How Audit Firms can survive in the wake of revenue declines from assurance services.

(A case study of BDO Zimbabwe Chartered Accountants)

By

MACHINYI KUDAKWASHE

(R132979C)

A dissertation submitted to the Faculty of Commerce in partial fulfilment of the Bachelors of Commerce (Honours) Degree in Accounting

APPROVAL FORM

The undersigned certify that they have supervised and recommended to Midlands State University for acceptance of the student, **Kudakwashe Machinyi R132797C**'s dissertation entitled:

'How Audit Firms can survive in the wake of revenue declines from assurance services. (A case study of BDO Zimbabwe Chartered Accountants).'

The dissertation was submitted in partial fulfilment of the requirements of the Bachelor of Commerce Honours (Degree) in Accounting.

…………………………………… **…………………………………**

SUPERVISOR **DATE**

…………………………………… **…………………………………..**

CHAIRPERSON **DATE**

………………………………….. **…………………………………..**

EXTERNAL EXAMINER **DATE**

RELEASE FORM

NAME OF STUDENT	KUDAKWASHE MACHINYI.
DISSERTATION	‘How audit firms can survive in the wake of revenue declines from assurance services -a case study of BDO Zimbabwe.’
DEGREE PROGRAMME	Bachelor of Commerce Accounting Honours Degree
YEAR GRANTED	2016
	Permission is hereby granted to Midlands State University Library to produce single copies of this dissertation and lend or to sell such copies for private, scholarly or scientific research only. The author reserves other publications rights and neither the dissertation nor extensive extracts from it may be printed or otherwise reproduced without the author’s written permission.
ADDRESS	3802 Rockview Park, Harare
CONTACT NUMBER	0775 565 725
SIGNED: ……………..	**DATE**.....................

DEDICATIONS

To my guardians, Mr and Mrs Mangena. To my cousins, Nqoba, Thabo and Unathi, may this be the benchmark for the least of your future achievements. And to everyone else who follows their dreams tirelessly.

ACKNOWLEDGEMENTS

"Plans are only good intentions until they immediately degenerate into hard work." Peter Drucker.

I thank Jehovah who has always shone a light in my path all the days of my life and in every one of my endeavours.

Much appreciation to the Midlands State University, Faculty of Commerce, Accounting Department for allowing me to carry out this research. I am indebted to my supervisor, Ms E. Mashiri who has shown me direction and support as well as motivated me to work to the best of my abilities during this research.

Special thanks to BDO Zimbabwe management and staff for allowing me to carry out the research and actively participating in the research through responding to questionnaires and interviews that were instrumental to the success of the research.

Love and deepest appreciation goes to my uncle and aunt, Mr and Mrs Mangena, my mother, my brother Tinashe and all other relatives who have provided me with love and support throughout my academic life. I am also grateful to my colleagues Desmond Makadzange, Elizabeth Mfarinya and Efficiency Samaita, whose support and insights helped in the completion of this research. I also owe a debt of gratitude to Hilda Tinargo, whose motivation and moral support gave me the will and strength to keep working hard during the period of this research. The list would be incomplete without thanking Tichaona Mandeya, who has always been in my corner during the whole degree programme.

ABSTRACT

This study sought to come up with viable solutions to increase revenue at BDO Zimbabwe. The research was prompted by noted decreases in revenue from audit services at BDO Zimbabwe during the period 2012 to 2015. The research explored literature for enhancing an understanding on the measures accounting firms can adopt in order to increase revenue and foster growth. Relevant information was gathered through the use of questionnaires and interviews directed at 25 respondents at BDO Zimbabwe. The response rate for questionnaires was 77.8% while three face to face interviews were conducted. Graphical illustrations, the mode statistical technique and relation to prior literature were used to analyse the results. Based on the research findings, it was concluded that there indeed are strategies that BDO Zimbabwe can implement in order to improve its revenue and enhance its growth prospects. The researcher recommended that the firm should invest in the offering of non-assurance services and consider moving away from the traditional focus on audit services as the main service line.

LIST OF ACROYNMS

AICPA- American Institute of Certified Public Accountants

BDO- Binder Djicker Otto

ICAZ- Institute of Chartered Accountants Zimbabwe

IFIAR- International Forum of Independent Audit Regulators

PAAB- Public Accountants and Auditors Board

PWC- Pricewaterhousecoopers

SOX- Sarbanes Oxley Act of 2002

ZSE- Zimbabwe Stock Exchange

LIST OF TABLES

LIST OF FIGURES

Table of Contents

CHAPTER ONE

1.0 Introduction

This chapter covers the background of the study, the statement of the problem, sub research questions and the study objectives. It also covers the assumptions on which the study is built and the study's delimitations. Also included are the limitations encountered and remedies to address them.

1.1 Background of study

Typical audit firms in Zimbabwe offer audit, tax and advisory services to their clients. The market is dominated by the Big 5 audit firms (Ernst and Young, PricewaterhouseCoopers, Deloitte, KPMG and BDO Zimbabwe). These firms predominantly offer audit services as their main service line. Their clients range from million dollar listed companies, small to medium enterprises and even sole trader companies. However, the nature of the audit industry, coupled with the downward trend of the Zimbabwean economy has brought about changes to the business mix for the big audit firms.

The contraction of the economy has driven institutions like Interfin Bank, Tetrad, AfrAsia Kingdom Bank, Cairns and Blue Ribbon to either close down or be placed under judicial management. According to Matangaidze (2015) 4,600 firms closed between 2011 and 2014. Such company closures gave rise to unemployment which, according to the RBZ Quarterly Report (2014), was at 11.3% as of October 2014. With such unemployment in the economy, the audit industry witnessed an influx of smaller audit firms penetrating the market for example Percos Chartered Accountants, Matamba and Company and Mazhandu and Company.

These smaller firms are providing the same assurance services as the Big 5 but at lesser prices, thereby eroding the market share controlled by the big audit firms. According to the Institute of Chartered Accountants Zimbabwe (ICAZ) there were 11 accounting firms in Zimbabwe as at November 2012 and by September 2015, this had risen to 23. This represents an increase of more than 100%, and in an economy of company closures, this means that service providers have increased but the number of companies to be audited has declined. According to the BDO transparency report (2015), BDO Zimbabwe offered audit services to seven entities listed on the Zimbabwe Stock Exchange. This is a decline from 2012 when the company provided assurance services to 12 listed entities. In other words, the company has lost 41.7% of its listed clients in the period from 2012 to 2015 and this has weighed down on revenue from assurance services.

These factors have contributed to the decline in revenue from assurance services offered by the big audit firms, including BDO Zimbabwe. Below are **Tables 1.1 and 1.2** which indicate the firm's revenue mix and trends for the financial years 2012 to 2015.

Table 1- BDO Revenue extract

Year	**2012**	**2013**	**2014**	**2015**
Total revenue	195,000	210,000	245,000	251,000
% contribution-assurance	68%	63%	57%	54%
% contribution- non assurance	32%	37%	43%	46%

Year	2012	2013	2014	2015
Revenue- Assurance	132,600	132,300	139,650	135,540
% Change		-0.45%	+5.56%	-2.94%
Revenue- Non assurance	62,400	77,700	105,350	115,460
% Change		+24.5%	+35.6%	+9%

Table 2- BDO Revenue

Source: (BDO Zimbabwe Management Accounts, 2015)

From **Table 1.1** above, revenue contribution from the provision of assurance services has been on a downward trend and cumulatively dropped by 14% during the period 2012 to 2015, as indicated above. In the same period, non-assurance services have been contributing more to the firm's overall revenue, with percentage contribution to overall firm revenue increasing by 14% during the four-year period.

Table 1.2 above indicates that revenue from assurance services has not been consistent, with growth, in the lower single digits, only registered during the 2014 financial year. In stark contrast, revenue from non-assurance services has been on a growth trajectory, increasing by an average of 23% during the four-year period. Evidently, revenue from non-assurance services has been on a growth trajectory and revenue from assurance services has been on a downward trend from 2012. This is of concern given that these firms offer assurance services as a main line of business.

1.2 Statement of Problem

BDO Zimbabwe is facing a decline in revenue from assurance services, mainly brought about by macroeconomic factors such as the entrance of new competitors and company closures in the economy that are negatively affecting the demand for assurance services. The study seeks to come up with viable solutions that can enhance revenue and drive the growth of accounting firms.

1.3 Main research question

How can audit firms in Zimbabwe increase revenue and experience growth in the wake of declining revenue from assurance services

1.4 Sub research questions

What types of services are typically offered by audit firms?

What are the determinants of declines in demand for assurance services?

What are the benefits and limitations of offering non-assurance services?

What strategies should be employed by audit firms to increase revenue and foster growth?

1.5 Objectives

To determine the nature of services that accounting firms offer.

To ascertain variables that contribute to declines in audit clients for accounting firms.

To determine the benefits and limitations of non-assurance services.

To develop strategies that accounting firms can use to improve revenue and enhance growth.

1.6 Assumptions

There will be no fundamental changes to the structure and core business of the BDO Zimbabwe Chartered Accountants during the research period.

All accounting firms in Zimbabwe offer assurance and non-assurance services.

1.7 Significance of study

The study will contribute to the body of knowledge regarding the business strategy and structure of the Zimbabwean audit industry

It will explore avenues that the Big 5 Accounting firms, especially BDO Zimbabwe, can use to enhance revenue growth and overall firm performance.

This study will help the author fulfill part of the requirements of an Honors degree in Accounting at Midlands State University.

1.8 Delimitations

The study will be limited to BDO Zimbabwe, where the researcher completed his industrial attachment.

The study will cover the period from 2012 to 2015 as this is the period for which the student has access to information

1.9 Limitations

Confidentiality issues at audit firms. Most audit firms restrict access to their information, especially revenue figures. The author will rely on official university documentation that assures audit firms that the information will be used for academic purposes only and highest levels of confidentiality will be maintained. The student is also willing to sign any non-disclosure agreements if need be.

Lack of finances to visit many accounting firms. The author will mostly rely on telephone interviews, emails, relevant material published by the firms and company websites.

Time constraints. The project has to be completed in less than three months so the author will have to work outside normal working hours, on weekends and public holidays.

1.10 Definition of terms

For the purpose of this study, several working definitions have been formulated for significant terms used in the research.

Accounting Firm- According to Swanson (2008) this is a type of business operated by professional accountants who provide accounting services to clients for a fee. These firms may handle the payroll, accounts receivable, tax issues to mention a few. Most accounting firms also offer auditing and advisory services.

Audit Firm- According to Ncube (2014) this is a company that reviews activities to identify weaknesses, reduce costs and aide in the achievement of organizational goals.

Assurance services- According to International Standard on Assurance Engagements (ISAE) 100, assurance services are those engagements that involve the evaluation of a subject matter that is the responsibility of another party against identifiable suitable criteria in order to express a conclusion that provides the user of such information with a level of assurance on the subject matter.

Non-assurance services- According to Swanson (2008) these are services provided by accountants for which no assurance is given and such services include tax compilation, corporate finance, agreed upon procedures, transactions advisory, restructuring advisory, forensics and risk management advisory and technology advisory.

Revenue- According International Financial Reporting Standard (IFRS) 15 revenue is income arising in the course of an entity's ordinary activities.

1.11 Summary

This chapter was giving an introduction of the research with background of study, the problem statement, research objectives, research questions, scope of the study, limitations of the study and definition of key terms.

CHAPTER TWO

2.0 INTRODUCTION

In this chapter the researcher looks at available literature from authentic sources on the issue of non-assurance services offered by accounting firms and the relevance of these as a strategy to increase revenue and enhance growth.

2.1 SERVICES OFFERED BY ACCOUNTING FIRMS

The objective seeks to outline the types of services that are offered by accounting firms. Reference to prior literature is made in trying to explain the nature of each service and finally obtain evidence of Zimbabwean accounting firms offering those same services. Developments in the audit industry have pushed accounting firms the world over to be innovative and increase the scope of their service lines, in the process leading to the multi-disciplinary nature of large audit firms.

According to Bell et al (2015), developments in the business world have pushed audit firms to embark on horizontal expansion, in the process creating multi-disciplinary firms that provide **audit**, **accounting/bookkeeping**, **tax filing and planning**, **management consultancy**, **business valuations**, **due diligence exercises**, **information systems support**, **forensic accounting services**, **corporate recovery and insolvency**. According to the Code of Ethics and Conduct, audit firms are permitted to provide both assurance and non-assurance services to their audit clients as long as there are no threats to independence and existing professional standards that arise from the joint provision of these services.

2.1.1 Auditing

According to Cohen et al (2010), auditing is an objective analysis and evaluation of an entity's financial statements to ensure that the records reflect a true and fair view of the transactions they claim to represent. According to Tepalagul and Lin (2015), accounting firms primarily offer audit services to their clients. These audit services are split between **internal audit services** and **external audit services.**

Minnis (2011) defines internal audit as an independent examination and analysis of activities related to a company's operations, encompassing business structure, information systems, and employee behavior. The internal audit function complements the company's risk management strategies as it highlights areas of significance. According to Bell et al (2015) internal audit services provided by accounting firms help to identify operational inefficiencies, systems security loopholes and aid in the evaluation of an entity's internal control systems. The IFIAR notes that both large and small accounting firms offer internal audit services to their clients.

According to Ruzivo Trust (2013) all the 19 accounting firms that were accredited with the Institute of Chartered Accountants Zimbabwe (ICAZ) as of September 2013 offered internal audit services though the variance in their sizes also determined the size of clients they could engage. Examples of these firms include BDO Zimbabwe, KPMG, PKF, Ernst and Young and Chiro Accountants.

According to Verschoor (2012) an external audit involves a review of a company's accounting records by independent professionals that are not employees of the company so as to have a reasonable assurance that the accounts are not materially misstated, either due to fraud or error. Accounting firms are mostly staffed by such professionals and they offer these services for a fee. According to Habib (2012) the main benefit from an external audit is that the final opinion of the auditor carries a confirmatory value on the financial statements prepared by management. The review of financial statements serves to confirm that management assertions contained in the financial statements are reasonable and correct. A survey by the Public Accountants and Auditing Board (PAAB) in 2015 established that accounting firms in Zimbabwe indeed offer external audit services as their main line of business for example BDO Zimbabwe, Chiro Accountants Trust Chikohora and Company.

2.1.2 Accounting/Bookkeeping

According to Ryan (2009) bookkeeping services offered by accounting firms involve preparation of accounts payable, bank reconciliations and monthly trial balances. Such services are usually offered to organizations that do not have a fully functional accounting department or where management is not fully conversant with accounting techniques. Numan and Willekens (2012) state that payroll services are also usually offered as part of accounting services, and these entail managing financial records of employees' salaries, deductions, bonuses and calculations of any pay as you earn and levies that might be due. According to Ernst and Young (2015), bookkeeping services offered by the Big Four also involve helping the client create budgets, perfect financial statements, monitor depreciation of assets and help management in determining the cash flow needs of the entity.

According to AMG (2015), many accounting firms in Zimbabwe have standalone departments that specifically provide monthly bookkeeping services to clients. Such departments are kept separate from the audit departments as safeguards to any independence threat that night arise should the accounting firm provide joint assurance and non-assurance services to the same client.

2.1.3 Corporate tax filing and planning

According to Tepalagul and Lin (2015) corporate tax planning is a specialist service provided by accounting firms that covers the strategic structuring of company operations in order to minimize tax liabilities. Tax planning involves using means within the existing legal framework to minimize the amount of tax that an entity is liable to pay. Sikka and Hampton (2011) state that accounting firms have developed structures and strategies to sell tax avoidance schemes to corporations and wealthy individuals. Tax planning services are usually offered through the tax departments of most accounting firms. PWC (2015) add that corporate tax planning is a forward looking activity and is solely meant to avoid unnecessary tax costs to their clients through taking advantage of existing tax legislation. Deloitte (2013) states that tax planning is an invaluable service to its client, and differentiates it from tax evasion which, according to Cante et al (2012) is where a person or entity intentionally avoids paying their true tax liabilities.

However, Swanson (2013) states that though tax avoidance is legal, there can be questions regarding the tax avoidance schemes that are provided by accounting firms. According to Sikka and Hampton (2011) such tax avoidance schemes shift tax burdens to less well-off citizens, erode the tax base and bring the firms into direct conflict with the authorities. Ryan et al (2014) adds that accounting firms have helped perpetrate the largest tax crimes, prejudicing tax authorities in excess of US$1 trillion worldwide in 2015. Such schemes are achieved through aggressive tax minimization strategies that are established by accounting firms.

Some authors have cast doubt on the authenticity of acquiring these services from accounting firms. Salehi et al (2009) argued that the provision of these services from accounting firms can create threats to independence where the same accounting firm is providing audit services to the same company. Kleinman (2010) adds that provision of such services to audit clients might create a self-review threat as audited financial statements are the source documents when preparing tax computations for purposes of tax compliance.

Despite these reservations, the Sarbanes Oxley Act of 2002 (SOX) does not prohibit companies in the United States from acquiring tax services from their external auditors, as long as there are safeguards in place to maintain auditor independence. Titshabona (2014) also notes that there are no laws in Zimbabwe that prohibit companies from engaging their auditors to provide tax planning and compliance services, though this should be done in accordance with guidelines enshrined in the auditors' code of ethics and conduct. According to Banda (2014), BDO, PWC, Ernst and Young and Grant Thorntorn are some of the accounting firms that offer tax planning and compliance services in the Zimbabwean audit market.

2.1.4 Management consultancy

According to Numan and Willekens (2012), management consultancy is a process of analyzing existing organizational problems, and development of plans for improvement so as to help the organizations improve their performance. Management consultancy services include organizational change management assistance, process analysis, technology implementation, strategy development and operational improvement services. Deloitte (2014) state that accounting firms are best suited to provide this service because their exposure to numerous organizations make them aware of typical industry ‘best practices’. Such exposure makes accounting firms offer an invaluable service to their clients. According to Jenkins and Vermeer (2013), the big four accounting firms have been expanding their management consultancy services in recent years through acquisition of strategy firms. IFIAR (2014) points out that as of September 2014, PWC and Deloitte had acquired two major strategy consultancy firms, Monitor and Bearing Point. These acquisitions were done in a bid to expand the management consultancy service line of the two accounting firms.

Ncube (2014) states that the big 5 accounting firms in Zimbabwe have stand-alone departments that are fully devoted to the provision of management consultancy services. A case in point is BDO Zimbabwe, which has a stand-alone associated firm, BDO Tax and Advisory Services, which is devoted to providing tax and management consultancy services.

2.1.5 Business valuations

According to Abdul et al (2014) business valuation is the process of determining the monetary value of an entity. Common methods of valuing a business include a review of financial statements, discounting cash flow models and similar company comparisons. These services are used by market participants when they want to decide on how much they are willing to pay or accept in business acquisitions and mergers. Nyakuwanikwa (2013) states that accounting firms utilize their forensic accounting skills to ascertain the value of businesses, in some cases they are even appointed by the court especially in divorce proceedings where the value of an estate is to be determined. Hey et al (2013) add that prior to investing in African companies, most western investors first engage the services of accounting firms in order to ascertain the true worth of the business transaction. Such consultations help investors from purchasing overvalued businesses and even helps the sellers to come up with a reasonable offer price for the investment.

Ncube (2014) points out that even the Zimbabwean government, prior to the acquisition of Telecel Zimbabwe, engaged the services of a local accounting firm to ascertain the true worth of the shareholding that the government wanted to acquire in the company. In this case the government of Zimbabwe was in the capacity of an investor and acquired business valuation services so as to make an informed decision. Nyakuwanikwa (2013) further states that the major accounting firms in Zimbabwe offer business valuation services to the market. Business valuation services are therefore a deliverable of most, if not all, accounting firms and Zimbabwe is not an exception.

2.1.6 Due diligence services

According to Almer et al (2014) due diligence services involve an investigation of a potential investment in order to confirm material facts concerning the sale. Such services include a review of all related financial statements and anything else that might have a material impact on the transaction. PWC (2013) add that due diligences extent even to an assessment of the proposed buyer to ascertain their ability to pay the purchase price and an analysis of other factors that might affect the entity or the seller after the sale transaction has been concluded. This service can thus be requested by the investor or investee as it benefits both by clearly outlining the conditions of the sale and any other effects that these may have on either party.

IFIAR (2014) established that most investors in Britain acquire these services from accounting firms due to the diversity of specialists that are now forming part of these organizations. A review of company websites for accounting firms in Zimbabwe shows that PKF, Deloitte, HLB, Matamba and company and BDO Zimbabwe are some of the many firms that offer these services to the market.

2.1.7 Corporate recovery and insolvency services

According to AMG Transparency Report (2013), corporate recovery services are rescue packages that focus on helping businesses that have experienced financial problems to survive and eventually regain profit status. Such services are part of judicial management services, where the management of a failing enterprise are relieved of their duties and the care of the company is placed under a judicial manager. Lakter and Richardson (2011) state that accounting firms are able to effectively offer recovery services by aiding in managing of expenses to the best advantage and making sure the business is properly aligned to take advantage of any recovery opportunities. Lee (2015) adds that there has been a marked increase in the number of accounting firms that are offering corporate recovery services post the 2008 recession. The financial meltdown resulted in an increase in the number of companies that required turn around strategies as they began to feel the impact of the financial crisis.

Latker and Richardson (2011) state that in periods of economic stagnation, accounting firms have resorted to providing corporate recovery services to their clients as a means to revive ailing firms or keep existing ones from going under. Nyakuwanikwa (2014) provides evidence that local accounting firms in Zimbabwe like Deloitte and BDO provide business recovery services to their clients. Cases in point are that of Olivine Industries and Tetrad Investment Bank which were placed under the care of Petwin Executor and Trust Company and BDO Zimbabwe by the high court due to financial difficulties.

2.1.8 Information systems support

According to Haron et al (2012), information systems support involves an examination of the management controls of an entity within its information system infrastructure. Such services involve an evaluation of whether the information systems are safeguarding the assets of the company, maintaining data integrity and operating effectively to achieve organizational goals. PWC (2013) states that information system support also involves an assessment of internal control system design and effectiveness within the information technology framework. Additionally, issues of security protocols and Information technology governance are addressed under this service, as is stated by Deloitte (2014)

According to Reed and Buchman (2012), most accounting firms in Europe now have departments that are equipped to offer information system packages to clients. Some of these departments help in the design and installation of computerized internal controls within organizations. Harris (2014) adds that these specialists are also used by audit staff so as to help them understand complex IT environments. The input of these IT experts during audit engagements helps the auditors have a better understanding of the client and their control environment. Nyakuwanikwa (2014) states that computerization in the economy has pushed most business to adopt computerized internal control systems in Zimbabwe. Accounting firms provide the required information systems services that help organizations to computerize their internal control systems. Ncube (2013) adds that accounting firms like Ernst and Young and KPMG have specialist IT departments that offer information systems support services to enhance the quality of financial statements prepared by their clients.

2.1.9 Forensic accounting

According to Gerakos and Syverson (2015) forensic accounting involves using accounting, auditing and investigative skills to analyze a company's financial records for possible fraud. Such services are usually acquired by entities in conjunction with anticipated or ongoing legal actions. According to Deloitte (2013), forensic accounting can be used in fraud prevention, detection and recovery of finances and assessment of an organization's susceptibility to fraudulent activities. PWC (2014) adds that forensic accounting services are also acquired by government agencies in Britain to help prosecute money laundering and recover illegally obtained funds. It can be seen that these services are closely associated with fraud prevention and detection strategies within an organization.

Zimbabwean accounting firms also offer forensic accounting services, as is stated by Titshabona (2014). The government of Zimbabwe even engaged KPMG Zimbabwe to provide forensic accounting services to one of its companies, Zimbabwe Broadcasting Company in 2013. According to the PAAB (2014), most accounting firms in Zimbabwe offer forensic accounting services to the market. This is evidence that this is a service line that even accounting firms in Zimbabwe are willing and able to offer to the market.

2.2 Variables that contribute to declines in audit clients for accounting firms.

This objective seeks to lay out the variables that contribute to the decline in clients for audit services for the major audit firms. Several studies have been carried out on factors that influence the demand for assurance services, among private and public entities. Dedman et al (2014) established the demand for external audit services are influenced by the performance of companies in the economy and the legal environment within which companies operate. Gerakos and Syverson (2015) add that the capital structure of companies also influences the demand for audit services, noting that there were differences in appetite for audit services between companies financed mostly through debt equity and those financed through other means. Other factors that influence the demand for audit services, according to Almer et al (2014), include the size of audit clients, fees charged by the auditor and the reputation of the audit firms.

2.2.1 Performance of companies in the economy

According to Beasley et al (2011), companies that are on a growth trajectory and performing well tend to demand more audit services. In contrast, companies that are in financial distress end up viewing audit costs as an expense they can do without. Lennox and Pittman (2011) established that in Kuwait, the growth of companies and expansion of their size was related to an increase in demand for external audit services. They ascribe this to the fact that it is easier for accounting firms to get new business when an economy is on an expansionary trend.

In contrast, DeFond and Lennox (2011) argue that most companies continue engaging external auditors even if they are experiencing operational challenges. This is on the grounds that they view these audits as possible highlighters of solutions to their problems. Francis et al (2014) adds that loss making companies have more incentive to provide audited financial statements to possible financiers and investors.

Numan and Willekens (2012) opine that although this might be the case, there is evidence that when large corporations face difficulties, they tend to switch auditors and renegotiate lower audit fees as a cost containment measure. Eshleman and Guo (2014) add that the performance of a company may only influence the type of auditor they engage. Large companies tend to engage one of the Big Four as their auditors and when these companies begin to have challenges, they usually go on to engage mid-tier accounting firms as their auditors, as supported by Lee (2015).

In the Zimbabwean context, Titshabona (2014) notes that the financial performance of a company is major cause for auditor switch in the local economy. The phenomenon can partly be ascribed to the fact that the cost of an audit becomes burdensome as performance recedes and changing auditors provides an opportunity for the company to negotiate lower audit fees. KPMG (2015) adds that one of the reason they lost two listed audit clients in 2014 was due to declines in the financial performance of companies. It can thus be deduced that financial performance of companies is a key determinant of demand for audit services, even in Zimbabwe.

2.2.2 The legal environment

The legal environment pertains to regulations that govern the activities and financial presentation for organizations in an economy. Humphrey (2011) posits that the more regulations mandate companies to lodge audited financial statements, the higher is the demand for external audit services. Resultantly, the demand for audit services is somehow linked to the regulations that govern companies in an economy. Ryan (2014) adds that such mandatory regulations create an automatic market for audit services within an economy. He further posits that, for listed companies, external audits are a mandate and there are no other services outside the audit industry that can serve as legal substitutes.

According to the SOX Act (2002), all listed companies in the United States have to be statutorily audited every financial period. In Zimbabwe, all listed companies are mandated to publish audited financial statements as per the provisions of Section 3.19 of the Zimbabwe Stock Exchange (ZSE) listing requirements. This means that the 61 listed and active companies on the Zimbabwe Stock Exchange as at 31 July 2016 create a ready market for the provision of statutory audit services. Zimbabwean regulation also stipulates that all banks in the economy should lodge audited financial statements with the Reserve Bank of Zimbabwe.

Consequently, a reduction in the number of listed entities can thus led to a shrinkage of the market for assurance services, as is purported by Nyakuwanikwa (2014). According to KPMG (2013), KPMG Zimbabwe lost six listed audit clients in the three-year period from 2008 to 2011. Such a reduction of the market share undoubtedly results in revenue declines for audit firms. The Zimbabwean economy has also witnessed the closure of banking institution. According to the RBZ (2015), the central bank revoked the licenses of Tetrad Investment Bank, Interfin Bank and Afrasia Bank limited in the most recent past. The effect of this spills over to the audit firms themselves as this leads to loss of clients and the requisite revenue.

2.2.3 Capital structure of audit clients.

Gerakos and Syverson (2015) state that the capital structure of the vast majority of organizations in an economy has a bearing on quantity of companies that will demand audit services. Apparently, firms that are financed predominantly by debt equity demand voluntary audit services more than firms financed through other means. Lennox and Pittman (2012) ascribed this to the notion that the providers of such capital, mostly banks and investment firms, demand that management have their financial statements scrutinized by third parties to enhance reliability of the financial statements as a bases for decision making. The ownership structure of an audit client thus has an impact on its demand for assurance services as outlined above.

Carey (2012) also add that firms that acquire loan facilities also have a need for audit services as the presentation of audited financial statements is a precondition set by most banks in Britain. Additionally, Lennox and Pittman (2012) state that there is evidence of banks in America charging lower interest rates to companies that provide audited financial statements in their loan applications. Studies by Farhadi (2011) established that as firms settle debt equity obligations, trends show that the desirability of external audit services also falls as there will be no mandate for management to present audited financial statements. Any change in the capital structure of an entity can thus immediately impact its demand for audit services.

This phenomenon also extends to the Zimbabwean economy. According to BDO (2014), more than 70% of audit clients are either listed entities, financial institutions or parastatals. Such organizations are owned by institutional investors and the government, hence the need for constant evaluation of management assertions that are contained in the financial statements. An analysis of the capital structure of a sample of active, listed entities in Zimbabwe by Titshabona (2014) noted that the vast majority of these were financed through debt equity.

2.2.4 Size of the audit client

Another factor that influences the demand for audit services is the overall size of firms in the economy. Nam and Romen (2012) state that demand for audit services is greatly depended on the size of the companies in the economy. The size of an entity also determines the complexity and vastness of its financial and internal control system. Asthana and Boone (2012) add that the complexity or size of the financial systems of most large corporations are the main reason they engage external auditors as opportunities for fraud and error are rampant in these conditions. A reduction in the size of an audit client may even push the audit client to not need the audit services as the scale of operations decrease.

Adeyemi et al (2015) concluded that 75% of audit clients for the Big Four accounting firms in Nigeria were mostly public entities and large corporations. This is an indication that few SMEs engage the services of external auditors. Reichow (2012) opines that this is largely due to the fact that the financial systems of SMEs are not complex and the size of the firms make management and accountability controllable.

Titshabona (2014) adds that the trend amongst the big four accounting firms in Zimbabwe points towards these firms having few large corporations as audit clients. These firms contribute the bulk of revenue for the sustenance of the firms. According to KPMG (2015), twelve of their listed audit clients as at September 2015 contributed in excess of 70% of total audit revenue. Such figures are evidence that any change in the size of any of the key audit clients can have far reaching consequences on revenue from audit services. Nyakuwanikwa (2013) weighs in that most SMEs in Zimbabwe are involved in the informal sector, which is not entirely regulated. As such, small firms do not usually require audit services. BDO (2015) adds that most small clients are engaged by the firm for mostly non assurance services that include tax computations and tax filing. That is evidence that as a firm reduces in size, the appetite for assurance services is reduced and the only other service they cannot do without are specialist services like tax planning.

2.2.5 Audit fees charged by the accounting firm

Nyakuwanika (2014) states that the amount charged to audit clients by an audit firm can affect their demand for the specific services of such audit firm. Clients can replace auditors if they deem the audit fees to be steep in comparison to other firms. Titshabona (2014) adds that auditing services are a homogenous product and most medium sized companies choose their auditors on the basis of audit fees charged. These firms do not associate the choice of auditor with any variance in audit quality since they view the final deliverable, the auditor's opinion, as the same regardless of the choice of auditor.

Nyakuwanikwa (2014) states that most medium sized firms in Zimbabwe select their auditors mostly on the basis of the audit fee as an expense to the entity. And with all costs, the minimization of such will benefit the cash flow situation of the company. Ashana and Boone (2012) add that most medium sized firms in Britain shun the high audit fees that are charged by the Big Four and prefer to engage mid-tier audit firms like Grant Thornton and PKF as their auditors. Evidently, for small to medium enterprises, the cost of the audit is a deciding factor when considering whether to purchase the audit services and the choice of auditor to engage for such services.

In contrast, Gunny and Zhang (2013) argues that the level of audit fees charged is a figure which takes into account the size of the client, complexity of the audit and the reputation of the audit firm. He points out that most firms prefer their financial statements to be audited by the big four and they are willing to pay for that services. This is supported by Farhadi (2011) who adds that states that companies consider reputation of the audit firm ahead of the fees for the services. For large firms, the high audit fees are a reflection of the time and other resources that the audit firm will devote to the assignment, so the higher the cost, the higher the perceived quality of the audit.

In the Zimbabwe context, Nyakuwanika (2014) states that this is subjective due to the economic environment and the fact that audit clients cannot be deemed homogenous. Their variety in terms of size, ownership structure and nature of business make each firm have different characteristics. Nyakuwanikwa (2014) noted that large corporations have a disposition to be associated with one of the Big Four as their auditors, regardless of the high audit fees, as outlined by Farhadi (2011) above.

2.3 Benefits and drawbacks of offering non assurance services

This objective attempts to highlight the benefits and limitations of offering assurance services by the accounting firms. Reference is made to prior discussions that highlight the magnitude of these benefits and limitations, both on the accounting firm and on the overall audit market. There has been heated debate on the issue of accounting firms providing non assurance, especially to their audit clients. Such debates were heightened by the collapse of Enron and the resultant dissolution of Arthur Anderson.

Audit Quality

According to Lisic et al (2014) the provision of non-assurance services by an accounting firm to its audit client results in an increase in audit quality. There is belief that the provision of the non-assurance services makes the audit firm have a better understanding of the nature of the audit client's operations and control systems. KPMG (2014) add that this knowledge spill-over helps the auditor to come up with better auditing tools that are designed to the specific needs of the client thus improving the quality of the overall audit. Ernst and Young (2013) assert that such services helps auditors improve their understanding of the audited company, including its business model, strategy and industry specifics. This enhances the auditor's insight and can lead to an improvement in audit quality. Habib (2012) concluded that there is evidence of improved financial statement quality as clients pay greater amounts of non-assurance fees to their auditors. The improvement can be attributed to the factors outlined above.

On the other hand, Reed and Buchman (2012) argues that the joint provision of these services will result in a shift of resources towards non assurance services at the expense of assurance services. The argument is that the accounting firms will divert resources such as time, personnel and attention from assurance services as they pursue non assurance services. According to Vershoor (2013), management attention and resource allocation tend to follow the business line that is providing the greatest profitability. Resultantly, as revenue from non-assurance services surpasses that from assurance services, the diversion of management attention can have an impact on the quality of audit services that are offered to clients.

Dedman et al (2014) also add that a shift of resources from assurance services to non-assurance services will undoubtedly lead to a decrease in audit quality. The International Forum of Independent Audit Regulators (IFIAR) (2014) concluded that where audit firms provided non-assurance services to the same client, there was evidence of deficiencies in key aspects of audit, negatively impacting on audit quality. The survey was conducted on audit assignments carried out by the Big 6 accounting on audit clients whom they also provide with non-assurance services.

Development of expert skills

According to BDO (2014), the joint provision of non-assurance services results in non -assurance staff being used as experts in audit engagements. The services of such staff will be used in accordance with the guidelines contained in ‘ISA 620- Using the work of an expert’. Staff from non-assurance services will act as specialist and according to De La Merced and Noriss (2013) these specialists provide valuable insights about the audit client to the audit staff.

PWC (2013) add that specialists from non-assurance departments are better able to evaluate complex transactions and Information Technology specialists help the audit team to understand complex electronic internal control systems within the audit client. Evidently, staff from non-assurance services provide a value adding skillset to the audit team due to the specialization of their services and knowledge of the client that cannot be derived solely from audit engagements.

However, there are scholars who oppose this notion. Nam and Romen (2012) argue that provision of non-assurance services leads to intra-firm conflict regarding compensation for assurance and non-assurance profits. The argument is that there might be friction between audit staff and specialists that are in the non-assurance service line with regards to remuneration and share of profits that are awarded to partners in the different departments. According to Doty (2014), the people who do audit work are different from those that perform non assurance engagements. As a result, the logic of the knowledge spill-over is not clearly outlined in the arguments.

Gaining a competitive advantage

Reichow (2012) states that the audit industry is very competitive therefore the expansion of services to include non-assurance services is one way that accounting firms gain a competitive advantage over their competition. Non assurance services are simply viewed as an expansion of the accounting firm's product mix in a bid to improve revenue and overall firm performance. KPMG (2013) adds that the offering of non-assurance is one of the ways in which accounting firms can initiate horizontal integration with the end result being an improvement of revenue performance. Sori et al (2010) opines that non assurance services help accounting firms to diversify. Diversification is key to survival and growth given the nature of the audit industry.

However, Hay et al (2013) argue that the revenue earned from non-assurance services provided to audit clients can create a self-interest threat to auditor independence. The auditor may end up having too much economic dependence on one client given that fees derived from non-assurance services can be very lucrative. Causholli et al (2014) established that, prior to the collapse of Enron, Arthur Anderson was earning $27 million from non-assurance services provided to Enron and $25 million from audit services to the same client. Consequently, audit quality was compromised due to a fear of losing the lucrative fees from non-assurance services.

Sori et al (2010) add that management's influence over the auditor would be increased due to the high fees charged for non-assurance services. Resultantly, the objectivity of the auditor is brought into question on the quality of audit services offered to the same client. In such instances it is highly questionable if the auditor can maintain their independence given the risk of losing the more lucrative revenue from non-assurance services.

Creation of economies of scope within the accounting firm

Ncube (2014) states that the provision of non-assurance services creates economies of scope within the accounting firm. Such economies of scope translate to reduced costs due to the use of in-house specialists on audit assignments. Logically, the reduction in costs translates to price reductions for services offered, therefore benefiting clients for both audit and non-audit services. Al-Bawab (2012) adds that non assurance service provision to non-audit clients reduces the accounting firm's dependence on one client. The creation of another source of income within the firm helps reduce self-interest threat that might arise from the economic dependence on few audit client.

On the other hand, Sori et al (2010) argue that the provision of non-assurance services by accounting firms creates an unfair advantage on the part of these firms. The argument is that accounting firms end up using the provision of assurance services simply as a tool to market their provision of the more lucrative non assurance services to their audit clients. According to Almer et al (2012) such practices result in accounting firms deviating from their core function, which is the provision of audit services.

2.4 Strategies that accounting firms can employ to improve revenue and growth.

This objective looks at the various strategies that accounting firms can and do adapt that foster revenue increments and enhances growth.

There has been considerable literature on the strategies audit firms can employ in order to improve their revenue and enhance growth. According to Cante (2012) audit firms can form strategic alliances, join accounting associations and invest in non- assurance departments.

2.4.1 Strategic alliances

According to Ryan et al (2014), a strategic alliance is an agreement between organizations to pursue agreed upon objectives by pooling resources while remaining independent organizations. Such alliances enable firms to access resources that are otherwise not within their grasp. Ryan et al (2014) states that changes in the nature of accounting firms are making them dependent upon one another to survive and continue providing a value adding service to their markets. Farhadi (2011) opines that accounting firms should create informal cooperative networks. Within these networks, professionals will develop unique skill sets that improve the quality of output and helps the individual firms better positioned to handle larger clients. According to Gerakos and Syverson (2015), strategic alliances also help audit firms to gain access to new markets beyond their normal scope of operations. Access to these markets is due to the increase in areas of expertise that result from the alliances.

On the contrary Ryan (2014) argues that such strategic alliances among audit firms will lead to a monopolisation of the audit market. There is concern that strategic alliances among the big four accounting firms could lead to them having an unfair advantage over smaller accounting firms. Harris (2014) notes that the revenue gap between big four firms and mid-tier firms is in excess of $15 billion as at October 2015. The size of the big four accounting firms would push other accounting firms out of business should they decide to form strategic alliances amongst themselves.

2.4.2 Joining accounting associations

According to Almer et al (2014), one of the ways in which audit firms can grow is by joining an association of accounting firms within their regions. This helps their exposure to the market as most entities look at an audit firm's affiliation prior to acquiring their services. This is supported by Fiolleau et al (2013) who established that all listed entities in Jordan engaged audit firms that were affiliated with the local accounting board. Elliot (2009) state that firms that are aligned with national accounting associations benefit from free marketing that comes along with such membership. These firms are also exposed to other markets within the economy. According to AICPA (2014) these accounting associations can be used as peer networks by accounting firms. Firms can leverage on their peers' approach to assignments and develop opportunities for growth from these networks.

In Zimbabwe, this has witnessed most audit firms being members of the Public Accountants Association Board (PAAB) and the Institute of Chartered Accountants Zimbabwe (ICAZ). Titshabona (2014) posits that over and above this affiliation being mandatory, it also helps the audit firms to be recognized by the market and acts as a marketing tool for brand awareness.

Such membership helps accounting firms to access new clients as Banda (2014) states that part of most tender requirements for the supply of accounting services require that the firm be a member of the PAAB and/or ICAZ.

2.4.3. Investing in the non-assurance service line.

Farhadi (2011) states that accounting firms can enhance growth by shifting from the traditional focus on audit services and offering more non-assurance services. He supports this assertion by pointing out that revenue growth in accounting firms has of late been driven by non-assurance services. Harris (2014) adds that concentration on non-assurance services is a growth strategy that has been adopted by audit firms like PWC and Deloitte. According to Tepalagul and Lin (2015), Deloitte and PWC acquired Monitor and Booz & Co respectively. The two acquired entities are strategy firms that offer corporate strategy products to their clients. These are indications that non-assurance services are an area that accounting firms are now investing, to an extent of seeing the need to even acquire companies that offer these services. Wahab (2014) adds that investments in non-assurance services by audit firms in Jordan brought about an average rise in revenue of 24% for the top 5 audit firms during the period 2010-2013.

Ncube (2015) further posits that the acquisition of entities that offer strategy services by audit firms has contributed to the growth of these audit firms. This is linked to the expansion of the market they will now have access to and the fact that this is a widening of an existing revenue stream. Ryan (2014) attributes the increase in revenue for Big Four audit firms between the years 2012 and 2015 largely to investments in offering non assurance services. This is supported by Jenkins and Vermeer (2013) who established that the Big Four acquired 66 consulting firms during the period 2011- 2013

However, Al-Bawab (2012) argues that acquisition of entities is not an option that is readily executable by audit firms in developing countries as they scarcely have the funds to make such investments. He further proposes that an alternative for these firms would be investing in skills that enhance the growth of their non-assurance departments. Dodor and Darby (2011) add that the provision of non-assurance services by audit firms can impair audit quality if safeguards to mitigate threats to independence are not put in place and adhered to.

2.5 SUMMARY

This chapter looked at literature surrounding the type of services offered by accounting firms, determinants of demand for audit services, advantages and limitations of non-assurance services, as well as growth strategies that can be adopted by accounting firms. This was accomplished through accessing several journals, books, prior dissertations, websites and company publications.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This Chapter aims at providing insight into the respective ways by which data was collected and analyzed. According to Williams (2007), research methodology refers to the way in which a research problem is systematically solved. Therefore, this chapter is in pursuit of answering the research questions in order to make conclusions thereof. The chapter shows the type of research that was conducted, sampling issues, data sources and collection modes, inferences and hypotheses

3.1 Research Design

According to Guercini (2014) a research design refers to the arrangement of conditions for collection and analysis of data in a way that enhances relevance to the research study. Hughes (2014) added that a research design is a plan and structure of investigation with the goal of obtaining answers to the research questions. The researcher adopted the descriptive research design for purposes of this study.

3.2 Descriptive research design

According to Guercini (2014) a descriptive research design seeks to study the; who, what, when, where and how of a topic. The researcher adopted the descriptive research design as the means of data collection, Massingham et al (2012) add that a descriptive research design sharpens the systematic description and exposure of prominent views of a development. The researcher used the descriptive research design to answer research questions during the field study. This enabled clearer understanding of qualitative and quantitative information during the study.

3.2.1 Research Approach

According to Hughes (2014), a research approach can either be quantitative or qualitative in nature. A quantitative approach makes use of questionnaires. The qualitative aspect has to do with the judgment of the researcher and involves the use of interviews. The researcher used a combination of both questionnaires and interviews to collect information.

3.3 Population and sample size

3.3.1 Population

According to Blaxter et al (2012), a population refers to the entire pool of individuals from which a statistical sample is drawn. In this study, the target population were the management and staff at BDO Zimbabwe. This target population included partners, directors, managers, consultants and audit seniors.

The target population and the accessible population for the purpose of this study has been identified and is as shown on table 3.0 below,

Table 3- Population

Target population	Population	Sample size	Sample size %	Research design
Partners	4	2	50	Interviews
Directors	7	5	71	Interviews
Managers	9	6	67	Questionnaires
Audit seniors	12	7	58	Questionnaires
Consultants	7	5	60	Questionnaires
Total	**39**	**25**	**64**	

The above population focuses on the specific individuals at BDO Zimbabwe that are involved in the delivery of services that the firm offers to the market.

3.3.2 Research sample size

Boyd (2014) defines a sample as a subset of individuals from the target population who are deemed to be representative of the whole population. The researcher selected 25 respondents from the organization. These individuals included were 2 of the firm's partners, 5 directors, 6 managers, 7 audit seniors, and 5 consultants within the organization. The researcher deemed these individuals to be sources of reliable answers to the research questions.

3.4 Sampling techniques

The researcher relied on stratified random sampling and judgmental sampling during the study.

3.4.1 Stratified random Sampling

The researcher used the stratified random sampling technique. According to Silverstone and Thornhill (2009), stratified random sampling involves distributing the total population into different strata based on similar characteristics, then taking samples from these different strata. Samples were taken from the organization's key departments. The inclusion of different strata of the population enhanced the reliability of data collected.

3.4.2 Judgmental sampling

According to Saunders et al (2010), judgmental sampling involves the researcher using their judgment to come up with a sample that is best suited to address research questions. The researcher used his own judgment in selecting respondents whom he considered to be in positions to give objective, reliable information. The sample was taken from the organization's various departments, providing some assurance that the sample will represent the views of the population.

3.5 Sources of Data

According to Hughes (2014), data are information presented to the researcher from the study environment. There are two types of data namely: Primary and Secondary data.

3.5.1 Primary Data

According to Blaxter et al (2010), primary data is data gathered by the researcher and is also known as raw data, implying that it has never been gathered before. Primary data was acquired from BDO Zimbabwe personnel through the use of interviews and questionnaires. Such data could not be manipulated once gathered, hence much reliance was placed on it during the study. However, there were financial and time constraints that were encountered in gathering such information. The researcher minimized the effect of these by setting appointments to ensure respondents could be contacted on the same day in order to limit travelling costs.

3.5.2 Secondary Data

According to Guercini (2014), secondary data is data collected by someone else other than the researcher. This type of data is readily available as it would been gathered prior to the research. The researcher relied on the company's annual transparency reports in the course of the study. These reports were easily accessible and the data had been converted into useful information by the preparers. However, some of the secondary data did not meet the actual needs of the researcher to the fullest extent as the data would have been collected and presented for reasons different from the researcher's needs.

3.6 Research Instruments

Data collection was done through the use of questionnaires and interviews, as the researcher considered these would enhance the reliability of data gathered.

3.6.1 Questionnaires

According to Blaxter et al, (2010), questionnaires involve the use of a series of questions for gathering information from respondents, especially for statistical analysis. The researcher came up questionnaires that would be answered by respondents without interaction with the researcher. Mostly close ended questions were posed in the questionnaires, with the exception of a few open ended questions. This was due to time constraints on the part of the researcher given the deadline for submission of the study.

Likert scale

The researcher incorporated the Likert scale in the design of the questionnaires, as outlined below;

Strongly agree	Agree	Indecisive	Disagree	Strongly disagree

3.6.2 Interviews

According to Hughes (2014), interviews are an inter-change of views between two persons engaged in a conversation on a theme of mutual interest. Interviews are conducted for research purposes in order to ensure understanding of the research questionnaires by the respondent. The partners and directors of BDO Zimbabwe were interviewed as these were expected to have a thorough understanding of revenue increase strategies that the company can initiate. Open ended questions were used in the interviews, giving respondents the latitude to express their views and afford any explanations. However, the main challenge was that respondents had limited time to meet the researcher due to their busy schedules.

3.7 Reliability of data

According to Williams (2007), reliability of data means that significant results can be inherently repeated and are not a once off phenomenon, meaning that redoing the research using the same instruments should lead to the same findings. The research is reliable because the instruments used are authentic. There is also coherence between questions posed in the questionnaires and during interviews and the research objectives presented in the first chapter. The questionnaires and interviews were piloted prior to being presented to respondents to ensure their comprehensibility.

3.8 Validity of data

According to Boyd (2014), validity refers to the degree of coherence between what the research purports to measure and how it accomplished this purpose. Validity was enhanced during the study by using research instruments best suited for this type of study. Questions posed during the study were carefully drafted so that they could be relevant to the research

3.9 Data presentation

Williams (2007) states that data presentation involves the description of the main features of the dataset in an understandable manner. The researcher presented the research findings by way of tables, graphs, and charts. Such presentation allows users to immediately understand the data at a glance without going into detail. Tables were included for their simplicity in displaying characteristics.

3.10 Data analysis

Saunders et al (2013) defined data analysis as the process of applying statistical and logical techniques to illustrate, describe and evaluate information. Post data collection, the researcher used graphical tools to interpret and transform data in order to decode useful information and reach appropriate conclusions. Data was analyzed through graphics presentation and statistical measures of dispersion (mode, median and mean) in order to determine strategies BDO Zimbabwe can use to increase revenue and enhance growth.

3.11 Summary

This chapter provided insight on the data gathering methods employed by the researcher and the merits, demerits and justifications of each of the methods. Information contained in the preceding chapters will be obtained using the techniques alluded to above. The information is both quantitative and qualitative in nature. It should be noted that the methodology has been chosen in view of the major limitations of time and financial resources.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter focuses on the presentation and analysis of data gathered using methodologies outlined in the preceding chapter. The chapter lays out findings obtained through questionnaires and interviews, relating these findings to the research objectives and prior literature on the objectives.

4.1 QUESTIONNAIRE ANALYSIS

Questionnaires were administered to eighteen personnel and fourteen questionnaires were successfully responded to, being a 77.8 % response rate. The main reason for lack of responses was the fact that some of the targeted respondents were in meetings or on audit engagements during the researcher's visit. Table 4 below illustrates the response distribution for the questionnaires.

Table 4-Questionnaire response rate

Respondents	Target Population	Questionnaires Administered	Questionnaires returned	Response rate
Managers	6	6	5	83.3%
Audit seniors	7	7	5	71.4%
Consultants	5	5	4	80%
Total	**18**	**18**	**14**	**77.8%**

The response rate of 77.8 % is acceptable as a basis for analysis and recommendations as the respondents are a majority and can be taken to be representative of the whole population.

The responses received aid in the formulation of interpretations and analysis of data collected using questionnaires. The following section presents and analyses data that was gathered by way of questionnaires

4.1.1 Services BDO Zimbabwe offers more to the market

Respondents were asked on which services the firm offers more to the market; assurance or non-assurance. Below is fig 1 showing the results of responses to this question.

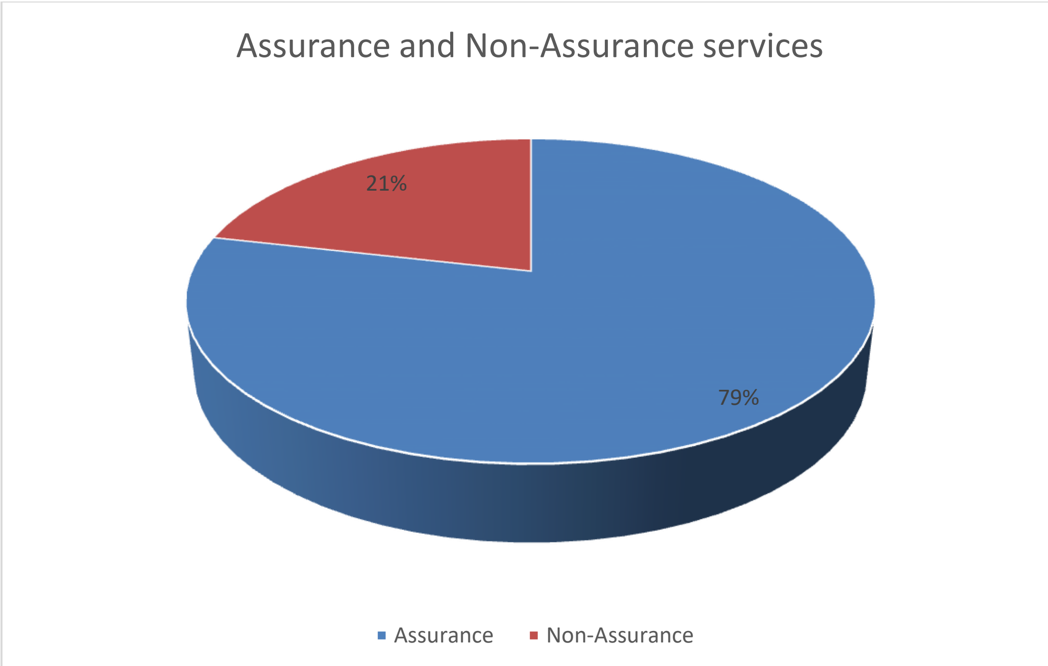

Figure 1-Assurance and non-assurance services

As highlighted in figure 1 above, 79% of the respondents opined that the firm offered more assurance services to the market, compared to 21% who felt that the firm offered more of non-assurance services to the market.

On the basis of such statistics, it can be concluded that BDO Zimbabwe mostly offers assurance services as their main services line. Tepalagul and Lin (2015) concur that most accounting firms offer assurance services as the main business package to the market, with non-assurance services merely being support structures within the accounting firms.

4.1.2 Causes of declines in audit clients

Questions were directed to respondents to ascertain what they deemed as the main causes of declines in audit clients. Below is figure 2 which summarizes the findings

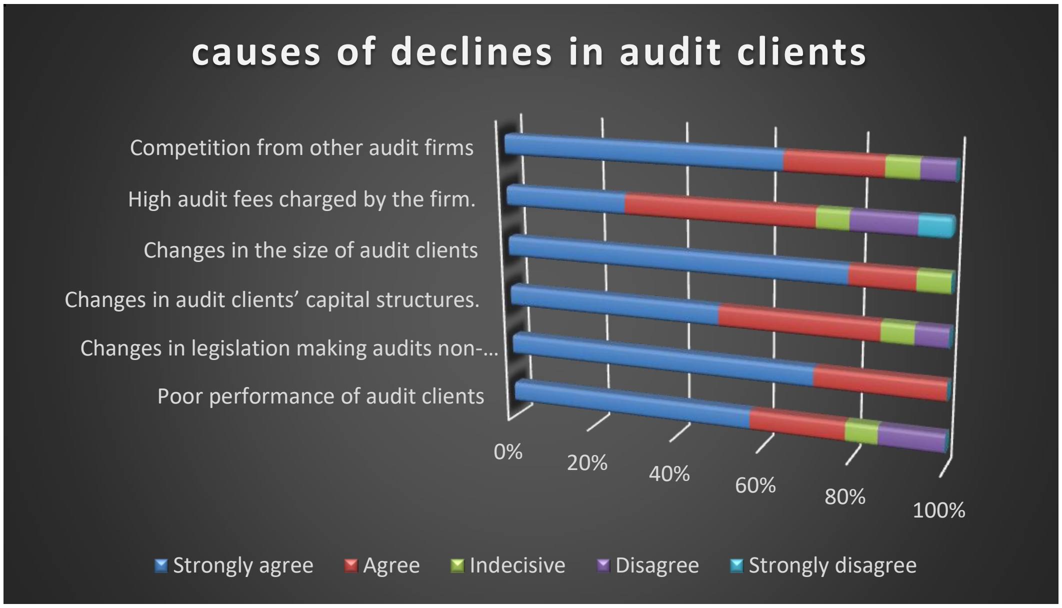

Figure 2-causes of audit client decline

As outlined in fig 2 above, twelve respondents concurred that competition from other audit firms could be cited as one of the reasons audit clients have been reduced in the recent past. These respondents represent 85% of the population compared to 15% who disagreed with this notion.

The vast majority is basis to conclude that BDO Zimbabwe has witnessed a reduction in audit clients as a result of competition from other audit firms. Such conclusion is supported by Adeyami et al (2015) who state that competition among audit firms has resulted in some clients opting for mid-tier audit firms ahead of the traditional Big Four.

Fig 2 also points out that 29% of the respondents strongly agreed that perceived high audit fees have resulted in a decline in audit clients for the firm. Additionally, 43% agreed with this notion. In contrast, 7% strongly disagreed, 14% disagreed and 7% were indecisive.

This means that 72% of the population can be used to conclude that the audit fees charged by the firm have contributed to a decline in client numbers within the firm. Nyakuwnaikwa (2014) concurs that indeed the level of audit fees charged by a firm has a bearing on the demand for services offered by the firm and ultimately the number of its clients.

As outlined in Fig 2 above, 79% of respondents strongly agreed that changes in the size of audit clients have resulted in the firm losing some of its clients. An additional 14% of the population agreed with this assertion, bringing the cumulative proportion of participants who regard this as a cause for client decline to 93%. Contrastingly, 7% of the respondents disagreed with this notion.

It can thus be concluded that the firm has lost some of its clients due to changes in the size of the clients themselves. Nam and Romen (2012) concur that the demand for an audit firm's services is partly influenced by changes in the overall size of its clients. Change in size of entities has been associated with resultant changes in auditors by the client.

According to Fig 2, 50% of the 14 respondents strongly agreed that indeed changes in audit clients' capital structures somewhat resulted in a reduction of audit clients. Additional 36% of respondents agreed that this was true. This means that 86% agreed that changes in clients' capital structures resulted in a reduction of firms who demanded the firm's audit services. However, 7% of respondents disagreed with this notion whilst another 7% were indifferent towards the notion.

On the basis of the majority, it can be concluded that changes in the capital structures of audit clients resulted in a reduction in audit clients for the firm. The notion is supported by Gerakos (2015) who states that capital structures of entities have a bearing on their demand for external audit services.

Respondents also answered as to whether or not changes in company legislation relating to auditing requirements have a bearing on the decline in audit clients. According to Fig 2, all respondents agree that legislation changes that result in audits being non-mandatory result in a decline in the firm's audit clients. 10 of the 14 respondents are strongly in agreement and the remaining 4 are in agreement

This leads to a conclusion that changes in company legislation relating to requirements for audits have a bearing on the quantity audit clients for the firm. Johnson et al (2013) concur that a relaxation of legislation making audits mandatory result in a decrease in demand for audit services.

Fig 2, above, highlights that 57% of respondents strongly agree that poor performance of companies in the economy, and ultimately audit clients, resulted in a decline in clients for the firm. 22% of respondents agreed with this while 14% disagreed. An additional 7% were indecisive on the issue.

Using the majority as a premise, it can be concluded that poor performance of audit clients resulted in the firm losing some of these clients. The same conclusion was reached by Johnson et al (2013) who established that growth of companies and positive financial performance is associated with a growth in demand for audit services and vice versa.

It is now apparent that the decline in audit clients at BDO Zimbabwe can be ascribed to poor performance of audit clients, variations in the legal environment within which audit clients operate, changes in the capital structures of audit clients, variations in size of audit clients and audit fees charged by the firm.

Basing on the majority of responses, the highest contributing factor to the decline in audit clients is change in legislations that result in audit being non-mandatory, as supported by Rusell(2014) who concurs that the removal of regulations that make audits mandatory results in a loss in market share for accounting firms. The second most contributing factor are changes in the size of the audit clients themselves. Nam and Romen (2012) concur that changes in the size of an entity have a bearing on its demand for audit services. Cited as the third most contributing factor is competition from other accounting firms

4.1.3 Non-assurance services that BDO Zimbabwe can offer to the market

Respondents were asked on the types of non-assurance services that BDO Zimbabwe can offer to the market. Below is Figure 4.3 which outlines responses that were gathered

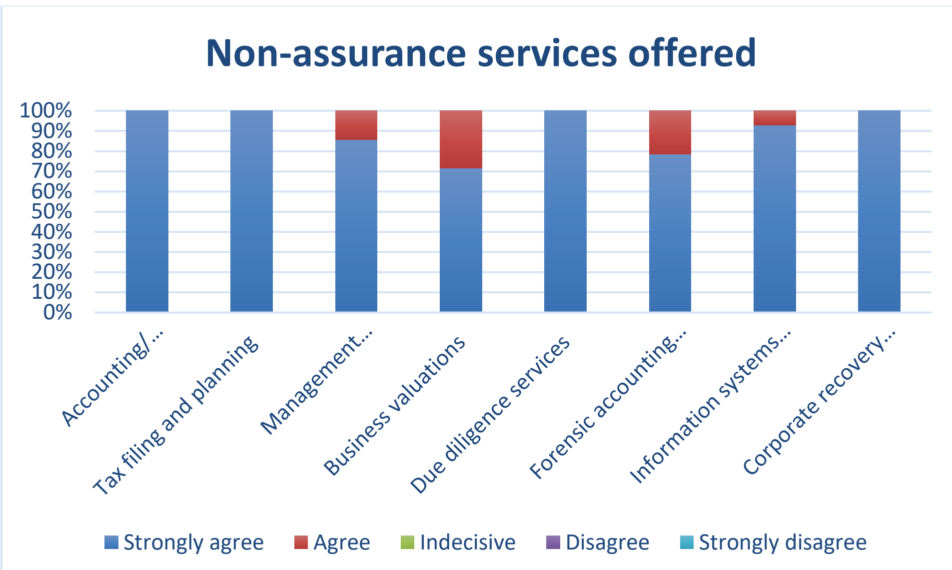

Figure 3- Non- assurance services

According to Fig 3 above, all the respondents strongly agreed that the firm is capable of effectively offering accounting and bookkeeping services to the market as a non-assurance service. None of the respondents were at variance with this position.

It can thus be concluded that BDO Zimbabwe is capable of providing accounting services to the market effectively. Such sentiments are echoed by AMG Global (2015) who state that most accounting firms can and do offer accounting services to the extent of having standalone departments that concentrate on the provision of such services.

Fig 3 also shows that all respondents strongly agree that the firm can offer tax filing and tax planning services to the market at large. There seems to be no variance from this position amongst the respondents.

It is conclusive that the firm is capable of providing tax services effectively to the market. Such conclusion is supported by Sikka and Hampton (2011) who further state that accounting firms have now come up with structures that enable them to sell tax avoidance schemes to both corporations and individuals

As outlined in Fig 3, 85.7% of the respondents strongly agree that the firm is capable of offering management consultancy service to the market. The remaining 14.3% of the respondents are in agreement that the firm can offer such a service effectively to the market.

On the grounds this consensus, we can conclude that BDO Zimbabwe is capable of offering management consultancy as a non-assurance services to the market. This is in line with conclusions reached by Ncube (2015) who states that big accounting firms in Zimbabwe have stand-alone departments which are wholly specialized in the provision of management advisory services.

Fig 3 also indicates that 71.4% of respondents strongly agree that the firm is capable of offering business valuation services, while the remaining 28.6% agree with this notion. There seems to be no variance from this position as all respondents agree that the firm can provide this service.

It is thus conclusive that the firm can offer business valuations as a non-assurance service, basing on the above statistics. Hey et al (2014) concurs with this position, stating that accounting firms use skills within their departments to ascertain the values of businesses.

As per Fig 3, all respondents strongly agree that the firm can offer due diligence services effectively. There seems to be no other position contrary to this among the respondents involved. It can therefore be concluded that the firm can effectively offer due diligence services to the market. This is supported by Almer et al (2014) who state that most investors in Britain acquire these services from accounting firms. PWC (2013) further states that most accounting firms offer this services effectively due to the diversity of the expert skills that the firms possess.

Fig 3 shows that 78.5% of respondents strongly agree that the firm has the ability to effectively offer forensic accounting services to the market. An additional 21.5% agree that this is true. There are no other positions that are at variance with this assertion among the respondents. Therefore, we can conclude that the firms is capable of providing forensic accounting effectively to the market based on an analysis of these statistics. Titshabona (2014) concurs that accounting firms offer forensic accounting services as part of their service line range. Gerakos and Syverson (2015) add that accounting firms utilize the accounting, auditing and investigative skills that their staff possess to effectively provide forensic accounting services.

As per Fig 3, 92.9% of respondents strongly agree that the firm is able to offer information systems support services to the market. The remaining 7.1% agree that the firm is able to provide the same to clients. There is thus consensus that the firms can provide this service and there are no respondents that are taking positions contrary to the levels of agreement.

It can therefore be concluded that BDO Zimbabwe is capable of providing information systems support services to the market. this is supported by Reed and Buchman (2012) concur that most accounting firm, especially in Europe, now have departments that are well equipped to provide information systems support services to their clients. Ncube (2013) adds that some accounting firms now offer information systems support services that enhance the quality of financial statements that are prepared by their clients.

Figure 3 also indicates that all respondents strongly agree that the firm is capable of offering corporate recovery and insolvency services to the market. None of the respondents are at variance with this level of agreement, translating to 100% of respondents

Basing on this majority, it can be concluded that BDO Zimbabwe is capable of providing corporate recovery and insolvency services to the market. Such conclusion is supported by Latker and Richardson (2011) who state that in periods of economic decline, accounting firms find a market for firms that need recovery strategies and want to avoid insolvency.

From the above analysis, there is consensus that the firm can offer corporate recovery, due diligence, taxation and bookkeeping services effectively to the market. The provision of these services by accounting firms is supported by Numan and Willekens (2012) who state that accounting firms are better positioned to offer non-assurance services due to the nature of skills possessed by their personnel.

It is apparent that BDO Zimbabwe has the capabilities and skills to offer the non-assurance services that are shown in fig 3, meaning that there is scope for the firm to channel its resources towards the provision of these services should need arise.

4.1.4 Benefits of offering non-assurance services

Respondents were asked about their take on the perceived benefits of offering non-assurance services that were outlined in literature review. The overall results are outlined in figure 4 below,

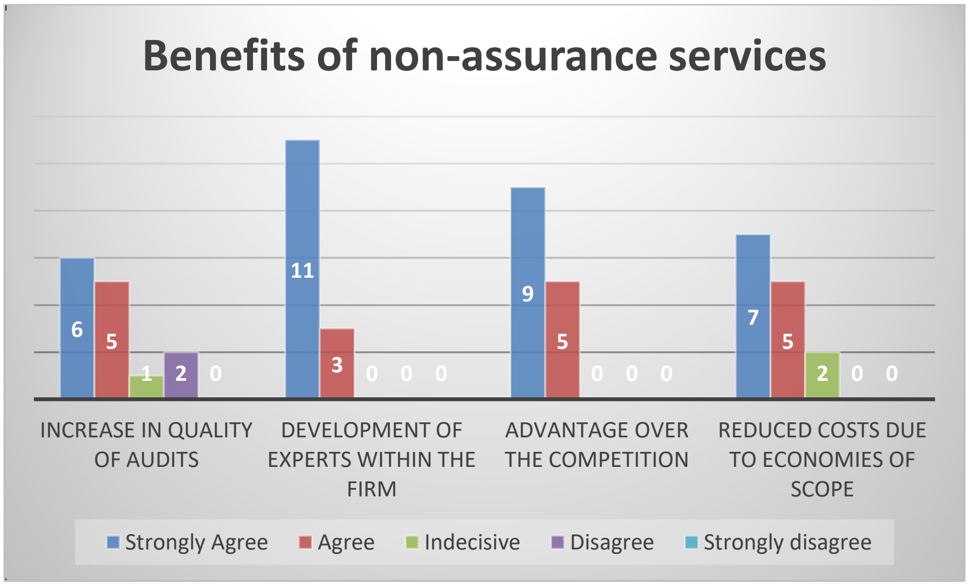

Figure 4- Benefits of non-assurance services

According to Fig 4 above, 50% of respondents strongly agreed that the firm stands to benefit reduced costs due to the provision of non-assurance service. Additional 36% of the respondents agreed with this notion whilst 14% were indecisive.

It is therefore conclusive that the company stands to reduce its costs by offering non-assurance service through the possibility of existence of economies of scope. This position is supported by Ncube (2015) who states that economies of scope that arise from the provision of non-assurance services by audit firms lead to decreases in the cost of carrying out an audit.

Fig 4 also shows that 64% of respondents strongly agreed that the firm would gain a competitive advantage from the offering of non-assurance services. In addition, 36% of respondents agreed with this position, with none disagreeing.

There is thus consensus that the firm develops an advantage over the competition by offering non-assurance services. This conclusion is supported by Sori et al (2010) who state that offering non-assurance helps accounting firms to diversify their business model and get an edge over the competition.

Fig 4 outlines that 79% of respondents believe that offering of non-assurance services by the firm results in the development of expert skills within the organization. Another 21% agree with this position and none of the respondents are in disagreement.

This means that the offering of non-assurance services results in the firm developing its own pool of personnel specialized in areas other than just auditing. Norris (2013) concurs with this benefit, further stating that the services of these experts can also be used during audit engagement in line with the guidelines contained in ISA 620- ‘Using the work of an expert’.

According to Fig 4, 43% of respondents strongly agree that offering non-assurance services increases audit quality and a further 36% are in agreement while 7% are indecisive and 14% disagree with this assertion. On the basis of a majority, it can be concluded the there is an increase in the quality of audits if the firm offers non-assurance services. Lisic et al (2014) also support this assertion stating that offering non-assurance services to audit clients enhance the firm’s understanding of client operations and internal control systems.

Analysis of the above data has indicated that the firm stands to benefit from the offering of non-assurance services. Such benefits are in the form of competitive advantage, development of expert skills within the firm, reduced costs of auditing and overall improvement in the quality of audits.

Based on the above analysis, benefits most likely to accrue to the firm by offering non-assurance services is the development of experts within the firm and competitive advantage. Merced and Norris (2013) concur that offering non-assurance results in the audit firm developing internal experts within its personnel. Sori et al (2010) support the benefit of competitive advantage, stating that offering non-assurance services helps accounting firms to diversify and differentiate themselves from their competition.

4.1.5 Strategies that can be implemented in order to improve the firm's performance

Respondents were asked to indicate their level of agreement or disagreement with proposed measures that improve performance of accounting firms. Fig 5, overleaf, presents responses gathered from respondents on the available strategies

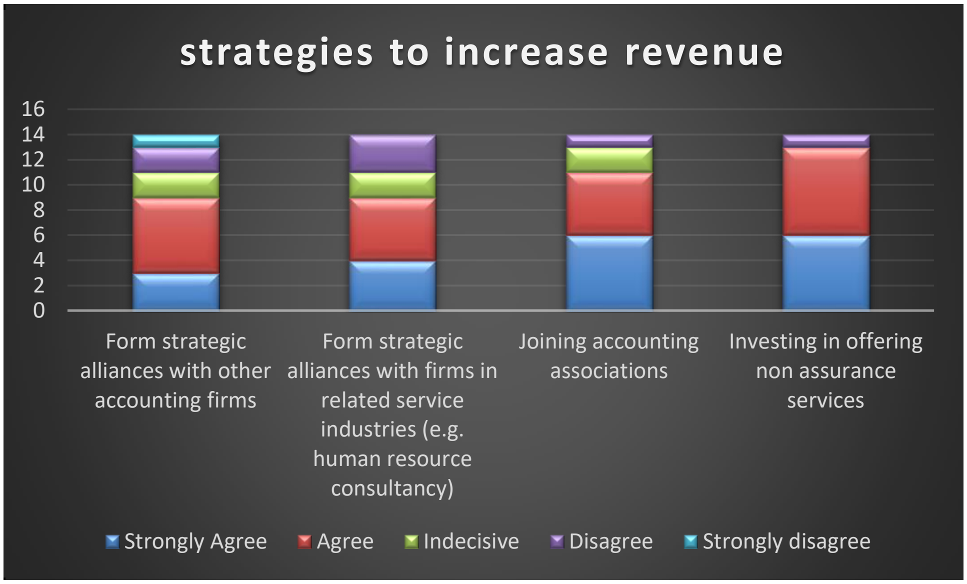

Figure 5- strategies to increase revenue

As shown in Fig 5 above, 22% of respondents strongly agreed that the firm can improve its performance by forming strategic alliances with other accounting firms and additional 43% agreed with this notion. In contrast, 7% strongly disagreed and 14% disagreed while another 14% were indecisive.

This means that 65% of the respondents opine that strategic alliances are one way in which the firm can improve its performance and this can be used as a basis on which to posit such as a conclusion. The same sentiments are echoed by Farhadi (2011) who states that such strategic alliances help accounting firms to widen the size of clients that they can services.

As is shown in Fig 5 above, 29% of respondents strongly agreed that the firm can enhance its performance by forming strategic alliances with firms in related service industries. An additional 36% agreed with the sentiments. On the other hand, 21% disagreed while 14% of the respondents were indecisive.

On the basis of the majority of 65%, it can be concluded that the firm can enhance its performance by forming strategic alliances with firms in related industries that complement the services that the firm offers. Gerakos and Syverson (2015) concur that strategic alliances with firms in related industries help accounting firms to access markets that would otherwise be outside the scope of their normal operations.

Fig 5 also indicates that 43% of respondents strongly agreed that the firm can improve its performance by joining accounting associations, while 36% were in agreement. However, 7% disagreed and 14% were indecisive towards the notion. This means that 79% of respondents agreed that this strategy improves the performance of the firm.

It can be concluded that the firm can enhance its performance by joining accounting associations. Almer et al (2014) also came to the same conclusion, stating that accounting forms can join accounting firms within their regions in order to increase their visibility within the industry and this impacts positively on performance.

As per Fig 5, 43% of respondents strongly agreed that the firm can enhance its performance by offering more non-assurance services while 50% agreed on the effectiveness of the strategy. On the contrary, only 7% disagreed with the notion

It can be concluded that investing in offering non-assurance services is one way in which accounting firms can enhance their financial performance. Ryan (2014) concurs with the notion, stating that revenue increases for the Big four accounting firms is now being driven by investments in the non-assurance service line.

From the above analysis the most common strategy that the firm can employ is investing in the offering of non-assurance services as the main service line. This strategy is supported by Farhadi (2011) who states that accounting firms can improve their performance by focusing on the non-traditional non-assurance service line. Another popular strategy based on the analysis is for the firm to join accounting firms. Almer et al (2014) concur that accounting firms can enhance their visibility, and ultimately their performance, in regional and international markets by joining accounting associations.

4.1.6 Strategies that the firm has implemented to improve performance

The questionnaire provided space for respondents to cite strategies that the firm has so far implemented in order to enhance its performance in the wake of a decline in audit clients. However, only two of them utilized this space and upon follow ups the rest pointed out that revealing such information would expose the firm to its competitors. The two respondents limited their responses to revealing that BDO Zimbabwe is a member of the Institute of Chartered Accountants Zimbabwe (ICAZ).

4.1.7 Additional comments

There was also space for respondents to include any additional comments that they deem relevant to the subject area but none of them included any additional comments.

4.2 INTERVIEW ANALYSIS

Not all interviews that were scheduled were conducted. Interviews were aimed at the partners and directors of BDO Zimbabwe. The main purpose was to get their input on the options that the firm can and has implemented in order to counter the revenue declines attributable to decreases in audit clients. Interviews were conducted with the Associate Tax Director, Director of

Corporate Finance and the Risk Management Partner. The overall response rate for interviews is illustrated in table 5 below.

Table 5- Interview response rate

Population	**Target interviewees**	**Successful interviews**	**Response rate**
Partners	2	1	50%
Directors	5	2	40%
Total	**7**	**3**	**42.9%**

4.2.1 Services offered by the firm

All respondents outlined that the firm typically offers audit, tax and advisory services. Two of the respondents further explained that advisory services typically encompass management consultancy services including business valuations, corporate recoveries and information technology support. All respondents also highlighted that the firm offers external and internal audit services, periodic bookkeeping, forensic accounting, tax computation, tax auditing and tax planning services.

Such findings are in tangent to responses from questionnaires which indicate that the firm effectively offers the abovementioned services to the market. These finding concur with Bell et al (2015) who posits that audit firms offer audit, tax and advisory services but these services are later split into specialist areas and their nature is broadened to even include information technology services and strategy development services.

4.2.2 Factors leading to declines in the firm's audit clients

Two of the respondents, representing 66%, opined that the decline in audit clients could be mostly ascribed to a decline in performance of the audit clients and competition from other, especially smaller, accounting firms.

This position was also confirmed by questionnaire responses around the issue. This conclusion is also supported by Bills and Stevens (2016), who posit that there is a direct relationship between the financial performance of audit clients and their demand for audit services.

4.2.3 Drawbacks of offering non-assurance services.

66% of the respondents outlined that there is a general fear that independence might be threatened if the firm offered non-assurance services to audit clients. They highlighted that threats to independence were mitigated by the firm through having separate structures for the provision of assurance and non-assurance services within the organization.

Respondents opined that the only realistic drawback could be the perceived lack of independence from the joint provision of assurance and non-assurance services. Perceived lack of auditor independence from the joint provision of assurance and non-assurance services was also established by Vershoor (2013).

4.2.4 Benefits of offering non-assurance services.

All the respondents posited that the main benefit arising from the provision of non-assurance services is the development of expert skills within the organization, especially in areas of transfer pricing, information technology and business recovery. One of the respondents went further to explain that the firm stands to increase its revenue from the provision of non-assurance services to its clients. Another benefit that was cited was an associated increase in the quality of audits offered by the firm. They explained that skills and knowledge from non-assurance departments could be used by auditors to obtain a better understanding of audit clients and their systems of internal control. They gave an example of the possibility of using input from in-house IT specialists during audit assignments that involve complex, computerized internal control systems.

These findings tally those obtained from the questionnaires which indicated that additionally the firm gets a competitive edge from the provision of non-assurance services. Koh et al (2013) also concur that these benefits are attached to the joint provision of assurance and non-assurance services by audit firms.

4.2.5 Ability of accounting firms to provide non-assurance services without impeding audit quality.

The respondents outlined that the firm has sound risk management guidelines that help to mitigate threats to independence that might arise from the offering of non-assurance services. They went further to argue that efficiency in the provision of audit services actually improves through the offering of non-assurance services.

These responses complement findings obtained through questionnaires where all respondents agreed that accounting firms can effectively offer non-assurance services without undermining the quality of audits. Lisic et al (2014) concur that audit quality and overall financial statement quality are improved as clients pay more for non-assurance services.

4.2.6 Strategies employed by accounting firms to counter revenue decline from audit services

Two thirds of the respondents pointed out that the firm had opened offices in Malawi as a way to broaden their market. Such initiative was achieved through partnering with Malawian businessman. Also highlighted was the fact that the firm is a member of ICAZ and is registered under the Public Accountants and Auditors Board (PAAB) Zimbabwe chapter. The respondents also highlighted that they could do not go into detail on the strategies that have so far been implemented as this could reveal valuable information to the competition. However, respondents confirmed that, generally, accounting firms in other parts of the world were enhancing their growth through investing more in non-assurance services in the recent past.

This position is supported by findings obtained through questionnaires where respondents established that the firm was making efforts to invest in the provision of some non-assurance services, even though the firm predominantly offers audit services. Farhadi (2011) agrees that accounting firms can improve their performance by shifting their focus from audit services and concentrating on offering non-assurance services.

4.3 SUMMARY

This chapter focused on the presentation and analysis of data gathered. Data was obtained by means of questionnaires and interviews which were carried out. The data was presented and analysed through the use of tables, charts, graphs, averages and descriptive summaries. Chapter five will focus on the summary of findings, overall conclusions and recommendations to the organisation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECCOMENDATIONS

5.0 Introduction

This chapter focuses on summarizing chapters, major findings of the research, conclusions reached from the study and recommendations. The chapter also suggests areas of further study. The chapter also links the research findings to the research objectives outlined in chapter one.

5.1 Chapter summaries

Chapter one introduced the research, laying out the background of the study where the research sought to come up with strategies that BDO Zimbabwe can implement in order to improve revenue performance in the wake of declines in revenue from assurance services. Reference was made to management reports indicating the decline in revenue from assurance services during the period 2013-2015. The chapter also outlined the main research question, sub research questions, and the research objectives. Limitations and delimitations of the study, assumptions made in carrying out the research and definitions of key terminology were also expressed in chapter one.

Chapter two was a review of existing literature on the intended area of study. Evaluations of literature by other sources was made in respect of types of services offered by accounting firms, determinants of demand for assurance services, benefits and associated drawbacks of offering non-assurance services and revenue enhancing strategies that can be implemented by accounting firms. Such information gave the researcher guidelines in respect of the factors that would make the research effective.

Chapter three laid out the research methodology that would be adopted. A descriptive research design was adopted for this study since it focused on problems and solutions specifically for BDO Zimbabwe. The chapter also identified instruments used to gather data. The research involved targeting 25 respondents and data was gathered through the use of questionnaires and interviews. Also outlined was the validity and reliability of the research methods and instruments adopted and the justifications of each.

Chapter four focused on the presentation and analysis of data findings. The response rate for questionnaires was 77.8% while three interviews were conducted. The findings were presented in tabular format aided by the use of graphs and charts. Findings were analysed and linked to literature in chapter two as well as the research objectives in chapter one.

5.2 Major Research Findings

The research, by means of the aforementioned research instruments, was able to deduce some findings regarding how accounting firms can improve revenue performance. The research established that BDO Zimbabwe can increase revenue and enhance growth by investing more in the offering of non-assurance services. The firm can also consider joining regional accounting associations seeing that it is already affiliated with local accounting associations. The research also discovered that the firm can form strategic alliances with other accounting firms in order to have access to a larger pool of clients that might otherwise be inaccessible to the firms because of resource constraints.

5.3 Conclusion

The research succeeded in ascertaining how BDO Zimbabwe can improve its revenue performance and experience growth as evidenced by findings mentioned above. Strategies were established that the firm could implement in pursuance of these objectives.

5.4 Recommendations

The firm should consider investing more resources to the provision of non-assurance services to audit and non-audit clients. The firm should evaluate the option of shifting from the traditional focus on audit and invest in the lucrative non-assurance service line.

The firm should also consider forming strategic alliances with other entities that are in related service industries like human resources and strategy consultancy. This can be achieved through various means like forming joint ventures, partnerships and acquisitions of existing businesses that offer these services.

BDO Zimbabwe can also form strategic alliances with other accounting firms if it wants to service clients that may be outside the scope of its abilities in terms of size and resource capacity. Such alliances will give the frim access to resources that it might not possess and simultaneously help in accessing bigger and more sophisticated clients that the firm would otherwise forgo.

The firm also has the option to invest with firms that offer related services. In this regard, BDO Zimbabwe can form partnerships or joint ventures with firms that provide related services such as strategy consulting and human resources consultancy

5.5 Areas of further research

Research can be done on other revenue enhancing strategies that accounting firms can implement and how these can be applicable to BDO Zimbabwe, especially strategic alliances and investments in related service industries.

Studies can also be undertaken on the effectiveness of the risk mitigation measures put in place by accounting firms towards the threats to independence that arises from the joint provision of assurance and non-assurance services

REFERENCE LIST

Asthana, S. and Boone, J. (2012) **Abnormal Audit fee and Audit quality.** Auditing: A Journal of Practice and Theory, Volume 31(3)

Abdul, R. Qayyum, A. and Bolda, M. (2014) **Working capital management and corporate performance.** International Research Journal of Finance and Economics, Volume 4(47)

Adeyemi, S. Oba, S and Udofia, I. (2015) **Determinants of Demand and Supply of Accounting and Audit Services in SMEs, Evidence from Nigeria**.

Al-Bawab, A. (2012) **The Factors which Affect The choice of The External Auditor in Jordanian Banks from The perspective of The External Auditor in Jordan (An Empirical Study)** International Journal of Humanities and Social Sciences. Volume 2(6)

Almer, E. Philbrick, D. and Rupley, K (2014) **What Drives Auditor Selection?** American Accounting Association. Volume 8(1) page 44-66

Almer, Philbrick, and Rupley (2014) Current Issues in Auditing Volume 8(1)

AMG Global (2015) **Transparency Report** available at http://www.amgglobal.co.zw

Audit Analytics. July 2013. **Audit Fees and Non-Audit Fees: An Eleven Year Trend** available at: http://www.auditanalytics.com/0000/custom-reports.php

BDO Transparency Report (2015) available at http://www.bdo.global

Beasley, M. Carcello, D. Hermanson, T. (2011). **The audit committee oversight process**. Contemporary Accounting Research 26 (1): 65–122.

Beasley, M., and Petroni, K. (2014). **Board independence and audit-firm type.** Journal of Practice & Theory 20 (1): 97–114.

Beasley, M., J. Carcello, D. Hermanson, and T. Neal. 2009. The audit committee oversight process. Contemporary Accounting Research 26 (1)

Bell, T., Landsman, W. and Shackelford, D. (2015) **Auditors' perceived business risk and audit fees: analysis and evidence**, Journal of Accounting Research, 39(1)

Blaxter L., Hughes C., and Tight M. (2010) **How to Research,** McGraw-Hill, USA. Pg. 142, 201

Business Research Methods. McGraw Hill International Editions, Singapore. Pg. 87, 89, 141

Boyd, J. (2014) **A methodology for conducting mixed method research methods and data analyses.** Journal of Mixed Methods Research, Volume 4

Carey, D. (2012) **Voluntary Demand for Internal and External Auditing.** Journal of Accounting and Economics, Volume 15(4)

Causholli, M. Chamber, D. and Payne, J. (2014) **Does selling non assurance services impair auditor independence?** American Accounting Association. Volume 9(2)

Cohen, J. Krishnamoorthy, G. Wright, A. (2010). **Corporate governance in the post Sarbanes-Oxley era: Auditors' experiences**. Contemporary Accounting Research 27 (3): 751–786.

Collis, J. (2012) **Determinants of voluntary audit and voluntary full accounts in micro and non-micro small companies in the UK**, Accounting and Business Research, 42(4)

Cooper D. R. and Schindler P. S. (2008) **Business Research Methods**. McGraw Hill International Editions, Singapore. Pg. 87, 89, 141

Daugherty, F. Dickins D., and Fennema, C. (2012). **Offshoring Tax and Audit Procedures: Implications for U.S.-Based Employee Education,** Issues in Accounting Education, 27(3)

Dedman, E. Kausar, A. and Lennox, C. (2014) **The Demand for Audit in Private Firms: Recent Large-Sample Evidence from the UK, European Accounting.** European Accounting Review, Volume 23(1), 1-23

Dedman, T (2014) **The demand for audit in private firms.** Accounting, Auditing and Accountability Journal Vol 21 (2), 200-210

DeFond, M. and Lennox, J. (2011) **A Review of Archival Auditing Research.** Journal of Accounting and Economics Research, Volume 58, 275-326.

Deloitte (2013) **Doing business in Zimbabwe** accessed at www.deloitte.co.zw

Deloitte (2013) **Doing business in Zimbabwe** accessed at www.deloitte.co.zw

Dhaliwal, D. Lamoreaux, P. Lennox, C. Mauler, L. (2014). **Management influence on auditor selection and subsequent impairments of auditor independence during the post-SOX period.** Contemporary Accounting Research. Volume 25(4), 117-180

Dodor, J. and Darby, M. (2011) **Joint provision of external audit and non-audit services: Alternative propositions.** Journal of Finance and Accounting. Volume 8(7)

Eshlemen, J. and Guo, P (2014) **Abnormal audit fees and audit quality.** Auditing: A journal of practice and theory, Volume 33(1), 117-138

Farhadi, M (2011) **An empirical investigation on factors associated with audit firm performance: evidence from Saudi Arabia.** Journal of Accounting and Economic Research, Volume 10(1)

Fiolleau, K. Hoang, K. Jamal, and Sunder, S. (2013). **How do regulatory reforms to enhance independence work in practice?** Contemporary Accounting Research, Volume 30 (3): 864–890.

Gerakos, J. and Syverson, C. (2015) **Competition in the Audit Market and Policy Implications** University of Chicago: Chicago

Guercini, S. (2014) **New qualitative methodologies in management.** Volume 52 (4)

Gunny, A. and Zhang, C. (2013) **PCAOB inspection reports and audit quality.** Journal of Accounting and Public Policy, Volume 32

Habib, A. (2012) **Non-audit fees and financial reporting quality: A meta-analysis.** Wiley online Journals, Volume 48(2)

Haron, D. Yahya, S. Ganesan, Y. Ismail, D. Lee, L. and Ibrahim, D. (2012) **Quality control practices, service quality and customers' satisfaction: The case of non-audit services provided by SMPs to SMEs in Malaysia.** African Journal of Business Management Vol.6 (43)

Harris, B. (2014) **Current trends in the audit industry,** Journal of Accounting Research, Volume 115(2)

Hey, D. and Davis, D. (2013) **The voluntary choice of an auditor of any level of quality.** Auditing: A Journal of Practice and Theory, Volume 23(2)

Hay, K. Knechel, C. Wong, B (2013) **Current trends in the audit industry.** International Journal of Management Sciences and Business Research. Volume 5 (8)

http://www.paab.org.zw.

http://www.zimbabwe-stock-exchange.com/companylist/.

Hughes, H. (2014) Researching Information Experience

Humphrey, C. (2011). **Auditing research: A review across the disciplinary divide**. Accounting, Auditing and Accountability Journal 21 (2): 170–203.

Institute of Chartered Accountants of Zimbabwe. (2016). List of accredited firms, retrieved on July 23, 2016 from http://www.icaz.org.zw

International Forum of Independent Audit Regulators (2014) **Survey of inspection findings.** available at www.ifiar.org

Jenkins, D and Vermeer, T. (2013) **Accounting firm rotation and audit quality: evidence from academic research.** Accounting Research Journal, Volume 26(1)

Kleinman, M. (2009) **Perceived Auditor Independence and Audit Litigation.** The Journal of American Taxation Association, Volume 37(1)

KPMG Zimbabwe Transparency Report, (2015) available at htttp://www.kpmg.com/pages

Kumar R. C. (2008) **Research Methodology**, APH Publishing Corporation, New Delhi, India.

Latker, V. and Richardson, M. (2011) **The reputation of Accounting firms.** Journal of Accounting Research, Volume 84(7)

Lee, S. (2015) **Factors Affecting Audit Revenues: An Exploratory Study.** Advanced Science and Technology letters, Volume 102, pp6

Lennox, C. and Pittman, J. (2011) **Voluntary audits versus mandatory audits**, The Accounting Review, 86(5)

Lisic, L. Myres, L. and Pawlewicz, Z. (2014) **Does big four auditing impair audit quality?** International Journal of Business and Accounting Sciences. Volume 5(4)

Matangaidze, H. (2015). **Industry faces gloomy 2015-experts**, *The Source*, Business, 2 January 2015

Massingham, P. Massingham, R and Diment, K. (2012) **Qualitative research in accounting and management**. Volume 9(1)

Minnis, J. (2011). **The Value of Financial Statement Verification in Debt Financing: Evidence from Private U.S. Firms**. Journal of Accounting Research, 49 (2)

Ncube, T. (2014). **The Determinants of External Audit Fees Zimbabwe Listed Companies**, International Journal of Management Sciences and Business Research Volume 3 (10)

Nam, S. and Romen, J. (2010) **Corporate Audits and How to Fix Them.** Journal of Economic Perspectives, Volume 24(2)

Numan, W. and Willenkens, M. (2012) **An empirical test of spatial competition in the audit market.** Journal of Accounting and Economics. Volume 53(1)

Nyakuwanikwa, M. (2014) **Why companies change auditors in Zimbabwe.** Research Journal of Finance and Accounting Volume 5(5)

O'Leary Z, (2010) **The essential guide to doing your research project**. Sage Publications, Singapore.

Phillips B. S. (2011) **Social Research Strategy and Tactics.** Macmillan Publishing, pg. 93

Public Accountants and Auditors Board. (2014). **Our Role**, retrieved on August 11, 2016 from www.paab.org.zw

Public Company Accounting Oversight Board (PCAOB). 2011. **Concept release on auditor independence and audit firm rotation**. Release No. 2011-006. (August 16). Available at: http://pcaobus.org

Reed, R. Buchman, T. (2012) **Assurance services: The expansion of the CPAs traditional services in local CPA firms.** Contemporary Accounting Research Volume 17(1)

Reserve Bank of Zimbabwe, (2014) Quarterly Industry Report, Government Publishers: Harare

Ryan, H. Cante, C. Strittmater, R. Calluzzo, V. and Maxwell, C. (2014) **Strategic alliances in public accounting firms.** Journal of Applied Business Research. Volume 25(4)

Ryan, V. (2014). **PCAOB abandons auditor rotation**. CFO.com (February 14). Available at: http://ww2.cfo.com/auditing/

Ryan, V. 2014. PCAOB abandons auditor rotation. CFO.com (February 14). Available at: http://ww2.cfo.com/auditing

Saunders, K. Lewis, P. and Thornhill, A. (2010) **Research methods for business students.** Harlow, Prentice Hall.

Sikka, P. and Hampton, P (2011) **The role of accounting firms in tax avoidance.** Accountancy Forum, Volume 29(3)

Salehi, M. Mansoury, A. and Azary, Z. (2009) **Audit competence and audit quality: Case in emerging economy.** International Journal of Business and Management, Volume 4(2)

Sori, Z. Kabhari, Y. and Mohamad, S. (2010) **Commercialization of the Accounting Profession: The case of non-assurance services.** International Journal of Economics and Management. Volume 4(2)

Swanson, K. (2013). **The Determinants of Audit Prices for Financial Services Institutions in the United States**. Major Themes in Economics, Spring, retrieved July 28, 2016 from http://www.ssrn.org/swanson.

Tepalagul, N. and Lin, L. (2015) **Auditor Independence and Audit Quality: A Literature Review.** Journal of Accounting, Audit and Finance, Volume 30(1)

Titshabona, N. (2014). **The determinants of external audit fees in Zimbabwe listed companies.** International Journal of Management Sciences and Business Research. Vol 3(10)

The Sarbanes-Oxley Act of 2002. Government Printing Office: Washington, D.C

Verschoor, C. (2012) **Do consulting services threaten audit performance?** Journal of Accounting and Economics. Volume 22(4)

Williams, C. (2007) **Research Methods**. Journal of Business and Economic Research, Volume 5(3)

Woodside Arch G. (2010) **Case Study Research: Theory, Methods, Practice**, Emerald Group Publishing Limited: London

Zimbabwe Stock Exchange. (2014). Company Downloads, retrieved August 10, 2016 from

Appendix 1

Cover Letter

Midlands State University

Faculty of Commerce

Department of Accounting

P O Box 9055

Gweru

September 2016

Dear Sir:

RE: AUTHORITY TO CARRY OUT RESEARCH

My name Kudakwashe Machinyi (R132979C), a student at Midlands State University, carrying out a research on ***"How audit firms can survive in the wake of revenue declines from assurance services."*** The research is in partial fulfilment of the Bachelor of Commerce Honours Degree in Accounting that I am currently studying.

I request your assistance in my research by completing the attached questionnaire. Your contributions shall be held in strict confidence and be used only for academic purposes.

Your cooperation is highly appreciated

Yours faithfully

Kudakwashe Machinyi (R132979C)

Appendix 2

Instructions

Show your response by ticking in the appropriate box.

Where space is provided, fill in the space in accordance with the question

Questions

1 Which services does BDO Zimbabwe offer more to the market?

Assurance Services		
Non-Assurance Services		

2 Revenue from audit services has been decreasing due to a decline in audit clients?

YES ☐ NO ☐

3 Can the decline in the number of audit clients be attributed to factors outside the firm?

YES ☐ NO ☐

4 Below are the causes of declines in the number of audit clients at BDO Zimbabwe.

Cause of client decline	**Strongly agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
Poor performance of audit clients					
Changes in legislation making audits non-mandatory.					
Changes in audit clients' capital structures.					

Changes in the size of audit clients					
High audit fees charged by the firm.					
Competition from other audit firms					

5 In your view, is BDO Zimbabwe capable of providing the following non-assurance services effectively to the market?

Services	**Strongly agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
Accounting/ bookkeeping					
Tax filing and planning					
Management consultancy					
Business valuations					
Due diligence services					
Forensic accounting services					
Information systems support					
Corporate recovery and insolvency					

6 Can Accounting firms still offer non-assurance services objectively and effectively without impeding on the quality of assurance services?

Strongly agree	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**

7 Does the firm stand to gain the following benefits after offering the non-assurance services mentioned in (5), above;

Strategy	**Strongly Agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
Increase in quality of audits					
Development of experts within the firm					
Advantage over the competition					
Reduced costs due to economies of scope					

8. The following are measures that accounting firms can implement in order to improve performance;

Strategy	**Strongly Agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
Form strategic alliances with other accounting firms					

Form strategic alliances with firms in related service industries (e.g. human resource consultancy)					
Joining accounting associations					
Investing in offering non assurance services					

9 Of the strategies mentioned in (8), above, which ones have so far been implemented by BDO Zimbabwe?

……

……

………………………………………………………………………………………

Additional comments:

……

……

……

Thank you for your assistance.

Appendix 3

Interview questions

1 What services are typically offered by the firm in the ordinary course of business?

2 What are the main factors leading to a decline in the firm's audit clients?

3 Can Accounting firms still offer non-assurance services objectively and effectively without impeding on the quality of assurance services?

4 In your view, what are the major drawbacks associated with the firm's offering of non-assurance services?

5 What are the benefits that arise from offering non-assurance services?

6 What strategies has the firm implemented in order to counter the decline in revenue from audit services?

7 What other strategies can the firm adopt in order to improve revenue and enhance growth?

Thank you