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Increasing the usefulness of farm financial information and management:

A qualitative study from the accountant's perspective

'Farmers are not accountants, and few of them do much in the way of bookkeeping. The farmer looks to his bank pass-book and to his cheque-book, and he also has his accounts with the stock and station agents with whom he does business. From these sources he generally manages to form a fairly accurate idea of what his financial position is.'

William Massey ("Farmer Bill") – New Zealand Prime Minister 1912–1925, quoted in Goldsmith, (2008), p. 151.

Structured Abstract

Purpose – The purpose of this paper is to examine how farm management and farm accounting may be improved from the accountant's perspective.

Design/methodology/approach – There has been a dearth of qualitative studies examining the accountant's attitudes to financial reports. This study interviews thirteen rural accountants regarding their opinions on the usefulness of financial information that they provide to farmers, and what types of financial information could further aid farm management.

Findings – Accountants generally agree that the present financial reports provided to farmers are of little decision making value, since they are made for the purposes of compliance. In response, the accountants suggest a number of management accounting reports can better aid farmers.

Practical implications – Accountants are important to the success of farms, yet in-depth responses have not previously been sought on the reports that accountants produce for farmers. This research provides accountants' opinions on how reports could be more useful for farmers and how more focused management accounting reports can assist decision making.

Originality/value – The qualitative approach used in this research provides a fresh and richer perspective on the usefulness of accounting to farm management. Interviewing the adviser rather than the business owner is relatively uncommon in agricultural organisations. The interviews have allowed the thoughts and concerns of accountants to come to light in a manner not previously achieved in organisational studies which relate farming and accounting.

Keywords: Accountants; Farm management; Decision making; Interviews; Management accounting reports.

Article Type: Research paper

Introduction

Australian farmers and accountants have a long established professional relationship, which has generally been positive (Kirby and King, 1997; Marriott and Marriott, 2000; Hasle *et al.*, 2010; Carter *et al.*, 2013). Historically the majority of accountants have been engaged by farmers for services and advice relating to record keeping, report production and taxation compliance (Blackburn and Jarvis, 2010; Breen *et al.*, 2004; Gooderham *et al.*, 2004). Stone (1963, p. 140), for example, stated, *“In Australia, the practising accountant had no great demand for his services from the farming community until farm income and taxation liability rose substantially in the 1940’s. Subsequent growth in rural accounting has followed the increasing burden of taxation.”*

The reason that taxation has been the mainstay of the association between farmers and accountants is that 98% of farms in Australia are small to medium-sized enterprises that are family owned and operate as a small or family business, unit trust or private company (Lubulwa *et al.*, 2010). These farms are “non-reporting entities” and as such are under no obligation to prepare full financial reports that conform to accounting standards (Lubulwa *et al.*, 2010)¹. Rather profit and loss and balance sheet information will be prepared that corresponds with taxation rules in order to assist the farmer in meeting their compliance requirements of submitting an annual income tax return to the Australian Taxation Office (ATO).

¹ Today, the International Accounting Standards Board (IASB) has acknowledged the special place of Agriculture through International Accounting Standard 41 (IAS 41), *Agriculture* issued in 2000. This standard, however, applies only to large farms. These large farms must by law produce a Profit and Loss Statement, a Balance Sheet, a Statement of Change in Owners’ Equity and a Cash Flow Statement. Private companies, however, do need to prepare a short annual return to the Australian Securities and Investment Corporation (ASIC).

In accounting literature, a primary purpose of financial information is to assist managers and owners of all businesses with decision making (Carmichael and Graham, 2012; Edmonds *et al.*, 2013; Horgren *et al.*, 2007). This research, however, is embedded in literature relating to larger firms and which satisfies the “reporting entity” requirements (see, for example, Ball and Brown’s 1968 seminal paper). Usefulness of financial information is problematic when being discussed in the farming context because Australian farms must record and report financial transactions for taxation purposes, and decision making is not a function of compliance reporting (Marriott and Marriott, 2000). This perhaps explains why a number of studies across a number of countries have consistently found that farmers find financial information not very useful and very difficult to understand (Argilés and Slof, 2003; Halabi *et al.*, 2010; Wolf *et al.*, 2011; Middelberg, 2013).

The studies which have concluded that farmers find financial information to be not very useful have based their findings on the perspective of farmers. Less clear and indeed less researched are the thoughts of accountants. This paper therefore fills this void by examining a number of questions around financial information provided to farmers from the accountant’s perspective. Firstly, the paper explores the question: What are accountants’ attitudes to the usefulness of the financial information provided to farmers that is prepared for compliance reasons? The process of preparing compliance reports invariably involves the accountant carrying out an in-depth review of the farm’s performance and financial position (Argilés and Slof, 2003). This review presents an opportunity for accountants to provide farming clients with important information which can assist them in making decisions and managing their business beyond purely taxation requirements (Argilés and Slof, 2003). Secondly, the paper investigates the question: What financial information or service may be provided to farming businesses that is more useful for decision making?

The study uses a qualitative approach to best answer these two research questions. This approach provides a fresh perspective on the usefulness of financial information. Qualitative research creates the potential for a richer and deeper understanding of the research questions than can be conveyed by statistical analysis and is now becoming well established and more widespread in business and management research (Marriott and Marriott, 2000; Dyer and Ross, 2007; Jack and Kholeif, 2007; Lee *et al.*, 2007; Spence *et al.*, 2012; Carter *et al.*, 2013).

Interviews were chosen as the means for conducting the investigational research, and interview design remains the most popular form of qualitative analysis (Turner, 2010). Interviewing the advisor rather than the business owner is relatively uncommon in small business, farming and accounting-based studies. Previously accountants have not been questioned in-depth regarding the usefulness of the financial information they produce, particularly in a farming environment (Dyer and Ross, 2007).

This study and the qualitative approach adopted provide a major contribution to the debate on the relationships between farmers and accountants. Investigating the meaningful perspective of accountants in this manner is further important given that throughout the 1960s it was widely reported that accountants and financial information had been central to the success of Australian farms, and general farm management (see Stone, 1963; Druce, 1964; Burns, 1966; Mauldon *et al.*, 1969).

The paper continues with a review of the reasons why farmers generally find their financial information to be not useful for decision making. These same issues are then analysed from an accountant's perspective. The paper then outlines how financial information has been

empirically shown to benefit farmers and farm management. Given that the background is presented from farming businesses, the research questions are then presented and dealt with from an accountant's perspective. A description of the qualitative methodology follows, as does a presentation and discussion of the findings. The paper concludes by noting the implications, limitations and areas for possible further research.

Farmer's thoughts about accounting and financial information

Argilés and Slob (2003, p. 252) stated “*It is no secret that most farmers do not see accounting as their favourite pastime*”, while Argilés (2001) noted that farmers make little use of the accountants' services beyond taxation. There are several explanations for why farmers hold a somewhat negative attitude toward financial information. These factors include unfamiliarity with the subject, the complicated farm accounting and taxation rules, and the lack of technology to assist farmers (Argilés and Slob, 2003; Bunea *et al.*, 2012; Halabi *et al.*, 2010; Necula and Necula, 2011; Sian and Roberts, 2009; Walker and Scott, 2011).

The ability to read financial reports, understand accounting terms and jargon as well as the language used by accountants can be problematic for farmers (Nandan, 2010). Australian research into the ways in which small firms use financial information found that some farmers were not receiving financial reports (such as the balance sheet) and that information needed to be more understandable (Halabi *et al.*, 2010). The inability by farmers to understand fully financial information can increase business risk (Van Auken and Carraher, 2011; Wolf *et al.*, 2011). Research in Britain found that, due to their limited accounting knowledge, many small farmers were unable to understand relevant financial information needed to comprehend fully decisions relating to costs, or economies of scale (Tilley, 2011).

The negative consequences of making uninformed business decisions are potentially quite significant as small businesses, such as family farms, generally hold limited resources and may not be able to absorb losses as easily as larger enterprises (Van Auken and Carraher, 2011).

The characteristics unique to farms also make understanding financial information difficult for farmers (Mauldon *et al.*, 1968). These include the interdependence of home and business, the utility of ownership and management, the unspecialized nature of management, the saleability of assets, joint products and joint costs, production flexibility and the long duration of production processes (Mauldon *et al.*, 1968). Marsh and Fischer (2013) also describe a number of key factors that must be considered including the rearing of animals, animals being held for sale, and the fact that certain production animals are used to produce more than one product (e.g., sheep being used to produce lambs, wool and meat). These complexities are not generally seen in other industries and this uniqueness makes agricultural financial information more difficult to understand (Mauldon *et al.*, 1968).

The Accounting Information System (AIS) used by a farmer can have a significant impact on the financial information produced (Marriott and Marriott, 2000). During the 1960s, Mauldon *et al.* (1968) noted that most Australian farm financial records consisted of simple cash books, and that farmers would spend less than two hours a month on tasks related to accounting and financial recording (see also Stone, 1963). The AIS used by farmers today can range from manual cashbooks to fully computerised accounting software, which in turn may range from simple cash systems to sophisticated farm specific programs (Wolf *et al.*, 2011). While the system maintained by each farmer will depend on many factors, the perceived advantages of farm-specific accounting software (some of which have incorporated knowledge of farm tax

law) means that they are gaining some popularity (Wolf *et al.*, 2011). While the use of computerised AIS allows farmers to have more timely and greater access to financial information, the cost of such systems can be prohibitive (Walker and Scott, 2011). Overall, accounting practices used by many farms are still informal and simplistic (Ellinger *et al.*, 2012).

Management accounting information

Even though there are many factors that farmers find make financial information difficult to understand, it has been historically noted that farmers should be provided with a range of financial information that is useful in managing the farm beyond merely compliance (Druce, 1964; Burns, 1966; Mauldon *et al.*, 1969). A consistent theme to come out of the early papers on agriculture and farming in Australia is the importance of “management accounting”. Druce (1964, p. 115) for example noted that federal and state government initiatives in Australia in the 1960s were aimed at “*demonstrating ... the value of management accounting*” (see also Burns, 1966; Mauldon, *et al.*, 1969).

Management accounting is described as “*a field of accounting that provides information for managers and other internal users*” (Carey, 2010, p. 280). Examples of farm management accounting reports include cost and volume data, comparisons with previous periods; past performance; budgeted results, and calculated standards (Druce, 1964). Burns (1966, p. 169) also stated that financial ratios should be calculated and used in farms and that comparison of ratios, “*for one farm with those of similar type farms (or standards), will reveal comparative weaknesses (and strengths) which provide a starting point for the formulation of a more*

profitable plan". Breembroek *et al.* (1996) also noted the need for management accounting in regards to measurements of farm inputs and outputs.

The early farm accounting papers (Druce, 1964; Burns, 1966; Mauldon *et al.*, 1969) largely portray suggestions of the need for management accounting reports. There is a dearth of research that exists scrutinising whether management accounting reports have been or are being used by farmers. In one study, however, Argilés and Slob (2003) examined the performance of 170 Catalan farmers who made use of a range of management accounting information that was provided by a farm accountancy data network by matching observations with different financial indicators, including ratios. They found that the performance of farmers using the ratio-based accounting information for decision-making purposes was significantly better than those who did not. This study highlights the value of providing farmers with useful management accounting information.

Given that there has been a historical economic relationship between accountants and farmers and that empirical evidence shows that management accounting reports can benefit farmers (Argilés and Slob, 2003), the following research question is postulated from the accountant's view: How can accountants improve the usefulness of financial information for farmers? The question is premised on research finding that farmers found much of their financial compliance information difficult to understand (Argilés and Slob, 2003; Bunea *et al.*, 2012; Necula and Necula, 2011; Sian and Roberts, 2009; Walker and Scott, 2011). Before answering the research question it is important to also answer an antecedent research question: What are accountants' attitudes to the usefulness of the financial information provided to farmers that is prepared for compliance reasons?"

Methodology

Interviews are a powerful research tool in qualitative research and they can be adapted to fulfil many different research aims (Cachia and Millward, 2011; Myers and Newman, 2007). During interviews knowledge is constructed in the interaction between the interviewer and interviewee (Cachia and Millward, 2011). The purpose of an interview is to gather descriptions of the life-world of the interviewee (Kvale, 1983).

For the present study, semi-structured interviews were held with thirteen rural accountants. Semi-structured interviews were chosen in order to make use of a series of structured questions on financial information while retaining the ability to follow discussion points as they arose. The structured questions allowed for common ground to be established between different interviews, with particular topics being addressed systematically, and allowed for greater consistency and comparability of findings (Cheung et al., 2010). The semi-structured approach also allowed other issues to be explored in an expressive and interactive manner (Perren and Ram, 2004; Dyer and Ross, 2007; Ng and Keasey, 2010; Jarvis and Rigby, 2012; Spence *et al.*, 2012; Carter *et al.*, 2013). Cachia and Millward (2011) describe the semi-structured approach as a managed conversation, leading to the production of a rich set of data. For the present study, such a data set of accountants' experiences was not previously available in the qualitative form ((Dyer and Ross, 2007). Interviews were further justified in this context as research into financial matters creates the potential for sensitivity which is able to be dealt with in a more responsive and respectful manner than through a more impersonal medium (Eriksson & Kovalainen, 2008).

Sample

The sample of accountants was taken from rural Victoria (Australia) and included nine males and four females, who possessed between 6 and 29 years' experience dealing with farming

clients. The respondents came from essentially small practices of between four and fifteen accountants (see Table 1). These smaller to medium sized practices were typical of the rural area.

Table 1: Demographic Information of Participating Accountants

Participant No.	Gender	Years of Rural Accounting Experience	Number of Accountants employed at Practice
1	Male	6	15
2	Female	21	6
3	Male	28	15
4	Male	29	5
5	Male	29	9
6	Male	16	12
7	Female	13	10
8	Male	12	14
9	Female	18	3
10	Male	14	15
11	Male	9	4
12	Female	11	8
13	Male	15	11

The accountants were selected using both a chain referral system (eight accountants), and through local knowledge (five). The chain referral method is widely used in qualitative research, particularly for gaining access to well-defined communities and specific professions (Biernacki and Waldorf, 1981). The accountants gained through local knowledge were used as a quality measure as chain referrals sometimes tend to attract like-minded individuals (Biernacki and Waldorf, 1981). The number of participants was considered sufficient to attain a consensus on the common thoughts and perceptions held by a relatively homogeneous community (Romney *et al.*, 1986), and was comparable in size to other qualitative studies in small business and accounting (Marriott and Marriott, 2000; Cheung *et al.*, 2010; Stone, 2011; Devi *et al.*, 2012; Spence *et al.*, 2012; Carter *et al.*, 2013).

Collection and analysis of data

The subjects (both from chain referrals and local knowledge) were initially contacted by telephone and asked about their interest in the study. Once the study was explained, and the accountant agreed to participate, an appropriate interview time and date was arranged. These interviews were held at the accountant's work place (seven) or by telephone (six). Cachia and Millward (2011) note that the telephone medium and interview modality are complementary in data gathering strength, and that telephone conversations naturally follow an agenda-driven format.

Each interview lasted between 30 and 45 minutes. Data were collected using digital audio recording, which was then transcribed. Quality was assured by subsequently providing each participant with a transcript of their interview to allow them to comment or request amendments. Some follow-ups were made to seek further information, and this was completed by telephone and emails.

The transcribed data were analysed using processes advocated by Miles and Huberman (1994) and used in prior small business and accounting studies (Breen et al., 2004; Nandan, 2010; Stone, 2011; Devi *et al.*, 2012). A coding system was developed in relation to the research question and subsequent themes. As Fereday and Muir-Cochrane (2006, p. 83) note, *“encoding the information organizes the data to identify and develop themes”*. Summaries then made the data more manageable while eliminating irrelevant data, allowing for easier analysis (Miles and Huberman, 1994). The data presented under each thematic code was then compared and analysed in context in order to ensure that the coded record accurately depicted

the data attained through the interviews. This also served to assist in avoiding bias (Orobia *et al.*, 2013).

Qualitative results and discussion

Research Question regarding the usefulness of financial information

As an introduction, each accountant was asked about their role, the nature of the financial information they provide to farming clients and how useful they believe this information to be. All thirteen accountants noted that their main role revolved around compliance and advisory services. The following quotations sum up this view:

‘(It involves) Preparing statutory financial reports and tax returns, ... and then assisting farmers with any payroll tax ... and helping them with any fringe benefits tax.’ (Participant 7)

‘We also give advice on a range of matters beyond compliance, be it making investments, succession planning or just their general finances.’ (Participant 11)

All the accountants noted that their farming clients were structured as small or family businesses, trusts, or private companies, and were not “reporting entities”. As a result the financial information required from these farms was taxation reports. Participant 4, for example, stated, ‘You’ll find not many accountants around here that would have a farm as a reporting entity’.

Questions then asked what financial information was prepared. The accountants stated that the basic outline of the financial information prepared resembled ‘Traditional financial reports, which includes profit and loss, balance sheet items and trading accounts. From these traditional reports, taxation information was submitted to the Australian Taxation Office’ (Participant 1). Trading accounts were also completed which mainly concerned the changes

in livestock (through purchases, sales or deaths) throughout the year. (See Appendix 1 for an example of a “Livestock” trading account.)

In terms of assisting farmers to make informed business decisions, all the accountants agreed that these compliance reports were not considered to be highly useful. One participant, for example, stated, ‘These reports are little more than tax formalities which the farmers usually quickly glance at and then file them away’ (Participant 2); and ‘These compliance financial reports don’t add a lot of value for decision making’ (Participant 4). These comments demonstrate that accountants agree with farmers that financial information which is completed for compliance purposes is not useful for decision making (Argilés and Slof, 2003; Halabi *et al.*, 2010; Mauldon *et al.*, 1968; Wolf *et al.*, 2011).

Asked to explain why the taxation information reports were not useful, the accountants noted that decision making “is not their intention” (Participant 4). The accountants then provided a number of specific reasons, many of which were similar to those of farmers. Accountants noted that the unique characteristics of farms and the associated lack of understanding regarding taxation concepts were a significant obstacle to farmers (Mauldon *et al.*, 1968). The treatment of some livestock assets, for example, which are subject to natural increase values set by the ATO, further made this information difficult to understand and reduced its usefulness. For example:

‘The natural increase value of a cow is still \$20 and a sheep or a goat ... is \$4. ... I mean you end up with carrying values in the livestock accounts that are unrealistically low.’ (Participant 10)

‘The balance sheets are a bit of a mixture of the historical cost asset holding, and unrealistic depreciation write down because the Tax Office allows a write off quicker

than probably actually is. And then ... the other side of the balance sheet (liabilities) is actually current, so the balance sheet really doesn't mean all that much.' (Participant 3)

'The [balance sheet] ... is entirely based on historical cost and tax values. So it doesn't really give an accurate picture of their actual debt, asset and equity position.'

(Participant 10)

The accountants also stated that farmers also struggle with basic accounting concepts. The following quotation discusses this issue:

'I would think mum and dad farmers would struggle to come to terms with what's actually reported. The profit and loss I think they understand. Cattle account gets them confused on how we calculate an actual cattle profit from the taxation point of view. The actual expenditure, I don't think there's any drama in that. The balance sheet is almost irrelevant to them. The farm that was bought 25 years ago is shown at historical cost in the accounts.' (Participant 3)

Other comments about why accountants felt a farmer's financial reports were not useful revolved around the theme of the retrospective nature of the information. For example:

'If they want to make a decision in December, and you've got their June financials, that information is six months old. If nothing significant has changed in that time then they might be able to rely on it. But things change constantly in farming.' (Participant 11)

Accountants were also concerned that long waits to receive farmer records can lead to delays in the preparation and presentation of financial reports. This can increase the impact of the retrospective nature of the reports, and further reduce their usefulness. For instance:

'Farming clients are not usually the ones who give us their books the quickest. Our biggest client, ... who has got a fairly substantial farming business ... often doesn't

give us their records until March or April, of the following financial year. That is eight months too late!’ (Participant 7)

Research Question regarding increasing the usefulness of financial information

While accountants agree with farmers that financial information provided for compliance purposes is not useful for decision making, a number of strategies were discussed focusing on how accountants could improve usefulness. The discussions resulted in two distinct sub-themes: the production of specific management accounting reports, and making the accounting information system more efficient.

In regard to the production of specific reports, eight of the thirteen accountants explained that they supplement basic farm compliance information with management accounting reports. These reports show more variety in form and content and involve measures including benchmarking, rearranging information by cost centres, trend analysis, graphics, or revaluing assets to their market values. Interestingly, while some of these reports were noted in the 1960s (see Stone, 1963; Druce, 1964; Burns, 1966; Mauldon *et al.*, 1969), six of the eight accountants stated that these “extra” accounting reports were a recent addition. For example:

‘In the last two years, for dairy farmers we’ve given out a benchmarking report (and key performance indicators) based on production leverage per hectare and per milk solid type comparison against approximately sixty five other farmers we’ve got in the office.’ (Participant 3)

‘This year we’re actually going to start doing a three year business analysis for them [farming clients].’ (Participant 6)

‘We might have the odd client that wants an accounting set of figures, or a management set of figures might be a better way of putting it, and that management

set of figures may include ... assets, for example, at their market value as opposed to their cost value.’ (Participant 4)

‘Usually we ... prepare a profit and loss and a balance sheet using fair value figures rather than tax values and give that to the farmer.’ (Participant 7)

‘There are ... some additional management reports that we will produce for clients that generally try to categorise or re-categorise the financial information by cost centre.

That is primarily to mirror the budgeting and forecasting that we do for those clients as well. So, particularly for those in the dairy industry, we then categorise cost centres, administration, finance, shed costs, pasture costs, feed costs, and other.’ (Participant 5)

Most accountants felt that these additional management-type reports would assist farmers more when making decisions, as they are easier to understand. For example:

‘Yes, these statements are much more relevant, from a point of view of their work and the decisions made, and can be more easily understood’ (Participant 3).

‘These extra [benchmarking] reports let us give our clients information that is much more relevant to the running of the farm, and it seems to be working. The feedback we’ve had is really positive, and they like using the benchmark to see how they’re performing compared to others. Quite a few have been able to make some pretty decent improvements around the farm as a result of identifying areas where they weren’t performing as strongly.’ (Participant 8)

‘Any type of report which gives a farmer information in a format that he can understand, that he can connect to the real world of his farm, and that he can pull something from that will help him to make better decisions is going to be far more useful than the compliance reports we give him for his tax return. I think the management-type reports we give our clients do a really good job at this.’ (Participant 10)

In regard to improving the usefulness of financial information through the accounting information system, an emerging trend towards online and cloud-based software was noted by seven accountants. The use of these online systems usually involves transactions inputted directly from the farmer's banking institution. The accountants who stated that online software was used saw its benefit in terms of potential decision making due to the retrospective information of manual recordkeeping. For example, a typical comment was:

‘As online AIS allows processing to be quicker and more accurate, we could possibly move towards quarterly management reporting (for farming clients) where they can use the information much better for decision making.’ (Participant 7)

The improved quality inherent in automatic entry of transactions would mean less time spent by accountants detecting and correcting human error, and potentially more time discussing the financial information with the farmers. One accountant noted, however, that the implementation of these types of programs can be somewhat hindered by the ‘availability of reliable internet services in the area’ (Participant 5), while other comments on increasing the regularity of reports were tempered with a realisation that this may be difficult – ‘Whether we can get farmers [to prepare quarterly reports] is another question, because I think their daily grind of what they have to do probably steers them away from that focus a little bit’ (Participant 7).

To further quicken the production of financial information, three accountants reported an uptake in farmers making use of external bookkeepers, primarily as a time-saving measure and an effort to improve the accuracy of the records. For example, Participant 3 stated, ‘Probably a growing trend now is to have bookkeepers come in and do all their bookkeeping

stuff,’ while Participant 4 noted, ‘A lot of farmers nowadays are getting bookkeepers in to assist them.’

The production of extra management accounting reports or their increased frequency, however do come at a cost. While not specifically related to management accounting reports, debates in the farming community about the cost and benefits of preparing financial information date back to the early 1930s, when Pond (1931) noted that the costs associated with preparing and auditing financial information for farms were often unfeasible (see also Argilés and Slof, 2003; Sian and Roberts, 2009). Nine of the thirteen accountants in the study reported that cost remains the key reason as to why management accounting reports are not as widely produced, or why a more efficient information system is not used. The following quotations sum up this view:

‘It (preparing management reports) obviously runs down to cost, but if we can show the value then it does mean that you can spend a bit more time looking into the benchmark reports and working together to find areas for improvement. They tend to get a lot more out of that discussion compared to just running through the tax return.’
(Participant 8)

‘Cost is always a concern - they’ve got to see value for money. We have made a point of talking through the benefits of management reporting with our clients, but a lot of farmers are struggling out there and when it’s a choice between feed for your cattle or an extra set of financial reports or an online accounting system, it’s not very often that they choose the reports.’ (Participant 12)

[Farmers are] ‘not going to pay extravagant amounts of money just for a service but if they feel there’s value there and we indicate the benefits of it then they would be more than likely to go down that path.’ (Participant 1)

Conclusions

Despite the historical role played by accountants in preparing financial information, their thoughts and concerns have rarely been subject to research using qualitative methodology (Dyer and Ross, 2007). Today, however, a qualitative approach is becoming more established in business and management research (Marriott and Marriott, 2000; Dyer and Ross, 2007; Jack and Kholeif 2007; Lee *et al.*, 2007; Spence *et al.*, 2012; Carter *et al.*, 2013). The present study interviewed thirteen accountants on the usefulness of financial information, and the results stemming from the forthright responses have provided a rich source of data. The qualitative approach therefore was an appropriate methodology to investigate the research questions and the responses were marked by a rich complexity of abundant information previously not available.

The study identified firstly that accountants agree with farmers that financial information consisting primarily of taxation records is not useful for decision making and farm management (Argilés and Slof, 2003; Halabi *et al.*, 2010; Wolf *et al.*, 2011). This finding stems largely from the compliance complexities of farms. More importantly, the paper explored ways in which accountants could improve the decision-making ability of the farmers through accounting. In this context, the interview design of the research obtained detailed data on how the compliance reports could be supplemented with more management accounting statements. The accountants noted that these reports included benchmarks and variance analysis. A further improvement was to increase the frequency with which farmers receive financial reports. The accountants described comprehensively that the extra management accounting reports were generally easier to understand, and how they could lead

to improved performance and better farm management. These rich and deep explanations are unique to the qualitative approach (Lee *et al.*, 2007).

An implication from this study is that providing management accounting data would make available a more complete set of financial information for farmers which could greatly assist with decision making. Therefore the types of management accounting reports outlined by the accountants should at least be presented and shown to more farmers, with demonstrations on how these can assist decision making. This study found that eight of the thirteen accountants usually prepare management accounting reports, but this needs to be more widespread, as many farmers are missing out. Therefore there is significant potential for accountants to expand the management accounting services they provide to farms.

While accountants do engage in discussions with farmers (Blackburn and Jarvis, 2010; Breen *et al.*, 2004; Gooderham *et al.*, 2004), the nature of what is discussed should touch on the greater range of accounting information available or the benefits of more timely accounting information. Making farmers aware (or even reminding them) of these extra services and roles provided by accountants is imperative to farmers receiving detailed accounting information that is more useful in decision making. Engaging in more dialogue would enable farmers to better consider the types of information required to manage their farms more effectively. For example, is benchmarking using accounting information such as total and unit sales, or some other area of productivity, important? Could some form of ratio analysis be more suited? More information is required about how such reports could be useful and lead to improved performance and better farm management beyond what has been noted in the present paper. Further, while accountants consider that management accounting reports

would be a useful tool for farmers, further research is required and the views of farmers should be sought to confirm or deny this finding.

While the study found that the extra cost of these reports is a major issue (see also Sian and Roberts, 2009; Argilés and Slof, 2003), it is also plausible that there may be difficulties in the relationship between the farmer and accountant, which may not allow these financial issues to be discussed in detail (Gooderham *et al.*, 2004; Kautonen *et al.*, 2010; Carter *et al.*, 2013). Efficient and effective dialogue has the potential to change the perception of accounting amongst farmers (Argilés, 2001; Argilés and Slof, 2003).

Accountants and farmers could also engage in dialogue regarding whether the emerging use of more automated, online AIS is appropriate. While this may provide a number of benefits and more frequent decision making, a large initial investment may be required. Farmers, who already work long hours, need to be convinced of the benefit of automatic data entry.

Accountants could take the lead here or work with the software developers to offer free demonstrations or free trial periods to encourage a greater take up of the software. Further, as agriculture is an important industry, Governments could offer subsidies to enable software to be available. It is important that ways are found to make it easier for farmers to stay up to date with their bookkeeping activities. Further, while a better AIS may mean more frequent reports, these need to be those which the farmer understands.

The difficulties faced by farmers in being able to understand fully, and make use of their financial information, indicates an area which accountants could strive to improve. Farmers need more financial literacy, and accountants could help here by perhaps hosting complementary training sessions covering a range of issues, or through a focused approach

which seeks to address issues experienced by individual clients on a one on one basis. While this needs to be co-ordinated to fit in with the farmer's (and accountant's) busy schedule, it is important that this dialogue takes place, and that meetings between accountants and farmers are more frequent than once per year (for taxation purposes). Further, while accountants aim to provide their services for a fair fee, the issue of cost is always important. Accountants need to emphasise that they can provide farmers with more value than just compliance reports, and that the benefits of these management reports outweigh the cost, irrespective of the size of the farm (Argilés and Slof, 2003).

A number of limitations exist in this study, yet these can be used to encourage further research. The first is the geographical scope from which participants were selected and the number of interviews undertaken. Extending this study to accountants operating in other rural locations, and other Australian states would increase the reliability and validity. The accountants in the present study dealt primarily with dairy farmers and it would be useful to examine the findings from accountants whose specialisation is farmers dealing with other livestock, or arable land.

A further research direction could be to interview farmers after the introduction and more widespread use of management accounting reports. Already much is known about farmer's attitudes regarding financial compliance information, yet further research could target reflections on the more expanded set of financial information. Do such reports fulfil the farmer's needs? Research to determine the usefulness of management accounting reports in comparison to each other (if more than one type of report is produced) may provide insights into ways in which accounting is being tailored to farmers' needs. Research is also needed

from the farmer's perspective on whether the decisions made regarding the management accounting information have been beneficial.

This leads on to examining the level of satisfaction amongst the farming community with regard to the accounting services they are being provided generally. While information suggests that small to medium accounting firms feel that their relationship with their clients is a positive one (Kirby and King, 1997) there is little published research from the farmer's perspective. Information about how farmers perceive their accountant and the financial information they produce including more frequent management types of reports would be useful.

The trend towards more automated, online-based AIS is an important development in agriculture that may have significant implications for accounting. Further research could investigate the impact that these types of systems are having on the financial and management accounting reporting process and the different types of management reports being prepared. Finally, an important question for further research is whether the adoption of online software has been beneficial in terms of cost.

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