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THE CRUNCH 2023 THE ANNUAL ACCOUNTING FIRM BENCHMARK REPORT

Business Benchmarking & Industry Insights for
Australian Accounting Firms

Quality over quantity.

*If there is one take-home message from the first Crunch Report, it's **quality over quantity.***

The analysis from the first Crunch Report has a clear theme: firms need to focus on quality and value, over quantity. This theme is highly evident in our analysis looking at what the high profit firms do differently.

The data shows that firms with the highest profits typically have fewer clients per partner but higher average earnings per client. Additionally, their fee-earning employees (excluding partners) bill more hours at higher rates. This underscores the 'quality over quantity' approach, with fee earners in profitable firms maximising the value of each hour worked.

A notable trend among partners in the highest profit firms is effective time management, leading to increased returns. This includes managing larger teams and achieving higher hourly yields. Despite these interesting findings, the heart of this report is the benchmarking analysis of your firm. We have benchmarked your business against 61 KPI's within five key areas:

- Financial Benchmarks
- Employee Productivity and Partner Performance
- Pricing Strategies and Returns
- Expense and Operational Management
- Partner's Position

Each KPI examines your business performance against all other participating firms, and then separately against firms within your revenue range, FTE range and location.

The last section of this research report considers trends across the accounting industry for 2024 and beyond. This includes a rise in mergers, recruitment challenges and cautious adoption of AI. Throughout this report, our co-authors, Mark Holton and David Smith at SmithInk, have provided insights to give you advice and strategies on how your firm can leverage these findings.

This is the first edition of the Crunch Report. Together with SmithInk, the Benchmarking Group plans to run this analysis on an annual basis.

Thank you for being part of the first cohort and we look forward to crunching more data with you in 2024 and beyond.



Vincent Keogh | Benchmarking



Julia Thomson | Benchmarking



Mark Holton | SmithInk



David Smith | SmithInk

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What The Top 25% Do Differently

The top 25% represent the cohort that achieves the highest net profit margin, after accounting for the Partner's Notional Salary (APNS). In this section, we highlight what it is that sets the top 25% apart to enable them to achieve an average net profit margin of 31%.

**Keen to see more?
Participate in the 2024
Crunch Report to
unlock this section!**

Your Results Summary (Example Only)

The summary presented below provides an overview of your firm's performance scores across five essential areas. These scores are calculated from a comparative analysis with other firms in the Crunch 2023 cohort.

In the following section on KPI Benchmarks, we've highlighted the average scores that correspond to your firm's full-time equivalent (FTE) group, revenue bracket, and geographical region. We suggest examining these scores in conjunction with your overall scores to gain an accurate and holistic view of your firm's performance.

**Example
Only**

Financial Performance

Financial Performance presents an overview of the company's financial health. It will present results that underscore the company's capacity to generate revenue and profit, benchmarking its performance against industry participants.

**Example
Only**

Employee Productivity and Partner Performance

These results will reveal the efficiency of the company's workforce and partners, providing an assessment of productivity. Benchmark analysis will highlight overall performance in these domains, identifying strengths and areas for enhancement.

**Example
Only**

Pricing Strategies and Returns

Pricing Strategies and Returns evaluate client management, service offerings, and hourly earnings. The findings suggest an optimal fee-per-client model and explore the most effective service delivery model.

**Example
Only**

Expenses and Operations Analysis

This topic focuses on the company's operational efficiency and expense management. It will provide results on how these aspects affect the company's financial performance and operational health, identifying opportunities for improvement.

**Example
Only**

Principals Position

This will examine each partner's equity position and review how effective partners are in managing write-downs.

Your Business Performance (Example Only)

The following section benchmarks your business against your peers across relevant industry key performance indicators (KPIs).

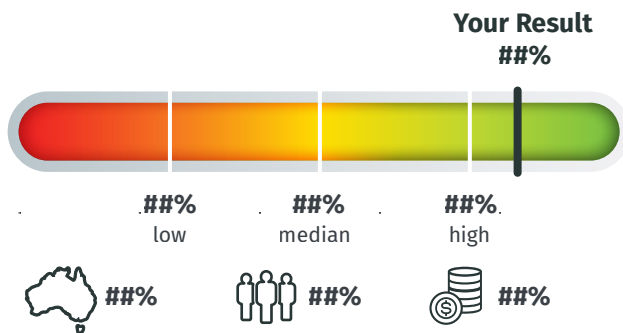
Analysing Your Result

1 Your Section Result



The section result shows how your firm performs in each area compared to other participating accounting firms. It's calculated by giving different weights to KPIs in each area. This gives a clear picture of your firm's standing among its peers.

2 Your Benchmark KPI Result



Your Benchmark KPI Result reflects your performance against your peers.

The Benchmark graph represents your business result against all accounting firms. Please note that **a blue graph indicates a neutral KPI, indicating your result is neither negative or positive.**

The three icons represent the average result for firms in your Location, FTE Bracket and Revenue Bracket.

For a full breakdown of all brackets, please view the benchmarking tables.

LOCATION

YOUR LOCATION

#####

LOCATION COMPARISON

#####



TOTAL FTE BRACKET

YOUR TOTAL FTE

#####

FTE BRACKET

#####



REVENUE BRACKET

YOUR REVENUE

#####

REVENUE BRACKET

#####



Financial Benchmarks (Example Only)

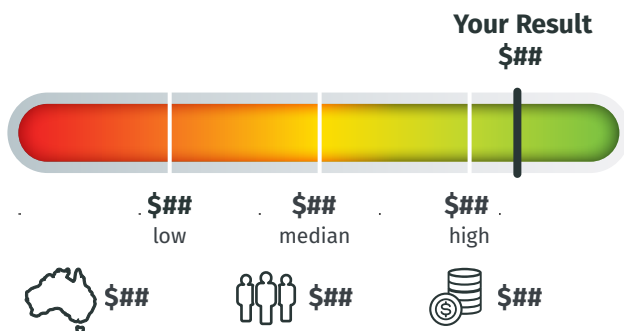
Your firm's financial performance score is notably high, reflecting a comprehensive achievement across various financial aspects. This score suggests a cohesive and effective approach in managing financial operations and strategies, contributing to a strong position within the industry.



Revenue Analysis

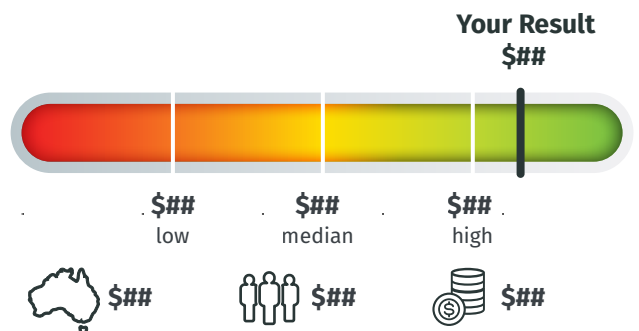
Revenue Analysis explores your firm's income efficiency by comparing the revenue generated per full-time staff and billable professional against industry benchmarks, providing insights into your operational and service profitability.

Revenue per FTE (Full-Time Equivalent)



Your firm's result analysis will be displayed here.

Revenue per Fee Earner

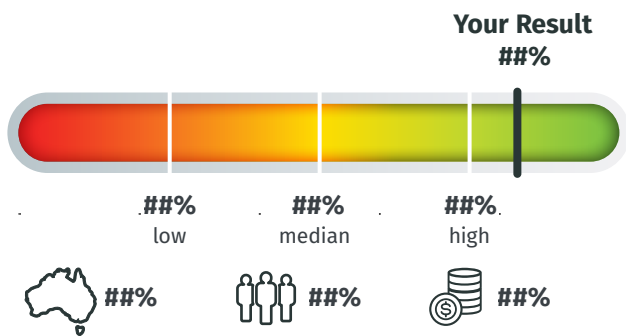


Your firm's result analysis will be displayed here.

Profit Margin

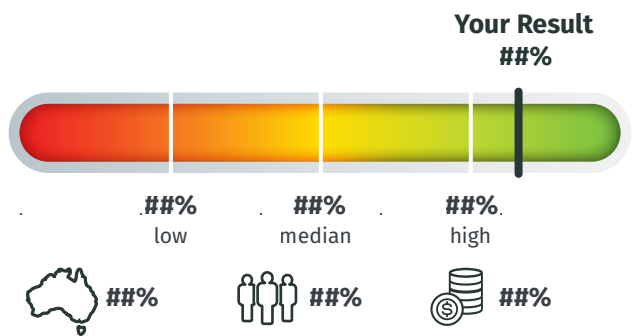
Profit Margin Analysis assesses your firm's financial efficiency by comparing net and gross profit margins with industry norms, highlighting how revenue is effectively transformed into profit.

Gross Profit % (Before Partners Salaries - BPS)



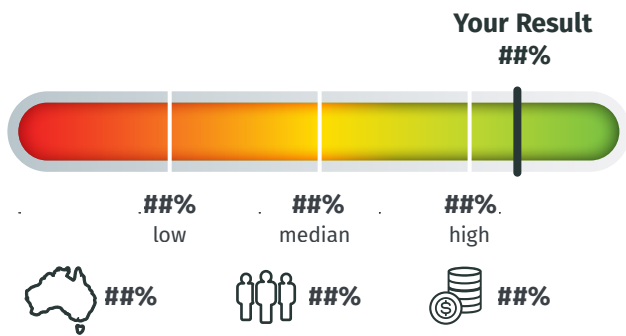
Your firm's result analysis will be displayed here.

Net Profit % (BPS)



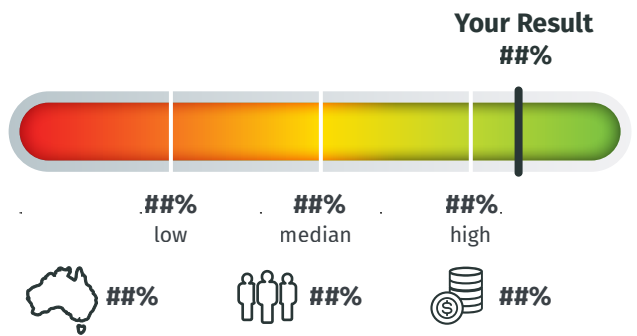
Your firm's result analysis will be displayed here.

Net Profit % (After Partner Salary)



Your firm's result analysis will be displayed here.

Net Profit % (After Partner Notional Salary)

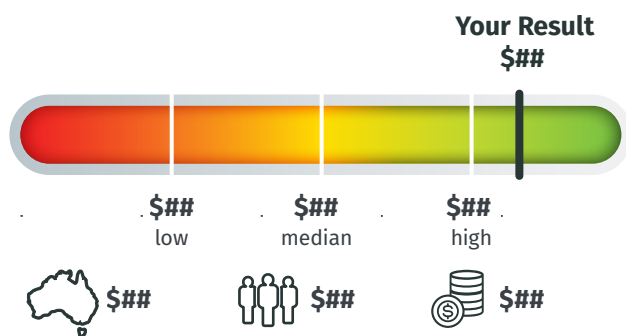


Your firm's result analysis will be displayed here.

Partner Impact – Financial Performance

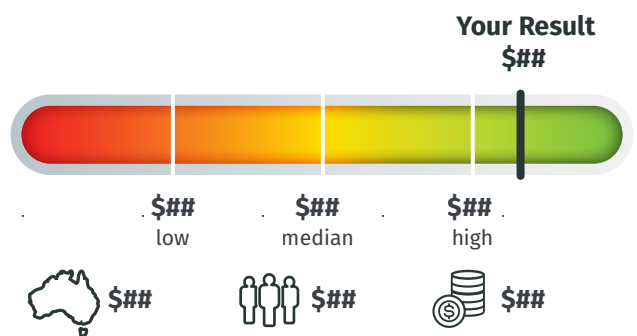
Partner Impact Analysis focuses on how the firm's partners contribute to its overall financial performance, examining their roles in revenue generation and profitability compared to industry benchmarks.

Revenue per Partner



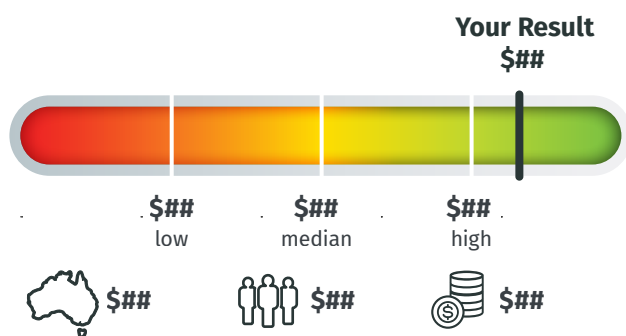
Your firm's result analysis will be displayed here.

Gross Profit per Partner (BPS)



Your firm's result analysis will be displayed here.

Net Profit per Partner (BPS)



Your firm's result analysis will be displayed here.

Employee Productivity and Partner Performance (Example Only)

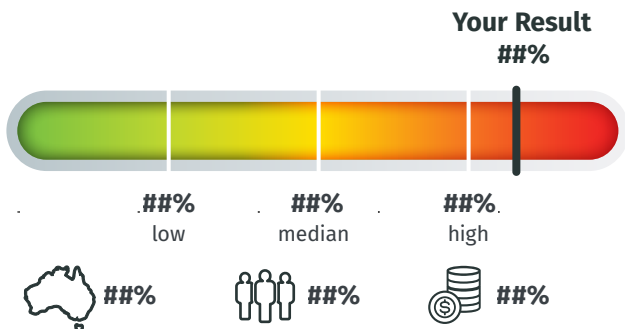
The evaluation of Employee Productivity and Partner Performance in your firm is marked as high. This reflects a proficient handling of workforce dynamics and effective integration with partner contributions. Such a score indicates that these operational aspects are being managed in a manner that enhances overall business efficacy.



Employee Productivity

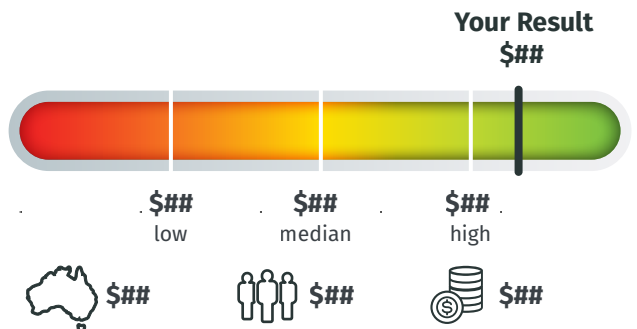
Employee Productivity examines the efficiency and output of your firm's staff, comparing their performance metrics to industry standards to gauge overall workforce effectiveness.

Salaries as a % of Revenue



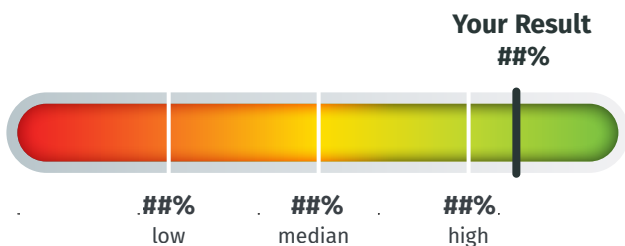
Your firm's result analysis will be displayed here.

Net Profit per FTE (BPS)



Your firm's result analysis will be displayed here.

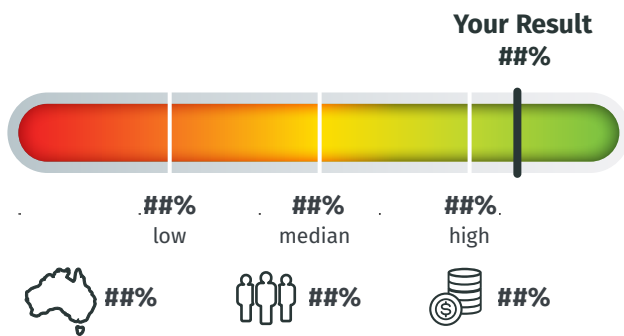
Productivity – all FTEs



Your firm's result analysis will be displayed here.

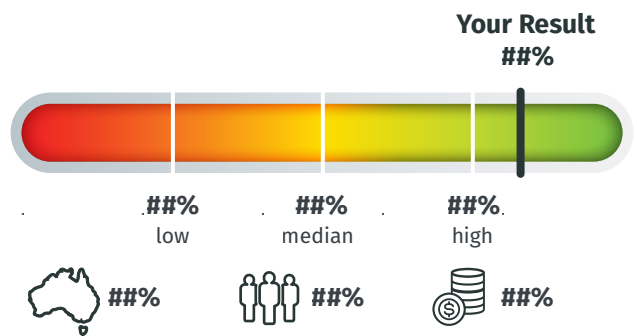
Employee Productivity Continued

Fee Earner / Non Fee Earner Ratio



Your firm's result analysis will be displayed here.

Productivity – Fee Earners only (Excluding Equity Partners)

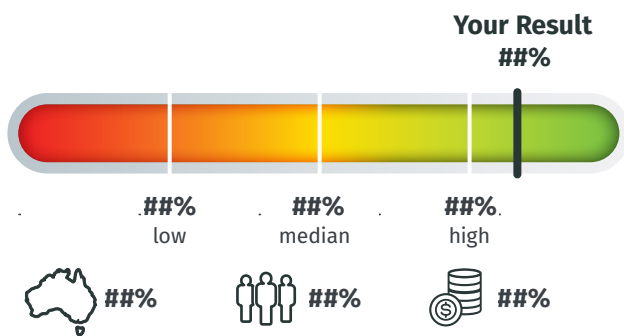


Your firm's result analysis will be displayed here.

Partner Impact – Productivity

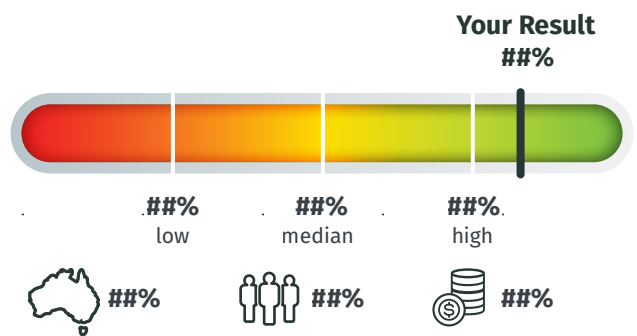
Partner Impact – Productivity delves into the efficiency and output of your firm's partners, evaluating their contribution to overall productivity in comparison with industry benchmarks.

Leverage Structure



Your firm's result analysis will be displayed here.

Productivity – Equity Partners



Your firm's result analysis will be displayed here.

Pricing Strategies and Returns (Example Only)

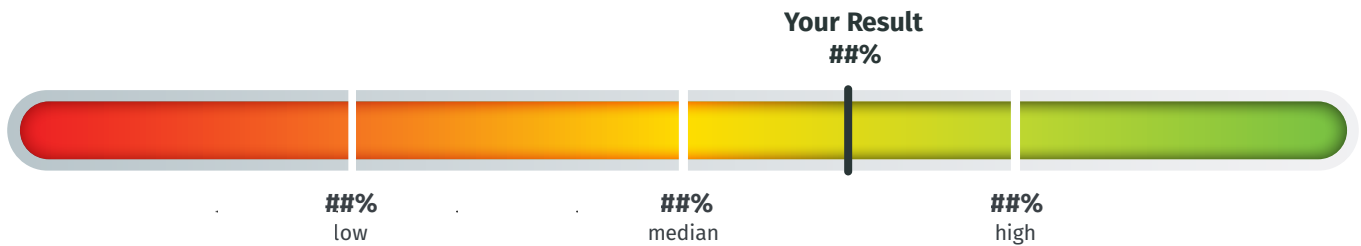
Your firm exhibits a high level of competence in setting Pricing Strategies and Returns. This indicates that the pricing models adopted are well-aligned with market demands and effectively maximise returns. The effectiveness of these strategies suggests a deep understanding of market dynamics and customer value perception, leading to favourable financial outcomes.



Client Fees

Client Fees Analysis assesses the pricing structure and effectiveness of your firm's fee strategies, comparing them with industry trends to understand their impact on revenue and client relationships.

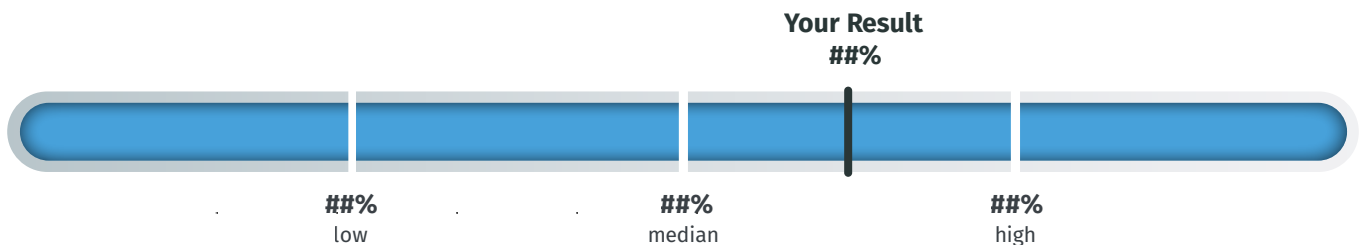
Average Annual Fees per Client



Your firm's result analysis will be displayed here.



% of Revenue Earned From Traditional Accounting Services



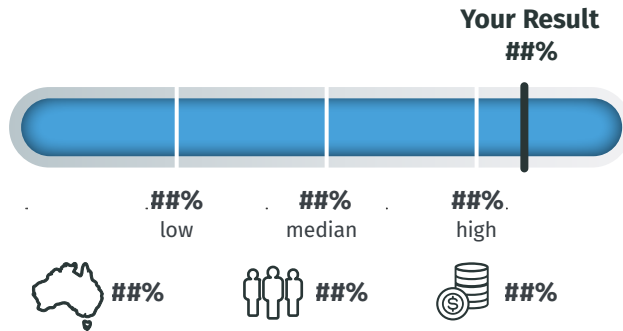
Your firm's result analysis will be displayed here.



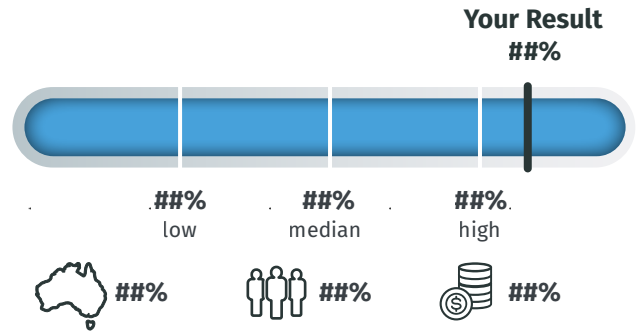
Fees Charged Per Client Annually

The below benchmarks indicate what percentage of total fees are charged within each bracket.

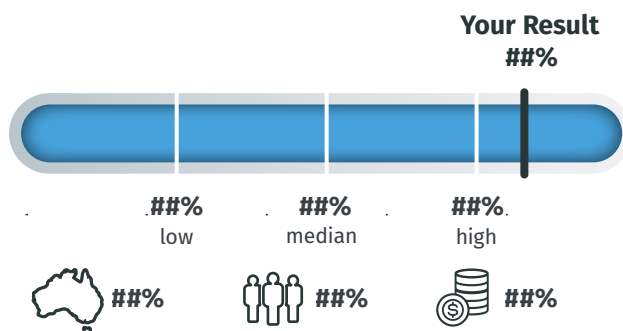
under \$500



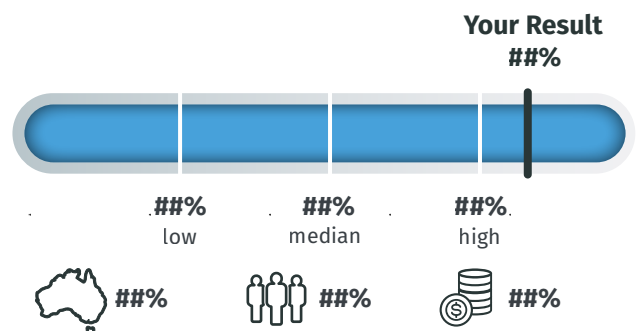
\$5001 - \$10,000



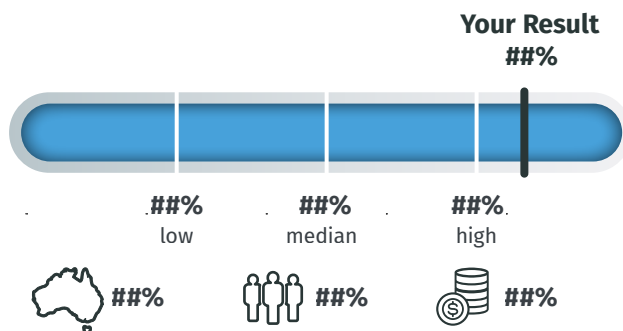
\$501 - \$1000



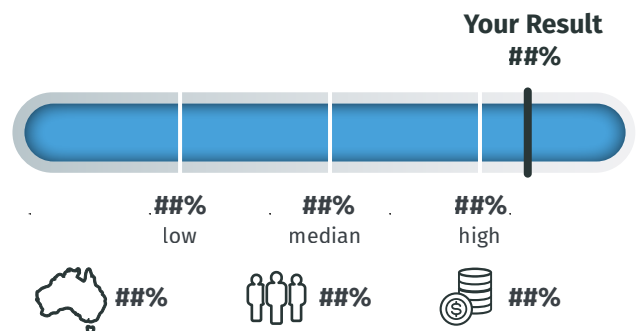
\$10,001 - \$20,000



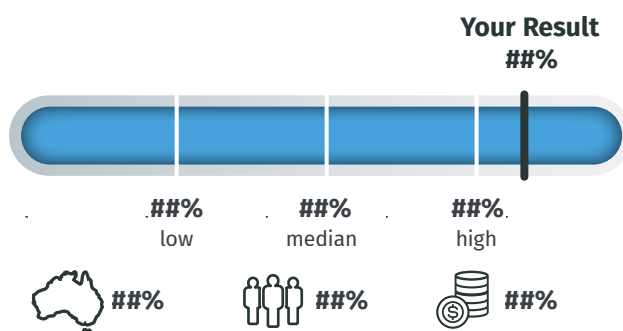
\$1001 - \$3000



\$20,000 and more



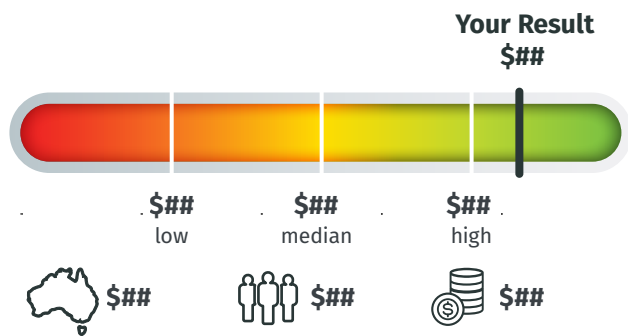
\$3001 - \$5000



Hourly Earnings

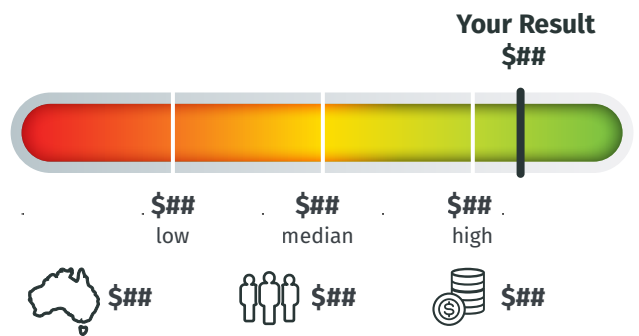
Hourly Earnings Analysis examines the revenue generated per billable hour across your firm, comparing it with industry norms to evaluate the efficiency of your time-based earnings.

Average Hourly Rate - Before Write Offs



Your firm's result analysis will be displayed here.

Average Hourly Rate - After Write Offs

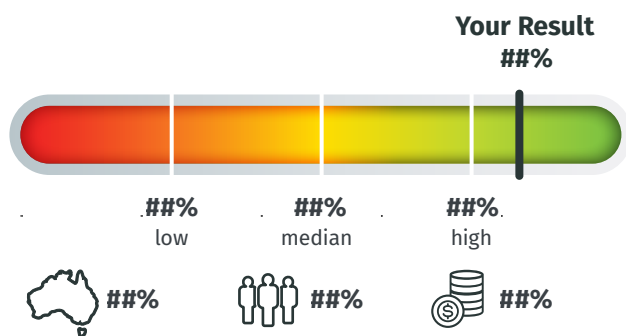


Your firm's result analysis will be displayed here.

Partner Impact – Clients and Pricing

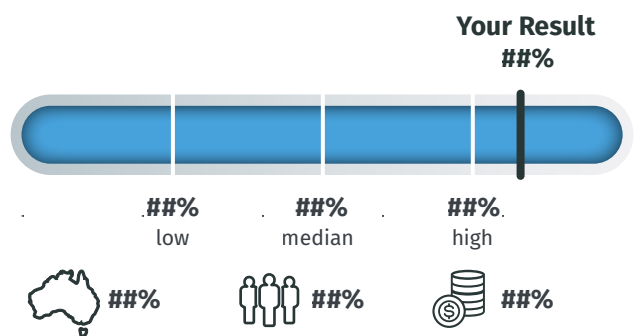
Partner Impact – Clients and Pricing reviews the influence of your firm's partners on client relations and pricing strategies, comparing their effectiveness in these areas with industry standards.

Client Growth Rate



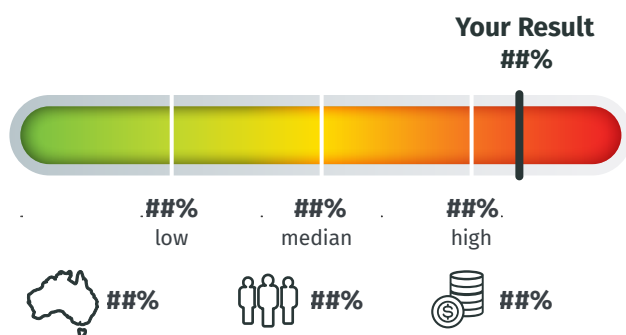
Your firm's result analysis will be displayed here.

Clients per Equity Partner



Your firm's result analysis will be displayed here.

Net Write Offs / Write Ons %



Your firm's result analysis will be displayed here.

Expenses and Operations Analysis (Example Only)

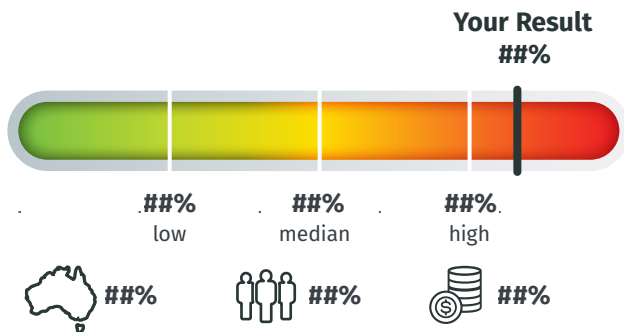
Your firm's performance in Expenses and Operations Analysis is on par with industry norms. This reflects a competent handling of operational costs and processes, though there may be scope for further efficiency gains. The current level indicates adequate expense management, but with potential areas for cost optimisation and operational improvements.



Operations Management

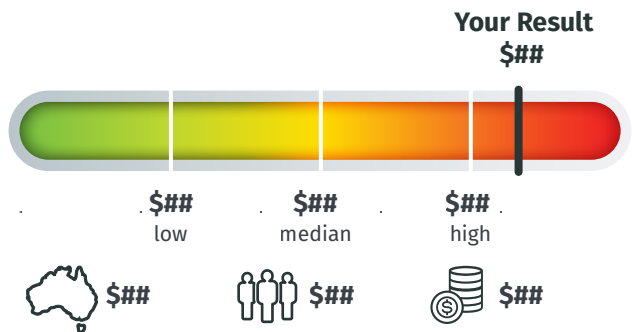
Operations Management explores the efficiency of your firm's internal processes and resource allocation, benchmarking them against industry practices to assess overall operational effectiveness.

Lock Up Days



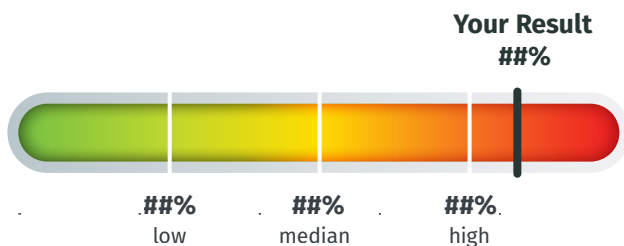
Your firm's result analysis will be displayed here.

Debtor days



Your firm's result analysis will be displayed here.

Work in Progress Days

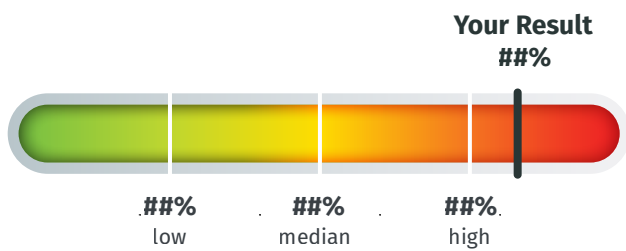


Your firm's result analysis will be displayed here.

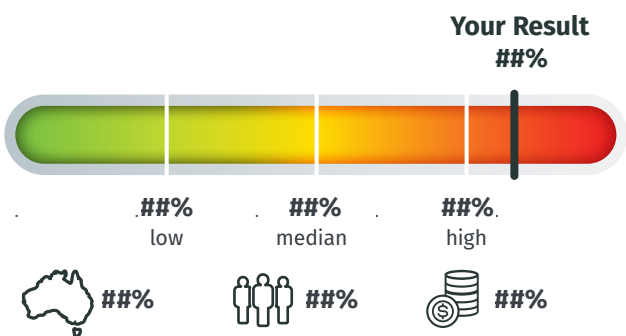
Operating Expenses

Expense Management investigates how your firm handles and optimises its expenditures, comparing your cost control strategies with industry norms.

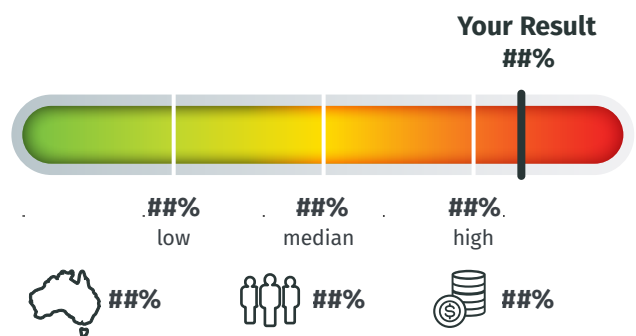
Total Expenses as a % of Revenue



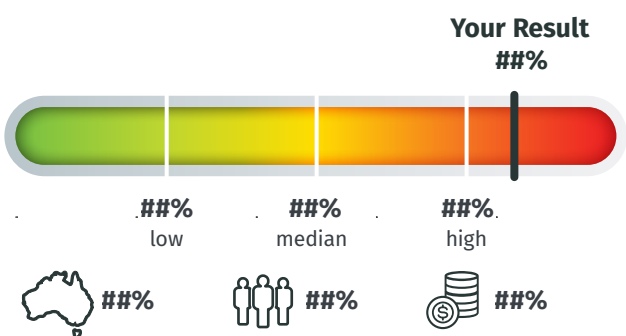
Personnel



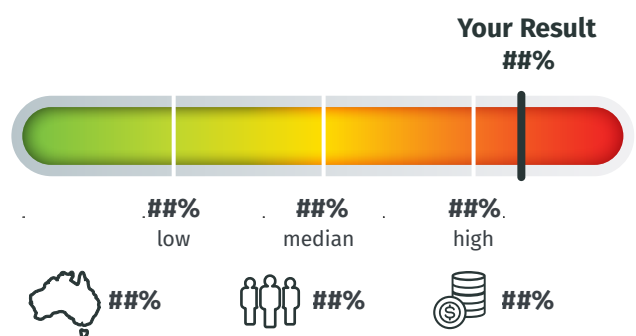
Specific Financial Planning Costs



Occupancy

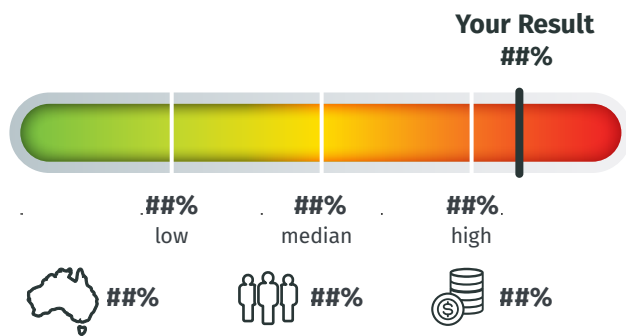


Information Technology



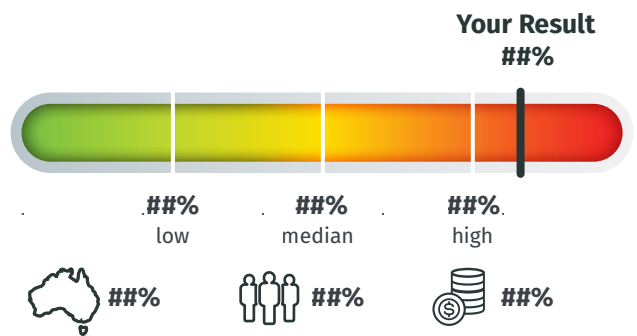
Operating Expenses continued

Financial



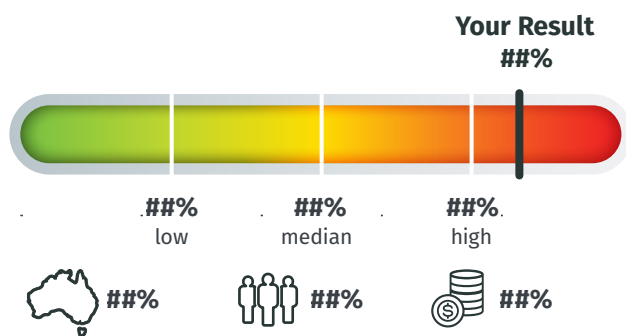
Your firm's result analysis will be displayed here.

Insurance



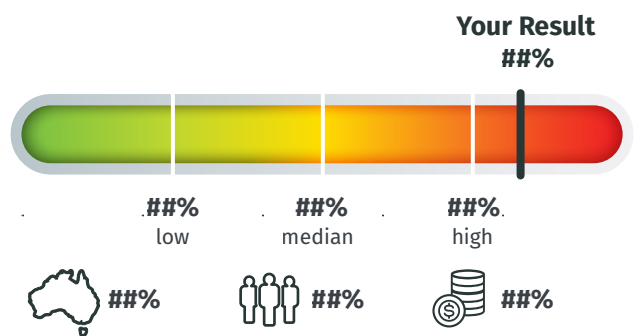
Your firm's result analysis will be displayed here.

Vehicles & Equipment



Your firm's result analysis will be displayed here.

Miscellaneous

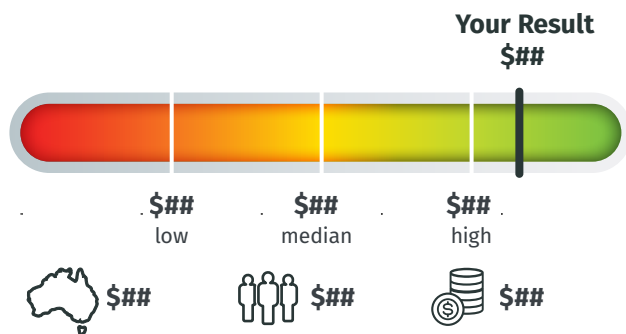


Your firm's result analysis will be displayed here.

Premises Management

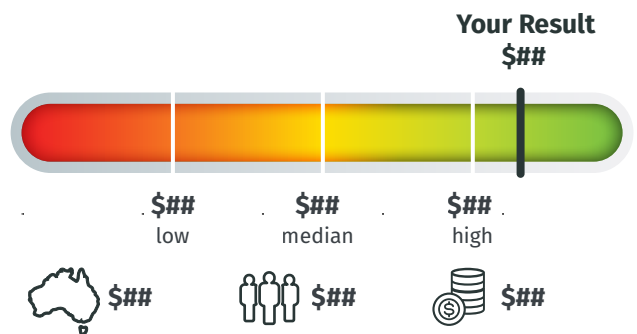
Premises Management Analysis evaluates how your firm utilises and administers its physical workspace.

Floor Area per Person



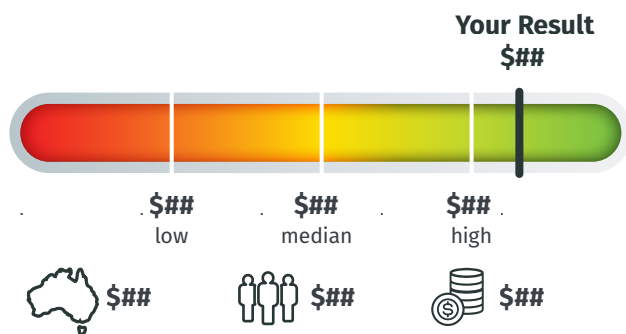
Your firm's result analysis will be displayed here.

Rent per sq Metre of Premises Area



Your firm's result analysis will be displayed here.

Heat/Light/Power Cost per Person



Your firm's result analysis will be displayed here.

Partner's Position (Example Only)

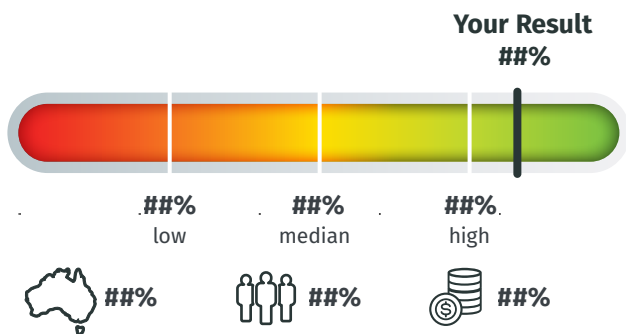
Partners' Position within your firm is strong, reflected by high dollar return attributed to each equity partner. This is indicative of the substantial impact partners have on the firm's equity.



Equity per Equity Partner

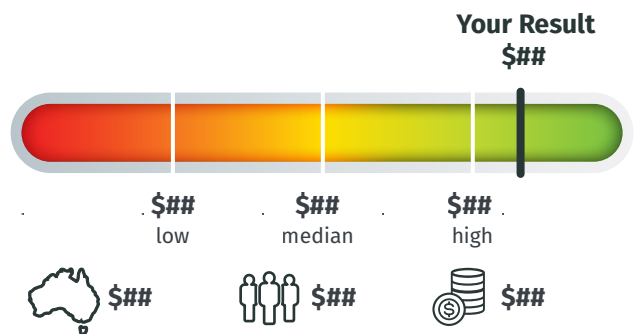
Equity per Equity Partner examines the ownership stake of each equity partner in your firm, comparing these figures with industry benchmarks to assess financial structure and partner investment.

Total Reported Equity (per Equity Partner)



Your firm's result analysis will be displayed here.

Total Reported Equity excl Goodwill (per Equity Partner)

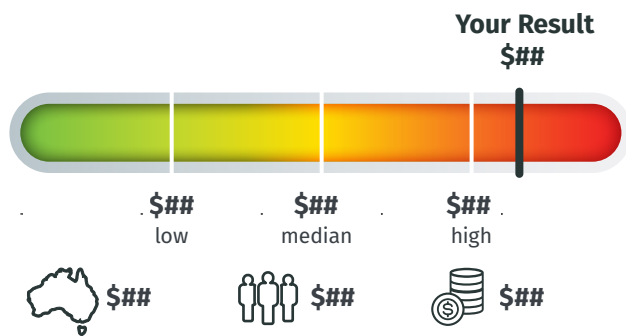


Your firm's result analysis will be displayed here.

Pricing Analysis

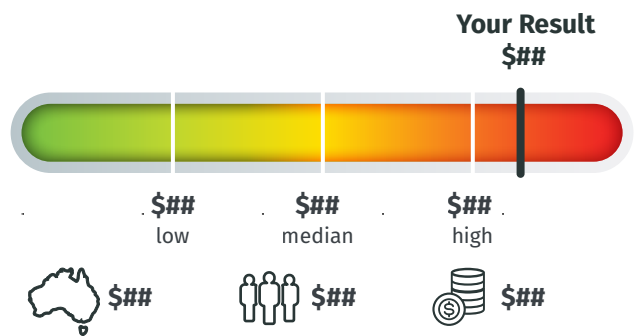
Pricing Analysis assesses the impact of billing adjustments on your firm's revenue accuracy and the efficiency of billing practices, as measured by the average write-down per involved staff member.

Net Write-Downs



Your firm's result analysis will be displayed here.

Net Write-Downs Per Person



Your firm's result analysis will be displayed here.

Benchmarking Tables

Table of all the benchmarks and your company's performance. Broken down by [Revenue](#).

	Your Business	All Average	Below \$1,000,000	\$1,000,000 to \$1,500,000	\$1,500,001 to \$2,200,000	\$2,200,001 to \$3,200,000	\$3,200,001 to \$4,500,000	\$4,500,001 to \$7,000,000	More Than \$7,000,000
Revenue									
Total Revenue	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Revenue per Partner	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Revenue per FTE	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Revenue per Chargeable Person	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
FTE									
Total FTEs	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Total FTE Partners	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Total Clients	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Gross Profit									
Gross Profit % (BPS)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Gross Profit per Partner (BPS)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Profit									
Net Profit \$ (BPS)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Profit % (BPS)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Profit per Partner (BPS)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Profit per FTE (BPS)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Profit (APS) \$	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Profit (APS) %	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Profit After Notional Principal Salary	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
People									
Leverage Structure	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Chargeable / Non Chargeable Ratio	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Salaries as a % of Revenue	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Productivity – all FTEs	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Productivity – Chargeable Only (excl Equity Partners)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Productivity – Equity Partners	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Total Non-Salary Overheads	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Clients									
Clients per Equity Partner	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Average Fee per Client	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Client Growth	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
% of Fees Charged...									
under \$500	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
\$500 - \$1,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
\$1,000 - \$3,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
\$3,000 - \$5,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
\$5,000 - \$10,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
\$10,000 - \$20,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
\$20,000+	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000

	Your Business	All Average	Below \$1,000,000	\$1,000,000 to \$1,500,000	\$1,500,001 to \$2,200,000	\$2,200,001 to \$3,200,000	\$3,200,001 to \$4,500,000	\$4,500,001 to \$7,000,000	More Than \$7,000,000
Operational Statistics									
Average Hourly Rate - Before Write Offs									
Average Hourly Rate - After Write Offs									
Net Write Offs / Write Ons %									
Work in Progress Days									
Debtor Days									
Lock Up Days									
Income as a % Revenue									
Traditional Accounting Services									
Auxiliary Services									
Financial Planning									
Others									
Expenses as a % of Revenue									
Total Expenses as a % of Revenue									
Personnel									
Specific Financial Planning Costs									
Occupancy									
Information Technology									
Financial									
Insurance									
Vehicles & Equipment									
Miscellaneous									
Pricing Analysis									
Net Write-Downs									
Net Write-Downs per Person									
Equity per Equity Principal									
Total Reported Equity									
Reported Equity, excl Goodwill									
Premises Usage									
Floor Area per Person									
Rent per sq Metre of Premises Area									
Heat/Light/Power Cost per Person									

Benchmarking Tables

Table of all the benchmarks and your company's performance. Broken down by [Total FTE](#).

	Your Business	All Average	Less than 7	7 to 9.9	10 to 15	16 to 22	23 to 30	more than 30
Revenue								
Total Revenue								
Revenue per Partner								
Revenue per FTE								
Revenue per Chargeable Person								
FTE								
Total FTEs								
Total FTE Partners								
Total Clients								
Gross Profit								
Gross Profit % (BPS)								
Gross Profit per Partner (BPS)								
Net Profit								
Net Profit \$ (BPS)								
Net Profit % (BPS)								
Net Profit per Partner (BPS)								
Net Profit per FTE (BPS)								
Net Profit (APS) \$								
Net Profit (APS) %								
Net Profit After Notional Principal Salary								
People								
Leverage Structure								
Chargeable / Non Chargeable Ratio								
Salaries as a % of Revenue								
Productivity – all FTEs								
Productivity – Chargeable Only (excl Equity Partners)								
Productivity – Equity Partners								
Total Non-Salary Overheads								
Clients								
Clients per Equity Partner								
Average Fee per Client								
Client Growth								
% of Fees Charged...								
under \$500								
\$500 - \$1,000								
\$1,000 - \$3,000								
\$3,000 - \$5,000								
\$5,000 - \$10,000								
\$10,000 - \$20,000								
\$20,000+								

	Your Business	All Average	Less than 7	7 to 9.9	10 to 15	16 to 22	23 to 30	more than 30
Operational Statistics								
Average Hourly Rate - Before Write Offs								
Average Hourly Rate - After Write Offs								
Net Write Offs / Write Ons %								
Work in Progress Days								
Debtor Days								
Lock Up Days								
Income as a % Revenue								
Traditional Accounting Services								
Auxiliary Services								
Financial Planning								
Others								
Expenses as a % of Revenue								
Total Expenses as a % of Revenue								
Personnel								
Specific Financial Planning Costs								
Occupancy								
Information Technology								
Financial								
Insurance								
Vehicles & Equipment								
Miscellaneous								
Pricing Analysis								
Net Write-Downs								
Net Write-Downs per Person								
Equity per Equity Principal								
Total Reported Equity								
Reported Equity, excl Goodwill								
Premises Usage								
Floor Area per Person								
Rent per sq Metre of Premises Area								
Heat/Light/Power Cost per Person								

Benchmarking Tables

Table of all the benchmarks and your company's performance. Broken down by [Location](#).

	Your Business	All Average	Queensland	Victoria	New South Wales	Others
Revenue						
Total Revenue		\$3,200,172.12	\$2,713,400.60	\$3,002,007.15	\$7,000,765.01	\$3,000,000.07
Revenue per Partner						
Revenue per FTE						
Revenue per Chargeable Person						
FTE						
Total FTEs						
Total FTE Partners						
Total Clients						
Gross Profit						
Gross Profit % (BPS)						
Gross Profit per Partner (BPS)						
Net Profit						
Net Profit \$ (BPS)						
Net Profit % (BPS)						
Net Profit per Partner (BPS)						
Net Profit per FTE (BPS)						
Net Profit (APS) \$						
Net Profit (APS) %						
Net Profit After Notional Principal Salary						
People						
Leverage Structure						
Chargeable / Non Chargeable Ratio						
Salaries as a % of Revenue						
Productivity – all FTEs						
Productivity – Chargeable Only (excl Equity Partners)						
Productivity – Equity Partners						
Total Non-Salary Overheads						
Clients						
Clients per Equity Partner						
Average Fee per Client						
Client Growth						
% of Fees Charged...						
under \$500						
\$500 - \$1,000						
\$1,000 - \$3,000						
\$3,000 - \$5,000						
\$5,000 - \$10,000						
\$10,000 - \$20,000						
\$20,000+						

	Your Business	All Average	Queensland	Victoria	New South Wales	Others
Operational Statistics						
Average Hourly Rate - Before Write Offs						
Average Hourly Rate - After Write Offs						
Net Write Offs / Write Ons %						
Work in Progress Days						
Debtor Days						
Lock Up Days						
Income as a % Revenue						
Traditional Accounting Services						
Auxiliary Services						
Financial Planning						
Others						
Expenses as a % of Revenue						
Total Expenses as a % of Revenue						
Personnel						
Specific Financial Planning Costs						
Occupancy						
Information Technology						
Financial						
Insurance						
Vehicles & Equipment						
Miscellaneous						
Pricing Analysis						
Net Write-Downs						
Net Write-Downs per Person						
Equity per Equity Principal						
Total Reported Equity						
Reported Equity, excl Goodwill						
Premises Usage						
Floor Area per Person						
Rent per sq Metre of Premises Area						
Heat/Light/Power Cost per Person						

Future Trends

The Australian accounting industry is currently undergoing moderate changes, due to developments in technology, shifting client demands, and market adjustments. This section, which includes additional market research, shows relevant statistics and trends that are expected to impact the industry in the forthcoming years. We have examined these insights, with the aim to provide practical information and strategies to assist accounting professionals in adapting to these gradual changes.



Investment In AI & Automation: The Known Path Yet Travelled

Accounting firms are increasingly investing in automation tools and software, a trend more pronounced among high-profit firms. This strategic investment is paying off, as 89% of accountants report enhanced profitability and efficiency due to automation.¹

The commitment to automation also correlates with significant cost reductions. Firms dedicating at least 20% of their IT budget to automation see a 17% decrease in operational costs, compared to a modest 7% for those with less than 5% investment.²

However, the adoption of Artificial Intelligence (AI) in accounting is still in its early stages. While a majority of accountants recognise AI's potential, only a small fraction are actively investing in AI training. In Australia, 37% of firms are eyeing technology investments to grow their business, underscoring the industry's cautious yet growing interest in AI.³

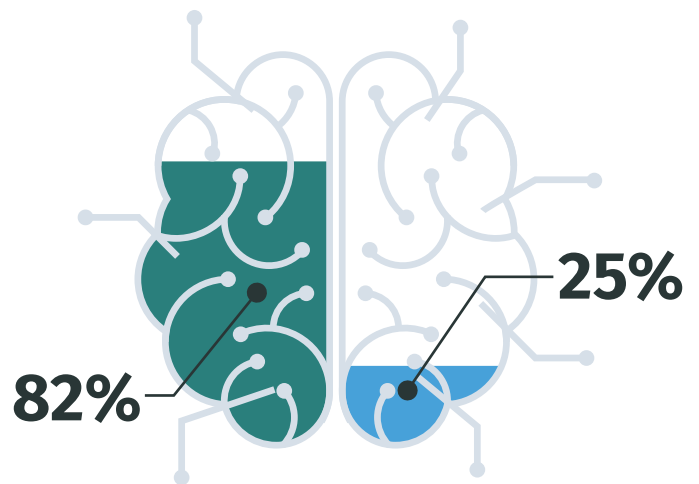
The push towards automation and AI is further important in the context of skilled accountant shortages. By leveraging these technologies, firms can optimise staff utilisation and meet the evolving client demands for quicker, more efficient online services with reduced paperwork. This technological integration will be a key factor for firms to maintain competitiveness and adapt to changing market needs.⁴

¹The BILL 2023 Accounting Firm Automation Opportunity Report

²Bain Automation Pathfinder Survey 2022

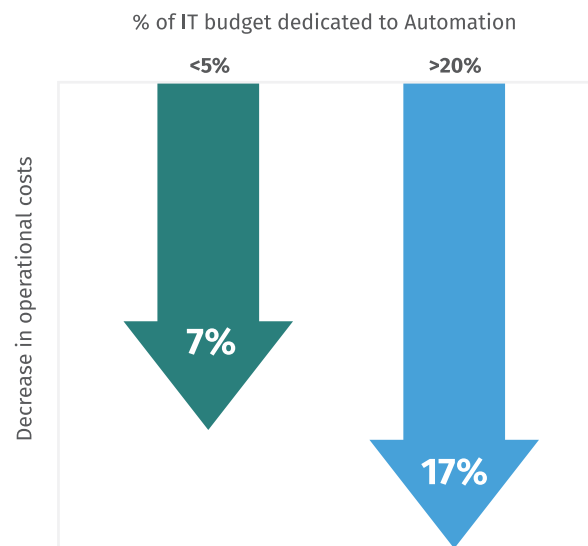
³Karbon Report, The State of AI in Accounting Report 2024

⁴NAB, Accounting & Financial Planning Report 2024



While 82% of accountants are intrigued or excited by AI, only 25% are actively investing in AI training for their teams

Source: Karbon Report, The State of AI in Accounting Report 2024



Firms dedicating at least 20% of their IT budget to automation see a 17% decrease in operational costs, compared to a modest 7% for those with less than 5% investment.

Source: Bain Automation Pathfinder Survey 2022

To enhance business performance, Australian accounting firms should consider increasing their investment in automation tools and AI. This approach can lead to improved efficiency and profitability, while also addressing the current shortage of skilled accountants. Thoughtful integration of these technologies is key to maintaining a competitive edge in the market.

- SmithInk

Slowly, But Surely, Shifting To More Advisory Services

There is a clear, albeit sluggish, trend towards accounting firms in Australia offering more advisory services. The 2023 NAB report shows a 10% increase in accounting firms offering business strategy services from 2018 to 2023.⁵

Globally, 57% of firms are expanding or planning to expand their advisory services in 2024, and a significant portion aims to derive over half of their revenue from advisory services in the future.⁶ The shift from traditional accounting roles to more

strategic and advisory functions is driven by a myriad of factors.

A rise in advisory services is expected to lead to higher revenue for firms and increased client satisfaction.

⁵NAB, Accounting & Financial Planning Report 2024

⁶Spotlight Reporting 2023/2024 Global Advisory Trends Report Realise Success in the Changing World of Accounting

⁷Xero State of the Industry Report 2023

⁸Australian Government, Labour Market Insights



Increase Demand From Business Owners

Business owners are expecting more from their accountants. There is a growing demand for accountants who can provide non-traditional services such as insights into industry-specific strategies, business planning and financial health checks.⁷



Access To New Automation Tools

Automation tools are streamlining traditional accounting tasks, freeing up professionals to focus on higher value complementary work. Therefore, it is expected the trend to be the 'trusted business advisor' will see a higher take up rate than previous years.



Reduced Need Of The Bookkeeper

The number of bookkeepers in Australia is set to fall 5.6% over the next 5 years.⁸ This reflects the continued decline in demand for bookkeeping services from business owners. However, this offers opportunity for reskilling these positions into more strategic and advisory roles.

Looking ahead, we are expecting to see a pretty big increase in advisory services earnings as an overall percentage of business income. This strategic move not only aligns with the changing needs of clients but also positions firms to strengthen their market presence and attract a dynamic workforce. However, the challenge to unlock this opportunity is to ensure that the firm has sufficient capacity to provide these services.

- SmithInk

Traditional Accounting Is Not Dead

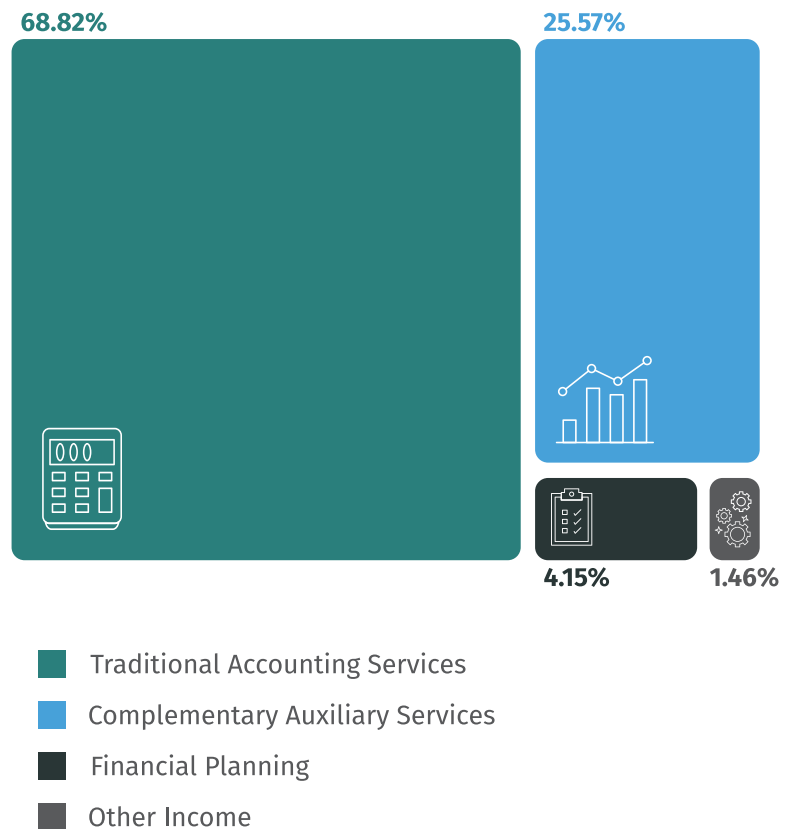
For the Australian accounting industry, traditional services like compliance, auditing, and tax planning are forecast to remain the bulk of many firms' revenues for the next 5-10 years.

Even as the industry experiences a shift towards advisory services, these are seen as complementary to, rather than replacing, traditional accounting functions. The continued requirement for reliable tax advice and regulatory compliance highlights the ongoing relevance of these core services.

With the integration of automation technologies, tasks related to compliance and tax planning will increasingly be executed more efficiently and accurately. This technological advancement will allow accountants to streamline their conventional duties, thereby freeing up time and resources to focus on higher-value-added services.

However, it's important to note that the need for skilled accounting expertise will persist. Automation enhances the efficiency of these services but does not replace the fundamental requirements for professional judgment and expertise in areas like compliance and tax planning.

% OF REVENUE EARNED FROM SERVICES



Source: The Crunch 2023, The Annual Accounting Firm Benchmark Report

Accounting firms will maintain their traditional revenue streams in compliance, auditing, and tax planning, as these remain vital to their business model. Simultaneously, they can explore gradual expansion into advisory services, ensuring that the introduction of new offerings complements, rather than replaces, their established, reliable income sources. - SmithInk

Strategic Hiring

Recruitment and retention issues are expected to continue to affect the accounting industry at both firm and industry levels for the next 2-5 years.

Currently, firms face difficulties in attracting limited talent, with 69% of firms identifying staff hiring and retention as their top challenge.⁹This is supported by additional research showing that 46% of Australian accounting teams were understaffed in 2023.¹⁰

In addition, the accounting industry as a whole should brace for a continuous outflow of accountants. This is due to the anticipated retirement of 50,000 accountants in the next 15 years.¹¹This trend is also

happening globally with research showing 1 in 3 accountants are considering leaving the profession in the near future.¹²

It is forecast that new technologies will support with streamlining operations which should provide some ease for firms. However, the ongoing need for skilled accountants will continue to burden firms and the industry for the short-term.

⁹ NAB, Accounting & Financial Planning Report 2024

¹⁰ 2023 People2people Recruitment's Annual Salary And Employment Report

¹¹ Chartered Accountants Australia & New Zealand (CA ANZ) and CPA Australia, 2022, Review of the Future of the Migration System

¹² Accountants Daily, 05 June 2023, Over a third of accountants are considering leaving in next 5 years



7 out of 10

Australian accounting firms identify staff hiring and retention as their top challenge.



In 2023, almost half of Australian accounting teams were understaffed



In the next 15 years, **50,000** accountants are forecast to retire in Australia.

The current 'accountant shortage' is not going away any time soon. To tackle this, firms must focus on attracting new, especially younger, staff by offering improved working conditions, flexible work arrangements, and engaging/interesting workloads. Most accounting firms are either using, or considering the use, of offshoring work to compensate for difficulties in finding labour. Additionally, addressing work-life balance will be important for firms to retain talented employees. This strategy is essential for maintaining a dedicated and skilled workforce in the accounting industry. - SmithInk

Mergers & Succession Planning

In the coming years, the accounting industry is expected to witness a rise in acquisitions. Many firms are eyeing purchases as a key component of their growth strategies.¹³

Additionally, research identifies firms struggling to secure the necessary talent are opting to merge with others who possess the required expertise.¹⁴

In Australia, 28% of firms are planning to purchase all or part of another business in the next two years, contrasting with just 15% planning to sell. This market condition suggests that firms looking to sell may find themselves in a favourable position due to the higher demand and limited supply.¹⁵

In this market environment, firms looking to sell might find their value perceived as higher, due to the limited number of available firms for acquisition. This reflects wider trends in the industry, where combining and strategically aligning services is becoming more common. As the industry evolves, these emerging trends in mergers and acquisitions are expected to significantly influence the competitive landscape of the Australian accounting industry.

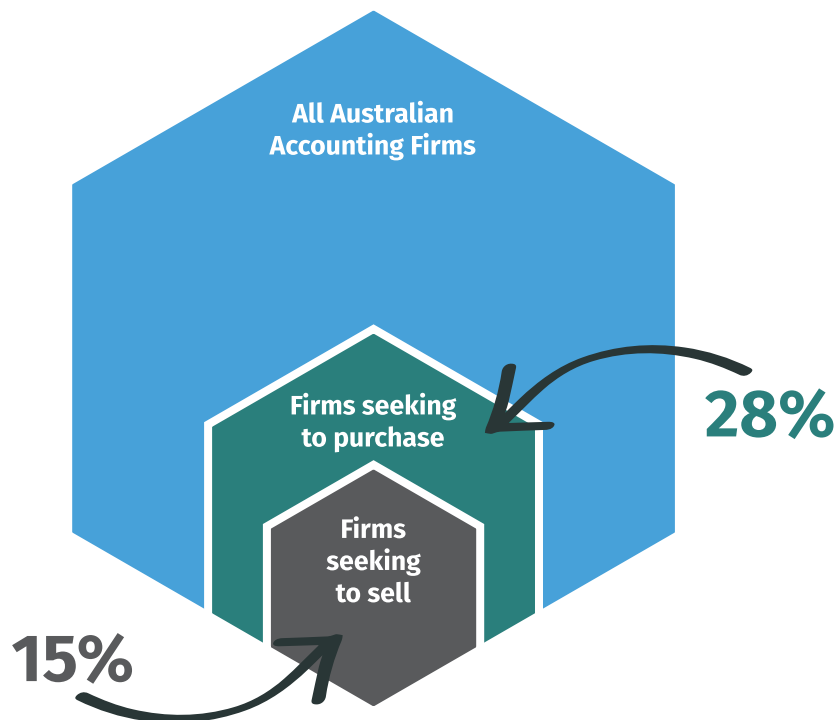
¹³ NAB, Accounting & Financial Planning Report 2024

¹⁴ Spotlight Reporting 2023/2024 Global Advisory Trends Report Realise Success in the Changing World of Accounting

¹⁵ NAB, Accounting & Financial Planning Report 2024

This scenario presents a unique opportunity for firms contemplating a sale. Those looking to sell should consider developing a robust exit strategy to capitalise on this market trend. By doing so, they can position themselves advantageously in a market where demand for acquisitions outstrips the supply of available firms. This approach not only aids in achieving a successful succession but also ensures a beneficial outcome for the selling parties.

- SmithInk



28% of firms are planning to purchase all or part of another business in the next two years **15%** of firms are planning to sell, indicating a dynamic market with more buyers than sellers.

Your Next Steps

We trust this benchmark report has provided you with valuable insights into the financial performance, employee productivity and partner impact within your accounting firm.

With this data at hand, there is now an opportunity to strategise and implement enhancements that will drive future success.

We sincerely appreciate your participation in this study and look forward to having you back for more number crunching in future years.

For more information about your report, please contact:

The Benchmarking Group

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About the Participants

The Crunch report analysed the financial and operational dimensions of 85 Australian accounting firms. 13% of these firms have an annual revenue of less than \$1 million, while 11% earn over \$7 million. The most common revenue range is between \$1 million and \$1.5 million, representing 19% of the cohort. 16% generated \$1.5 million to \$2.2 million, 14% reported both \$2.2 million to \$3.2 million and \$4.5 million to \$7 million, and the \$3.2 million to \$4.5 million range included 13%.

Regarding staffing, the largest proportion of firms, accounting for 24%, have between 10 and 15.9 FTEs. Those with fewer than 7 FTEs make up 20%, while firms with 23 to 30.9 FTEs and those with more than 30 FTEs account for 17% and 12% respectively. A smaller number of firms, 14%, have between 7 to 9.9 FTEs, and 13% have between 16 to 22.9 FTEs.

Firms are primarily based in NSW, VIC, and QLD, each hosting approximately 29% of the total. Western Australia has 6%, South Australia 5%, and both the Northern Territory and Tasmania have 1% representation; no firms from the Australian Capital Territory were included in the survey.

28% of firms are run by a single FTE equity partner, and an equal percentage have between 1.1 and 2 partners. Those with 2.1 to 3 partners constitute 17%, those with 3.1 to 6 partners make up 14%, and firms with more than 5.6 partners comprise 13%.

The report offers a detailed quantitative look at the varied business sizes and geographic distributions within the Australian accounting sector.

Benchmarking KPIs Methodology

The Benchmarking KPI graphs display low, median, and high results. These results are calculated by identifying the median value within each quartile of the total sample available. Using the median of the quartiles allows for the most accurate benchmarking results for each KPI.

Benchmarking Tables Methodology

The benchmarking tables provide an average result for each bracket. In this table, using the average results makes it easier to compare each bracket to your business and the overall average for all firms in the sample.

Important Information

The service provided by [Benchmarking.com.au](https://benchmarking.com.au) is a service based on statistical analysis of corporate balance sheets and profit and loss information. [Benchmarking.com.au](https://benchmarking.com.au) makes every effort to provide a high quality service but does not invite reliance upon, nor accept responsibility for, the information provided to subscribers to this website.

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Full terms and conditions are available at <https://benchmarking.com.au/terms-of-service/>

Glossary

The below glossary clarifies the KPI definitions which appear on both the Benchmarking KPI's and Tables.

A

% of Clients Fees Billed per Price Bracket

The percentage of clients billed in each category annually helps your firm understand its market segmentation and service reach.

Average Fee per Client

The average fee per client is a key metric for your firm, offering insights into your pricing strategies and the value clients place on your services.

Average Hourly Rate - After Write Offs

The average hourly rate after write offs provides your firm with a realistic assessment of billing rates and the financial impact of negotiated discounts or client adjustments.

Average Hourly Rate - Before Write Offs

Calculating the average hourly rate before write-offs gives your firm a baseline measure of billing efficiency and pricing structure.

C

Client Growth Rate

Client growth rate measures the success of your firm in maintaining and growing your client base.

Clients per Equity Partner

The average number of clients managed by each equity partner at your firm is indicative of client service levels and partner workload.

D

Debtor Days

Debtor days provide a timeline for how quickly your firm can convert its services into cash flow, demonstrating your liquidity management.

E

Expenses as a % of Revenue

Expenses as a percentage of revenue provide a comprehensive look at your firm's cost structure relative to its income, informing on expense and operational management.

F

Fee Earner / Non-Fee Earner Ratio

This ratio of fee earners to non-fee earning staff is important for your firm to gauge efficiency in workforce deployment for revenue-generating activities.

Floor Area per Person

The floor area allocated per staff member at your firm can influence operational efficiency and employee satisfaction.

G

Gross Profit % (Before Partners Salary - BPS)

Your firm's gross profit margin before partner salaries illustrates the profitability of your services before operational expenses and provides a health check of your pricing strategies.

Gross Profit per Partner (BPS)

Gross profit per partner before partner salaries is a benchmark KPI which allows your firm to compare the gross profit earnings of each FTE equity partner.

H

Heat/Light/Power Cost per Person

Utility costs per staff member at your firm are important for managing operational expenses and sustainability practices.

L

Leverage Structure

Your firm's leverage structure, indicating the ratio of non-partner to partner staff, informs on scalability and potential for profit maximisation.

Lock Up Days

Lock up days measure the time from work done to cash received, reflecting the efficiency of your firm's billing cycle and working capital management.

N

Net Profit % (After Partner's Notional Salary)

To enable accurate benchmarking, a notional salary of \$200,000 per FTE partner is applied to each firm. The percentage of net profit after the partner's notional salary reflects your firm's ability to generate profits after adequate payments to all partners.

Net Profit % (After Partner's Salary)

Net profit after partner salaries as a percentage provides a clear view of your firm's profitability, factoring in the cost of all equity partners.

Net Profit % (BPS)

Net profit margin before partner salaries adds all partner salaries back to profit. As there is significant variance in the payments made to partners, and the number of partners in each firm, excluding partners salaries enables a more accurate benchmark comparison across firms.

Net Profit per FTE (BPS)

The net profit per FTE before partner salaries reveals the profitability contributed by your firm's workforce, highlighting efficiency in staff utilisation and cost management.

Net Profit per Partner (BPS)

Net profit per partner before partner salaries is a precise measure of profitability attributable to each partner, influencing decisions on profit distribution and strategy within your firm.

Net Write Offs / Write Ons %

The percentage of work written off or added is a critical metric for your firm, reflecting on billing accuracy and client negotiations.

Net Write-Downs

Total reductions in billed amounts, or net write-downs, impact your firm's revenue accuracy and highlight the importance of precise billing practices.

Net Write-Downs per Person

The average write-down value per person involved offers insights into the efficiency and accuracy of your firm's billing processes.

P

Productivity – all FTEs

Assessing productivity across all FTEs, including both fee earning staff and equity partners, gives your firm opportunity to evaluate overall operational efficiency.

Productivity – Equity Partners

Assessing the productivity of equity partners specifically allows your firm to measure the effectiveness of its leadership in generating revenue and managing client engagements.

Productivity – Fee Earners only (excluding Equity Partners)

Productivity for fee earning staff, excluding equity partners, is a key metric for your firm, highlighting the efficiency of your billable workforce and its impact on profitability.

R

Rent per Sq Metre of Premises Area

Understanding the rent per square meter of your premises is key for your firm to manage its occupancy costs effectively.

Reported Equity, excl Goodwill

Equity value excluding goodwill provides a focused look at the tangible worth of your firm, an essential aspect of financial health and valuation.

Revenue per Chargeable Person

The revenue generated per chargeable person is an important metric for your firm, measuring the direct financial contribution of staff who are actively engaged in billable work.

Revenue per FTE (Full-Time Equivalent)

Revenue per full-time equivalent (FTE) gauges the average output of your workforce, essential for assessing how effectively your firm is utilising its human resources.

Revenue per Partner

Revenue per partner is a key performance indicator that measures the ability of each partner to generate revenue, directly reflecting their contribution to your firm's overall financial success.

S

Salaries as a % of Revenue

The percentage of total revenue spent on salaries is a direct indicator of your firm's investment in its workforce relative to its income. This figure does not include salaries of equity partners.

T

Total Reported Equity

The total equity reported by equity partners of your firm is a testament to your financial strength and capital resources.

W

Work In Progress Days

Monitoring the average number of days work remains in progress is important for your firm to manage workflow and project completion timelines.



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