

# ACCOUNTING SERVICES

## UPDATE

### Maintaining growth and profitability

2016/17

Accounting services firms have been maintaining revenue growth and profitability despite fee pressure, intensifying competition and changes in the business environment.

Demand for accounting services remains steady, supported by new business openings across most states over recent years.

Available data providing a snapshot of average accounting services firm performance suggests key metrics have trended positively over recent years.

**AVERAGE REVENUE PER PARTNER HAS GROWN AT A RATE OF JUST UNDER 3% PER YEAR SINCE 2010, SUPPORTED BY A COMBINATION OF FACTORS.**

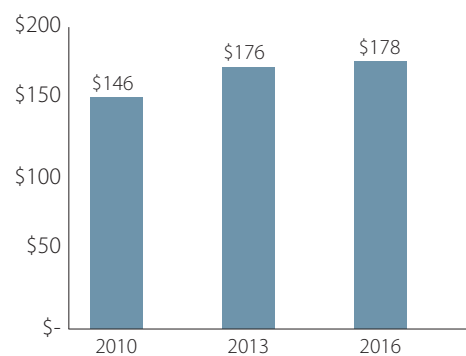
**Table 1: Indicative average revenue (\$) per partner**

	2010	2013	2016
Median quartile	822,000	954,000	970,000
Upper quartile	1,146,000	1,289,000	1,283,000

Source: Business Fitness, all figures rounded

Ongoing fee pressure from clients and competition are constraints on rate increases. But average hourly rates (after write-offs) have increased.

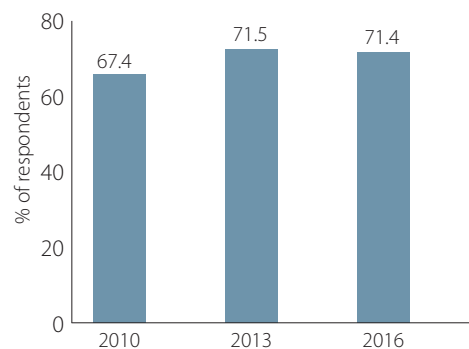
**Figure 1: Average hourly rate: after write-offs**



Source: Business Fitness

Average staff productivity (staff chargeable hours over total available staff time) has also firmed over recent years:

**Figure 2: Productivity: chargeable staff only**

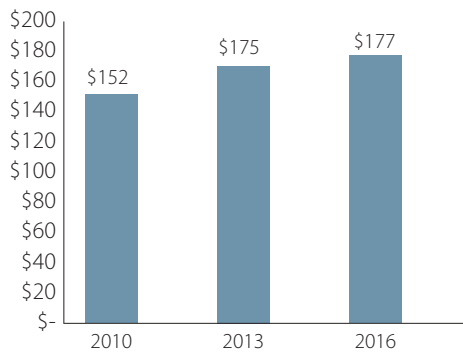


Source: Business Fitness

HIGHER AVERAGE RATES AND PRODUCTIVITY GAINS FROM NEW SYSTEMS AND TECHNOLOGY HAVE HELPED LIFT RETURNS

This is reflected in higher partner return on effort (net profit over total hours worked by equity partners):

Figure 3: Partner return on effort



Source: Business Fitness

Revenue is still typically tied to time-based billing. However, firms are increasingly adopting alternative billing arrangements including fixed-fees for compliance services. Revenue from the latter as a proportion of total revenue is expected to decline further, especially due to increased automation of tax lodgements and growth of other 'non-traditional' revenue streams.

Table 2: Indicative average % of total revenue

	2010	2013	2016
Compliance (tax and accounting)	70%	61%	59%
Other business advisory services	9%	10%	12%
Self-managed superannuation funds	7%	9%	11%
Tax planning	5%	5%	8%
Audit	2%	1%	5%
Other	7%	14%	5%

Source: Business Fitness, figures rounded

Firms have been responding to changes in the business environment by realising greater productivity through new technology, especially cloud-based systems. Improved systems and processes are freeing up internal resources to provide offerings outside compliance-focused services:

Firms are also engaging external specialists to handle more transactional work. Just under 40% of firms are already using outsourcing arrangements to deliver greater efficiencies and profits<sup>1</sup>; SMSF audit and compliance are likely the most commonly outsourced areas.

With pressure on pricing and margins, accounting services is expected to see further consolidation alongside a continued focus on realising efficiencies and advice-based services.

Talk to Con Voultsios (National Manager, Professional Services) or your local ANZ Relationship Manager today about how we can help your business.

1800 309 379

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Note:

Figures reflect an average firm comprised of 2 equity partners and 12.5 full-time equivalent staff (including 7.2 chargeable staff); figures for average hourly rates, productivity and partner return on effort are median figures; Other business advice-based services includes business advisory services such as management accounting, advice on budgeting, KPIs, cash flow and planning.

Sources: 1. Business Fitness, The Good, the Bad & the Ugly of the Australian Accounting Profession, 2016 Edition

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