



Factors Influencing Hesitation to Gain Quality Accreditation of Thai Accounting Firms in Lower-Northern Region

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Abstract

Accounting profession is one of several professions that have been liberalised across ASEAN. For many years, in order to promote the credibility and quality of accounting service in Thailand, the Department of Business Development has introduced the accounting quality accrediting programme for accounting firms that provide bookkeeping services to acquire. Granting accreditation would benefit accounting professions in terms of credibility of accounting services. Accordingly, the clients of accounting firms, especially SMEs, would gain good quality of financial information for making a sound business decision. However, throughout the country there has been a somewhat small number of accounting firms accredited which raises question about difficulties of Thai accounting firms to acquire accreditation. The objective of this study is to gain insight into factors that influence the hesitation to gain quality accreditation of accounting firms that provide bookkeeping services in Thailand. Based on a qualitative field study focusing on the interviews of 24 accounting firms in the lower-northern region of Thailand, the study finds four factors that apparently influence their hesitation including 1) costs of gaining the accreditation, 2) unprepared working system and staffs, 3) a concern over business data privacy, and 4) an influence of tax law on accounting practices.

Keywords: Bookkeeping Services, Quality Control, Service Standard, Quality Accreditation

Introduction

In Thailand, to promote the accounting service quality of Thai accounting firms, especially those who provide bookkeeping services (hereafter accounting firms), the Department of Business Development (DBD) initialised a quality accreditation programme by promulgating criteria and conditions for accounting firms to comply with in 2007. It has been around ten years since the programme started, but only a small number of accounting firms have been accredited. Though the programme is on a voluntary basis, a somewhat small number of accredited firms cast doubt about factors that possibly influence accounting firms' decision to gain such accreditation.

Few studies regarding accounting quality control has been conducted in Thailand. For example, there has been the study of Ruangsaengrob & Srijunpetch (2009), but it focuses on accounting firms that provide assurance services. Dokmaithong & Phetruen (2017) by conducting a mail survey, report the levels of readiness for quality accreditation of accounting firms. However, little attention has been paid to problems of accounting firms in pursuing quality accreditation. Therefore, it is possible to gain more insight into the accreditation of DBD by means of interview research to obtain in-depth data from accounting firms.

The objective of this study is to gain insight into factors influencing the hesitation to gain quality accreditation of accounting firms that provide bookkeeping services in Thailand. The findings of a qualitative field study focusing on the interviews of 24 accounting firms in the lower-northern region of Thailand including 17 unaccredited firms and seven accredited firms are reported. The finding may shed some light for DBD about the problems of accounting firms and may benefit DBD as for policy setting regarding accrediting programme.



The remainder of this paper is organised as follows. The following section provides background information about the accounting accreditation and related literature. The third section describes the research methods. This is followed by a discussion of the findings. The paper ends with conclusions.

Literature Review

SMEs and Accounting Firms

In 2015, Thai SMEs constituted of around 41% of the national GDP—29% for small and 12% for medium enterprises (Office of Small and Medium Enterprises Promotion (OSMEP), 2015) which could be considered important to the country's economy. However, SMEs tend to lack accounting personnel (United Nations, 2000). As accounting is mandatory by the Commercial law, one solution for them is to outsource accounting function to accounting firms. So accounting firms seem to play an important role in preparing routine accounting and financial reports for SMEs. Akathaporn, Novin, & Abdolmohammadi (1993) point out that SMEs have little knowledge about the role of accounting and prepare accounting information for solely tax purposes. Consistently, Vichitsarawong, Eng, & Meek (2010) also mention the significant impact of tax law on financial statements of Thai firms. If this is the case, SMEs may expect their accounting firms to solely fulfil tax requirements rather than to prepare financial statements that comply with the Thai accounting standards and therefore the accounting information of SMEs may not be fairly presented.

Theoretically, improving the quality of accounting service not only increase the competitiveness of Thai accounting firms in the era of ASEAN accounting liberalisation but also benefit SMEs for good accounting information which would lead to effective business decisions. Furthermore, the good quality accounting information also gives the government a sound picture of SMEs economic data to manage the economy and to fairly collect tax (United Nations, 2000).

Quality Control of Accounting Firms in Thailand

Quality control of accounting firms in Thailand can be separated into two sets; for those who provide bookkeeping services and for those who provide assurance services. Before accounting service liberalisation in ASEAN, DBD, in order to promote the credibility and the quality of accounting services, announced a quality accreditation programme for accounting firms. The programme initialised in 2007 when DBD announced The Notification of Criteria and Conditions for Accounting Firm Quality Certification, B.E. 2550 (2007). Such notification has been revised and the updated version has been announced since 2015.

DBD defines a quality control system as “a system that sets policies, objectives and procedures to meet the objectives in order to direct and control the organization so that the quality of accounting services are in compliance with laws and accounting standards.” (Department of Business Development (DBD), 2015, p. 2) As shown in Table 1, the system is adapted from the Thai version of the International Standards of Quality Control (ISQC 1) (Federation of Accounting Profession (FAP), n.d.) plus an additional component related to document management (i.e. the filing system). In addition, the control system has to comply with ISO 9001: Quality Management. An accounting firm has to fulfil such standard and pass auditing by assigned examiners. After passing the assessment, DBD will publicise accounting firm's profile as an accredited firm on the DBD's official website, the firm will obtain a 3-year certification with a right to use the accrediting logo. Department of Business Development (DBD) (n.d.) content that the accreditation would lead to an increase in revenue of accredited accounting firms. However, the criteria focus not only on the seven components but also mention that accounting firms in order to prepare



financial reports for their clients must be in line with the Thai accounting standards. As discussed earlier, tax law seems to have strong influence on accounting practices in Thailand, so it could be noted that this tax issue may be one of the critical problems of accounting firms.

Table 1 Components of Quality Control

ISQC 1	DBD Quality Control
Leadership Responsibilities	Executive Responsibilities
Relevant Ethical Requirements	Ethical Requirements
Acceptance and Continuance of Client Relationships and Specific Engagements	Processes Relating to Accounting Firm Customers
Human Resources	Resource Management
Engagement Performance	Operation
Monitoring	Monitoring and Audit
	Filing System

Source: International Standard on Quality Control 1 and the Notification of the Department of Business Development on Criteria and Conditions for Accounting Firm Quality Certification, B.E. 2558 (2015)

Considering the seven components of the control system, Dokmaithong & Phetruen (2017), based on a mail survey of unaccredited accounting firms located in the lower-northern region of Thailand, the survey asked whether firms have a working system that complies with the seven components necessary for the accreditation. The findings show that unaccredited accounting firms seem to have a sound work system and the authors contend that accounting firms in the region have potential to be accreditation firms.

In terms of the assurance services, FAP enforced ISQC 1 in 2013 requiring auditing firms to have control system. Literature reports a positive feedback from auditors about the enforcement. Ruangsaengrob & Srijunpetch (2009) find that non-big-4 auditors who have a licence granted by the Securities and Exchange Commission (Thai SEC) to audit listed companies on the Stock Exchange of Thailand are positive with ISQC 1. The selected auditors suggest that ISQC 1 possibly leads to an improvement in audit quality and a reduction in related auditing risks, though it would lead to additional costs of setting up such control system.

While ISQC 1 of FAP is mandatory for assurance firms, the quality accreditation programme of DBD (for bookkeeping service firms) is on a voluntary basis. It has been around ten years since the programme started in 2007, however, there has been a relatively small number of accounting firms accredited. As of March 2017, Thailand has 4,065 accounting firms that provide bookkeeping services, but only 142 firms (around 3.5%) have been accredited (Department of Business Development (DBD), 2017a; 2017b). A relatively small number of accredited firms cast doubt about factors that influence the decision of accounting firms to gain the accreditation.

Research Method

Interview Design and Delivery

This study uses interviews for data collection. The subjects are the owners of accounting firms located in the lower-northern region of Thailand. In qualitative research, the number of interviews required in each academic field generally vary. Literature suggests around 5–25 interviews for phenomenological studies (Polkinghorne, 1989 as cited in Creswell, 2013, p. 81). Creswell (2013) suggests that grounded theory may require around 20–30 interviews for data to saturate. Therefore, this study expects sample of not less than 20 interviews. The



first 3–4 accounting firms for a province with several accounting firms were approached and around 1–2 firms for a province with few accounting firms. Accredited firms were included for interviews to gain perspectives that may be different from those of unaccredited firms. In total, thirty accounting firms across the lower–northern region listed on the DBD’s website were approached but six declined to be interviewed. Out of 24 accounting firms that agreed for the interview, 7 firms have been accredited.

The 24 semi-structured interviews of around one hour were held at each accounting firm with the understanding that the identity of the firms and owners will remain anonymous. At the beginning of the interview, interviewee was asked for general information including experience in the accounting business, the form of his/her business entity, and the number of clients. Then the research questions were asked to gain his/her opinion on the accreditation programme including benefits and factors influencing the decision to gain/not to gain the accreditation. Interviews were tape recorded upon approvals by the interviewees. After transcribing, two researcher separately conducted manual analysis of the transcriptions to identify key statements. Then the two discussed for an agreement of the key findings.

Results

Table 2 Characteristics of the Survey Participants

	All Firms		Accredited Firms	
	Count	Percent	Count	Percent
Sex				
Female	15	63	5	71
Male	9	37	2	29
Total	24	100	7	100
Work Experience (Years)				
10 to 20	8	33	3	43
21 to 30	13	54	3	43
> 30	3	13	1	14
Total	24	100	7	100
Forms of Business				
Ordinary person or group of persons	14	58	1	14
Limited Partnership	3	13	0	0
Company	7	29	6	86
Total	24	100	7	100
Number of Clients (Approximate)				
< 50	2	8	0	0
51 to 100	10	42	3	43
101 to 200	10	42	3	43
> 200	2	8	1	14
Total	24	100	7	100

Sample Characteristics

From Table 2, more than half of the interviewees are female (63%), the majority has accounting experience from 10 to 30 years (87%). The interviewees’ firms are formed as an ordinary person or group of persons and limited partner of around 71% while the rest is formed as a company (29%). The size of accounting firms are



somewhat small with not over 100 clients (50%) and around 42% for the middle size with 101 to 200 clients. Considering only accredited firms, the majority of interviewees are the female owners (around 70%), have experience in accounting business from 10 to 30 years (86%), and formed their business as a company (86%). Almost half of accredited firms (43%) have around 51 to 100 clients.

Opinions on Quality Accreditation

From the interview, all interviewees in general are positive with the accreditation programme which is consistent with the findings of Ruangsaengrob & Srijunpetch (2009) regarding the quality control of assurance service. The interviewees suggest that the accreditation may promote the quality of accounting services resulted from the required control system and this may lead to the credibility of Thai accounting firms. For example, the interviewees state “I agree with the programme for it may contribute to an improvement in the credibility of firms.” (interviewee no.07); “It would promote the credibility of the firms which is an important determinant of accounting services.” (interviewee no.16); “SMEs would be confident that they would gain a better service.” (interviewee no.13).

However, the findings show that the ability of DBD to supervise accredited accounting firms seems to be in question. There are some interviewees that doubt about the ability of DBD to supervise accredited firms over the 3-year period of the granted licence in that if DBD’s supervisory mechanism is lax, the service quality of firms would possibly vary. One interviewee expresses that “If DBD has a measurement to supervise accredited firms over the accreditation period, the image of accounting profession would improve, otherwise accredited firms would do window dressing around the period of accreditation renewal” (interviewee no.09) and another one suggests that “DBD has to follow up and to have a control mechanism, not solely a temporary action.” (interviewee no.12).

Furthermore, from interviewing, it suggests that clients expect from accounting firms solely services that bring no issues with the Tax authority. One interviewee points out “clients are indifferent to service quality and only expect accounting services that brings them no problem with tax regulators.” (interviewee no.19). Another one states that “SMEs are concerned over tax law rather than the requirements of DBD [to comply with accounting standard].” (interviewee no.10). The findings confirm the strong influence of tax on accounting practices reported in prior literature (e.g. Vichitsarawong, Eng, & Meek, 2010), so it may be challenging for DBD to bring about SMEs’ financial reports that comply with the Thai accounting standards.

Benefit of Quality Accreditation

Firstly, interviewees were asked whether they have learned about the benefit of the accreditation discussed earlier. The majority are knowledgeable about benefits provided by DBD after accredited. After that, the questions were asked for an opinion about the benefit. From the interview, many are uncertain whether accounting firms would benefit from the accreditation, especially in terms of gaining more clients as claimed by DBD. Additionally, the findings show that trust seems to play an important role in maintaining the relationship between accounting firms and clients. Many opine that new clients were usually gained through word-of-mouth referrals so the accreditation hardly leads to new clients. For example, the interviewees express “Around 90% of my new clients were from word-of-mouth referral.” (interviewee no.20) and “If SMEs want accounting services they will consult their business friends rather than search the internet so publicising our profiles tends to contribute to no benefit at all.” (interviewee no.23).



Interestingly, one interviewee suggests that the related government bodies (e.g. the Department of Business Development) should first educate SMEs about the importance of accounting information for the business so that SMEs would automatically influence accounting firms to apply for quality assurance or hire accredited accounting firms which would ultimately benefit accredited firms. For instance, “DBD and FAP have to educate SMEs about the benefit of good quality accounting information.” (interviewee no.12).

Important Factors

On the question of factors that influence an intention to gain/not to gain the accreditation, the findings show that cost and readiness (i.e. non-standard working system, unprepared staffs) are the first two main factors that lead to a hesitation. One interviewee suggests “Personnel are the main factor; the assessment fee is high and it has to be paid annually.” (interviewee no.24). From the demographic characteristics of interviewees, the explanation for the concern over additional costs may be that they are relatively small (considering the number of clients) so it may be difficult to afford additional costs or to pass such cost to clients. Another one points out “A working system is the main problem, few firms have a working system that complies with the ISO quality management standard.” (interviewee no.12). Our findings are not consistent with those of Dokmaithong & Phetruen (2017) which find that accounting firms in the region have a good working system.

On the other hand, factors that influence accredited firms to gain the quality accreditation including willingness and cooperative staffs. For example, interviewees state “I have to ask my staffs first whether they have an intention to participate in an accreditation process.” (interviewee no.14) and “I want to improve my working system to satisfy my clients” (interviewee no.20). Interestingly, accredited firms believe that unaccredited firms may hesitate about the accreditation because of the concern over business data privacy in that unaccredited accounting firms are unlikely to disclose not only financial information of their own and client’s but also poor work system during the accreditation auditing process. For example, “Unaccredited firms may not want to reveal their business data to the examiners.” (interviewee no.21) and “Unaccredited firms do not want to show their poor working system” (interviewee no.11).

Furthermore, unaccredited firms were asked for factors that possibly lead to gaining accreditation of the firms. The findings show that most unaccredited firms would gain the accreditation when the programme is legally enforced. For instance, interviewees note “if it is mandatory” (interviewee no.09); “we will gain accreditation when it is mandatory” (interviewee no.12); “We are fine with our present status and it is not mandatory” (interviewee no.17). The interviewees also opine that giving more benefit and reducing assessment fee would encourage more unaccredited accounting firms to gain the accreditation such as “If the assessment fee a bit decreases” (interviewee no.10) and “Presently, I see only cost rather than benefit so DBD should grant more benefit.” (interviewee no.18).

Conclusion and Suggestions

The main objective of this study is to gain insight into factors that may influence the hesitation to gain quality accreditation of accounting firms that provide bookkeeping services in Thailand. From the interview with 24 owners of accounting firms in the lower-northern region of Thailand, the results show that though accounting firms are positive with the accreditation programme of the DBD, many apparently express concern over additional costs of the accreditation process. Unaccredited accounting firms also have problems with their readiness not only from their working system that does not comply with the standards required by DBD but also unprepared



personnel. In addition, they are disinclined to reveal business information not only their own and client's business data but also their poor working system. It is possible to note that tax influence on accounting practices would be one explanation for unwillingness because it may be difficult to be in line with Thai accounting standards as what clients expect is avoiding tax issues. Finally, educating SMEs for the benefit of good accounting information would partly be a crucial mission of regulatory bodies.

The results from the study possibly add to literature about accounting quality control in Thailand and may shed some light for DBD to improve, for example, accreditation criteria and process. However, since this study focuses on accounting firms in the lower-northern region of Thailand, the findings may not be generalised to the whole country. Future research may extend sample of accounting firm in other regions to gain more insight into the problems of accounting firms in acquiring quality accreditation.

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