

Service bulletin

Accounting Services

2006



Highlights

- The Canadian accounting services industry enjoyed another prosperous year in 2006. Operating revenue reached \$11.1 billion in 2006, up 12.1% over 2005. This jump comes on the heels of substantial growth of 13.7% in 2005.
- In 2006, as in previous years, the bulk of the industry's revenue came from the traditional accounting services fields. Thus, audit and assurance services accounted for 30% of all operating revenue, followed by taxation services (25%), compilation and review services (16%) and bookkeeping and payroll services (11%). Less traditional sources of revenue included consulting services at 7%, insolvency and receivership services at 3%, and other products and services at 8%.
- Ontario businesses continued to account for the largest portion (44%) of the industry's operating revenue, followed by firms in Quebec (19%), British Columbia (14%) and Alberta (14%). Quebec's share of operating revenue has remained stable in recent years, while Ontario's share has slowly declined. For their part, Alberta and British Columbia have experienced gains.
- Most provinces posted strong gains in their operating revenue from 2005 to 2006, with Alberta (+25%), Newfoundland and Labrador (+17%) and British Columbia (+14%) seeing the largest growth. In contrast, growth in Saskatchewan (+12%), Manitoba (+12%), Quebec (+11%) and Ontario (+9%) was more modest.
- The accounting services industry consists of a small number of very large firms, which earn substantial revenue, and a large number of small firms, which generate much more modest revenue. In 2006, the 20 largest firms generated 49% of the industry's operating revenue and 47% of its operating profit, shares that have remained steady since 2004. However, the 9.1% growth in operating revenue posted in 2006 by the 20 largest firms was well below the 15.1% increase reported by all other firms in the industry.
- Salaries, wages and employee benefits is the only major operating expense item. It represented \$4.1 billion in 2006 or slightly more than half (52%) of all operating expenses. The total cost of compensation would have been much higher had it included the compensation of about 13,500 partners and owners who work in their own accounting businesses.
- The industry's before tax operating profit margin has remained relatively stable since 2001 but it declined slightly from 30.1% in 2005 to 29.6% in 2006.

2006 survey detailed results

Operating revenue

The Canadian accounting services industry enjoyed another prosperous year in 2006. Operating revenue reached \$11.1 billion in 2006, up 12.1% over 2005. This jump comes on the heels of substantial growth of 13.7% in 2005.

Chart 1
Operating revenue

billions of dollars

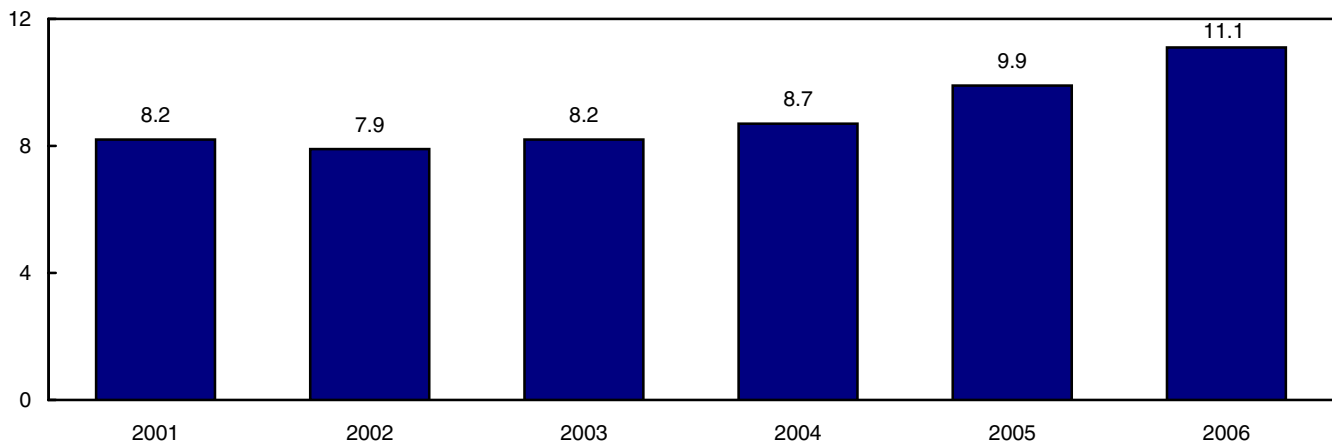
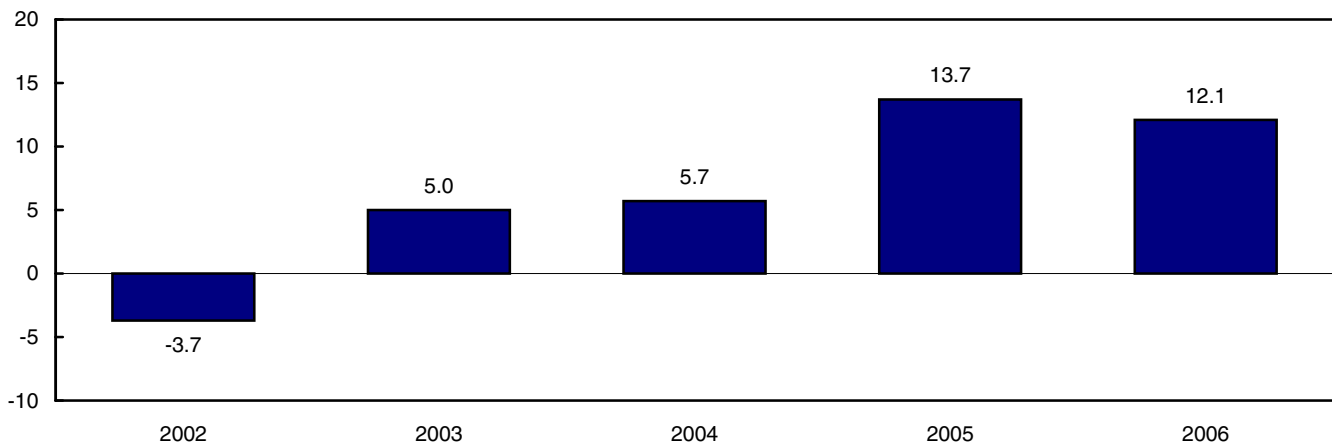


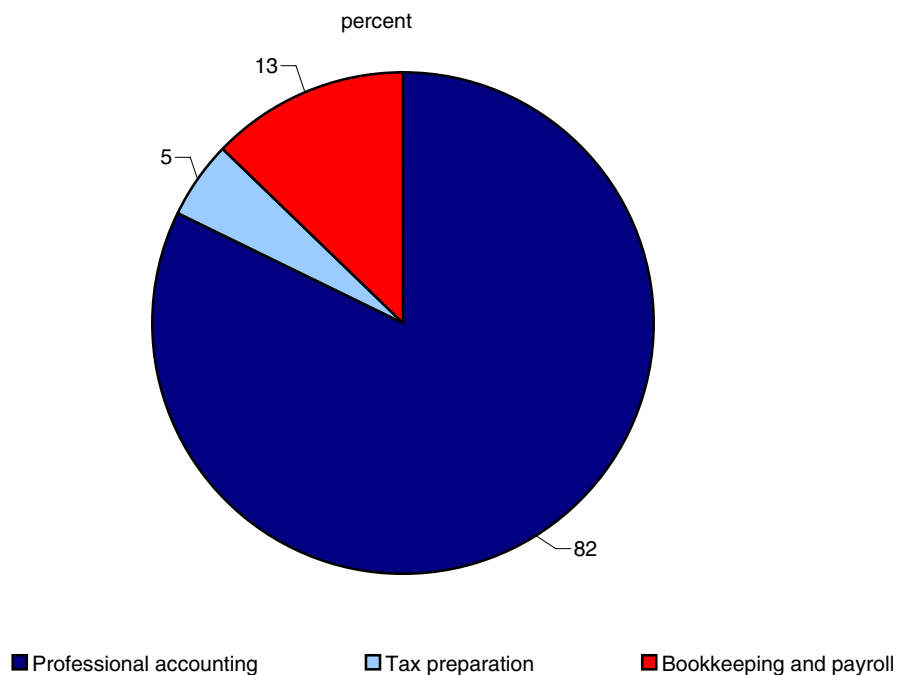
Chart 2
Growth rate of operating revenue

percent



In 2006, firms for which the primary activity is the delivery of accountant services (NAICS 541212) accounted for 82% (84% in 2005) of the industry's operating revenue. They were followed by firms for which the primary activity is bookkeeping and payroll services (NAICS 541215) and tax return preparation services (NAICS 541213), which respectively generated 13% (12% in 2005) and 5% (4% in 2005) of industry operating revenue. Notwithstanding these slight variations, the proportions have remained steady from year to year.

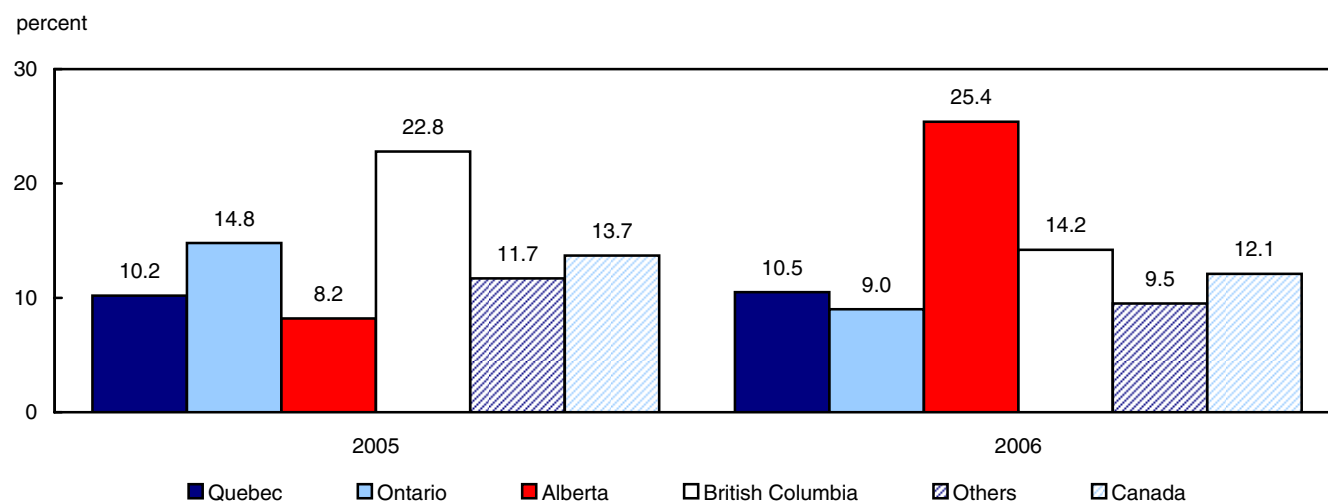
Chart 3
Industry distribution of 2006 operating revenue



Operating revenue by province

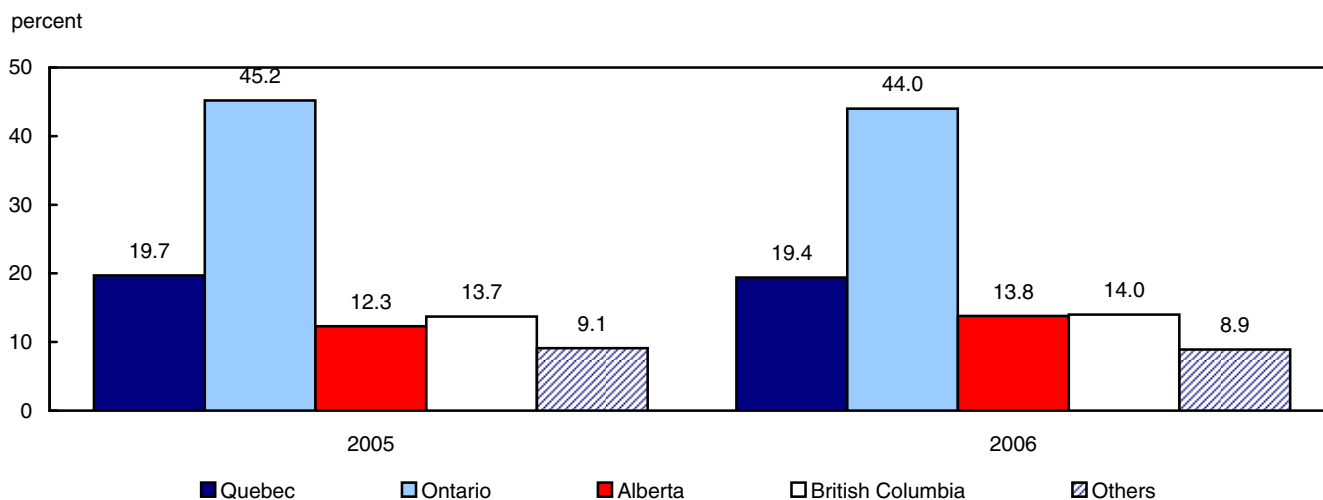
Western Canada, and Alberta (+25.4%) and British Columbia (+14.2%) in particular, reported substantial growth in operating revenue in 2006. In comparison, increases were much more modest in Quebec (+10.5%) and Ontario (+9.0%).

Chart 4
Growth rate of operating revenue



The Canadian accounting services industry is dominated by firms in Ontario as they earned almost half (44.0%) of the industry's national operating revenue in 2006. The share held by both Alberta (from 12.3% to 13.8%) and British Columbia (from 13.7% to 14.0%) rose between 2005 and 2006. During this same period, Quebec (from 19.7% to 19.4%) and Ontario (from 45.2% to 44.0%) both lost ground.

Chart 5
Provincial distribution of operating revenue



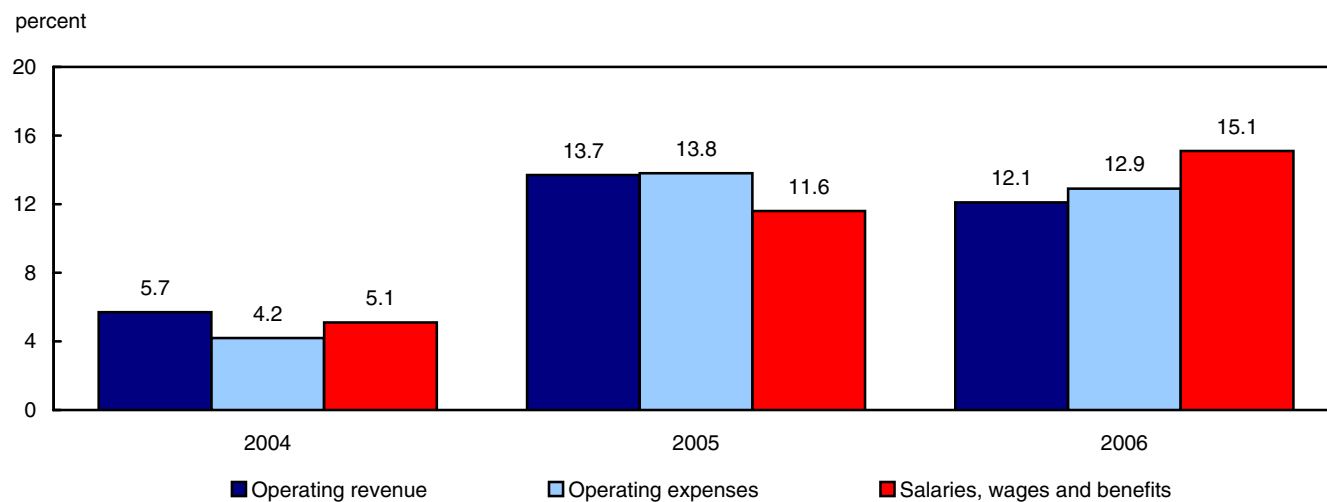
Sales by type of goods and services

Based on the "survey" data (which excludes estimates derived from administrative sources), no less than 57% of the industry's sales in 2006 came from audit, assurance, compilation, review, bookkeeping and payroll services. This was followed by tax return preparation, tax planning and consumer tax management services (25%), consulting, marketing, human resource and executive recruitment services (7%), and other sales of goods and services (11%).

Operating expenditures

In 2006, the industry's operating expenses reached \$7.8 billion, up 12.9%, slightly larger than the 12.1% growth in operating revenue.

Chart 6
Growth Rate of important variables



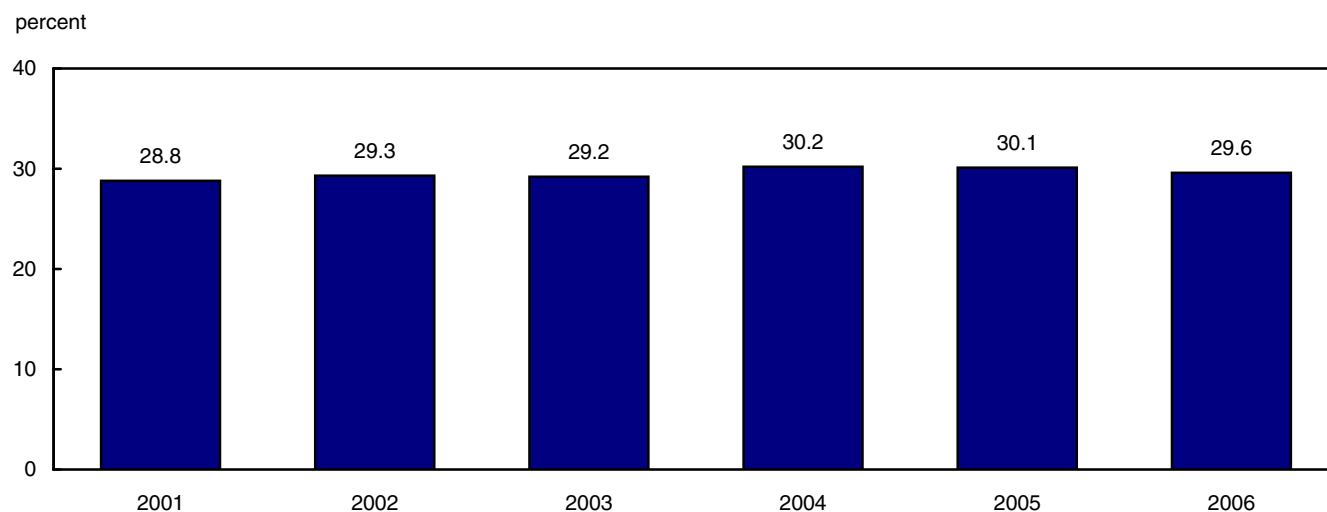
Salaries, wages and employee benefits represented 52% of the industry's total operating expenses, a proportion that has remained relatively unchanged since 2003.

Based on the "survey" data (which excludes estimates derived from administrative sources), salaries, wages and employee benefits is the only major category of operating expenses (accounting for 55%); the remaining 45% of operating expenses fall into a number of other expenditure categories.

Operating profits

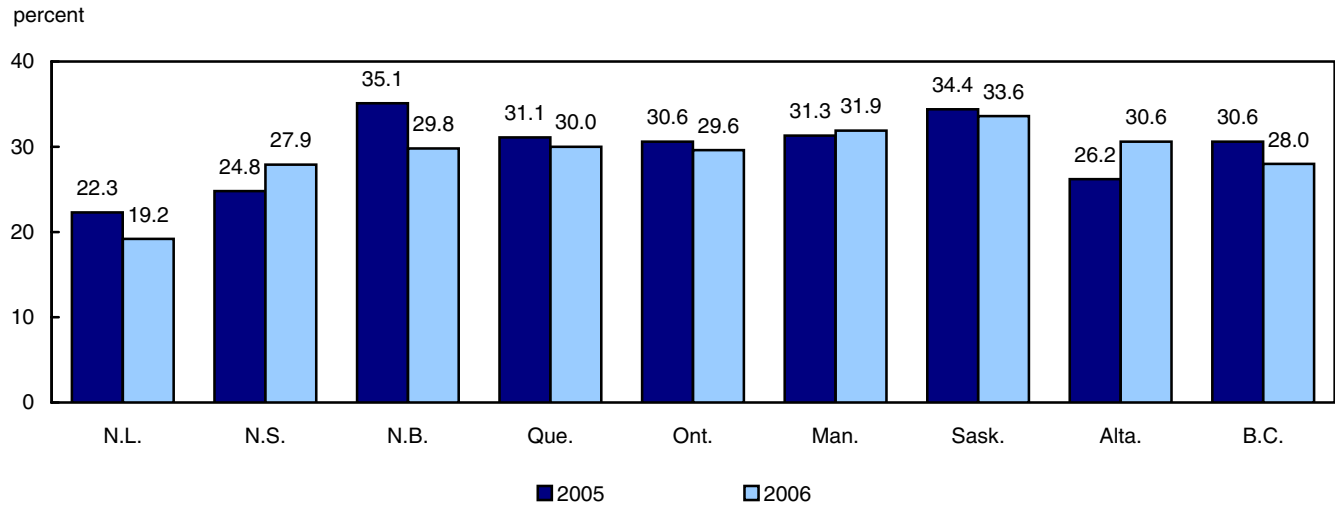
Expressed in percentage, the industry's operating profit was 29.6%, down from 30.1% in 2005. Since 2001, operating profit has remained quite stable, ranging between 28.8% and 30.2%.

Chart 7
Operating profit margin



From 2005 to 2006, operating profit rose substantially in Alberta (from 26.2% to 30.6%) but fell in most other provinces.

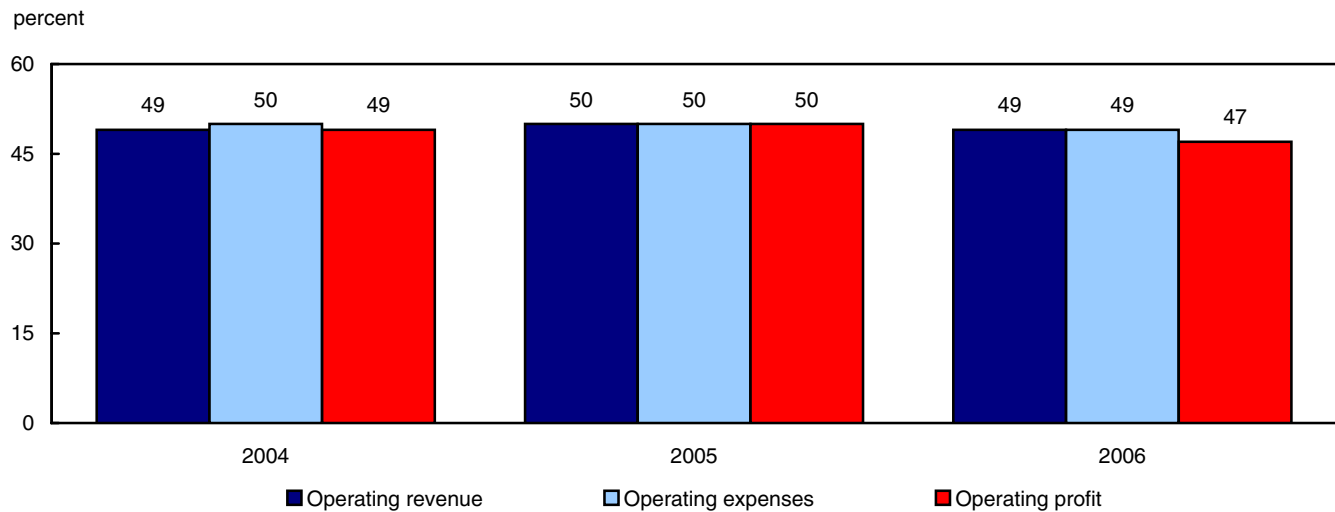
Chart 8
Operating profit margin



Industry's 20 largest firms

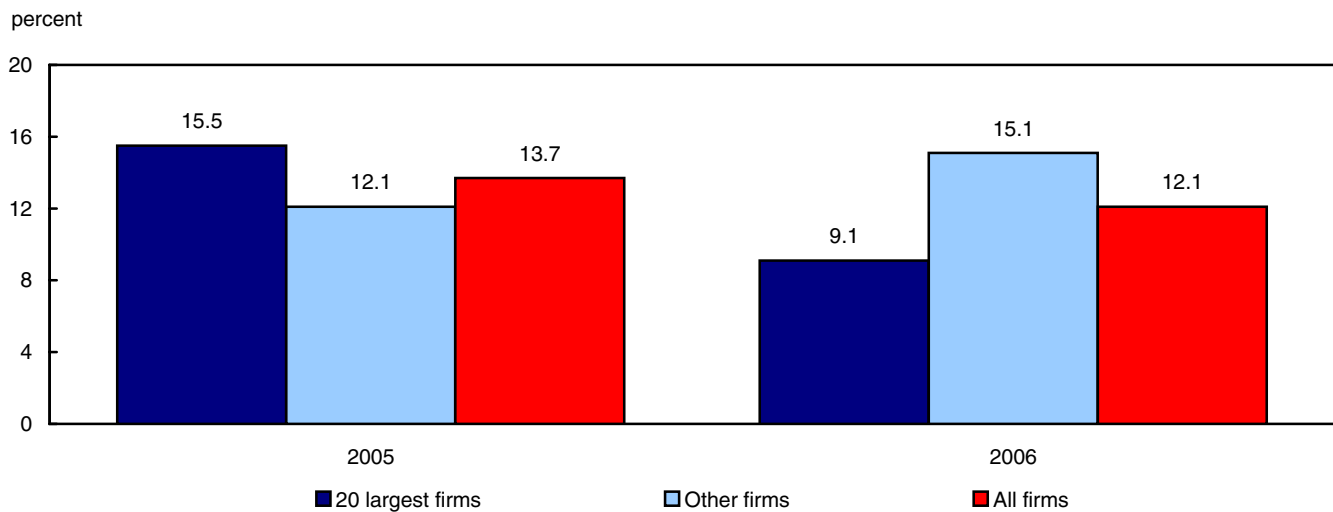
The accounting services industry consists of a small number of high-revenue firms and a large number of more modest-revenue firms. Year after year, the 20 largest firms account for half of the industry. These firms generated 49% of the industry's operating revenue, expended 49% of its operating expenses and earned 47% of its operating profit. These proportions are almost identical to those reported in 2004 and 2005.

Chart 9
Share of the industry's 20 largest firms



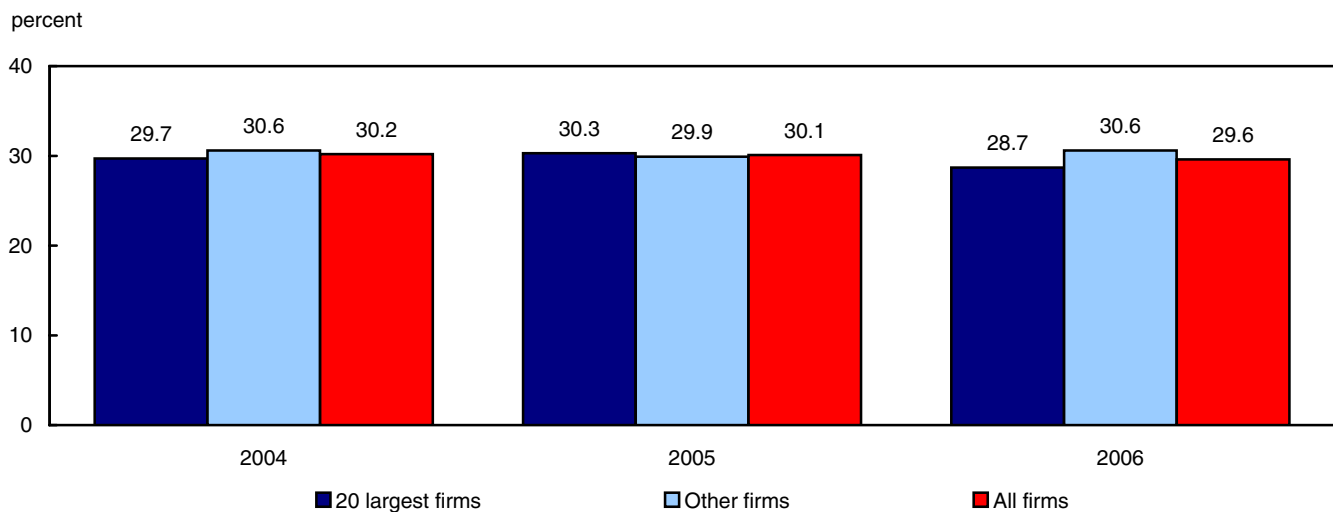
The 20 largest firms posted 9.1% growth in operating revenue in 2006, well below the 15.1% increase reported by all other firms in the industry. This performance is a reversal of the situation in 2005.

Chart 10
Growth rate of operating revenue



Expressed in percentage, the operating profit in 2006 was less for the 20 largest firms (28.7%) than for the other firms (30.6%). This situation is similar to that found in 2004 but in contrast to that of 2005.

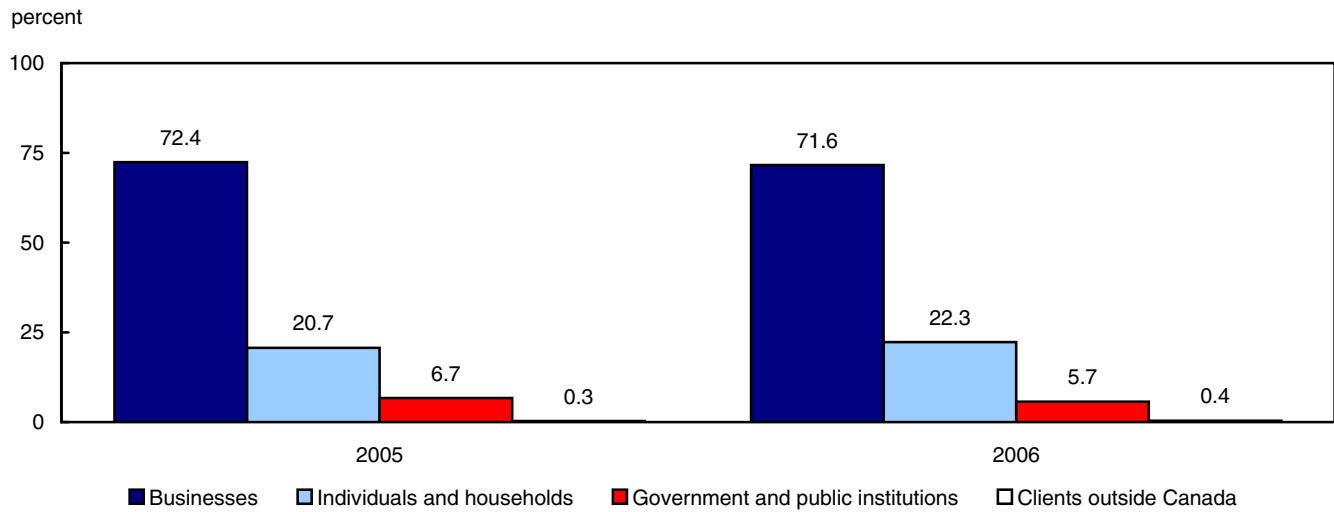
Chart 11
Operating profit margin



Client base

According to the 2006 “survey” data, almost all (99.6%) of the industry's sales were to clients in Canada. Of these sales in Canada, the vast majority were directed to the business sector.

Chart 12
Sales by type of client



Statistical tables

Table 1
Summary statistics for the accounting services industry, 2001 to 2006

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin	Statistical establishments
	millions of dollars			percent	number
2006 ^p					
Newfoundland and Labrador	93.9	75.9	41.6	19.2	245
Prince Edward Island	x	x	x	x	x
Nova Scotia	167.7	120.9	66.9	27.9	508
New Brunswick	120.7	84.7	50.4	29.8	415
Quebec	2156.8	1509.6	782.2	30.0	5,277
Ontario	4883.0	3437.5	1748.4	29.6	10,202
Manitoba	315.5	214.8	122.9	31.9	684
Saskatchewan	228.2	151.6	81.5	33.6	636
Alberta	1533.5	1064.3	607.1	30.6	4,005
British Columbia	1551.6	1116.8	563.8	28.0	4,736
Yukon (Territory)	x	x	x	x	x
Norwest Territories	x	x	x	x	x
Nunavut	x	x	x	x	x
Canada	11,108.9	7,817.5	4,089.2	29.6	26,844
2005 ^r					
Newfoundland and Labrador	80.5	62.6	37.7	22.3	250
Prince Edward Island	x	x	x	x	x
Nova Scotia	162.0	121.8	61.3	24.8	481
New Brunswick	118.9	77.2	46.1	35.1	385
Quebec	1951.8	1345.3	701.5	31.1	5,279
Ontario	4478.3	3109.8	1514.8	30.6	10,186
Manitoba	282.7	194.2	87.4	31.3	647
Saskatchewan	203.9	133.8	67.7	34.4	600
Alberta	1223.4	903.2	509.7	26.2	3,974
British Columbia	1358.4	942.4	507.5	30.6	4,384
Yukon (Territory)	x	x	x	x	x
Norwest Territories	x	x	x	x	x
Nunavut	x	x	x	x	x
Canada	9,910.3	6,924.0	3,552.7	30.1	26,331
2004 ^r					
Newfoundland and Labrador	76.8	57.9	33.2	24.6	233
Prince Edward Island	x	x	x	x	x
Nova Scotia	139.1	90.7	49.7	34.8	482
New Brunswick	115.3	75.2	44.8	34.8	384
Quebec	1771.8	1189.1	608.7	32.9	5,285
Ontario	3900.5	2799.5	1433.7	28.2	9,736
Manitoba	254.3	174.4	82.7	31.4	768
Saskatchewan	172.6	124.2	60.5	28.0	615
Alberta	1130.9	799.5	453.9	29.3	3,751
British Columbia	1106.0	740.2	397.8	33.1	4,297
Yukon (Territory)	x	x	x	x	x
Norwest Territories	x	x	x	x	x
Nunavut	x	x	x	x	x
Canada	8,713.3	6,082.3	3,183.3	30.2	25,689

Table 1 – continued

Summary statistics for the accounting services industry, 2001 to 2006

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin	Statistical establishments
	millions of dollars			percent	number
2003					
Newfoundland and Labrador	64.5	47.6	28.3	26.2	232
Prince Edward Island	x	x	x	x	x
Nova Scotia	135.6	95.0	53.7	29.9	472
New Brunswick	100.9	65.2	38.3	35.3	377
Quebec	1603.0	1067.9	583.1	33.4	5,043
Ontario	3910.8	2876.4	1382.4	26.4	9,263
Manitoba	250.8	171.7	78.3	31.5	724
Saskatchewan	166.6	111.9	64.7	32.8	631
Alberta	952.9	706.6	408.8	25.9	3,546
British Columbia	1019.1	670.1	376.7	34.2	4,097
Yukon (Territory)	x	x	x	x	x
Norwest Territories	x	x	x	x	x
Nunavut	x	x	x	x	x
Canada	8,244.0	5,837.7	3,028.6	29.2	24,544
2002					
Newfoundland and Labrador	70.2	50.4	32.5	28.2	212
Prince Edward Island	x	x	x	x	x
Nova Scotia	126.1	86.0	51.5	31.9	420
New Brunswick	100.1	63.6	36.3	36.5	371
Quebec	1486.3	1001.0	544.3	32.7	5,155
Ontario	3732.7	2692.3	1435.9	27.9	8,866
Manitoba	232.3	174.2	95.6	25.0	621
Saskatchewan	167.6	110.3	55.8	34.2	566
Alberta	851.3	656.4	382.4	22.9	3,554
British Columbia	1047.2	690.6	398.9	34.1	3,924
Yukon (Territory)	x	x	x	x	x
Norwest Territories	x	x	x	x	x
Nunavut	x	x	x	x	x
Canada	7,854.6	5,550.6	3,046.6	29.3	23,827
2001					
Newfoundland and Labrador	64.7	47.9	29.0	26.0	206
Prince Edward Island	x	x	x	x	x
Nova Scotia	122.7	81.9	49.5	33.2	420
New Brunswick	96.5	62.5	35.3	35.3	355
Quebec	1439.9	977.9	558.0	32.1	4,804
Ontario	3823.4	2807.9	1482.5	26.6	7,765
Manitoba	240.2	173.4	103.3	27.8	581
Saskatchewan	146.9	95.6	51.7	34.9	502
Alberta	916.1	704.6	437.2	23.1	3,151
British Columbia	1268.2	827.9	480.0	34.7	3,860
Yukon (Territory)	x	x	x	x	x
Norwest Territories	x	x	x	x	x
Nunavut	x	x	x	x	x
Canada	8,157.6	5,806.4	3,240.9	28.8	21,783

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
Operating revenue by type of goods and services

	N.L.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Territories ¹	Canada
	percent											
Audit, accounting, bookkeeping and payroll services												
2006 P	65.4	x	60.7	57.9	58.2	54.6	60.2	52.6	62.3	57.0	x	57.1
2005 r	66.6	x	59.9	64.3	60.3	57.8	57.8	52.4	61.2	61.5	x	59.4
2004 r	68.1	x	59.1	67.3	60.8	56.4	60.7	48.2	61.5	60.1	x	58.7
2003	63.7	x	53.3	65.7	56.6	55.0	59.7	49.3	59.8	54.1	x	56.0
2002	60.7	x	60.2	58.3	62.2	54.9	66.0	58.4	60.3	58.5	x	58.0
2001	67.2	x	50.7	66.8	61.7	51.4	64.9	55.5	49.0	57.4	x	54.7
Tax preparation and planning and commodity and other tax services												
2006 P	17.4	x	22.0	25.3	22.5	25.9	20.5	31.7	21.9	27.3	x	24.6
2005 r	17.6	x	23.6	24.7	22.5	24.4	24.4	35.9	24.8	24.3	x	24.2
2004 r	18.0	x	23.8	21.9	22.4	27.7	22.7	38.5	23.9	25.4	x	25.7
2003	25.0	x	30.2	23.5	27.7	28.6	23.3	36.6	26.0	30.2	x	28.2
2002	18.0	x	22.3	24.1	23.3	25.0	18.5	28.3	24.9	26.8	x	24.6
2001	16.4	x	33.6	23.1	20.9	23.2	17.2	30.1	25.0	25.4	x	23.4
Management consulting services												
2006 P	8.3	x	7.8	8.7	7.9	7.6	8.4	6.4	6.3	6.0	x	7.2
2005 r	5.5	x	6.8	3.9	8.8	7.6	5.4	4.1	6.3	7.0	x	7.4
2004 r	8.0	x	7.5	3.1	7.8	7.6	6.5	4.3	6.3	7.4	x	7.3
2003	8.7	x	4.4	5.4	6.5	9.0	7.5	6.2	5.1	4.9	x	7.3
2002	9.7	x	5.7	6.1	5.4	10.0	5.4	7.5	3.5	3.8	x	7.2
2001	5.2	x	7.7	8.0	9.7	18.1	12.9	8.9	13.5	12.9	x	14.6
Insolvency and receivership services												
2006 P	4.9	x	2.4	0.5	3.6	3.1	2.5	1.7	1.8	2.1	x	2.8
2005 r	4.2	x	4.2	0.5	2.8	2.4	3.1	1.8	1.9	2.1	x	2.4
2004 r	4.5	x	4.8	0.4	3.6	2.0	4.3	2.4	2.0	1.8	x	2.4
2003	2.5	x	4.7	1.1	4.7	3.6	3.9	2.2	4.2	5.2	x	4.0
2002	10.7	x	5.4	6.3	5.3	4.5	3.9	3.2	4.0	3.2	x	4.5
2001	7.0	x	3.6	0.6	4.6	4.0	3.6	0.9	3.3	2.3	x	3.7
Other goods and services												
2006 P	4.0	x	7.2	7.6	7.8	8.8	8.3	7.7	7.9	7.6	x	8.2
2005 r	6.0	x	5.6	6.6	5.6	7.8	9.3	5.8	5.9	5.2	x	6.7
2004 r	1.4	x	4.8	7.3	5.4	6.4	5.7	6.6	6.3	5.3	x	6.0
2003	0.0	x	7.4	4.3	4.4	3.8	5.7	5.8	4.9	5.5	x	4.4
2002	0.9	x	6.4	5.2	3.8	5.6	6.2	2.6	7.3	7.7	x	5.6
2001	4.2	x	4.4	1.4	3.0	3.4	1.4	4.6	9.2	2.0	x	3.7

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.

Table 3
Operating expenditures as a percentage of total operating expenses

	N.L.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Territories ¹	Canada
	percent											
Salaries, wages and benefits												
2006 P	59	x	57	63	55	53	58	56	57	53	x	55
2005 r	64	x	53	62	54	50	54	52	58	56	x	53
2004 r	60	x	60	60	55	54	57	56	58	57	x	55
2003	61	x	60	61	57	50	57	63	59	59	x	54
2002	69	x	62	60	55	57	60	54	60	61	x	58
2001	59	x	62	59	60	54	60	55	63	60	x	57
Rental and leasing of offices, equipment and vehicles												
2006 P	6	x	5	6	7	6	7	6	7	7	x	7
2005 r	5	x	6	6	7	7	7	4	7	7	x	7
2004 r	6	x	8	9	8	8	8	6	9	8	x	8
2003	9	x	8	7	9	8	9	7	7	9	x	8
2002	6	x	8	8	9	8	6	6	8	8	x	8
2001	6	x	8	8	8	8	7	8	6	9	x	8
Utilities (gas, oil, electricity and telephone and other telecommunication expenses)												
2006 P	2	x	1	2	1	1	2	2	1	2	x	2
2005 r	1	x	2	2	2	2	3	3	2	2	x	2
2004 r	2	x	2	3	1	2	3	3	2	2	x	2
2003	3	x	3	3	2	2	2	3	2	2	x	2
2002	2	x	2	2	1	1	3	2	2	2	x	2
2001	2	x	2	2	2	2	2	3	1	2	x	2
Repair and maintenance												
2006 P	1	x	1	1	1	1	1	2	1	1	x	1
2005 r	1	x	1	1	1	1	1	2	1	2	x	1
2004 r	0	x	1	1	1	1	1	1	1	1	x	1
2003	1	x	1	1	1	1	1	1	1	1	x	1
2002	1	x	1	1	1	1	1	1	1	1	x	1
2001	1	x	1	1	1	1	1	1	1	1	x	1
Legal, audit, and other professional fees and accounting work subcontracted												
2006 P	5	x	6	1	11	6	6	8	9	9	x	8
2005 r	4	x	4	4	10	6	8	12	6	10	x	7
2004 r	6	x	3	1	7	5	5	7	4	6	x	5
2003	4	x	2	3	5	5	4	3	2	2	x	4
2002	5	x	3	5	7	5	3	8	7	5	x	6
2001	10	x	3	5	4	3	3	3	6	5	x	4
Financial service fees, banking charges and insurance premiums												
2006 P	2	x	2	3	2	2	2	2	2	2	x	2
2005 r	2	x	3	2	2	2	2	2	2	2	x	2
2004 r	2	x	3	3	2	2	2	1	2	3	x	2
2003	3	x	3	2	2	2	2	1	2	2	x	2
2002	2	x	2	3	2	3	2	1	2	2	x	3
2001	2	x	2	2	2	3	2	1	1	2	x	2
Advertising												
2006 P	2	x	1	1	2	2	2	2	2	2	x	2
2005 r	2	x	1	2	2	2	2	2	2	2	x	2
2004 r	2	x	2	2	2	2	2	2	3	2	x	2
2003	2	x	1	1	1	2	1	1	2	2	x	2
2002	1	x	1	2	1	1	2	1	2	1	x	1
2001	1	x	2	1	1	2	2	2	2	2	x	2
Office supplies, travel, conference, meal, entertainment, delivery, courier, postage expenses												
2006 P	8	x	6	6	6	6	6	6	6	8	x	6
2005 r	5	x	6	6	6	6	7	6	7	6	x	6
2004 r	6	x	7	7	6	6	7	6	9	8	x	7
2003	11	x	8	9	8	7	7	8	8	8	x	8
2002	7	x	8	8	8	7	7	7	8	7	x	7
2001	8	x	9	11	10	14	8	12	9	10	x	12
Depreciation												
2006 P	1	x	2	2	2	2	2	2	2	2	x	2
2005 r	1	x	1	2	1	2	2	2	2	2	x	2
2004 r	1	x	2	2	2	3	3	3	3	3	x	2
2003	2	x	3	3	2	2	3	3	3	3	x	3
2002	2	x	3	2	3	3	7	3	3	3	x	3
2001	3	x	3	3	3	2	7	3	3	3	x	3

See footnotes at the end of the table.

Table 3 – continued

Operating expenditures as a percentage of total operating expenses

	N.L.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Territories ¹	Canada
	percent											
All other operating expenses												
2006 ^p	15	x	18	15	13	19	14	13	13	14	x	16
2005 ^r	16	x	23	13	15	23	14	14	14	11	x	18
2004 ^r	16	x	13	11	15	17	13	15	10	11	x	15
2003	5	x	12	11	12	21	14	9	14	12	x	17
2002	5	x	9	10	12	14	9	17	8	10	x	12
2001	8	x	8	7	9	12	8	11	8	6	x	10

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.

Table 4

Total sales by type of client, 2001 to 2006

	2001	2002	2003	2004 ^r	2005 ^r	2006 ^p
	percent					
Clients in Canada	99.7	99.5	99.4	99.7	99.7	99.6
Individuals and households	19.6	11.7	14.4	10.1	20.7	22.3
Government and public institutions	3.3	7.5	4.7	6.7	6.7	5.7
Business sector	76.8	80.4	80.2	82.9	72.4	71.6
Clients outside Canada	0.3	0.5	0.6	0.3	0.3	0.4

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.

Data sources, definitions and methodology

The following information is to ensure a clear understanding of the basic concepts that are being measured, the underlying survey methodology (how the concepts are measured), and key aspects of data quality. This information will provide a better understanding of the strengths and limitations of the data, and of how they can be effectively analysed and used. The information may be of particular importance when making comparisons with data from other surveys or sources of information, and in drawing conclusions regarding changes over time.

Description

This annual sample survey collects the financial and operating data needed to produce statistics on the Accounting Services in Canada. The survey also collects detailed information on the characteristics of the businesses, such as type of revenue and type of client. These data are aggregated with information from other sources to produce official estimates of the national and provincial economic production of the Accounting Services industry in Canada. The results from this survey provide data to businesses, governments, investors, and associations. These data allow these groups to monitor the growth of the industry, measure performance, allow comparison across similar businesses and to better understand this industry to react to trends and patterns.

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-XPE).

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 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 2006 was 783 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.

Data quality

While considerable effort is made to ensure high standards throughout all stages of collection and processing, the resulting estimates are inevitably subject to a certain degree of error. These errors can be broken down into two major types: non-sampling and sampling.

Non-sampling error is not related to sampling and may occur for many reasons. For example, non-response is an important source of non-sampling error. Population coverage, differences in the interpretation of questions, incorrect information from respondents, and mistakes in recording, coding and processing data are other examples of non-sampling errors.

Sampling error occurs because population estimates are derived from a sample of the population rather than the entire population. Sampling error depends on factors such as sample size, sampling design, and the method of estimation. An important property of probability sampling is that sampling error can be computed from the sample itself by using a statistical measure called the coefficient of variation (CV). The assumption is that over repeated surveys, the relative difference between a sample estimate and the estimate that would have been obtained from an enumeration of all units in the universe would be less than twice the CV, 95 times out of 100. The range of acceptable data values yielded by a sample is called a confidence interval. Confidence intervals can be constructed around the estimate using the CV. First, we calculate the standard error by multiplying the sample estimate by the CV. The sample estimate plus or minus twice the standard error is then referred to as a 95% confidence interval.

For this survey, the CVs are excellent (less than 5%) for operating revenue and operating expenses and wages, salaries and benefits of employees variables.

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 88.9%. CVs were calculated for each estimate and are available upon request.

Related products**CANSIM**

Available on CANSIM: table 360-0007 - Summary statistics for accounting services (all establishments), by North American Industry Classification System (NAICS), annual (75 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: September 2008

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 ^s	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

To access this product

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