Survey was open October 1, 2016 to November 30, 2016 in 23 languages representing 164 countries and 5,060 SMP respondents.
SMPs FACE MANY CHALLENGES

TOP GLOBAL CHALLENGES 2016 VS 2015*

- **Attracting New Clients**: 46% in 2016, 47% in 2015
- **Keeping up with New Regulations & Standards**: 41% in 2016, 44% in 2015
- **Experiencing Pressure to Lower Fees**: 41% in 2016, 41% in 2015
- **Differentiating From Competition**: 39% in 2016, 43% in 2015

OTHER GLOBAL CHALLENGES 2016*

- **Rising Costs**: 39%
- **Technology Developments**: 35%
- **Serving Clients Operating Internationally**: 34%
- **Personnel and Staffing Issues**: 33%
- **Managing Cash-Flow and Late Payments**: 32%
- **Retaining Existing Clients**: 23%
- **Succession Planning**: 23%

TOP REGIONAL CHALLENGES*

**NORTH AMERICA**
- Keeping Up with New Regulations & Standards: 35%
- Personnel and Staffing Issues: 28%

**CENTRAL AND SOUTH AMERICA/CARIBBEAN**
- Keeping Up with New Regulations & Standards: 57%
- Differentiating from Competition: 46%

**EUROPE**
- Keeping Up with New Regulations & Standards: 47%
- Attracting New Clients: 47%

**AFRICA**
- Rising Costs: 57%
- Attracting New Clients: 52%

**MIDDLE EAST**
- Attracting New Clients: 50%
- Differentiating from Competition: 45%

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

**AUSTRALASIA/OCEANIA**
- Keeping Up with New Regulations & Standards: 36%
- Personnel and Staffing Issues: 31%
ADDITIONAL CHALLENGES

SMPs were asked to rate the extent to which they face 7 technology challenges and 8 personnel and staffing issues.

TECHNOLOGY

TOP CHALLENGES*

- INVESTING IN AND STAYING CURRENT WITH SOFTWARE 38%
- ACHIEVING A DIGITAL, PAPERLESS ENVIRONMENT 37%
- DETERMINING WHAT TECHNOLOGY IS BEST FOR THE PRACTICE 36%
- MANAGING PRIVACY AND SECURITY RISKS 36%

OTHER TECHNOLOGY CHALLENGES*

- INVESTING IN AND STAYING CURRENT WITH HARDWARE 31%
- ADVANCES IN DATA ANALYTICS 31%
- MOVING TO THE CLOUD 27%

*Combining high and very high

PERSONNEL AND STAFFING

TOP ISSUES*

- FINDING QUALIFIED STAFF (AT ALL LEVELS) 45%
- RETAINING QUALIFIED STAFF (AT ALL LEVELS) 41%
- TECHNICAL TRAINING 35%

OTHER PERSONNEL AND STAFFING ISSUES*

- Staff Compensation and Reward Programs 32%
- Developing Soft Skills 32%
- Effective Utilization and Management of Staff 31%
- Managing Work-Life Balance Initiatives 31%
- Mentoring and Career Coaching 27%
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 increased somewhat between 2015 and 2016.

### TOP ENVIRONMENTAL IMPACTS

<table>
<thead>
<tr>
<th>Factor</th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory Environment</td>
<td>56%</td>
<td>52%</td>
<td>4%</td>
</tr>
<tr>
<td>Technology Developments</td>
<td>52%</td>
<td>43%</td>
<td>-9%</td>
</tr>
<tr>
<td>Competition (e.g., Other Practices or Professions)</td>
<td>48%</td>
<td>46%</td>
<td>-2%</td>
</tr>
<tr>
<td><strong>GLOBALIZATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capabilities to adapt to new client needs</td>
<td>45%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Perceived trust &amp; credibility of the profession</td>
<td>43%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Political instability</td>
<td>40%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td><strong>GLOBALIZATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Globalization</td>
<td>38%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Mergers, acquisitions, and consolidation in the accounting industry</td>
<td>33%</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>
Across service lines, **THE LARGEST PORTION OF RESPONDENTS, 33% to 37%** reported revenues stayed the same.

- **13% to 17%** reported revenues decreased moderately.
- **8% or LESS** reported revenues decreased substantially.

**RECEIVABLES COLLECTION PERIOD**

- **33%** reported an average receivables collection period* of **31-59 DAYS**.

**PERFORMANCE ACROSS SERVICE LINES**

<table>
<thead>
<tr>
<th>Service Line</th>
<th>7%</th>
<th>17%</th>
<th>34%</th>
<th>31%</th>
<th>4%</th>
<th>7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting, Compilation, and Other Non-assurance/Related Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advisory and Consulting Services</td>
<td>6%</td>
<td>14%</td>
<td>36%</td>
<td>29%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Audit and Assurance</td>
<td>8%</td>
<td>16%</td>
<td>33%</td>
<td>26%</td>
<td>4%</td>
<td>13%</td>
</tr>
<tr>
<td>Tax (e.g., Compliance &amp; Planning)</td>
<td>5%</td>
<td>13%</td>
<td>37%</td>
<td>28%</td>
<td>5%</td>
<td>12%</td>
</tr>
</tbody>
</table>

*accounts receivable divided by total practice revenue, multiplied by 365 days

**UTILIZATION PERCENTAGE**

- **49%** had a utilization percentage (chargeable hours divided by total hours) of **61-90%**.
The majority of SMPs predicted that fees for each service line would increase or stay the same in 2017. With the exception of tax, projected changes were slightly more optimistic compared to prior year’s expectations.

**ACROSS SERVICE LINES**

<table>
<thead>
<tr>
<th>Service Line</th>
<th>Predicted Increases for 2017</th>
<th>Predicted Increases for 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>38-45%</strong></td>
<td>vs</td>
<td><strong>35-44%</strong></td>
</tr>
</tbody>
</table>

**PROJECTED 2017 OUTLOOK FOR EACH SERVICE LINE**

- **Accounting, Compilation, and Other Non-assurance/Related Services**
  - 4% decrease substantially
  - 13% decrease moderately
  - 32% stay the same
  - 38% increase moderately
  - 6% increase substantially
  - 7% NA

- **Advisory and Consulting Services**
  - 4% decrease substantially
  - 10% decrease moderately
  - 33% stay the same
  - 37% increase moderately
  - 8% increase substantially
  - 8% NA

- **Audit and Assurance**
  - 5% decrease substantially
  - 13% decrease moderately
  - 30% stay the same
  - 32% increase moderately
  - 6% increase substantially
  - 13% NA

- **Tax (e.g., Compliance & Planning)**
  - 3% decrease substantially
  - 10% decrease moderately
  - 33% stay the same
  - 35% increase moderately
  - 7% increase substantially
  - 12% NA

Respondents representing the largest SMPs (21 or more partners and staff) had the brightest outlook for 2017, while sole practitioners had a bleaker outlook, compared to other practice sizes.

**GROWTH PROJECTIONS (COMBINING MODERATE AND SUBSTANTIAL)**

- **Africa**
  - 66% increase moderately
  - 53% increase substantially
  - 47% NA

- **Central and South America/Caribbean**
  - 54% increase moderately
  - 55% increase substantially
  - 54% NA

- **North America**
  - 50% increase moderately
  - 47% increase substantially
  - 54% NA

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

83% PROVIDE SOME FORM OF CONSULTING SERVICE.

TOP 3 MOST COMMONLY PROVIDED CONSULTING SERVICES

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORPORATE ADVISORY (FINANCING, MERGERS, DUE DILIGENCE, VALUATIONS, LEGAL)</td>
<td>48%</td>
</tr>
<tr>
<td>MANAGEMENT ACCOUNTING (PLANNING, PERFORMANCE, RISK MANAGEMENT, AND INTERNAL CONTROL)</td>
<td>46%</td>
</tr>
<tr>
<td>HUMAN RESOURCES POLICIES AND PROCEDURES/EMPLOYMENT REGULATIONS (HIRING AND FIRING, EMPLOYEE CONTRACTS, MATERNITY, PATERNITY, SICK PAY, REMUNERATION STRUCTURES)</td>
<td>30%</td>
</tr>
</tbody>
</table>

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.

73% OF SMPS WITH 21+ PARTNERS & STAFF provide Corporate Advisory Services

33% OF SOLE PRACTITIONERS

OTHER CONSULTING SERVICES PROVIDED

- Business Development: 29%
- Restructuring/Insolvency/Liquidation: 24%
- Succession Planning/Business Transfers: 23%
- Forensic Accounting/Fraud Investigation: 18%
- Information Technology: 15%
- Business Intelligence: 15%
- Enhanced Corporate Reporting: 14%
- Wealth Management/Retirement Planning: 12%
- Health & Safety/Environmental Legislation: 4%
SMPs’ SME CLIENTS FACE MANY CHALLENGES

SMPs were asked to rate the extent to which their small- and medium-sized entity (SME) clients face 8 challenges.

**TOP CHALLENGES***

<table>
<thead>
<tr>
<th>Challenge</th>
<th>2016 Percentage</th>
<th>2015 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC UNCERTAINTY</strong></td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td><strong>RISING COSTS</strong></td>
<td>59%</td>
<td>58%</td>
</tr>
<tr>
<td><strong>COMPETITION</strong></td>
<td>53%</td>
<td>54%</td>
</tr>
<tr>
<td><strong>DIFFICULTIES ACCESSING FINANCE</strong></td>
<td>51%</td>
<td>51%</td>
</tr>
</tbody>
</table>

**TOP REGIONAL CHALLENGES***

<table>
<thead>
<tr>
<th>Region</th>
<th>ECONOMIC UNCERTAINTY</th>
<th>RISING COSTS</th>
<th>COMPETITION</th>
<th>DIFFICULTIES ACCESSING FINANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFRICA</strong></td>
<td>74%</td>
<td>78%</td>
<td>62%</td>
<td>72%</td>
</tr>
<tr>
<td><strong>CENTRAL AND SOUTH AMERICA/Caribbean</strong></td>
<td>73%</td>
<td>70%</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td><strong>EUROPE</strong></td>
<td>66%</td>
<td>60%</td>
<td>58%</td>
<td>62%</td>
</tr>
<tr>
<td><strong>MIDDLE EAST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**OTHER SME CHALLENGES***

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keeping Up with New Technology</td>
<td>45%</td>
</tr>
<tr>
<td>Compliance with Regulation</td>
<td>43%</td>
</tr>
<tr>
<td>Attracting and Retaining Staff</td>
<td>42%</td>
</tr>
<tr>
<td>Financial Crime</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Combining high and very high
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 2016 survey received 5,060 responses from respondents representing 164 countries. It was open on October 1, 2016–November 30, 2016 in 23 languages. The largest number of respondents completed the survey in English (37%), Chinese (10%), Romanian (7%), Spanish (7%), and French (7%).

We would like to acknowledge and thank Professor Sarah Webber and Professor Donna L. Street, University of Dayton, for their research and participation in the report. The research was facilitated by the University of Dayton in accordance with an agreement to increase IFAC’s research capacity.

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.

The IFAC Global Knowledge Gateway now hosts over 400 original articles and videos, and links to approximately 10,000 related resources and news from around the world. In 2017, IFAC gave the Global Knowledge Gateway a brand new look with enhanced navigational features. In the Gateway, SMPs can access high-quality resources in key areas, including audit & assurance, practice management, ethics, and business reporting.

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• Guide to Compilation Engagements
• Good Practice Checklist for Small Business, Second Edition
• Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedure Services