

New World Targets Oy

Electronic Accounting Procedures

Feasibility Study Findings
and Recommendations

Prepared for

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1. Objectives and scope of “Electronic Accounting Procedures”

Present day accounting methods do not fully exploit the potential the Internet or Intranet environments have to offer. One of the main contributing factors for this is rather quite simple, small businesses to large scale MNE's are hesitant of allowing their accounting data to flow through the unknown realms of cyber space. Even accounting and auditing companies have hardliners still wanting to stick to pen and paper regardless of the conveniences of technology. With these thoughts in mind, “Electronic Accounting Procedures” had to overcome barriers that at the time of investigation were unknown. Yet this may have been one of the best contributing factors for this study. Just as the laws of physics maintain that a bee can't fly, nobody has ever told the bee this. The same is true for this study. By not being told what could or could not be accomplished, this study was isolated from scepticism, which in turn allowed me to view the study from all angles and perspectives.

Upon commencement of this study the number one objective I set out to define were the boundaries within which The Finnish Data Communication Association and I were capable of analysing. This was done by establishing parameters within which the study could take place. These parameters were identified as being:

1. Present day description.
2. Requirements of present day accounting software.
3. Problems.
4. How the Internet & Intranet could be utilised.
5. Identifying potential participants and sponsors.
6. Research and Development.

As each item above has been discussed in detail in its own chapter, the items listed below are only presented as brief discussions of what is to follow.

1.1 Present day description.

Present day description of accounting methods involved surveying the ways in which accounting was currently taking place. The method of collecting data involved reviewing sample accounting software provided by the manufacturer or their authorised representatives, interviewing accounting and auditing companies and going directly to organisations responsible for representing the interests of accountants, auditors and their members. In the Baltic States foreign ministries were also interviewed in order to gain an understanding as to how legal legislation toward accounting was being developed.

1.2 Requirements of present day accounting software.

As will well see, there are no requirements or limits pertaining to present day accounting software. As a matter of fact, this study uncovered that there are no laws or organisations, that represent accountants and auditors, that enforce guidelines as to what accounting software should be capable of handling. On the contrary, much of the competitive development that takes place is done by software houses that believe they have a better product, yet falling way behind the requirements and expectations of accountants and auditors. What I have been able to determine is that there is an opportunity in creating a software application that is endorsed by accountants and auditors, so long as they are involved in development from start to finish and their concerns and needs are equally meet.

1.3 Problems.

As with any study problems and hindrances must be noted. At the same time, as is particular to this study, they reveal the need for creating a better and more effective product. However, as will be mentioned later, foreign travel within the Baltic States showed that some problems can be linked to inadequate laws and legislation's. Thus when identifying the problems with accounting methods it is important to distinguish those that give rise to economic opportunity and those that require political change through legislation.

1.4 How the Internet & Intranet could be utilised.

The utilisation of the Internet and Intranet in delivering highly sensitive corporate data to the end user is an issue that when understood by IT professionals would not even receive a raised eyebrow. On the other hand, going to the small business where accounting is handled by an "excel" spreadsheet and explaining how things can be expedited between the company and the accountant, will be met with some resistance. Especially when many don't even have an e-mail address or understand what a dial up connection is. The thought of additional worker training when everything is going fine just does not justify the expenditure to many companies with limited funds. Larger companies, however, can make full use of the Internet as larger companies and their employees use it to send e-mail, browse web pages and even pay bills. The question remaining is one of whether or not this is the appropriate target group to market the type of product and service we want to create.

1.5 Identifying potential participants and sponsors.

Potential participants and sponsors, as with any project, are an important means of financing toward getting a specified task accomplished. As with this project, much interest has been expressed from various sources in being a part of a project that will take the accounting industry to new heights in the 21st. century.

1.6 Research and Development.

Research and development will need to be undertaken if accounting methods are to be modernised. The question remaining is that of creating a product and service that accurately reflects the interests of all parties. Even those organisations that are unable to participate due to financial constraints will need to be heard as some may be the very organisations that represent the interests of accountants and auditors as a whole and which could market the finished product to their own members. This point would be particularly reflective of such organisations in the Baltic States.

1.7 Conclusion

The above outlined objectives were not limited in scope because I needed to acquire as much detailed and in-depth information as possible concerning accounting. On the contrary, I found that in the Baltic States, things concerning a few aspects of this project were actually far behind western standards. These points will be discussed later. What can be determined is that the objectives we limited the investigation to has yielded positive findings worthy of future consideration of a product and service I will describe below.

2. Requirements of Present Day Accounting Software

Accounting software packages found in offices today do not necessarily meet the advantages technology has to offer. For instance, a software package that utilises the low cost of the Internet in delivering information does not exist. Yes, files from programs are sent by many as e-mail attachments to accountants or auditors, but not only is this practice an unsafe method of delivering information, it really does not make use of actual in-depth services and technologies the Internet and the Intranet environments have to offer. As we will see, many have voiced an opinion that today's accounting software does not take into consideration the requirements of the accountant, the auditing firm or even prevailing law. As today's market sees it, accounting products are only computer programs written by a computer programmers who do not understand the accounting process and the ways in which accounting data must be collected, analysed then formulated. Clearly market demand shows that the opportunity for creating a new and improved product exists. It has thus been stated by consensus that a product and service needs to be developed that clearly reflects the requirements of accountants, auditors and the law. In turn, a product "created by accountants for accountants" must be the focused objective of any new product or service being created.

One of the major problems facing accounting and auditing companies today is the fact that too many types of software exist. Many are of various qualities and only used as a means in which information can be entered and stored for retrieval at a later date. This factor becomes a problem for the accounting and auditing company because many have to learn how to work with not just one but as many as 10 different software programs. This entire process needs to be revamped so that data can be stored according to some logical standard. Many believe that a program following one standard, yet flexible to the size of the company, is the best avenue to take in development. Modules reflecting company status would be the basis of such a program as such modules would be off the shelf products. Businesses of various size could then have a software program custom tailored according to their size and business needs by using various modules. The program would then change in accordance to the growth and needs of the company.

To proceed into precise detail as to how the modules or even an accounting program would be constructed or the types of data it would have to be capable of processing would be out of the scope for this report. Furthermore, the effort of developing such a software package will need to be well construed while reflecting the requirements that accountants and auditors in a particular country have. As it has been determined that new and improved software needs to be developed, accounting and auditing companies with professionals familiar with the Internet and Intranet, also demand that such software development take advantage of the Internet and Intranet. The main reasons for this are due to the fact that once a software program has been devised it is then a simple process of creating the necessary means through which data can be sent via the Internet or an Intranet service. The advantages of such a service would be enormous. Consider the following:

1. In talks with officials representing the taxation authorities in Estonia, Latvia and Lithuania many saw the potential such a service would have within their own country's. For example, in these countries it is well known that companies maintain two sets of accounts. One set is contained in the "black book" the other in the "legitimate book". Were companies to have the opportunity of being able to forward daily to the accountant the day's accounts, criminal elements and economic crimes from within the company could be greatly reduced. In turn, the integrity of the corporate accounts can be maintained.

2. Accounting companies that send their accountants to various parts of the country can realise substantial yearly savings and increased profit margins were they to reduce expenditures in daily allowance payments, car allowances, travel, hotels etc. by having vital data electronically sent to them. For many firms that have an understanding of IT this fact plays an extremely important role in their plans in foreseeing the future and dealing with clients.

3. From the viewpoint of the national taxation authority, when society pays and learns its social responsibility toward paying tax, the welfare of society increases.

4. Better products, efficient products and effective products, will, whether software or Internet/Intranet services, reduce administrative costs within a corporate organisation.

As can be determined, such a service utilising the Internet/Intranet cannot be realised unless the required software is first developed. This will naturally depend on a number of issues such as financing, current legislation, partners, software development, service provider, client base and accounting organisations. These factors weigh heavily as to whether or not development can take place and whether or not the newly developed product will be endorsed by leading accounting and auditing organisations. Assuming that the relevant interest is present for such development the number one issue needing to be addressed is can a product be developed that will be supported and developed by leading companies and names within the industry and can the product be endorsed and marketed through already existent channels found in any organisation that promotes the interests of accountants and auditors. Once this has been accomplished, and a new modern day accounting software has been developed that reflects technological advancement, can the project be fully utilised.

I will discuss more about the Internet and Intranet in Chapter 5, "How the Internet & Intranet can be Utilised". One interesting aspect to this software development is the fact that when we speak about new software products (even though they have yet to be created) everyone I have spoken with asks whether or not they will be compatible with the Internet. Actually, the focus from accountants has been so heavily focused on the Internet that many have yet to learn the potential of the Intranet, or the fact that the software we propose will need to be developed first. Once the software has been developed can the advantages of the Internet and Intranet be fully realised.

The requirements of present day software will need to be developed according to modernised guidelines proposed by organisations that represent accountants and auditors or even through legal legislation. The question as to how the future software will run and operate, as well as, the specific functions it must be able to perform will be questions to which the answers will only be found through those organisations that have the financial means of undertaking the specified project development. In addition to this view point, accounting software that has capabilities of operating along side the Internet has yet to be developed. Thus the method and way of handling accounting data can not be detailed here, as utilising the Internet takes into consideration a new perspective in the way accounting data is handled and processed. Electronic invoicing, VAT monthly submittals, bank statements are just a few examples of this. The performance of any new accounting software will be dependant upon the way organisations financing the project will want it to operate. In any case, it is my opinion that an organisation that represents accountants and auditors act as a monitor in the entire research and development stage. This would guarantee that software development and Internet/Intranet development is undertaken in the most efficient manner in regards to the issues and items concerning accounting data that needs to be processed.

3. Present Day Description

My objective when setting out to undertake this project was to study in a limited amount of time the accounting industry at present. This naturally meant interviewing organisations and persons in the industry. At the same time, an Internet site needed to be created that would accurately reflect our studies objectives. As our web page was launched during the end of June, much time had been spent toward web page design. Furthermore, summer holidays in Finland limited the actual amount of work that could be accomplished. The decision to investigate as to what was taking place in the Baltic State's, provided a means through which time would not be wasted and new opportunities could be explored. As was determined from my visits to the Baltic's, a great amount of wealth, potential and opportunity exists. In relationship to "Electronic Accounting Procedures", knowledge with software development exists, and at reduced costs when compared to Europe and Scandinavia. This factor can perhaps aid in product development should the costs of manufacturing our proposed software be determined to be too costly to produce here in Finland.

There are a number of international accounting and auditing firms already established in the Baltic States. Many have said that such service as we propose, could also be utilised by their home office, thus reducing the time lag in information dissemination. These points will be described in chapter 5 "How the Internet & Intranet can be Utilised". Accounting and auditing firms as well as official state recognised organisations that represent accountants and auditors have all expressed great interest in the project.

The Baltic State governments are undertaking measures to create a legal framework that requires more through reporting of tax revenue. To demonstrate this, I can note the web pages we have created for the Estonian and Latvian taxation authorities that can process VAT data entered via the Internet. It can be determined that the level at which the Baltic States are at can in theory, support the initial idea of transmitting electronical accounting data. The next question needing to be determined is whether or not the required infrastructure exists. The following can be quickly summed up about Estonian, Latvia and Lithuania. In Estonia the telecommunication lines in and around Tallinn, as well as other regions of the country, can support such services as we propose. As a matter of fact, the Estonian National Tax Board is tendering a bid to solve their encryption requirements for handling VAT data received through the Internet. In Latvia financial restraints are a dilemma needing to be worked out and seriously considered. Governmental agencies around Latvia may need to consider for the time being the use of wireless communication in transmitting data until such time land connections improve. I believe that in Latvia, once ministries and regional governmental agencies become "connected" this will expedite the market we seek in using our products. Lithuania on the other hand is simply different and unique. When law requires that documents cannot be submitted via the Internet because the information printed out at the other end does not have the required government watermark, not too much can be accomplished until the arrival of an updated and modern legal structure. Despite this, opportunities still exist. To succeed in the Lithuanian market knowing the key persons and how the market operates will be imperative.

When we consider the expertise of worldwide accounting and auditing companies already present within the Baltic States, we can determine that not only would they not be there if a clientèle did not exist, but rather that they are there because business is good! When business is good one always looks for ways in which expenditures can be reduced. Our products and services offer just that possibility. Furthermore, I believe that because the Scandinavian market is already mature in as far as using and understanding Internet and Intranet technologies and even understanding the principles of accounting, our service can realise abnormally high

success once launched. A movement into the Baltic's utilising our products and services will only enhance the portfolio of the company that is expanding internationally.

Finland prides itself on being a nation leading the world in the amount of Internet users. High-tech Internet applications always gain interest from the Finns and the Internet is always put to the test from business applications to personal uses. This is no different from the project I propose here. However, we are faced with a dilemma concerning the target group we are marketing to. In an effort to influence use of Internet technologies, "The Association of Finnish Accounting Firms" gives each new member an e-mail address. Many companies immediately make use of their new address and eventually peek into cyber space. Yet there are the die-hards that simply stick to paper and pencil and will not change. Thus there appears to be a standstill. Looking at the situation more closely, however, will reveal that some companies are gearing for the electronic age by becoming more familiar with the uses of the Internet and by participating in various projects involving this industry. In turn, many may be planning to increase their market shares by taking away from rival competitors the clientèle they no longer can offer new ways of doing business to.

There are a few projects that are already tackling the accounting question. The best known of these is the "Tyvi" project. There are also projects that are analysing Internet possibilities and Unic is experimenting with software that can do accounting and take advantage of the various technologies the Internet has to offer. Another company Tiline Oy, is planning the way in which electronic invoicing can take place. Various software houses also offer accounting software under license, yet many users feel that these programs are simply just that, programs. As was outlined above, better software needs to be developed. There is however another line of thought that should be briefly considered. In the United States, Internet access for most companies is only a question of a monthly fee. In Finland, the same practise is basically followed, although smaller businesses with a dial up connection need to pay rates as to the number of minutes they use the telephone line, as well as, a minute fee to the service provider. Compared to its Finnish counterpart the U.S. user can access the Internet much more affordably. With this point in mind, and under the expectation the pricing structure holds, what good is it to invent new accounting software when any information you can enter can be done via your Internet browser and immediately placed into a centralised database maintained by your accounting or auditing firm? What would happen if an accounting company offered a service whereby a company could do all its accounting via Internet pages. The processing of data could take place anywhere wages are cheap, then electronically sent back to the server. The point here is one of considering how far back we are from the next step that will be taken. Already we can do online banking, make car reservations, order groceries. Why should entering accounting data in the Internet be treated any differently?

4. Problems

4.1 Baltic States

In the Baltic States there are clearly three deficiencies one will face when considering the scope of “Electronic Accounting Procedures”.

1. Lack in understanding the full potential of the Internet.
2. Old and inadequate laws still in place
3. Poor telecommunication infrastructure.

The lack in fully understanding the Internet can be attributed to many factors. Schools may not have connections nor computers, poor telecommunication lines may limit access to the Internet, television programs and magazines dedicated to the Internet may be non-existent, shortage of computers used in educational training and a lack in educational materials such as books in own language may also be non-existent. These factors play an important role as they are the agents through which the mind develops and understanding takes place. With the lack of educational understanding, we still face old and inadequate laws, which in one way or another, will effect the basic infrastructure of a country. If the understanding were there then the required changes needed to get things done would be pursued with more argumentative evidence for change.

In August, I travelled to Riga and met with officials of Hansabank-Latvia. Our topic of discussion concerned the additional services Hansa bank could offer its clientèle. One such service we proposed was that of electronically forwarding corporate account information to an accounting house. “How does this help our customers?” was the immediate response. Then the “it’s impossible and too expensive to do” followed. Eventually, we realised that the individual we were dealing with was not genuinely “stupid”, but really did lack the educational experience necessary in making concrete decisions and understanding the ways technology can work toward producing new customer oriented services. There is also the case of the fiber optic cable that has been laid down between Riga and Jurmala. The idea behind this was to protect data being sent between government ministries in Riga with offices in Jurmala 30 km away. What the ministries were particularly afraid of was someone tapping into the normal phone lines and attempting to steal data. Needless to say, it was E.U. funds that financed this exploit.

In Estonia, I have encountered a lot of game playing. By this I mean the following. Individuals responsible for purchasing decisions will pretend not to know too much about a specific product. In turn, you cater to your clients needs. You furnish all the relevant information the potential client needs and even offer a trip to Finland to learn more. What happens is not only is the information thoroughly reviewed in detail, but other sources for the same product are searched for and the company offering the lowest price gets to make the deal at the other companies expense.

The Lithuanians are a much more friendlier people in the style they conduct their business. I have always found them to be up front with any limitations they face, even financial ones. I also have noticed that they dedicate themselves to all tasks they promise commitment toward. On many occasions I have had the opportunity toward turning to my Lithuanian colleagues in setting up meetings and lectures. Not once was I let down. The Lithuanians are aggressive and want to learn. Often individuals invited to a meeting bring along a friend in order to discuss what to them was learnt in a foreign language. Although a struggling nation, Lithuania is

making noticeable progress and is currently reinventing its international identity with intensive delegations visiting the outer regions of the Baltic rim.

Old and inadequate laws are items that I like to refer to time and again. As the Baltic States claim their readiness to join the European Union, I as an E.U. citizen are not convinced. I still see a legal structure in place that does not allow for new improvements in the way business does business. Here we are naturally speaking about the legal structure required in order to allow IT to flourish. Consider the following observations I have made concerning Estonia, Latvia and Lithuania.

The Estonians more or less have the attitude to try first and then if it appears to be suspicious a law will be enacted regulating that particular industry. Latvia on the other hand is waiting for laws to be passed. So far everyone I spoke with and involved in the draft framework process expressed their content that after four years of waiting everything will eventually be passed. Lithuania has so out dated laws that nothing but waiting can be done. As an example, when I created the VAT pages for the Estonian and Latvian National Tax Boards, I was horrified to learn that in Lithuania I could not even try to do this there because the law said very strictly that each VAT application submitted for processing must carry the government watermark. So because the Internet can't produce the watermark that is required, we are all forced to wait until such time laws are passed that allow for VAT data to be submitted and processed electronically.

Tallinn, Riga and Vilnius all have excellent telecommunication lines within the city limits. Most lines are capable of supporting data exchange as fiber optic cables have been laid. Outside the major cities, however, it is another story. If not all, many of the phone lines within these countries need to be dug up and replaced. Many lines don't have the necessary band width to carry data and in many cases all circuits are busy during peak calling times.

4.2 Finland

In Finland, the number one problem I have been faced with is time. During this past summer when this study commenced it was summer holidays. Thus, nobody was present with whom I could address my concerns. When September arrived many were either still on holidays or could not meet me as they were catching up on the paper work that accumulated on their desk during the summer holiday. In October, many were travelling making this task even the more difficult to undertake. Only until recently were strides made forward. Two important meetings have taken place this month. One was with Tietotili Oy's Managing Director Urpo Salo the other with Tiline Oy's Managing Director Tapio Sipponen. Both became interested in this project through direct contact I have had with them and through "The Association of Finnish Accounting Firms" on which both serve on the Board of Director. The substance of our talks will be clarified below in chapter 5 "How the Internet & Intranet can be Utilised".

4.3 Conclusion

In the scope in which "Electronic Accounting Procedures" can occur there are no limitations toward undertaking development toward the type of product and service we want to create. When we think about the Baltic States, although there are educational problems this is a matter which can be addressed in a short period of time and through educational courses. As for expected changes in laws and legislation's this would be foolish to wait for. At this particular period in time there is nothing limiting or prohibiting the way in which the Internet can be used. Thus, if a company in Lithuania is offering a service such as ours, and uses a database

and server in Finland, there really is not too much Lithuanian authorities can say about what is being done. The only alternative they would have would be to outlaw the accessing of foreign Internet sites altogether. The telecommunication industry will continue to get better in Estonia. As for Latvia and Lithuania the entire question of rebuilding the telecommunications infrastructure rests on economic and financial aid received through outside sources.

In Finland, I have failed to determine any limitations as to why this project could not take place. The only real major dilemma is the co-ordination of all interested parties. Many individuals travel internationally while others travel around the country and maintain full schedules. During the entire duration of this study this factor alone has been a consistent problem.

5. How the Internet & Intranet can be Utilised

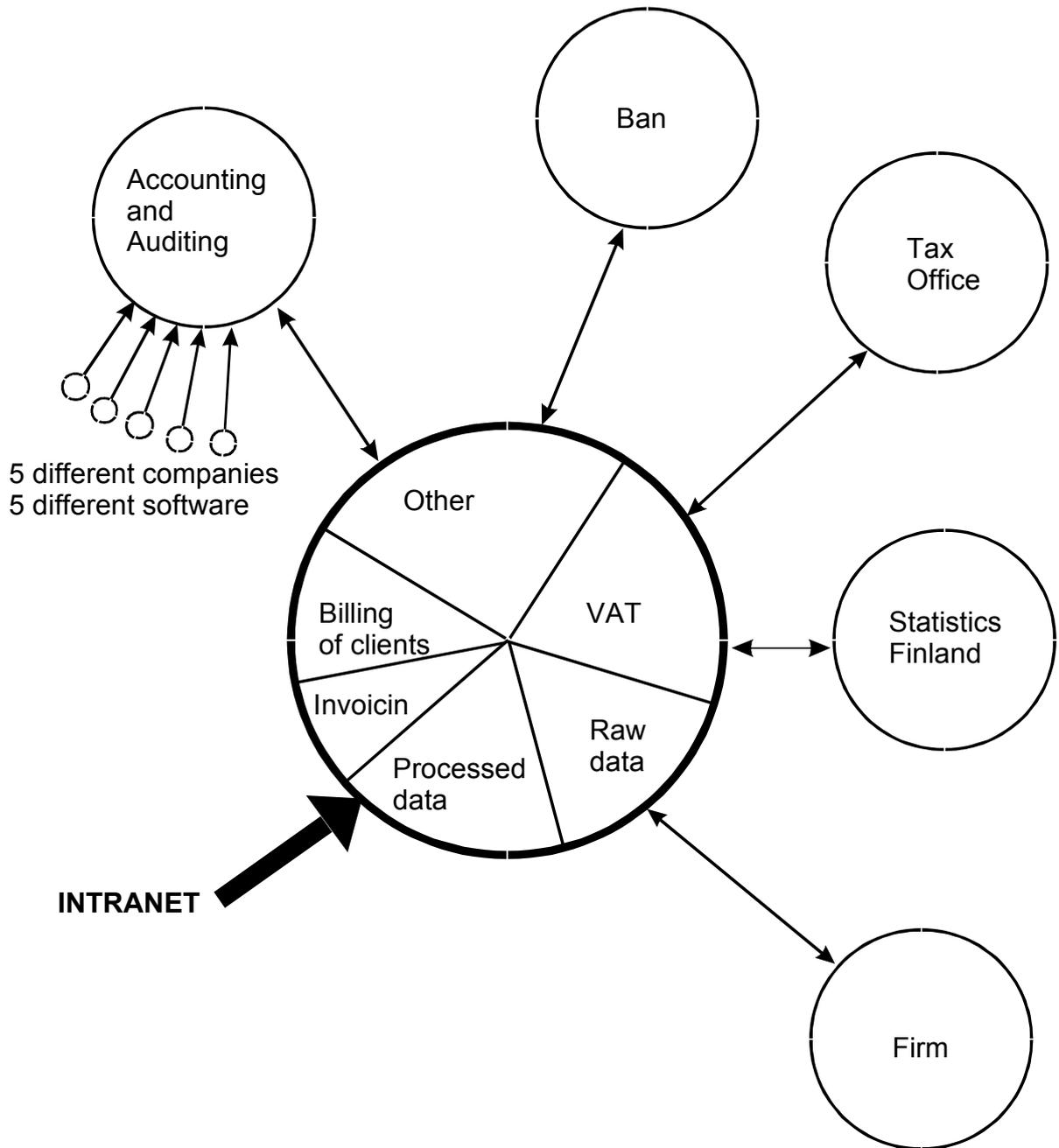
Development of an accounting software application that does not incorporate to any extent advantages that the Internet/Intranet have to offer will not be an effective nor complete product. As a matter of fact, today's users such as accountants, auditors and even companies demand that such software be developed. The reasons are many. Organisations in Finland such as "The Association of Finnish Accounting Firms" have expressed direct interest in developing such a product and service that helps their members handle and process accounting data more efficiently and effectively. Many members of the board for this organisation have expressed their own views that such development would help them grow their own businesses to new heights, while at the same, time cutting down the time needed in processing a clients account. In turn, this means that additional clients can be sought. The advantages the Internet and Intranet environments offer force such considerations to be seriously considered. For example, once a standardised software application is developed that reflects accounting procedures in Finland, certain applications in data processing can be immediately enhanced because of the speed in which data information can be delivered to the end user. The end user being governmental agencies and the client.

As has already been mentioned above, many accounting firms receive accounting data in a number of formats making processing difficult, tedious and time consuming. A standardised software application will eliminate this dilemma altogether. Developing a service that stands along side of such software and utilises the Internet and Intranet will in the long run expedite information handling. Consider the following futuristic possibilities. Once a standardised software application has been created, information will be generated and flowing in a simple standardised format. Through the use of the Internet and Intranet information will be exchanged easily and processed efficiently. What is required to make this reality is the implementation of an Intranet service that is designed and tailored to the requirements of the accounting and auditing firm, while at the same time, compatible to the way in which governmental agencies can receive data. The number of possibilities this creates in being able to disseminate information to those that require it are enormous. In recent talks with Urpo Salo, Managing Director of Tietotili Oy, we concluded favourably with the following potential such a service could have. Please see chart 1, page 13. As can be seen from chart 1, the firm will be the actual generator of any information that is to be processed. Once the data the firm enters into its new software application is downloaded into an Intranet service, it can be manipulated in a number of ways by the accounting firm which processes the accounting data. The accounting company will be able to process such data in a number of ways:

1. Reports
2. VAT returns
3. Statistical
4. Billing
5. Other

As any data that is downloaded into such a service will be available at moments notice, accounting companies will be faced with a situation whereby information can be processed in house. Verification of a company's account can already be verified by electronic statements that banks provide as an additional service to their clients. Incorporating this feature into our proposed service will only enhance its overall image. The bottom line in any case is that costs in delivery, processing, time will be drastically reduced. Furthermore, accounting information

CHART



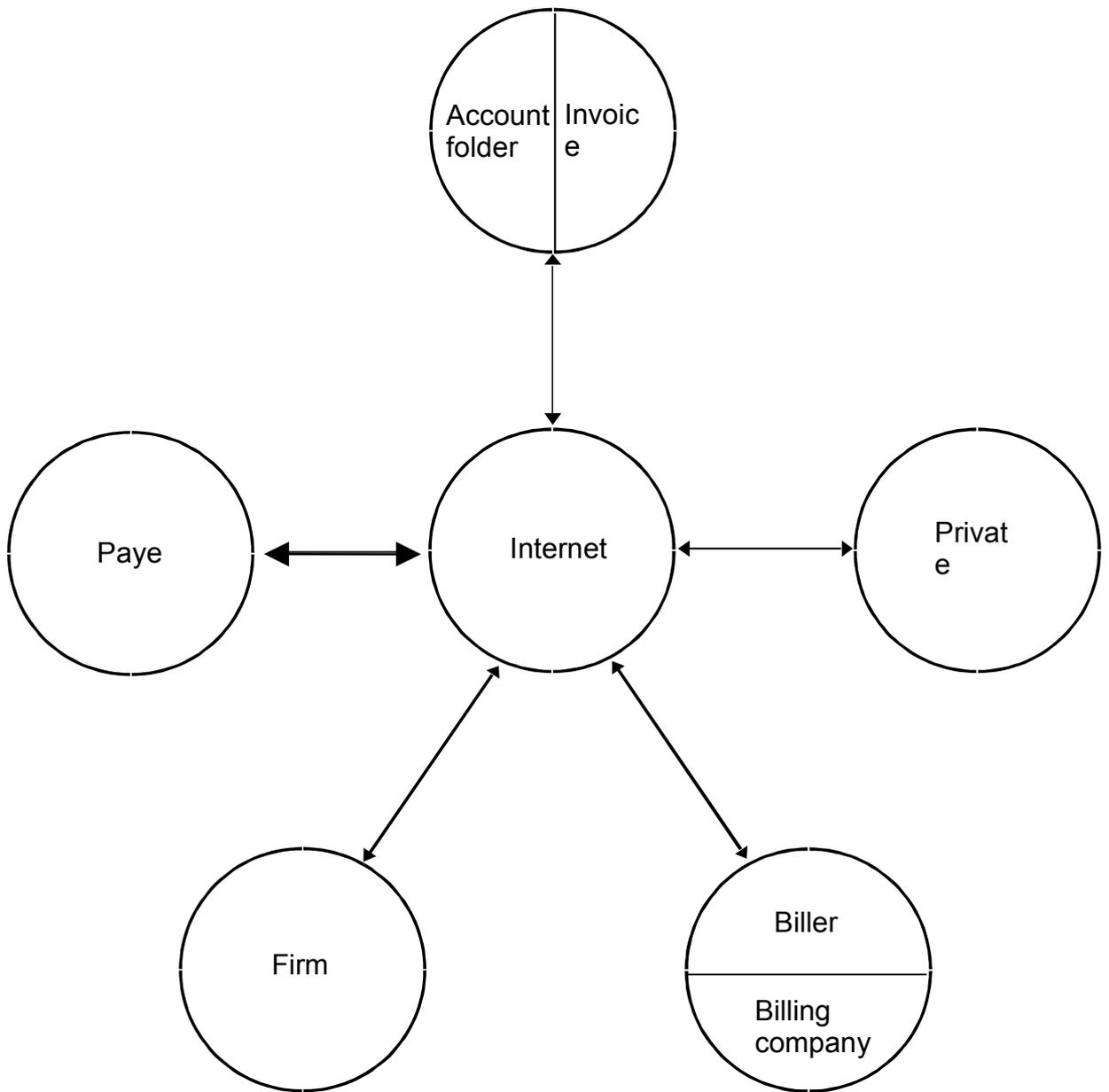
will become more centralised. This means that the company utilising such a service will be able to see at moments notice an array of reports and data pertaining to the previous months results instantaneously. At the same time, delivery of vital statistical information can be delivered to banks, Statistics Finland and the taxation authority with limited delay.

Another recent discussion with Tapio Sipponen, Managing Director of Tiline Oy also produced fruitful results, as well as, a new concept in invoice management. Our talks focused on how a company could electronically send to a client an invoice. We considered two methods in which invoices could be sent to companies. The first method involves business to business invoicing. The second business to private person. As Chart 2, page 15 shows, the Internet is the key vehicle in delivering invoices. In the business to business sense a bill would be electronically sent to the payee through a standardised protocol, to be developed, and accepted in Finland. Once the necessary standardised protocol has been approved, the invoice will eliminate the need for using paper, can be sent to appropriate persons within the company for action and can be paid without delay. The business to private person concept works differently. Here we assume that the banking industry foresees the need in developing its home banking services utilising the Internet by creating an invoice folder within the account holders account. When the person accessing his/her account via the Internet goes to the invoice folder it can be immediately see as to what bills have arrived requiring payment. The bills can be sent by a Biller (private person) or a billing company (Tele, HPY). It is then up to the private person to either immediately pay the bill as is or delay payment until the due date. Even the potential of referring to the makeup of the bill can be questioned via e-mail prompting quick response.

The need to use and exploit the potential of the Internet and Intranet is imperative to the success of any software product that may be developed. Without such consideration or the formulation of needed alliances, such development in accounting software will have minimal if at all any, impact on the accounting industry in Finland. The direction industry in Finland is moving is electronic. The need to reduce human resources and allow "machine" to do the job not only reduces administrative costs but increases profit margins and results in efficiencies that human labour cannot create itself.

CHART

Internet Banking



6. Potential Participants and Sponsors

It is my determination that Finland would be the proper starting point to launch “Electronic Accounting Procedures” successfully. Namely this is due to the fact that “The Association of Finnish Accounting Firms” has shown great interest in this project. Furthermore, “The Association of Finnish Accounting Firms” has a number of board directors that also have a personal interest in the project as well as in the benefits it can potentially bestow on their companies. There is also the question that some may feel that by being involved with this project it may give them the lead they need over the “Tyvi” project.

The following list of potential participants and sponsors was gathered during a three month period. The listed individuals and organisations have expressed to me a keen interest in being involved in the project at various stages. It is left to the reader to determine the stage at which a potential partner may desire to enter the project.

6.1 Finland

Multicom Software (software development)
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Telephone: 09-2410800

Tilinne Oy (accounting company)
Tapio Sipponen, Managing Director
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Telephone: 09-717166

Tieto - Unic Oy (accounting software products)
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Telephone: 09-32907148

6.2 Estonia

Baltic Business Software (software development, accounting products)
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Ernst & Young (accounting and auditing company)
Kari Björk, APA
Harju 6
EE-0001, Tallinn, Estonia
Telephone: 990-372-6-310612

Estonian National Tax Board
Aare Lapõnin, Deputy Director General
Telephone: 990-372-6-267620

Hansabank (Bank)
Gerd Muller, Managing Director
Jaanus Erlemann, Administrative Division
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IMG Investeeringukontrolli AS (Bank, software development)
Ardo Ojasalu, Madis Valk, Margus Maspanov
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KPMG (accounting and auditing company)
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As can be seen, the companies listed above can offer a diverse array of expertise when attempting to gain access to the Baltic market. All of these companies I met with personally and can vouch for their seriousness in being involved at certain levels within this project. Not all will be able to financially contribute to the project. I believe that in order to launch this project the best potential for financing most probably will come from Finnish companies and in particular those in the accounting industry. The Association of Finnish Accounting Firms has a number of members. One way of potentially raising the required capital could be by marketing the idea as a product that can be patented. Members interested would then contribute the necessary funds and partake in the royalties that are generated from the finished product and service.

As for the Intranet service, a service provider that can be convinced of the uniqueness of the project and the way it will lead the accounting industry may very well make a good deal. However, the services that an Intranet service can offer could also gain additional funding from sponsors as banks, accounting and auditing houses and possibly governmental agencies.

7. Research and Development

When we consider the potential for the software and Internet/Intranet services we will create, there is room for negotiating with companies possessing the required expertise a favourable pricing strategy. There also is the possibility that an organisation such as “The Association of Finnish Accounting Firms” will want to be the sole organisation responsible for such development. Under such a scenario, this organisation will be able to isolate itself from outside influences. Thus being able to more accurately influence accounting procedures as they see fit. However, certain aspects will remain outside their reach and partnerships will need to be formed. Partnerships with banks, service providers, software developers and governmental agencies are just a few examples.

The actual capital that will need to be raised may very well come from such an organisation and its members. There may also be an opportunity that only those companies interested in pursuing such development may have the chance toward financially contributing toward such development with the potential of reaping royalties from the products and services that are created. Banks and service providers, if convinced properly, may also be sources of financial aid but their stake in the project should not compromise the effectiveness of the products and services being developed.

This project in my opinion, can only be undertaken if done by an organisation such as “The Association of Finnish Accounting Firms”. Any other alternative would most likely result in a situation whereby inaccurate performance in service is obtained and requirements once again go unfulfilled. Finally, this study has only assumed that the undertaking of such research and development could only take place if carried out only between the competent bodies responsible for accounting practices in Finland. Pricing for such research and development can only then be determined once the exact requirements have been described and outlined in a well formalised action plan.

8. Conclusion

“Electronic Accounting Procedures” is a project worthy of further consideration. Whether that consideration comes from private businesses dedicated toward software development and economic gain or organisations representing accountants and auditors, will only be seen in future developments that take place.

As has been shown, the entire question of accounting software is one of mixed thought. Many companies, as is particular to the Baltic’s, simply purchase or copy software so that data can be stored. This fact alone accounts for the number of various software applications accountants have to deal with when processing corporate accounts. The task of developing a set of acceptable and standardised features for accounting software and even the means such information can then be reliably transmitted through the Internet is going to be an enormous undertaking. As is the case in the Baltic States and Finland, many international accounting and auditing companies are already present in these areas. However, each has its own way of collecting information. Thus the means of collection are many and vary from country to country. The introduction of a service that utilises the Internet and Intranet will force certain standards to be accepted immediately. Electronic invoicing, transmission of statistical data and even the reporting of VAT information are all items involving different organisations with varied means as to how they will accept electronic data. Once a futuristic picture of how an Internet/Intranet service will operate can the proper accounting software be developed that will take into account these requirements, which beforehand may very well become standardised means as to how accounting data can be electronical transmitted. As I pointed out, accounting software will in any case need to be developed first. With this point in mind a software that reflects future needs and changes will be the one most likely to succeed on the market. However, software companies do not necessarily maintain the wealth of information that is required to foresee such eventualities. This is why I believe that organisations such as The Finnish Association of Accounting Firms, are the most likely candidates for such development in this industry. Development by any other organisations will only in my opinion be carried out in vain.

In the not so distant future software applications as I described will become obsolete. The move toward developing Internet browsers capable of performing as spreadsheets and word processors are already in the planning stages. Soon people will not even know the difference of using their MS-Word processor from a text processor offered online. What needs to be considered here is whether or not one wants to be a market leader with new innovations, or one that follows market trends. The latter, given the size of the Finnish market, usually means you will be the one paying for the service. The need to create the software I described is imperative because it will eventually be the catalyst that brings consumers more in touch with the trends in Internet usage and acceptance. Even today projects such as “Tyvi” reflect this image as to the way things ought to be done. Finally, that organisation that takes these points seriously, will be the one that leads the accounting industry into the 21st. century.