6,725 SMP Respondents

representing 169 countries

providing professional services to more than 800,000 SME clients

Survey was open October 1, 2015 to November 30, 2015 in 22 languages.
SMPs FACE MANY CHALLENGES

The top 4 challenges in 2015 were the same as the top 4 in 2014, however, the results indicate that the severity of each challenge decreased in 2015.

**TOP GLOBAL CHALLENGES 2015 VS 2014**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting new clients</td>
<td>58%</td>
<td>57%</td>
</tr>
<tr>
<td>Keeping Up with New Regulations &amp; Standards</td>
<td>47%</td>
<td>44%</td>
</tr>
<tr>
<td>Differentiating from Competition</td>
<td>50%</td>
<td>51%</td>
</tr>
<tr>
<td>Pressure to Lower Fees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**OTHER GLOBAL CHALLENGES 2015**

- Serving Clients Operating Internationally: 38%
- Keeping Up with New Technology: 37%
- Rising Costs: 37%
- Attracting New & Retaining Existing Staff: 33%
- Managing Cash-Flow and Late Payments: 32%
- Enabling Employee Work-Life Balance: 27%
- Retaining Existing Clients: 24%
- Succession Planning: 23%

**TOP REGIONAL CHALLENGES**

**NORTH AMERICA**
- Keeping Up with New Regulations & Standards: 41%
- Attracting/Retaining Existing Staff: 36%

**CENTRAL AND SOUTH AMERICA/CARIBBEAN**
- Keeping Up with New Regulations & Standards: 63%
- Keeping Up with New Technology: 59%

**EUROPE**
- Keeping Up with New Regulations & Standards: 54%
- Attracting New Clients: 48%

**MIDDLE EAST**
- Attracting New Clients: 56%
- Rising Costs: 45%

**ASIA**
- Serving Clients Internationally: 52%
- Attracting New Clients: 48%

**AUSTRALASIA/OCEANIA**
- Rising Costs: 56%
- Attracting New Clients: 51%
- Keeping Up with New Regulations & Standards: 44%
- Keeping up with New Technology: 31%
TOP ENVIRONMENTAL IMPACTS

Respondents rated the extent to which 8 environmental factors would impact their practice over the next 5 years. Generally, the percentage of respondents rating the potential impact of each factor as high or very high dropped somewhat between 2014 and 2015.

TOP ANTICIPATED ENVIRONMENTAL FACTORS IN 2015 VS 2014*

- Regulatory Environment: 52% (2015) vs 61% (2014)
- Competition: 46% (2015) vs 57% (2014)
- Technology Developments: 43% (2015) vs 49% (2014)

*Combining high and very high

OTHER 2015 ANTICIPATED ENVIRONMENTAL FACTORS*

- Political Instability: 37%
- Capability to Adapt to New Client Needs: 36%
- Perceived Trust & Credibility of Profession: 35%
- Globalization: 33%
- Mergers, Acquisitions, and Consolidation in the Accountancy Industry: 29%
MEMBERSHIP IN A NETWORK, ASSOCIATION, OR ALLIANCE

GLOBAL RESULTS

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>28%</td>
<td>are members in a</td>
</tr>
<tr>
<td>11%</td>
<td>NETWORK</td>
</tr>
<tr>
<td>10%</td>
<td>ASSOCIATION</td>
</tr>
<tr>
<td>7%</td>
<td>ALLIANCE</td>
</tr>
</tbody>
</table>

RATE OF MEMBERSHIP IN A NETWORK, ASSOCIATION, OR ALLIANCE IS GREATER IN:

- **NORTH AMERICA**
  - 36%
- **MIDDLE EAST**
  - 34%
- **CENTRAL AND SOUTH AMERICA AND THE CARIBBEAN**
  - 33%

THE LARGER THE SMP, THE MORE LIKELY THE PRACTICE WAS TO BELONG TO A NETWORK, ASSOCIATION, OR ALLIANCE.

65% OF RESPONDENTS from practices with 21 or more partners and staff indicated they belonged to a network, association, or alliance. compared to 14% OF SOLE PRACTITIONERS.
SMP PERFORMANCE IN 2015

Across services lines,

**THE LARGEST PORTION OF RESPONDENTS, 33% to 38%**

reported revenues stayed the same

23% to 27% reported revenues increased moderately

6% or LESS reported revenues increased substantially

13% to 17% reported revenues decreased moderately

5% to 12% reported revenues decreased substantially

### PERFORMANCE ACROSS SERVICE LINES

**Accounting, Compilation, and Other Non-assurance/Related Services**

- Decrease substantially: 7%
- Decrease moderately: 17%
- Stay the same: 38%
- Increase moderately: 27%
- Increase substantially: 3%
- NA: 8%

**Advisory and Consulting Services**

- Decrease substantially: 7%
- Decrease moderately: 14%
- Stay the same: 36%
- Increase moderately: 26%
- Increase substantially: 6%
- NA: 12%

**Audit and Assurance**

- Decrease substantially: 12%
- Decrease moderately: 16%
- Stay the same: 33%
- Increase moderately: 23%
- Increase substantially: 4%
- NA: 14%

**Tax**

- Decrease substantially: 5%
- Decrease moderately: 13%
- Stay the same: 37%
- Increase moderately: 25%
- Increase substantially: 4%
- NA: 15%
### SMP Outlook for 2016

The majority of SMPs predicted that fees for each service area would increase or stay the same in 2016. However, predictions were more conservative when compared to the prior year:

#### Across Service Lines

<table>
<thead>
<tr>
<th>Service Line</th>
<th>Predicted Increases for 2016</th>
<th>Predicted Increases for 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>35-44%</td>
<td>39-50%</td>
</tr>
</tbody>
</table>

#### Projected 2016 Outlook for Each Service Line

<table>
<thead>
<tr>
<th>Service Line</th>
<th>Africa</th>
<th>North America</th>
<th>Central and South America/Caribbean</th>
<th>Australasia/Oceania</th>
<th>Africa</th>
<th>Central and South America/Caribbean</th>
<th>Asia</th>
<th>North America</th>
<th>Central and South America/Caribbean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting, Compilation, and Other Non-assurance/Related Services</td>
<td>64%</td>
<td>60%</td>
<td>58%</td>
<td>42%</td>
<td>62%</td>
<td>56%</td>
<td>62%</td>
<td>66%</td>
<td>59%</td>
</tr>
<tr>
<td>Advisory and Consulting Services</td>
<td>66%</td>
<td>61%</td>
<td>60%</td>
<td>56%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit and Assurance</td>
<td>62%</td>
<td>56%</td>
<td>42%</td>
<td>35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>66%</td>
<td>62%</td>
<td></td>
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</tr>
</tbody>
</table>

Growth projections (combining moderate and substantial) were especially strong in some regions.
BUSINESS ADVISORY AND CONSULTING SERVICES

PROVIDE SOME FORM OF CONSULTING SERVICE.

84%

TOP 3 MOST COMMONLY PROVIDED CONSULTING SERVICES

- PROVIDE TAX PLANNING
  - 52%
- PROVIDE CORPORATE ADVISORY (ADVICE ON FINANCING, MERGERS, DUE DILIGENCE, VALUATIONS, LEGAL ISSUES)
  - 45%
- PROVIDE MANAGEMENT ACCOUNTING (PLANNING, PERFORMANCE, RISK MANAGEMENT)
  - 41%

Larger practices more frequently provided business advisory and consulting services compared to sole practitioners suggesting that practice size appears to be closely tied to the breadth of advisory services.

69% OF SMPS WITH 21+ PARTNERS & STAFF PROVIDE SOME FORM OF CONSULTING SERVICE VS 32% OF SOLE PRACTITIONERS
SMPs were asked to rate the extent to which their small- and medium-sized entity (SME) clients face 8 challenges. The respondents to the survey collectively serve over 800,000 SME clients.

**SMPs’ SME CLIENTS FACE MANY CHALLENGES**

Viewed 7 of the 8 challenges as a moderate or greater challenge for their SME clients.

**TOP CHALLENGES (COMBINING HIGH AND VERY HIGH CHALLENGE)**

- **Economic Uncertainty**: 61%
- **Rising Costs**: 58%
- **Competition**: 54%
- **Difficulties Accessing Finance**: 51%

**Other SME Challenges (Combining High and Very High)**

- Compliance with regulation: 42%
- Keeping up with new technology: 42%
- Attracting and retaining staff: 35%
- Financial crime: 17%
SME client engagement in other types of international activities was substantially more limited.

33% Have Foreign Owners or Investors
29% Deal in Foreign Currencies
24% Have Joint Ventures or Partnerships with Companies Based Abroad
24% Have Part of the Business Infrastructure or Operations in One or More Foreign Countries
15% Own International Assets

74% ENGAGED IN IMPORT OR EXPORT OF GOODS OR SERVICES

More engagement in IMPORT or EXPORT of goods or services was reported in the MIDDLE EAST 85% and EUROPE 80% compared to other regions.

81% OF SMPS WITH 21 OR MORE PARTNERS AND STAFF reported having SME clients engaged in a higher level of international activities.

68% OF SOLE PRACTITIONERS

14% OF THE SOLE PRACTITIONERS had SMEs with Joint Ventures or Partnerships with Companies Based Abroad

49% OF SMPS WITH 21 OR MORE PARTNERS AND STAFF
CHANGE IN SME CLIENTS’ PROFITS FROM 2014 TO 2015

GLOBAL PROFIT CHANGES

- **41%** reported SME clients’ profits decreased
  - (30% moderately and 11% substantially)

- **31%** reported SME clients’ profits increased
  - (29% moderately and 2% substantially)

- **22%** reported no change in profits

VARIATION BY REGION

LARGER DECREASES IN PROFITS WERE REPORTED IN...

- **46%** Middle East
- **46%** Asia

LARGER INCREASES IN PROFITS WERE REPORTED IN...

- **40%** Africa
- **39%** Central and South America/Caribbean
- **38%** North America
The annual survey is designed to achieve a better understanding of the business environments faced by small- and medium-sized practices (SMPs) and by their small- and medium-sized entity (SME) clients. The 2015 survey received 6,725 responses from respondents representing 169 countries and servicing more than 800,000 SME clients.

It was open October 1, 2015–November 30, 2015 in 22 languages. The largest number of respondents completed the survey in English (38%), Chinese (10%), Romanian (9%), Spanish (8%), and Italian (5%).

We would like to acknowledge and thank the University of Dayton (UD) School of Business Administration and Department of Accounting for their research and participation in the completion of this survey. The UD participants involved were Sarah Webber and Donna L. Street.

Some regions, countries, and larger SMPs were not as well represented. Therefore, caution should be exercised when attempting to generalize the results to specific countries, regions, or SMPs of all sizes.
IFAC supports the SMP sector through a number of initiatives to raise the profile and build the capacity of SMPs globally. With input and guidance from the SMP Committee, IFAC represents SMPs’ interests to standard setters and regulators, facilitates the sharing of tools and resources to help them compete in the global marketplace, and speaks out to raise awareness of their role and value, especially in supporting SMEs.

The results of the survey will be considered by the SMP Committee and will be used to help direct IFAC’s SMP activities going forward. To learn what IFAC is doing to support SMPs, and in particular address some of the current and emerging challenges and opportunities highlighted in this report, please visit the IFAC website, including Activities and Interest Areas.

IFAC has developed the Global Knowledge Gateway, an online portal for accountancy news, discussions, resources, and thought leadership from IFAC, its member organizations, and other notable groups and individuals. The Gateway is a place for SMPs to access high-quality resources, in particular, in the areas of audit & assurance, practice management, ethics, and business reporting.

www.ifac.org/Gateway

KEY IFAC PUBLICATIONS INCLUDE:

- Guide to Review Engagements
- Guide to Compilation Engagements
- Good Practice Checklist for Small Business, Second Edition