



WHY IT'S SEXY TO BE A

future accountant

I RECENTLY SAW a student on a university campus wearing a T-shirt with the phrase 'Future accountant'. Given the profession's traditional image problem, it must have been ironic, mustn't it?

Perhaps not. There are signs that accountancy is putting its traditional image problem behind it. Increasing numbers of graduates are applying to join the profession, motivated not just by the prospect of high salaries but also by a change in perception. Ironically, it is partly its association with the twenty-first century's biggest financial scandals of Enron and WorldCom that has made accountancy become, well, sexier.

At the forefront of this image makeover is the specialism of forensic accounting, with its suggestion of crime scene investigators and technicians in white coats. In reality, a forensic accountant's work is chiefly concerned with any investigation of financial data which will eventually be used in some form of litigation. Some of them work for law enforcement agencies gathering evidence to support fraud and bribery charges. Others are expert witnesses who testify on either side in financial dispute cases.

While it might not always be CSI Miami, forensic accountants do need to develop some special skills which relate to their roles as investigators. For instance, a forensic accountant's work

can make them crucial figures in high-profile criminal cases like Enron, so a confident manner in court can be helpful. In addition, a systematic and analytical mind is essential. For example, in a fraud case, they may need to search financial records thoroughly, looking for patterns of similarities and coincidences that might indicate a cover-up. Imagination – not a characteristic traditionally associated with accounting – is also part of their skill set, as they dig deeper and try to get into the mind of suspected fraudsters.

Although the term forensic accounting is relatively recent, the importance of accountants in legal matters has a long history. The most famous case in which forensic accountancy has provided the pivotal evidence was in the conviction of the notorious Chicago gangster Al Capone. While Capone's criminal activities had included protection rackets and murder, he was finally convicted on the apparently lesser charge of tax evasion. Elmer Irey, an official at the US Inland Revenue Service, believed that Capone's conviction could be obtained on the basis of a Supreme Court ruling that the income from organized criminal activity was also subject to taxation. A team of investigators spent several years gathering evidence on Capone's net worth and expenditure, sometimes

working undercover as members of his criminal gang. They ultimately succeeded in assembling the documentary evidence needed to convict him.

Many believe that future demand for forensic accountancy services will only get bigger. Stories of scams and frauds emerge daily in the media, and, against the background of Enron and WorldCom, the problem of white-collar crime is being taken increasingly seriously by policy-makers. The US Sarbanes-Oxley Act is just one example of this change in attitude.

But it's not just in the area of white-collar crime that forensic accountants will find future employment. Terrorists require money for their activities but need to conceal their sources of funding to avoid capture. The role of the forensic accountant will be to reveal the money trail from terrorist suspects back to their sponsors. Their importance has recently led one senior British politician to liken forensic accountants to the fingerprint experts of previous generations.

The future looks bright for accountancy, and there are enough exciting roles in the profession to ensure that its image is not quite what it once was. So, in case you run into someone wearing a 'Future accountant' T-shirt, think before you congratulate them on their irony. They might just be serious.

7.2 Vocabulary Financial documents and regulation

Discussion

1 Work in pairs. Discuss the following questions.

- 1 How do you keep track of your personal finances? Do you keep accounts, use a computer programme to track your income and expenditure, or simply look at your bank statement?
- 2 Do you know today whether you are in credit or in debt?

Financial documents

2 Match the three main accounting documents 1–3 with the best description a–c.

- 1 profit and loss account
 - 2 balance sheet
 - 3 cash flow statement
- a to indicate inflow and outflow of money over a specific period, in particular to make sure it does not run out
 - b to show managers whether a business made or lost money over a specific period
 - c to provide a snapshot of a business's value at a particular point in time, showing what it has and what it owes

3 Match the three main types of accounting document to the simplified examples below. Why are some numbers listed in brackets?

a

2008	
Cash receipts (a)	
Cash sales	€175,000
Loans	€40,000
Total cash receipts	€215,000
Cash payments (b)	
Rent	€102,000
Admin	€85,000
Total cash payments	€187,000
Net cash flow	€28,000

c

April 1 2008	
Assets	
Current assets (e)	
Cash	€75,000
Accounts receivable	€150,000
Total current assets	€225,000
Fixed assets (f)	
Land	€150,000
Total fixed assets	€150,000
Total assets	€375,000

b

2008	
Net sales (c)	250,000
Cost of sales	(80,000)
Gross profit	170,000
Selling, general, and administrative expenses	(65,000)
Operating profit (d)	105,000
Other income	20,000
Earnings before taxes	125,000
Taxes	(25,000)
Net income	100,000

Liabilities (g)

Current liabilities	
Taxes payable	€100,000
Payroll	€125,000
Total current liabilities	€225,000
Long-term liabilities	
Loans repayable	€50,000
Total long-term liabilities	€50,000
Total liabilities	€275,000
Net assets (h)	€100,000
Owners' equity (i)	€100,000

4 Complete the sentences below with terms from the accounting documents labelled a–f.

- 1 A business's _____ are the sums that it will have to pay at some time in the future, such as loan repayments or taxes.
- 2 All funds going out of a business in a specific period are known as _____.
- 3 The amount of profit after general running costs are deducted is known as _____.
- 4 Businesses often have money in the bank or money owed to them, known as _____.
- 5 The total income from all of a business's normal trading activity is known as _____.
- 6 All money coming into a business in a specific period is known as _____.
- 7 Some things that a business owns cannot be turned easily into cash: these things are its _____.
- 8 The difference between what a business owns and what it owes are its _____ which are equal to the _____.

7.6 Case study Trading stocks

Discussion

1 In small groups, discuss the questions about shares.

- 1 What are the advantages and disadvantages of investing in shares?
- 2 Are there any types of company you would not want to have shares in?
- 3 Would you prefer to invest money in:
 - a) shares that are risky – i.e. you could make or lose a lot of money?
 - b) 'safer' shares of large, well-known companies (blue-chip companies)?
 - c) bonds that guarantee fixed interest rates?
 - d) a mixture of all of the above? Why/why not?

2 Work with a partner. Look at the companies below.

CanGas Corp. – a Canadian Gas Company

Cyberchip Plc – a British computer chip manufacturer

Zero Emission Cars – a German producer of electric vehicles

Feijão Pretos SA – a Brazilian coffee producer

Genezap Inc. – a US biotech company which produces genetically-modified seed

Decide what kind of opportunities and threats there are for these companies. Think about environmental factors, market stability and competitors.

	Opportunities	Threats
CanGas Corp.		Gas supplies will run out soon
Cyberchip Plc	Cost of manufacturing has fallen.	
Zero Emission Cars AG		
Feijão Pretos SA		
Genezap Inc.		

Reading for detail

3 Read the information about the five companies and add any other opportunities or threats they mention to the table above.




Negotiating

4 Shares in the five companies are currently worth €100 each. You have €5,000 to spend on shares. Decide with a partner which companies you are going to invest in.

Company	No. of shares	No. of shares after first report	No. of shares after second report	Value
CanGas Corp.				
Cyberchip Plc				
Zero Emission Cars				
Feijão Pretos SA				
Genezap Inc.				
Total value:	€5,000			

Internet research

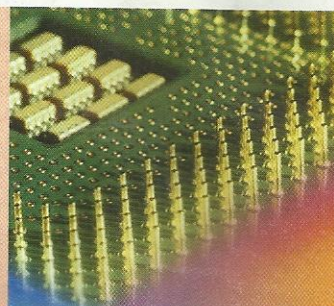
Search for the keywords *trading basics* to learn more about when to buy and sell shares.

- 5  2:31 Now listen to an economic report and decide whether you would like to swap any of the shares you have for other shares. Talk to other pairs and try to exchange shares.
- 6  2:32 Listen to a second report and decide whether you would like to make any further swaps.
- 7  2:33 Now listen to an interview with stock market analyst Sarah Johnson and find out how much your shares are worth and why.

CanGas Corp. is a medium-sized Canadian gas producer. It owns several gas fields in western Canada and currently produces about 8% of Canada's natural gas output. Some of the smaller gas fields will run out within the next five years, but the company has been investing a lot of money in new pipelines to increase production from its larger gas fields. Environmental groups, such as Greenpeace, are angry at CanGas' plans to start exploiting a new gas field in Alberta and say the planned pipeline will have a negative effect. The increase in oil and gas prices has helped push CanGas' share price up to \$100 in recent months. A fall in energy prices would seriously affect CanGas' profitability and investment plans.



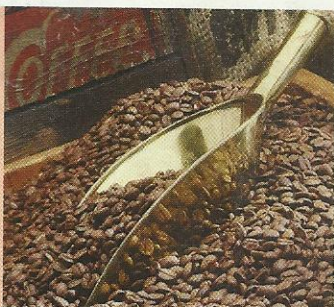
Cyberchip Plc has two 'fabs', or fabrication plants, in the UK and recently announced it has developed a new method of manufacturing chips which will reduce production costs significantly. Developing another plant will probably cost Cyberchip several million euros and some investors are worried that Cyberchip does not have the financial resources. FabPro, one of Cyberchip's competitors, has also announced that its new plant in Seoul will also go into full production of its new chip shortly. Many computer chip manufacturers have moved to the Far East where labour costs are significantly lower.



Zero Emission Cars produces small electric vehicles for city driving. It sold 50,000 units last year and plans to increase production by 50% in the next two years. High fuel prices have helped to increase the demand for these cars and new rules and regulations on emissions could push demand even higher. Critics say the car is too expensive and that the 80 km maximum range makes the car impractical for longer journeys. Zero Emission Cars says it is developing a new model which uses a new high-tech battery which could increase the car's range to 180–200 km.



Feijão Pretos SA produces high-quality, organic coffee. Its suppliers are mainly local coffee growers in the southern state of Paraná, Brazil, but it is increasingly buying more coffee from the states of Espírito Santo and Bahia which has helped to reduce the risk of frost because they are further north. Most of the coffee it exports is for the North American markets, but it is hoping to expand to the EU. Coffee prices have been falling on the world's markets, but Feijão Pretos' strategy of targeting the top end of the coffee market has worked well and last year it reported a profit of 42 million Brazilian Real (BRL) – or €15m, up 20% on the year before.



Genezap Incorporated produces genetically-modified seed, such as rice, wheat, maize and potato. Its turnover has increased more than 250% in the last five years and its profits have tripled in the same period. There are signs, however, that the demand for genetically-modified seed is slowing in the USA and Genezap is now hoping to be able to break into the European and Asian markets. Opposition to genetically-modified food is growing, particularly in Europe and the USA.

