

## Service bulletin

# Accounting Services

2011



### Highlights

- Operating revenue in the accounting services industry totaled \$14.2 billion, up 2.2% from 2010.
- Accounting, bookkeeping and payroll services accounted for 58.3% of the industry's sales in 2011. Taxation services (25.9%), management consulting services (7.6%), insolvency and receivership services (2.6%) and other sales of goods and services (5.6%) accounted for the remaining portion of the industry's sales.
- In 2011, businesses in Ontario earned the largest share of the industry's operating revenue (42.1%), followed by Quebec (19.6%), Alberta (14.7%) and British Columbia (13.7%).
- Industry operating expenses rose more slowly than operating revenues, increasing by 1.4% over 2010 to \$10.0 billion in 2011. Salaries, wages and benefits represented the single largest expense for the industry and grew 1.5% from the previous year.
- Profit margins in the industry increased from 28.6% in 2010 to 29.2% in 2011. Businesses in Saskatchewan, British Columbia, Quebec, and Manitoba posted higher profit margins than the average.



## Statistical tables

Table 1

Summary statistics for the accounting services industry, by province and territory, 2009 to 2011

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin
	millions of dollars			percent
2011 <sup>p</sup>				
Newfoundland and Labrador	103.0	84.7	52.4	17.8
Prince Edward Island	x	x	x	x
Nova Scotia	263.2	193.6	117.1	26.5
New Brunswick	207.1	155.9	84.7	24.7
Quebec	2,776.7	1,906.0	1,021.9	31.4
Ontario	5,971.6	4,322.6	2,307.4	27.6
Manitoba	420.2	294.8	177.9	29.8
Saskatchewan	342.2	220.7	127.2	35.5
Alberta	2,093.1	1,482.1	898.8	29.2
British Columbia	1,946.2	1,332.9	767.2	31.5
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>14,193.0</b>	<b>10,049.8</b>	<b>5,584.1</b>	<b>29.2</b>
2010 <sup>r</sup>				
Newfoundland and Labrador	101.6	86.2	61.7	15.2
Prince Edward Island	x	x	x	x
Nova Scotia	254.0	176.2	101.7	30.7
New Brunswick	206.8	147.5	84.4	28.7
Quebec	2,772.4	1,906.3	1,018.8	31.2
Ontario	5,809.7	4,160.8	2,268.7	28.4
Manitoba	434.8	307.7	168.7	29.2
Saskatchewan	339.2	228.1	109.0	32.8
Alberta	2,051.0	1,522.3	918.8	25.8
British Columbia	1,846.2	1,321.9	741.9	28.4
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>13,885.2</b>	<b>9,912.0</b>	<b>5,500.7</b>	<b>28.6</b>
2009 <sup>r</sup>				
Newfoundland and Labrador	107.9	89.0	64.6	17.6
Prince Edward Island	x	x	x	x
Nova Scotia	235.4	165.7	92.8	29.6
New Brunswick	185.8	137.8	78.4	25.8
Quebec	2,558.8	1,748.5	930.0	31.7
Ontario	5,516.0	4,035.3	2,195.1	26.8
Manitoba	382.9	298.2	170.3	22.1
Saskatchewan	303.3	200.5	102.5	33.9
Alberta	2,012.9	1,499.4	934.6	25.5
British Columbia	1,824.8	1,288.7	742.8	29.4
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>13,197.2</b>	<b>9,517.8</b>	<b>5,338.6</b>	<b>27.9</b>

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

**Note(s):** The results in this table are for firms classified under the North American Industry Classification System (NAICS) category 5412. See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. Scaling may also affect the calculation of ratios.

**Table 2**  
**Detailed expenditures as a percentage of total operating expenses for the accounting services industry, Canada, 2009 to 2011**

	2009 <sup>r</sup>	2010 <sup>r</sup>	2011 <sup>p</sup>
	percent		
Total operating expenses	100.0	100.0	100.0
Salaries, wages and benefits of employees	57.5	57.0	57.0
Commissions paid to non-employees	F	F	F
Professional and business services fees	4.3	4.5	4.3
Subcontract expenses	4.5	5.0	6.1
Charges for services provided by head offices	F	1.7	1.4
Cost of goods sold	F	F	F
Office supplies	2.6	2.4	2.3
Rental and leasing	6.6	6.5	6.6
Repair and maintenance	1.3	1.4	1.5
Insurance	1.4	1.2	1.1
Advertising, marketing and promotions	1.5	1.6	1.6
Travel, meals and entertainment	2.3	2.3	2.6
Utilities and telecommunications expenses	1.5	1.4	1.3
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	2.1	2.1	1.9
Bad debts	1.1	F	F
All other expenses	10.1	9.7	8.8

**Note(s):** The results in this table are for firms classified under the North American Industry Classification System (NAICS) category 5412. See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. Scaling may also affect the calculation of ratios. Data presented in this table are from the surveyed portion only. The survey portion excludes the smallest firms in terms of revenues earned. These firms account for a relatively small portion of total industry revenues and are not included in the estimates of this table.

**Table 3**  
**Sales by type of client for the accounting services industry, Canada, 2009 to 2011**

	2009 <sup>r</sup>	2010 <sup>r</sup>	2011 <sup>p</sup>
	percent		
<b>Clients in Canada</b>	<b>98.2</b>	<b>98.2</b>	<b>97.8</b>
Individuals and households	19.1	19.1	19.0
Governments, not-for-profit organizations and public institutions	6.8	7.1	5.7
Business sector	72.3	72.0	73.1
<b>Clients outside Canada</b>	<b>1.8</b>	<b>1.9</b>	<b>2.2</b>

**Note(s):** The results in this table are for firms classified under the North American Industry Classification System (NAICS) category 5412. See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. Scaling may also affect the calculation of ratios. Data presented in this table are from the surveyed portion only. The survey portion excludes the smallest firms in terms of revenues earned. These firms account for a relatively small portion of total industry revenues and are not included in the estimates of this table.

**Table 4**  
**Sales by type of goods and services for the accounting services industry, by province and territory, 2009 to 2011**

	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Territories <sup>1</sup>	Canada
	percent											
2011 <sup>p</sup>												
Accounting (auditing, assurance, compilation, review), bookkeeping and payroll services	75.3	x	64.9	53.4	64.2	54.0	66.7	56.4	61.7	55.9	x	58.3
Taxation services (tax preparation, planning and consulting services, other taxation services)	19.3	x	22.1	25.1	21.7	26.7	20.8	36.0	25.4	30.4	x	25.9
Management consulting services	1.7	x	10.5	11.2	5.2	9.9	5.8	3.6	6.9	5.8	x	7.6
Insolvency and receivership services	1.8	x	F	2.9	3.3	2.9	3.3	1.0	2.1	1.8	x	2.6
Other sales of goods and services	2.0	x	2.2	7.4	5.6	6.5	3.3	2.8	4.0	6.0	x	5.6
2010 <sup>r</sup>												
Accounting (auditing, assurance, compilation, review), bookkeeping and payroll services	74.3	x	64.4	53.7	64.2	55.7	64.6	60.8	61.8	59.4	x	59.6
Taxation services (tax preparation, planning and consulting services, other taxation services)	22.0	x	21.4	23.4	21.1	26.0	23.2	32.6	25.2	27.6	x	25.0
Management consulting services	3.0	x	10.9	11.3	7.1	9.8	7.3	2.3	6.7	5.9	x	8.0
Insolvency and receivership services	F	x	F	4.1	3.1	2.8	2.0	1.0	1.7	1.5	x	2.4
Other sales of goods and services	F	x	2.7	7.4	4.5	5.8	2.9	3.3	4.5	5.6	x	5.1
2009 <sup>r</sup>												
Accounting (auditing, assurance, compilation, review), bookkeeping and payroll services	78.8	x	62.4	58.5	63.3	55.4	66.8	56.0	63.3	62.2	x	59.9
Taxation services (tax preparation, planning and consulting services, other taxation services)	13.8	x	21.1	19.3	21.6	26.0	22.3	35.8	24.2	26.1	x	24.7
Management consulting services	3.7	x	9.3	14.0	6.4	9.5	5.6	3.1	5.9	5.3	x	7.5
Insolvency and receivership services	1.9	x	F	2.7	3.1	3.1	2.2	1.1	1.8	1.6	x	2.6
Other sales of goods and services	1.8	x	6.4	5.5	5.6	6.0	3.1	4.0	4.7	4.8	x	5.4

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

**Note(s):** The results in this table are for firms classified under the North American Industry Classification System (NAICS) category 5412. See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. Scaling may also affect the calculation of ratios. Data presented in this table are from the surveyed portion only. The survey portion excludes the smallest firms in terms of revenues earned. These firms account for a relatively small portion of total industry revenues and are not included in the estimates of this table.

## 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 2011 was 815 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 88.6%. 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

Release date: January 2013

### 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 ( $p < 0.05$ )

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