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## A Study of the Opportunities for a Public Accountant in the Rural Area Surrounding Drayton, North Dakota

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A STUDY OF THE OPPORTUNITIES FOR A PUBLIC ACCOUNTANT  
IN THE RURAL AREA SURROUNDING  
DRAYTON, NORTH DAKOTA

by

Richard D. McConnell

B. S. in Accounting, University of North Dakota 1968

An Independent Study

Submitted to the Faculty

of the

University of North Dakota

in partial fulfillment of the requirements

for the Degree of

Master of Science

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This independent study submitted by Richard D. McConnell  
in partial fulfillment of the requirements for the Degree of Master  
of Science from the University of North Dakota is hereby approved  
by the Faculty Advisory Committee under whom the work has been  
done.

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## INTRODUCTION

### Purpose of the Study

The study I have conducted is concerned with determining the potential opportunities for a public accountant to establish a public accounting practice, directed towards providing services to farmers of a rural area in North Dakota. As North Dakota is primarily an agricultural state, and having been a farmer as well as a student of accounting, I believe that this study will provide some information concerning opportunities for future accounting students interested in remaining in the state of North Dakota. This study attempts to determine the needs and desires of farmers for accounting services as well as determining the availability of these services. Therefore this study is an attempt to answer the following questions:

1. What accounting services are available?
2. To what extent are these services being utilized?
3. What is the profession of the person providing these services?
4. How far does the farmer travel to purchase accounting services?
5. Would it be feasible to establish a public accounting practice in this area specializing in accounting services for farmers?

### Area Selected

The information and material presented in this study was obtained from a survey conducted by the writer of the rural area surrounding Drayton, North Dakota. Drayton is located

in the northeastern corner of the state. Although the survey was limited to this rural area, the results presented in the study should be comparable to many if not most rural areas of eastern North Dakota.

#### Procedure Followed

The writer conducted the survey in February 1969. A questionnaire, illustrated in the appendix, was prepared and mailed to fifty-five farmers. Fifty of these questionnaires were returned and the results were compiled and tabulated. A banker and several other business men from Drayton, North Dakota were contacted to ascertain their opinions concerning the feasibility of making various accounting services available to the farmers of the area. The writer feels that the farmers contacted were a substantial majority and the group's opinions would be indicative of farmers in other rural areas.



## CHAPTER II

### RESEARCH MATERIAL ACQUIRED

The major purpose of this study is to determine whether a public accountant, specializing in farm accounting, could establish a successful accounting practice in this area. A survey of fifty farmers was conducted and I have compiled and tabulated the results in an attempt to determine what accounting services are available to the farmers and if they are using these services. I also compiled information relating to the professional status of the person performing these various services, and the average distance traveled to obtain them. I obtained some information pertaining to fees charged for the various services, but other than in the area of federal income tax return preparation there doesn't appear to be much information available. The final objective of the survey was to try to compile information indicating specific needs or desires of the farmers surveyed, and thereby supplying the reader with some idea of the potential opportunity to establish a successful public accounting practice in this community.

#### Accounting Services Available and Utilized

The writer conducted a survey to determine what accounting services were available to the farmers. This information was compiled from the questionnaire and is presented here in Table 1.

TABLE 1  
AVAILABILITY AND UTILIZATION OF EXISTING ACCOUNTING SERVICES

Acctg. Service	Service available and used	Farmer did his own work	Information not given on questionnaire	Farmer stated service not available
Income tax prep.	45	2	3	0
Bookkeeping	1	37	12	12
Install bookkeeping system	7	24	9	22
Prepare financial statement	8	16	9	22
Financial and tax planning	11	15	9	20
Individual crop cost allocation	5	19	9	27

This information was obtained from fifty farmers by having them fill out a questionnaire, illustrated in the appendix. As indicated in Table 1, the income tax preparation service appeared to be available to everyone. Although no farmer stated that the service was unavailable, several evidenced an interest in an additional source for this service as shown in Table 4.

TABLE 4

ACCOUNTING SERVICES IN WHICH THE FARMERS SURVEYED  
INDICATED A NEED OR INTEREST

Accounting Service	Number of farmers indicating a need or interest	Number of times "service not avail- able" was checked on questionnaire
Income tax preparation	13	0
Financial and tax planning	16	20
Install bookkeeping system	7	22
Prepare financial statements	3	12
Individual crop cost allocation	5	22
Estate planning	6	
Miscellaneous	4	

Under the caption of bookkeeping, most farmers indicated that they handle their own bookkeeping and there doesn't appear to be a demand for this service.

The replies under "Setting up a Bookkeeping System" did appear to indicate a need and a definite interest in this service. Table 1 indicates that twenty-two farmers believed this service to be unavailable. In the special comment section of the questionnaire, depicted in Table 4, seven farmers stated a definite desire to obtain a good farm bookkeeping system. Only seven of the farmers interviewed stated that they had purchased a bookkeeping system and five of these use the Production Credit Associations Agri-fax system. The farmers commented that this was a satisfactory system, but most of them felt that it was somewhat more complicated and extensive than what they required.

Only eight farmers had financial statements prepared for them, and twenty-two farmers indicated that this service was unavailable. A majority of those interviewed failed to give any information related to this category except as listed in Table 1 that this service was unavailable.

Financial and tax planning appeared to be a service that was not being utilized in a majority of cases. While talking with various farmers it became evident that they were often unaware as to what their tax liability was until they had their federal income tax return prepared. In the comment section

of the questionnaire sixteen farmers stated a positive need for financial and tax planning services.

Individual crop cost allocation was the service receiving the least attention. Five farmers used this service from outside sources, while nineteen used some system of their own. Nine failed to give information indicating a cost allocation program and twenty-seven listed the service as being unavailable. Being a farmer myself this is a service that I believe would interest most farmers.

#### Profession of Person Supplying Accounting Services

This study was planned to determine the profession of the person or institution offering accounting services to the farmers of the area. The results of the survey pertaining to this information were compiled and are presented in Table 2.

TABLE 2

PROFESSIONAL STATUS OF SOURCE OF ACCOUNTING SERVICES

Acctg. service	C P A	Public Accountant	Lawyer	Bank	PCA	Did Own Work	Information not given
Income tax prep.	1	3	40	0	1	2	3
Bookkeeping	0	0	0	0	1	37	12
Install bookkeeping system	1	1	0	0	5	24	19
Prepare financial statement	1	2	2	3	2	16	26
Financial and tax planning	2	1	4	2	2	15	24
Individual crop cost allocation	0	1	0	1	3	19	26

This survey pointed out that a large portion of the services are provided by lawyers and in many instances the farmer supply's his own services. This latter fact appears not to be entirely of his own choosing because, as presented in Table 1, he has often indicated that the services were unavailable.

Analyzing the services listed on the questionnaire separately it is, seen that forty farmers had their income returns prepared

by lawyers, while only one farmer used the services of a certified public accountant. Three tax returns were prepared by public accountants.

In practically all cases where information was given, the farmer did his own bookkeeping. Only two farmers stated that they purchases a bookkeeping service.

Farm bookkeeping systems had been acquired from professional sources by seven farmers. The Production Credit Association supplied five systems, while certified public accountants and public accountants supplied one system each.

Preparation of financial statements were not extensively performed by any source. Three farmers had statements prepared by banks, but these were usually the type prepared at the bank when obtaining a bank loan and were often inaccurate as the farmer often did not have the proper information available and relied upon estimates.

Financial and tax planning was another service not extensively used, Lawyers supplied this service to four farmers, while certified public accountants and the Production Credit Association served two farmers each.

Individual crop cost allocation was provided by the Production Credit association to three farmers, and by a public accountant in only one instance.

The last three accounting services listed; (1) preparation of financial statements, (2) financial and tax planning, (3) individual crop cost allocation, were very definitely lacking and many farmers evidenced an interest in these services.

### Source of Accounting Service

This study was conducted in an area surrounding Drayton, North Dakota, which is the closest city to most of the people surveyed. As shown in Table 3 many people sought the accounting services available from the only major source in the city, a local attorney. In referring to Table 2 and Table 3 it is apparent that the major service he performed was that of income tax returns preparation.

TABLE 3

### SOURCE OF ACCOUNTING SERVICES

City	Number of farmers using the services of					Average distance traveled (miles)	Average cost
	CPA	Pub. Acct.	Lawyer	Bank	PCA		
Drayton	0	0	38	2	0	10-15	\$20
Grafton	0	1	6	4	8	15-30	
Cavalier	2	0	0	0	6	15-40	
Grand Forks	2	0	0	0	0	60	
Hamilton	0	0	2	0	0	20	
Minneapolis	1	0	0	0	0	350	



Six cities and towns are listed in Table 3 as the source of various accounting services used by the farmers surveyed. The distance in miles traveled by the farmers to obtain these services have been averaged. Forty farmers travel an average of ten to fifteen miles to Drayton for the accounting services supplied by a lawyer and a bank. Nineteen farmers obtain accounting services at Grafton, which offers the services of a public accountant, lawyers, banks, and a Production Credit Association office. The average distance traveled is from fifteen to thirty miles. Cavalier offers the services of a certified public accountant and a Production Credit Association office, which are used by eight of the farmers surveyed. Two farmers obtain accounting services from certified public accounting firms in Grand Forks, fifty to sixty miles from the survey area. One farmer stated that he used the services of a certified public accountant from Minneapolis, Minnesota which is about 350 miles away.

#### Fees Charged For These Various Accounting Services

The survey conducted did not provide much information relating to fees. Fees for income tax preparation ranged from a low of \$10 to a high of \$100. The average lawyers fee was \$20 per return. The writer discussed this matter with the local attorney and he said that if an accountant opened a practice in the area he would be interested in discussing the matter of income tax preparation with the prospect of revising the fees upward.

One farmer showed me his P. C. A. Agri-fax system, which also supplied him with monthly statements and he stated that the cost was \$200 per year. A few other farmers listed various combinations of accounting services with fees ranging from \$120 to \$200.

#### Opinions of Local Businessmen

The matter of establishing an accounting practice in the Drayton area was discussed with a banker, a lawyer and various businessmen. The banker believed that several accounting services would be very beneficial to the farmers of the area, especially in the areas of financial statements. The lawyer felt that a public accountant could supply many services, but he didn't believe there was the potential available for a successful full time accounting practice. Most of the businessmen contacted for an opinion stated that they believed there was a need for many of the accounting services outlined, although it was difficult to get a consensus to what extent they believed the service would be utilized if offered.

## CONCLUSIONS

This study has attempted, as stated in the Introduction, to determine the opportunity for a public accountant to establish a successful public accounting practice in the area surrounding Drayton, North Dakota. I have tried to ascertain what accounting services are now available and are being satisfactorily used by the farmers interviewed. In line with this objective I have also attempted to determine what services are not available and would these services be utilized if made available in the area by a public accountant. The study also was planned to ascertain the source of the accounting services being made available and the professional qualifications of those performing the services. An attempt was made to determine what fees were charged for the various services, but except for the preparation of income tax returns the information obtained was not sufficient to determine any standard fee charges.

I have analyzed the data compiled and have arrived at the following conclusions to the questions stated in the Introduction to the study.

All of the accounting services listed on the questionnaire are being supplied to some degree, but except in the area of income tax return preparation and bookkeeping there appears to be a need and a desire for these services. Very few of the services are being performed by Certified Public Accountants or public accountants. This I believe is basically due to the lack of a local public accounting firm. Thus it appears that a public account

who is interested in farm accounting but the remuneration from the farm accounting would not be sufficient by itself to justify establishing an accounting practice. Therefore I believe that there is a need in the community for a public accountant interested in supplying services to the farmers, but the public accountant would need other clients to supplement his income.

APPENDIX

Figure 1.

Survey Questionnaire

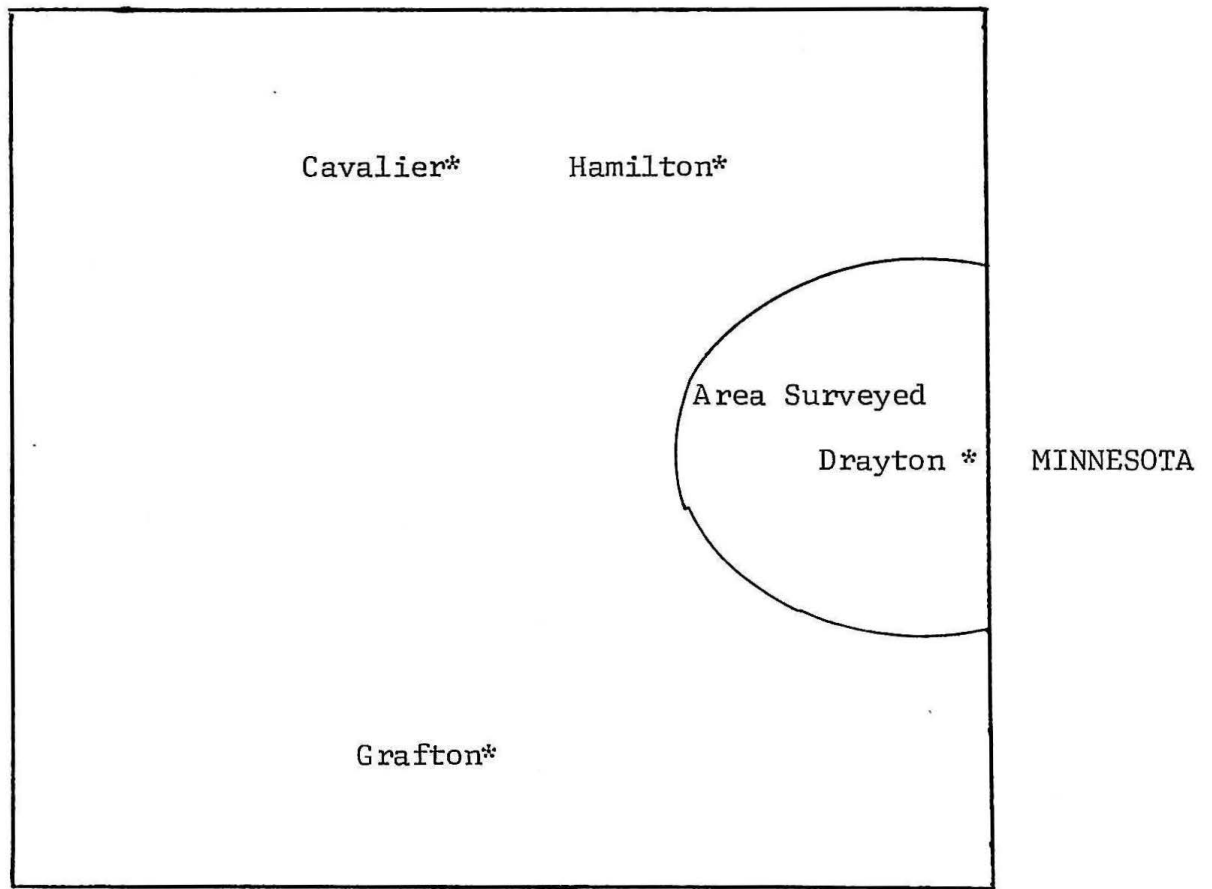
Figure 2.

Map of the area surrounding Drayton, N. Dak.

Figure 2

Map of the area surrounding Drayton, N. Dak.

CANADA



# S U R V E Y   Q U E S T I O N N A I R E

Various Accounting Services	Location of These Services		Cost	Profession of Person Supplying These Services					
				(Check Correct Box)					
	City	Miles		Accountant	Lawyer	Did Your Own Work	Other	Service Not Available	
			CPA	Public					
Income Tax Preparation									
Bookkeeping									
Set Up a Bookkeeping System									
Prepare Financial Statements (Income, NetWorth, Cash Flow)									
Financial and Tax Planning									
Farm Cost Allocation to Indiv. Crops									

- REMARKS: 1. Are there any accounting services, not listed above, that you believe would be beneficial to the area?
2. Would you be interested in any of the above mentioned services if a public accountant opened a practice in this area? \_\_\_\_\_
3. Other \_\_\_\_\_