

Accounting Services

9.14.2020

NAICS CODES: 5412

SIC CODES: 8721

Industry Overview

Companies in this industry provide services such as auditing, bookkeeping, payroll processing, and tax return preparation. Major companies include the "Big Four" accounting firms: Deloitte Touche Tohmatsu, Ernst & Young, KPMG, and PricewaterhouseCoopers (PWC), which all have international operations; other leading companies include US-based Automatic Data Processing (ADP), Paychex, and H&R Block.

Worldwide, the Big Four dominate the market and have expanded in many countries by buying local firms. In countries such as China, the Big Four have affiliated with local firms. However, concern over the share of the audit market held by the Big Four has led European regulators to impose new rules meant to enhance competition.

The US accounting services industry includes about 133,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$145 billion.

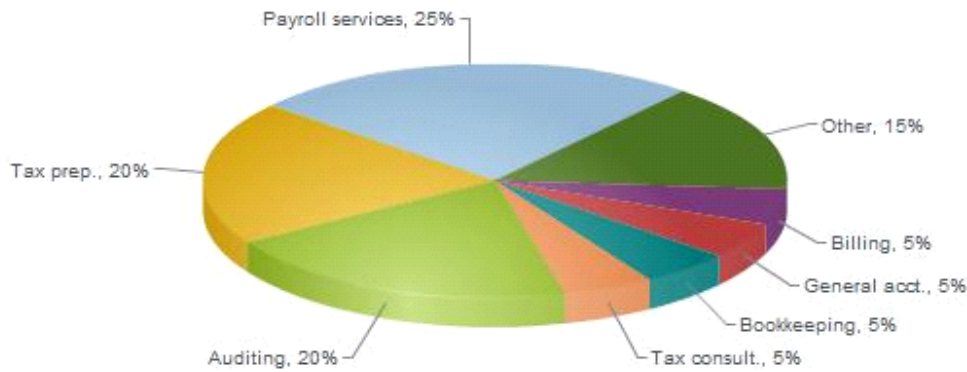
Competitive Landscape

Demand for accounting services depends on new business formations, the increasing complexity of corporate business, and personal income. The profitability of individual firms depends on the right **mix of services** and **effective marketing**. Large firms have advantages in providing wider ranges of services to large corporate clients and having the resources to serve customers with many locations. Small firms can compete effectively by specializing and providing superior service. The US industry is **fragmented**: the 50 largest US companies account for just less than 50% of revenue.

Products, Operations & Technology

Payroll services account for 25% of US industry revenue; tax preparation and auditing each account for about 20%. Tax planning and consulting, bookkeeping, general accounting, and billing services each account for about 5%. Other services include management consulting, financial statement review, and services related to computerized accounting systems services. Some accountants have branched into accounting-related information **technology consulting**, business consulting, and personal financial planning. Small business owners often rely heavily on their accounting firms for advice.

Revenue by Service - US Census Bureau



Operations focus on providing a set of accounting-related services to businesses, individuals, or both. Most activities involve preparing, analyzing, and verifying financial documents as a way to provide information to clients. Common activities include setting up and maintaining accounting procedures and books, developing budgets, auditing accounting records, preparing financial statements and tax returns, processing payrolls, and billing. Metrics include **client retention and acquisition rates**, **billing recovery rates**, and **quality**, as measured by percentage of results contested by government or lawsuits.

Bookkeeping and accounting work involves the classification of financial transactions into appropriate account categories in the **double-entry** accounting system used in the US. Accountants may handle tasks directly for a client or supervise the customer's own accounting practices, whether manual or computer-based. Successful bookkeeping and accounting work often leads to **tax preparation and related consulting** for the same clients.

Audit work typically involves investigating the accuracy of a client's accounting system and tracking sample financial transactions through it. Typically, a small team of accountants conducts an audit over a period of weeks or months. In large client corporations with complicated businesses, external auditors may have an ongoing onsite presence. Auditing is challenging: to audit properly, an accounting firm must ask hard questions of the client, but to retain the client's business, the auditor must present an acceptable audit. The government requires **publicly traded** companies to have their accounts audited annually, and forbids an external auditing firm from providing consulting and certain other services to audit clients.

Technology

Software tailored to the industry is common and typically has separate modules for specific functions, such as accounting, auditing, tax preparation, and payroll and billing services. Software producers update industry-specific products to reflect changes in accounting, tax, and auditing rules. An accounting firm's knowledge of a variety of **commercially available accounting programs** helps serve clients who use different software in their own businesses or personally.

Accounting firms are increasing using **cloud computing**, software as a service applications (SaaS), and hosted solutions. The move can save firms money in the long run by eliminating the need for onsite IT departments. Additionally, firms are moving toward paperless operations to save money as well as to be more environmentally friendly. Cloud computing, in which data is kept online, can help facilitate the drive toward going paperless. Cloud accounting applications also allow business owners to access their data on mobile devices.

Data security is a priority for accounting services firms, as they handle sensitive personal and business information. Technology such as electronic data management systems, client portals, and cloud computing systems make data vulnerable to cyber attacks or other data breaches. Many firms use special encryption software to safeguard data. Companies can face penalties and litigation if data is lost or stolen. US states and other countries have various laws and regulations about privacy. Accounting firms must educate themselves about laws not only in their home state or country, but also in the jurisdictions in which their clients reside.

Sales & Marketing

Typical customers are businesses, nonprofits, government, and individuals; some accounting practices specialize by segment or industry. The major sales channel is the practice's partners, who maintain a wide range of professional and personal contacts. **Customer referrals** are an important source of new business.

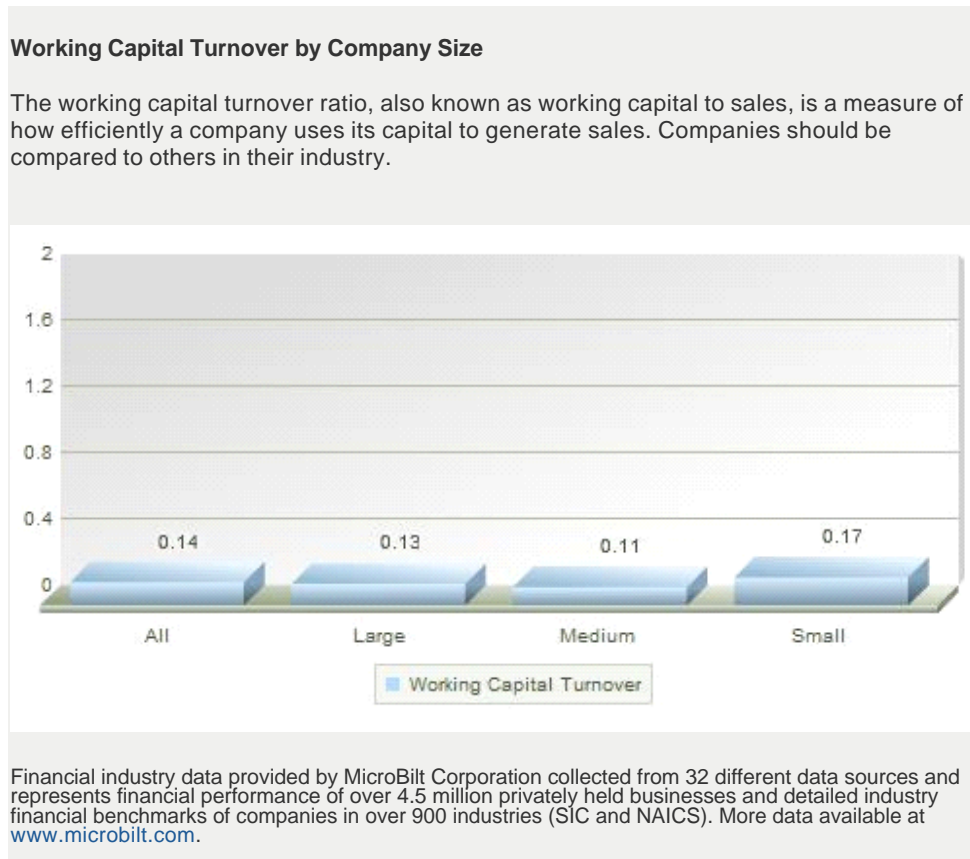
Major types of industry **marketing** are direct mail, customer visits, seminars, and print and online advertising. Tax

preparation firms often advertise heavily in local media. Corporate marketing may include PR like sponsoring sports events and participating in customer industry conferences and trade shows. Accounting firms that ally with other practices benefit from expanded marketing reach and sales capability. Customer service and account relationships are important for retention.

Prices vary greatly, depending on locale, specialty, and competition. Per-project fees depend on the complexity of the tasks or the number of transactions, such as in payroll or billing services. Some practitioners charge fixed rather than hourly fees. The average fee for a professional to prepare and submit a Form 1040 and state return with no itemized deductions is \$176, according to the National Society of Accountants. Franchised tax offices typically charge about \$200 for tax prep work. Tax software designed for individuals and small businesses, such as TurboTax, competes with walk-in facilities.

Finance & Regulation

Cash flow is often **seasonal**, coinciding with the preparation of annual reports and tax returns. Accounting firms derive revenue from **hourly billing** or **fixed-price contracts**. For long assignments or ongoing services, like billing or payroll, clients are billed periodically. **Receivables** may be high: about 70 days' sales is typical for the industry in the US. Accounting firms with large corporate customers have a more balanced cash flow, due to quarterly reporting requirements. Practices maintain **liability insurance** to protect against lawsuits. The industry is labor-intensive: average annual revenue per worker is about \$143,000.



Regulation

The accounting industry is mainly **self-regulated** through professional organizations and peer review. Accounting and auditing standards are defined by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The SEC has the power to establish accounting standards for publicly traded companies, but delegates much regulatory authority to the industry itself through FASB and AICPA. The SEC and AICPA generally set rules of professional conduct for accountants, while FASB determines technical aspects of what constitutes **generally accepted accounting principles** (GAAP) through a series of more than 160 statements. Many countries also have adopted the **International Financial Reporting Standards** (IFRS), a set of accounting standards for the preparation of public company financial statements established by the International Accounting Standards Board.

The **Sarbanes-Oxley Act** of 2002 (SOX), passed in response to several large corporate accounting frauds, prohibits

public accounting firms from auditing clients to whom they're simultaneously providing certain other services, including bookkeeping, IT consulting, valuations, investment advice, and legal services. SOX prohibits **multidisciplinary practice** (MDP) in the US, restricting accounting firms from joining with other professional firms -- like law, financial planning, or health care consulting companies -- to create one-stop, cross-disciplinary megafirms. SOX established a new **Public Company Accounting Oversight Board** (PCAOB), under the SEC's supervision, to oversee the auditing of public companies.

Increased regulations now require tax preparers to register with the IRS, pass competency exams, and fulfill continuing education credits. Additional oversight over the **tax preparation industry** aims to reduce fraud and error by small tax preparation firms. Consequences could include higher costs for consumers, higher monitoring costs for regulators, and further regulation into related practices such as tax refund anticipation loans.

Accountants and accounting firms must have licenses in the states where they do business. Some states have reciprocity agreements in which they recognize licenses granted to accountants and accounting firms by other states and allow accountants and firms to do business without undergoing another **licensing examination**.

International Insights

The **Big Four** firms -- Deloitte Touche Tohmatsu, Ernst & Young, KPMG, and PricewaterhouseCoopers -- dominate the global accounting services industry. The Big Four firms have expanded in many countries by buying local firms; in countries such as China they have affiliated with local firms. But Big Four firms with Chinese units have come under scrutiny with the SEC. Under SEC rules issued in 2015, the Chinese units of Big Four firms must produce documents as requested or face an automatic suspension from auditing publicly traded companies listed in the US. The SEC has wanted better access to audit documents, but accounting firms have been reluctant to hand them over in fear of violating Chinese privacy laws.

Meanwhile, concern over the share of the audit market held by the Big Four has led regulators in **Europe** to impose rules aimed at encouraging competition. Listed companies and banks must change auditors after 10 years, although clients can keep the same auditor for another decade if the work is put out for bid. The rules also impose a 70% cap on the fees a firm can generate from **nonaudit services** and bar firms from offering some advisory services.

Latin America has seen double-digit growth in accounting services in recent years, due to an economic boom and the introduction of international reporting standards. The financial crisis of the late 2000s had less impact in this region since Latin American countries were less exposed to **international markets**, with the exception of Chile. **Economic growth** in Latin American countries is expected to continue, which will present numerous opportunities for tax advisory and consulting services.

Major efforts to align **US accounting standards** with international ones are underway. Several "convergence" projects involve revising accounting rules on revenue recognition, leasing, financial instruments, and insurance. Another option under consideration is for US companies to simply switch to international accounting rules. About 120 nations and jurisdictions require International Financial Reporting Standards for public companies.

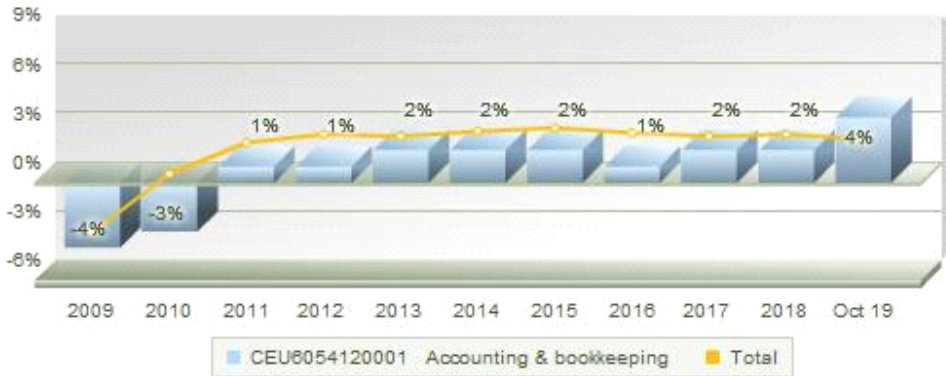
Regional Highlights

In the US, states with the largest populations and the most major business centers, such as [California](#), [Texas](#), [New York](#), [Florida](#), and [Illinois](#), have the largest number of employed accountants and auditors.

Human Resources

Most industry jobs require a bachelor's or advanced degree in accounting or a related subject. **Certified public accountant (CPA)** status is required for accountants and auditors of public companies. The **Chartered Global Management Accountant (CGMA)** credential, launched in 2012, recognizes management accountants. Average hourly industry wages for accounting and booking services in the US are slightly higher than the national average. Stress and heavy workloads may contribute to the high turnover rate in the sector. Injury rates are negligible, due to the nature of office work.

Industry Employment Growth
Bureau of Labor Statistics



Average Hourly Earnings & Annual Wage Increase
Bureau of Labor Statistics



Industry Growth Rating



Demand: Tied to business activity and personal income
Need strong technical expertise
Risk: Slow economy cuts business needs

Quarterly Industry Update

9.14.2020

Trend: Digital Branding with Reduced Risk of Internet Fraud? - Accounting firms demand digital marketing techniques to the fullest in order to adjust their strategy and create value for clients post COVID-19 pandemic. Automated digital processes can provide bulk of services with oversight, while accounting professionals will focus on offering expert advice and insight, strengthening customer relationships in the process. The accounting services firm of the future need to completely develop consumer automated tax preparation apps and adopt cloud-based technology through accounting software to drive their business. The American Institute of CPAs and its business and technology arm, CPA.com, launched .cpa, a restricted Internet domain that exclusively allows CPAs to connect with clients and the general public with greater trust, security, verification, and brand recognition in online interactions, while providing resistance to Internet fraud. According to the latest FBI statistics, losses from Internet crime grew to \$3.5 billion in 2019, an increase of more than 50% from 2016.

Industry Impact - Accounting firms must promote their visibility and authenticity in the digital world while acquiring domains that are most consistent with their current digital branding to adjust their strategy and drive the business.

5.27.2020

Trend: Financial Challenges, Complexity Arise from COVID-19 - Accounting firms are assisting clients with new financial challenges related to the coronavirus pandemic. Accountants are advising customers on tax implications related to new government relief programs and regulations including the Paycheck Protection Program (PPP), Families First Coronavirus Response Act (FFCRA), and the Coronavirus Aid, Relief, and Economic Security Act (CARES). In addition, many clients are coping with financial and personal hardships during the pandemic such as struggling businesses, job loss, and illness and loss of loved ones. Accountants are also managing their own major changes related to the virus. Typical tax season work has been disrupted because of an extension in the federal tax deadline from April 2020 to July 2020 due to the virus. Many offices have started having most staff work remotely and implemented curbside pickup for clients needing time-sensitive documents.

Industry Impact - Accounting firms must keep abreast of new government relief programs and regulations related to coronavirus to provide guidance in an uncertain economic environment.

11.11.2019

Trend: Growing Role in Environmental Reporting - Accounting firms are playing a role in reporting more uniform metrics around environmental, social, and governance (ESG) factors as companies increasingly recognize the value of compiling and reporting such information. ESG reporting has grown by more than four times since 2011 among S&P 500 companies, according to the Governance and Accountability Institute. The additional reporting may benefit corporations by providing more accountability, enhancing legitimacy, and improving transparency. While the US has not yet implemented rules concerning ESG reporting standards, Europe has passed requirements for corporations around ESG disclosures. Researchers at Harvard Business School recently recommended that businesses add "impact-weighted" accounting standards to financial statements to better quantify and detail how the company's decisions affect environmental, social, and governmental factors.

Industry Impact - Accounting services firms are increasingly being asked to assist with environmental, social, and governance reporting as corporations realize the value in providing greater accountability on these topics to shareholders, investors, and customers.

8.19.2019

Trend: Artificial Intelligence To Play Growing Role in Accounting Tasks - Artificial intelligence (AI) is expected to change how accounting firms handle a variety of tasks and may shift the role of accountant to more of an advisory role, according to new industry research. Companies that utilize AI tend to audit nearly 100% of their invoices, contracts, and expenses in real time compared to non-AI-using companies that typically audit up to 10% of spending, according to a new study from AppZen based on aggregated data from its enterprise customers. AI can also determine high risk items. According to the study, AI flags 8.7% of expenses as high risk (typically due to unauthorized expenses, incorrectly keyed-in amounts, and duplicate spending) and 4% of invoices as high risk (usually due to inconsistencies with the contract, duplicated spending across invoices, and inflated prices compared to market data). AI also can be effective at catching regulatory violations, which if undetected can result in stiff penalties. Accounting firms are expected to invest in AI technology to automate repetitive tasks, reduce inconsistencies, better meet client needs, and move accountants into more advisory roles.

Industry Impact - Accounting firms may want to examine the benefits of deploying artificial intelligence technology.

Industry Indicators

US corporate profits, an indicator of demand for accounting services, fell 20.1 percent in the second quarter of 2020 compared to the same period in 2019.

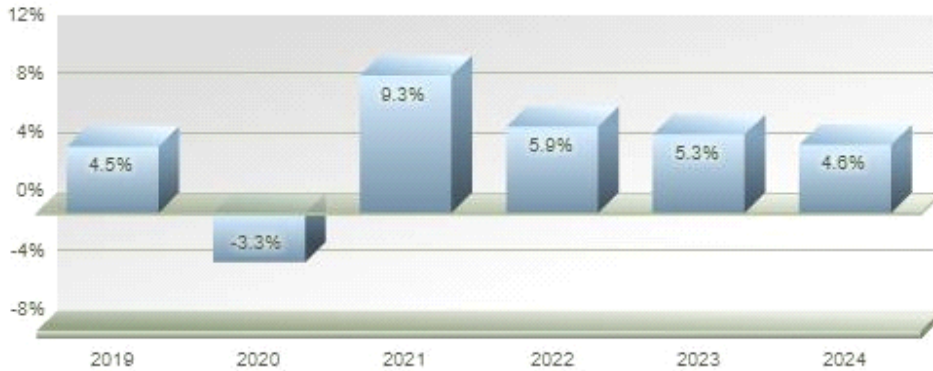
US personal income, which drives consumer demand of accounting services, rose 8.2 percent in July 2020 compared to the same month in 2019.

Total US revenue for accounting, tax preparation, bookkeeping, and payroll services fell 7.9 percent in the second

quarter of 2020 compared to the same period in 2019.

Industry Forecast

Revenue (in current dollars) for US accounting, tax prep, bookkeeping, and payroll services is forecast to grow at an annual compounded rate of 5% between 2020 and 2024. Data Published: July 2020



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](#)

Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually



Government Regulations Changes in federal, state, or local government regulations or business-related policies

Critical Issues

High Regulatory Complexity - Accounting firms must comply with numerous directives from government and industry groups. Government regulators include the IRS, SEC, and the Public Company Accounting Oversight Board (PCAOB). Major industry self-regulating groups include the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). Practices must stay current with hundreds of official rules and formal opinions, a special challenge for small firms with little or no staff.

Litigation Risk - Accounting firms are increasingly implicated in lawsuits regarding their clients' business reporting and operational results. Accounting practices that serve as consultants in shaping clients' business decisions are at high risk. Other factors that can lead to lawsuits against accounting firms include preparing financial statements that don't adequately disclose risks, failure to protect clients' privacy and financial information, and failure to detect corporate fraud.

Business Challenges

Dependence on Skilled Personnel - Accounting firms depend heavily on the reputation and expertise of senior partners and the competence of junior accountants, who often do most of the routine work. In large firms, turnover can be high, especially among entry-level personnel, due to the heavy work load. Experienced employees often find that their large firm experience is highly valued at smaller practices. The departure of a senior partner in a small firm can greatly impact revenue.

Complexity of Customer Needs - Smaller accounting firms may have difficulty keeping up with the increasing needs of customers who expand into international trade, have operations in several states, or who are engaged in acquisitions. As client corporations grow, they need accounting firms that can supply a wider array of services. Consolidation in many industries has created big companies that need larger accounting firms.

Customer Concentration - Most accounting firms are small, local, and may earn a large percentage of revenue from a few business customers. Loss of a major client can be devastating, especially to small accounting practices serving a limited geography. Economic forces that negatively affect a region's main industries in turn impact businesses that serve or sell to them; downturns cause company bankruptcies that can significantly decrease a local accounting firm's revenue.

Competition from Do-it-Yourself Accounting - Smaller accounting practices, especially sole practitioners, lose business to people who use commercially available software to do their own accounting. Integrated bookkeeping, accounting, and tax preparation software enables individuals and companies to set up and maintain accounts, prepare taxes, and issue financial reports. Auditing functions are built-in, enabling users to catch mistakes that accountants generally would find.

Retiring Accountants - As baby boomers reach retirement age, firms are scrambling to backfill talent by recruiting millennials. Firms are using higher starting salaries and flexible work arrangements to lure young accountants. More accounting firms are allowing remote access for employees and flexible work hours. In addition, firms are asking former employees to return to work either on a part-time or interim basis.

Reducing Auditing Errors - The Big Four accounting firms had errors in at least 20% of their most recent annual US audits analyzed by the Public Company Accounting Oversight Board. The biggest accounting firms may want to review processes to determine actions to improve quality.

Business Trends

Alignment with Global Accounting Rules - The growth of global corporations is leading to the need for the US to better align with international accounting standards. Specifically, the domestic Financial Accounting Standards Board is working to align US standards with the International Financial Reporting Standards developed and used by numerous countries. The goal is for standardized accounting to provide international investors and businesses a better understanding of foreign companies.

Firms Update Technology, Move Operations Online - Cloud computing, software as a service applications (SaaS), and hosted solutions are becoming increasingly common among small accounting firms. The move will add demand for increased data security, but could save firms money in the long run by eliminating the need for onsite IT departments. Additionally, firms are moving toward paperless operations to save money as well as to be more environmentally friendly. Cloud computing, in which data is kept online, can help facilitate the drive toward going paperless. Cloud accounting applications also allow business owners to access their data on mobile devices.

Online Tax Preparation - Many accounting and tax firms enable clients to help prepare their own tax returns using an interactive website. Such sites collect information from customers through questionnaires and prepare returns electronically. Data security is a major issue for clients, leading firms to invest in better computer and network security.

International Experience - As more companies do business internationally, accountants must develop expertise in tax laws and regulatory requirements for multiple countries. Demand for global accounting experience is increasing among large and small clients that deal with sophisticated transportation networks and supply chains that span the globe.

Detecting Fraud - Some 50% of the nation's companies say they've been a victim of at least one fraud in the past two years, according to the 2018 PwC Global Economic Crime and Fraud Survey. Enhanced internal controls and strict compliance programs and risk assessments can lead to fraud being more easily detected. Companies also are opening themselves up to increased risks as they expand their international operations.

Industry Opportunities

Daily Money Management - As aging baby boomers become prone to ailments that can affect their ability to manage their money, they will need accountants equipped to handle the finances of an elderly client base on a regular basis. Daily money managers may be sought to pay bills, balance checkbooks, and oversee other relatively simple financial processes on behalf of clients with diminished mental or physical abilities.

Customer M&As - Mergers and acquisitions require specialized accounting and business services, a boon to accounting firms hoping to be retained through the transition or to win business from the new entity. Merged companies usually require significant help to combine accounting, information, and reporting systems. Business combinations also provide opportunities for accounting firms to sell strategic planning and other consulting services.

Specialties - Practices may specialize to better compete with general accounting firms and to appeal to clients who want more depth in a particular area of expertise. Specialties include audit, performance management, fraud (forensic accounting), estate planning, and corporate governance. Specialty firms may be able to charge higher fees, especially if few competitors offer similar expertise.

Health Care Advisory - The evolving health care industry has created an increased need for consulting services, especially for small business clients. Accounting firms can help businesses sort through the rules and regulations associated with the health care exchanges and small-business credits.

Building Business During Tax Season - While meeting with clients during the tax season, accountants can expand their businesses by touting special capabilities and offering value-added services with the help of analytics tools. Along with financial reports or tax returns, accountants can offer a variety of other services, such as business valuations and benchmarking. Uncovering clients' pain points during discussions at tax time paves the way for additional engagement later in the year, including securing advisory work.

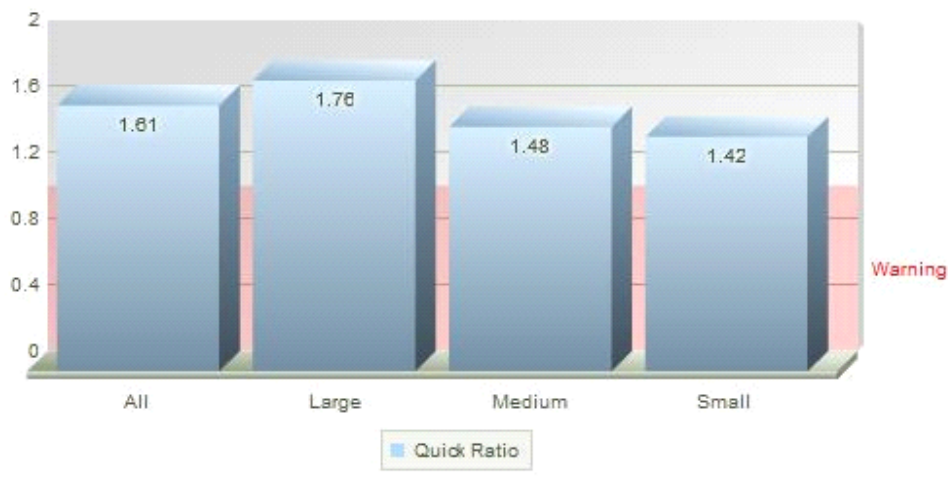
Growth in Consulting - Many large accounting firms are expanding their consulting services offerings. Deloitte, for example, saw consulting revenue growth of 15% globally in fiscal year 2019. Companies are increasingly seeking the guidance of consultants to make business model transformations during times of disrupted markets and ongoing major technological changes.

Financial Information

COMPANY BENCHMARK TRENDS

Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



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COMPANY BENCHMARK INFORMATION

NAICS: 5412

Data Period: 2018

Last Update February 2020

Table Data Format

Mean

Company Size

All

Large

Medium

Small

Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	75126	44	321	74761

Income Statement

Net Sales	100%	100%	100%	100%
Gross Margin	99.8%	100.0%	99.2%	99.4%
Officer Compensation	18.2%	19.2%	14.4%	15.9%
Advertising & Sales	0.6%	0.6%	0.7%	0.7%
Other Operating Expenses	66.7%	63.4%	76.8%	75.2%
Operating Expenses	85.5%	83.2%	91.9%	91.7%
Operating Income	14.3%	16.8%	7.3%	7.7%
Net Income	7.6%	9.0%	3.8%	3.8%

Balance Sheet

Cash	17.1%	13.8%	18.0%	21.6%
Accounts Receivable	37.4%	43.6%	34.4%	29.1%
Inventory	3.2%	4.3%	1.9%	1.9%
Total Current Assets	65.1%	70.0%	64.8%	58.4%
Property, Plant & Equipment	10.4%	7.0%	9.2%	15.4%
Other Non-Current Assets	24.4%	23.1%	26.0%	26.2%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	5.3%	5.4%	5.8%	5.1%
Total Current Liabilities	35.1%	33.6%	37.2%	37.1%
Total Long Term Liabilities	19.7%	17.5%	17.9%	22.9%
Net Worth	45.2%	48.9%	44.9%	40.0%

Financial Ratios

(Click on any ratio for comprehensive definitions)

Quick Ratio	1.61	1.76	1.48	1.42
Current Ratio	1.85	2.08	1.74	1.58
Current Liabilities to Net Worth	77.8%	68.8%	82.9%	92.6%
Current Liabilities to Inventory	x10.98	x7.89	x19.90	x19.93
Total Debt to Net Worth	x1.21	x1.05	x1.23	x1.50
Fixed Assets to Net Worth	x0.23	x0.14	x0.20	x0.38
Days Accounts Receivable	62	56	50	83
Inventory Turnover	x0.14	x0.03	x1.08	x0.40
Total Assets to Sales	46.3%	35.8%	40.8%	79.5%

Working Capital to Sales	13.9%	13.0%	11.2%	16.9%
Accounts Payable to Sales	2.4%	1.9%	2.3%	4.0%
Pre-Tax Return on Sales	12.2%	14.6%	6.2%	6.2%
Pre-Tax Return on Assets	26.4%	40.6%	15.2%	7.8%
Pre-Tax Return on Net Worth	58.5%	83.1%	33.9%	19.4%
Interest Coverage	x17.81	x34.96	x6.19	x4.49
EBITDA to Sales	16.0%	18.5%	9.2%	9.6%
Capital Expenditures to Sales	2.1%	1.9%	2.3%	2.6%

Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

VALUATION MULTIPLES

Accounting Services

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2008 and 12/2019 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: December 2019.

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	0.9	0.9	2.8	1.3

MVIC (Market Value of Invested Capital) = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

Net Sales = Annual Gross Sales, net of returns and discounts allowed, if any.

Gross Profit = Net Sales - Cost of Goods Sold

EBIT = Operating Profit

EBITDA = Operating Profit + Noncash Charges



SOURCE: DealStats (formerly Pratt's Stats), 2019 (Portland, OR: Business Valuation Resources, LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Industry Websites

Accounting Today

Industry news, rankings, and resources.

Accounting.com

Career info and resources.

AccountingWEB

Industry news (by subscription).

American Institute of CPAs

Association of accounting professionals.

Certified General Accountants of Canada

News, events, and information.

CPAmerica International

Association of independently-owned and managed CPA and consulting firms.

Financial Accounting Standards Board

Technical accounting issues.

IFRS Resources

Resources related to International Financial Reporting Standards.

International Accounting Bulletin

Industry news.

Journal of Accountancy Online

Feature articles.

Public Company Accounting Oversight Board

Oversees auditors of public companies.

The CPA Journal

Articles.

The Society of Professional Accountants of Canada

News and publications.

U.S. Securities and Exchange Commission

Regulator of public accounting industry.

Glossary of Acronyms

AICPA - American Institute of Certified Public Accountants

CGMA - Chartered Global Management Accountant

CPA - Certified Public Accountant

DMM - daily money management

FASB - Financial Accounting Standards Board

GAAP - Generally Accepted Accounting Practices

IASB - International Accounting Standards Board

IFRS - International Financial Reporting Standards

IRS - Internal Revenue Service

IT - information technology

MDP - multidisciplinary partnership

PCAOB - Public Company Accounting Oversight Board

SaaS - Software as a Service

SOX - Sarbanes-Oxley Act