July 2012

Small and Medium Practices Committee

IFAC SMP Quick Poll May–June 2012

International Federation of Accountants

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

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.

About the Poll

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. While the poll was issued quarterly throughout 2011 in the SMP eNews, IFAC's free newsletter for SMPs (Register and Subscribe), it has now reverted to a semi-annual format.

This report summarizes and analyzes the responses to the first poll of 2012, conducted from May 7 to June 14. With invaluable assistance from IFAC member bodies and regional organizations (see Acknowledgements) in translating and promoting the poll, the number of respondents reached 3,678, 50% more than the 2,441 who responded to the last poll in 2011, a record number for the SMP Quick Poll and indeed possibly for any poll of SMP practitioners ever conducted. This edition of the poll was conducted in 15 languages (Arabic, Chinese, English, French, German, Hebrew, Italian, Japanese, Korean, Portuguese, Romanian, Russian, Spanish, Swedish, and Turkish). Please note the percentages in this report have been rounded. As a result, some percentages or graphs might have small rounding errors.

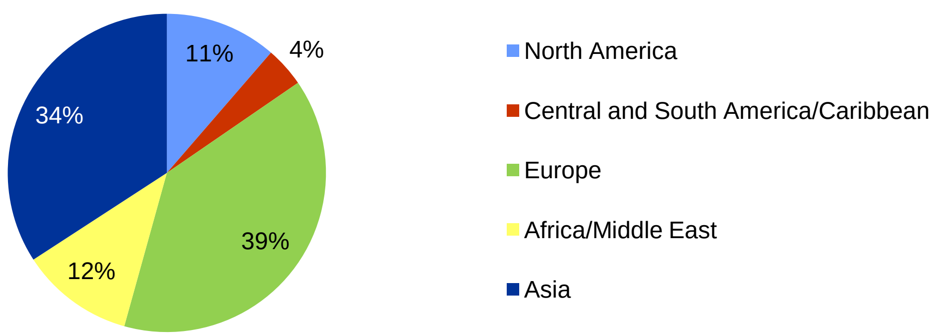
This report provides information and, where appropriate, some clarification and commentary including possible limitations of the data. It is difficult to make comparisons between the different regions, sizes of practice, and countries for a number of reasons including uneven representation from each. This report should be used for information purposes only.

Many of the questions posed in this poll were the same or refined versions of those asked in 2011. Readers are encouraged to refer to the *IFAC SMP Quick Poll: 2011 Round-Up* (see www.ifac.org/publications-resources/ifac-smp-quick-poll-2011-round) to compare responses and spot trends. The *IFAC SMP Quick Poll: 2012 Round-Up* will examine trends during 2012 and draw some year-on-year comparisons.

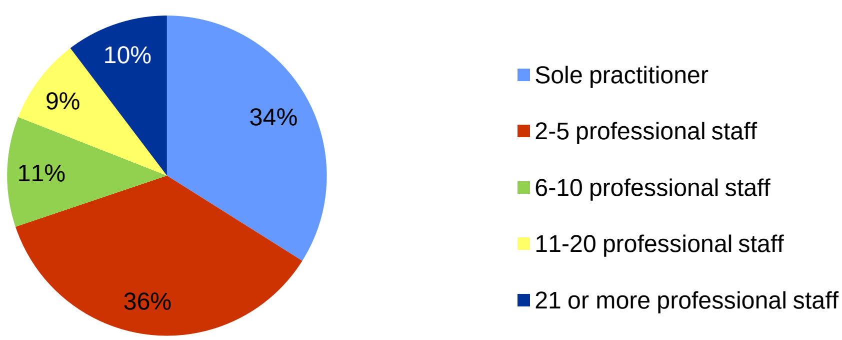
Respondents at a Glance

The following summarizes the profile of respondents to the poll conducted from May 7 to June 14, 2012. When interpreting the findings of this poll, it should be noted that the responses are heavily skewed in favor of practitioners from Asia (56%) and Europe (41%) working in the two smallest categories of practice (sole practitioner and 2–5 professional staff). In addition, within regions, there are some noticeable biases. For example, the respondents from Asia and Europe include disproportionately large numbers from Turkey and Israel. For these reasons, results may not be statistically representative of the global population of SMPs. The very small number of responses from Australasia/Oceania (12 in total) did not constitute a large enough sample size to include in the analysis.

In what region of the world is your practice located?



What is the size of your practice?



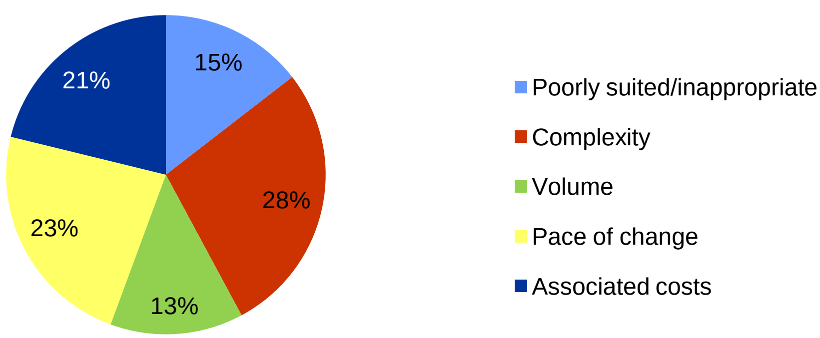
Challenges and Issues Facing SMEs and SMPs

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. Less than half as many cited second-place "difficulties accessing finance" as SMEs' top challenge.

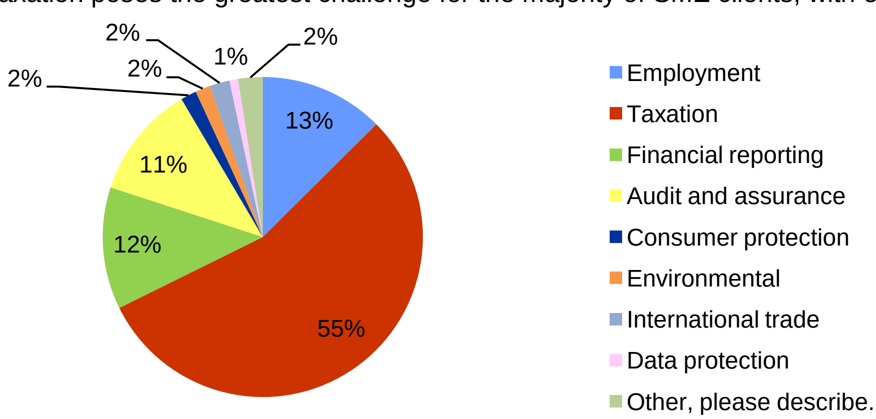
What aspect of regulation presents the greatest challenge for your SME clients?

Complexity was the most-cited response, with pace of change and associated costs a close second and third place respectively.



What type of regulation presents the greatest challenge for your SME clients?

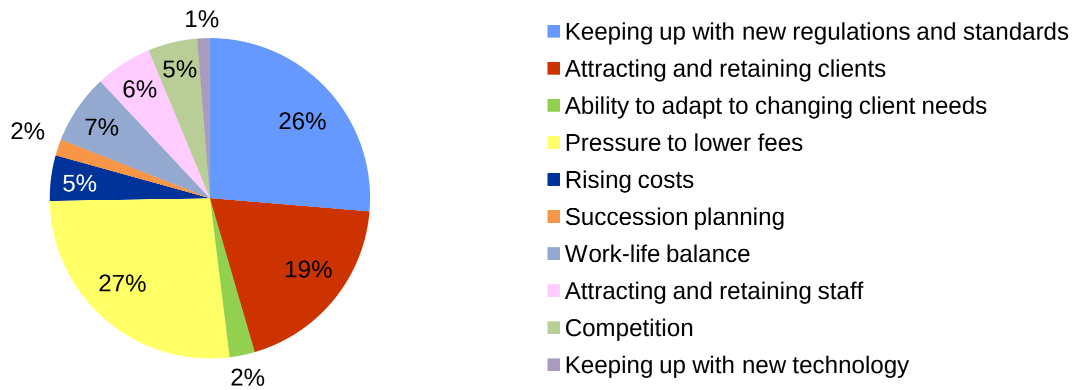
Taxation poses the greatest challenge for the majority of SME clients, with employment a distant second.



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

Pressure to lower fees and keeping up with new regulations and standards were nearly tied as practitioners' foremost concern. This result was heavily influenced by the Turkish responses: barring these, keeping up with new regulations and standards comes out on top.

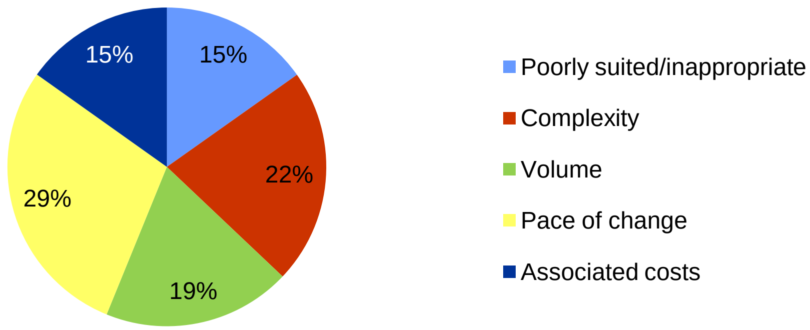
Responses were somewhat divided by region. In North America and Central South America/Caribbean, keeping up with new regulations and standards is the uppermost concern, while in Africa/Middle East, attracting and retaining clients is the primary challenge. And, pressure to lower fees is the top challenge in Europe and Asia.



	North America (%)	Central South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)
Keeping up with new regulations and standards	**44**	**25**	25	23	23
Attracting and retaining clients	9	19	20	**33**	17
Ability to adapt to changing client needs	1	4	3	2	2
Pressure to lower fees	10	12	**31**	17	**32**
Rising costs	5	5	4	5	5
Succession planning	6	4	1	3	1
Work-life balance	14	12	8	5	4
Attracting and retaining staff	8	11	3	6	7
Competition	2	5	4	5	7
Keeping up with new technology	1	3	1	1	1

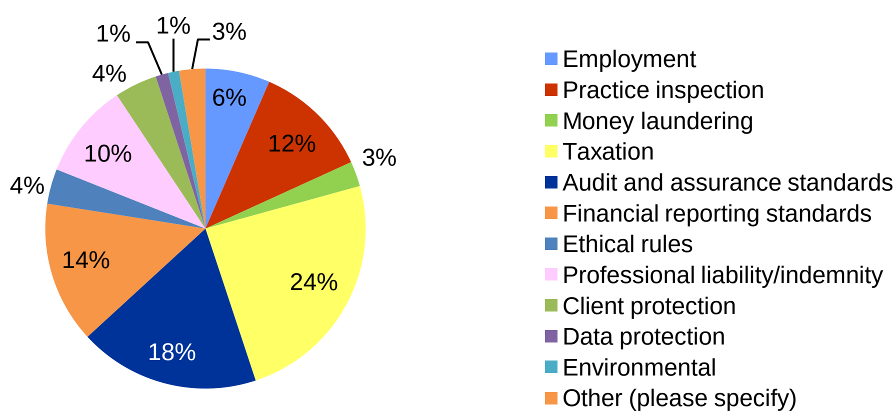
What aspect of keeping up with new regulations and standards presents the greatest challenge for your practice?

The majority of SMPs polled (51%) named pace of change or complexity as the aspect of keeping up with new regulations and standards that poses the greatest challenge.



What type of regulation and standards presents the greatest challenge for your practice?

Of the various types of regulation and standards, taxation poses the greatest challenge for SMPs (as it does for their SME clients). However, for respondents from North America, financial reporting standards are the main concern, and for larger practices (11–20 and 20+ professional staff) audit and assurance standards are the main concern.

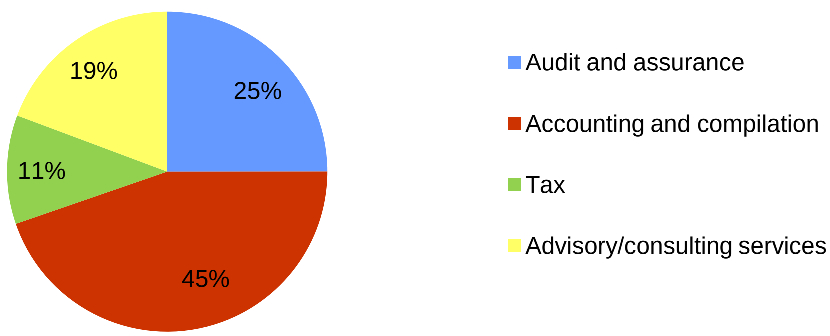


Practice Growth

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

For nearly half the respondents (45%), accounting and compilation is the fastest growing practice area in terms of revenue, followed by audit and assurance (25%). This result was heavily influenced by the Turkish responses: barring these, audit and assurance (34%) came out as the fastest growing area followed by accounting and compilation (29%).

Respondents were divided on this question based on size of practice. For smaller practices (sole practitioner and 2–5 professional staff) accounting and compilation was the top area of growth followed by audit and assurance, while for larger practices, these two were reversed.

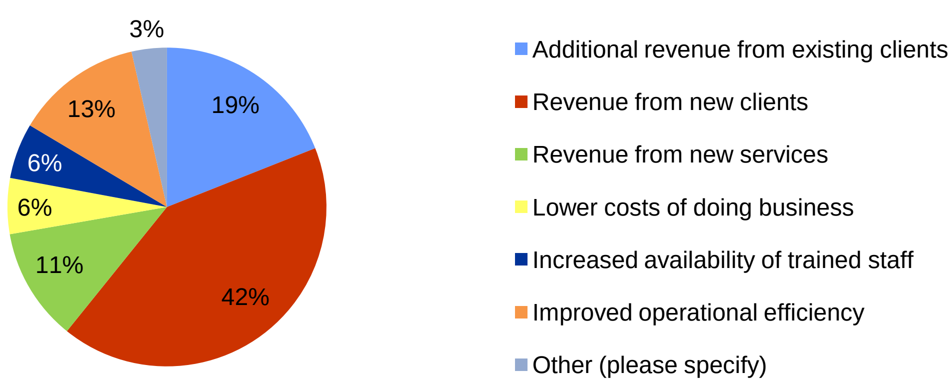


	Sole practitioner %	2–5* %	6–10* %	11–20* %	20+* %
Audit and assurance	15	19	**38**	**48**	**44**
Accounting and compilation	**58**	**52**	30	18	13
Tax	13	11	8	9	11
Advisory/consulting services	14	18	24	24	32

* Professional Staff

What is the main driver of growth for your practice?

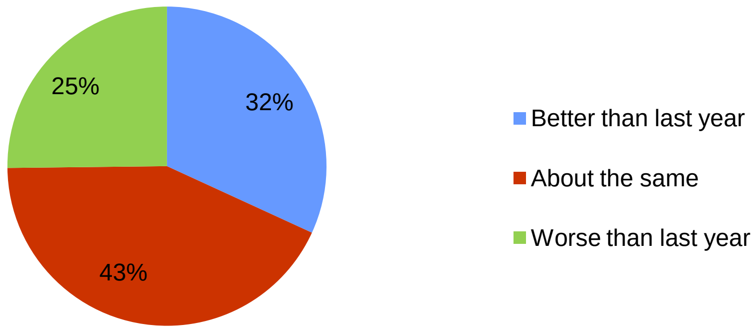
For the largest portion of respondents (42%), the main driver of growth is business from new clients by a wide margin with less than half as many respondents citing additional revenue from existing clients (19%) as their main source of growth.



Business Outlook

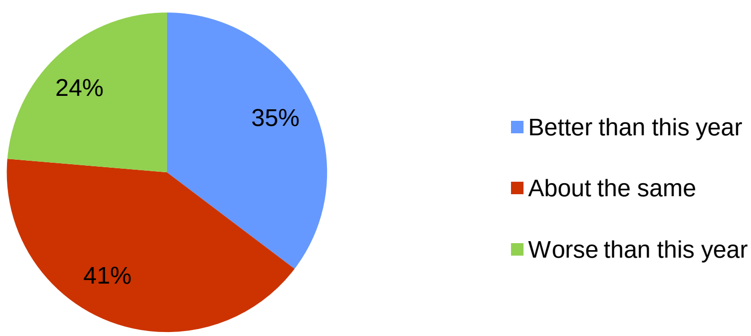
How does your practice expect business to be this year compared with last year?

The largest portion of respondents (43%) expect business performance to remain steady in 2012, while about a third expect this year to be better than last year and a quarter expect it to be worse.



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

Looking forward to 2013, expectations aligned closely with those for 2012. Over a third of respondents (35%) are more optimistic about 2013, while 24% expect business in 2013 to be worse than this year. Respondents from Central South America/Caribbean were generally more optimistic while those from Europe tended to be more pessimistic. Those from Asia were also more pessimistic about 2013 compared with 2012.



	North America (%)	Central South America/ Caribbean (%)	Europe (%)	Africa/ Middle East (%)	Asia (%)
Better than last year	44	**68**	30	**41**	33
About the same	**48**	29	**42**	**41**	**39**
Worse than last year	7	3	29	18	28

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 read a recent interview of 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.

In the past few months, the SMP Committee has undertaken the following key activities:

- Input to standards—review engagements, auditor reporting, responding to a suspected illegal act (upcoming);
- *Good Practice Checklist for Small Business*;
- A suite of videos on business advisory; and
- A Companion Manual to the committee's implementation guides with supporting orientation power point slides.

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 Bodies

The Association of Chartered Certified Accountants
Certified General Accountants Association of Canada
The Chinese Institute of Certified Public Accountants
The Chartered Institute of Management Accountants
Colegio de Contadores Públicos de Costa Rica
Compagnie Nationale des Commissaires aux Comptes
Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili
Corpul Expertilor Contabili si Contabililor Autorizati din Romania
Expert Accountants' Association of Turkey
Félag Löggiltra Endurskodenda, FLE
Hong Kong Institute of Certified Public Accountants
Institut des Réviseurs d'Entreprises (Belgium)
Institute of Certified Public Accountants in Israel
Institute of Certified Public Accountants of Kenya
Institute of Certified Public Accountants of Singapore
Institute of Certified Public Accountants of Uganda
The Institute of Chartered Accountants of Pakistan
The Institute of Chartered Accountants of Nigeria
Instituto dos Auditores Independentes do Brasil
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
Malaysian Institute of Accountants
The Malta Institute of Accountants
National Chamber of Statutory Auditors
Far
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
Pan African Federation of Accountants
Fédération des Experts Comptables Européens
Fédération des Experts-Comptables Mediteranéens
Fédération Internationale des Experts-Comptables Francophones

Other

AIA Worldwide
European Federation of Accountants and Auditors of Small- and Medium-Sized Entities
The Gulf Cooperation Council Accounting and Auditing Organization
Public Institute of Professional Accountants and Auditors of the Republic of Tajikistan

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