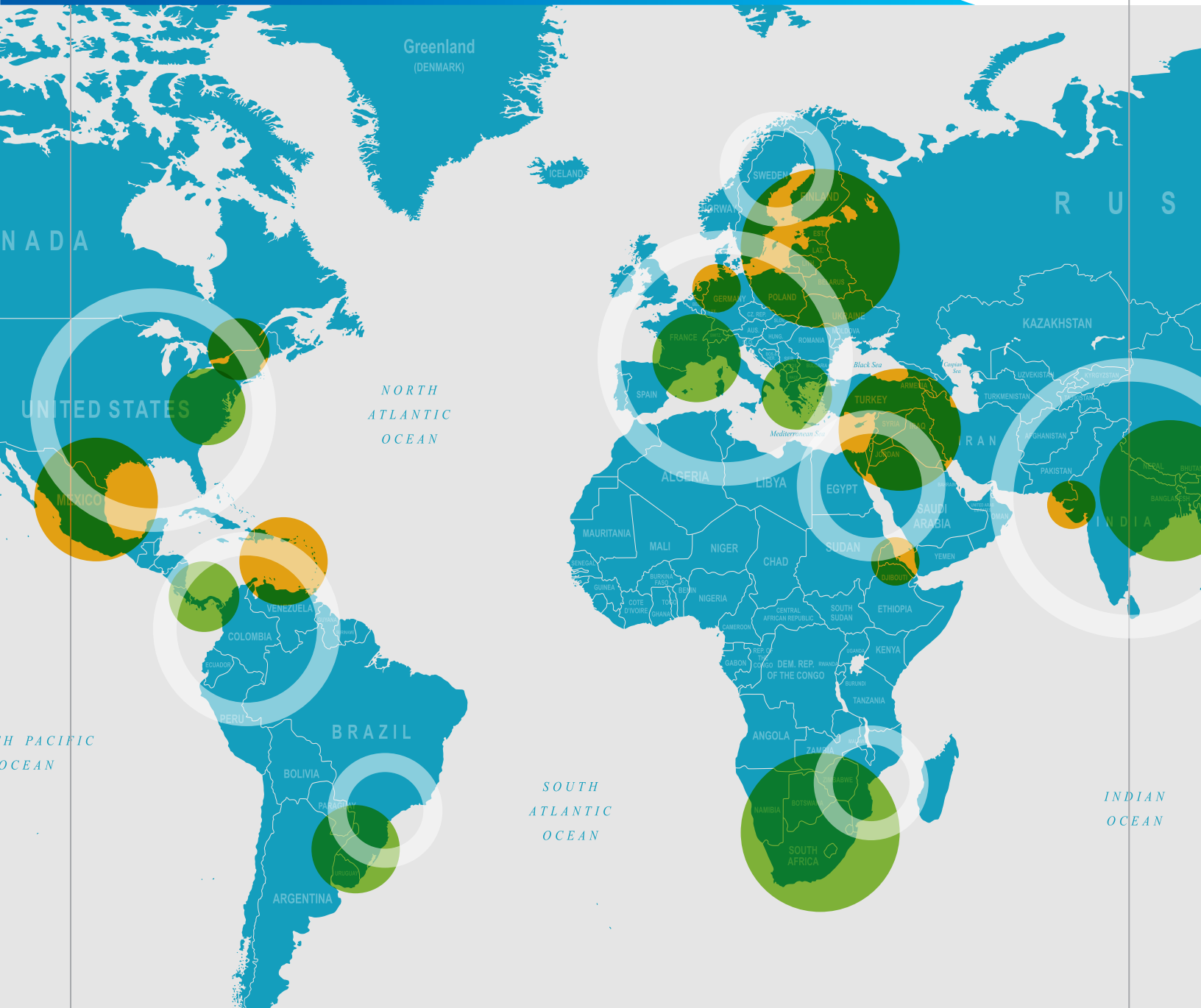


IFAC GLOBAL SMP SURVEY: 2016 RESULTS





R U S S I A

UZBEKISTAN

MONGOLIA

*NORTH
PACIFIC
OCEAN*

C H I N A

AFGHANISTAN

PAKISTAN

I N D I A

NEPAL

BHUTAN

BANGLADESH

BURMA

LAOS

THAILAND

CAMBODIA

*INDIAN
OCEAN*

A U S T R A L I A

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- Supporting the development of high-quality international standards;
- Promoting the adoption and implementation of these standards;
- Building the capacity of professional accountancy organizations; and
- Speaking out on public interest issues.

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.

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ISBN: 978-1-60815-334-3

EXECUTIVE SUMMARY

The 2016 IFAC Global SMP Survey asked practitioners from small- and medium-sized practices (SMPs) across the globe about: their challenges, how various environmental factors may affect them over the next five years, their 2016 revenues and projected 2017 revenues, and the consulting services they provided. It additionally reports on practitioners' views on the impact of challenges faced by their small- and medium-sized entity (SME) clients. And, it introduced questions on personnel and staffing issues, technology challenges, collection ratios, and employee utilization ratios.

ABOUT THE 2016 SURVEY AND PROFILE OF RESPONDENTS

Between October 1, 2016, and November 30, 2016, 5,060 respondents representing 164 countries completed the survey.

This report provides a summary of the overall results as well as a breakdown by region and size of practice. The largest groups of respondents were from Europe (38%) and Asia (28%). Africa (14%) was also well represented. Central and South America/Caribbean (7%), North America (5%), the Middle East (5%), and Australasia and Oceania (3%) had a lower representation.

A majority (71%) of respondents were either sole practitioners (35%) or practitioners from practices with two to five partners and staff (36%). A majority of respondents (76%) were a Partner, Sole Proprietor, or Owner, with Directors representing an additional 7%. Senior Managers and Managers accounted for 12% of respondents.

While some regions, countries, and larger SMPs were not as well represented, the report provides a summary of all results. Caution should accordingly be exercised when attempting to generalize the results to specific countries or regions or to SMPs of all sizes.

CHALLENGES FACING SMPs

Consistent with 2015 and 2014, a majority of 2016 respondents considered all 12 challenges to be either a moderate, high, or very high challenge. Certain challenges were viewed as more critical with greater than 40% viewing Attracting New Clients (46%), Attracting New and Retaining Existing Staff (42%), Keeping Up with New Regulations and Standards (41%), and Experiencing Pressure to Lower Fees (41%) as a high or very high challenge. Rising Costs and Differentiating from the Competition were regarded as a high or very high challenge by 39%. While the aforementioned were also the top five challenges in the 2015 IFAC Global SMP Survey, it is important to highlight the substantial increase in the percentage of respondents rating Attracting New and Retaining Existing Staff as a high or very high challenge (42%, up from 33% in 2015).

While the top challenges, assessed as those rated as high or very high, varied by region, there were notable similarities. Keeping Up with New Regulations and Standards was

consistently viewed as the top challenge (Central and South America/Caribbean, 57%; Europe, 47%; Australasia and Oceania, 36%; and North America, 35%). Differentiating from the Competition was viewed as a top two challenge in Central and South America/Caribbean (46%) and the Middle East (45%). Attracting New Clients was considered to be a top two challenge in Africa (52%), Middle East (50%), Asia (48%), and Europe (47%). Attracting New and Retaining Existing Staff was viewed as a top two challenge in Australasia and Oceania (36%) and North America (34%). On the other hand, Rising Costs was identified as a top two challenge only in Africa (57%) as was Serving Clients Operating Internationally in Asia (48%).

Questions new to the 2016 survey addressed in more detail the impact of technology and personnel and staffing issues on SMPs. Regarding technology issues, 27% to 38% of respondents reported that each of seven technology issues had a high or very high impact on their SMP. Furthermore, the survey revealed considerable variation across regions. Notably, in general, the technology issues were viewed as having the greatest impact on African SMPs. While the survey unveiled only minor differences in the impact of technology issues by practice size, an exception is that Advances in Data Analytics had a more pronounced impact on the largest practices (21 or more partners and staff).

Another new question addressed the impact of eight personnel and staffing issues. Finding Qualified Staff (at all levels) and Retaining Qualified Staff (at all levels) were considered to have the greatest impact, with 45% and 41%, respectively, viewing the impact as high or very high. Meanwhile, 35% or less rated the remaining issues as having a high or very high impact.

ENVIRONMENTAL FACTORS IMPACTING SMPs OVER NEXT FIVE YEARS

Respondents rated eight environmental factors to assess the extent to which they believe each may impact their SMP over the next five years. Consistent with 2015, the Regulatory Environment continues to be viewed as the most impactful with 56% (52% in 2015) anticipating that the environmental factor will have a high or very high impact. Technology Developments at 52% (43% in 2015) were viewed as having the next highest potential impact on SMPs. The percentage of respondents that viewed Capability to Adapt to New Client Needs (45%, 36% in 2015) and Perceived Trust and Credibility of the Accountancy Profession (43%, 35% in 2015) as potentially having a high or very high impact on SMPs during the next five years also increased substantially in comparison to 2015. For all four environmental factors noted, expectations worsened during 2016, falling more in line with the 2014 results. The survey revealed that each challenge's perceived impact varied markedly by region and somewhat by practice size.

SMP PERFORMANCE IN 2016

In response to a question new to the 2016 survey, a slight majority (52%) reported an overall increase in practice fee revenues during 2016. While 31% indicated that total revenue declined in comparison to the prior year, 17% reported that revenues remained the same. Regionally, a majority of respondents from North America (64%), Africa (58%), Australasia and Oceania (57%), Central and South America/Caribbean (53%), and Asia (52%) reported an increase in revenues. In comparison to other regions, a smaller percentage of respondents from North America (20%) and Australasia and Oceania (23%) reported that their SMP experienced a decrease in total fee revenues. While a majority of respondents representing each of the practice groupings with two or more partners and staff reported an increase in revenues, only 47% of sole practitioners reported an increase in total fee revenues.

For all four service areas (Audit and Assurance; Advisory and Consulting; Tax, including Compliance and Planning; and Accounting, Compilation, and Other Non-assurance/Related Services), revenues remained the same for approximately one-third or slightly more of respondents' practices. For each service area, fee revenues increased moderately or substantially for approximately one-third of respondents' practices. One-quarter or less reported moderate or substantial decreases in fee revenues for each service area. Changes in fee revenues varied both by region and practice size.

A question new to the 2016 survey revealed that nearly half (49%) of respondents' SMPs had a utilization percentage (chargeable hours divided by total hours) of 61-90%, while 9% had a utilization percentage exceeding 90%. Utilization at less than half of capacity was more prevalent in Africa (18%), Asia (17%), and Central and South America/Caribbean (13%). As practice size decreased, the percent of respondents with a practice utilization percentage of less than 50% of capacity increased.

Another new question revealed that 26% of respondents' SMPs experienced an average receivables collection period of 0 to 30 days; this includes 30% or more of the practices in Australasia and Oceania (37%), Central and South America/Caribbean (33%), and Europe (33%). Additionally, 40% or more of respondents from Asia (45%), Africa (43%), and the Middle East (41%) indicated that their SMP had a receivables collection period of 60 days or more. Moreover, 36% of sole practitioners reported a receivables collection period of 0 to 30 days; a smaller percent of respondents from larger SMPs (between 16% and 23%) reported collection of receivables in as timely a manner.

SMP OUTLOOK 2017

About one-third believed their SMP's fees from Accounting, Compilation, and Other Non-assurance/Related Services (32%), Tax (33%), Advisory and Consulting Services (33%), and Audit

and Assurance (30%) will stay the same in 2017. Holding an optimistic outlook, 38% (35% in 2015) anticipated revenue increases for Audit and Assurance Services, and more than 40% expected revenue increases for Accounting, Compilation, and Other Non-assurance/Related Services (44%, 41% in 2015), Tax (42%, 44% in 2015), and Advisory and Consulting Services (45%, 44% in 2015). With the exception of Tax, projected changes were slightly more optimistic compared to prior year's expectations. Generally, a larger percentage of respondents from Africa and Central and South America/Caribbean anticipated fee revenue increases for all four service lines. Respondents from Europe and the Middle East were, in general, less optimistic regarding increases for all the service lines. For all four service areas, respondents from the largest SMPs (21 or more partners and staff) were more optimistic regarding fee increases in 2017 than those representing smaller practices.

BUSINESS ADVISORY AND CONSULTING SERVICES

The most frequently provided business advisory and consulting services in 2016 included Corporate Advisory (48%, 45% in 2015) and Management Accounting (46%, 41% in 2015). The next most frequently provided services included Human Resources and Employment Services (30%, 29% in 2015) and Business Development (29%, 27% in 2015). The survey revealed considerable variability in the frequency of various advisory offerings by region and practice size.

CHALLENGES FACING SME CLIENTS

SMEs continued to face many challenges with a majority of respondents' viewing Economic Uncertainty (61%), Rising Costs (59%), Competition (53%), and Difficulties Accessing Finance (51%) as a high or very high challenge for their SME clients. Additionally, more than 40% considered Keeping up with New Technology (45%), Compliance with Regulation (43%), and Attracting and Retaining Staff (42%) as a high or very high challenge for their SME clients. The results varied considerably by region. For example, in contrast to other regions, a majority from the specified regions viewed the following challenges as a high or very high challenge for their practices' SME clients:

- Economic Uncertainty: Africa (74%), Central and South America/Caribbean (73%), Europe (66%), and the Middle East (63%);
- Rising Costs: Africa (78%), Central and South America/Caribbean (70%), Europe (59%), the Middle East (60%), and Asia (54%);
- Competition: Africa (62%), Central and South America/Caribbean (58%), the Middle East (58%), and Europe (57%); and
- Difficulties in Accessing Finance: Africa (72%), the Middle East (62%), Central and South America/Caribbean (58%), and Europe (52%).

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INTRODUCTION

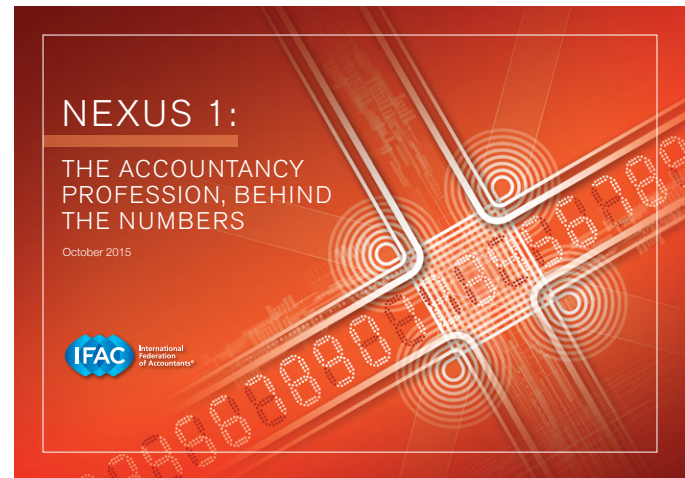
Small- and medium-sized practices (SMPs) constitute the vast majority of accountancy practices worldwide and, in many jurisdictions, are believed to employ the majority of professional accountants working in practice. *Nexus 1: The Accountancy Profession, Behind the Numbers* found that 45% of accountants are in public practice.

It is well recognized that professional accountants are often the preferred source of advice for small- and medium-sized entities (SMEs), typically forming long-term relationships founded on trust (see *The Role of SMPs Providing Business Support to SMEs*). SMPs can provide a range of high-quality professional services to their SME clients, including audit and assurance and expert business advisory services. SMEs account for the vast majority of businesses globally and, in many if not most jurisdictions, account for the majority of private sector GDP, employment, and growth.

IFAC supports this important 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.

This is the sixth consecutive year that IFAC has performed a global SMP survey. This survey is designed to be completed by senior SMP professionals, whose clients are predominately SMEs. It is intended to take a snapshot of key issues, and track important trends and developments, facing this sector. The survey helps IFAC and its members gain an understanding of the specific challenges and opportunities faced by SMPs and SMEs globally, and as a result, better serve this critical constituency.

The 2016 survey contained 11 primary questions, as well as 5 demographic questions. It included new questions on staffing and personnel issues, technology, and key practice benchmarking indicators. In addition, questions on the key SMP and SME challenges, the future environmental factors impacting SMPs, their performance in 2016, and outlook for 2017 were retained to enable comparisons with the 2015 results.



The 2016 survey was the third edition in which leading researchers at the University of Dayton worked closely with IFAC on the analysis of survey data, and the compilation and reporting of results.

IFAC wishes to thank the numerous IFAC member organizations and regional organizations (see pages 41-43 for a list of Acknowledgments) who lent their invaluable assistance in translating and promoting the survey. IFAC extends its appreciation and thanks to the [SMP Committee](#) for assisting in developing the questions for this survey.

The survey helps IFAC and its members gain an understanding of the specific challenges and opportunities faced by SMPs and SMEs globally, and as a result, better serve this critical sector.

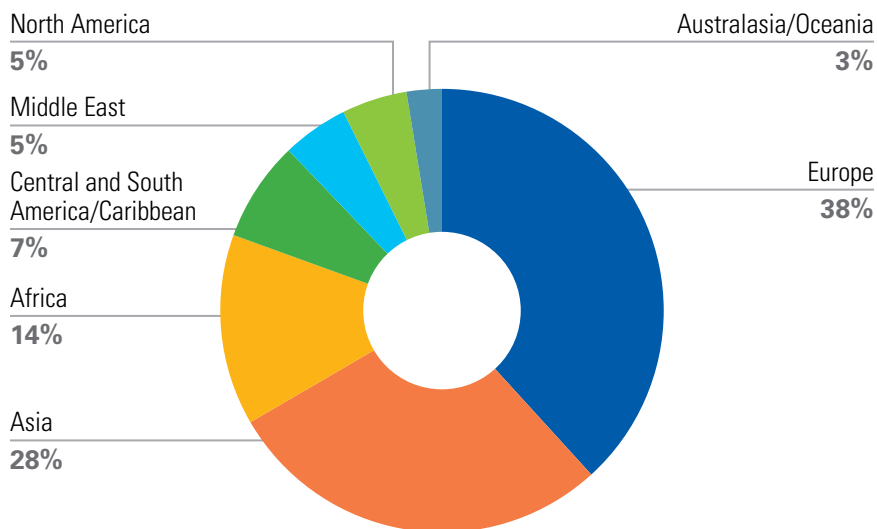
RESPONDENTS AT A GLANCE

Regions of the World. The 2016 IFAC Global SMP Survey was completed by 5,060 SMPs representing 164 countries. The largest groups of respondents were from Europe (38%) and Asia (28%). Africa (14%) was also well represented. Central and South America/Caribbean (7%), North America (5%), the Middle East (5%), and Australasia and Oceania (3%) had a lower representation. Caution should be exercised when evaluating the results from regions with lower participation, as these responses may not reflect the views of the larger population of SMPs in these regions.

COUNTRIES WITH 50 OR MORE RESPONSES

China	493
India	417
Romania	365
Turkey	259
Canada	196
Poland	191
France	168
South Africa	150
Italy	142
Finland	134
Australia	112
Germany	110
Nigeria	109
Pakistan	95
Israel	94
Thailand	93
Uganda	90
Colombia	74
Kenya	69
United Kingdom	66
Spain	62
Brazil	61
Tunisia	61
Malaysia	60
Japan	50

RESPONDENTS BY REGION



However, with the exception of the low response rate from North America, response levels for the other regions are generally in line with the number of members in public practice in each region, based on self-reported memberships of IFAC's member organizations (as of 2014). For example, the response levels from Africa and the Middle East are relatively strong as members in public practice were reported as close to 27,000. In comparison, there were over 440,000 members in public practice reported in Europe and over 270,000 in Asia. Furthermore, the number of respondents from Australasia and Oceania can be linked in part to the regional professional accountancy organizations having nearly 60,000 members in public practice.

Note that, for simplicity, the percentages in some tables and charts are rounded, and totals may therefore not tally to 100.

Countries. Of the 164 participating countries, 4 had more than 200 responses (China, 493; India, 417; Romania, 365; and Turkey, 259) and account for 30% of the responses. Nine countries had between 100 and 200 responses (Canada, 196; Poland, 191; France, 168; South Africa, 150; Italy, 142; Finland, 134; Australia, 112; Germany, 110; and Nigeria, 109), and 12 countries had between 50 and 99 responses. Therefore, approximately 73% of the responses are attributable to 25 countries, each with 50 or more responses.

A majority of Asia's respondents (28% of total respondents) were from the region's two most heavily populated countries—China (10%) and India (8%); Thailand (2%), Malaysia (1%), and Japan (1%) were also well represented. African respondents (14%) were primarily from the continent's most populous country Nigeria (2%), as well as South Africa (3%), Uganda (2%), Kenya (1%), and Tunisia (1%). With Europe accounting for 38% of the overall responses, representation was disproportionately greater in this region for Central Europe (Romania 7% and Poland 4%).

2016 SURVEY

5,060
Responses

in **164** countries



Respondents by Size of Practice.

Consistent with prior years, the survey results were skewed toward the smallest SMPs: 71% of respondents were either sole practitioners (35%) or practitioners from practices with two to five partners and staff (36%). Caution should thus be exercised when attempting to generalize the results to SMPs of all sizes.

Comparison to Prior Years. The overall number of responses to the SMP survey peaked at 6,725 in 2015, with 169 countries represented of which 29 contributed 50 or more responses. For the 2016 survey, the number of responses at 5,060 with 164 countries represented is in line with the 2014 survey, when there were 5,083 respondents representing 135 countries. In 2016 and 2015, 25 and 29 countries, respectively, had more than 50 respondents. In 2016, 2015, and 2014, Europe (38%, 41%, and 46%, respectively), Asia (28%, 26%, and 17%, respectively), and Africa (14%, 15%, and 15%, respectively) had the highest rates of participation.

For the 2016 survey, China and India, the world’s two most populous countries, were both well represented with 493 and 417 responses, respectively. Other highly populous countries that were well represented, with 50 or more responses each, include Brazil, Pakistan, Nigeria, and Japan. With the exception of the US, there were 50 or more responses each from the 10 countries ranked the highest globally by 2016 Gross Domestic Product. However, caution should be exercised when generalizing the overall findings to specific regions and countries as the data are not equally representative of all regions of the world. For example, participation was low in certain significant regions of the Western Hemisphere, and there were disproportionately higher response rates, for example, in Central and Eastern Europe.

RESPONDENTS BY PRACTICE SIZE

Sole practitioner

35%

21 or more partners & staff

12%

11-20 partners & staff

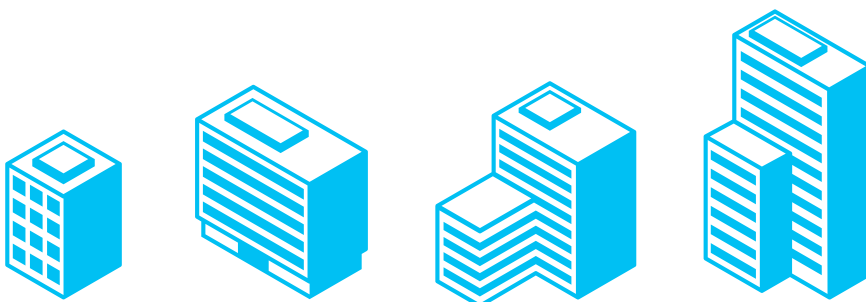
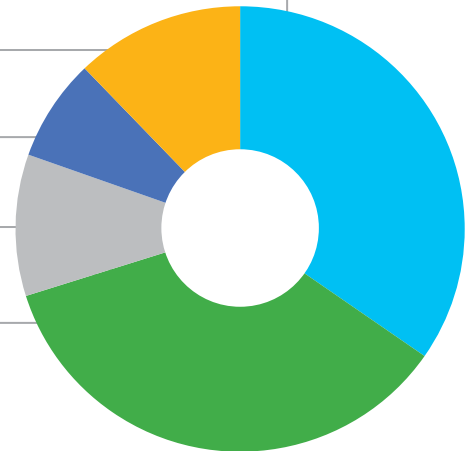
7%

6-10 partners & staff

10%

2-5 partners & staff

36%

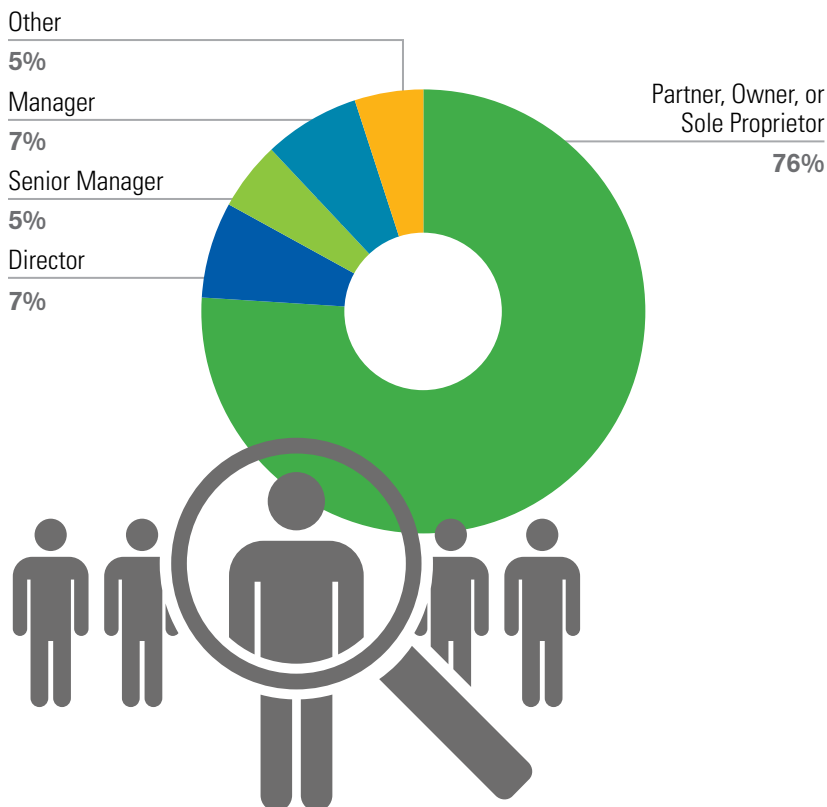


RESPONDENTS BY REGION BY PRACTICE SIZE

Region	Sole practitioner	2-5 partners & staff	6-10 partners & staff	11-20 partners & staff	21 or more partners & staff
Africa	41%	39%	9%	6%	5%
Asia	26%	35%	11%	10%	18%
Australasia and Oceania	45%	30%	5%	5%	14%
Central and South America/Caribbean	27%	38%	14%	9%	11%
Europe	37%	36%	9%	6%	12%
Middle East	34%	35%	15%	9%	8%
North America	57%	22%	9%	3%	9%

Respondents by Region by Practice Size. Within each region, the majority of respondents were sole practitioners or from practices with two to five partners and staff. Larger practices were, however, better represented in Asia where 39% of respondents were from practices with six or more partners and staff. Furthermore, more than 10% of respondents from Asia (18%), Australasia and Oceania (14%), Europe (12%), and Central and South America/Caribbean (11%) were from practices with 21 or more partners and staff.

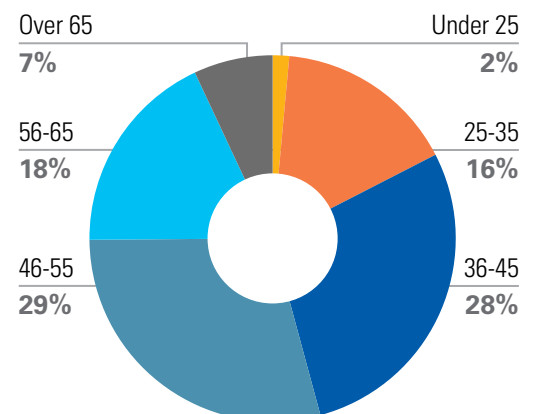
POSITION LEVEL OF RESPONDENTS IN PRACTICE



Position Level in Practice and Age of Respondents

A majority of respondents (76%) were a Partner, Sole Proprietor, or Owner, with Directors representing an additional 7%. Senior Managers and Managers represented 12% of respondents. Therefore, the survey findings provided useful insights regarding SMP practices as respondents at these levels are likely well informed regarding the survey topics. Reflective of their level in the firm, most of respondents (82%) were 36 years of age or older.

RESPONDENTS BY AGE



Language	
English	37%
Chinese	10%
Spanish	7%
Romanian	7%
French	7%
Turkish	5%
Polish	4%
Italian	3%
German	3%
Finnish	3%
Portuguese	2%
Thai	2%
Arabic	2%
Hebrew	2%
Dutch	1%
Japanese	1%
Swedish	1%
Hungarian	1%
Russian	1%
Lithuanian	1%
Korean	1%
Serbian	Less than .5%
Latvian	Less than .5%

Language. For the 2016 survey, participants could choose from 23 languages. In line with prior years' surveys, the largest number of respondents completed the survey in English (37%), followed by Chinese (10%), Spanish (7%), Romanian (7%), French (7%), and Turkish (5%).

23 Languages



Gender of Respondents. As in prior years, most respondents were male (72%). Female representation was greater in Europe (35%), North America (34%), Asia (30%), and Australasia and Oceania (28%). Female participation was the lowest in the Middle East (10%), Africa (13%), and Central and South America/Caribbean (18%).

RESPONDENTS' GENDER



RESPONDENTS' GENDER BY REGION

	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Female	13%	30%	28%	18%	35%	10%	34%
Male	87%	70%	72%	82%	65%	90%	66%

CHALLENGES FACING SMPS

Overall Top Challenges. Respondents reported the extent to which their SMP was presently facing 12 challenges. Consistent with 2015 and 2014, a majority considered all 12 to be either a moderate, high, or very high challenge. Hence, SMPs still face numerous challenges. It is important to note that while, in general, the 12 challenges assessed in 2016 were the same as in 2015, Enabling Employee Work-Life Balance was deleted from this question, and Personnel and Staffing was added. Work-life balance is however addressed later in this section.

Certain challenges were viewed as more pressing with greater than 40% of respondents rating the following as a high or very high challenge: Attracting New Clients (46%), Attracting New and Retaining Existing Staff (42%), Keeping Up with New Regulations and Standards (41%), and Experiencing Pressure to Lower Fees (41%). Rising Costs and Differentiating from the Competition were regarded as a high or very high challenge by 39%. To provide deeper insight, new questions regarding technology and personnel and staffing have been added to the 2016 survey; the results are reported at the end of this section.



Half of the 12 challenges were perceived to be a very high challenge by 10% or more of respondents. These included: Serving Clients Operating Internationally (15%), Experiencing Pressure to Lower Fees (13%), Keeping Up with New Regulations and Standards (13%), Attracting New Clients (12%), Differentiating from the Competition (10%), and Attracting New and Retaining Existing Staff (10%). For the 11 challenges also rated in the 2015 survey, the percentage of respondents viewing each challenge as very high were very similar, generally within 1% or less of last year's results. Exceptions included: Serving Clients Operating Internationally declining from 17% to 15%; Differentiating from the Competition declining from 12% to 10%; Technology Developments declining from 10% to 8%; and Keeping Up with New Regulations and Standards rising from 10% to 13%.

Regionally, the top challenges, assessed as those rated as high or very high, varied markedly. For example:

- **Africa:** Rising Costs (57%), Attracting New Clients (52%), Managing Cash Flow and Late Payments (46%), Experiencing Pressure to Lower Fees (44%), and Attracting New and Retaining Existing Staff (44%);
- **Asia:** Serving Clients Operating Internationally (48%), Attracting New Clients (48%), Experiencing Pressure to Lower Fees (44%), and Differentiating from the Competition (43%);
- **Australasia and Oceania:** Keeping Up with New Regulations and Standards (36%), Attracting New and Retaining Existing Staff (36%), Personnel and Staffing Issues (31%), and Technology Developments (28%);
- **Central and South America/Caribbean:** Keeping Up with New Regulations and Standards (57%), Differentiating from the Competition (46%), Experiencing Pressure to Lower Fees (45%), Attracting New and Retaining Existing Staff (45%), and Attracting New Clients (44%);
- **Europe:** Keeping Up with New Regulations and Standards (47%), Attracting New Clients (47%), Attracting New and Retaining Existing Staff (46%), and Experiencing Pressure to Lower Fees (41%);
- **Middle East:** Attracting New Clients (50%), Differentiating from the Competition (45%), Rising Costs (45%), and Attracting New and Retaining Existing Staff (42%); and
- **North America:** Keeping Up with New Regulations and Standards (35%), Attracting New and Retaining Existing Staff (34%), Personnel and Staffing Issues (28%), Rising Costs (23%), and Succession Planning (23%).

IMPACT OF 12 CHALLENGES ON SMPs

Challenge	Not a Challenge	Low Challenge	Moderate Challenge	High Challenge	Very High Challenge	Sum of High and Very High Challenge
Attracting New and Retaining Existing Staff	4%	16%	38%	32%	10%	42%
Attracting New Clients	8%	14%	32%	34%	12%	46%
Rising Costs	6%	18%	37%	31%	8%	39%
Keeping Up With New Regulations and Standards	8%	18%	33%	28%	13%	41%
Differentiating From Competition	9%	18%	34%	29%	10%	39%
Experiencing Pressure To Lower Fees	11%	18%	30%	28%	13%	41%
Managing Cash Flow and Late Payments	14%	22%	32%	23%	9%	32%
Retaining Existing Clients	14%	27%	36%	19%	4%	23%
Serving Clients Operating Internationally	24%	19%	23%	19%	15%	34%
Succession Planning	22%	23%	32%	18%	5%	23%
Personnel and Staffing Issues	15%	20%	32%	25%	8%	33%
Technology Developments	9%	20%	36%	27%	8%	35%



Several additional regional differences are noteworthy as described below.

ATTRACTING NEW AND RETAINING EXISTING STAFF BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	44%	40%	36%	45%	46%	42%	34%



Attracting New and Retaining Existing Staff by Region. With the exception of North America at 34%, the percentage of respondents viewing Attracting New and Retaining Existing Staff as a high or very high challenge increased in comparison to 2015. The increases were highest in Europe (from 29% to 46%), Australasia and Oceania (24% to 36%), Africa (from 32% to 44%), and the Middle East (from 34% to 42%). Personnel and staffing issues are further discussed later in this section.

ATTRACTING NEW CLIENTS BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	52%	48%	22%	44%	47%	50%	20%



Attracting New Clients by Region. With the exceptions of Australasia and Oceania (22%) and North America (20%), 44% or more of respondents in all other regions ranked Attracting New Clients as a high or very high challenge. These findings are consistent with the 2015 survey.

RISING COSTS BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	57%	42%	19%	40%	33%	45%	23%



Rising Costs by Region. Rising Costs were considered to be the most problematic in Africa, the Middle East, Asia, and Central and South America/Caribbean where 57%, 45%, 42%, and 40%, respectively, viewed the challenge as high or very high. This result is consistent with the 2015 survey.

KEEPING UP WITH NEW REGULATIONS AND STANDARDS BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/Caribbean	Europe	Middle East	North America
Sum of High and Very High	35%	32%	36%	57%	47%	39%	35%



Keeping Up with New Regulations and Standards by Region. Consistent with the 2014 and 2015 surveys, Keeping Up with New Regulations and Standards was a greater concern for respondents from Central and South America/Caribbean. However, the percentage of respondents rating the challenge as high or very high declined from 63% in 2015 to 57% in 2016. Also on a positive note, among respondents from Europe, North America, and Australasia and Oceania, the percentage of those considering Keeping Up with New Regulations and Standards to be high or very high decreased during 2016 from 54% to 47%, 41% to 35%, and 44% to 36%, respectively. The situation worsened in the Middle East with 39% viewing the challenge as high or very high in comparison to 28% in 2015.

DIFFERENTIATING FROM THE COMPETITION BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/Caribbean	Europe	Middle East	North America
Sum of High and Very High	39%	43%	25%	46%	37%	45%	19%



Differentiating from the Competition by Region. Compared to other regions, respondents from North America (19%) and Australasia and Oceania (25%) viewed Differentiating from the Competition as the least problematic. On the other hand, respondents from Central and South America/Caribbean and the Middle East viewed the challenge as the most problematic, with 46% and 45%, respectively, rating the challenge as high or very high. However, on a positive note, for Central and South America/Caribbean, this represents a marked improvement over 2015 when 55% of respondents rated the challenge as high or very high. In comparison to 2015, there was also a substantial decline in the percentage of North American and European respondents rating the challenge as high or very high (from 28% to 19%, and 43% to 37%, respectively).

EXPERIENCING PRESSURE TO LOWER FEES BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/Caribbean	Europe	Middle East	North America
Sum of High and Very High	44%	44%	22%	45%	41%	41%	20%



Experiencing Pressure to Lower Fees by Region. Experiencing Pressure to Lower Fees was a greater challenge in Central and South America/Caribbean (45%), Africa (44%), Asia (44%), Europe (41%), and the Middle East (41%). On a positive note, the 2016 survey indicates that the situation continued to improve for practitioners in the Middle East and Africa. In the Middle East, 68% viewed the challenge as high or very high in 2014; the percentage declined to 42% in 2015 and declined further to 41% in 2016. In Africa, 52% viewed the challenge as high or very high in 2014; the percentage dropped to 48% in 2015 and further dropped to 44% in 2016.

MANAGING CASH FLOW AND LATE PAYMENTS BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	46%	29%	13%	34%	31%	31%	16%



Managing Cash Flow and Late Payments by Region. Managing Cash Flow and Late Payments was a greater challenge for African practices with 46% ranking the challenge as high or very high. Meanwhile, 34% or less of respondents viewed the challenge as high or very high in other regions. These findings are consistent with 2015.

RETAINING EXISTING CLIENTS BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	21%	18%	2%	42%	27%	30%	10%



Retaining Existing Clients by Region. Retaining Existing Clients was a greater challenge for practices in Central and South America/Caribbean, the Middle East, and Europe, with 42%, 30%, and 27%, respectively, viewing the challenge as high or very high. In marked contrast, only 2% of respondents from Australasia and Oceania viewed the challenge as high or very high. Again the findings are consistent with 2015.

SERVING CLIENTS OPERATING INTERNATIONALLY BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	36%	48%	12%	32%	27%	41%	17%



Serving Clients Operating Internationally by Region. Serving Clients Operating Internationally was considered to be a greater challenge by respondents from Asia and the Middle East with 48% and 41%, respectively, rating the challenge as high or very high. In comparison to 2015, the percentage of respondents from Central and South America/Caribbean rating the challenge as high or very high declined markedly from 48% to 32%.

SUCCESSION PLANNING BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	30%	29%	26%	20%	16%	30%	23%



Succession Planning by Region. Succession Planning was considered to be the least problematic in Europe and Central and South America/Caribbean with 16% and 20%, respectively, of respondents viewing the challenge as high or very high. In general, the findings are in line with the 2015 results with two noteworthy exceptions. Respondents rating the challenge as high or very high in Central and South America/Caribbean dropped from 25% to 20%, and those rating the challenge as high or very high in the Middle East increased from 26% to 30%.

PERSONNEL AND STAFFING ISSUES BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	33%	40%	31%	26%	30%	34%	28%



Personnel and Staffing Issues by Region. Personnel and Staffing Issues were viewed as the most problematic by respondents in Asia with 40% viewing the challenge as high or very high, while 34% or less of respondents from other regions viewed the challenge as high or very high.

TECHNOLOGY DEVELOPMENTS BY REGION

Level of Challenge	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Sum of High and Very High	37%	34%	28%	41%	36%	32%	19%



Technology Developments by Region. Respondents from Central and South America/Caribbean perceived Technology Developments to be a greater challenge than those from other regions with 41% rating the challenge as high or very high. This represents a substantial decline from 59% in 2015. Compared to 2015, the percentage of North American respondents that viewed Technology Developments as a high or very high challenge declined notably (31% to 19%).

HIGH AND VERY HIGH CHALLENGES BY PRACTICE SIZE

Challenge	Sole practitioner	2-5 partners & staff	6-10 partners & staff	11-20 partners & staff	21 or more partners & staff
Attracting New and Retaining Existing Staff	41%	42%	45%	42%	47%
Attracting New Clients	46%	47%	48%	43%	42%
Rising Costs	39%	39%	40%	37%	39%
Keeping Up With New Regulations and Standards	45%	38%	41%	41%	34%
Differentiating From Competition	34%	39%	43%	47%	45%
Experiencing Pressure To Lower Fees	36%	44%	44%	40%	46%
Managing Cash Flow and Late Payments	32%	34%	33%	31%	23%
Retaining Existing Clients	23%	23%	26%	27%	20%
Serving Clients Operating Internationally	32%	36%	34%	41%	34%
Succession Planning	23%	22%	22%	23%	28%
Personnel and Staffing Issues	26%	32%	39%	40%	47%
Technology Developments	30%	34%	38%	40%	44%

Challenges by Size of Practice. Based on the percentage of respondents rating the challenge as high or very high, some of the 12 challenges were viewed differently by practice size. For example,

- Keeping Up with New Regulations and Standards was less of a challenge for practices with 21 or more partners and staff.
- As practice size increased, in general, Differentiating from the Competition was viewed as more problematic.
- Managing Cash Flow and Late Payments was less of a challenge for larger practices with 21 or more partners and staff.
- Succession Planning was somewhat more challenging for larger practices with 21 or more partners and staff.
- As practice sized increased, Personnel and Staffing were viewed as more problematic.
- As practice size increased, Technology Developments were viewed as more challenging.

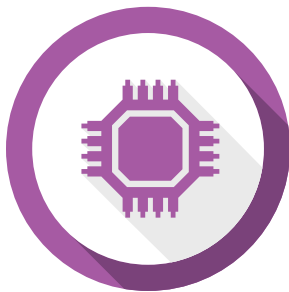
The two latter points are discussed further later in this section.



Additional Insights. Several additional questions were added to the 2016 survey. Two of the new questions addressed in more detail the impact of technology and personnel and staffing issues on SMPs.

TECHNOLOGY ISSUES

Technology Issue	No impact	Low impact	Moderate impact	High impact	Very high impact	Sum of high and very high impact
Moving to the Cloud	9%	21%	33%	29%	9%	38%
Investing in and Staying Current with Software (e.g., tax, audit, workflow)	10%	20%	33%	27%	10%	37%
Investing in and Staying Current with Hardware (e.g., laptops, monitors, mobile devices)	8%	20%	35%	27%	9%	36%
Achieving a Digital, Paperless Environment	9%	21%	34%	26%	10%	36%
Managing Privacy and Security Risks	15%	22%	31%	22%	9%	31%
Determining What Technology Is Best for the Practice	9%	24%	36%	24%	7%	31%
Advances in Data Analytics, including Availability and Use of Big Data	21%	24%	28%	19%	8%	27%



Overall Top Technology Challenges. Questions new to the 2016 survey addressed in more detail the impact of technology and personnel and staffing issues on SMPs. Regarding technology issues, 27% to 38% of respondents reported that each of seven technology issues had a high or very high impact on their SMP.

Technology Issues by Practice Size. An analysis, in general, reveals minor differences in the impact of Technology Issues by practice size. An exception is that Advances in Data Analytics is having a more pronounced impact on the largest practices with 21 or more partners and staff. In comparison to less than one-third of respondents from smaller practices rating the issue as having a high or very high impact on their SMP, 38% of respondents from the largest practices viewed the issue as having a high or very high impact.



TECHNOLOGY ISSUES BY REGION*

Technology Issue	Africa	Asia	Australasia and Oceania	Central and South America/Caribbean	Europe	Middle East	North America
Moving to the Cloud	36%	24%	24%	27%	27%	24%	22%
Investing in and Staying Current with Software (e.g., tax, audit, workflow)	53%	24%	32%	43%	45%	29%	25%
Investing in and Staying Current with Hardware (e.g., laptops, monitors, mobile devices)	39%	22%	13%	40%	35%	31%	20%
Achieving a Digital, Paperless Environment	50%	30%	22%	42%	38%	38%	27%
Managing Privacy and Security Risks	44%	30%	21%	43%	38%	41%	25%
Determining What Technology is Best for the Practice	45%	29%	38%	40%	40%	33%	25%
Advances in Data Analytics, including Availability and Use of Big Data	37%	35%	23%	32%	29%	30%	16%

* Percentages combine high and very high

Technology Issues by Region. The survey revealed considerable variation by region in the extent to which SMPs perceived the impact of technology. Notably, the technology issues were, in general, viewed as having the greatest impact by African SMPs.

Moving to the Cloud is having a greater impact on SMPs in Africa with 36% of respondents viewing the impact as high or very high. In other regions, about one-quarter of respondents viewed the impact as high or very high.

A slight majority (53%) of African respondents viewed **Investing in and Staying Current with Software** as having a high or very high impact. The issue was viewed as high or very high by 45% and 43% of respondents from Europe and Central and South America/Caribbean, respectively. In other regions, between 24% and 32% of respondents viewed the issue as having a high or very high impact on their SMP.

Investing in and Staying Current with Hardware was perceived as having a greater impact by respondents from Central and South America/Caribbean and Africa with 40% and 39%, respectively, rating the issue as having a high or very high impact. The issue is having the least impact on SMPs in Australasia and Oceania with 13% rating the issue as having a high or very high impact.

Achieving a Digital, Paperless Environment was viewed as having the most impact by African SMPs with 50% rating the issue as having a high or very high impact on their practice. Central and South America/Caribbean, Europe, and the Middle East follow where 42%, 38%, and 38%, respectively, viewed the issue as having a high or very high impact. Less than one-third of respondents from Asia (30%), North America (27%), and Australasia and Oceania (22%) viewed the issue as having a high or very high impact.

Managing Privacy and Security Risks is having most impact on SMPs in Africa, Central and South America/Caribbean, the Middle East, and Europe with 44%, 43%, 41%, and 38%, respectively, rating the issue as having a high or very high impact on their practice. Less than one-third of respondents from other regions viewed the issue as having a high or very high impact.

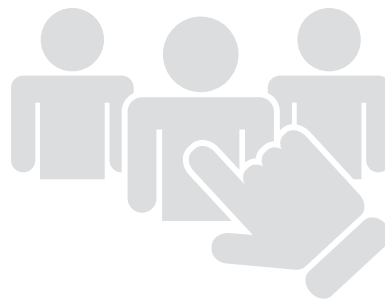
A greater percentage of respondents from Africa (45%), Central and South America/Caribbean (40%), Europe (40%), and Australasia and Oceania (38%) rated **Determining What Technology Is Best for the Practice** as having a high or very high impact. One-third or less of respondents from other regions viewed the issue as having a high or very high impact.

More respondents from Africa (37%) and Asia (35%) rated **Advances in Data Analytics** as having a high or very high impact on their SMP. Less than one-third of respondents from other regions rated the issue as having a high or very high impact.

PERSONNEL AND STAFFING ISSUES

Issue	No Impact	Low Impact	Moderate Impact	High Impact	Very High Impact	Sum of High and Very High Impact
Finding Qualified Staff (at all levels)	14%	13%	27%	32%	13%	45%
Retaining Qualified Staff (at all levels)	15%	15%	29%	30%	11%	41%
Technical Training	11%	18%	36%	28%	7%	35%
Staff Compensation and Reward Programs	15%	18%	35%	26%	6%	32%
Developing Soft Skills (e.g., communication and leadership skills)	14%	20%	34%	25%	7%	32%
Effective Utilization and Management of Staff	14%	18%	37%	25%	6%	31%
Managing Work-life Balance Initiatives (e.g., flexible and virtual work arrangements)	13%	21%	36%	23%	8%	31%
Mentoring and Career Coaching	16%	22%	35%	22%	5%	27%

Additional Insights on Personnel and Staffing Issues. Another question new to the 2016 survey asked respondents to rate the extent to which eight Personnel and Staffing Issues impact their practice. Finding Qualified Staff (at all levels) and Retaining Qualified Staff (at all levels) were considered to have the greatest impact on respondents' SMPs, with 45% and 41%, respectively, viewing these as high or very high, while 35% or less rated the remaining issues as having a high or very high impact.



PERSONNEL AND STAFFING ISSUES BY REGION*

Issue	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Finding Qualified Staff (at all levels)	47%	47%	32%	48%	47%	50%	34%
Retaining Qualified Staff (at all levels)	47%	44%	18%	41%	40%	47%	24%
Technical Training	48%	32%	17%	47%	34%	39%	18%
Staff Compensation and Reward Programs	45%	33%	13%	29%	30%	37%	15%
Developing Soft Skills (e.g., communication and leadership skills)	40%	36%	19%	37%	28%	35%	18%
Effective Utilization and Management of Staff	35%	29%	21%	36%	33%	37%	18%
Managing Work-life Balance Initiatives (e.g., flexible and virtual work arrangements)	33%	30%	25%	34%	31%	27%	25%
Mentoring and Career Coaching	37%	27%	15%	39%	23%	35%	15%

* Percentages combine high and very high



Personnel and Staffing Issues by Region. The survey results reveal that the perceived impact of each of the eight Personnel and Staffing Issues was, in general, less pronounced on practices based in Australasia and Oceania and North America. While 40% or more of respondents from other regions viewed Retaining Qualified Staff as having a high or very high impact on their practice, only 18% and 24%, respectively, of respondents from Australasia and Oceania and North America rated the impact as high or very high.

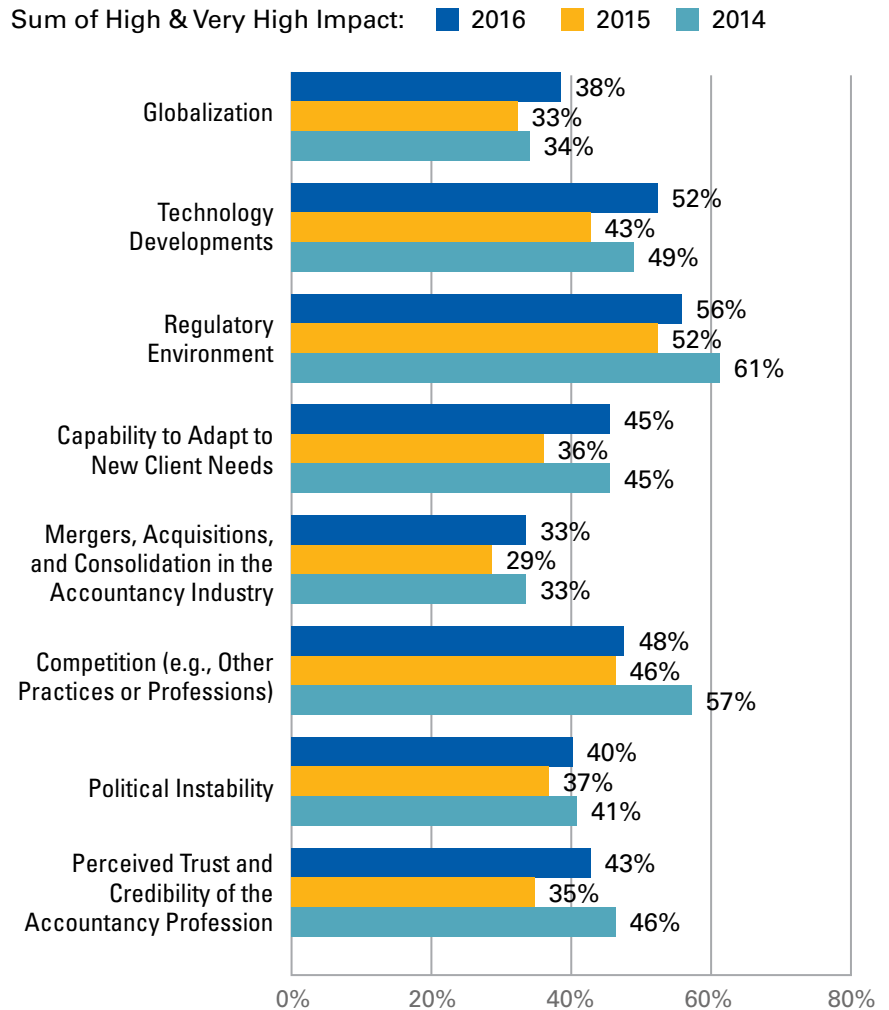
FACTORS IMPACTING SMPS OVER NEXT FIVE YEARS

Overall Top Factors. Respondents rated eight factors to indicate the degree to which they believe each may impact their practice over the next five years. Consistent with 2014 and 2015, the Regulatory Environment continued to be viewed as the most impactful with 56% (52% in 2015 and 61% in 2014) anticipating that it will have a high or very high impact. Technology Developments at 52%, up from 43% in 2015 and 49% in 2014, were viewed as having the next highest potential impact on SMPS. The percentage of respondents that rated the anticipated impact of Capability to Adapt to New Client Needs as high or very high (45%, up from 36% in 2015) and Perceived Trust and Credibility of the Profession (43%, up from 35% in 2015) increased substantially in comparison to 2015. For all four of the environmental factors noted, sensitivity to the factors increased in 2016, falling more in line with the 2014 survey results.

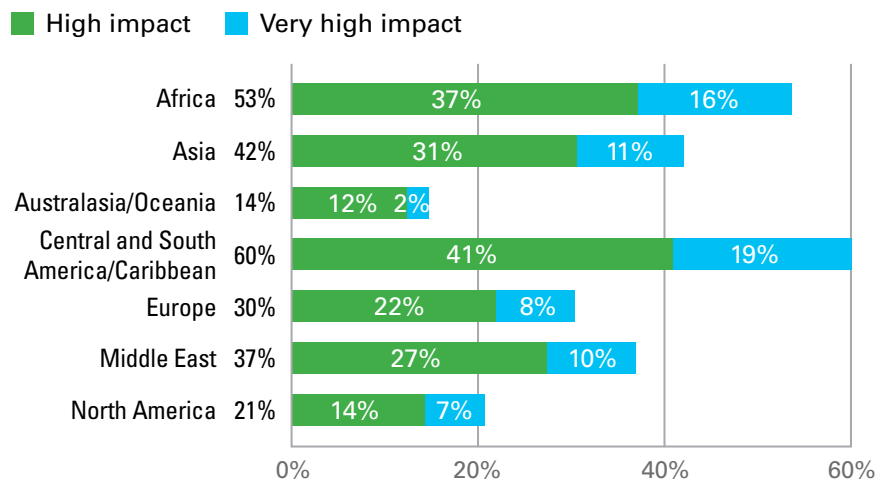


Globalization by Region. The anticipated impact of Globalization over the next five years varies considerably by region. Consistent with 2015, Globalization was most frequently rated as high or very high by SMPS in Central and South America/Caribbean (60%, up from 50% in 2015), followed by Africa (53%, up from 44% in 2015). In comparison to 2015, the anticipated impact of Globalization also increased in North America (from 16% to 21%), Europe (from 25% to 30%), and Asia (from 37% to 42%).

FACTORS IMPACTING SMPS OVER NEXT FIVE YEARS -COMPARISON OF 2016, 2015, AND 2014



GLOBALIZATION



Technology Developments by Region.

Consistent with 2015, the anticipated impact of Technology Developments over the next five years was viewed as the highest in Central and South America/Caribbean with 67% (up from 60% in 2015) rating the potential future impact as high or very high. In comparison to 2015, the potential impact of Technology Developments rose substantially among respondents from Europe (from 39% to 55%) and Africa (from 53% to 64%) rating the environment factor as high or very high.

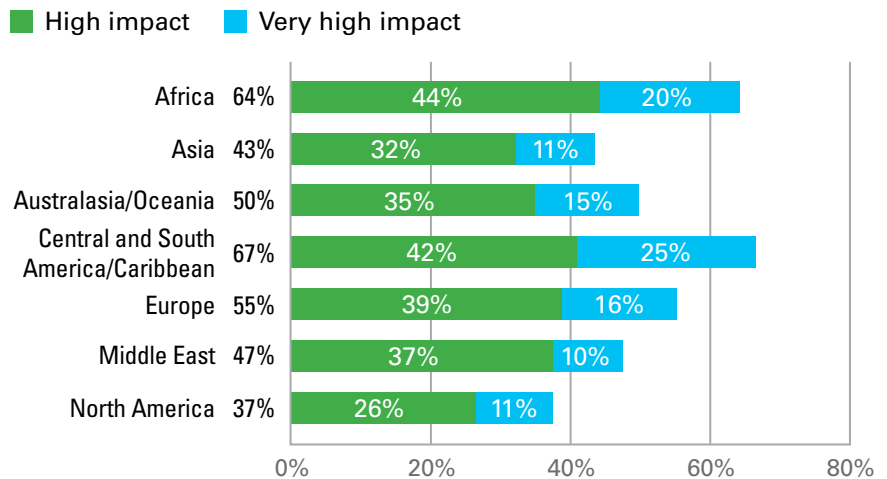
Regulatory Environment by Region.

Concerns regarding the Regulatory Environment's impact on SMPs over the next five years remained the greatest in Central and South America/Caribbean with 69% (up from 59% in 2015) rating the potential impact as high or very high. Europe and Africa followed closely behind with 62% and 60%, respectively, viewing the potential impact as high or very high. In fact, the Regulatory Environment's anticipated impact rose substantially in Africa compared to 2015 (60%, up from 50% in 2015, combining high and very high).

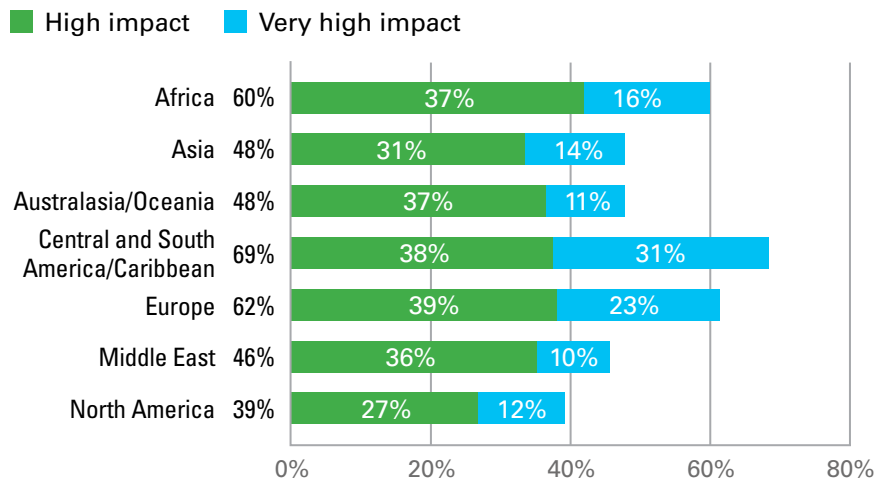
Capability to Adapt to New Client Needs by Region.

Capability to Adapt to New Client Needs was most frequently cited as high/very high by SMPs in Central and South America/Caribbean and Europe with 51% (up from 45% and 40%, respectively, in 2015). Its anticipated impact also increased in comparison to 2015 in North America (from 23% to 26%), the Middle East (from 28% to 44%), Australasia and Oceania (from 26% to 34%), Asia (from 34% to 40%), and Africa (from 31% to 47%).

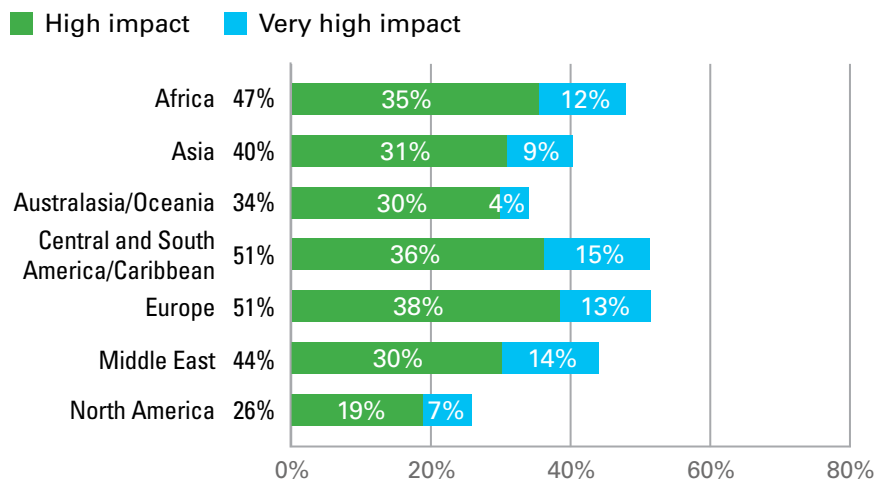
TECHNOLOGY DEVELOPMENTS



REGULATORY ENVIRONMENT



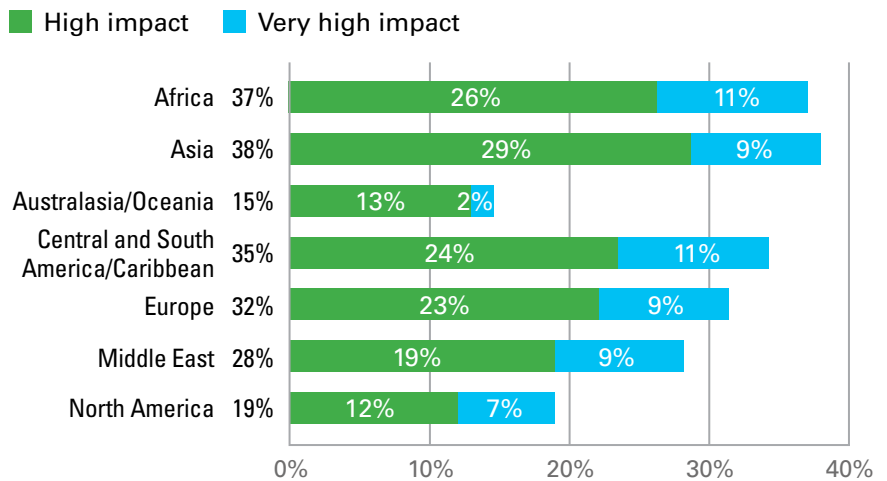
CAPABILITY TO ADAPT TO NEW CLIENT NEEDS



Mergers, Acquisitions and Consolidation in the Accountancy Industry by Region.

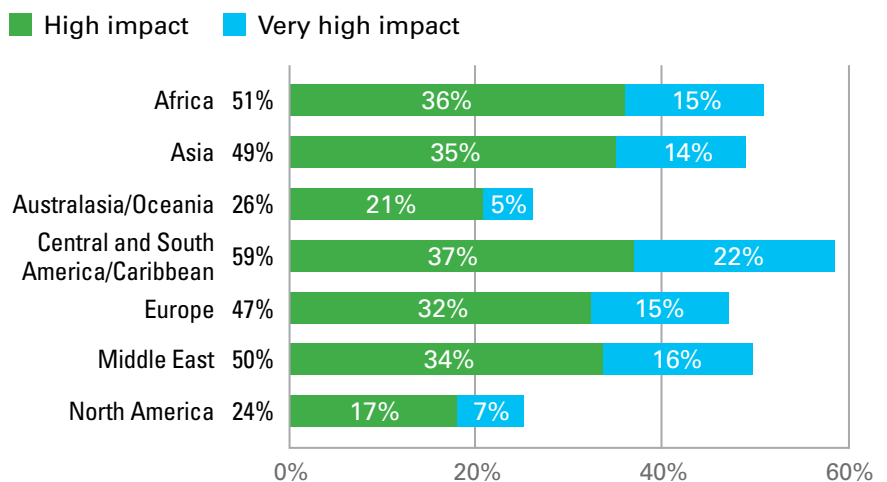
Respondents from Asia (38%), Africa (37%), and Central and South America/Caribbean (35%) anticipate Mergers, Acquisitions and Consolidation in the Accountancy Industry will have a greater impact on their practice over the next five years than respondents in other regions. Its potential impact was rated lowest in Australasia and Oceania (15%). Its anticipated impact increased measurably between 2015 and 2016 for respondents from Europe (26% to 32%), Asia (from 32% to 38%), and Africa (31% to 37%).

MERGERS, ACQUISITIONS AND CONSOLIDATION IN THE ACCOUNTANCY INDUSTRY



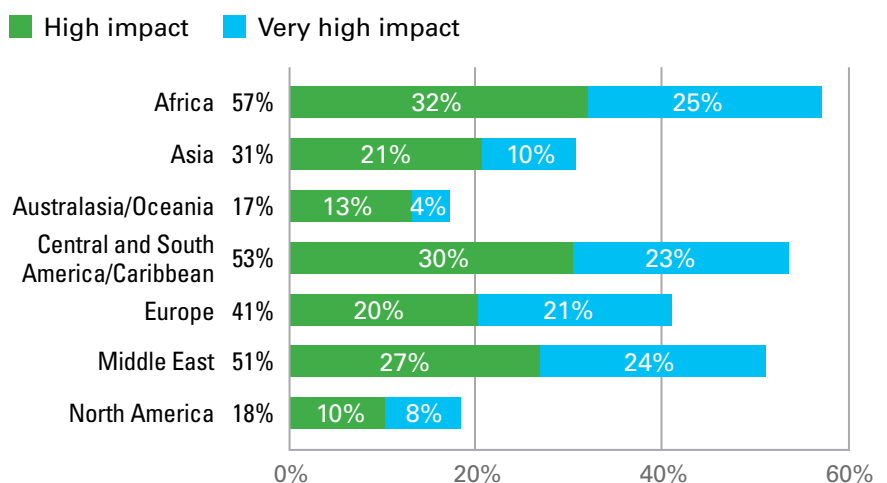
Competition by Region. Consistent with 2015, compared to other regions, Competition continued to be a greater concern in Central and South America/Caribbean. However, on a somewhat positive note, respondents in this region rating it as having a high or very high impact dropped slightly from 62% to 59%. Conversely, the percentage of African respondents rating the potential impact of Competition as high or very high rose substantially from 41% in 2015 to 51%.

COMPETITION (E.G., OTHER PRACTICES OR PROFESSIONS)



Political Instability by Region. A slight majority of respondents from Africa and Central and South America/Caribbean viewed the potential impact of Political Instability on their SMP over the next five years as high or very high (57% and 53%, respectively). On a more positive note, the corresponding rating for the Middle East dropped considerably from 78% in 2014 and 62% in 2015 to 51%.

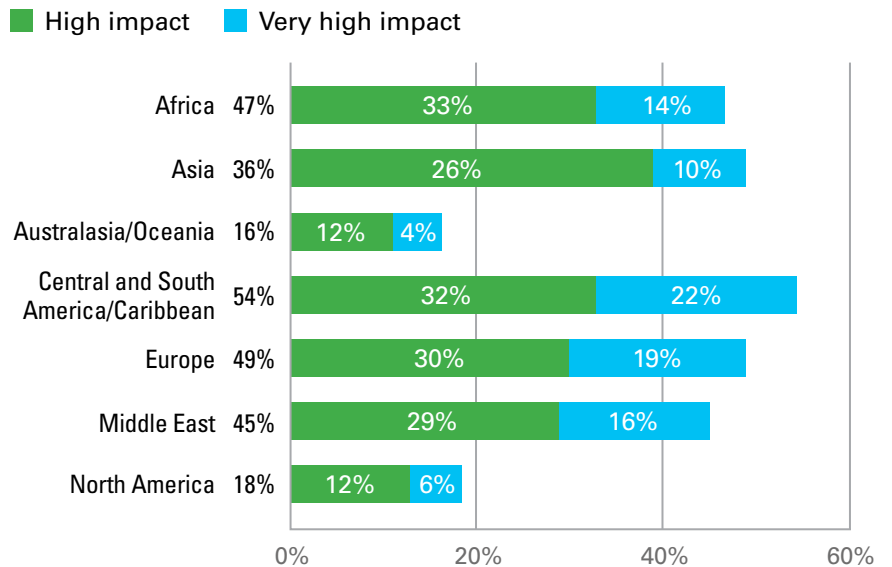
POLITICAL INSTABILITY



Perceived Trust and Credibility of the Accountancy Profession by Region.

Consistent with 2015, the anticipated impact of Perceived Trust and Credibility of the Accountancy Profession over the next five years was rated highest by respondents from Central and South America/Caribbean with a slight majority (54%) rating the potential impact as high or very high. Compared to other regions, concerns were markedly lower in Australasia and Oceania and North America with 16% and 18% of respondents, respectively, viewing the potential impact as high or very high. The percentage of respondents rating the potential impact of Perceived Credibility of the Accountancy Profession as high or very high increased substantially between 2015 and 2016 in the following regions: Europe (40% to 49%), Asia (27% to 36%), and Africa (33% to 47%).

PERCEIVED TRUST AND CREDIBILITY OF THE ACCOUNTANCY PROFESSION



Size of Practice. There is some variation by size regarding the expected impact of various factors on SMPs over the next five years. For example, compared to smaller practices, a lower percentage of respondents from SMPs with 11 or more partners and staff viewed the anticipated impact of Political Instability as high or very high. Furthermore, compared to smaller practices, a lower percentage of respondents from practices with 21 or more partners and staff rated the anticipated impact of Globalization and Perceived Trust and Credibility of the Profession as high or very high.



ENVIRONMENTAL FACTORS BY PRACTICE SIZE*

Factor	Sole practitioner	2-5 partners & staff	6-10 partners & staff	11-20 partners & staff	21 or more partners & staff
Globalization	38%	40%	42%	39%	33%
Technology Developments	51%	53%	56%	53%	54%
Regulatory Environment	54%	57%	56%	54%	56%
Capability to Adapt to New Client Needs	44%	45%	49%	47%	49%
Mergers, Acquisitions, and Consolidation in the Accountancy Industry	30%	35%	34%	35%	35%
Competition (e.g., other practices or professions)	44%	49%	52%	47%	48%
Political Instability	40%	44%	42%	36%	29%
Perceived Trust and Credibility of the Accountancy Profession	41%	47%	47%	40%	36%

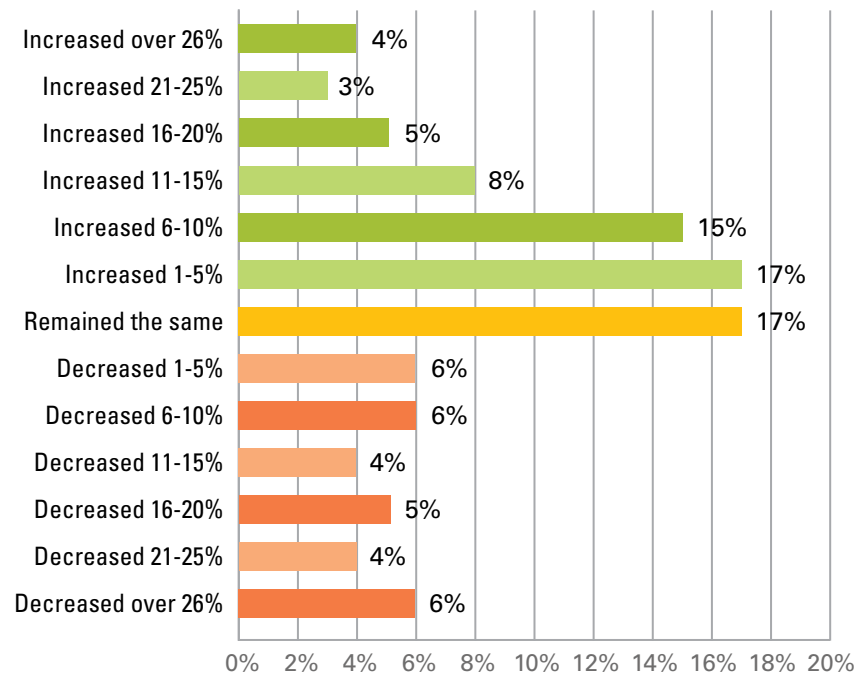
* Percentages combine high and very high

SMP PERFORMANCE IN 2016

In a question new to the 2016 survey, respondents were first asked how their firm's total practice fee revenue changed in 2016 compared to 2015. Respondents were furthermore asked to report how their revenues changed from 2015 to 2016 in each of four specific areas: Audit and Assurance; Advisory and Consulting; Tax (for example, Compliance and Planning); and Accounting, Compilation, and Other Non-assurance/Related Services.

Overall Change in Total Practice Fee Revenues. A slight majority (52%), reported an overall increase in practice fee revenues during 2016, while 31% indicated that total revenue declined, and 17% reported that revenues remained the same.

CHANGES IN TOTAL FEE REVENUE FROM 2015 TO 2016



Change in Total Practice Fee Revenues by Region. Changes in total practice fee revenues between 2015 and 2016 varied by region. A majority of respondents from North America (64%), Africa (58%), Australasia and Oceania (57%), Central and South America/Caribbean (53%), and Asia (52%) reported an increase in their SMP's revenues. In comparison, 48% and 44%, respectively, of respondents from Europe and the Middle East indicated that their firms experienced an increase in total revenues during the year. In comparison to other regions, a smaller percentage of respondents from North America (20%) and Australasia and Oceania (23%) reported that their SMP experienced a decrease in total fee revenues.

CHANGES IN TOTAL FEE REVENUE FROM 2015 TO 2016 BY REGION

Revenue Change	Africa	Asia	Australasia and Oceania	Central and South America/Caribbean	Europe	Middle East	North America
Increased over 26%	6%	4%	5%	7%	4%	2%	6%
Increased 21 - 25%	3%	3%	2%	4%	2%	3%	1%
Increased 16 - 20%	6%	6%	5%	9%	3%	4%	5%
Increased 11 - 15%	9%	7%	5%	8%	7%	9%	13%
Increased 6 - 10%	18%	15%	17%	15%	13%	12%	16%
Increased 1 - 5%	16%	17%	23%	10%	19%	14%	23%
Remained the same	12%	19%	19%	11%	19%	19%	17%
Decreased 1 - 5%	4%	6%	6%	4%	7%	6%	8%
Decreased 6 - 10%	5%	6%	8%	6%	7%	9%	6%
Decreased 11 - 15%	5%	3%	4%	5%	4%	5%	2%
Decreased 16 - 20%	5%	6%	1%	6%	4%	6%	2%
Decreased 21 - 25%	4%	3%	2%	4%	4%	6%	0%
Decreased over 26%	8%	5%	2%	9%	7%	7%	2%



Overall Change in Total Practice Fee Revenues by Practice Size. While a majority of respondents representing each of the practice sizes with two or more partners and staff reported an increase in revenues, only 47% of sole practitioners reported an increase in total fee revenues for 2016. Furthermore, 62% of respondents from the largest practice group (21 or more partners and staff) indicated that their firm experienced an increase in total fee revenue during 2016. While approximately one-third of respondents from each of the smaller practice groupings reported a decline in revenues for 2016, only 22% of respondents from the largest practices (21 or more partners and staff) reported a decline.

CHANGES IN TOTAL FEE REVENUE FROM 2015 TO 2016 BY PRACTICE SIZE

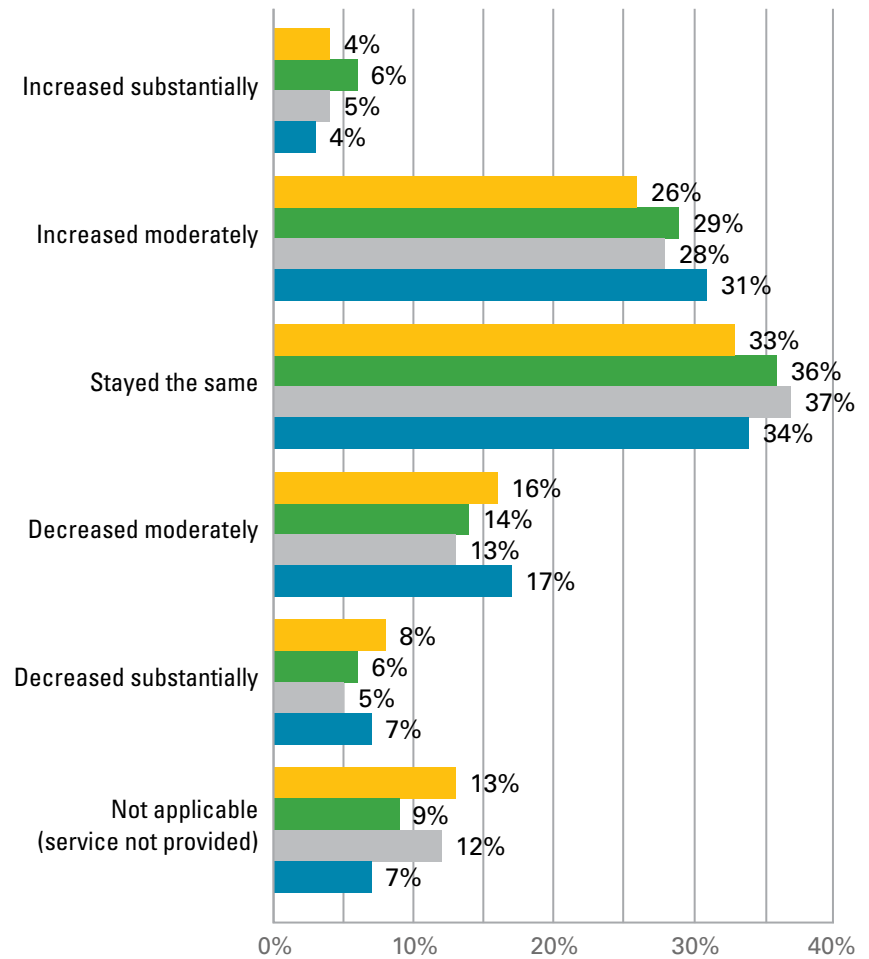
Revenue Change	Sole practitioner	2-5 partners & staff	6-10 partners & staff	11-20 partners & staff	21 or more partners & staff
Increased over 26%	5%	4%	6%	3%	3%
Increased 21 - 25%	2%	3%	2%	4%	3%
Increased 16 - 20%	5%	5%	6%	5%	5%
Increased 11 - 15%	7%	7%	8%	9%	7%
Increased 6 - 10%	13%	15%	16%	16%	18%
Increased 1 - 5%	15%	17%	17%	15%	26%
Remained the same	21%	16%	12%	15%	15%
Decreased 1 - 5%	5%	6%	6%	7%	7%
Decreased 6 - 10%	5%	7%	8%	9%	5%
Decreased 11 - 15%	5%	4%	3%	4%	3%
Decreased 16 - 20%	4%	6%	5%	5%	3%
Decreased 21 - 25%	4%	3%	5%	4%	2%
Decreased over 26%	9%	6%	5%	3%	2%

For all four service areas (Audit and Assurance; Advisory and Consulting; Tax; and Accounting, Compilation, and Other Non-assurance/Related Services), revenues stayed the same for approximately one-third or slightly more of respondents' practices. For each service area, fee revenues increased moderately or substantially for approximately one-third of respondents' practices. One-quarter or less of respondents reported moderate or substantial decreases in fee revenues for each of the service areas. Changes in fee revenues varied both by region and practice size.



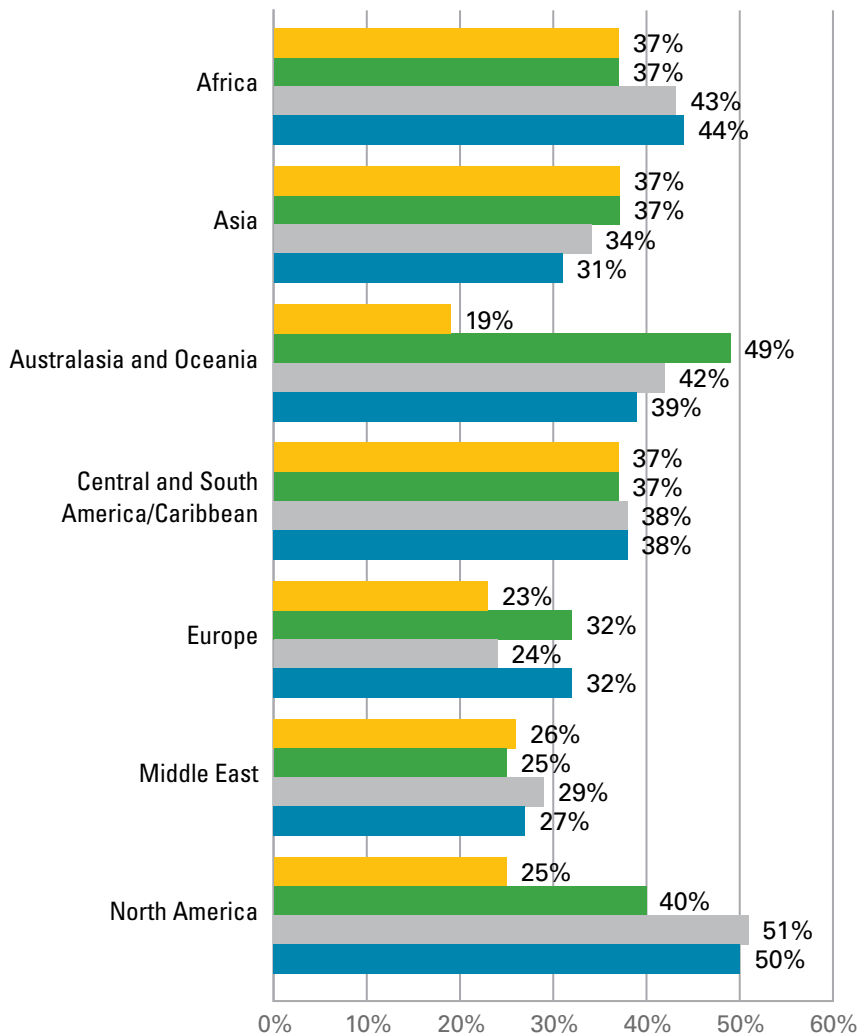
CHANGES IN FEE REVENUE FROM 2015 TO 2016 BY PRACTICE AREA

- Audit and Assurance
- Advisory and Consulting Services
- Tax (e.g., Compliance and Planning)
- Accounting, Compilation, and Other Non-assurance/ Related Services



CHANGES IN FEE REVENUE BY PRACTICE AREA: BY REGION

- Audit and Assurance
- Advisory and Consulting Services
- Tax (e.g., Compliance & Planning)
- Accounting, Compilation, and Other Non-assurance/Related Services



Accounting, Compilation, and Other Non-assurance/Related Services. Respondents from North America (50%), Africa (44%), and Australasia and Oceania (39%) reported greater increases in fee revenues from Accounting, Compilation, and Other Non-assurance/Related Services during 2016 than those from other regions. In general, as practice size increased so did percentage of respondents indicating an increase in fee revenues. While 31% of sole practitioners reported an increase during 2016, the percentage rose to 40% for respondents from practices with 21 or more partners and staff.

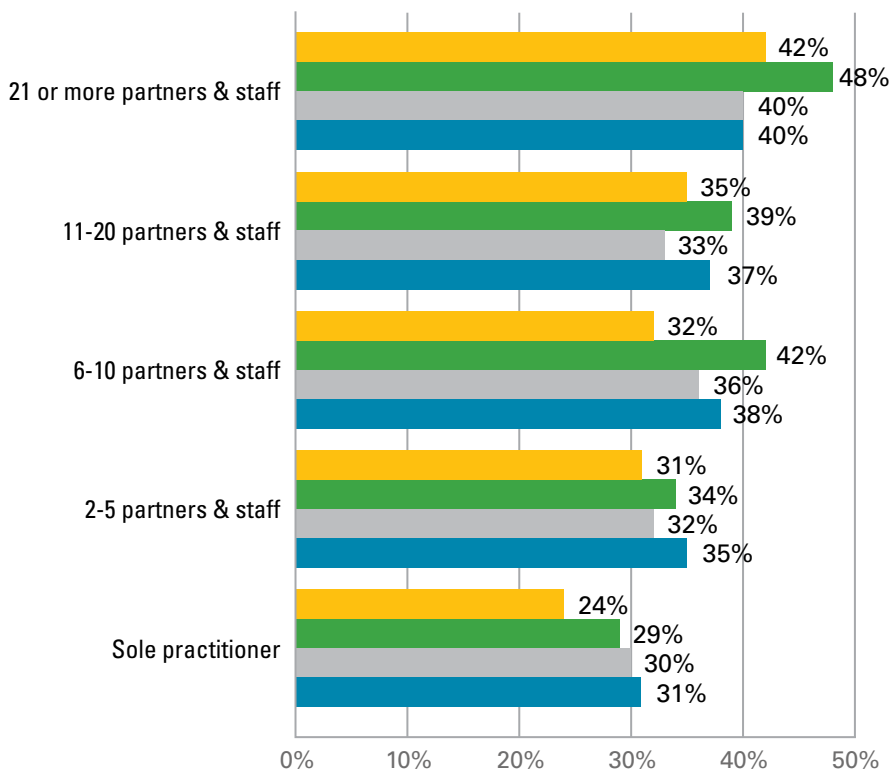
Audit and Assurance. More than a third of respondents (37%) from three regions—Africa, Asia, and Central and South America/Caribbean—reported an increase in Audit and Assurance revenues during 2016. In contrast, 26% or less of respondents from other regions reported fee revenue increases. The percentage of SMPs experiencing an increase in Audit and Assurance fees increased with practice size: 24% of sole proprietors compared to 42% of respondents representing practices with 21 or more partners and staff reported an increase.

Advisory and Consulting Services. Almost half of respondents from Australasia and Oceania reported an increase in revenues from Advisory and Consulting services during 2016. Increases are less prevalent in other regions. In general, the percentage of SMPs experiencing an increase in fees from Advisory and Consulting during 2016 increased with practice size. Of the sole practitioners, 29% indicated increases in comparison to 48% of respondents representing practices with 21 or more partners and staff.

Tax. More than half of North American (51%) respondents reported an increase in revenues from Tax services during 2016. In contrast, only 24% of European respondents indicated an increase. As practice size increased, in general, so did percentage of respondents reporting an increase: 30% of sole practitioners reported an increase compared to 40% of respondents from practices with 21 or more partners and staff.

CHANGES IN FEE REVENUE BY PRACTICE AREA: BY PRACTICE SIZE

- Audit and Assurance
- Advisory and Consulting Services
- Tax (e.g. Compliance & Planning)
- Accounting, Compilation, and Other Non-assurance/Related Services



KEY PERFORMANCE RATIOS

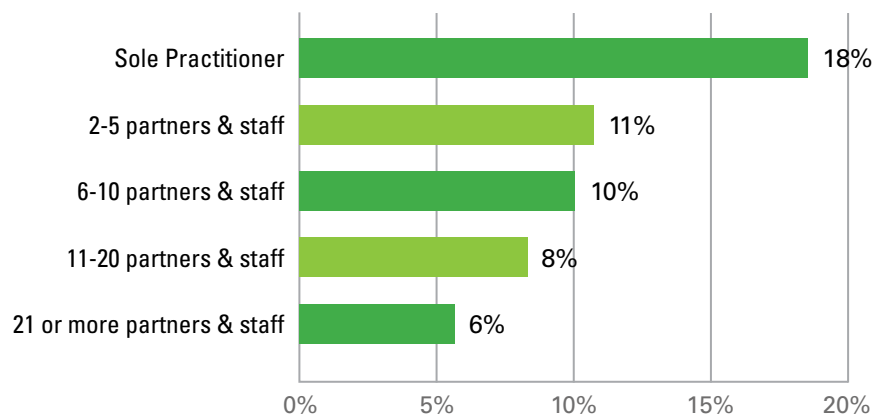
Key Performance Ratios. Two optional questions new to the 2016 survey assessed SMPs' performance. First, respondents were asked to assess their practice's utilization percentage (chargeable hours divided by total hours). Next, respondents were asked to report their SMP's receivables collection period ([accounts receivable divided by total practice revenue] multiplied by 365 days).

PRACTICE UTILIZATION PERCENTAGE OVERALL AND BY REGION

Utilization Percentage	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America	Overall
Less than 50%	18%	17%	5%	13%	8%	9%	5%	12%
51 - 60%	26%	16%	13%	20%	12%	13%	13%	16%
61 - 70%	17%	16%	25%	17%	17%	15%	24%	17%
71 - 80%	14%	16%	28%	17%	20%	22%	24%	19%
81 - 90%	7%	11%	12%	15%	16%	12%	13%	13%
Over 91%	3%	10%	5%	6%	11%	7%	6%	9%
Not applicable	8%	9%	6%	8%	10%	12%	10%	9%
No response provided	7%	5%	5%	5%	4%	10%	6%	5%

Utilization Percentage. Nearly half (49%) of respondents reported a utilization percentage of 61–90%. Only 9% indicated a utilization percentage greater than 90%, and 12% reported a utilization percentage of less than 50%. Utilization at less than half of capacity was more prevalent in practices located in Africa (18%), Asia (17%), and Central and South America/Caribbean (13%). As practice size decreases, the percentage of respondents with a practice utilization percentage of less than 50% of capacity increases: for example, 6% for practices with 21 or more partners and staff and 18% for sole practitioners.

PERCENTAGE OF RESPONDENTS BY PRACTICE SIZE WITH UTILIZATION RATES LESS THAN 50%



RECEIVABLES COLLECTION PERIOD OVERALL AND BY REGION

Receivables Collection Period	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America	Overall
0 - 30 days	19%	18%	37%	33%	33%	20%	27%	26%
31 - 59 days	34%	31%	39%	40%	33%	29%	42%	33%
60 - 89 days	26%	23%	13%	18%	18%	22%	19%	21%
90 - 119 days	10%	10%	2%	3%	8%	10%	4%	8%
Over 120 days	7%	12%	3%	3%	6%	9%	4%	8%
No response provided	4%	6%	5%	3%	3%	10%	5%	4%

RECEIVABLES COLLECTION PERIOD BY PRACTICE SIZE

Receivables Collection Period	Sole practitioner	2-5 partners & staff	6-10 partners & staff	11-20 partners & staff	21 or more partners & staff
0 - 30 days	36%	23%	18%	22%	16%
31 - 59 days	30%	34%	37%	34%	38%
60 - 89 days	16%	21%	23%	23%	27%
90 - 119 days	7%	9%	12%	9%	7%
Over 120 days	8%	9%	6%	7%	7%
No response provided	4%	4%	4%	5%	5%

Receivables Collection Period. Overall, 26% of respondents reported an average receivables collection period of 0 to 30 days, including 30% or more of the practices in Australasia and Oceania (37%), Central and South America/Caribbean (33%), and Europe (33%). Meanwhile, 40% or more of respondents from Asia (45%), Africa (43%), and the Middle East (41%) indicated that their SMP had a receivables collection period of 60 days or more.

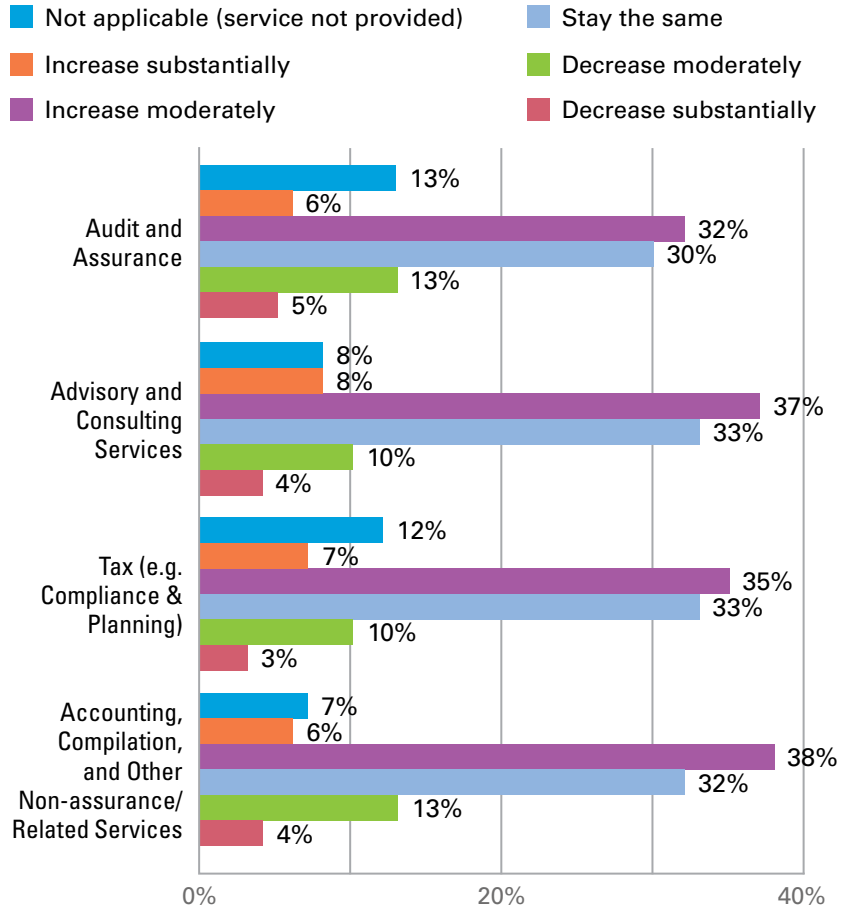
Generally, sole practitioners were more likely to have a receivables collection period of 0 to 30 days (36%), compared to the larger SMPs (between 16% and 23%).

SMP OUTLOOK FOR 2017

Overall. Approximately one-third of respondents predicted their fee revenues from all four service areas—Accounting, Compilation, and Other Non-assurance/Related Services (32%), Tax (33%), Advisory and Consulting Services (33%), and Audit and Assurance (30%)—will stay the same in 2017. Reflective of an optimistic outlook, 38% (up from 35% in 2015) anticipated revenue increases for Audit and Assurance Services, while more than 40% expected revenue increases for Accounting, Compilation, and Other Non-assurance/Related Services (44%, 41% in 2015), Tax (42%, 44% in 2015), Advisory and Consulting Services (45%, 44% in 2015). With the exception of Tax, projected changes for 2017 fee revenues were slightly more optimistic when compared to the prior year’s expectations.



EXPECTATIONS FOR 2017 REVENUES



By Region. An analysis by region reveals considerable variability in expectations regarding fee revenue growth projections for 2017. In general, a larger percentage of respondents from Africa and Central and South America/Caribbean anticipated fee revenue increases for all four service lines. Respondents from Europe and the Middle East are, in general, less optimistic regarding fee revenue increases for all four service lines.

Regarding Accounting, Compilation, and Other Non-assurance/Related Services, a majority of respondents from Africa (66%) and Central and South America/Caribbean (53%) anticipated fee increases in 2017. Substantially fewer respondents from the Middle East (36%) and Europe (37%) anticipated an increase in fee revenues from Accounting, Compilation, and Other Non-assurance/Related Services.

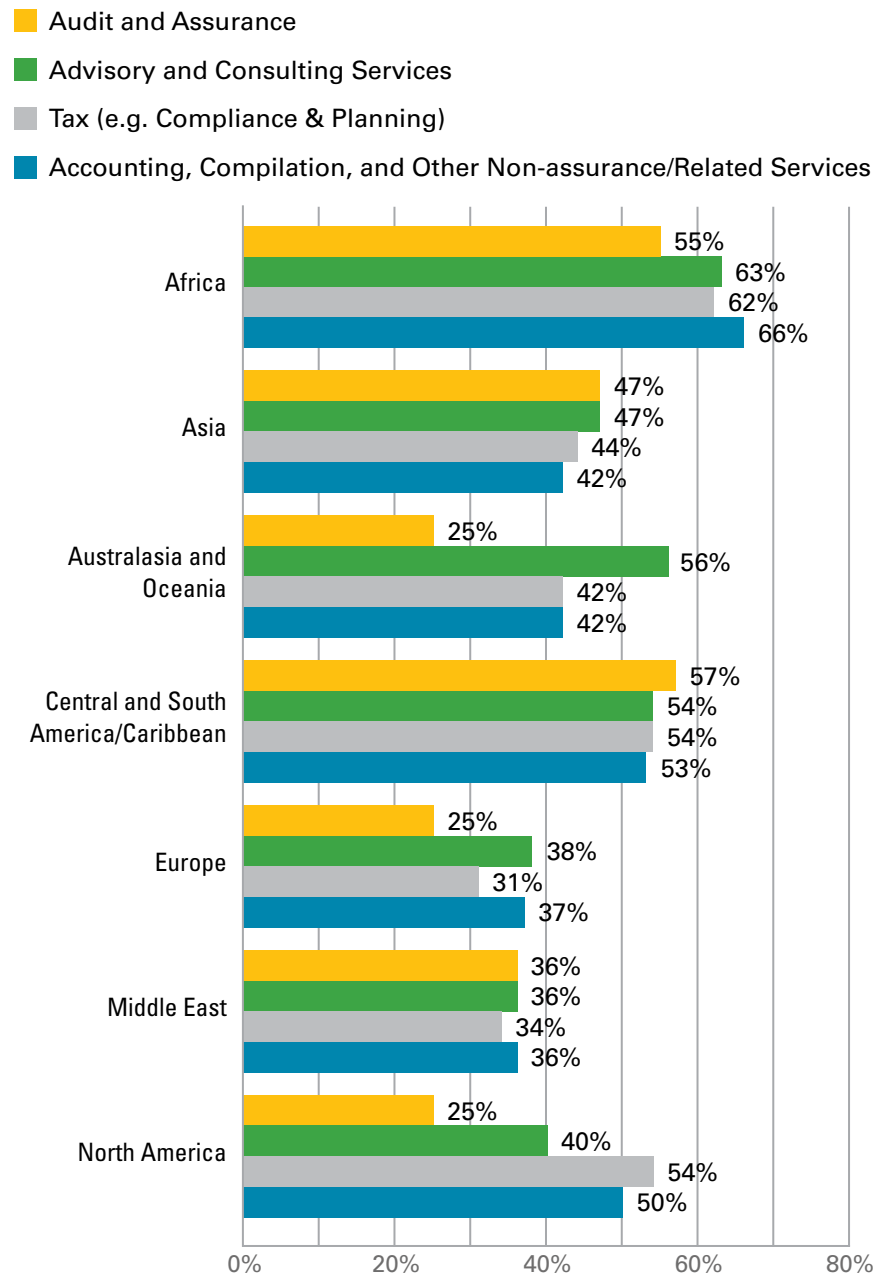
A majority of respondents from Africa (62%), North America (54%), and Central and South America/Caribbean (54%) projected increases in fee revenues derived from Tax services in 2017. Respondents from the Middle East (34%) and Europe (31%) were less optimistic.

A majority of respondents from Africa (63%), Australasia and Oceania (56%), and Central and South America/Caribbean (54%) forecasted increases in fee revenues from Advisory and Consulting services during 2017. A substantially smaller percentage of respondents from the Middle East (36%), Europe (38%), and North America (40%) anticipated increases in fee revenues from Advisory and Consulting services.

Regarding Audit and Assurance, a majority of respondents from Central and South America/Caribbean (57%) and Africa (55%) predicted fee revenue increases during 2017. Substantially fewer respondents from Australasia and Oceania (25%), Europe (25%), and North America (25%) projected an increase.

Size of Practice. For all four of the service areas, respondents representing the largest SMPs with 21 or more partners and staff are more optimistic regarding fee increases in 2017 than those representing smaller practices. Sole practitioners are the least optimistic regarding the potential for fee revenue increases from Audit and Assurance services during 2017.

FORECASTED FEE INCREASES BY REGION



PERCENTAGE OF RESPONDENTS FORECASTING FEE INCREASES FOR 2017 BY PRACTICE SIZE

Practice Area	Sole practitioner	2-5 partners & staff	6-10 partners & staff	11-20 partners & staff	21 or more partners & staff
Accounting, Compilation, and Other Non-assurance/Related Services	44%	45%	42%	39%	47%
Tax (e.g. Compliance & Planning)	41%	43%	40%	37%	48%
Advisory and Consulting Services	41%	46%	47%	47%	55%
Audit and Assurance	33%	40%	38%	43%	45%

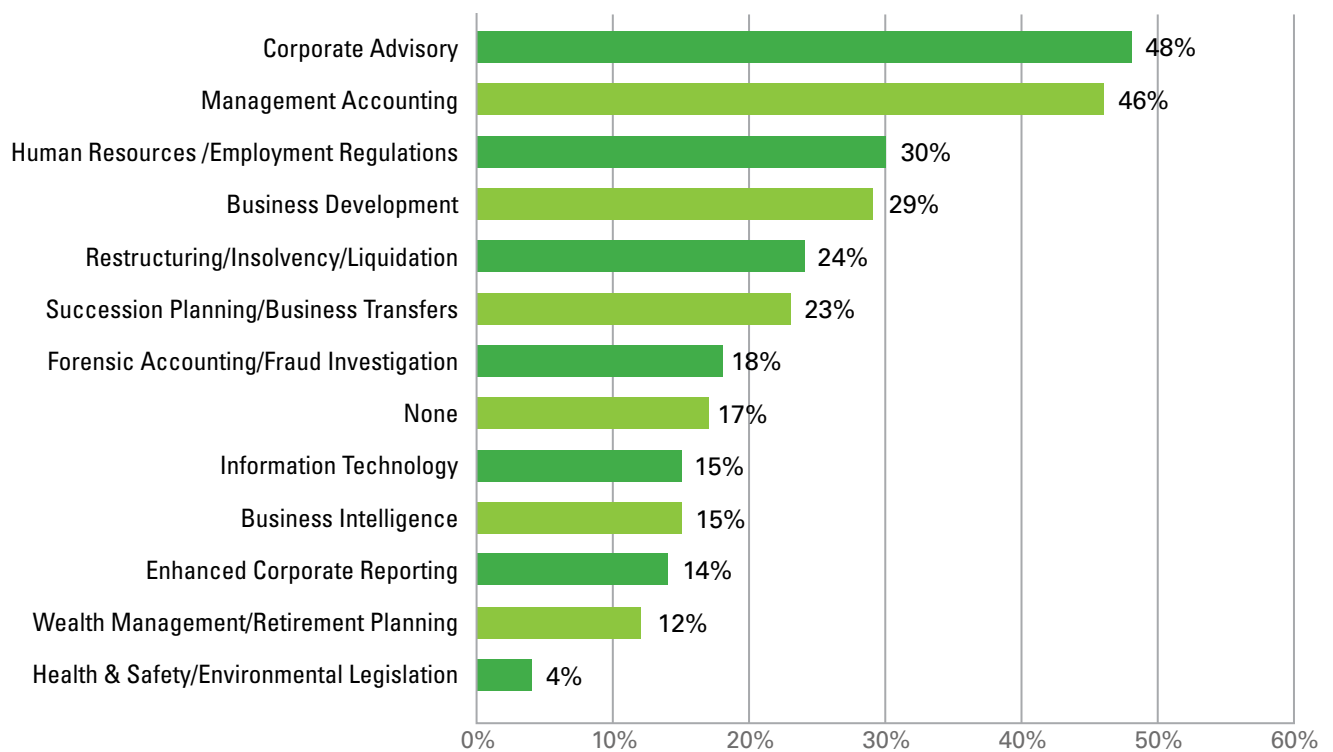
BUSINESS ADVISORY AND CONSULTING SERVICES

Overall. Respondents were asked to specify which advisory and consulting services their SMP provides. The most frequently provided services in 2016 included Corporate Advisory (at 48%, up from 45% in 2015, but down considerably from 61% in 2014) and Management Accounting (at 46%, up from 41% in 2015 but not assessed in 2014).¹ The next most frequently provided services included

Human Resources and Employment Regulations (at 30% up from 29% in 2015) and Business Development (at 29%, up from 27% in 2015).

For the first time Forensic Accounting/Fraud Investigation and Restructuring/Insolvency/Liquidation were included as options with 18% and 24% of SMPs providing these services. Less than one-quarter of respondents reported that the other advisory and consulting services were provided by their firm, while 17% of respondents (16% in 2015 and 7% in 2014) reported that their practice does not provide any advisory or consulting services.

BUSINESS ADVISORY AND CONSULTING SERVICES PROVIDED IN 2016



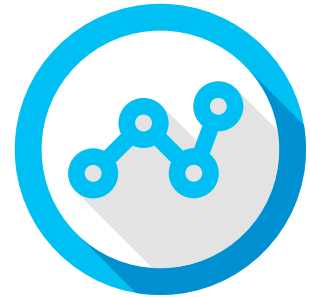
Services description:

- Corporate Advisory (mergers, legal, valuations, due diligence, financing).
- Management Accounting (planning, performance, risk management and internal control).
- Human Resources Policies and Procedures/Employment Regulations (hiring and firing, employee contracts, maternity/paternity/sick pay, remuneration structures).
- Business Development (strategy, marketing, benchmarking, budgeting).
- Information Technology (system support/reviews, security, monitoring computers/networks, database management systems selection and integration).
- Business Intelligence (transformation of data for business analysis purposes).
- Enhanced Corporate Reporting (integrated reporting, sustainability reporting, corporate social responsibility reporting).
- Wealth Management/Retirement Planning (e.g., government, company, individual pensions)

¹ Tax planning was not included in the 2016 survey under business advisory and consultancy services. Tax as a separate service line in the preceding analysis is considered to include this type of work.

By Region. The survey reveals considerable variability in the frequency of various advisory offerings by region. For example:

- Fewer respondents from Central and South America/Caribbean (40%), Australasia and Oceania (41%), and Africa (41%) reported that their SMP offered Corporate Advisory services.
- A majority of respondents from Africa (59%), Central and South America/Caribbean (55%), and Australasia and Oceania (52%) reported that their practice offers Management Accounting services.
- Fewer respondents from Asia (13%), Australasia and Oceania (16%), and North America (23%) reported that their SMP offers Human Resource Policies and Procedures and Employment Regulation services.
- More respondents from Australasia and Oceania (55%), Africa (40%), and the Middle East (37%) reported that their SMP offers Business Development services.



BUSINESS ADVISORY AND CONSULTING SERVICES BY REGION

Advisory Service	Africa	Asia	Australasia and Oceania	Central and South America/ Caribbean	Europe	Middle East	North America
Corporate Advisory	41%	50%	41%	40%	52%	46%	45%
Management Accounting	59%	44%	52%	55%	41%	46%	34%
Human Resources Policies and Procedures/ Employment Regulations	34%	13%	16%	38%	40%	43%	23%
Business Development	40%	22%	55%	29%	27%	37%	30%
Restructuring/ Insolvency/Liquidation	17%	24%	17%	19%	29%	27%	16%
Succession Planning and Business Transfers	17%	17%	56%	15%	26%	18%	51%
Forensic Accounting and Fraud Investigation	29%	16%	19%	20%	13%	28%	13%
Information Technology	18%	13%	22%	21%	13%	17%	23%
Business Intelligence	16%	9%	18%	19%	20%	13%	10%
Enhanced Corporate Reporting	20%	13%	9%	20%	11%	16%	6%
Wealth Management and Retirement Planning	13%	10%	35%	4%	12%	16%	25%
Health and Safety/ Environmental Legislation	6%	3%	4%	8%	4%	4%	2%

BUSINESS ADVISORY AND CONSULTING SERVICES BY PRACTICE SIZE

Advisory Service	Sole practitioner	2-5 partners & staff	6-10 partners & staff	11-20 partners & staff	21 or more partners & staff
Corporate advisory	33%	49%	57%	62%	73%
Management Accounting	40%	47%	49%	47%	55%
Human Resources Policies and Procedures/Employment Regulations	28%	30%	36%	28%	32%
Business Development	30%	27%	29%	29%	31%
Restructuring/Insolvency/Liquidation	14%	25%	31%	31%	40%
Succession Planning and Business Transfers	18%	21%	26%	26%	38%
Forensic Accounting and Fraud Investigation	12%	17%	20%	22%	27%
Information Technology	14%	15%	16%	13%	22%
Business Intelligence	16%	15%	15%	12%	15%
Enhanced Corporate Reporting	11%	15%	15%	14%	16%
Wealth Management and Retirement Planning	11%	11%	14%	11%	19%
Health and Safety/Environmental Legislation	4%	4%	5%	2%	6%



Size of Practice. The survey reveals substantial variation in the types of Business Advisory and Consulting Services provided by practice size. While only 33% of sole practitioners provided Corporate Advisory Services, the percentage rises with practice size with 73% of respondents from practices with 21 or more partners and staff providing these services. Similarly, while only 14% of sole practitioners offered Restructuring, Insolvency, and Liquidation services, 40% of respondents from practices with 21 or more partners and staff provided these services; likewise, only 18% of sole practitioners offered Succession Planning and Business Transfers services, while 38% of respondents from practices with 21 or more partners and staff provided these services. Larger practices were generally also more likely to provide Management Accounting services (40% of sole practitioners compared to 55% of SMPs with 21 or more partners and staff).

CHALLENGES FACING SME CLIENTS

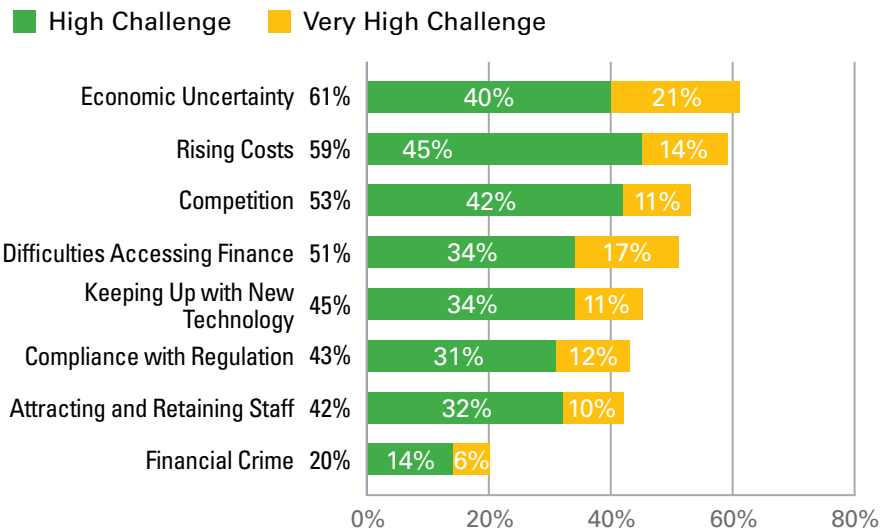
Top Challenges. Consistent with the 2015 survey results, respondents indicated that their SME clients continued to face many challenges in 2016. A majority of respondents viewed Economic Uncertainty (61%, same as 2015), Rising Costs (59%, 58% in 2015), Competition (53%, 54% in 2015), and Difficulties Accessing Finance (51%, same as 2015) as a high or very high challenge for their SME clients. Additionally, more than 40% considered as a high or very high challenge for their SME clients: Keeping up with New Technology (45%, 42% in 2015), Compliance with Regulation (43%, 42% in 2015), and Attracting and Retaining Staff (42%, 35% in 2015). Regarding the latter, it is important to note that a substantially higher percentage of respondents assigned a rating of high or very high to Attracting and Retaining Staff compared to 2015.

Results varied considerably by region in the extent to which respondents perceived the severity of the challenges faced by their SME clients.

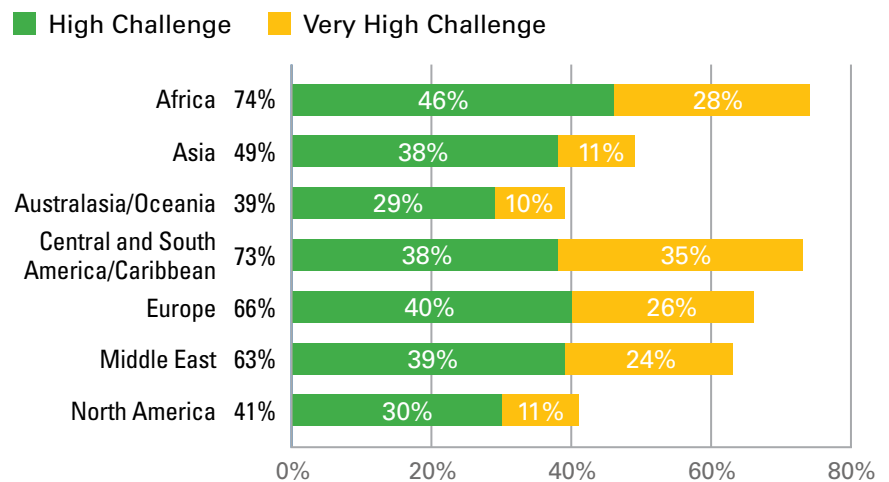
Economic Uncertainty by Region. A majority of respondents from Africa (74%, 72% in 2015), Central and South America/Caribbean (73%, 68% in 2015), Europe (66%, 65% in 2015), and the Middle East (63%, 61% in 2015) rated Economic Uncertainty as a high or very high challenge for their SME clients. It is noteworthy that, in all specified instances, a slightly higher percentage of respondents from each of the four regions assigned a rating of high or very high to Economic Uncertainty in comparison to 2015.

Rising Costs by Region. A majority of respondents from Africa (78%, 76% in 2015), Central and South America/Caribbean (70%, 69% in 2015), Europe (59%, 57% in 2015), the Middle East (60%, 53% in 2015), and Asia (54%, 51% in 2015) viewed Rising Costs as a high or very high challenge for their SME clients. Again, in all specified instances, a larger percentage of respondents from each of the five regions assigned a rating of high or very high to Rising Costs in comparison to 2015; the increase of 7% is substantially higher for the Middle East.

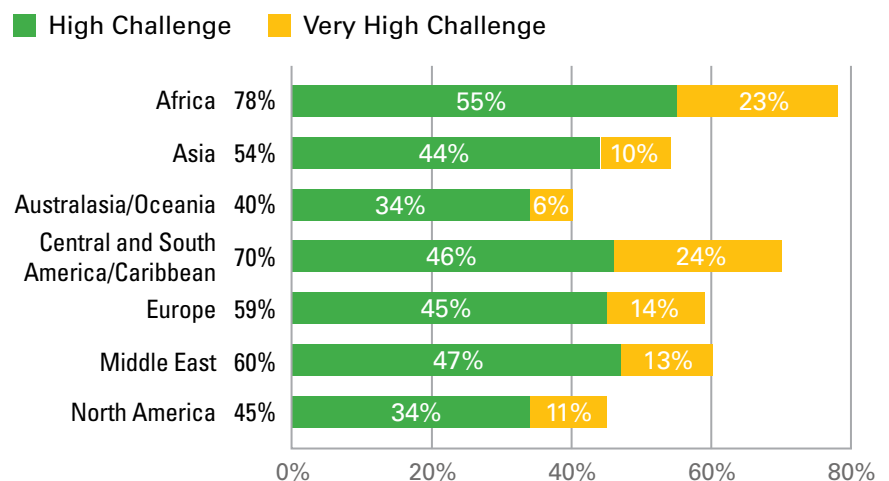
IMPACT OF POTENTIAL CHALLENGES FACING SME CLIENTS IN 2016



ECONOMIC UNCERTAINTY

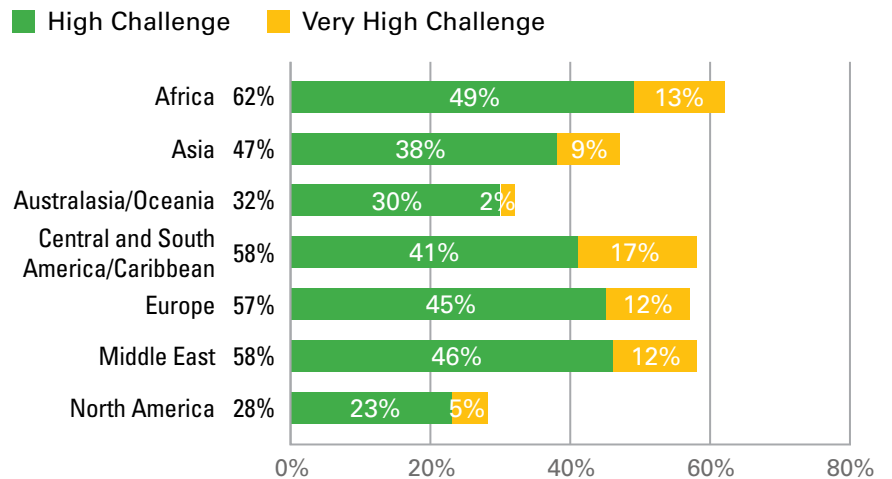


RISING COSTS



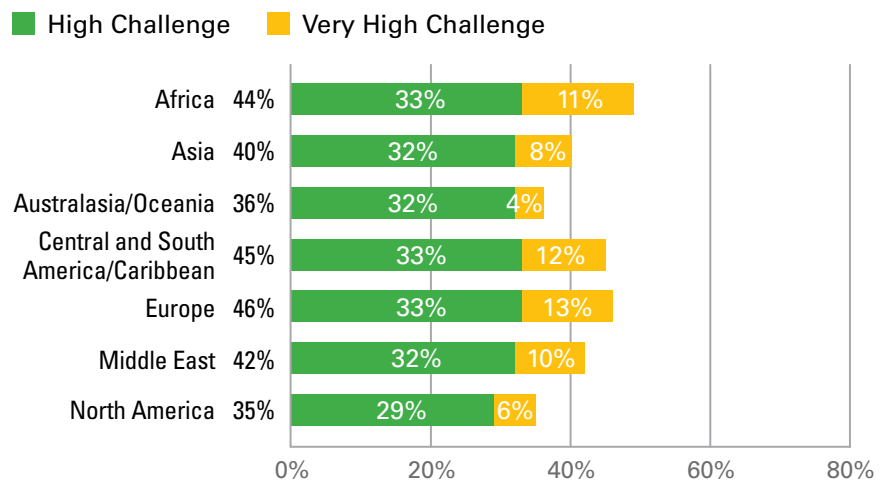
Competition by Region. A majority of respondents from Africa (62%, 55% in 2015), Central and South America/Caribbean (58%, 60% in 2015), the Middle East (58%, 53% in 2015), and Europe (57%, 58% in 2015) perceived Competition to be a high or very high challenge for their SME clients. The percentage of respondents assigning a rating of high or very high increased substantially in comparison to 2015 for Africa (7%) and the Middle East (5%).

COMPETITION



Attracting and Retaining Staff by Region. Attracting and Retaining Staff was rated as a high or very high challenge for their SME clients by 40% or more of respondents from Europe (46%, 34% in 2015, Central and South America/Caribbean (45%, 36% in 2015), Africa (44%, 36% in 2015), the Middle East (42%, 31% in 2015), and Asia (40%, 36% in 2015). It is noteworthy that in all specified instances a markedly higher percentage of respondents (between 4% and 12%) from each of the five regions assigned a rating of high or very high to Attracting and Retaining Staff in comparison to 2015.

ATTRACTING AND RETAINING STAFF



Difficulties in Accessing Finance by Region.

A majority of respondents in Africa (72%, 69% in 2015), the Middle East (62%, 53% in 2015), Central and South America/Caribbean (58%, 46% in 2015), and Europe (52%, 55% in 2015) reported that Difficulties in Accessing Finance represented a high or very high challenge for their SME clients. With the exception of Europe, in all the specified instances, a greater percentage of respondents from each of the four regions assigned a rating of high or very high to Difficulties in Accessing Finance compared to 2015; the increases are substantial in the Middle East (9%) and Central and South America/Caribbean (12%).

Financial Crimes by Region.

In both 2016 and 2015, respondents viewed Financial Crime as the least frequently occurring challenge for their SME clients. However, there is considerable variability by region. The challenge is viewed as greater in Africa (28%, 23% in 2015), Central and South America/Caribbean (28%, 25% in 2015), the Middle East (24%, 25% in 2015), and Asia (22%, 19% in 2015) with over one-fifth reporting that Financial Crime represents a high or very high challenge for their SME clients.

ACKNOWLEDGMENTS

IFAC wishes to thank the following member bodies, regional organizations, accountancy groupings, and other organizations that helped translate the survey and/or published the survey in their newsletters, bulletins and journals, or otherwise helped promote it. If your organization promoted the survey but is not on this list, please email communications@ifac.org so we may correct this unintentional omission. National-level data is available for participating organizations upon request

Please also let us know if your organization wishes to help translate and promote future surveys.

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 Colegio de Contadores Públicos de Costa Rica
 Colegio de Contadores Públicos de Nicaragua
 Compagnie Nationale des Commissaires aux Comptes
 Conselho Federal de Contabilidade
 Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili
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 Institut des Réviseurs d'Entreprises
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 Institute of Certified Public Accountants in Ireland
 Institute of Certified Public Accountants in Israel
 Institute of Certified Public Accountants of Kenya
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Institute of Chartered Accountants in Malawi
Institute of Chartered Accountants of Nigeria
Institute of Chartered Accountants of Pakistan
Institute of Chartered Accountants of Scotland
Institute of Chartered Accountants of Sri Lanka
Institute of Cost and Management Accountants of Pakistan
Institute of Financial Accountants
Institute of Public Accountants
Institute of Singapore Chartered Accountants
Instituto de Censores Jurados de Cuentas de España
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Instituto Mexicano de Contadores Públicos, A.C.
Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises
International Arab Society of Certified Accountants
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Iraqi Union of Accountants and Auditors
Japanese Institute of Certified Public Accountants
Jordanian Association of Certified Public Accountants
Kampuchea Institute of Certified Public Accountants and Auditors
Korean Institute of Certified Public Accountants
Latvian Association of Certified Auditors
Lebanese Association of Certified Public Accountants
Liberian Institute of Certified Public Accountants
Lithuanian Chamber of Auditors
Malaysian Institute of Accountants
Malta Institute of Accountants
Nordic Federation of Public Accountants (representing FSR - danske revisorer; Suomen Tilintarkastajat ry; Félag Löggitla Endurskodenda; Den Norske Revisorforening; and FAR)
National Chamber of Statutory Auditors, Poland
The National Federation of Certified Public Accountant Associations of the Republic of China (NFCPAAROC)
Royal Nederlandse Beroepsorganisatie van Accountants
Ordem dos Contabilistas Certificados
Ordem dos Revisores Oficiais de Contas
Ordre des Experts Comptables du Royaume du Maroc
Ordre des Experts Comptables de Tunisie
Ordre des Experts-Comptables et Comptables Agréés du Bénin
Philippine Institute of Certified Public Accountants
The Slovenian Institute of Auditors
South African Institute of Chartered Accountants
Union of Chambers of Certified Public Accountants of Turkey
Wirtschaftsprüferkammer

REGIONAL ORGANIZATIONS AND ACCOUNTANCY GROUPINGS

Association of Accountancy Bodies of West Africa
Confederation of Asian and Pacific Accountants
Fédération des Experts Comptables Européens
Fédération des Experts-Comptables Méditerranéens
Fédération Internationale des Experts Comptables et Commissaires aux Comptes Francophones
Gulf Cooperation Council Accounting and Auditing Organization
Interamerican Accounting Association
Institute of Chartered Accountants of the Caribbean
Pan African Federation of Accountants
South Asian Federation of Accountants

OTHER

ASEAN Federation of Accountants
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World Bank

For more information
on the SMP Committee, please contact:
Christopher Arnold,
Head of SME/SMP and Research
ChristopherArnold@ifac.org
T +1 646 350 9427
www.ifac.org/SMP

