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**Business is not
always rosy for
accounting firms.**

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Business is not always rosy for accounting firms

The Star, Friday, 10 Sep 2021

ACCOUNTANCY is commonly perceived as a recession-proof profession because all nature of businesses require the services of accountants.

Recession-proof is defined as being economically resistant to the effects of a recession.

Therefore, on the basis of its functions, there is a strong argument that accountancy is recession-proof. This then leads to the perception that accounting firms are recession-proof.

However, it must be understood that accounting firms serve businesses, and most businesses are not recession-proof, much less pandemic-proof.

For some mysterious reason, it is the perception of many that not only are accounting firms doing well during this pandemic, but they are also deemed to be making windfall profits.

The landscape of accounting firms is not homogeneous, hence there will be firms that would be doing better due to their client mix, organisation structure and other reasons. However, the majority are small and medium practitioners (SMPs) that service small and medium enterprises (SMEs).

Currently, majority of SMEs are suffering from the effects of the lockdowns instituted by the government to control the spread of Covid-19, as they are unable to effectively adapt to working from home due to lack of prior investment in IT or the nature of their operations.

Consequently, SMPs who service them are affected as well. It is easy to say that SMPs must digitalise (which is true), but it is often forgotten that the clients they serve are unwilling or unable to take the digital leap.

The primary expenditure of SMPs is salaries, as they are manpower-driven organisations. And salaries cannot be reduced or deferred easily even when the revenue of SMPs is declining.

At the same time, SMEs suffering from the effects of the lockdown would be either unable or unwilling to pay accounting fees, leaving the SMPs with a cash flow crunch.

SMPs also face the prospect of uncollectible accounts when clients close down their businesses.

Some would argue that liquidation is another source of revenue, but not all companies can afford to engage a private liquidator nor are many SMPs in a position to provide such services.

At the same time, SMPs must also face professional challenges because quality of work cannot be compromised despite the difficult operating environment, which manifests in different expectations between the clients and the professionals.

The regulators expect accountants to be more vigilant during this fluid and volatile environment whereas clients expect them to be more understanding for the same reason.

Like most other businesses, SMPs are suffering from the effects of the pandemic and lockdowns. We are not immune, so please spare a thought for us.

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