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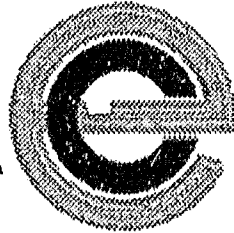
GO TO [⇒ Main Menu](#) [Search](#) [Strategis](#)

[⇒ Business Information by Sector](#)  
[⇒ E-Commerce in Service Industries](#)

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E - Commerce in  
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## E-Commerce in the Accounting Industry - Start Yesterday

The Internet economy in Canada is projected to grow dramatically from \$28 billion to as much as \$155 billion by 2003. (Source: Boston Consulting Group). Accountants must prepare for the new economy to serve their clients as well as improve their practices. As Robert Gold, CA of Bennett Gold, Chartered Accountants, ([www.BennettGold.ca](http://www.BennettGold.ca)) advises "*The reality is accountants have to get in touch with what is happening. More accountants will have to get modernized with access to technology. More practitioners will have to adopt and use the Internet. Accountants will have to be prepared to receive data electronically, especially for new business. Accountants must be prepared to use the Web imaginatively and learn how to present themselves best.*"

This web page is directed towards public practitioners who are not involved in electronic commerce or involved only in a limited way. It is intended to illustrate some of the benefits practitioners derive from the use of electronic commerce. The information is a summary of telephone discussions with the three major national accounting bodies, representative provincial organizations and recommended practitioners. The practitioners interviewed were considered leaders in their field by their representative bodies and ranged in size from sole practitioners to one of the major accounting firms.

### Applications and Benefits

Practitioners interviewed were unanimous that electronic commerce had

***Tax returns:*** Productivity increases in preparing tax returns range from 25% to "over double" with e-filing.

***Information Transfer:*** Practitioners use e-mail for mail outs and to transfer general information to and from clients. This saves time and costs, and delivers time sensitive information instantaneously.

***Transferring client records:*** Practitioners use secured Internet e-mail or their own web site to transmit trial balances, spread sheets and other sensitive files from client to accountant. Having client systems automated and/or having the client prepare entries and transferring the information to the accountant via secured e-mail, has increased productivity. "As clients become more sophisticated practitioners do less mundane and more professional level work. Entry level staff have moved up in skill level and productivity grows more quickly."<sup>[1]</sup>

***Retaining Staff:*** Transferring files to remote or work at home staff. One rural practitioner, transfers files to staff who work out of their homes, some as far as 200kms (125 miles) from his office. He advises "the biggest productivity increase is from not "losing" staff who either decide to stay home with children or move with their spouse. This has not only decreased training costs for new staff but also allowed him to retain staff in a small rural centre where it is almost impossible to hire. Additionally, production has risen and a much better appreciation of the technology has been developed. This helps staff in supporting clients with technology issues."<sup>[2]</sup>

***Staff utilization:*** "In a multi branch practice the Internet is used to transfer files (secured) between branches. If staff is overloaded in one location but time is available in another location, the file is transferred. This is a tremendous saving."<sup>[3]</sup>

***Audit efficiency:*** Accessing audit software saves time and increases reliability with analysis, charting and reporting. "The major firms have their own proprietary software available over their own Intranet. In addition, there is a wealth of information over the Internet available to all accountants through the security exchanges. This improves reliability by providing consistency of information for comparative or corroborative purposes or bench marking"<sup>[4]</sup>

**Accessing advice:** Being a member of a technical "chat" groups allows the practitioner to either get an answer on a technical issue immediately or be directed more quickly to the appropriate source for the research.

**Building and Transferring Knowledge, Adding Value:** "Intranet applications allow the major firms to build knowledge that is quickly available to other firm members. Subscriptions are made to specific search engines, and client related articles are passed on to the client. Web sites are evaluated and listed as to appropriateness or effectiveness, saving the next staff member's time. Proprietary audit software can be made available to firm members in any location in the world. A big use of the intranet is around proposals. If you have employees around the world, you need to know whom you can tap. Data-bases of employees' skill sets from around the world can be developed which the firm draws on in submitting proposals."<sup>[5]</sup>

**Research:** Accountants use web access to research sites such as the Revenue Canada web site, accounting bodies' web sites for current Handbook information or magazine articles, analysis of federal/provincial budgets etc. In all cases the most current information is available instantly rather than waiting. "We have to do this to keep up. There is a cost for not being current."<sup>[6]</sup>

**Web sites:** All the nationals, mid-size and some of the smaller practitioners have their own web sites. These are used to maintain existing, and attract new clients by the provision of information demonstrating professional competence and expertise, and to differentiate the firm from its competitors. "We put resources separately on our web site for the public, and also for our practice. *We believe this us gives a competitive advantage.*"<sup>[7]</sup>

**Maintaining client loyalty:** Some firms subscribe to search engines or data collectors. These search regularly for keyed in information specific to clients and the information is passed on to that client. This helps to maintain the firm's presence by providing information of value.

**Creating Opportunity: Maintaining and Growing clients:** "There was an article in Electronic Commerce World magazine that discussed savings realized by the oil industry through application of business to

business e-commerce. One major oil company reportedly reduced processing cost to one sixth of paper costs, saving \$4 million per year. *The bottom line is that the small oil service firms have to integrate e-commerce into their operations if they want to deal with large oil companies. The large companies tell the small companies "get on or get out." For our clients we had to be very proactive in working with the software companies to establish integrated cost effective business to business e-commerce systems. This was actually the beginning of our technology practice. Our clients grew and **our client base grew.***  
Kent Sabine FCGA, Evancic Perrault Robertson, Certified General Accountants (<http://epr.ca>)

## **Applications: Accounting Bodies**

All three accounting bodies have established task forces to look at the strategic issues for their members and prioritize a number of initiatives. All three bodies have web sites to provide information, products and services to their members over the Internet.

For example, **CMA Canada** ([www.cma-canada.org](http://www.cma-canada.org)) has established a Virtual Learning Centre. It includes six professional development courses which will be delivered over the Internet. This involves delivery of the courses, registration, billing and payment (voluntary). Also, in partnership with the Bank of Nova Scotia and Industry Canada, CMA Canada has established a Virtual University For Small and Medium Enterprise. Members will be able to take short management courses over the Internet in English, French or Spanish on a variety of topics including guidelines on how to use the Internet to do business more efficiently and profitably. Additionally in the CMA Strategic Leadership program students will be registering for courses, making payment (voluntary), receiving course material, and completing assignments over the Internet. This will eliminate time constraints for delivery and receipt of assignments.

**The Canadian Institute of Chartered Accountants** ([www.cica.ca](http://www.cica.ca)) in cooperation with the American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org)) has developed "WebTrust" ([www.cica.ca/WebTrust](http://www.cica.ca/WebTrust)) This new assurance service is designed to address the insecurities of consumers who want to engage in electronic commerce. To earn the right to display the WebTrust seal on its web site, the business entity must comply with all the WebTrust principles and be verified by a licensed chartered accountant. The CICA also sponsored the first World Congress on the Management of Electronic Commerce at McMaster University, and will be sponsoring additional training and conferences. Professional development is offered to CAs on an ongoing basis on business to

business and business to consumer e-commerce. The Institute has a number of publications about e-commerce in its products catalogue, and regularly publishes useful articles in its monthly magazine, *CAMagazine* ([www.CAMagazine.com](http://www.CAMagazine.com))

**The Certified General Accountants Association of Canada (CGA- Canada)** ([www.cga-canada.org](http://www.cga-canada.org)) became the first accounting body in the world to deliver a program of professional studies as a combination of print and Internet. Students can deliver assignments, receive feedback, and are also members of chat groups over the Internet. CGA-Canada provides e-commerce information in its CGA magazine, member newsletters, publications and its web site. CGA-Canada has had an electronic commerce theme in its last two national conferences and will do so again at its national conference in July. CGA-Canada recently launched an online tool to help its members assess their professional development needs, and the Association will soon be launching its first online seminar for members.

The various provincial organizations all have web sites, some offering membership fees and payment options, registration in professional development courses and conferences, electronic newsletters and other services.

## The Future

**Tax Returns:** The electronic filing of personal income taxes has grown dramatically with

5.4 million returns being filed electronically for 1998. The vast majority of these were prepared by professionals. The potential impact on the accounting profession of increased computer literacy and free tax software such as [www.cooltax.com](http://www.cooltax.com) available over the Internet is not known.

**New Markets:** With the Internet economy growing dramatically, the major corporations focussing on electronic commerce, and requiring their suppliers to deal with them electronically, many of the smaller firms will also embrace electronic commerce. There will be both business to business and business to consumer growth. This will provide a variety of opportunities to those practitioners who are prepared.

**Consulting:** " There is high potential for consulting opportunities directed towards assisting clients in (1) designing developing implementing and monitoring electronic commerce systems (2) delivering ways to use electronic commerce effectively to achieve business objectives" ([aicpa.org/assurance/scas/news/svs](http://aicpa.org/assurance/scas/news/svs)).

**Assurance:** The adoption of electronic commerce suggests new markets "to provide assurance and other services related to electronic commerce. Participants will not only require assurance that their own systems are secure, but also that appropriate controls exist in supplier and customer organizations to limit access to authorized users and to protect an organization's confidential information. In addition the broad use of electronic commerce introduces the need for new privacy controls." ([aicpa.org/assurance/scas/newsvs](http://aicpa.org/assurance/scas/newsvs)).

**Niche Markets:** Brian Galloway, CGA, in the November 1999 issue of Outlook, the magazine of CGA-BC ([www.cga-bc.org/library/outlook](http://www.cga-bc.org/library/outlook)) advises that there will be a shift in emphasis from auditing to advisory services. Galloway wants accountants to consider niche marketing. " To select an area of practice and carve out your own part of the marketplace. E-commerce is coming of age and with the need for web audits and other trust, security and internal control issues, accountants are a shoe-in for roles in the Internet sector. There are tremendous opportunities for e-commerce assurance services"

**Virtual Audits:** "Cisco Systems Inc., one of the worlds largest software companies, completes it's month end and year end accounting close in ONE day. The audit opinion date for their July 31, 1999 audited financial statements was August 9 - eight days after the books were closed. That's eight days in which to express an opinion on an organization with consolidated revenue of US \$12.2 billion. Cisco calls their one day close a "virtual close". It involves extensive e-commerce, and no estimates that are subsequently revised. Using the same analogy, their audit is a "virtual audit", and you can be sure the heat is on their auditors to issue their opinion sooner than eight days. As the perceived need for immediate and proven accurate financial information continues, models like those of Cisco will spread. In the future public practitioners can expect competitive pressure to improve the timing of their opinions, and demonstrate they can audit a fully electronic environment." [8]

**Trends:** John W. Yu, M.Sc., CDP, FCGA ([jwyu@ibm.net](mailto:jwyu@ibm.net)) E-mail discusses technology trends in the February 2000 issue of CGA magazine. One of the major trends appears to be moving toward a server based and Web based model for accounting software instead of installing software on a local hard drive. Advantages are software

updates are instantaneous and users can access their accounting records from anywhere. Interface is the Web browser so there is a short learning curve.

"More accountants will establish and use virtual private networks or Intranets with sites such as [www.intranets.com](http://www.intranets.com) or [www.vicinities.com](http://www.vicinities.com)."<sup>[9]</sup>

**Partnerships and technology:** In the January 2000 issue of *CA Magazine*, ([www.CAMagazine.com/cicamagazine.nsf/e2000-Jan/TOC](http://www.CAMagazine.com/cicamagazine.nsf/e2000-Jan/TOC)) the leaders of the major firms discuss the future. With regard to electronic commerce the leaders discuss the potential for audit advisory, WebTrust and other types of assurance work. An example of the partnerships that take place is the recent investment of US \$1 billion by CISCO Systems Inc, a company that makes equipment that runs the Internet, in KPMG to help it offer business services over the net. KPMG Consulting will reportedly use its new resources to hire 4,000 engineers and other professionals, and build six technology centres to deliver Internet based data, voice and video consulting services to Cisco's clients.

What about the smaller or local firms? Robert Gold, CA, of Bennett Gold advises "more accountants will have to adopt and use the Internet". When asked what a smaller practitioner who was not already up to speed on electronic commerce should do, his advice was "**Start Yesterday**".

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[1] Robert Gold, CA, Bennett Gold, comptables agréés, Toronto (Ontario) ([www.BennettGold.ca](http://www.BennettGold.ca))

[2] Raymond Desjardins, CA, J. Raymond Desjardins, B. Comm., CA, St. Paul (Alberta) ([www.jrd.ab.ca](http://www.jrd.ab.ca))

[3] Kent Sabine, FCGA, Evancic Perrault Robertson, Drayton Valley (Alberta) (<http://epr.ca>)

[4] Ross Harwood, FCA, Deloitte & Touche, Saskatoon (Saskatchewan) ([www.deloitte.ca](http://www.deloitte.ca))

[5] Brian Galloway, CGA., Galloway Botticelli & Company, comptables généraux licenciés Vancouver (Colombie-Britannique) ([www.porterhetu.com](http://www.porterhetu.com))

[6] Ross Harwood, FCA., Deloitte & Touche, Saskatoon (Saskatchewan)  
([www.deloitte.ca](http://www.deloitte.ca))

[7] Brian Galloway, CGA., Galloway Botticelli & Company, comptables  
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[8] Deryck Williams, FCA, PKF Hill, comptables agréés, Toronto (Ontario)  
([www.pkfhill.com](http://www.pkfhill.com))

[9] Robert Gold, CA., Bennett Gold, comptables agréés, Toronto (Ontario)  
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