

## BOOK REVIEW

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**Title: Bean Counters - The Triumph of the Accountants and How They Broke Capitalism**

**Author: Richard Brooks**

A well-researched book that starts with tracing the history of double entry booking keeping and its growth, need and usefulness to the industry from 1200 AD to its present state. It vividly traces the growth in stature of the "bean counters" in the US, UK and European countries. A reader will find interesting history of formation and merger and consolidation of firms leading to the Big 4 firms in its current avatar.

Interesting observations on the political influence across countries of the Big 4 will be both a delight and an eye opener for any serious reader and observer on the stature and influence of the Big 4, while the same firms (in spite of rotation) controlling 99% of the market. The styling of Big 4 in US and UK makes interesting reading which the author details out in the book.

A view pre and post 1980 on the defined role of Auditors by the author cannot but be missed by the reader where he observes that "for generations members of these huge influential practices considered themselves who happened to be in business but beginning 1980 they saw themselves as businessmen who happened to be in profession."

The author observing that the displaced key performance indicators of Big4, being revenue growth and improved profit margins followed by measures of staff and customer satisfaction while exposing false accounting, fraud, tax evasion and risks to economies', (everything that the society might want from accountants) not featuring at all as a performance indicator of the firms, raises a basic question on the very model that the firms have now become.

The observation on devising of legal structure of the firms for worldwide domination while escaping the responsibility away from home by the HQ by distancing itself from local misdeeds elsewhere in the world, while profitably exploiting the name, brand and commercial networks spills the beans of the operation of the Big 4. For the few past decades all the firm's global growth coming from selling more consultancy services while its talent of turning any change into fee earning opportunity discloses the growth strategy. In the digital age, cyber security is the latest major growth engine for the firm's consultants and now audit fees worldwide account for 39% while it is 21% in UK making them consultancy firms with auditing sidelines, rather than the other way around.

The author's observations on the manner in which the British Accountancy firms converted to LLP by stating it as "a shabby episode in accountancy history" will not be missed by a reader. When the Companies Act 1989 allowed accountants to operate as limited liability companies, the partners were more wedded to the partnership for the tax advantage that came with being self-employed rather than company directors.

The ease of sending money across borders in the age of financial liberalisation allowed the multinational companies to break up businesses and park more profitable parts where they would be lightly taxed and the "bean counters showing them (the companies) how to do it by exploiting their expertise thereby siphoning billions of euros from hard pressed economies" shows the bean counters in poor light. It is interesting to note that the users of such services are leading multinational multibillion dollar companies, goes to showcase the inter dependency of the multinational and the Big 4.

A list of hundreds of active tax products under various acronyms by the bean counters makes the author opine that "in simple truth these were little more than shams."



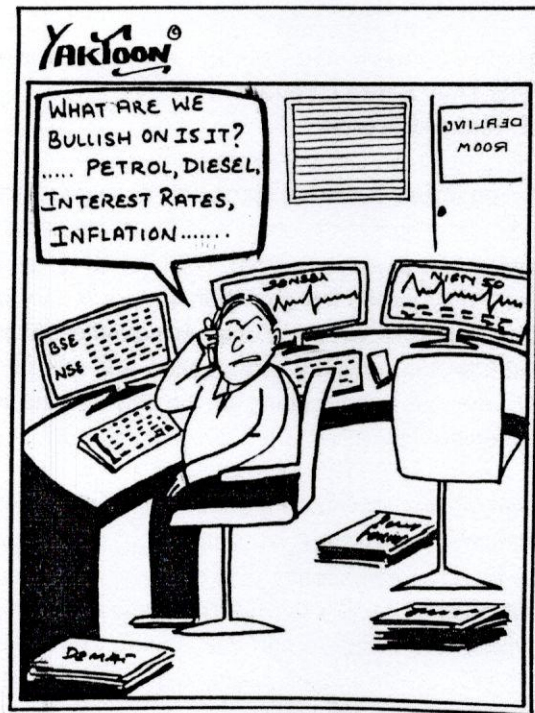
The author's bold statement on the mastered art of "revolving door" of senior personnel brings closeness that breeds uniform market oriented view of the public and provides an insight into the prevalent practice. "So smoothly and frequently the revolving door is spun that it creates a realistic hope amongst ministers and mandarins that subject to keeping them happy the Big 4 will present career opportunities to supplement their pensions."

The 2008 financial crisis proved to the contrary the assertions of President Bush that "era of false profits are over" just six years earlier, speaks volumes about the unreformed and unrepentant approach and influence of the Big 4. The author clearly links a clear nexus during the period in the US towards lobbying donations to senators and Congressmen through political action committee by the Big 4 employees hitting record levels and the reforms being blocked fairly easily.

The author has very pertinent and far reaching suggestions that cover separation of accounting and consultancies, having strong independent regulations, bring in transparency, suggesting public auditing of major institutions of the government, ending the "quadropoly" which brings accountability demands an immediate detailed relook.

The book published this year by AtlanticBooks, UK comes in at the most appropriate time for India when read in the backdrop of recent Hon. Supreme court judgement of

February 2018 and the vision of the Hon. Prime Minister of India, on Indian Audit firms becoming world leaders. Any serious reader and well-wisher of audit profession of our country will find that this book serves a road map towards establishing a new structure of the audit profession by learning from the mistakes of the West so very well documented in book. ■



We are pleased to introduce the new initiative of the BCAS Taxation Committee - "BCAS Tax Guru-cool". Through a medium of short video series we aim to simplify the important case laws, notifications, amendments and other developments that took place in the previous month on the direct tax front for our viewers.

BCAS Tax Guru-cool videos are uploaded every month on our BCAS YouTube channel - <http://bit.ly/BCASYouTube>. The latest edition of BCAS Tax Guru-cool has been uploaded on 6th October 2018.

The YouTube channel of Bombay Chartered Accountants' Society is a treasure trove of information in form of recorded videos of various initiatives organised by the Society, so do subscribe to our channel to get updates of the latest uploads.