

IFAC SMP QUICK POLL: 2012 ROUND-UP



International
Federation
of Accountants

The mission of the International Federation of Accountants (IFAC) is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

The [IFAC SMP Committee](#) represents the interests of professional accountants who work in small- and medium-sized accountancy practices (SMPs). It does this primarily by helping IFAC member organizations support their SMP stakeholders. The committee develops guidance and tools and works to ensure the needs of the SMP and small- and medium-sized entity (SME) sectors are considered by standard setters, regulators, and policy makers. The committee also speaks out on behalf of SMPs to raise awareness of their role and value, especially in supporting SMEs, and the importance of the small business sector overall.

See [Activities and Interest Areas](#) (from www.ifac.org/SMP) to learn more about the committee's strategic objectives and for access to the Resources and Tools page, which includes comprehensive lists of links to related resources from IFAC and other organizations in the following areas: implementation of standards, practice management, and business advisory. For a complete committee roster and biographies, see the [SMP Committee Members](#) page.

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EXECUTIVE SUMMARY

Just over 3,700 small- and medium-sized practices (SMPs) completed the year-end 2012 poll. Concerns related to the economy and regulations pervaded many of the results and were expressed in relation to both SMPs themselves and their small- and medium-sized entity (SME) clients, in addition to the future of the global accountancy profession and the big issues facing the profession in 2013. Despite these concerns, respondents were generally positive about the future of the global accountancy profession, including the public perception of the profession.

Challenges and Issues Facing SMPs and SMEs

The top two challenges facing SMPs' small business clients are burden of regulation, followed closely by economic uncertainty, according to respondents. Similarly, when asked about the biggest challenge facing their practice, keeping up with new regulations and standards came out as the top challenge by a moderate margin, with two issues related to the health of the economy, attracting and retaining clients and pressure to lower fees, following with 22% and 18% respectively.

When asked about the biggest barrier to fully adhering to the *Code of Ethics for Professional Accountants* (the Code), understanding the requirements of the Code was the most commonly cited barrier.

Asked to name the top five issues facing the accountancy profession for the coming year, respondents indicated strong consensus on the top four issues: reputation of the profession, increased regulation, the difficult global financial climate, and the needs of SMPs and SMEs. There were, however, some slight regional fluctuations among these. Overall, competency of financial statement preparers ranked fifth by a wide margin.

Practice Growth

Accounting, compilation, and other non-assurance services was identified as the fastest

growing source of revenue for the largest group (nearly 40%) of respondents. This was followed by advisory/consulting services with 23%. However, the fastest growing source of revenue in Africa/Middle East and Asia was audit and assurance services. When asked about the main driver of growth, 40% identified revenue from new clients as the main driver, followed by additional revenue from existing clients (20%) and revenue from new services (13%). While the top driver was consistent across regions and sizes, revenue from new services showed significant variation by region and size of practice.

Business Outlook and Public Perception

Slightly more than a third of respondents noted that their practice performed better in 2012 than in 2011, while 44% said that their business performed about the same as it did in 2011. More than one in five (22%), however, indicated that their practice had fared worse than it did in the prior year. In general, projections for business performance in 2013 were similar to those for 2012.

Respondents mostly rated the public's perception of the accountancy profession as average to slightly above average with an overall average rating of 5.6 out of 10, and regional variations from 5.0 for European respondents to 7.4 for North Americans.

Most respondents were optimistic that public perceptions of the accountancy profession in their country/jurisdiction would improve with time. Nearly half expect public perception to improve by 2025.

A large percentage of respondents (35%), especially European respondents (55%), indicated that economic instability is the biggest threat to the public's perception of the accountancy profession from now until 2025. Fraud, money-laundering, and corruption (19%) ranked as the second-largest threat.

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PREFACE



Small- and medium-sized practices (SMPs) constitute the vast majority of accountancy practices worldwide and, in many jurisdictions, are believed to employ the majority of professional accountants working in practice. Long regarded as trusted and competent business advisers for their clients, SMPs provide high-quality professional services to meet a wide range of client needs. Their services range from the more traditional services, such as audit, accounting, and tax, to value-adding business advisory services. And, SMPs are able to provide these services in a customized and personal manner. For these reasons, small- and medium-sized entities (SMEs) have often turned to SMPs for a broad range of professional services.

The case for supporting SMEs is compelling: SMEs account for the vast majority of businesses globally, and they account for the majority of private sector GDP, employment, and growth. Moreover, many consider SMEs to hold the key to the global economy's recovery from one of the deepest economic downturns in modern times.

In recognition of the importance of SMPs, especially in supporting SMEs, IFAC created the SMP Committee in 2006. Since then IFAC, largely at the behest of its members, has increased its commitment to helping to cultivate robust SMPs, as they are considered key to the prosperity of the SME sector. For more information, see the SMP Committee's Strategy and Work Plan on its home page (www.ifac.org/SMP).

A handwritten signature in black ink, appearing to read 'Giancarlo Attolini'.

Giancarlo Attolini
Chair, SMP Committee
January 2013

INTRODUCTION

The IFAC SMP Quick Poll was launched in January 2011 to give SMPs globally an opportunity to express their views about important trends and developments impacting them and their clients. Conducted twice in 2012 (May-June and Nov.-Dec.), the poll is published and promoted via the SMP eNews, IFAC's free newsletter for SMPs (see www.ifac.org/SMP to subscribe), and various forms of social media.

With invaluable assistance from IFAC member and regional organizations (see Acknowledgements) in translating and promoting the poll, the Nov.-Dec. 2012 poll received 3,767 responses (surpassing the previous highest respondent numbers of 3,678 for the May-June 2012 poll and 2,441 respondents to the Dec. 2011 poll) and was conducted in 17 languages (Arabic, Chinese, Dutch, English, French, German, Greek, Hebrew, Italian, Japanese, Korean, Portuguese, Romanian, Russian, Spanish, Swedish, and Turkish). This report summarizes and analyzes the responses from this edition of the poll, conducted from November 21 to December 31, 2012, and includes selected trending data. The report also illustrates the SMP Committee's activities, undertaken in collaboration with IFAC member organizations, that respond to the issues, challenges, and needs of SMPs as identified by the findings.

Trending Data

Some questions have been asked repeatedly throughout the year(s). For some of these questions, we have illustrated the trending data over the course of the year(s). However, since the total number of responses as well as the available languages varied significantly from one poll to the next, caution should be exercised when interpreting this data. In addition, the break-down by size of practice and region varied widely from poll to poll; for instance, in the May-June 2012 poll, 34% of the total responses were from Asia, with a large contingency from Turkey, and only 4% from Central and South America/Caribbean, while in the Nov.-Dec. 2012 poll, 21% of the total responses were from Asia and 18% from Central and South America/Caribbean.

RESPONDENTS AT A GLANCE

The following summarizes the profile of the respondents to the poll conducted between November 21 and December 31, 2012. In total, 3,767 individuals completed the poll.

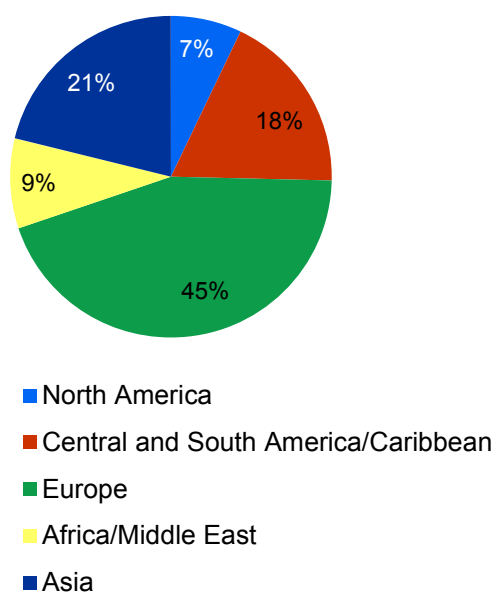
A large number of responses came from Europe and from the very smallest practices, and so caution should be exercised when interpreting the data.

Region

While the Nov.-Dec. 2012 respondents were more geographically representative than those to the May-June 2012 poll, regional response rates still varied significantly. The largest contingent of respondents came from Europe: 45% noted that their practice was located in that part of the world. Some of the countries with high representation include Italy (244 respondents), France (153 respondents), and Germany (96 respondents). The second-largest regional group was Asia, which was heavily influenced by the 300+ respondents from China. Central and South America/Caribbean was the third-largest region; Argentina had 571 responses, more than half of the total from the

region and the highest country response. A smaller number of responses came from Africa/Middle East and North America. Together, these two regions represented only 16% of the total, less than the 18% who responded from Central and South America/Caribbean.

As in prior polls, the small number of responses from Australasia/Oceania (13 in total) does not allow for any meaningful analysis. Therefore, the segment is excluded when discussing regional differences.

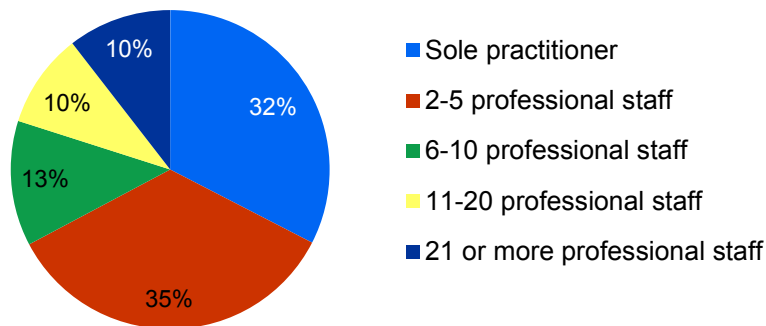


Top 10 Countries	%
Argentina	15
Romania	11
China	8
Canada	7
Italy	7
Turkey	7
Russian Federation	5
France	4
Israel	4
Germany	3

Size of Practice

As in prior polls, the vast majority of respondents were from the two smallest size categories. One-third were sole practitioners and slightly more than a third had only 2 – 5 professionals on staff. Only 10% work in practices that employed 21 or more professionals.

The results for several of the questions showed some strong differences by size of practice. The smallest two categories of practice often expressed more concern about the economy.



Language

Respondents could take the poll in one of 17 languages. As in prior polls, English was the preferred language, by a wide margin. Nearly half, 45%, of respondents took the poll in English. Nearly tied for a distant second and third were Romanian

and Spanish, with 12% and 11% respectively. Chinese was the third-most used language, at 9%. As noted in the regional analysis above, a large number of respondents from China contributed to Asia's second-place rank by region.





CHALLENGES AND ISSUES FACING SMPS AND SMES

What is the biggest challenge faced by your SME clients?

The global economy is still struggling to fully recover from the fallout following the financial crisis of 2008-2009. The US economy is growing slowly, which in turn is hampering growth for export-dependent countries such as those in Asia. Meanwhile, austerity measures and a double-dip recession in the Eurozone and the UK contributed to a pervasive sense of pessimism in many of the responses from European respondents. And rising inflation in several South American and Asian countries likely helped bring that issue to the forefront for those regions.

Specific to this question, respondents voted the top three challenges facing SME clients as: the burden of regulation, economic uncertainty, and rising costs. Fourth on the list was related to the fallout from the challenging financial environment in many parts of the world: difficulties accessing finance.



REGION AND SIZE OF PRACTICE

The top two overall challenges for SME clients, burden of regulation and economic uncertainty, were ranked either first or second in all regions with the exception of Asia. North American respondents were the most likely to view the burden of regulation as the top concern of their SME clients.

In Asia, however, pressure to lower fees and rising costs, likely related to broader inflation-related concerns, rose to the top of the list. Several countries in the region are experiencing higher rates of inflation than other parts of the world; rapidly rising costs of doing business, such as labor, and real estate are a particular concern for some

governments. Burden of regulation and economic uncertainty were ranked a close third and fourth respectively by Asian respondents.

By size of practice, regulatory burdens and economic uncertainty were ranked first or second by all groups. However, nearly a third of sole practitioners identified burden of regulation as the top challenge for their SME clients, compared to only 15% of practitioners with professional staff of 21 or more. As sole practitioners are likely to have very small clients, this suggests that the regulatory burden is being felt most acutely by the smallest SMEs.

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)
Burden of regulation	35	28	27	24	16
Lack of demand for their products and services	6	2	11	8	7
Pressure to lower prices of their products and services	13	3	11	12	19
Rising costs	9	24	8	11	17
Economic uncertainty	18	29	25	18	15
Difficulties accessing finance	5	9	14	18	10
Competition	5	3	3	7	11
Attracting and retaining staff	9	1	2	3	5

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
Burden of regulation	30	26	22	18	15
Lack of demand for their products and services	9	7	8	6	7
Pressure to lower prices of their products and services	9	10	13	15	19
Rising costs	13	13	13	15	15
Economic uncertainty	22	24	22	20	19
Difficulties accessing finance	11	13	13	13	12
Competition	4	4	7	7	7
Attracting and retaining staff	2	3	3	6	4

* Professional staff

Boldface indicates highest percentage per size of practice

TREND RESULTS

The question, *What is the biggest challenge faced by your SME clients?* was asked twice in 2012 and in all four quarters in 2011. In 2012, two new options were offered in the list of possible responses, rendering the two 2012 poll results not strictly comparable with the 2011 results. However, despite the additions, the burden of regulation held its first-place ranking throughout 2012 and most of 2011.

Economic uncertainty in December 2012 was the second-biggest challenge. It increased from the May-June 2012 poll. Economic uncertainty similarly held the number two spot for most of 2011.

The [May-June 2012 poll](#) probed deeper into the regulatory burden and found that its complexity and tax rules in particular presented the greatest challenges for SMEs.

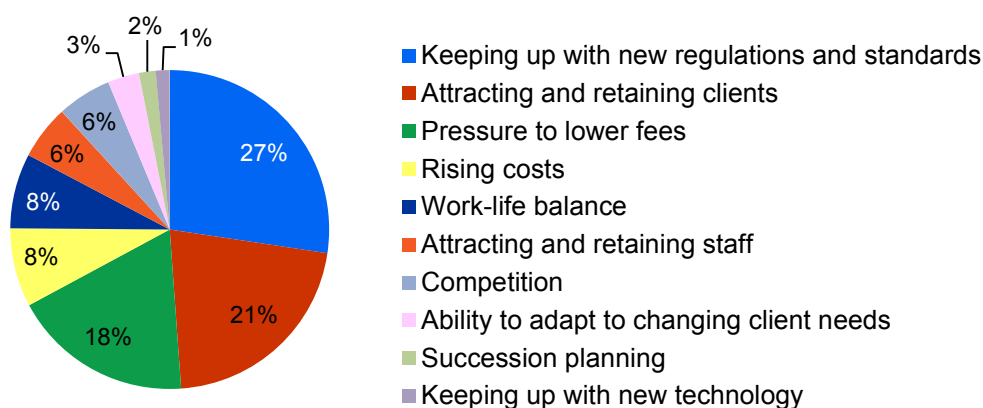
	Dec.-12 (%)	June-12 (%)	Dec.-11 (%)
Burden of regulation	25	30	29
Lack of demand for their products and services	8	6	11
Economic uncertainty	22	12	28
Difficulties accessing finance	12	14	23
Competition	5	7	5
Attracting and retaining staff	3	5	4
Pressure to lower prices of their products and services	12	13	
Rising costs	13	11	

Boldface indicates highest percentage

What is the biggest challenge your practice is facing right now?

Keeping up with new regulations and standards was the top concern for SMPs, just as the burden of regulation was for their SME clients. More than a quarter of SMPs ranked this issue as their top challenge.

Economic pressures played into the next three issues: attracting/retaining clients, pressure to lower fees, and rising costs. Finding the right work/life balance was fifth, making it more important to SMPs than staff issues, IT, and competition.



REGION AND SIZE OF PRACTICE

Keeping up with new regulations and standards was voted as either the number one or number two issue across all regions. The concern was particularly high in North America (44%), but was less than half that figure in Asia (20%). In Asia, the top concern was attracting/retaining clients, as it was in Africa/Middle East, suggesting that parts of the developing world see the issue of growing their practices as a key concern.

Rising costs was voted third-most important to the Central and South American/Caribbean region. Indeed, some countries in South America witnessed

higher rates of inflation in 2012 than many other parts of the world.

By size of practice, keeping up with new regulations/standards was a top challenge for all except for the largest SMPs (those with 21 or more professional staff); 33% of sole practitioners named it as their number one challenge, while less than half of those with 21 or more professional staff named it as a top challenge. For the larger SMPs, pressure to lower fees was seen as the biggest challenge.

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)
Keeping up with new regulations and standards	44	30	29	21	20
Attracting and retaining clients	12	18	22	26	24
Ability to adapt to changing client needs	1	3	3	3	5
Pressure to lower fees	12	11	22	17	20
Rising costs	2	16	6	7	7
Succession planning	5	2	1	4	1
Work-life balance	9	11	9	7	2
Attracting and retaining staff	11	4	4	7	7
Competition	4	3	3	7	13
Keeping up with new technology	2	3	1	2	1

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
Keeping up with new regulations and standards	33	28	26	21	17
Attracting and retaining clients	23	21	21	22	19
Ability to adapt to changing client needs	2	3	4	5	5
Pressure to lower fees	16	19	17	19	24
Rising costs	7	8	9	8	7
Succession planning	1	2	2	3	3
Work-life balance	9	9	6	3	5
Attracting and retaining staff	3	5	6	9	12
Competition	4	4	9	9	8
Keeping up with new technology	2	2	2	1	1

* Professional staff

Boldface indicates highest percentage per size of practice

TREND RESULTS

As with the prior question, two additional responses were included when this question was asked in the 2012 editions of the poll, which impairs their comparability with the 2011 results. Even so, the latest findings align more closely to those of year-end 2011 than mid-2012 with keeping up with new regulations/standards as the top issue at the close of both years.

In the most recent poll, attracting/retaining clients was second in the rankings, as it was throughout 2011. Only in the previous 2012 poll did it slip to third place.

The [May-June 2012 poll](#) probed deeper into the challenge of keeping up with new regulations and standards and found that pace of change and tax rules posed the greatest challenge for SMPs.

	Dec.-12 (%)	June-12 (%)	Dec.-11 (%)
Keeping up with new regulations and standards	27	26	41
Attracting and retaining clients	22	19	25
Ability to adapt to changing client needs	3	3	6
Succession planning	2	2	3
Work-life balance	8	7	12
Attracting and retaining staff	6	6	6
Competition	6	5	6
Keeping up with new technology	1	1	2
Pressure to lower fees	18	27	
Rising costs	8	5	

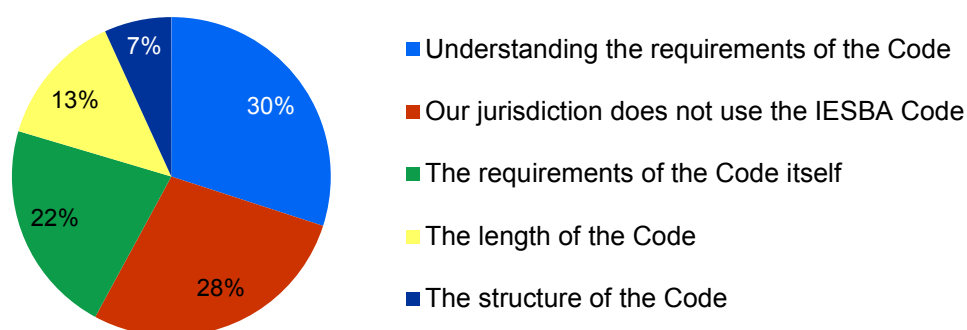
Boldface indicates highest percentage

What is the biggest barrier faced by SMPs in fully adhering to the IESBA Code of Ethics for Professional Accountants (the Code)?

Among the professional standards SMPs may have to comply with is the IESBA *Code of Ethics for Professional Accountants* (the Code), which establishes ethical requirements for professional accountants. Of those required to comply with the Code, nearly a third said the biggest barrier to fully adhering to the Code was understanding its requirements. This percentage increases to 42% if

we exclude the more than one-quarter, 28%, of respondents who said their jurisdictions do not use the Code.

The next-biggest barrier was the requirements of the Code itself (22%). Only about one in five believes the structure of the Code or its length is the biggest barrier in adhering to the Code.



REGION AND SIZE OF PRACTICE

The regions least likely to use the Code include North America, Central and South America/Caribbean, and Europe.

By size of practice, understanding the Code was viewed as the biggest barrier to smaller-sized SMPs, while the actual requirements of the Code presented the bigger barrier to larger SMPs.

Region

	North America (%)	Central and South America/Caribbean (%)	Europe (%)	Africa/Middle East (%)	Asia (%)
The structure of the Code	6	8	6	3	9
The length of the Code	10	14	16	15	8
Understanding the requirements of the Code	34	21	30	32	35
The requirements of the Code itself	21	25	16	27	29
Our jurisdiction does not use the IESBA Code	29	33	31	23	19

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
The structure of the Code	7	8	7	6	5
The length of the Code	14	13	14	12	16
Understanding the requirements of the Code	32	28	30	29	30
The requirements of the Code itself	19	21	21	27	28
Our jurisdiction does not use the IESBA Code	28	30	29	26	22

* Professional staff

Boldface indicates highest percentage per size of practice

What do you think will be the most significant issues facing the global accountancy profession in 2013?

The top issue for 2013, out of the 22 choices, was the reputation and credibility of the accountancy profession. This concern may reflect regulators' and the public's questioning of those responsible for the global financial crisis and current economic malaise, as well as doubts raised as to the quality and relevance of audits. (Note: Respondents were asked to choose their top 5 concerns and rank them from 1 to 5. The list on the next page represents weighted responses.)

There were additional issues in the top ten that relate directly to the role, values, and attributes of

the accountancy profession, including: competency of financial statement preparers (ranked 5th); auditor independence (ranked 6th), and what it means to be a professional and belong to a profession (ranked 9th).

Consistent with the earlier questions on top challenges, regulatory and economic concerns ranked high. Increased regulation was seen as the second most important issue facing the global accountancy profession in 2013, while the difficult global financial climate was ranked a distant third.

Issue	Overall Rank
Reputation and credibility of the profession	1
Increased regulation	2
The difficult global financial climate	3
Needs of small- and medium-sized practices (SMPs) and small- and medium-sized entities (SMEs)	4
The competency of financial statement preparers	5
Auditor independence	6
Attracting new talent to the profession	7
Anti-money laundering/anti-corruption	8
What it means to be a professional and belong to a profession	9
Information technology and innovation in accounting and auditing	10
Proportionality of regulation and standards	11
Role of the professional accountant in business	12
International taxation policy differences	13
Global regulatory convergence	14
Corporate governance	15
Auditor liability reform	16
Issues related to the EU draft legislation (including audit firm rotation, restriction of non-audit services, joint audits, audit firm market structure/ competition issues, role of audit committees)	17
Changing role of professional accountancy organizations	18
Public sector financial management and sovereign debt issues	19
Micro-entity financial reporting	20
Diversity	21
Integrated reporting and sustainability	22

REGION AND SIZE OF PRACTICE

The top four rankings across all regions were relatively consistent with slight variation. For example, increased regulation was a top concern in the more developed regions of North America and Europe, but it dropped to third for Africa/Middle East, and it was second in the other regions. In the lesser developed regions of Central and South America/Caribbean, Africa/Middle East, and Asia, the reputation and credibility of the profession was viewed as the most significant issue facing the profession. The issue was ranked second in Europe and third in North America.

Several issues, however, did have large differences by region. For example, in Central and South America/Caribbean, anti-money laundering/anti-corruption was the fifth most important issue; this was the highest ranking of any region. In contrast, the issue was ranked near the bottom by

North American respondents. The changing role of professional accountancy organizations was another issue that received very different rankings by region.

The top three concerns were the same across all sizes, except that, as with the regions, the rankings varied slightly. The needs of SMPs and SMEs was ranked fourth across all sizes except for the very largest (those with 21 or more professionals), where attracting new talent received a slight edge over the needs of SMPs and SMEs.

What it means to be a professional and belong to a profession was ranked higher for the smaller-sized practices than for the larger ones, as was the changing role of professional accountancy organizations. For the larger firms, issues related to the European Union draft legislation and auditor liability reform were ranked higher than for the smaller-sized firms.

Region

North America	Central and South America/Caribbean
1 Increased regulation	1 Reputation and credibility of the profession
2 Needs of SMPs and SMEs	2 Increased regulation
3 Reputation and credibility of the profession	3 Needs of SMPs and SMEs
4 The difficult global financial climate	4 The difficult global financial climate
5 The competency of financial statement preparers	5 Anti-money laundering/anti-corruption

Europe

- 1** Increased regulation
- 2** Reputation and credibility of the profession
- 3** The difficult global financial climate
- 4** Needs of SMPs and SMEs
- 5** The competency of financial statement preparers

Asia

- 1** Reputation and credibility of the profession
- 2** Increased regulation
- 3** Needs of SMPs and SMEs
- 4** The difficult global financial climate
- 5** Auditor independence

Africa/Middle East

- 1** Reputation and credibility of the profession
- 2** The difficult global financial climate
- 3** Increased regulation
- 4** Needs of SMPs and SMEs
- 5** Auditor independence

Size of Practice

Sole Practitioner

- 1 Increased regulation
- 2 Reputation and credibility of the profession
- 3 The difficult global financial climate
- 4 Needs of SMPs and SMEs
- 5 The competency of financial statement preparers

11-20 Professional Staff

- 1 Reputation and credibility of the profession
- 2 Increased regulation
- 3 The difficult global financial climate
- 4 Needs of SMPs and SMEs
- 5 Attracting new talent to the profession

2-5 Professional Staff

- 1 Increased regulation
- 2 Reputation and credibility of the profession
- 3 The difficult global financial climate
- 4 Needs of SMPs and SMEs
- 5 The competency of financial statement preparers

21+ Professional Staff

- 1 Reputation and credibility of the profession
- 2 Increased regulation
- 3 The difficult global financial climate
- 4 Attracting new talent to the profession
- 5 Needs of SMPs and SMEs

6-10 Professional Staff

- 1 Reputation and credibility of the profession
- 2 Increased regulation
- 3 The difficult global financial climate
- 4 Needs of SMPs and SMEs
- 5 Auditor independence

What is the SMP Committee Doing to Help?

Shaping Regulation, Policy, and Standards—

The committee works to ensure the needs of the SMP and SME sectors are considered by standard setters, regulators, and policy makers, by stressing the need for a stable platform of regulation and standards that are relevant and capable of being applied in a manner proportionate to size of practice. For example, the committee provides input to the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), and International Accounting Standards Board, leading IFAC's participation in the comprehensive review of the *International Financial Reporting Standard for SMEs*. Similarly, the committee contributes to the development of IFAC's responses to and dialogue with policy makers and regulators, such as the European Commission. In addition, a representative from the SMP Committee attends all Consultative Advisory Group meetings of the IAASB and IESBA. See the SMP Committee's web pages (www.ifac.org/SMP) for links to comment letters submitted by the committee, including those for auditor reporting and responding to a suspected illegal act.

Resources and Tools—In order to help SMPs efficiently implement standards issued by the IAASB, the committee has developed the following free resources: *Guide to Quality Control for Small- and Medium-Sized Practices* ([QC Guide](#)) and the *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-Sized Entities* ([ISA Guide](#)); and other [resources](#) (see Implementation), including articles to generate awareness and understanding of the IAASB's revised standards dealing with non-audit services (ISRS 4410 on [compilation engagements](#) and ISRE 2400 on [review engagements](#)). See also links to relevant, free [implementation resources and tools](#). The committee is currently developing a new guide for SMPs on review engagements that is expected to be released in late 2013 and is seeking to support the IESBA in the development of any resources and tools to help SMPs understand and implement the Code.

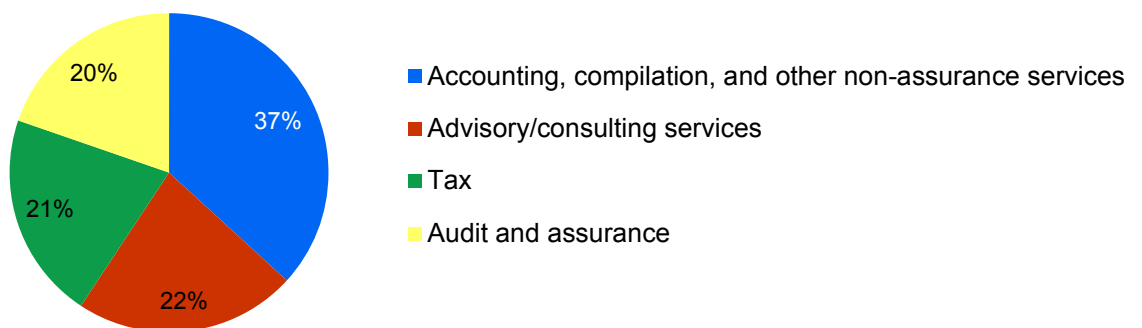


PRACTICE GROWTH

What is the fastest growing source of revenue for your practice?

Accounting, compilation, and other non-assurance services was reported to be the fastest growing source of revenue by 37% of respondents, significantly ahead of the other three sources led

by advisory/consulting services with 22%. Audit and assurance services was in last place, with 20%, suggesting this category is diminishing in importance as a source of fee revenue for SMPs.



REGION AND SIZE OF PRACTICE

Accounting, compilation, and other non-assurance services rose to the number one rank largely because of a high percentage of votes from respondents in North America and Europe. In contrast, the fastest growing source of revenue in Africa/Middle East and Asia was audit and assurance services.

Advisory/consulting services was ranked second overall, but its strength came primarily from outside North America. In Africa/Middle East, 27% of respondents identified it as the fastest growing

source of revenue, compared to only 15% of North Americans.

By size of practice, sole practitioners and those with professional staff of 2 – 5 were the two groups most likely to vote accounting, compilation, and other non-assurance services as the fastest growing revenue source. This may be the result of the fact that the smallest practices cater more to the smallest non-public entities, which typically do not need to have an audit and/or have decided to exit the audit market, perhaps owing to it being an increasingly regulated activity.

Region

	North America (%)	Central and South America/Caribbean (%)	Europe (%)	Africa/Middle East (%)	Asia (%)
Audit and assurance	8	9	12	32	44
Accounting, compilation, and other non-assurance services	57	15	51	25	25
Tax	20	52	15	16	10
Advisory/consulting services	15	25	23	27	21

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
Audit and assurance	10	16	29	38	36
Accounting, compilation, and other non-assurance services	45	41	29	23	21
Tax	25	23	16	14	14
Advisory/consulting services	20	20	26	26	30

* Professional staff

Boldface indicates highest percentage per size of practice

TREND RESULTS

In the earlier 2012 poll, the fastest growing source of revenue, by a wide margin, was accounting and compilation. At year end, while it still held to its top rank, the percentage slipped sharply from 48% to 37% while the remaining three options all rose in importance compared with the mid-year results.

Some of this movement is likely due in part to the changed composition of respondents from one poll to the next. In the previous poll, there were a higher number of respondents from less developed regions.

	Dec.-12 (%)	June-12 (%)	Dec.-11 (%)
Audit and assurance	20	25	15
Accounting and compilation and other non-assurance services*	37	45	40
Tax	21	11	19
Advisory/consulting services	23	19	26

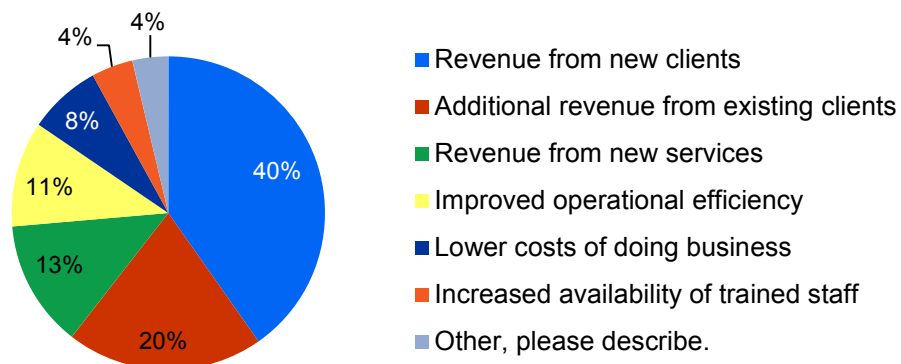
* and other non-assurance services included in Dec. 2012 only

Boldface indicates highest percentage

What is the main driver of growth for your practice?

In late 2012's uncertain economic environment, it is not surprising that practitioners were looking to new clients as a source of growth. Two out of five, 40%, identified this as their main driver of growth

for their practices. Second was obtaining additional revenue from existing clients followed by revenue from new services, with 13%, and improved operational efficiency, with only 11%.



REGION AND SIZE OF PRACTICE

Revenue from new clients was the clear top driver of growth across all regions and practice sizes. However, revenue from new services showed some sharp regional and size differences. It was considered a main driver of growth for 20% of Asians but only 5% of North Americans. By size,

the larger SMPs were roughly twice as likely as the smallest to cite new service offerings as a driver of growth. In contrast, the smallest practices were much more likely to seek lower business costs to drive growth than their larger counterparts.

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)
Additional revenue from existing clients	25	24	18	24	19
Revenue from new clients	49	35	40	41	42
Revenue from new services	5	14	11	14	20
Lower costs of doing business	3	5	11	3	5
Increased availability of trained staff	5	5	4	4	4
Improved operational efficiency	9	13	12	12	8
Other, please describe	4	4	5	2	2

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
Additional revenue from existing clients	20	20	20	24	20
Revenue from new clients	38	41	43	42	39
Revenue from new services	11	11	15	19	20
Lower costs of doing business	11	8	5	3	4
Increased availability of trained staff	3	6	5	3	6
Improved operational efficiency	12	11	11	8	9
Other, please describe	6	3	2	1	2

* Professional staff

Boldface indicates highest percentage per size of practice

TREND RESULTS

The results changed little between the two 2012 polls. New clients remained the number one driver of growth while revenues from existing clients held to its number two rank. One small change was that

the third and fourth largest drivers (revenue from new services and improved operational efficiency, respectively) switched in importance.

	Dec.-12 (%)	June-12 (%)	Dec.-11 (%)
Additional revenue from existing clients	20	19	20
Revenue from new clients	40	42	38
Revenue from new services	13	12	11
Lower costs of doing business	8	6	9
Increased availability of trained staff	4	6	4
Improved operational efficiency	11	13	15
Other, please describe	4	4	3

Boldface indicates highest percentage

What is the SMP Committee Doing to Help?

Resources and Tools—To help SMPs cope with the increasingly complex and competitive global marketplace for professional services, the SMP Committee has developed the [Guide to Practice Management for Small- and Medium-Sized Practices](#) (PM Guide), a comprehensive free guide developed in eight standalone modules. The third edition, released in December 2012, includes updated guidance on how SMPs can build and grow their practices (Module 3).

The committee has also developed resources to help SMPs position and equip their practices

to provide value-adding business advisory services as demand in this area from SMEs grows, including a video series featuring interviews with SMP Committee members on tips for building a successful business advisory practice. SMPs are well positioned to provide these services, according to the committee's Information Paper, the [Role of SMPs in Providing Business Support to SMEs](#). See also links to relevant, free [practice management](#) and [business advisory](#) resources and tools.

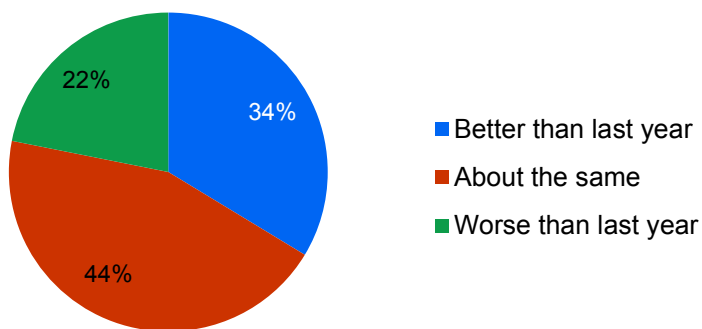


BUSINESS OUTLOOK AND PUBLIC PERCEPTION

How did your practice perform in 2012 compared with 2011?

At the close of 2012, slightly more than a third, 34%, noted that their practice performed better in 2012 than it did in 2011, while 44% said that their business performed about the same as it did

in 2011. More than one in five, 22%, however, felt that their practice had fared worse than it did in the prior year.



REGION AND SIZE OF PRACTICE

The largest percentage of respondents who felt performance had worsened in 2012 came from Europe. Thus, the economic problems in the Eurozone appear to be impairing performance for European practices. While the Canadian and US economies grew in 2012, albeit rather slowly, many economies in Europe either stagnated or slipped into another recession during the year.

Among those who noted that performance was better in 2012, the highest percentage came from

North America. More than half, 51%, said that things had improved, compared to only 24% in Europe.

By size, sole practitioners and those with 2 - 5 professional staff were most likely to say that things had worsened in 2012. In contrast, the larger SMPs were most likely to report that conditions had improved from 2011.

Region

	North America (%)	Central and South America/Caribbean (%)	Europe (%)	Africa/Middle East (%)	Asia (%)
Better than last year	51	39	27	42	33
About the same	38	49	44	36	47
Worse than last year	11	12	28	22	21

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
Better than last year	29	33	35	43	41
About the same	43	46	47	41	43
Worse than last year	28	21	18	16	16

* Professional staff

Boldface indicates highest percentage per size of practice

TREND RESULTS

There was only a slight movement in business expectations at year-end 2012, compared to the mid-2012 poll. The share of respondents in late 2012 who felt that business was better rose to 34% from 32%. The improvement was somewhat surprising, given that economic uncertainties increased in the second half of the year, but this

could be due in part to the different regional composition of respondents.

The share of respondents who felt that business had worsened declined slightly from the previous poll, but it was not as low as some of the 2011 results.

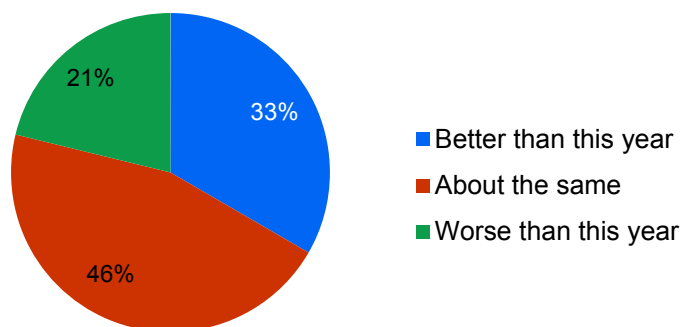
	Dec.-12 (%)	June-12 (%)	Dec.-11 (%)
Better	34	32	29
About the same	45	43	48
Worse	22	25	23

Boldface indicates highest percentage

How does your practice expect business to be next year (2013) compared with the current year?

For most respondents, projections for business performance in 2013 were similar to those for 2012. Minimal change in growth is expected. The ongoing global economic uncertainties may be keeping many respondents somewhat cautious about their expectations for the future.

One-third of respondents, 33%, expect their business to perform better in 2013, while 46% expect performance to be about the same. Thus a combined 79% believe that business will be the same or better in 2013.



REGION AND SIZE OF PRACTICE

By region, Europeans were by far the most negative. Nearly a third, 31%, expect things to worsen, compared to only 9% of respondents from North America and Central and South America/Caribbean.

As with the previous question, the smaller-sized practices were more likely to be pessimistic. One quarter of sole practitioners expect their business performance to worsen in 2013, compared to only 18% for practices with 21 or more professional staff.

Region

	North America (%)	Central and South America/Caribbean (%)	Europe (%)	Africa/Middle East (%)	Asia (%)
Better than this year	44	50	22	44	36
About the same	47	41	48	42	46
Worse than this year	9	9	31	14	19

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
Better than this year	31	34	32	35	38
About the same	44	45	48	51	44
Worse than this year	25	21	20	14	18

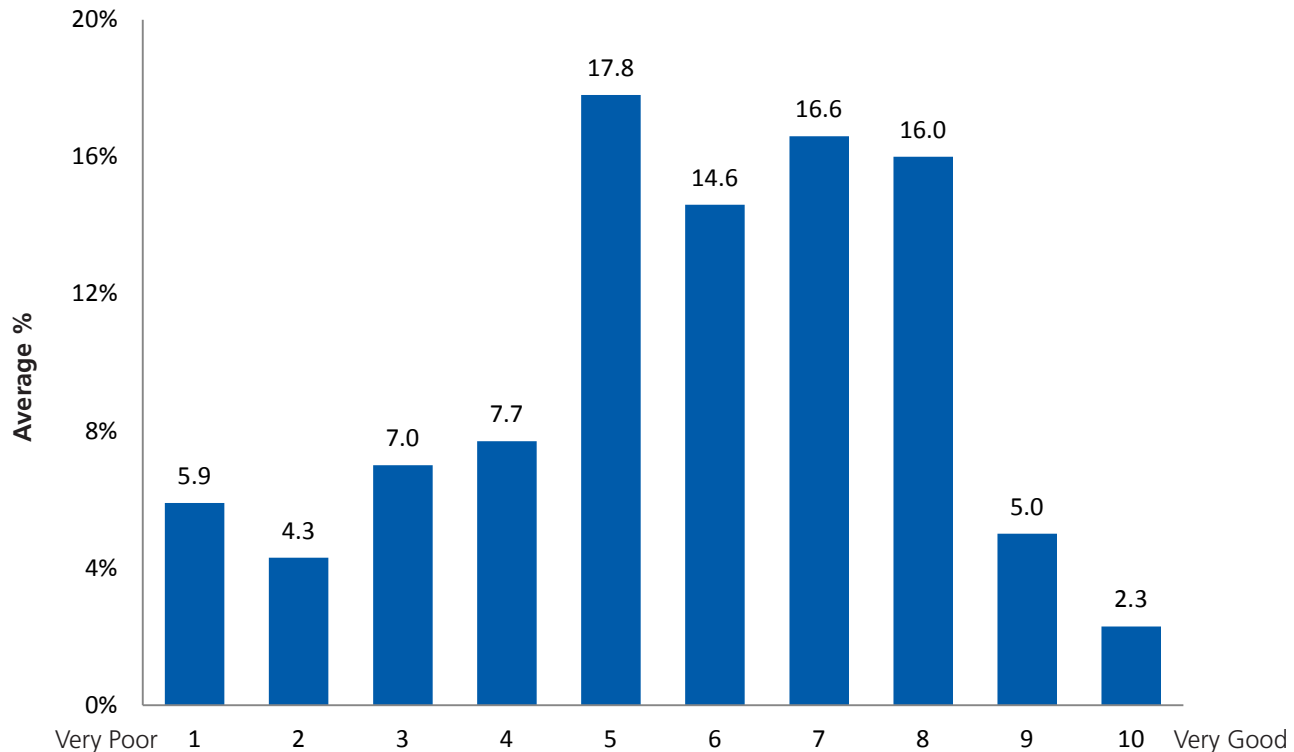
* Professional staff

Boldface indicates highest percentage per size of practice

On a scale of 1 (very poor) to 10 (very good), how would you rank the perception of the accountancy profession in your country/ jurisdiction?

Respondents mostly rated the public's perception of their profession as average to slightly above average. Nearly two-thirds, 65%, ranked the perception of the accountancy profession in their country/jurisdiction as either a 5, 6, 7, or 8. The average rating was 5.6. Only 7% thought the public had a very high opinion of the profession, giving it a 9 or 10 rating.

These results are likely tied somewhat to the prevalence of the reputational issue mentioned in the previous section. Still, with a third giving the profession a 7 or 8 rating, it appears that many respondents were fairly positive about the public's views of the profession.



REGION AND SIZE OF PRACTICE

The highest ratings came from North American respondents. More than a quarter, 27%, thought the public perceived their profession as having a 9 or 10 rating and the average rating was 7.4. The second highest ratings, with an average of 6.1, were from Africa/Middle East.

Europeans were the least likely to think their citizens had positive opinions of the accountancy

profession. Only 63% rated perceptions as a 5 or higher and the average rating was just 5. Asia fared little better with a 5.4 average.

There was far more unanimity of views by size of practice than there was by region. Across the five sizes, the average ratings varied between 5.4 and 5.8.

Region

	North America	Central and South America/ Caribbean	Europe	Africa/ Middle East	Asia
Average %	7.4	6	5	6.1	5.4

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner	2-5*	6-10*	11-20*	21 or more*
Average %	5.6	5.4	5.5	5.6	5.8

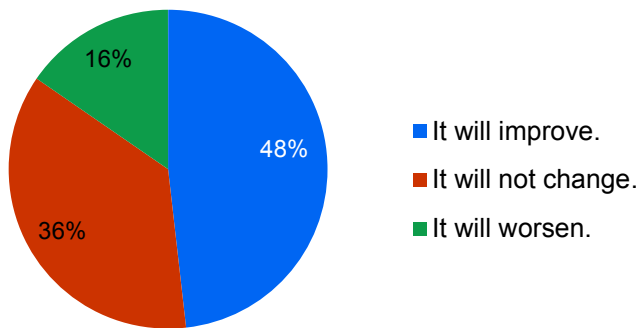
* Professional staff

Boldface indicates highest percentage per size of practice

How do you think the perception of the accountancy profession in your country/jurisdiction will change by 2025?

Most respondents were optimistic that public perceptions of the accountancy profession in their country/jurisdiction would improve with time. Nearly half, 48%, felt that perceptions would improve by 2025.

Slightly more than a third of respondents thought that perceptions will remain about the same. Only 15% felt that perceptions will worsen.



REGION AND SIZE OF PRACTICE

The respondents most likely to think that perceptions will improve were located in Africa/ Middle East and Asia. In Asia, for example, 72% felt that perceptions will improve; this figure was twice that given by North Americans. The region most likely to think that perceptions will worsen was Europe.

By size, optimism was higher in the larger practices. This did not mean, however, that sole

practitioners were pessimistic on the whole—they were simply the least optimistic. The bigger difference was in those who felt perceptions would stay the same: 24% of respondents in practices with 21 or more professionals felt things would stay the same, compared to 40% for sole practitioners and 41% for those with 2 - 5 professionals.

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)
It will improve	36	36	41	62	72
It will not change	55	60	37	22	16
It will worsen	10	4	22	16	13

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
It will improve	43	45	52	58	60
It will not change	40	41	30	28	24
It will worsen	16	14	18	14	16

* Professional staff

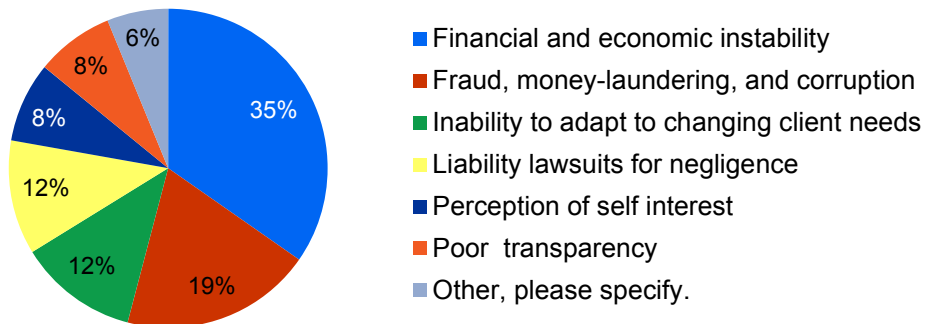
Boldface indicates highest percentage per size of practice

What do you think is the biggest threat to the perception of the accountancy profession from now until 2025?

Respondents remain concerned about financial and economic instability over the longer-term, perhaps reflecting the fact that a number of economies, especially in Europe, are taking longer than expected to fully recover from the global financial crisis that erupted in 2008. A large percent (35%) felt that this issue was the biggest threat

to the public's perception of the accountancy profession from now until 2025.

Ranked second was fraud, money-laundering, and corruption, followed by an inability to adapt to changing client needs and liability lawsuits for negligence.



REGION AND SIZE OF PRACTICE

Europeans, perhaps not surprisingly given doubts about the viability of the Eurozone, were most likely to see financial and economic instability as the biggest threat to their profession. A high percent (43%) rated this as the top concern. No other region had such a strong bias toward one response. North American respondents, for example, split their votes between financial and economic instability, liability lawsuits, and the inability to adapt to changing client needs: each of these three received about 20% of the votes.

Fraud, money laundering and corruption was viewed as a major threat to those in the Central and South America/Caribbean region, as was financial and economic instability. Each received nearly a

third of the votes from this region. As noted in an earlier question, anti-money laundering/anti-corruption was ranked as a top issue facing the profession for 2013 in this region indicating that Central and South America/Caribbean respondents see this threat continuing into the future. Similarly in Africa/Middle East, fraud, money laundering, and corruption, and financial and economic instability, tied for first place

There were smaller differences by size than there were by region. The number one perceived threat was financial and economic instability across all size groups, although concerns were somewhat higher for the smallest practices.

Region

	North America (%)	Central and South America/Caribbean (%)	Europe (%)	Africa/Middle East (%)	Asia (%)
Fraud, money-laundering, and corruption	18	31	14	24	20
Liability lawsuits for negligence	20	6	11	11	15
Financial and economic instability	21	31	43	24	30
Poor transparency	7	10	5	14	10
Inability to adapt to changing client needs	20	12	12	13	10
Perception of self interest	7	5	7	8	13
Other, please specify	6	6	8	7	3

Boldface indicates highest percentage per region

Size of Practice

	Sole practitioner (%)	2-5* (%)	6-10* (%)	11-20* (%)	21 or more* (%)
Fraud, money-laundering, and corruption	18	20	21	21	19
Liability lawsuits for negligence	11	9	11	13	19
Financial and economic instability	37	37	33	30	26
Poor transparency	8	8	8	9	9
Inability to adapt to changing client needs	13	12	14	10	12
Perception of self interest	6	8	9	12	10
Other, please specify	7	6	5	5	6

* Professional staff

Boldface indicates highest percentage per size of practice

What is the SMP Committee Doing to Help?

Resources and Tools—SMPs are often constrained by limited in-house resources, and therefore face challenges in efficiently implementing international standards and running their practices. As noted previously, the SMP Committee's implementation guides—[QC](#) and [ISA](#) Guides—can help SMPs cost effectively provide high-quality services. The committee's [PM Guide](#) also provides guidance to help SMPs improve their operational

efficiency and boost revenue, thus helping them maximize their bottom line.

Communication—The SMP Committee also works, through [speaking engagements and other initiatives](#), to raise awareness of the value of SMPs in supporting the SME sector, including their ability to provide a wide range of professional services.

ACKNOWLEDGEMENTS

IFAC wishes to thank the following member and regional organizations, accountancy groupings, and other organizations that helped translate the poll and/or published it in their newsletters, bulletins and journals, or otherwise helped promote it. If your organization promoted the poll but is not on this list, please email communications@ifac.org so we may correct this unintentional omission.

Please also let us know if your organization wishes to help translate and promote future polls.

Member Organizations

Arab Society of Certified Accountants	The Institute of Chartered Accountants of Nigeria
The Association of Chartered Certified Accountants	Instituto dos Auditores Independentes do Brasil
Certified General Accountants Association of Canada	Instituto Mexicano de Contadores Públicos, A.C.
The Chinese Institute of Certified Public Accountants	Institute of Financial Accountants
The Chartered Institute of Management Accountants	Institute of Public Accountants
Colegio de Contadores Públicos de Costa Rica	Iraqi Union of Accountants and Auditors
Compagnie Nationale des Commissaires aux Comptes	The Japanese Institute of Certified Public Accountants
Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili	Korean Institute of Certified Public Accountants
Corpul Expertilor Contabili si Contabililor Autorizati din Romania	The Liberian Institute of Certified Public Accountants
Expert Accountants' Association of Turkey	The Nordic Federation of Public Accountants (representing FSR - danske revisorer; HTM-tilintarkastajat - GRM - revisorer ry; KHT-yhdistys-Föreningen CGR ry; Félag Löggitra Endurskodenda; Den Norske Revisorforening; and FAR)
FAR	Malaysian Institute of Accountants
Félag Löggitra Endurskodenda, FLE	The Malta Institute of Accountants
Hong Kong Institute of Certified Public Accountants	National Chamber of Statutory Auditors
Institut des Réviseurs d'Entreprises (Belgium)	Nederlandse Beroepsorganisatie van Accountants
Institute of Certified Public Accountants in Israel	Ordre des Experts Comptables de Tunisie
Institute of Certified Public Accountants of Kenya	Ordre des Experts-Comptables et Comptables Agréés du Bénin (OECCA)
Institute of Certified Public Accountants of Singapore	Philippine Institute of Certified Public Accountants
Institute of Certified Public Accountants of Uganda	Russian Collegium of Auditors
The Institute of Chartered Accountants in Australia	Union of Chambers of Certified Public Accountants of Turkey
The Institute of Chartered Accountants of Pakistan	Wirtschaftsprüferkammer

Regional Organizations and Accountancy Groupings

Association of Accountancy Bodies of West Africa

Confederation of Asian and Pacific Accountants

Pan African Federation of Accountants

Fédération des Experts Comptables Européens

Fédération des Experts-Comptables Méditerranéens

Fédération Internationale des Experts-Comptables
Francophones

The Institute of Chartered Accountants of the
Caribbean

Other

Délégation Internationale pour l'Audit et la
Comptabilité

European Group of International Accounting
Networks and Associations

Gulf Cooperation Council Accounting and Auditing
Organization

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