<table>
<thead>
<tr>
<th>Title</th>
<th>Irish Published Accounts under Scrutiny</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authors(s)</td>
<td>Brennan, Niamh; Pierce, Aileen</td>
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Published accounts are subject to more scrutiny than ever before due to increased interest in, and understanding of, accounting issues by financial analysts, business commentators and the financial press. Discussion of accounting issues in national newspapers and business magazines is now commonplace. The goodwill debate, brands accounting and off balance sheet financing are some of the more recent controversial issues. Apart from significantly increased regulation following implementation of the EC Fourth Directive and 20 years of standard setting, there is a movement to encourage voluntary disclosures and improved financial reporting; events such as the Published Accounts Award organised by the Leinster Society of Chartered Accountants are part of this movement.

The recent publication of “A Survey of Irish Published Accounts” is the first independent assessment of accounting and disclosure practices of Irish companies. The survey was launched by the Minister for Industry and Commerce, Mr. Desmond O'Malley, T.D. on April 24th last at a reception in University College Dublin. The Minister welcomed the survey and said that “it provided a comprehensive body of information which can be used to judge compliance with standards, to identify problem areas in standards and to develop best practice”. He went on to say that the Irish accountancy profession would find the survey a valuable resource document when contributing to the deliberations of the international accounting standards committee, FEE, and other international organisations.

Origins of the survey

The Irish Accountancy Educational Trust was established in 1981 by the Institute as an independent trust to promote and facilitate the development of accountancy. The Trustees advertised in the July 1988 issue of “Accountancy Ireland” for applications from persons interested in carrying out a survey of published accounts in Ireland similar to the annual survey of the English Institute.

Niamh Brennan, Frank O'Brien and Aileen Pierce, of the Accountancy Department, University College Dublin submitted a proposal which was accepted by the Trust in October 1988, and it agreed to fund the research. The Trustees recommended that Robert Kirk of The Queen's University, Belfast be asked to join the project team so that the Northern Ireland perspective would be covered.

The authors were extremely fortunate that the timing coincided with the return of Brian O'Kane to Ireland from the UK, where he had been editor of “Accountancy”. Brian, a member of the Institute, founded Cork Publishing during 1989 and took on the survey as his first major publishing venture. His contribution to the survey, given
his considerable publishing and editing experience, combined with his accounting background, was invaluable.

The survey in draft was reviewed by Geoffrey Holmes, former managing editor of “Accountancy” and a director of Cork Publishing. Alan Molony, the Irish representative on the Accounting Standards Committee and a former partner in Craig Gardner & Co., also reviewed the survey and has written the foreword.

**Objectives of the survey**

The survey had a number of objects:

- Analysis of the extent of conformity of Irish published accounts with statutory and professional regulatory requirements.
- Review of current reporting practice.
- Examination of practice in potentially contentious areas.
- Establishment of a base against which future trend in practices can be compared.
- Provision of examples of “best” practice.
- Provision of a basis for further research.

**Scope of the survey**

As this was the first such Irish survey, the authors decided to conduct a comprehensive study of all major annual report items. A list of contents is shown in Table 1. This approach is somewhat different from the well-known UK survey of published accounts which only deals with a limited number of selected topics each year. The UK approach facilitates an in depth review of the selected topics. The authors favour a similar narrowing of the scope of future Irish surveys.
TABLE 1 A Survey of Irish Published Accounts

List of contents
Introduction
Accounting Policies
Profit and Loss Account
Taxation
Stocks and Contract Work-in-Progress
Tangible Fixed Assets
Investment Properties
Leases and Hire Purchase
Intangible Fixed Assets
Exploration Costs
Financial Assets
Liabilities
Share Capital and Reserves
Group Accounts
Associated Companies
Foreign Currency
Pension Costs
Post Balance Sheet Events
Funds Statements
Directors’ Reports
Historical Summaries
Segmental Disclosure
Off Balance Sheet Financing
Related Party Transactions
Value Added Statements
Current Value and Social Reporting
Audit Reports

Selection of the accounts to be surveyed

The survey included the accounts of all Republic of Ireland and Northern Ireland listed companies, UK registered companies listed on the Irish Stock Exchange and large commercial semi state companies which published accounts during 1988 (the first year the Companies (Amendment) Act 1986 applied). Consequently, a small number of listed companies were excluded, such as Fitzwilton which did not publish accounts in 1988.

All these companies were requested to send four copies of the accounts published during 1988. In a small number of cases the accounts were only forthcoming after numerous follow up letters and telephone calls. One listed company did not provide accounts and had to be omitted. Generally, however, companies were cooperative and some even enthusiastic about the project!

These criteria resulted in the inclusion of 125 accounts in the survey with year ends from 31/3/1987 to 31/10/1988. Two of the 31/10/1988 year ends were in fact published in the first two weeks of 1989 and were included because of the arbitrary cut-off date.
The 125 accounts were categorised into large, medium, semi-state and financial. Large companies were defined as companies with listed ordinary shares whose turnover exceeded IR£85 million. Table 2 shows the analysis into categories and also shows the legislation under which the companies reported.

**TABLE 2: Analysis of participating companies into categories and legislation under which they reported**

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Large</th>
<th>Medium</th>
<th>SS</th>
<th>Financial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies Acts 1963-86</td>
<td>8</td>
<td>54</td>
<td>13</td>
<td>10</td>
<td>85</td>
</tr>
<tr>
<td>Companies Acts 1963-83</td>
<td>3</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Companies (NI) Order 1986</td>
<td>-</td>
<td>8</td>
<td>5</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>UK Companies Act 1985</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td><strong>15</strong></td>
<td><strong>69</strong></td>
<td><strong>27</strong></td>
<td><strong>14</strong></td>
<td><strong>125</strong></td>
</tr>
</tbody>
</table>

**Organising the project**

Topics to be dealt with were identified and allocated to each author, with Aileen Pierce responsible for coordination. Initially, Robert Kirk was to deal with aspects of the accounts peculiar to Northern Ireland but it quickly became apparent that similarities were more common than differences between Republic of Ireland and Northern Ireland companies and that an integrated approach was necessary. Each author, therefore, was responsible for both Republic of Ireland and Northern Ireland regulatory framework and accounts.

With four authors it was inevitable that there would be different writing styles. Consequently, a standard chapter format and standardised terminology and abbreviations were adopted. After an introductory paragraph, each chapter commences with a regulatory framework section which sets out the accounting and disclosure requirements under both Republic of Ireland and Northern Ireland legislation and under SSAP and Stock Exchange requirements. This is followed by survey results containing tables, comment and examples to illustrate various points. The survey has over 170 tables and over 300 examples.

The table layout was also standardised to the greatest possible extent. Most commence with the total number of accounts surveyed. Accounts, to which the table does not apply, are excluded.

**Qualified audit reports**

An example is shown in Table 3 on qualified audit reports. Of the 125 accounts surveyed 94 (75%) had unqualified audit reports. There were four unqualified audit reports in which the auditors drew attention to matters of importance. The table indicates the nature of these important matters. The survey gives extracts from all four audit reports and compares the wording with that recommended by L102 “The audit report”.
TABLE 3: Qualified and unqualified audit reports in the survey

<table>
<thead>
<tr>
<th>Accounts surveyed</th>
<th>Large %</th>
<th>Medium %</th>
<th>SS %</th>
<th>Financial %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15</td>
<td>100</td>
<td>69</td>
<td>100</td>
<td>27</td>
</tr>
<tr>
<td>Unqualified</td>
<td>14</td>
<td>93</td>
<td>45</td>
<td>65</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>56</td>
<td>21</td>
<td>21</td>
<td>42</td>
</tr>
<tr>
<td>Unqualified with reference to important matters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
- outcome of possible legal action | 1 | 7 | - | - | - | - | 1 | 1 |
- Government commitment to commercial viability of the company | - | - | - | 2 | 7 | - | - | 2 | 2 |
- legislation possibly affecting valuation of investments in related companies | - | - | 1 | 1 | - | - | - | 1 | 1 |
| Total              | -       | -        | 1    | 1           | 1      | 1 |

Qualified-fundamental
- Realisable value of intangible assets | - | - | - | 1 | 100 | 1 | 4 |
- Going concern | - | - | - | 1 | 33 | - | - | 1 | 4 |
- Outcome of court proceedings | - | - | - | 1 | 33 | - | - | 1 | 4 |
- Exceptional write off relating to current or previous year | - | - | - | 1 | 34 | - | - | 1 | 4 |
- Realisable value of intangible assets in balance sheet | - | - | 1 | 56 | 100 | 1 | 4 |
- Departure from SSAP - investment properties not revalued annually | - | 1 | - | 1 | 4 |
- Inclusion of unaudited results | - | - | - | 1 | 4 |
- Valuation of investments | - | - | - | 1 | 4 |
- Realisable value of intangible assets and going concern | - | - | - | 1 | 4 |
- Outcome of insurance claim | - | - | - | 1 | 4 |
- Disagreement - not fundamental | - | - | - | - | 1 |
- Departure from SSAP - treatment of capital grants | - | - | 1 | 4 |
- -non-depreciation of certain buildings | - | - | 1 | 3 |

*This audit report also draws attention to the possible sale of the company and to going concern assumptions depending on continued financial support from Government.

There were 27 (21%) qualified audit reports. The large number of qualifications is partly explained by the high proportion of exploration companies surveyed - 16 of the 17 companies engaged in oil and gas exploration activities had their accounts qualified on the grounds of uncertainty of the realisable value of the intangible assets in the balance sheet. One of the 16 also received a going concern qualification from the auditors. Reasons for other qualifications are shown in Table 3. Only one qualification was considered fundamental by the auditors. The auditors of Sportsfield Equipment were unable to form an opinion on the accounts because of the uncertainty of the recoverability of development expenditure deferred of IRL514,077. The survey reproduces nine of the 27 qualified audit reports by way of example.

**Findings of the survey**

Given the comprehensive nature of the survey, it would be difficult to summarise the findings relating to compliance with legislation and standards or to highlight concisely the diversity of practice found. In general terms, companies complied with requirements but technical breaches were found.
**Future directions**

The authors hope to continue to survey Irish published accounts on a regular basis, probably every two years. Future surveys are unlikely to be as comprehensive as the first. The UK approach of examining selected items of topical interest may be adopted, depending on readers' reactions. This would enable selected issues to be examined in greater depth with particular emphasis on recent standards and legislation, on the work programme of the accounting standards committee/board and on forthcoming EC directives.

The authors would welcome readers' reactions and suggestions on the survey. Apart from the practical benefit of improving the next survey, it will provide hard evidence that someone has read the book!