

## ESS BIZTOOLS COMMENTS

### **BAS001 Predictions Of Accounting Businesses Evolution 2016/2017 - 2018/2019**

#### Predictions

#### Comments

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| <p>1. To manage the effects of the "digital disruption", the take up of "cloud technology" by small/medium enterprise operators, outsourcing of compliance process work to organisations in other countries, primarily Asia, accountants will have to offer a revised services mix, including:</p> <ul style="list-style-type: none"> <li>• business advisory services work</li> <li>• management consulting services</li> <li>• superannuation</li> <li>• wealth management</li> <li>• property advisory services</li> </ul> <p>to their SME clients or scale back their business operations.</p> | <p>The report commissioned by the Commonwealth Bank - "<a href="#">Accounting Market Pulse</a>" released in December 2015 has identified that the main areas of expected growth over the next 12 to 18 months are:</p> <ul style="list-style-type: none"> <li>• business advisory work;</li> <li>• management consulting;</li> <li>• superannuation;</li> <li>• wealth management; and</li> <li>• tax consulting.</li> </ul> <p>A growing number of Australian accountancy businesses are outsourcing components of their compliance work to businesses operating in lower cost countries. The accountants who are outsourcing in this manner are in a position to reduce their fees, thus enabling them to aggressively compete in markets around Australia.</p> <p>The CCH Report - "<a href="#">SMEs - the fine line between failure and success</a>" identifies key services that SMEs want supplied by accountants:</p> <ul style="list-style-type: none"> <li>• management of costs</li> <li>• management monitoring</li> <li>• business plans</li> <li>• assistance in raising capital or loan funds</li> <li>• expansion advice</li> </ul> |
| <p>2. The trend towards diversification of services will continue with a <sup>1</sup>"sizeable percentage intending to enter and grow in new service lines over the next 12 to 18 months".</p>   | <p>The new service lines are expected to be:</p> <ul style="list-style-type: none"> <li>• Management Consulting Services</li> <li>• Business Advisory Services</li> <li>• Property Advisory Services</li> <li>• Wealth Management</li> <li>• Financial Planning</li> </ul> <p>are forecast to be the main areas of diversification - <a href="#">Accounting Market Pulse - May 2016</a>.</p>   |
| <p>3. Productivity improvements will be a high priority for the accounting industry.</p>   | <p>The three largest areas of expense growth are expected to be:</p> <ul style="list-style-type: none"> <li>• Staff Training and Development</li> <li>• Investing in IT Hardware and Software</li> <li>• Marketing and Business Development</li> <li>• <a href="#">Accounting Market Pulse - May 2016</a></li> </ul>   |
| <p>4. 2016/17 is the year of "Business Advisory Services". Accountants will be more involved</p>   | <p>Services that can contribute to SME's overall performance include:</p>  |

<sup>1</sup> [Accounting Market Pulse - May 2016](#)

## Predictions

in the delivery of a range of services which will contribute to SME performance and will satisfy client expectations that accountants are contributing to adding value to businesses.

## Comments

- Debtors Management Improvement (thus improving cashflow)
- Virtual Chief Financial Officer Services (helping management to understand financial accounts)
- Succession Planning (for everyone in the business)
- Budgets and Cashflow Forecasts (knowing where the business is going)
- Business Planning (setting out a plan and then measuring performance against the plan)
- Early Stage Innovation Company (accountants need to get into the new market opportunities - helping clients with the innovation process)
- Personal Property Securities Register Due Diligence (a virtual risk management area to safeguard the business' assets)

5. There will be a lower number of income tax returns prepared by accountants and tax agents as the full effectors of the introduction of the Standard Business Reporting process by the Australian Taxation Office is felt in the market place.

The Australian Taxation Office has forewarned accountants that the ATO believes that the introduction of Standard Business Reporting will result in less activity in Australian accountants/tax agents' offices thus contributing to a forecast reduction in fees paid by SMEs to accountants/tax agents of, at least, \$500M per annum. The ATO believes that Standard Business Reporting will be implemented by 2017.

6. Accountants will need to enthusiastically embrace "replenishing revenue streams" to proactively respond to the dire forecasts in "Digital Disruption".

The Deloitte Report "Digital Disruption (September 2012) - Short fuse big bang" identified a number of significant issues confronting a large number of businesses including accountants. One of the key suggestions made by Deloitte was that businesses should be enthusiastically looking for "replenishing revenue streams". Accountants have a significant advantage to enthusiastically diversify your fee mix by the introduction of business advisory services that small/medium enterprise clients have been requesting in survey after survey for the last decade.

The biggest risk for accountants is inaction. In the digital age, businesses are moving faster, more nimbly, everyone is learning. Your SME clients are expecting a wider range of services to be supplied to them. If accountants don't supply these services, the SME clients will ultimately switch to someone who does supply the services and the accountant will be left with tax returns which more and more will become a "commodity product", subject to "specials" and "price cutting" and "high competition". It is not the value added space to which accountants should be aspiring!

7. "Cloud technology" will assist the introduction of a closer ongoing involvement of SMEs and accountants.

The advancements in cloud technology and software available for SMEs have probably outstripped most people's expectations over the last decade. The technology is now available to assist accountants to offer a "virtual Chief Financial Officer" service for a large number of your small/medium enterprise clients. The supply of a virtual Chief Financial Officer service was

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| 8.  | Accountants promoting business advisory services will offer a "Chief Financial Officer" (CFO) suite of services.  | literally a dream five years ago, but it is now realistically available for virtually every small/medium enterprise operator. If accountants do not gear up to supply this type of service through embracing business advisory services' systems then undoubtedly another accountant or consultant will be making presentations to your clients.   |
|     |   | <p>SMEs want additional services from their accountants. If accountants don't supply the services, SMEs will go to other accountants, business coaches and others who can supply value adding commercial services.</p> <p>Various surveys have identified that SMEs want assistance with:</p> <ul style="list-style-type: none"> <li>• undertaking their business activities</li> <li>• cashflow management</li> <li>• wealth creation</li> <li>• succession planning</li> <li>• retirement planning</li> <li>• reducing tax</li> <li>• government grants' applications</li> <li>• business plans</li> <li>• marketing</li> <li>• corporate governance</li> <li>• raising finance for their businesses</li> <li>• "what if" scenarios</li> <li>• risk management reviews</li> <li>• capital expenditure/new business evaluation</li> <li>• loan applications</li> <li>• company secretary duties</li> <li>• cost management</li> <li>• management mentoring</li> </ul> |
| 9.  | Many accountants are already outsourcing and more will commence outsourcing of compliance work to businesses that are not based in Australia/New Zealand. | <p>Outsourcing was a very small operation a few years ago, but it's now grown into a major activity with compliance work being outsourced to businesses in the Philippines, Vietnam, India, Malaysia and some other Asian countries.</p> <p>Outsourcing of significant components of the compliance processing work enables Australian/New Zealand accountants to offer compliance services at a lower selling price. These lower selling prices can then be used to increase marketing activities and business expansion. Firms that are outsourcing are also freeing up capacity which can be used to deliver business advisory services to their clients and to other businesses.</p>   |
| 10. | Accountancy businesses will gear up to offer a broader range of commercial services.  | <p>This will encourage accountants to employ:</p> <ul style="list-style-type: none"> <li>• marketing personnel to assist in promoting the wider range of services to SMEs;</li> <li>• professional sales personnel to "sell" the new business advisory services; or</li> <li>• the key team members will be trained in professional selling so the team are adequately prepared to thrive</li> </ul>   |

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**Predictions**

11. Accountancy businesses operating as "business advisory centres" will offer "commercial services".

**Comments**

in the new business environment to be unleashed by the "digital disruption".

- Business Plan preparation/review
- Performance Evaluation
- Assist management to achieve business goals:
  - increase profitability
  - achieve plans
  - succession planning
  - getting investment ready
  - getting ready for an IPO (Initial Public Offer)
- Research and Development System
- Export Market Development System
- Assisting businesses to get ready to raise equity capital e.g. Early Stage Innovation Company and the new Crowd Funding Laws for companies - when the Senate approves the legislation
- Corporate Governance Reviews
- Personal Property Securities
- Leadership and Mentoring
- Due Diligence Reviews
- Business Valuation
- Business Retreat Planning
- Marketing
- Sales
- Human Resources
- Information Technology
- Business Advisory Services
- Strategic Management Consulting Services
- Asset Protection
- Estate Planning