MEETING THE ACCOUNTANCY NEEDS OF FARMERS

Executive Summary

This project has provided a unique insight into the accountancy needs of farmers.

Like anything in life, there will always be a wide variation of customers' requirements. The key to survival and prosperity of any business is to be able to identify future opportunity and provide the type of service or product customers are looking for.

There were 1300 farmers surveyed (245 returned surveys, 207 surveys analysed; error rate 6.25%) and 1480 accountants surveyed (350 returned surveys; 216 surveys analysed; error rate 6.16%). Overall error rate of 4.39%

The analysis only included results of farmers with a gross income in excess of \$100,000 and accountants who derived 25% or more of their fees from farmers.

The average farmer surveyed had gross income of \$270,000 and paid \$2,300 (GST exclusive) in accountancy fees.

The average farmer had been with their accountant for 13.7 years, with 64% of farmers having had the same accountant for 10 years or more. Of those farmers who changed accountant, 54% changed to a new accounting firm, while 46% changed accountants within the same firm. On average, 42% of farmers change accounting firms every 13.7 years, or 3% per year. Farmers are very loyal clients.

The most common reasons for changing accountant included retirement, death, late returns, poor communication, too expensive (but usually preceded by another reason), lack of comparative information, shifting locality, did not understand the client's business.

The primary purpose of annual accounts was for taxation purposes.

Services offered by accountants to farmers varied. Approximately 20% of farmers did not know that their accountant provided services such as: tax, estate, structural planning, family trust advice and capital expenditure advice – a marketing opportunity perhaps?

There were a number of non-compliance services, which surveyed farmers would pay for if their accountant provided them.

These included:

Area of Service	% Already Obtained by Farmers	% of farmers who would pay if provided by accountant	% of accountants offering this service
Understanding of goals and aspirations	60	81	83
Computerised accounting systems advice	43	65	87
Advice on personal investment	34	60	67
Provision of key farm business performance indicators	20	57	49
Financial trend statement over a number of years	21	53	57
Advice for preparation of farm business plan	26	50	64
Annual visit to farm	28	47	60
Graph of financial results	13	47	28
Farm survey comparison with other farmers	22	45	29

- The least understood information by farmers when reading their annual accounts are key benchmarks that drive their business performance (profitability and equity growth).
- The less understood areas of tax advice included livestock valuation, income equalisation, use of money interest, deferral of fertiliser expenditure (also the least used), company structures, and paying wages to children..

There is an opportunity for clearer explanations to be provided by accountants to their farmer clients on most areas related to tax planning and structural issues.

Suggestions from farmers and accountants to improve the layout of farm accounts included:

- Cash results, followed by non-cash adjustments.
- Sequence of annual accounts should follow income and expenses through to assets and liabilities i.e. income to wealth generation.
- Market value equity statements.
- Trend statements, which include key performance indicators and key ratios on profitability and equity accumulation.
- Reconciliation of cash to taxable income.
- Clearly identify internal associated party transactions.
- Cash-flow result showing application of cash.

Improvements suggested by farmers, accountants and agribusiness people to accountant's services included:

- More proactive tax advice.
- Improved communication – understand client's personal and business aspirations.
- Benchmarking against themselves and other farmers.
- More business planning advice.
- More structural advice related to estate planning, wealth protection, succession, tax efficiency.
- Facilitators of business growth – grow the team, take the lead.
- Communicate services provided.
- Educate clients.
- Work for the interest of clients, not the Inland Revenue Department.
- Continuing professional development.

Compulsory professional development by ICANZ members was thought to be very important. Out of the sixteen choices for CPD courses, the top seven opportunities and priorities identified for CPD courses were as follows:

- Up to date tax planning
- Appropriate structural advice
- Farm succession options
- Business planning for farmers
- Estate planning opportunities
- Selling/buying farms – taxation and structural implications
- Communication skills

Accountants received the highest rating for performance, compared to other agribusiness professionals, ahead of lawyers, veterinarians, farm consultants, bankers and rural servicing firms. This provides confidence to consider increasing the supply of non-compliance services available to farmers.

Farmers were generally very happy with their accountants, but felt that accountants needed to be more proactive in regard to tax and business planning.

Both accountants and farmers rated accountants' performance in regard to written letters after discussions with farmers, poorly.

Advice from accountants was implemented by 46% of farmers surveyed, for 75% to 99% of the time. This emphasizes the important obligation an accountant has ensuring they get their advice right.

Eighty-five percent of annual tax returns were finalised within six months of balance date, but 85% of farmers would like to have them finalised within five months of balance date.

SURVEY OUTCOMES

Like anything in life, there is always a wide variation, and this survey was no exception in the range of responses collected from both farmers and accountants.

I am sure that this was not an easy survey to complete for accountants in particular, given the wide diversity of clients that services are provided to. I know that some accountants found it difficult to apportion values to certain questions given that some of their clients would like increased levels of service, and other clients are completely satisfied with the current services provided.

This survey involved a total of:

1,300 farmers returning 245 surveys, with 207 surveys analysed Error rate 6.25%
 (The farmer responses were: 24% sheep & beef; 38% dairying; 9% deer, 18% arable; 11% pipfruit)

1,480 accountants returning 350 surveys with 216 surveys analysed Error rate 6.16%
 (The accountants surveyed were from ICANZ primary sector mailing list).

Total population, 2,780 returning 575 surveys, with 423 surveys analysed Error rate 4.39%

Responses from farmers were included where gross income exceeded \$100,000.

Reponses from accountants were included where more than 25% of total client fees were from farmers.

1 ACCOUNTANCY FEE CHARGED COMPARED TO FARMER INCOME

Table 1

Correlation of Gross Farm Revenue to Accountancy Fee

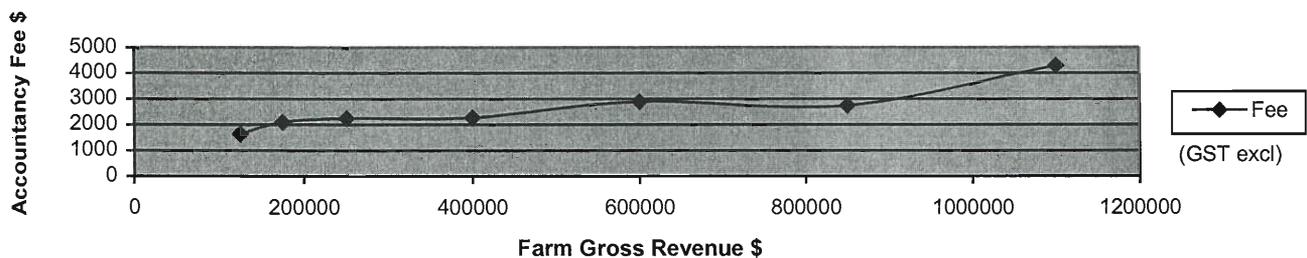


Table One indicates the level of accountancy fees (GST exclusive) charged relative to the level of gross farm revenue.

The average fee charged was \$2,300 (GST exclusive), with the average gross revenue being \$270,000.

For gross revenue of less than \$200,000, the average accountancy fee is less than \$2,000.

For gross revenue levels of \$200,000 to \$400,000, the average fee ranges from \$2,000 to \$2,500.

For gross revenue levels of \$500,000 to \$800,000 the average accountancy fee is \$2,500 to \$3,000.

For gross revenue in excess of \$1 million the average accountancy fee is \$4,250.

A further question determined how much value farmers perceive they are getting for their investment in accountancy services. This was measured on a scale of 1 to 7, with 1 being "never get value" and 7 being "always get value".

The average score came out at 4.8 for farmers and 5.8 for accountants when asked the same question.

2 ACCOUNTANCY FIRM PROFILE

Table 2

Accountancy Firm Profile Returning Survey	
Partners	2.7
Accountants	7.6
Other Administration	8.3
Total Staff	18.6

3 LENGTH OF TIME WITH ACCOUNTANT

The average length of time a farmer has been with an accountant is 13.7 years. There were 64% of farmers who had been with the same accountant for 10 years or more. There were three farmers who had been with the same accountant for 50 years.

This clearly demonstrates that farmers are generally very loyal and will only change accountant reluctantly. One accountant made the comment that "farmers are loyal, often far too loyal."

Of those farmers who have changed accountant, 54% changed to a new accounting firm and 46% changed their accountant within the same firm.

On average, 42% of farmers change their accounting firm every 13.7 years, which is 3.0% per year. Of those farmers who changed accounting firm, the change was made as follows:

Table 3

Changed to a sole practitioner	19%
Changed to a small accounting firm	69%
Changed to a national accounting firm	12%

The Most Common Reasons Farmers Changed Accountants (Farmers Perspective)

- (i) Retirement of previous accountant.
- (ii) Death of previous accountant.
- (iii) Late returns and inability to meet deadlines.
- (iv) Poor communication.
- (v) Working for the Inland Revenue Department and not the farmer.
- (vi) Too expensive, but this was generally preceded by another reason such as poor accounting advice (that is lack of advice or at least lack of good advice), or poor communication.
- (vii) Lack of comparative information and inability to provide it.
- (viii) Shifting of locality.
- (ix) Did not understand their farming business.

- (x) Accountant having insufficient input into key areas such as tax planning and the operation of trusts and companies, and not keeping up to date on different tax issues.
- (xi) Ineffective tax management which cost some clients dearly in terms of use of money interest penalties, and not spreading taxable income amongst all family members.
- (xii) The need for someone who is knowledgeable and competent.

Key Reasons Why Farmers Change Accountants (Accountant's Perspective)

- (i) Not clearly understanding the client's personal and business farming goals.
- (ii) Inability to meet deadlines and lack of timeliness.
- (iii) Poor tax planning advice, not recognising all the options available for reducing tax payable, tax surprises, and working for the Inland Revenue Department, not the client.
- (iv) Changing location.
- (v) Not active or previous accountant incompetent with structural advice, especially in regard to trust and company opportunities.
- (vi) Unable to communicate effectively with previous accountant, did not like the previous accountant, was unable to relax in their company, accountant did not provide a personalised approach to accountancy.
- (vii) Very little proactive advice especially in areas of tax planning, structural advice and business planning.
- (viii) Inability to give practical advice and expressing it in plain English.

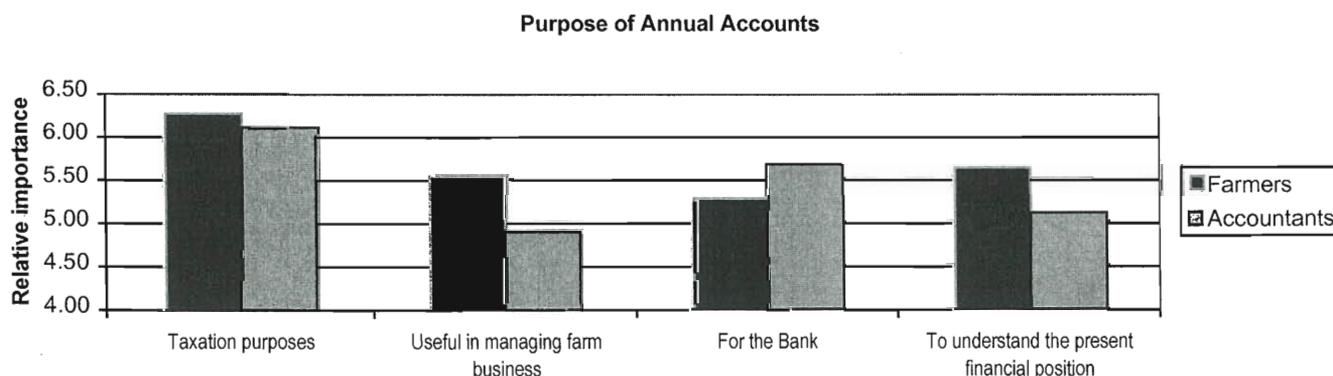
4 PURPOSE OF FARM ACCOUNTS

Table Four indicates what farmers and accountants feel is the purpose of their annual accounts. The main purpose determined is for taxation compliance, which was ranked highest by both farmers and accountants.

Farmers also ranked usefulness in managing the farm business and to understand the present financial position as being the next most important reasons, followed lastly by the banker needing them.

The accountants felt the second most important reason for the annual accounts was for the bank. Up to 30% of farmers were not aware that their banker requires a copy of their annual accounts.

Table 4



5 SERVICES OFFERED TO FARMERS BY ACCOUNTANTS

There are three clear distinctions with the services offered by accountants to farmers:

- (i) Services offered to farmers and farmers know they are available.
- (ii) Non-compliance services farmers willing to pay for if they were available.
- (iii) Services offered to farmers, however farmers being unaware these services are available, but they would use them if they knew about them. This issue indicates poor marketing and communication on behalf of the accountant delivering the service.

Table 5

Non-Compliance Services Farmers Willing To Pay For If They Were Available

Service Required	% Already obtained by farmer	% of Farmers who would pay if provided by Accountant	% Of Accountants offering this service
Understanding goals & aspirations	60	81	83
Computerized accounting system advice	43	65	87
Advice on personal investment	34	60	67
Provision of key farm business performance indicators	20	57	49
Financial trend statement over a number of years	21	53	57
Advice for preparation of farm business plan	26	50	64
Annual visit to farm	28	47	60
Graph of financial results	13	47	28
Farm survey comparison with other farmers	22	45	29
Advice on occupational safety & health act	18	36	23

Services That Would Be Valued By Farmers Over And Above Compliance Work

From table five above, there are a number of services that some accountants are not providing which some farmers would be willing to pay for. Not all farmers require extra services or servicing.

The provision of the extra potential services will come at a cost and will therefore inevitably lead to extra cost for the farmer. For this extra cost to be justified, extra value must be created to the users of the information, particularly the farmer involved. For some accountants, the provision of extra services may not align with their core business of compliance.

For most rural practitioners, extra personnel and resources would be required to provide extra services.

Table 6

Services Offered By Accountants But Not Known By Customers

Service Offered by Accountants	Percentage of Farmers Unaware of this Service
Tax planning advice	16%
Estate planning advice	18% (although 8% of accountants do not offer this service)
Advice on buying/selling farm business	21%
Advice on potential of a family trust	17%
Appropriate trading structure	13%
Advice on financial restructuring	21%
Advice on capital expenditure	16%

The information in Table Six indicates that while accountants provide the above services, around 20% of farmers are not aware of these services being provided. There is a marketing opportunity to grow the client.

6 FARMERS LEVEL OF UNDERSTANDING RE: TAX ADVICE

This was ranked on a scale of 1 to 7, with 1 being no understanding and never explained and 7 being completely understood and always explained.

The following are the lower rankings for farmers who wanted to understand the importance of these taxation issues.

Table 7

Understanding by Farmers and Explanation by Accountants

Taxation Issue	Understanding by Farmers (%)	Explanation provided by accountants to farmer clients (%)
National Standard Cost Scheme	64	90
Herd Scheme	71	92
Income Equalisation Scheme	70	87
Use of Money Interest	64	84
Deferral of Fertiliser Expenditure	63	76
Company Structure	67	91
Paying Wages to Children	63	86

Despite accountants explaining the above income tax options and implications, farmers who wish to know about them, on average, have only an average understanding of many of these issues.

There is an opportunity for clearer explanations to be provided by accountants to their farmer clients on most areas related to tax planning and structural issues.

Income Adjustment Options Used by Accountants

Deferral of fertiliser expenditure is the least used income adjustment option by accountants and also the least explained, and is almost the least understood by farmers.

Deferral of fertiliser expenditure may be helpful in high-income years, if previously deferred in a low-income year, in reducing taxable income, which can be claimed as a deduction for assessing the eligibility of family support payments, and eligibility of children receiving the student allowance. It is a simple method of smoothing out income without using the income equalisation scheme.

7 UNDERSTANDING BY FARMERS OF THEIR ANNUAL ACCOUNTS

The least understood area by farmers when reading their annual accounts was the key benchmarks that drive their business performance.

The key comments that came through as being important in providing annual accounts included:

- Simplicity
- More meaningful benchmark comparisons from year to year, in particular, those benchmarks which are the key drivers of their profitability and equity growth for their farming business.

Suggestions from accountants and farmers that could be made to improve the layout of farm accounts to improve understanding and usefulness in business decision-making

- (i) Cash result should be stated first, followed by the non-cash taxation adjustments. This allows for a more simplistic understanding of the financial performance of the farming business.
- (ii) Sequence of annual accounts should follow income and expenses through to assets and liabilities. i.e. income to wealth creation.
- (iii) Trend statements and measurements against key performance indicators, minimum trend period should be at least three years, preferably five plus years. This should include key performance indicators, key ratios, profitability, equity accumulation, and where the equity accumulation has come from.
- (iv) Inclusion of cash reconciliation/tax adjustment account.
- (v) Market value equity statements.
- (vi) Clearly identify internal associated party transactions.
- (vii) Keep the accounts simple.
- (viii) Cash flow result showing application of cash.
- (ix) Standard ICANZ reporting of farm results, too confusing and too complex for farmers to understand, especially statement of cash flows.

8 FEEDBACK TO IMPROVE SERVICE DELIVERY

Summary of Comments from Farmers' Survey – Feedback to Improve Service Delivery

- (i) The most frequent comment was a clear need for more proactive tax management by accountants. There is a need to put more effort into reducing:
 - Tax payments at 39 cents in the dollar.
 - Use of money interest
 - Inefficient tax structures
 - Poor utilisation of tax adjustment mechanisms such as deferred fertiliser and income equalisation.
- (ii) Improved communication requirements:
 - Clearer understanding of business and personal aspirations. One farmer commented, "Their accountant should not assume they know these".
 - Clearer explanations of all issues relating to tax planning and structural planning.
 - Some accountants need to invest time into developing their people and communication skills.
- (iii) Benchmarking was seen as important to compare individual farm owners businesses with not only themselves, but other operators, in order to determine how they are performing with key performance indicators.
- (iv) Farm accounts must be simple to read and understand. Some farm accounts are too complex and do not flow well.
- (v) Offer more business planning advice including strategic planning.

- (vi) Clearer understanding of the functioning of family trusts and the legal requirements of these and trustees.
- (vii) Better turnaround with annual accounts. With technology today, much of the processing can be done or undertaken pre balance date.
- (viii) Understanding their business.

Summary Comments from Accountants' Survey – Feedback to Improve Service Delivery by Accountants to Farmers

- (i) Clear understanding of business and personal direction and circumstances, and continuous review of this direction for future expansion/diversification and business succession opportunities.
Be very interested in their family and their family's desires.
- (ii) Improved understanding of tax issues
Tax concessions available to the farming community are not being fully utilised.
A plain english explanation of tax planning is required.
Forecasting of future profitability is essential in the tax planning process. Whenever tax notices are due, a quick review of the tax to be paid for all clients could be undertaken to determine whether any alterations to tax payments are necessary and therefore the ability to reduce use of money interest charges in particular.
One accountant commented as follows:
"There is regular ignorance and even negligence in the effort and time put into the client's tax planning and financial affairs. A lot of accountants are not up to the mark. Often this ignorance is not obvious to the client but has cost significant money or stress to the client."
- (iii) Working with other professionals associated with a farmer's business to enhance the farmer's business performance, especially competent farm consultants who have a more in-depth understanding of the farming businesses.
Recognise that accountants are part of a team and accept other professionals' input.
- (iv) Timeliness of annual accounts turnaround, reports, and letters to clients and other professionals is an essential part of the service aspect.
- (v) Simple accounts which are farmer friendly, easily understood, and are explained well to the farm owners.
- (vi) Business planning role through provision of and understanding the key performance indicators to their individual farming businesses and being prepared to discuss and highlight these throughout the year. Historic accounting is not what the primary industry needs.
- (vii) Provide benchmarking information as a comparison against other farmers. Benchmark information needs to include not only profitability indicators but also equity growth indicators.
- (viii) Visits to farm.
A visit to the farming business was considered to be important to gain an understanding of the nature of the farm involved and to be able to give effective advice in terms of business management.
Many accountants believed this was an important annual requirement, however farmers mainly commented that it was important for their accountant to visit their farm at least once to get an understanding of their business.
- (ix) Clear recommendations.

- (x) Highlight services offered.
- (xi) Understand client's farming business.
- (xii) Continuing professional development is critical for ongoing ability to add value to client's affairs.

Agribusiness Comments About Farm Accountants – Feedback to Improve Service Delivery by Accountants to Farmers

The following comments were collected from:

- (a) Farm management consultants
- (b) Rural bankers

Overall, the key comment made was that there was a huge difference in service delivery by accountants to farmers. This was seen as a positive for those accountants that are delivering a good service. While there were some very good farm accountants, there was an opportunity for improvement in general.

A key area of referral for accountants is agribusiness people servicing farmers.

Agribusiness people are recommending accountants who are competent and can communicate. These accountants tend to think at the highest level and communicate at the farmer level.

Key Issues Identified By Agribusiness People – Feedback to Improve Service Delivery by Accountants to Farmers

- (i) Financial statements are poorly utilised by most farmers for future planning purposes or as a farm management tool. This is because firstly, most farmers do not understand their accounts and secondly, farm accountants do not analyze the data in a way that provides meaningful financial relationships that separates the different aspects of their business. i.e. profitability and accumulated equity growth.

Financial statements that are relevant can provide an excellent starting point for the strategic planning process, if a farmer's personal and business goals have been clearly defined.

Without defining a farmer's personal and business goals, the annual accounts' potential usefulness in a planning process loses their relevance.

- (ii) Timeliness
 - Prioritising important customers.
 - Impress new clients.
 - Ensure you are well resourced and organised.
 - It is a two way street, with a need to educate clients to provide "all" the necessary information before starting the job.
- (iii) Tax planning and management are critical in today's high profit farming environment:
 - It is one thing to make a profit, it is another thing to retain it if there is poor tax planning.
 - Tax planning should be integrated with structural and succession advice.
 - Effective tax planning for highly profitable farmers can involve planning in advance, especially if significant development is being undertaken, and/or profits fluctuate markedly from year to year, or predicted profits rise above scheduled tax payments.
 - Advice needs to utilise all the tax friendly opportunities available to farming (of which there are a number).
 - There are opportunities to even out taxable income over a number of years.

- No farmer should have to pay 39% in the dollar tax.
- (iv) Structural advice is paramount in today's high asset value farming environment. Most farmers are at least millionaires and there is now a greater need than ever before for having in place the appropriate structural set-ups to facilitate:
- Effective estate planning
 - Effective property and wealth protection
 - Farm succession (flexibility)
 - Tax efficiency
- Some agribusiness people are questioning the value of partnerships over a company structure, particularly for high profit, high asset value farming businesses.
- (v) Provision of key commercial benchmarks, trend statements, comparison to industry peers, and the high and low industry indices.
- These benchmarks need to be defined for both profitability and equity growth. Trend statements need to include equity accumulation over time so the understanding of the sources of wealth creation can be defined.
- (vi) Facilitators of business growth – taking the lead
- Many agribusiness people believe accountants are in a key pivotal position to facilitate positive strategic change for their clients.
- To facilitate positive change would involve:
- Being aware of a client's personal and business aspirations, and key critical events they are focused on over the next few years
 - Team brokering, encouraging use of specialised input e.g. bankers, farm consultants. The concept of an annual general meeting between "all the team" appealed to many agribusiness people
 - Being aware of the key performance indicators and information for each aspect of their business in order to provide a clear starting point for strategic planning.
- For example, most farmers have several businesses:
- Real Estate (generally their largest and most important business)
 - Cashflow business
 - Investments
- A change in focus from measuring and manipulating data to focusing on interpretation of financial outcomes.
 - Being able to think strategically about their client's business so their clients can position themselves to meet their goals.
- (vii) Communication of services provided
- Many farmers do not use their accountants to maximum advantage because they are unaware of the full range of services their accountant offers. Conversely, their accountants need to be aware of their limitations with advice given to farmers and if farmers represented a very small part of an accountant's business and they did not feel 100% competent in delivering farm accounting services, then that accountant should pass these clients on to a competent farm accounting specialist
 - Listening to what the client requires
- (viii) Work for the interests of the client not the Inland Revenue Department.
- Accountants need to be proactive in minimizing tax and using all taxation concessions available.

(ix) Education of clients

Accountants have an important obligation to educate their clients and improve their level of understanding of:

- The information within their farm accounts
- The opportunities to effectively alter taxable income to minimise tax payable
- The structural options available for estate planning, tax efficiency, asset protection and succession reasons
- Key financial and production benchmarks and ratios for their businesses
- The value of goal setting
- The value of a team approach to business (who is important to their business)
- What questions to ask the other members of their team

(x) Working knowledge of their business

To facilitate this, a visit to the farm appears to be an important pre-requisite to be able to sufficiently understand the business.

(xi) Ability to deliver on added value services

Most accountants would need to restructure their business to provide more resources and change their attitude in order to deliver more non-compliance accountancy services to farmers.

Summary

One agribusiness group provided me with the "relationship values" they work to and provide in a signed letter to customers.

- Be accessible
- Follow up
- Keep informed
- Knowledgeable/skilled
- Responsive
- Prompt
- Keep promises
- No surprises
- Error free

With the objective of retaining their business and supporting them in achieving their goals, both short and long term.

9 CONTINUING PROFESSIONAL DEVELOPMENT COURSE OPPORTUNITIES FOR ACCOUNTANTS

The requirement for professional development training for accountants was asked of both farmers and accountants. These professional development opportunities were asked out of a list of sixteen choices.

The top eight rankings are listed by farmers and accountants.

9.1 Farmers' Ranking of Accountants' Training Needs

- (i) Up to date tax advice
- (ii) Appropriate farm structural set up

- (iii) Farm succession options
- (iv) Business planning for farmers
- (v) Understanding the key business performance indicators
- (vi) Production and profit improvement practices for farmers
- (vii) Issues surrounding purchase/sale of farms
- (viii) Estate planning

The lowest ranking priority by farmers for their accountant's training requirements was written letters after discussions (despite ranking very poorly in assessing their accountant's performance).

9.2 Accountants Ranking in the following order

- (i) Business planning for farmers
- (ii) Understanding key farm business performance indicators
- (iii) Tax planning opportunities for farmers
- (iv) Appropriate farm structural set ups
- (v) Production and profit improvement practices for farmers
- (vi) Farm succession options
- (vii) Purchasing/selling farms
- (viii) Estate planning

Accountants ranked letter writing as the lowest priority for professional development training required by accountants.

Key Areas for Professional Development Training by Accountants

From the above information there appears to be professional development opportunities in the following key areas:

(i) Up to date tax planning advice

From the farmer comments there appears to be some current dissatisfaction with the level of advice that some farmers are receiving from their accountants in the area of tax planning. This is particularly so when they have been paying, in their opinion, excessive tax at 39¢ in the dollar, use of money interest paid unnecessarily because of poor tax planning from their accountant, and structures which do not suit their modern farming business with high taxable income.

Farming businesses have the potential to plan their level of income almost better than any other type of business in New Zealand. There are many ways by which individual farm incomes can be altered and adjusted for the benefit of the individuals involved.

One of the key issues accountants and farmers must decide is whether taxable income should be altered on a yearly basis and/or spread over a number of years across as many tax payers as possible, to take advantage of the current tax environment.

There are many options to alter taxable income between years and within a year.

(ii) Appropriate structural set up

This is a key area where farmers identified a need for accountants to do more training. With the advent of a 39 cents in the dollar tax rate, significant equity growth, significant increases in taxable income, issues of estate planning and farm succession, there are

significant opportunities to add value to farming clients by ensuring that they have the most appropriate trading structure for their farming business.

Over the last 36 months there has been a huge variation between accountancy practices in addressing the farm structural issue. Some accounting practices have been proactive in bringing about positive change for their clients after clearly defining their clients' personal and business goals.

Within the survey to farmers there was a very low understanding of the benefits or disadvantages of a company structure as opposed to other trading structures.

(iii) Farm succession options

This is a very integrated topic.

Farm succession involves having excellent empathy with all members of the farming business involved, clear understanding of the past trends in equity growth and profitability of the farming business, and a flexible approach to potential ownership structures that will protect equity going forward and allow for the transition of farm ownership.

(iv) Business planning for farmers

This is an area in which farmers want accountants to have more input, it is also a professional development area which accountants would like more opportunity to participate in. Clearly defining personal and business goals is a crucial first step. Secondly, an understanding of business production, profitability and equity accumulation indicators (key business performance indicators), strategic planning, identifying performance measures, and milestones.

Often the process is more important than the details within the plan itself.

The business planning process requires empathy with the client, and ownership of the process by the people involved.

(v) Selling & buying farms

There are a number of issues related to taxation, estate and succession planning surrounding the purchase and sale of a farm.

It is a frequently asked question of practicing accountants as to what type of structure should be put in place to purchase a new property. The option recommended will depend on the individuals and farm business involved and their objectives.

Feedback from the survey indicated that some accountants were not clear with their advice in this area, did not define the advantages and disadvantages of different structural set ups, and were often slow in giving firm recommendations.

(vi) Estate planning opportunities

This is a key area where accountants can give advice particularly in the area of the appropriate structural set-up after clearly establishing personal and business objectives.

(vii) Letter or report writing skills – communication skills

This ranked the lowest for both accountants' and farmers' perceptions of what accountants needed to consider for professional development training.

This is ironic given that farmers ranked accountants' performance in this area with a 4.4 out of 7.

Covering letters with annual accounts are provided by 80% of accountants. Only 10% of farmers do not require a cover letter with their annual accounts.

Summary

The highest professional development opportunity required by accountants is farm business planning, closely followed by tax planning.

There is a need to continue with the traditional areas of professional development to ensure that accountants serving the farming community are sufficiently skilled to provide the appropriate advice on the taxation and structural issues which affect not only tax planning but succession and estate planning issues.

There is also an opportunity to consider professional development in the area of farm business planning for farmers.

I am convinced that an accountant's job is not to know all the production and profit improvement practices for farmers. This type of work can be more adequately undertaken by a competent farm consultant who is a specialist in this area. An accountant's role in this area is more in helping to develop the framework for this process by firstly, helping to identify the key personal and business objectives or critical events going forward, and providing the key performance indicators to profitability and equity growth, and building the team around the farmer, i.e. an accountant's role is one of facilitation.

10 RANKING OF ACCOUNTANTS PERFORMANCE COMPARED TO OTHER BUSINESS ADVISORS – FARMERS PERCEPTION

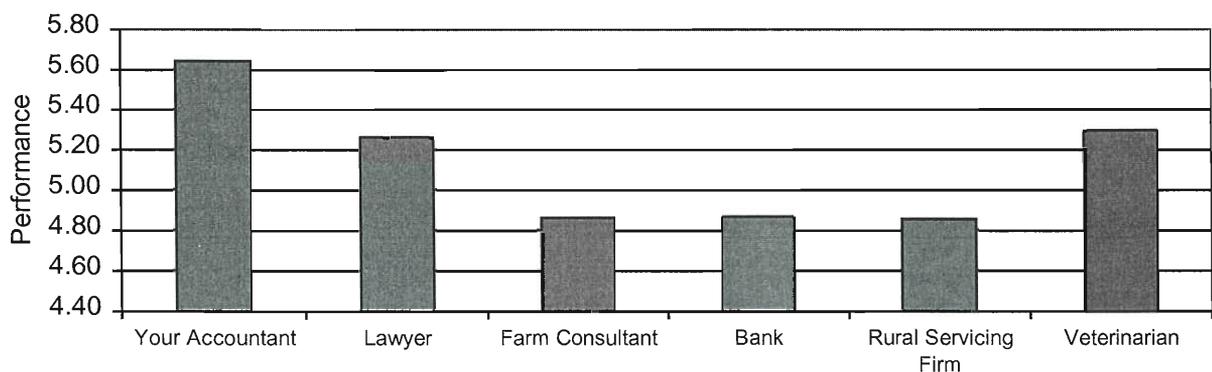
The accountancy profession's performance ranked at the top of all the business advisors that farmers use. This was measured on a scale of 1 to 7 with 7 being excellent performance.

Accountants' performance was ranked at 5.64, veterinarians closely followed accountants at 5.29, followed by lawyers at 5.26.

Farm consultants, bankers and rural servicing firms scored 4.85, which is still above average performance but well short of the accountancy profession.

Table 8

Rating of Performance



This level of satisfaction with accountants, compared to other business advisors, provides greater confidence to consider the expansion of non-compliance services to farmer clients.

11 OVERALL SATISFACTION OF FARMERS WITH THEIR ACCOUNTANTS PERFORMANCE

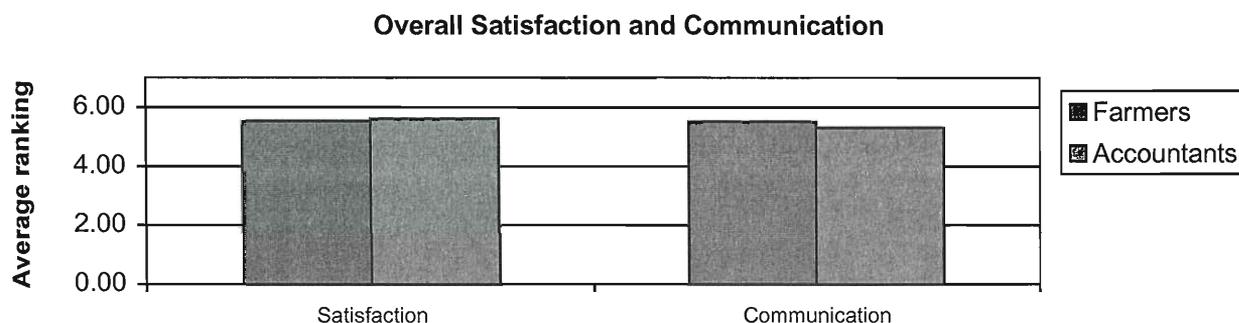
This was measured on a scale of 1 to 7, 1 being very dissatisfied and 7 being extremely satisfied. Accountants and farmers were asked the same question.

The results were very pleasing, in that farmers ranked their accountant with 5.5 out of 7 or a very satisfied result. Accountants answered the same question with a 5.6 ranking. (Table Eight).

60% of farmers gave a ranking of 6 & 7.

16% of farmers gave a ranking of 4 or less.

Table 9



Specific Areas Of Dissatisfaction With Accountants

This question was measured on a scale of 1 to 7, with 1 being very dissatisfied and 7 being extremely satisfied.

The lowest rankings from farmers were:

- Written letter after discussions was disappointing (4.4 out of 7).
- Giving advice without being prompted, particularly in regard to lack of tax and business planning advice (4.9 out of 7).

Accountants also ranked written letters after discussions as very low at 4.8 out of 7 in terms of client satisfaction. There is a need for accountants to improve this aspect of their service delivery to farmers.

From a farmer's perspective, it appears that accountants in general are not proactive in offering advice without being prompted. Some accountants have indicated that their farmer clients do not ask the correct question, however it is clear that some farmers do not know what questions to ask.

Accountants believe they are doing a better job than farmers appear to be satisfied with, particularly in the following two areas:

- Business advice
- Clear recommendations

12 ABILITY OF ACCOUNTANT TO COMMUNICATE

This was measured on a scale of 1 to 7, 1 being poor and 7 being excellent.

Table Nine indicates a very good result in that farmers and accountants rank the communication from accountants to farmers as very good.

The lowest satisfaction ratings for accountants came from those farmers who felt their accountants were poor communicators, whereas the most satisfied farmers were those who felt their accountant had an excellent level of communication.

Critical issues raised by farmers in relation to communication were:

- (i) Being proactive in raising issues related to tax planning, estate planning, and financial performance
- (ii) Clear written pointers and advice
- (iii) Accountants should be obtaining their personal and business goals and aspirations, so advice is relevant in meeting their needs.
- (iv) Regular contact via phone, newsletter, farm visit, email, or client function
- (v) Explain the accounts in clear, plain english and provide options in terms of tax planning. Education of clients in matters of tax, estate, financial and business planning is important, so that farmers can make informed decisions about these aspects of their business.

13 IMPLEMENTATION OF ADVICE

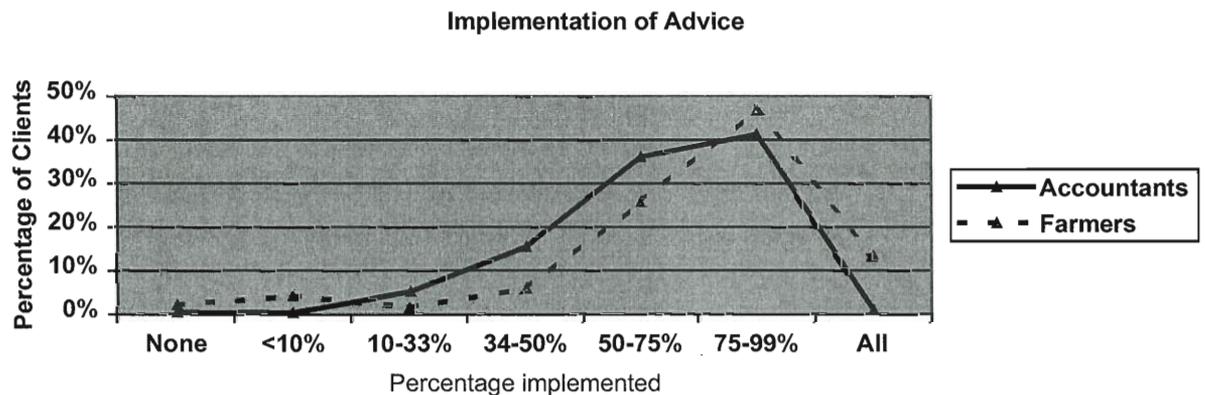
This question determined how much of the advice given by accountants was implemented by farmers.

This question indicated that farmers implemented more advice from accountants than accountants actually realised. For 46% of farmers they implemented 75 to 99% of advice given by their accountant. There were 13% of farmers who implemented all advice given by their accountants.

Accountants, however, perceived that 41% of farmers implemented advice 75 to 99% of the time and that only 1% of farmers implemented all the advice given.

There were 4% of farmers who implemented less than 10% of advice given by their accountant. Accountants felt that this was less than 1% of farmers.

Table 10



Farmer comments on advice given by their accountant

- (i) An accountant should express their knowledge of a subject and explain financial ramifications of a projected action, but it is the client who should make the decision. The final decision on tax and financial matters should always be the clients.
- (ii) Information received was largely historical with little or no forecasting.

14 COMPARISON OF TIMING FOR INFORMATION PROVISION, ACCOUNTS FINALISED, AND PREFERRED TIMING OF FINALISATION OF ACCOUNTS

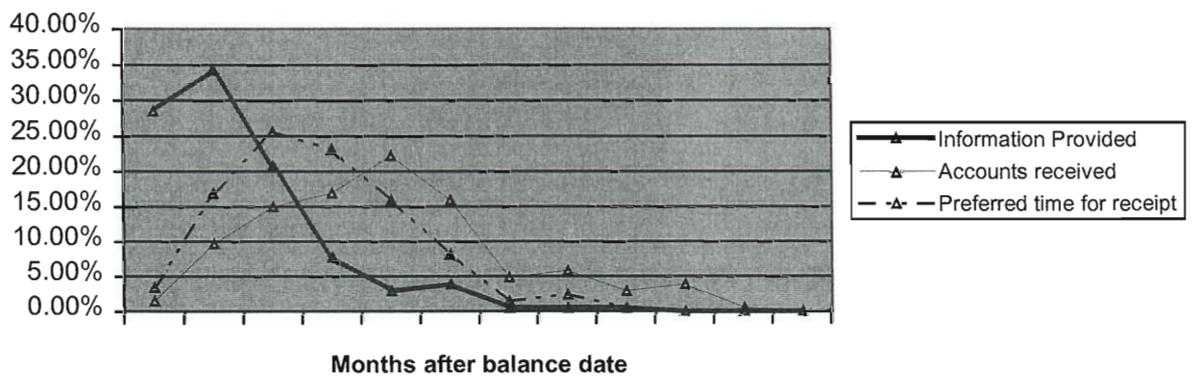
Table Eleven indicates that virtually all information is provided to the accountant within six months of balance date, 85% of the information is provided by farmers within three months of balance date.

85% of annual returns are finalised within six months of balance date.

85% of farmer clients required their annual returns finalised within five months of balance date.

Table 11

Comparison of timing for information provision, accounts return and preference of clients



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- Chartered Accountants Journal – April 1993, pages 24 to 25
- Chartered Accountants Journal, Volume 79, No 3, April 2000, pages 12 to 15
- Research Project for partial completion in Fulfillment of Requirements Towards a Master of Business Administration, Smaller Businesses, and Chartered Accountant services.
Has the information of smaller business needs changed, and if so, what new or different information are they seeking.
Ben Edlin and Keith Murray.
- Rural Accountancy Practice, John A Stoner, February 17
- The Farmer and Financial Management – The Accountant help or Hindrance?
- Primary Industry Accounting Assignment Two for HO.350 for Massey University, Department of Accountancy and Business Law College of Business.
James Lockhart

APPENDICES

CONFIDENTIAL

***“SURVEY OF FARMERS & ORCHARDISTS
ACCOUNTANCY NEEDS”***

✓ ✓ ✓ ✓ ✓ 1 2 3 ④ 5 6 7 ✓ ✓ ✓ ✓ ✓

Conducted By: George Collier
Chartered Accountant
Registered Farm Management Consultant
Alexandra
New Zealand

By participating in this survey you have an opportunity
to enter the draw to win a prize



Survey of Primary Sector Customers

Thank you for your time in filling out this questionnaire. This will help Chartered Accountants improve their service to farm and orchard businesses.

The survey is being carried out in accordance with the Market Research Society's Code of Practice, and all replies will be treated in strictest confidence. Upon completion of the research all completed survey forms will be destroyed.

Please return the completed questionnaire using the enclosed prepaid envelope and enter the prize draw to win a prize.

Instructions - Please read carefully

Most of the questions in this survey ask you to rate the service by ticking the appropriate box or circling a number on a seven-point scale. The example shows how you might rate a service if you were fairly satisfied with it but felt there was room for improvement.

Very
Dissatisfied

1 2 3 4 ⑤ 6 7

Extremely
Satisfied

Firstly, some information about your business types.

1. What type of farm business are you involved with? **Please indicate with a ✓ to all that apply**
- | | |
|----------------------|-----------|
| Sheep | [] |
| Beef | [] |
| Dairy Grazing | [] |
| Deer | [] |
| Dairy Milking | [] |
| Arable | [] |
| Pipfruit | [] |
| Summerfruit | [] |
| Other (please state) | [] _____ |
2. Could you please indicate your location?
- | | |
|-------------------------------|-----|
| Northland | [] |
| Auckland | [] |
| Waikato | [] |
| Bay of Plenty | [] |
| Central Plateau | [] |
| Taranaki | [] |
| Manawatu | [] |
| King Country | [] |
| Gisborne/Hawkes Bay/Wairarapa | [] |
| Wellington | [] |
| West Coast South Island | [] |
| Marlborough/Nelson | [] |
| Canterbury | [] |
| Otago | [] |
| Southland | [] |

3. We wish to gain an understanding of what type of service your Accountant is providing to you and what you would like to be offered.

What Type of Service:

Please indicate with a ✓ to all that apply

	<i>Presently Obtained From your Accountant</i>	<i>Accountant Should Offer</i>	<i>Not Required From Your Accountant</i>
Preparation of Annual Financial Statements.....	[]	[]	[]
Preparation and Filing of Tax Return.....	[]	[]	[]
Preparation and Filing of GST Returns	[]	[]	[]
Preparation and Filing of Fringe Benefit Tax Returns.....	[]	[]	[]
Preparation and Filing of PAYE Returns	[]	[]	[]
Preparation and Filing of Resident Withholding Tax Returns.....	[]	[]	[]
Tax Planning Advice.....	[]	[]	[]
Estate Planning Advice	[]	[]	[]
Cashflow Budget Forecasts	[]	[]	[]
Updated Cashflows.....	[]	[]	[]
Advice for Preparation of Farm Business Plan.....	[]	[]	[]
Advice on Buying/Selling Farm Business	[]	[]	[]
Livestock Taxation Advice	[]	[]	[]
Computerized Accounting Systems Advice.....	[]	[]	[]
Farm or Orchard Management Advice.....	[]	[]	[]
Reminders for Tax Payable.....	[]	[]	[]
Setting Up Companies	[]	[]	[]
Advice on potential of a Family Trust.....	[]	[]	[]
Appropriate Trading Structure eg.. Company, Partnership, Sole Trader, Trust[]	[]	[]	[]
Allocation of Salaries or paying wages to family members for tax purposes[]	[]	[]	[]
Advice on Use of Logbook for Private Motor Vehicle.....	[]	[]	[]
Advice on Occupational Safety & Health Act.....	[]	[]	[]
Advice on ACC Levies	[]	[]	[]
Advice on Personal Investment	[]	[]	[]
Advice on appropriate administration systems	[]	[]	[]
Advice on Staffing Issues.....	[]	[]	[]
Advice and help in Financial Restructuring.....	[]	[]	[]
Interpretation of Financial Results from Annual Accounts.....	[]	[]	[]
Advice on Capital Expenditure.....	[]	[]	[]
General Advice	[]	[]	[]
Annual Visit to farm or orchard.....	[]	[]	[]
Understands Long Term Goals, Aspirations, Financial Security	[]	[]	[]
Advice on Marketing Strategies	[]	[]	[]
Helps in liaison with Inland Revenue Department.....	[]	[]	[]
Helps in liaison with Other Professionals.....	[]	[]	[]
Advice on key business performance indicators & level of profitability []	[]	[]	[]

4. Farming involves some specialist areas of tax advice that can have a significant influence on your taxable income. We would like to know how well you understand these areas and whether your Accountant has explained these issues to you.

Has your accountant explained these issues sufficiently well for your purposes?

Please circle or tick one answer for each statement

	<i>No Understanding</i>							<i>Completely Understood</i>	<i>Not Explanation Required From Your Accountant</i>
<u>Livestock Taxation</u>									
- National Standard Cost Scheme.....	1	2	3	4	5	6	7		[]
- Herd Scheme.....	1	2	3	4	5	6	7		[]
- High Priced Livestock Scheme	1	2	3	4	5	6	7		[]
Income Equalisation Scheme.....	1	2	3	4	5	6	7		[]
Deferral of Fertiliser Expenditure	1	2	3	4	5	6	7		[]
Allocation of salaries between associated family members.....	1	2	3	4	5	6	7		[]
Use of Money Interest	1	2	3	4	5	6	7		[]
Depreciation Recovered.....	1	2	3	4	5	6	7		[]
Taxable Value of Forestry spread backwards.....	1	2	3	4	5	6	7		[]
<u>Advantages and Disadvantages of:</u>									
- Sole Trader Structure	1	2	3	4	5	6	7		[]
- Partnership Structure	1	2	3	4	5	6	7		[]
- Company Structure	1	2	3	4	5	6	7		[]
- Family Trusts.....	1	2	3	4	5	6	7		[]
- Trading Trusts	1	2	3	4	5	6	7		[]
Forestry Expenditure.....	1	2	3	4	5	6	7		[]
Orcharding – New Planting Expenditure	1	2	3	4	5	6	7		[]
Stores & Rations for Employees	1	2	3	4	5	6	7		[]
Value of Accommodation to Employees for Tax Purposes	1	2	3	4	5	6	7		[]
Paying wages to children.....	1	2	3	4	5	6	7		[]

5. Do you understand your Annual Financial Accounts, in particular;

Please circle one answer for each statement

	<i>No Understanding</i>							<i>Very Well Understood</i>						
	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Profit & Loss Statement and How Taxable Income is arrived at	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Livestock Reconciliation	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Livestock Taxation Schedules	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Depreciation Schedule	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Difference between Taxable Income and Cash Result	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Partners Current Accounts	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Equity	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Farm Business Performance	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Key Benchmarks.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7

Suggestions for improvements that could be made to the layout of farm accounts.

6. We would like determine the type of add on services.

6.1 Your accountant currently provides?

6.2 You would be willing to pay for if your accountant were able to provide them?

Please indicate with a ✓ to all that apply

	<i>Currently Provided by Accountant</i>	<i>Would be happy to pay for if provided by Accountant</i>	<i>Not Required From Your Accountant</i>
Farm Survey with Other Farmers.....	[]	[]	[]
Newsletters to Clients	[]	[]	[]
Regular, at least annually, Farm Consultant Visits	[]	[]	[]

Inclusions in Annual Accounts

Financial Trend Statements over a number of years	[]	[]	[]
Cashflow Statements.....	[]	[]	[]
Taxation Payable and Due Date.....	[]	[]	[]
Covering Letter with Annual Accounts	[]	[]	[]
Reconciliation of Taxable Income to Cash Result	[]	[]	[]
Graphs of Financial Results.....	[]	[]	[]
Production Trend Statement over a number of years	[]	[]	[]
Key Farm Business Performance Indicators	[]	[]	[]
Farm Business Plan.....	[]	[]	[]

7. We would like you to consider how satisfied you are with your accountant?

Please circle one answer for each statement

	<i>Very Dissatisfied</i>			<i>Extremely Satisfied</i>			
Gives Advice without being prompted.....	1	2	3	4	5	6	7
Understands your Business.....	1	2	3	4	5	6	7
Meets Deadlines	1	2	3	4	5	6	7
Presents information/advice in a useable format	1	2	3	4	5	6	7
Gives good accounting advice	1	2	3	4	5	6	7
Gives good business advice.....	1	2	3	4	5	6	7
Gives clear recommendations.....	1	2	3	4	5	6	7
Gives advice you can rely on	1	2	3	4	5	6	7
Provides practical solutions	1	2	3	4	5	6	7
Makes him/herself available to you.....	1	2	3	4	5	6	7
Keeps you informed of issues to be aware of.....	1	2	3	4	5	6	7
Written letter after discussions.....	1	2	3	4	5	6	7
Has specialist knowledge.....	1	2	3	4	5	6	7
Adds value to your business	1	2	3	4	5	6	7

8. Timeliness of Annual Accounting Information

Please circle the appropriate number of months after Balance Date

- How long after balance date do you provide your necessary information to your accountant?
1 2 3 4 5 6 7 8 9 10 11 12
- How long after balance date do you receive your finalized annual accounts?
1 2 3 4 5 6 7 8 9 10 11 12
- How long after balance date do you believe you should receive you're Annual Financial Statements?
1 2 3 4 5 6 7 8 9 10 11 12

8.1 We would like to understand what type of training you feel your Accountant should consider undertaking as a recognized professional Chartered Accountant. Chartered Accountants are required to undertake 20 hours of Training per year to be added value with their increased knowledge to your business.

Type of training required by your Accountant?

Please circle one answer for each question

	<i>Strongly Disagree</i>			<i>Strongly Agree</i>			
Up to date taxation advice.....	1	2	3	4	5	6	7
Business Planning for Farmers.....	1	2	3	4	5	6	7
Report or letter writing skills	1	2	3	4	5	6	7
Communicating with clients	1	2	3	4	5	6	7
Efficient time management systems	1	2	3	4	5	6	7
Computerization Upskilling.....	1	2	3	4	5	6	7
Appropriate Farming Structures eg. Sole traders, Trusts, Companies.....	1	2	3	4	5	6	7
Farm Succession Options.....	1	2	3	4	5	6	7
Purchasing/selling farms	1	2	3	4	5	6	7
Cashflow forecasting.....	1	2	3	4	5	6	7
Estate Planning.....	1	2	3	4	5	6	7
Key Influences on Farm Production	1	2	3	4	5	6	7
Personal Investment Options	1	2	3	4	5	6	7
Insurance Options	1	2	3	4	5	6	7
Employment Related Issues.....	1	2	3	4	5	6	7
Appropriate & Effective Administration Systems	1	2	3	4	5	6	7

12. We would like to gain an understanding of how long you have been with your existing Accountant.
 How long have you been with your existing accountant? Years

Since you commenced farming, have you changed: **Please indicate with a ✓**

- Accounting firm and/or

- The accountant within the firm

If so, what reason(s) caused you to make the change?

12.1 If you have changed accountant, was this change to: **Please indicate with a ✓**

Sole Practitioner

Small accounting firm

National accounting firm

13. We would like to gain an understanding of the importance you place on your Accountants qualifications.
Please ✓ one answer for each statement

a. Is your accountant a member of the Institute of Chartered Accountants of New Zealand?
 Yes No Unsure

b. Does the Accountant you use have the qualification of a Chartered Accountant (CA) or Associated Chartered Accountant (ACA) or Accounting Technician (AT) or no qualification?
 Yes No Unsure

c. Do practicing farm accountants need to have a formal qualification to undertake Accountancy work?
 Yes No Unsure

d. What is the difference between a "Chartered Accountant" and an "Accountant"

Nothing.....[]

A Chartered Accountant must have formal qualifications and is a member of the Institute of Chartered Accountants.[]

An Accountant has no formal Accounting Qualifications.....[]

Do not know[]

14. How would you rate your accountants performance compared with other business advisors?

Please circle one answer for each question

	Poor Performance				Excellent Performance		
Your Accountant	1	2	3	4	5	6	7
Lawyer	1	2	3	4	5	6	7
Farm Consultant.....	1	2	3	4	5	6	7
Bank.....	1	2	3	4	5	6	7
Rural Servicing Firm	1	2	3	4	5	6	7
Veterinarian.....	1	2	3	4	5	6	7

15. We would like to gain an understanding of the purpose and use of Annual Accounts.

Please circle one answer for each question

	<i>Disagree</i>				<i>Strongly Agree</i>		
Taxation purposes.....	1	2	3	4	5	6	7
Useful in managing the farm business.....	1	2	3	4	5	6	7
For financial planning.....	1	2	3	4	5	6	7
For the Banker.....	1	2	3	4	5	6	7
To understand the present financial position.....	1	2	3	4	5	6	7
For comparison to previous year(s)	1	2	3	4	5	6	7
Do not know	1	2	3	4	5	6	7

Who receives a copy of your annual accounts?

Please ✓ a box

Owners	[]
Other Family Members	[]
Lenders.....	[]
Other Advisors.....	[]
Trustees	[]
No Other Users.....	[]
Others.....	[]

16. We would like to obtain feedback on your Accountants annual fee and how you feel about the fee charged.

Do you feel the fee charged gives value for money?

Please circle one answer

Never Always
1 2 3 4 5 6 7

Annual Fee Charged (GST Exclusive)

Please ✓ a box

\$500 to \$1,000.....	[]
\$1,000 to \$1,500.....	[]
\$1,500 to \$2,000.....	[]
\$2,000 to \$2,500.....	[]
\$2,500 to \$3,000.....	[]
\$3,000 to \$4,000.....	[]
\$4,000 to \$5,000.....	[]
\$5,000 to \$6,000.....	[]
Above \$6,000.....	[]

CONFIDENTIAL

***“SURVEY OF PRIMARY SECTOR
CUSTOMER NEEDS”***

✓ ✓ ✓ ✓ ✓ 1 2 3 ④ 5 6 7 ✓ ✓ ✓ ✓ ✓

Conducted By: George Collier
Chartered Accountant
Registered Farm Management Consultant
Alexandra
New Zealand

By participating in this survey you have an opportunity enter the draw to
win a prize of one dozen of Central Otago's finest wines



Survey of Primary Sector Accountants

Thank you for your time in filling out this questionnaire. This will help Chartered Accountants improve their service to farmers and orchardists.

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Please return the completed questionnaire using the enclosed prepaid envelope and enter the prize draw to win a prize.

Instructions – Please read carefully

Most of the questions in this survey ask you to rate the service by ticking the appropriate box or circling a number on a seven-point scale. The example shows how you might rate a service if you were fairly satisfied with it but felt there was room for improvement.

Very
Dissatisfied

Extremely
Satisfied

1 2 3 4 (5) 6 7

Firstly, some information about your business.

1. How many primary sector clients do you have?

1.1 What percentage of your total clients fees are primary sector clients?

Please indicate with a ✓

0 to 10% []

10 to 25% []

25 to 50% []

50 to 75% []

75 to 100% []

2. Could you please indicate your location?

Northland []

Auckland []

Waikato []

Bay of Plenty []

Central Plateau []

Taranaki []

Manawatu []

King Country []

Gisborne/ Hawkes Bay/ Wairarapa []

Wellington []

West Coast South Island []

Marlborough/Nelson []

Canterbury []

Otago []

Southland []

We wish to gain an understanding of what type of services you provide to your clients and what you intend to provide in the future.

3. What Type of Service:

What type of services do you presently provide to your Primary Sector clients?

What type of services do you intend to offer to Primary Sector clients?

Please indicate with a ✓ to all that apply

	Presently Offer	Do Not Offer
Preparation of Annual Financial Accounts.....	[]	[]
Preparation and Filing of Tax Return.....	[]	[]
Preparation and Filing of GST Returns	[]	[]
Preparation and Filing of Fringe Benefit Tax Returns	[]	[]
Preparation and Filing of PAYE Returns	[]	[]
Preparation and Filing of Resident Withholding Tax Returns.....	[]	[]
Tax Planning Advice.....	[]	[]
Estate Planning Advice	[]	[]
Cashflow Budget Forecasts	[]	[]
Updated Cashflows.....	[]	[]
Advice for Preparation of Farm Business Plan.....	[]	[]
Advice on Buying/Selling Farm Business	[]	[]
Livestock Taxation Advice	[]	[]
Computerized Accounting Systems Advice.....	[]	[]
Farm or Orchard Management Advice.....	[]	[]
Reminders for Tax Payable.....	[]	[]
Setting up Companies	[]	[]
Advice on potential of a Family Trust.....	[]	[]
Appropriate Trading Structure eg. Company, Partnership, Sole Trader, Trusts	[]	[]
Allocation of salaries or paying wages to family members for tax purposes	[]	[]
Advice on Use of Logbook for Private Motor Vehicle	[]	[]
Advice on Occupational Safety & Health Act.....	[]	[]
Advice on ACC Levies	[]	[]
Advice on Personal Investment	[]	[]
Advice on appropriate administration systems	[]	[]
Advice on Staffing Issues.....	[]	[]
Advice and help in Financial Restructuring.....	[]	[]
Interpretation of Financial Results from Annual Accounts	[]	[]
Covering letter interpreting the Annual Accounts	[]	[]
Advice on Capital Expenditure.....	[]	[]
General Advice	[]	[]
Annual visit to farm or orchard	[]	[]
Understanding Long Term Goals, Aspirations, Financial Security.....	[]	[]
Advice on Marketing Strategies	[]	[]
Help in liaison with Inland Revenue Department	[]	[]
Help in liaison with other Professionals	[]	[]
Help in liaison with other Government Departments.....	[]	[]
Provide advice on key business performance indicators & level of profitability	[]	[]

4. Farming involves some specialist areas of tax advice. We would like to know how often you use the following income adjustment opportunities and whether you explain these options to your clients.

How often do you use the following income adjustment options?

Please circle one answer for each statement

Never *Whenever Possible*

Livestock Taxation

- National Standard Cost Scheme.....	1	2	3	4	5	6	7
- Herd Scheme.....	1	2	3	4	5	6	7
- High Priced Livestock Scheme	1	2	3	4	5	6	7
Income Equalization Scheme	1	2	3	4	5	6	7
Deferral of Fertiliser Expenditure.....	1	2	3	4	5	6	7
Allocation of salaries between associated family members.....	1	2	3	4	5	6	7
Use of Money Interest	1	2	3	4	5	6	7
Depreciation Recovered.....	1	2	3	4	5	6	7
Taxable Value of Forestry spread backwards.....	1	2	3	4	5	6	7
- Sole Trader Structure	1	2	3	4	5	6	7
- Partnership Structure	1	2	3	4	5	6	7
- Company Structure	1	2	3	4	5	6	7
- Family Trusts.....	1	2	3	4	5	6	7
- Trading Trusts	1	2	3	4	5	6	7
Forestry Expenditure.....	1	2	3	4	5	6	7
Orcharding – New Planting Expenditure	1	2	3	4	5	6	7
Stores & Rations for Employees	1	2	3	4	5	6	7
Value of Accommodation to Employees for Tax Purposes	1	2	3	4	5	6	7
Paying wages to children.....	1	2	3	4	5	6	7

4.1 Do you explain these income adjustment options to your clients?

Please circle one answer for each statement

<u>Livestock Taxation</u>	<i>Never</i>	<i>Whenever Possible</i>					
- National Standard Cost Scheme.....	1	2	3	4	5	6	7
- Herd Scheme.....	1	2	3	4	5	6	7
- High Priced Livestock Scheme	1	2	3	4	5	6	7
Income Equalization Scheme	1	2	3	4	5	6	7
Deferral of Fertiliser Expenditure	1	2	3	4	5	6	7
Allocation of salaries between associated family members.....	1	2	3	4	5	6	7
Use of Money Interest	1	2	3	4	5	6	7
Forestry Revenue Spread of Income Backwards	1	2	3	4	5	6	7
<u>Land Purchase/Sales</u>							
- Depreciation Recovered.....	1	2	3	4	5	6	7
- Taxable Value of Forestry.....	1	2	3	4	5	6	7
<u>Advantages & Disadvantages of:</u>							
- Sole Trader Structure	1	2	3	4	5	6	7
- Partnership Structure	1	2	3	4	5	6	7
- Company Structure	1	2	3	4	5	6	7
- Family Trusts.....	1	2	3	4	5	6	7
Forestry Expenditure	1	2	3	4	5	6	7
Orcharding – New Planting Expenditure	1	2	3	4	5	6	7
Stores & Rations for Employees	1	2	3	4	5	6	7
Value of Accommodation to Employees for Tax Purposes	1	2	3	4	5	6	7
Paying wages to children.....	1	2	3	4	5	6	7

5. How easily do your clients understand their Annual Financial Accounts, in particular;

Please circle one answer for each statement

	<i>No Understanding</i>			<i>Very Well Understood</i>			
Profit & Loss Statement and How Taxable Income is arrived at	1	2	3	4	5	6	7
Livestock Reconciliation.....	1	2	3	4	5	6	7
Livestock Taxation Schedule	1	2	3	4	5	6	7
Depreciation Schedule	1	2	3	4	5	6	7
Difference between Taxable Income and Cash Result	1	2	3	4	5	6	7
Partners Current Accounts	1	2	3	4	5	6	7
Equity	1	2	3	4	5	6	7
Farm Business Performance	1	2	3	4	5	6	7
Key Benchmarks.....	1	2	3	4	5	6	7

Suggestions for improvements that could be made to the layout of farm accounts.

6. We would like determine the type of add on services you are currently providing and what type of add on services Primary Sector clients would be willing to pay for?

Please indicate with a ✓ to all that apply

	<i>Currently Provided</i>	<i>Will not provide even if client is willing to pay for this service</i>
Farm Survey with Other Farmers.....	[]	[]
Newsletters to Clients	[]	[]
Regularly, at least annually, Farm Consultant visits.....	[]	[]
<u>Inclusions in Annual Accounts</u>		
Financial Trend Statements over a number of years	[]	[]
Cashflow Statements.....	[]	[]
Taxation Payable and Due Date.....	[]	[]
Covering Letter with Annual Accounts	[]	[]
Reconciliation of Taxable Income to Cash Result	[]	[]
Graphs of Financial Results.....	[]	[]
Profit & Production Trend Statement over a number of years	[]	[]
Key Farm Business Performance Indicators	[]	[]
Farm Business Plan.....	[]	[]

7. How satisfied do you believe your clients are with your services?

Please circle one answer for each statement

	<i>Very Dissatisfied</i>							<i>Extremely Satisfied</i>
Understands their business	1	2	3	4	5	6	7	
Understanding of their on farm production and management systems	1	2	3	4	5	6	7	
Meets Deadlines	1	2	3	4	5	6	7	
Presents information/advice in a useable format	1	2	3	4	5	6	7	
Gives good accounting advice	1	2	3	4	5	6	7	
Gives good business advice	1	2	3	4	5	6	7	
Gives clear recommendations.....	1	2	3	4	5	6	7	
Gives advice you can rely on	1	2	3	4	5	6	7	
Provides practical solutions	1	2	3	4	5	6	7	
Makes yourself available to your client	1	2	3	4	5	6	7	
Keeps them informed of issues to be aware of.....	1	2	3	4	5	6	7	
Written letter after discussions.....	1	2	3	4	5	6	7	
Adds value to their business	1	2	3	4	5	6	7	

8. Would you be interested in professional development training for the following areas if it were available?

Please indicate with a ✓ to all that apply

	<i>Yes</i>	<i>No</i>
Financial analysis of farm accounts	[]	[]
Production and profit improvement practices for farmers – what and how	[]	[]
Key farm business performance indicators	[]	[]
Farm business planning opportunities for farmers	[]	[]
Tax planning opportunities for farmers	[]	[]
Writing covering letters to Annual Accounts	[]	[]

13. Looking at the communication with your client over the last year, what percentage of advice given by you was implemented by your client?

1	2	3	4	5	6	7
None	<10%	10 to 33%	34 to 50%	50 to 75%	75 to 99%	All

14. We would like to gain an understanding of why you think farmers change accountants, please comment.

15. What value do you place on being a practicing member of the Institute of Chartered Accountants?

<i>Very Low</i>								<i>Extremely High Value</i>	Please circle one answer
	1	2	3	4	5	6	7		

Please comment:

16. Is the requirement for 20 Hours of CPD a good prerequisite for being a member of the Institute of Chartered Accountants of New Zealand?

<i>Strongly Disagree</i>								<i>Strongly Agree</i>	Please circle one answer
	1	2	3	4	5	6	7		

We would like to gain an understanding of the purpose and use of Annual Accounts..

Please circle one answer for each statement

	<i>Disagree</i>							<i>Strongly Agree</i>
Taxation purposes.....	1	2	3	4	5	6	7	
Useful in managing the farm business.....	1	2	3	4	5	6	7	
For financial planning.....	1	2	3	4	5	6	7	
For the Banker.....	1	2	3	4	5	6	7	
To understand the present financial position.....	1	2	3	4	5	6	7	
For comparison to previous year(s)	1	2	3	4	5	6	7	
Other, please list::	_____							
