

INDUSTRY UPDATE

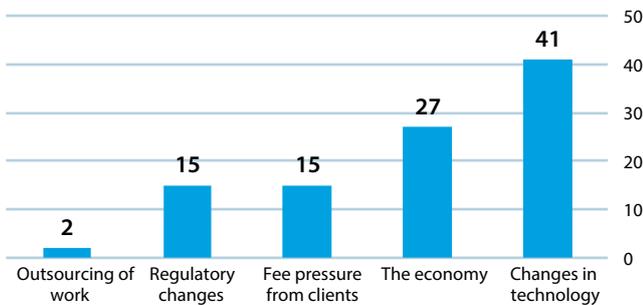
ACCOUNTING SERVICES FIRMS

Keeping up with a changing market?

2015/16

Embracing changes in technology remains a focus for accounting services firms looking at improving service quality and cost efficiencies to remain competitive; and capturing growth opportunities as resources are freed up to grow advice-based services.

Critical factors for 2015



Source: Business Fitness, percentages rounded

Accountants' concerns around the perceived drawbacks of cloud-based technology are diminishing:

Accountants' perceived drawbacks of cloud technology

| % | 2013 | 2014 |
|---|------|------|
| Security concerns | 31 | 17 |
| Client concerns related to the technology | 25 | 15 |
| Downtime | 12 | 15 |

Source: Wolters Kluwer, CCH; percentages rounded

With declining costs and increasing familiarity around the technology, 7 out of 10 accounting firms are already using cloud-based software applications.¹

Four out of 10 accounting services firms are planning to remove existing server-based infrastructure and transform themselves into cloud-based entities within the next 3 years.²

LOOKING TO REALISE FURTHER GAINS IN ACCURACY, EFFICIENCY, AND PRODUCTIVITY, ACCOUNTING SERVICES FIRMS ARE EXPECTED TO CONTINUE IMPLEMENTING CLOUD TECHNOLOGY

Accounting firms: cloud technology to implement

| | % |
|------------------------------|----|
| Client portal | 34 |
| Integrated workpapers | 27 |
| Workflow management software | 20 |
| Document management software | 19 |
| Practice management software | 17 |

Source: Business Fitness; percentages rounded

SMEs are also keen to realise benefits from implementing cloud-based technology: from real-time access to data for better decision-making, to improving efficiency and systems in their businesses. At the same time, SMEs indicate security and functionality as key drivers for going to the cloud:

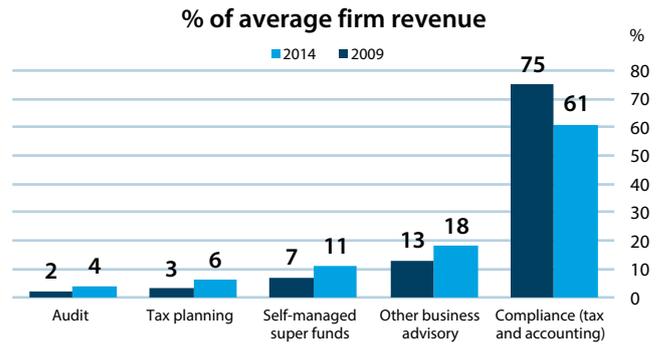
SME key drivers for going to the cloud

| | % |
|---------------------|----|
| Security | 44 |
| Functionality | 43 |
| Price | 6 |
| Pricing flexibility | 4 |
| Scalability | 2 |
| Quality | 2 |

Source: Wolters Kluwer, CCH; percentages rounded

Technology and regulatory change are also combining with consequences for how firms face the market. The ATO's introduction of Standard Business Reporting (SBR) is an example: technology to enable tax lodgements from accounting software direct to the ATO, which is expected to provide greater efficiency, accuracy and certainty.

With developments such as SBR, observers expect that the share of total industry revenue coming from traditional compliance work will continue to decline:



Source: Business Fitness, percentages rounded

ACCOUNTING FIRMS ARE CONTINUING TO EMBRACE TECHNOLOGY AND REALISING REVENUE GROWTH AND PROFITABILITY. AGILE ACCOUNTING FIRMS HAVE TAKEN THE INITIATIVE IN ASSISTING CLIENTS WITH THEIR TRANSITION TO CLOUD TECHNOLOGIES.

Declining value in traditional compliance work will continue being offset by growing value in other specialised advice-based services for firms adapting to a changing market.

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Sources: 1. Wolters Kluwer, CCH; 2. Business Fitness, figures rounded.

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