

## Accountancy is asking the wrong questions

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According to the [FT](#):

*BDO has set its sights on auditing the biggest listed clients in the UK after merging with UK competitor Moore Stephens in a transformative deal that will shake up the competitive landscape in Britain's audit market.*

*The merger means BDO will leapfrog Grant Thornton to become the UK's fifth largest accounting firm by revenues, boosting partner and staff numbers by a quarter to about 264 and 5,000 respectively.*

So, as accountancy burns the profession is still playing boys games, arguing who is bigger than who:

*The deal, which both firms started discussing four months ago, will bring an additional £135m of revenues to BDO, bringing total annual revenues to about £560m – comfortably above the £500m of revenues posted by Grant Thornton's UK business last year.*

The FT adds:

*The deal will be closely watched by regulators and audit market critics who fear that competition in the industry has been stifled by the largest four players: EY, KPMG, Deloitte and PwC.*

The timing could not be better for them, of course. What it lets the top tier suggest is that there is a market solution to the crisis in the financial reporting profession because choice might be created without having to break up the Big Four firms. This, however, is not true. The crisis in accountancy is only peripherally to do with market concentration as such. The crisis is about four things.

The first is supine regulation, controlled by the profession itself.

The second is the so-called professional institutions actually being trade bodies.

Third, it is that the accounts that the profession produces are not fit for most purposes, precisely because they are only designed to assist those deciding whether to supply capital to a company or not, and nothing else is considered.

Fourth is that auditing has been reduced to simply checking that all the right boxes have been ticked and is no longer about ensuring a true and fair view is supplied.

The merger of two mid-tier firms does not solve these problems. Nor will the break up of the Big 4 do that, in isolation. The problems are much deeper than the organisational form of these firms, important as that is.

If BDO merging is the answer, then the wrong question is being asked.