

July 2013

Small and Medium Practices Committee

IFAC SMP Quick Poll: Mid-Year 2013



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 [SMP Committee](#) of IFAC represents the interests of professional accountants operating in small- and medium-sized practices (SMPs). The committee collaborates with IFAC member bodies to develop guidance and tools and speaks out on behalf of SMPs and small- and medium-sized entities (SMEs) to raise awareness of their role and value. The committee also works to ensure that the needs of the SMP and SME sectors are considered by standard setters, regulators, and policy makers.

Executive Summary

Since the inception of the [SMP Quick Poll](#) in early 2011, burden of regulation and the uncertain nature of the global economy have consistently been uppermost in the minds of small- and medium-sized practices (SMPs) and their small- and medium-sized entity (SME) clients. The latest poll indicates that such concerns still prevail. Importantly, however, regulatory burdens and economic pressures, while still topping the list of challenges, became slightly less worrisome than in previous polls. Instead, tensions around rising costs, competitive stresses, and keeping up with technology gained in importance, albeit minimally. This changing mix suggests that SMPs are enjoying a more favorable economic climate and planning for growth rather than contraction.

Accounting, compilation, and other non-assurance/related services was the biggest and fastest growing source of revenue by a significant margin over audit and assurance. Respondents considered the main driver of growth to be the acquisition of new clients, again supporting the view that economic conditions have improved to the point that practices are increasing their client base.

Questions on sustainability services and the [International Auditing and Assurance Standards Board \(IAASB\)'s](#) future strategy were added to this edition of the poll. On sustainability, nearly half of respondents noted that their practices currently offer services in this area, mostly in the form of advice or reporting, and an additional one quarter have plans to offer services in this area in the future.

When asked how the IAASB should allocate its effort related to developing new or revised standards, respondents on average felt that the IAASB should devote the largest percentage of its effort to audits of historical financial information. Additionally, many felt the IAASB should direct significant effort to monitoring and facilitating the adoption and effective implementation of its standards.

The SMP Committee thanks IFAC's members and other organizations that helped promote the poll to their own members and colleagues. See page 19 for a list of [Acknowledgments](#). Please visit www.ifac.org/SMP to access additional SMP Quick Poll reports and learn more about the activities of the IFAC SMP Committee.

IFAC SMP QUICK POLL: MID-YEAR 2013

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Introduction

With the aim of giving practitioners who operate in small- and medium-sized practices (SMPs) around the world an opportunity to express their views about important trends and developments impacting them and their clients, the SMP Committee launched the IFAC SMP Quick Poll in January 2011. The poll runs semi-annually and 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.

This report summarizes and analyzes the responses to the first poll of 2013, conducted from May 29 to July 8. With invaluable assistance from IFAC member bodies and regional organizations (see [Acknowledgements](#)) in translating and promoting the poll, the number of respondents reached 3,686 (similar to the last poll, at year-end 2012, which generated 3,767 responses). This edition of the poll was conducted in 16 languages (Arabic, Chinese, Dutch, English, French, German, Hebrew, Italian, Japanese, Korean, Portuguese, Romanian, Russian, Spanish, Swedish, and Turkish).

This report provides a summary of responses and, where appropriate, some clarification and commentary including possible limitations of the data. The report also highlights select cross-tabulated data by geographic region and practice size; available cross-tabulated data has been included in the [Appendix](#). Please note the percentages in this report have been rounded. As a result, some percentages on charts might have rounding errors.

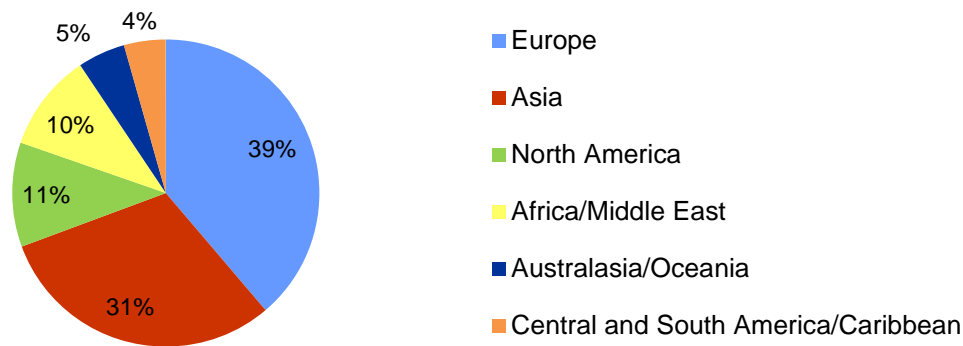
Many of the questions posed in this poll were the same or refined versions of those asked in 2012. Readers are encouraged to refer to the [IFAC SMP Quick Poll: 2012 Round-Up](#) to compare responses and spot trends. At the end of the year, IFAC will conduct a second poll. The resulting year-end report will examine trends during 2013 and draw some year-on-year comparisons.

The report concludes with a summary of 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.

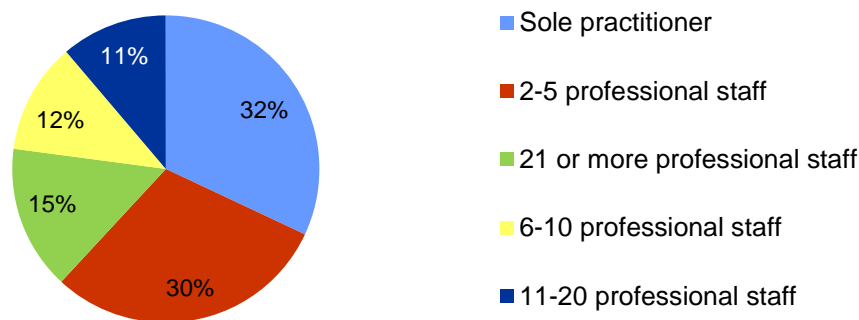
Respondents at a Glance

The following summarizes the profile of respondents to the poll. When interpreting the findings of this poll, it should be noted that the responses are heavily skewed in favor of practitioners from Europe and Asia working in the two smallest categories of practice (sole practitioner and 2–5 professional staff). Central and South American/Caribbean represented only 4% of total respondents. In addition, within regions, there are some noticeable imbalances. For example, the respondents from Asia include disproportionately large numbers from China. For these reasons, results may not be statistically representative of the global or regional population of SMPs. Nearly 75% of the respondents took the survey in English, Chinese, Italian, or Turkish.

In what region of the world is your practice located?



What is the size of your practice?



In what language would you like to take the survey?



Challenges Facing SMEs and SMPs

What is the biggest challenge faced by your small- and medium-sized entity (SME) clients?

The largest portion of SMPs indicated that burden of regulation poses the biggest challenge for their SME clients. The next three highest ranked challenges—economic uncertainty, pressure to lower prices on products and services, and difficulties accessing finance —were relatively equal, falling within four points of one another.

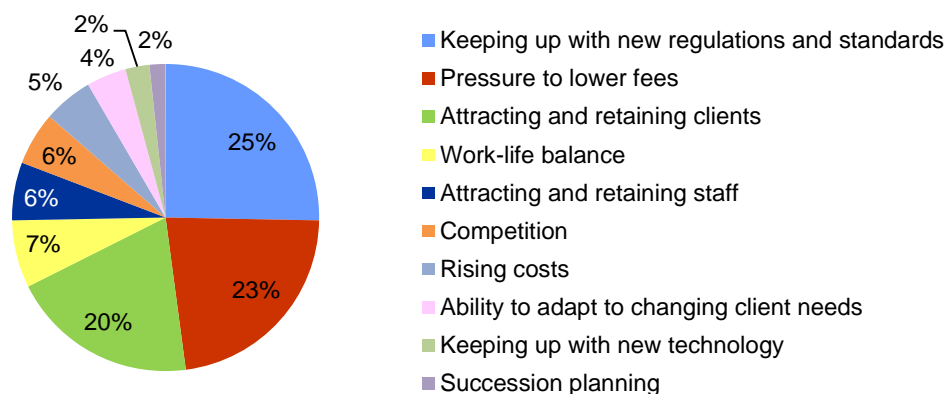
Burden of regulation and economic uncertainty were the top two client concerns from respondents in five of the six regions. In Asia, however, the pressure to lower prices for products/services was the top concern, followed closely by rising costs. The burden of regulation was the top client challenge for the three smallest categories of practice. For larger practices, pressure to lower prices was the top challenge facing their SME clients.¹



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

Keeping up with new regulations and standards, closely followed by pressure to lower fees and the ability to attract/retain clients, were the foremost challenges faced by practices.

Responses varied slightly across practice size. While keeping up with new regulations and standards was viewed as the top challenge by the three smallest categories of practice, larger practices considered the pressure to lower fees as the primary challenge. Across the regions there was more diversity in rankings. In North America, Europe, and Australasia/Oceania, keeping up with new regulations and standards was the uppermost concern, while in Africa/Middle East, attracting and retaining clients was the primary challenge. And, pressure to lower fees is the top challenge in Asia.

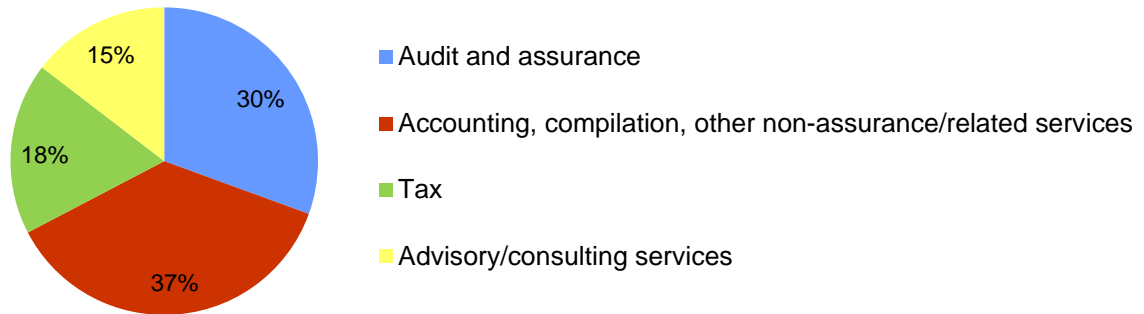


¹ See [Appendix](#) for cross-tabulated data by region and size where available.

Services and Growth

How is your fee revenue split among the following areas?

Accounting, compilation, and other non-assurance/related services, followed by audit and assurance, were the two largest sources of fee revenue, making up over two-thirds of fee revenue on average.

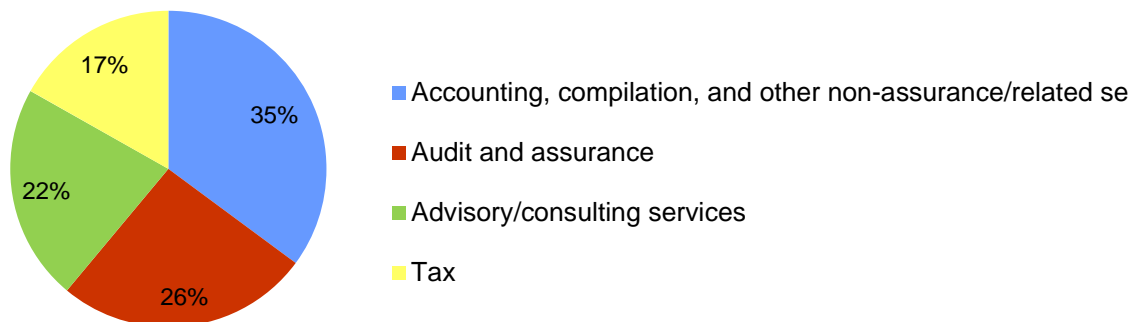


What is the fastest growing source of revenue for your practice?

Similarly, accounting, compilation, and other non-assurance/related services followed by audit and assurance were reported to be the fastest two growing sources of revenue.

Respondents were divided on this question based on size of practice. For the two smallest categories of practice, accounting, compilation, and other non-assurance/related services was the top area of growth, while for the three larger size categories, it was audit and assurance.

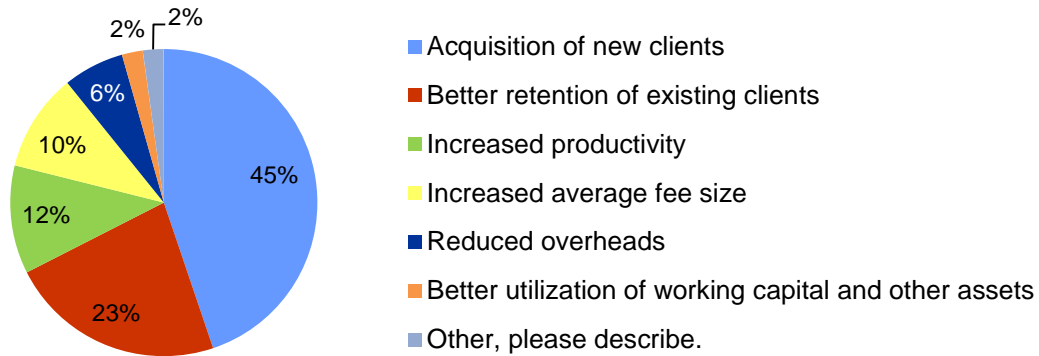
Sources of revenue growth also varied across regions. In North America and Europe, results were consistent with the global results, however, in Africa/Middle East, Asia, and Central and South America/Caribbean, audit and assurance was the fastest growing source of fee revenue. Tax came out highest in Australasia/Oceania.



What is the main driver of your practice's profitability?

For the largest portion of respondents, the main driver of practice profitability—by a wide margin—was business from new clients; only about half as many respondents cited better retention of existing clients as the primary driver.

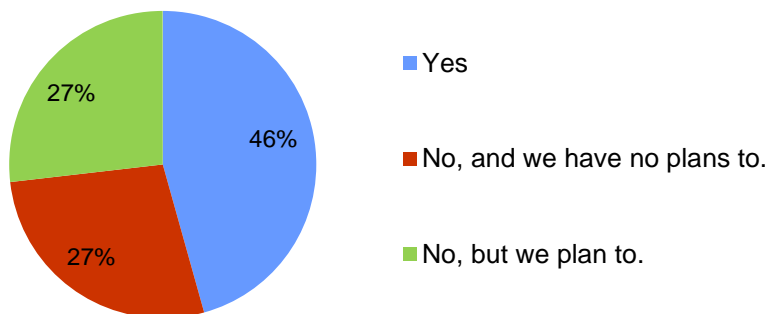
The results by region and size of practice were largely consistent with the global results, with acquisition of new clients and better retention of existing clients taking the top two spots.



Does your practice offer a sustainability service (advice, reporting, and/or assurance, etc.)?

Nearly half of respondents indicated that their practice currently offers a sustainability service. Of the remainder, half do not currently provide a sustainability service but plan to in the future.

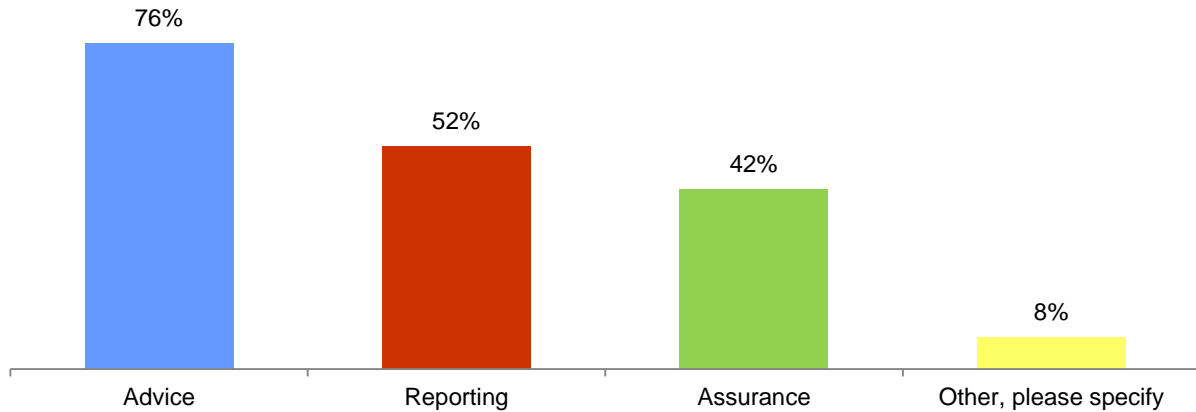
Some differences were noted across practice size and region. The larger the size of practice, the more likely it was to be offering sustainability services: more than half of practices with 21 or more professionals indicated they currently offer these types of services compared to 37% of sole practitioners. Practices in Asia and Africa/Middle East were most likely to be offering sustainability services while those in Central and South America/Caribbean and Australasia/Oceania were the least likely to.



If you answered yes to the above, what sustainability service(s) does your practice offer? Please select all that apply.

Among those organizations offering sustainability services, a large portion (76%) offer advisory services on the topic. Reporting was the second-most common service, with 50%, while assurance services ranked third, with 42%.

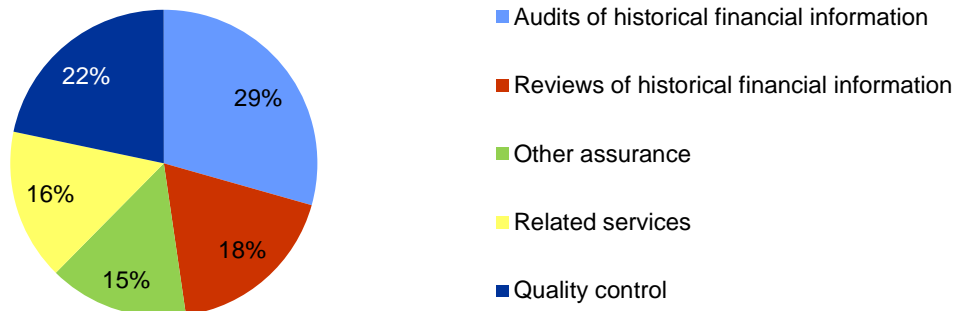
Sustainability advisory was the top service offered across all regions and practice sizes. Assurance services varied the most by size of practice. Only a third of sole practitioners indicated they offer this sustainability service, compared to 59% for practices with 21 or more professional staff.



IAASB Strategy

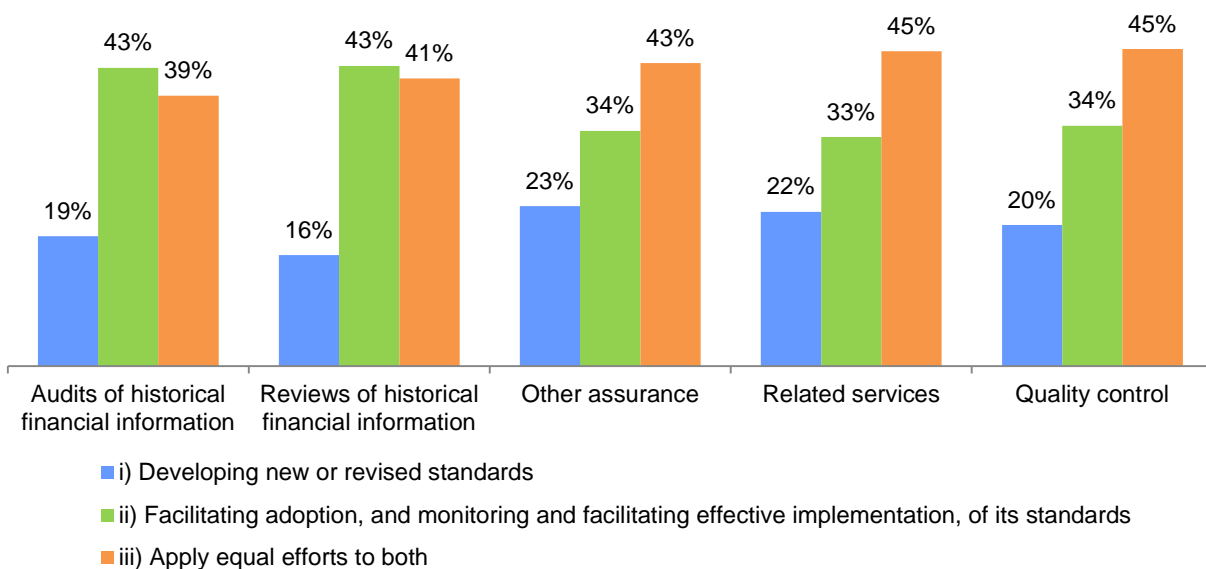
What proportion of effort should the International Auditing and Assurance Standards Board (IAASB) allocate to developing new (or revising existing) standards for each of the following areas in the coming years (2015—2019)?

Respondents on average felt that the IAASB should allocate the largest percentage of its efforts, related to developing new or revised standards, to the area of audits of historical financial information, followed by quality control. There was a nearly even split among the last three categories of standards.



For each of the following areas (see table below), should the IAASB focus the majority of its efforts on: i) Developing new or revised standards, ii) Facilitating adoption, and monitoring and facilitating effective implementation, of its standards, or iii) Apply equal efforts to both?

For all five areas, the majority of respondents did not feel that the IAASB's efforts should be aimed primarily at developing new or revised standards; rather, they felt the IAASB should either direct most efforts at facilitating adoption, monitoring and implementing the standards or apply equal efforts to both this endeavor and developing new or revised standards.



What is the IFAC SMP Committee Doing to Help?

To learn what the IFAC SMP Committee (www.ifac.org/SMP) is doing to help IFAC member bodies support their SMP constituents, and in particular address some of the current and emerging challenges and opportunities highlighted in this report, please see [an article](#) by the SMP Committee chair. Visit the [Activities and Interest Areas](#) on the committee's website to learn more about the committee's strategic objectives, and access the [Resources and Tools](#) web page for free materials to help SMPs in the areas of implementation of standards, practice management, and business advisory.

The SMP Committee has undertaken the following key activities:

- [IFAC Small and Medium Practices Forum](#)—175 delegates from 33 professional accountancy organizations in 30 countries convened in Kampala, Uganda, in June to discuss how to address the opportunities and challenges facing SMPs and their SME clients;
- Trainers' Seminar, [Tips for Trainers on ISAs: International Perspectives – Local Insights](#)—This event preceded the SMP Forum in Uganda;
- Input to standards—[auditor reporting](#), [responding to a suspected illegal act](#), and IESBA and IAASB strategy surveys;
- Contribution to [IFAC's Response to the International Integrated Reporting Council's Consultation Draft](#) on the International Integrated Reporting Framework;
- [Good Practice Checklist for Small Business \(second edition\)](#);
- A series of articles on topical issues—[value-pricing](#), [sustainability services](#), and [auditing efficiently](#); and
- Guide to Review Engagements for SMPs—guidance and tools to help implement [ISRE 2400](#) (completion expected in Q4 2013).

Appendix: Available Data by Region and Size

What is the biggest challenge faced by your small- and medium-sized entity (SME) clients?

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)	Australasia/ Oceania (%)
Burden of regulation	35	24	27	24	13	36
Lack of demand for their products and services	3	7	12	5	7	9
Pressure to lower prices of their products and services	14	16	13	14	20	15
Rising costs	12	13	6	14	17	13
Economic uncertainty	17	19	19	20	13	17
Difficulties accessing finance	5	12	18	17	10	3
Competition	4	6	4	5	13	2
Attracting and retaining staff	10	3	2	4	7	5

Boldface indicates highest percentage per region

Size

	Sole practitioner (%)	2-5 professional staff (%)	6-10 professional staff (%)	11-20 professional staff (%)	21 or more professional staff (%)
Burden of regulation	29	28	17	14	14
Lack of demand for their products and services	8	9	10	7	8
Pressure to lower prices of their products and services	14	14	16	19	18
Rising costs	10	10	11	13	16
Economic uncertainty	17	16	16	18	17
Difficulties accessing finance	12	13	14	14	14
Competition	6	6	9	8	9
Attracting and retaining staff	4	4	6	6	6

Boldface indicates highest percentage per size of practice

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

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)	Australasia/ Oceania (%)
Keeping up with new regulations and standards	43	16	28	21	16	36
Attracting and retaining clients	11	22	20	29	20	15
Ability to adapt to changing client needs	1	3	4	3	7	2
Pressure to lower fees	10	19	27	20	24	13
Rising costs	4	10	4	5	7	6
Succession planning	4	3	1	3	1	3
Work-life balance	13	8	8	6	3	11
Attracting and retaining staff	10	7	3	8	7	8
Competition	2	8	3	4	12	1
Keeping up with new technology	3	5	2	2	3	6

Boldface indicates highest percentage per region

Size

	Sole practitioner (%)	2-5 professional staff (%)	6-10 professional staff (%)	11-20 professional staff (%)	21 or more professional staff (%)
Keeping up with new regulations and standards	32	27	23	18	16
Attracting and retaining clients	22	19	18	19	19
Ability to adapt to changing client needs	2	3	7	8	6
Pressure to lower fees	21	25	22	21	23
Rising costs	3	5	7	6	8
Succession planning	1	2	2	2	2
Work-life balance	10	9	4	5	2
Attracting and retaining staff	3	5	7	11	11
Competition	3	4	8	8	10
Keeping up with new technology	3	3	2	3	3

Boldface indicates highest percentage per size of practice

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

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)	Australasia/ Oceania (%)
Audit and assurance	8	32	14	35	47	10
Accounting, compilation, and other non-assurance/related services	51	25	45	27	22	27
Tax	29	17	16	19	9	36
Advisory/consulting services	12	26	25	19	22	27

Boldface indicates highest percentage per region

Size

	Sole practitioner (%)	2-5 professional staff (%)	6-10 professional staff (%)	11-20 professional staff (%)	21 or more professional staff (%)
Audit and assurance	15	20	37	44	41
Accounting, compilation, and other non-assurance/related services	44	44	26	21	17
Tax	23	16	14	11	10
Advisory/consulting services	19	20	23	24	32

Boldface indicates highest percentage per size of practice

What is the main driver of your practice's profitability?

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)	Australasia/ Oceania (%)
Acquisition of new clients	38	33	43	39	55	31
Better retention of existing clients	20	37	22	37	19	18
Increased average fee size	16	4	10	6	10	17
Increased productivity	18	13	11	11	7	28
Reduced overheads	4	5	10	4	5	3
Better utilization of working capital and other assets	2	8	2	2	2	2
Other, please describe.	3	1	3	2	2	2

Boldface indicates highest percentage per region

Size

	Sole practitioner (%)	2-5 professional staff (%)	6-10 professional staff (%)	11-20 professional staff (%)	21 or more professional staff (%)
Acquisition of new clients	43	43	48	49	47
Better retention of existing clients	24	23	21	21	22
Increased average fee size	11	10	10	12	9
Increased productivity	9	14	12	11	13
Reduced overheads	9	7	4	4	4
Better utilization of working capital and other assets	2	2	3	1	4
Other, please describe.	3	2	3	2	1

Boldface indicates highest percentage per size of practice

Does your practice offer a sustainability service (advice, reporting, and/or assurance etc.)?

Region

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)	Australasia/ Oceania (%)
Yes	42	23	38	56	58	32
No, but we plan to.	16	42	28	29	29	10
No, and we have no plans to.	42	35	33	15	13	58

Boldface indicates highest percentage per region

Size

	Sole practitioner (%)	2-5 professional staff (%)	6-10 professional staff (%)	11-20 professional staff (%)	21 or more professional staff (%)
Yes	37	47	47	52	54
No, but we plan to.	27	28	28	27	24
No, and we have no plans to.	36	25	25	21	22

Boldface indicates highest percentage per size of practice

What sustainability service(s) does your practice offer? Please select all that apply.**Region**

	North America (%)	Central and South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)	Australasia/ Oceania (%)
Advice	83	70	76	72	74	84
Reporting	61	54	52	56	46	71
Assurance	53	43	35	42	44	41
Other, please specify	4	11	9	15	5	3

Boldface indicates highest percentage per region

Size

	Sole practitioner (%)	2-5 professional staff (%)	6-10 professional staff (%)	11-20 professional staff (%)	21 or more professional staff (%)
Advice	76	91	34	37	51
Reporting	52	63	24	23	36
Assurance	33	46	18	23	40
Other, please specify	8	9	5	4	3

Boldface indicates highest percentage per size of practice

Acknowledgments

IFAC wishes to thank the following member bodies, regional organizations, accountancy groupings, and other organizations that helped translate the poll and/or published the poll 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

The International Arab Society of Certified Accountants

The Association of Chartered Certified Accountants

Certified General Accountants Association of Canada

The Chinese Institute of Certified Public Accountants

Chartered Accountants Ireland

The Chartered Institute of Management Accountants

Colegio de Contadores Públicos de Costa Rica

Compagnie Nationale des Commissaires aux Comptes

Conselho Federal de Contabilidade

Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili

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Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises

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Institute of Certified Public Accountants in Israel

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Institute of Certified Public Accountants of Uganda

The Institute of Chartered Accountants in Australia

The Institute of Chartered Accountants in England and Wales

The Institute of Chartered Accountants of Pakistan

The Institute of Chartered Accountants of Nigeria

Instituto dos Auditores Independentes do Brasil

Instituto Mexicano de Contadores Públicos, A.C.

Institute of Financial Accountants

Institute of Public Accountants

Iraqi Union of Accountants and Auditors

The Japanese Institute of Certified Public Accountants

Korean Institute of Certified Public Accountants

The Liberian Institute of Certified Public Accountants

The Nordic Federation of Public Accountants (representing FSR - danske revisorer; HTM-tilintarkastajat - GRM - revisorer ry; KHT-yhdistys-Föreningen CGR ry; Félag Löggiltra Endurskodenda; Den Norske Revisorforening; and FAR)

Malaysian Institute of Accountants

The Malta Institute of Accountants

National Chamber of Statutory Auditors

Nederlandse Beroepsorganisatie van Accountants

Ordre des Experts Comptables de Tunisie

Ordre des Experts-Comptables et Comptables
Agréés du Bénin (OECCA)

Philippine Institute of Certified Public Accountants

Russian Collegium of Auditors

Union of Chambers of Certified Public
Accountants of Turkey

Wirtschaftsprüferkammer

Regional Organizations and Accountancy Groupings

Association of Accountancy Bodies of West Africa

Confederation of Asian and Pacific 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

Pan African Federation of Accountants

Other

The Association of International Accountants

Délégation Internationale pour l'Audit et la
Comptabilité

EnviroReady Report

European Federation of Accountants and Auditors

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