

## Service bulletin

# Accounting Services

2010



### Highlights

- In 2010, operating revenues in the Accounting, tax preparation and bookkeeping industry in Canada grew by 5.1% to \$13.9 billion, up from \$13.2 billion in 2009. This growth occurred amidst preparations for regulatory conversion of accounting practices to IFRS (International Financial Reporting Standards) for publicly accountable entities and ASPE (Accounting Standards for Private Enterprises).
- Ontario generated 41.8% of national revenue, followed by Quebec (20.0%), Alberta (14.8%), British Columbia (13.3%) and the remaining provinces and territories (10.1%).
- Revenue increases were recorded in most regions of Canada in 2010. The largest increases, with double digit growth, were Nova Scotia (+14.9%), Manitoba (+13.0%) and Saskatchewan (+10.4%). The only year-over-year decrease was in New Brunswick (-4.1%).
- More than half of industry sales resulted from accounting, bookkeeping, and payroll services (59.6%), while taxation services comprised another quarter (24.9%). Sales from management consulting services (8.0%), insolvency and receivership services (2.4%) and other sales of goods and services (5.1%) accounted for the remaining total industry sales.
- Operating expenses rose 4.1% to almost \$10 billion in 2010. At 57.1%, employee salaries, wages and benefits continued to represent the bulk of operating costs to businesses in the industry. Other labour costs, including subcontract costs and professional and business service fees, was the next largest expense item for the industry.
- The industry profit margin was 28.2% in 2010, returning to its 2008 level, after dipping to 27.5% in 2009.
- The business sector was the predominant client for the accounting, tax preparation and bookkeeping industry, generating 72.0% of industry revenues. Individuals and households generated 19.1%, while government and public institutions accounted for 7.0%. Clients outside Canada made up the balance at 1.8%.

## Statistical tables

Table 1

Summary statistics for the accounting services industry, by province and territory, 2008 to 2010

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin
	millions of dollars			percent
2010 p				
Newfoundland and Labrador	114.2	94.9	68.5	17.0
Prince Edward Island	x	x	x	x
Nova Scotia	270.5	186.7	111.3	31.0
New Brunswick	178.3	129.8	71.3	27.2
Quebec	2,775.4	1,917.9	1,035.5	30.9
Ontario	5,816.1	4,204.7	2,289.8	27.7
Manitoba	445.4	293.9	159.3	34.0
Saskatchewan	334.9	231.7	113.1	30.8
Alberta	2,054.0	1,540.6	926.8	25.0
British Columbia	1,846.2	1,336.2	756.9	27.6
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>13,900.4</b>	<b>9,984.7</b>	<b>5,555.9</b>	<b>28.2</b>
2009 r				
Newfoundland and Labrador	107.9	89.0	64.6	17.6
Prince Edward Island	x	x	x	x
Nova Scotia	235.4	165.8	94.7	29.6
New Brunswick	185.8	137.8	78.4	25.8
Quebec	2,564.7	1,761.2	947.6	31.3
Ontario	5,532.0	4,080.0	2,216.5	26.2
Manitoba	394.0	284.4	160.8	27.8
Saskatchewan	303.3	204.1	106.7	32.7
Alberta	2,015.2	1,517.8	942.7	24.7
British Columbia	1,824.8	1,302.7	757.8	28.6
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>13,230.9</b>	<b>9,593.8</b>	<b>5,395.3</b>	<b>27.5</b>
2008 r				
Newfoundland and Labrador	91.3	73.4	46.0	19.5
Prince Edward Island	x	x	x	x
Nova Scotia	213.9	144.8	83.3	32.3
New Brunswick	181.9	127.0	69.0	30.2
Quebec	2,279.6	1,596.2	860.6	30.0
Ontario	5,360.4	3,829.2	2,080.1	28.6
Manitoba	364.3	262.2	153.4	28.0
Saskatchewan	264.2	178.0	94.7	32.6
Alberta	2,077.9	1,582.8	983.2	23.8
British Columbia	1,899.9	1,353.0	746.6	28.8
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>12,796.8</b>	<b>9,191.6</b>	<b>5,142.1</b>	<b>28.2</b>

1. Territories include: Yukon, Northwest Territories and Nunavut.

**Note(s):** According to the North American Industry Classification System (NAICS 5412). See "Data sources, definitions and methodology" at the end of tables for definition of terms.

**Table 2**  
**Detailed expenditures as a percentage of total operating expenses for the accounting services industry, Canada, 2008 to 2010**

	2008 <sup>r</sup>	2009 <sup>r</sup>	2010 <sup>p</sup>
	percent		
Total operating expenses	100.0	100.0	100.0
Salaries, wages and benefits of employees	57.0	57.6	57.1
Commissions paid to non-employees	F	F	F
Professional and business services fees	3.1	4.1	4.3
Subcontract expenses	4.9	4.7	5.2
Charges for services provided by head office	1.1	F	1.7
Cost of goods sold	F	F	F
Office supplies	2.7	2.6	2.5
Rental and leasing	6.2	6.6	6.4
Repair and maintenance	1.4	1.2	1.3
Insurance	1.4	1.4	1.2
Advertising, marketing and promotions	1.7	1.5	1.6
Travel, meals and entertainment	2.6	2.4	2.3
Utilities and telecommunications expenses	1.7	1.4	1.4
Property and business taxes, licences and permits	F	F	F
Royalties, rights, licensing and franchise fees	F	F	F
Delivery, warehousing, postage and courier	F	F	F
Financial services fees	F	F	F
Amortization and depreciation of tangible and intangible assets	2.0	2.1	2.1
Bad debts	F	1.1	F
All other expenses	11.0	10.1	9.6

**Note(s):** According to the North American Industry Classification System (NAICS 5412). See "Data sources, definitions and methodology" at the end of tables for definition of terms. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

**Table 3**  
**Sales by type of client for the accounting services industry, Canada, 2008 to 2010**

	2008 <sup>r</sup>	2009 <sup>r</sup>	2010 <sup>p</sup>
	percent		
<b>Clients in Canada</b>	<b>97.7</b>	<b>98.2</b>	<b>98.2</b>
Individuals and households	21.0	19.0	19.1
Government and public institutions	8.1	6.8	7.0
Business sector	68.6	72.4	72.0
<b>Clients outside Canada</b>	<b>2.3</b>	<b>1.8</b>	<b>1.8</b>

**Note(s):** According to the North American Industry Classification System (NAICS 5412). See "Data sources, definitions and methodology" at the end of tables for definition of terms. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

**Table 4**  
**Sales by type of goods and services for the accounting services industry, by province and territory, 2008 to 2010**

	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Territories <sup>1</sup>	Canada
	percent											
<b>2010 p</b>												
Accounting (auditing, assurance, compilation, review), bookkeeping and payroll services	70.3	x	62.5	56.8	64.2	55.7	65.5	60.3	61.9	59.4	x	59.6
Taxation services (tax preparation, planning and consulting services, other taxation services)	21.2	x	21.2	24.4	21.1	25.9	22.6	33.1	25.2	27.6	x	24.9
Management consulting services	5.9	x	12.2	8.3	7.1	9.8	7.1	2.3	6.7	5.9	x	8.0
Insolvency and receivership services	1.3	x	1.2	3.0	3.1	2.8	2.0	1.0	1.7	1.5	x	2.4
Other sales of goods and services	1.3	x	3.0	7.4	4.6	5.8	2.8	3.3	4.5	5.6	x	5.1
<b>2009 r</b>												
Accounting (auditing, assurance, compilation, review), bookkeeping and payroll services	78.8	x	62.4	58.5	63.4	55.6	67.8	56.0	63.4	62.2	x	60.0
Taxation services (tax preparation, planning and consulting services, other taxation services)	13.8	x	21.1	19.3	21.6	25.9	21.6	35.8	24.2	26.1	x	24.6
Management consulting services	3.7	x	9.3	14.0	6.4	9.5	5.4	3.1	5.9	5.3	x	7.4
Insolvency and receivership services	1.9	x	F	2.7	3.1	3.1	2.1	1.1	1.8	1.6	x	2.5
Other sales of goods and services	1.8	x	6.4	5.5	5.6	6.0	3.0	4.0	4.7	4.8	x	5.4
<b>2008 r</b>												
Accounting (auditing, assurance, compilation, review), bookkeeping and payroll services	76.0	x	60.5	55.6	63.4	57.5	70.0	59.3	64.5	61.2	x	60.9
Taxation services (tax preparation, planning and consulting services, other taxation services)	12.3	x	24.1	24.7	21.4	25.4	18.8	31.1	24.3	26.8	x	24.5
Management consulting services	8.2	x	10.3	10.0	6.9	8.1	5.9	3.9	4.5	6.0	x	6.9
Insolvency and receivership services	1.7	x	1.5	5.3	2.7	2.7	2.0	1.2	1.6	1.5	x	2.3
Other sales of goods and services	1.8	x	3.6	4.4	5.6	6.3	3.3	4.5	5.1	4.6	x	5.5

1. Territories include: Yukon Territory, Northwest Territories and Nunavut.

**Note(s):** According to the North American Industry Classification System (NAICS 5412). See "Data sources, definitions and methodology" at the end of tables for definition of terms. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

## Data sources, definitions and methodology

### Description

This annual sample survey collects data required to produce economic statistics for the Accounting Services in Canada. Data collected from businesses are aggregated with information from other sources to produce official estimates of national and provincial economic production for this industry. Survey estimates are made available to businesses, governments, investors, associations, and the public. The data are used to monitor industry growth, measure performance, and make comparisons to other data sources to better understand this industry.

### Target population

The target population consists of all establishments classified to the Accounting Services industry (NAICS 5412) according to the North American Industry Classification System (NAICS) during the reference year. This industry comprises establishments primarily engaged in providing a range of accounting services, such as the preparation of financial statements, the preparation of management accounting reports, the review and auditing of accountings records, the development of budgets, the design of accounting systems, the preparation of tax returns and bookkeeping, billing and payroll processing services.

### Industry structure

Under the North American Industrial Classification System (NAICS), the Accounting, Tax Preparation, Bookkeeping and Payroll Services Industry (5412) consists of Offices of Accountants (541212), Tax Preparation Services (541213) and Bookkeeping, Payroll and Related Services (541215).

#### Offices of Accountants – NAICS 541212

This industry refers to professional accounting services. This industry comprises establishments primarily engaged in providing a range of accounting services such as the preparation of financial statements, the preparation of management accounting reports, the review and auditing of accounting records, the development of budgets, the design of accounting systems, and the provision of advice on matters related to accounting. These establishments may also provide related services, such as bookkeeping services, tax return preparation services, payroll services, management consulting services and insolvency services.

#### Tax Preparation Services – NAICS 541213

This industry comprises establishments primarily engaged in providing tax return preparation services.

#### Bookkeeping, Payroll and Related Services – NAICS 541215

This industry comprises establishments primarily engaged in providing bookkeeping, billing or payroll processing services.

Data users who wish to learn more about NAICS, its underlying principles, and many of the other statistical concepts discussed in this brief summary, are referred to the Introduction section of the Statistics Canada publication “North American Industry Classification System: Canada 2007” (catalogue no. 12-501-X).

### Sampling

This is a sample survey with a cross-sectional design.

The frame is the list of establishments from which the portion eligible for sampling is determined and the sample is taken. The frame provides basic information about each firm including address, industry classification, and information from administrative data sources. The frame is maintained by Statistics Canada's Business Register Division and is updated using administrative data. The basic objective of the survey is to produce estimates for the whole industry - incorporated and unincorporated businesses. The data come from two different sources: a sample of all businesses with revenue above or equal to a certain threshold (note: the threshold varies between surveys and sometimes between industries and provinces in the same survey) for which either survey or administrative data may be used; and administrative data only for businesses with revenue below the specified threshold. It should be noted that only financial information is available from businesses below the threshold; e.g., revenue, and expenses such as depreciation and salaries, wages and benefits. Detailed characteristics are collected only for surveyed establishments. Prior to the selection of a random sample, establishments are classified into homogeneous groups (i.e., groups with the same NAICS codes and same geography). Quality requirements are targeted, and then each group is divided into sub-groups called strata: take-all, must-take, and take-some. The take-all stratum represents the largest firms in terms of performance (based on revenue) in an industry. The must-take stratum is comprised of units selected based on complex structural characteristics (multi-establishment, multi-legal, multi-NAICS, or multi-province enterprises). All take-all and must-take firms are selected to the sample. Units in the take-some strata are subject to simple random sampling. The effective sample size for reference year 2009 was 778 collection entities.

## Definitions

**Operating revenue** excludes investment income, capital gains, extraordinary gains and other non-recurring items.

**Operating expenses** exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

**Operating profit margin** is derived as follows: operating revenue minus operating expenses, expressed as a percentage of operating revenue. The derived figure excludes corporation income tax paid by incorporated businesses and individual income tax paid by unincorporated businesses. For unincorporated businesses, operating profit margin includes unpaid remuneration to partners and proprietors, which is not recorded as salaries, wages and benefits. Therefore the profit estimate will be higher in industries where unincorporated proprietorships and partnerships are significant contributors.

**Salaries, wages and benefits** include vacation pay and commissions for all employees for whom a T4 slip was completed. This category also includes the employer portion of employee benefits for items such as Canada/Quebec Pension Plan or Employment Insurance premiums. Salaries and wages do not include working owners' dividends nor do they include the remuneration of owners of unincorporated business. Therefore the relative level of salaries, wages and benefits will be lower in industries where unincorporated businesses are significant contributors.

An active **statistical establishment** is one production entity or the smallest grouping of production entities which produces as homogeneous a set of goods and/or services as possible; which does not cross provincial boundaries; and for which records provide data on the value of output together with the cost of principal intermediate inputs used and cost and quantity of labour resources used to produce the output.

## Quality evaluation

Prior to dissemination, combined survey results are analyzed for overall quality; in general, this includes a detailed review of individual responses (especially for the largest companies), an assessment of the general economic conditions portrayed by the data, historic trends, and comparisons with other data sources.

## Disclosure control

Statistics Canada is prohibited by law from releasing any data which would divulge information obtained under the Statistics Act that relates to any identifiable person, business or organization without the prior knowledge or the consent in writing of that person, business or organization. Various confidentiality rules are applied to all data that are released or published to prevent the publication or disclosure of any information deemed confidential. If necessary, data are suppressed to prevent direct or residual disclosure of identifiable data.

## Data accuracy

Of the units contributing to the estimate, the **weighted response rate** was 86.8%. CVs were calculated for each estimate. CVs are available upon request.

## Related products

### Selected CANSIM tables from Statistics Canada

360-0007 - Accounting services, summary statistics, by North American Industry Classification System (NAICS), annual (75 series)

360-0018 - Accounting services, operating expenses, by North American Industry Classification System (NAICS), annual (percent) (21 series)

360-0019 - Accounting services, sales by type of client based on the North American Industry Classification System (NAICS), annual (percent) (5 series)

## Survey(s)

Definitions, data sources and methods: survey number 4716 - Annual Survey of Service Industries: Accounting Services

## Publications

Service Industries Newsletter, Catalogue no. 63-018-X.

Analytical paper series - Service Industries Division, Catalogue no. 63F0002X.

Release date: February 2012

### Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 <sup>s</sup>	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published
*	significantly different from reference category ( $p < 0.05$ )

### To access this product

This product, Catalogue no. 63-256-X, is available free in electronic format. To obtain a single issue, visit our website at [www.statcan.gc.ca](http://www.statcan.gc.ca) and browse by "Key resource" > "Publications."

Frequency: Annual / ISSN 1916-9892

For information on the wide range of data available from Statistics Canada, please call our national inquiries line at 1-800-263-1136.

Cette publication est également disponible en français.

Published by authority of the Minister responsible for Statistics Canada. © Minister of Industry, 2012.

All rights reserved. Use of this publication is governed by the Statistics Canada Open License Agreement:

<http://www.statcan.gc.ca/reference/copyright-droit-auteur-eng.htm>

### Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner. To this end, Statistics Canada has developed *standards of service* that its employees observe.

To obtain a copy of these service standards, please contact Statistics Canada toll-free at 1-800-263-1136. The service standards are also published on [www.statcan.gc.ca](http://www.statcan.gc.ca) under "About us" > "The agency" > "Providing services to Canadians."

### Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.