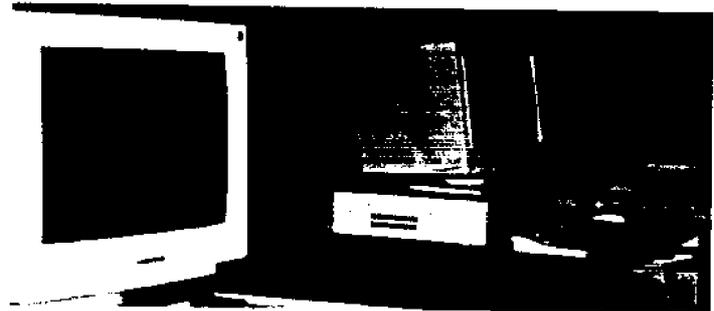
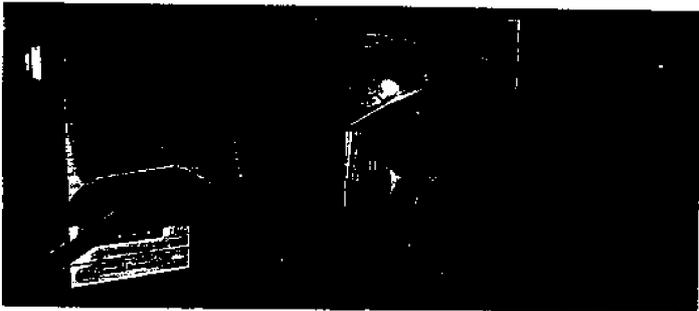


Catalogue No. 8678.0



# ***LEGAL AND ACCOUNTING SERVICES, AUSTRALIA 1992 - 93***





NEW ISSUE

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**LEGAL AND ACCOUNTING  
SERVICES, AUSTRALIA  
1992-93**

**W. McLennan  
Australian Statistician**

AUSTRALIAN BUREAU OF STATISTICS

CATALOGUE NO. 8678.0

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INQUIRIES

- *for further information about statistics in this publication and the availability of related unpublished statistics, contact Dennis Robson, on Melbourne (03) 9615 7634.*
- *for information about other statistics and services, please refer to the back page of this publication.*

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## INTRODUCTION

The ABS conducted a series of surveys on business services for the 1992-93 financial year. The services comprised legal, accounting, business management, advertising, architecture, computing, real estate, market research, surveying, consultant engineering, and computer services.

This publication presents statistics for the legal and accounting services industries. The publication is divided into two parts: Part A Legal Services; and Part B Accounting Services.

Legal and accounting services are classified to Group 784, Legal and Accounting Services, of the 1993 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC). Group 784 comprises Class 7841, Legal Services, which includes units mainly engaged in providing legal services; and Class 7842, Accounting Services, which includes units mainly engaged in providing accounting, auditing and bookkeeping services.

This is the second time the ABS has surveyed the legal and accounting services industries. Surveys for these two industries were conducted in respect of the 1987-88 financial year. Results were published in *Legal Services Industry, Australia, 1987-88* (Catalogue No. 8667.0), and *Accounting Services Industry, Australia, 1987-88* (Catalogue No. 8668.0). This publication contains comparable data from these earlier surveys.

In addition to this publication, data from the other surveys conducted for the 1992-93 financial year will be released in the following publications:

- *Real Estate Agents Industry, Australia, 1992-93* (Catalogue No. 8663.0)
- *Computing Services Industry, Australia, 1992-93* (Catalogue No. 8669.0)
- *Selected Technical Services, Australia, 1992-93* (Catalogue No. 8676.0)
- *Selected Business Services, Australia, 1992-93* (Catalogue No. 8677.0)

These publications contain only a small portion of the information available from the surveys. More detailed information is available from the ABS on request. This includes in-depth statistical analysis in formats tailored to meet the needs of individual clients.

The ABS is committed to providing more information on the important service industries sector of the economy. However, the breadth of activities encompassed in the sector poses the problem of selecting which industries to include. To this end the ABS welcomes comments and suggestions from users recommending industries and data items for inclusion in future surveys. These comments should be addressed to: The Director, Service Industries Surveys, PO Box 10, Belconnen, ACT, 2616.



***PART A***  
***LEGAL SERVICES***



## **SECTION 1. LEGAL SERVICES - AN OVERVIEW**

### **Introduction**

The legal services industry comprises solicitors, barristers, and businesses whose primary activity is the provision of other legal services, such as patent attorneys, legal aid services and conveyancing services (provided by units of qualified legal practitioners), non-government legal aid services and notaries.

### ***A legal practice***

Many legal practices (businesses) are conducted via a single entity (e.g. a solicitor or a barrister practising as a sole practitioner, solicitors practising in partnership). Other practices are conducted via more than one entity (e.g. a solicitors' partnership and a service entity - such as an administration or service company or trust).

For this survey, where a practice was conducted via more than one entity, these entities were consolidated and treated as one business.

### ***A service entity***

A service entity is defined as a company, trust or other entity established by the principals of a legal practice to provide professional, administrative, secretarial or similar services to only that practice. Where a service entity provided services to more than one practice, the service entity has been excluded from the data in this publication.

### **Size of industry**

At 30 June 1993, there were 8,850 businesses (practices) in the legal services industry, employing 63,108 people. These businesses generated \$5,105 million from the sales of goods and services, and had an operating profit before tax of \$1,666 million.

Total industry gross product (IGP) was \$3,607 million. This represented 1.8 per cent of IGP for all non-farm industries.

### **Industry composition**

At the end of June 1993, 63 per cent of businesses in the legal services industry were solicitors' practices and 36 per cent were barristers' practices. Solicitors' practices accounted for 88 per cent of industry employment and 73 per cent of operating profit before tax.

### **Business size**

In terms of number of businesses, the legal services industry was dominated by small businesses with 94 per cent of businesses employing fewer than 20 people. These small businesses accounted for 53 per cent of industry employment and 52 per cent of operating profit before tax. The 64 businesses employing 100 or more persons accounted for 22 per cent of industry employment and 27 per cent of operating profit before tax.

### **The State dimension**

Legal services businesses were concentrated in New South Wales and Victoria, with almost three quarters of legal services businesses operating in these two States. By way of comparison, these two States accounted for about 60 per cent of Australia's population. This predominance of legal businesses in New South Wales and Victoria possibly reflects the greater concentration of financial and commercial activities in these two States, and the fact that conveyancing is undertaken by non-legal practitioners in some smaller States.

**TABLE 1.1 LEGAL SERVICES: SUMMARY OF OPERATIONS,  
AUSTRALIA, 1992-93**

<i>Item</i>	<i>Unit</i>	<i>1992-93</i>
<b>Businesses at end June 1993</b>	<b>No.</b>	<b>8,850</b>
<b>Employment</b>		
Working proprietors and partners of unincorporated practices	No.	15,260
Employees	No.	47,847
<b>Total</b>	<b>No.</b>	<b>63,108</b>
<b>Income statement</b>		
Sales of goods and services	\$m	5,105.2
<i>Less</i>		
Selected expenses	\$m	1,498.0
<b>Trading profit</b>	<b>\$m</b>	<b>3,607.2</b>
<i>Plus</i>		
Interest income	\$m	7.6
Other non-operating income	\$m	31.2
<i>Less</i>		
Labour costs	\$m	1,562.4
Depreciation	\$m	83.9
Other expenses	\$m	197.4
<b>Earnings before interest and tax</b>	<b>\$m</b>	<b>1,802.3</b>
<i>Less</i>		
Interest expenses	\$m	136.8
<b>Operating profit before tax</b>	<b>\$m</b>	<b>1,665.5</b>
<b>Operating profit margin</b>	<b>Per cent</b>	<b>32.6</b>
<b>Industry gross product</b>	<b>\$m</b>	<b>3,607.2</b>

**More information?**

Income and expense data analysis using the mean, median, mode, and deciles, is available on request. This information is also available by business size groupings.

## A historical comparison

### Increase in number of small businesses

Between June 1988 and June 1993, the number of businesses in the legal services industry increased by 37 per cent. Over the same period of time, employment increased by 14 per cent. Growth in the number of businesses was primarily at the small business (employment less than 20) end of the industry. Average business size dropped from 8.6 to 7.1 persons per business.

### Growth in employment

Overall employment increased by 14 per cent between June 1988 and June 1993. This was considerably higher than the five per cent increase in the number of persons employed in Australia over the same period.

Male employment increased by 23 per cent over the period, whereas female employment increased by 9 per cent. This resulted in the proportion of males in the legal services industry increasing from 37 to 40 per cent.

**TABLE 1.2 LEGAL SERVICES: NUMBER OF BUSINESSES AND EMPLOYMENT, AUSTRALIA, 1987-88 AND 1992-93**

Item	Unit	1987-88	1992-93	Percentage
				Change
<b>Businesses at end June</b>				
Solicitors (a)	No.	4,586	5,579	21.7
Barristers (a)	No.	1,764	3,184	80.5
Other	No.	109	87	-20.2
<b>Total</b>	<b>No.</b>	<b>6,459</b>	<b>8,850</b>	<b>37.0</b>
<b>Employment at end June</b>				
Male	No.	20,301	24,941	22.9
Female	No.	35,062	38,167	8.9
<b>Total employment</b>	<b>No.</b>	<b>55,363</b>	<b>63,108</b>	<b>14.0</b>

(a) In some States practices operate as combined solicitors and barristers. In these cases, they have been counted as solicitor's practices.

### Growth in income

Gross income in the legal services industry increased by 67 per cent. This level of growth was not evenly distributed across all income sources. Income from legal services (excluding conveyancing and other property services) grew by 75 per cent, while income from conveyancing and other property services increased by 32 per cent.

### Major sources of income

The contribution of conveyancing and other property services to gross income decreased from 26 to 21 per cent between 1987-88 and 1992-93. The contribution of other fields of legal services (commercial, family, criminal, environmental, etc) increased from 68 to 71 per cent.

### Operating profit per business

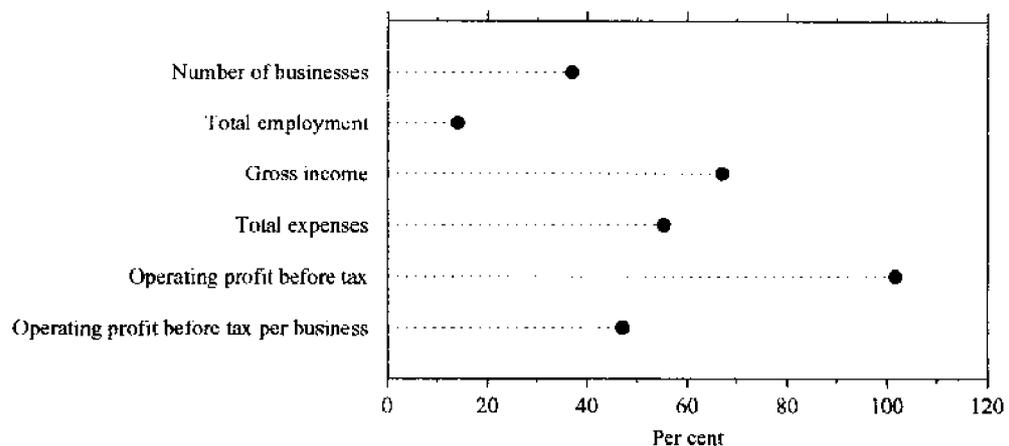
Operating profit per business rose from \$127,900 in 1987-88 to \$188,200 in 1992-93. This represented an increase of 47 per cent. Over the same period the consumer price index increased by 26 per cent.

**TABLE 1.3 LEGAL SERVICES: SOURCES OF INCOME AND TOTAL EXPENSES, AUSTRALIA, 1987-88 AND 1992-93**

<i>Item</i>	<i>Unit</i>	<i>1987-88 (a)</i>	<i>1992-93</i>	<i>Percentage Change</i>
<b>Income</b>				
Income from conveyancing and other property services	\$m	810.6	1,068.7	31.8
Income from other legal services	\$m	2,091.1	3,653.6	74.7
Other income	\$m	167.5	200.0	19.4
Gross disbursement recoveries (b)	\$m	n.a.	214.0	..
Interest income	\$m	10.0	7.6	-24.0
<b>Gross Income</b>	<b>\$m</b>	<b>3,079.1</b>	<b>5,144.0</b>	<b>67.1</b>
<b>Total expenses</b>				
<b>Total expenses</b>	<b>\$m</b>	<b>2,253.3</b>	<b>3,478.4</b>	<b>54.4</b>
<b>Operating profit before tax</b>	<b>\$m</b>	<b>825.8</b>	<b>1,665.5</b>	<b>101.7</b>
<b>Operating profit before tax per business</b>	<b>\$000</b>	<b>127.9</b>	<b>188.2</b>	<b>47.1</b>

(a) Income and payments for work undertaken by other solicitors' practices as an agent on behalf of another legal practice were not collected in 1992-93. In 1987-88, payments to agents were \$164.7m. (b) For 1987-88, gross disbursement recoveries were not collected as a separate item, so were included with items of income from legal services.

**CHART 1.1 LEGAL SERVICES: PERCENTAGE CHANGE IN KEY DATA ITEMS, AUSTRALIA, 1987-88 AND 1992-93**



## SECTION 2. INCOME AND EXPENDITURE

### Sources of income

The primary source of income for the legal services industry in 1992-93 was the provision of commercial, finance and business services, accounting for 32 per cent of gross income. This was followed by the provision of legal services in other fields such as accident, planning and consumer claims, accounting for 23 per cent of gross income.

In 1987-88, income from the provision of property services (mainly conveyancing) was the only legal service for which separate income data were collected. The proportion of income from the provision of property services for 1987-88 was 26 per cent compared with 21 per cent in 1992-93. This represented a decrease of almost 20 per cent in the proportion of income earned by the legal services industry from the provision of property services.

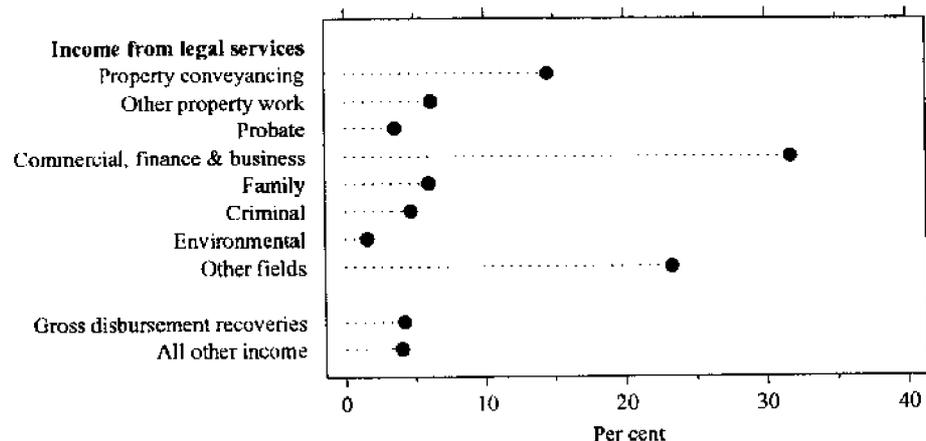
For 1992-93, the average gross income per legal practice was \$581,000.

### Items of expenditure

The legal services industry was reasonably labour intensive, with labour costs accounting for 45 per cent of total industry expenses.

Other practice expenses, which includes items such as office supplies, printing costs, travelling expenses, telephone and postal charges, etc. made up the majority of other costs, accounting for 26 per cent of total expenses, while rent, leasing and hiring expenses accounted for 14 per cent.

**CHART 2.1 LEGAL SERVICES: SOURCES OF INCOME, AUSTRALIA, 1992-93**



#### More information?

Detailed analyses of the data are available on request:

- income and expenditure data items by deciles, mean, median, and mode values
- performance ratios by state for the legal industry
- comparison of businesses grouped by their primary source of income

**TABLE 2.1 LEGAL SERVICES: SOURCES OF INCOME, AUSTRALIA, 1992-93**

<i>Activity</i>	<i>Businesses</i>	<i>Value</i>	<i>Percentage</i>
	<i>at end June</i>		
	<i>No.</i>	<i>\$m</i>	<i>%</i>
<b>Sales of goods and services</b>			
<b>Income from legal services</b>			
Property conveyancing	5,318	747.8	14.5
Other property work	4,656	320.9	6.2
Probate	4,542	185.1	3.6
Commercial, finance and business	6,258	1,637.4	31.8
Family	4,496	307.8	6.0
Criminal	4,665	241.9	4.7
Environmental	825	82.3	1.6
Other fields	6,009	1,199.3	23.3
<b>Total income from legal services</b>		<b>4,722.3</b>	<b>91.8</b>
Gross disbursement recoveries	4,483	214.0	4.2
Other operating income	1,102	168.8	3.3
<b>Total sales of goods and services</b>		<b>5,105.2</b>	<b>99.2</b>
Interest income	1,327	7.6	0.1
Other non-operating income	739	31.2	0.6
<b>Gross Income</b>		<b>5,144.0</b>	<b>100.0</b>

**TABLE 2.2 LEGAL SERVICES: ITEMS OF EXPENDITURE, AUSTRALIA, 1992-93**

<i>Type of expense</i>	<i>Businesses</i>	<i>Value</i>	<i>Percentage</i>
	<i>at end June</i>		
	<i>No.</i>	<i>\$m</i>	<i>%</i>
<b>Labour costs</b>			
Wages and salaries	6,589	1,465.4	42.1
Employer contributions to superannuation funds	5,988	89.8	2.6
Workers' compensation costs	5,581	7.2	0.2
<b>Total labour costs</b>		<b>1,562.4</b>	<b>44.9</b>
<b>Selected expenses</b>			
Rent, leasing and hiring expenses	7,741	493.0	14.2
Motor vehicle running expenses	6,601	40.1	1.2
Professional library expenses	8,291	65.4	1.9
Other practice expenses	8,826	899.4	25.9
<b>Total selected expenses</b>		<b>1,498.0</b>	<b>43.1</b>
Depreciation on buildings and other fixed tangible assets	6,264	83.9	2.4
Interest expenses	6,811	136.8	3.9
Other expenses	8,749	197.4	5.7
<b>Total expenses</b>		<b>3,478.4</b>	<b>100.0</b>

**More information?**

Additional information is available for the legal industry regarding the cost of continuing legal education i.e. income forgone by principals while undertaking continuing legal education, and other continuing legal education-related costs.

## SECTION 3. EMPLOYMENT

### Introduction

It should be noted that where the principals of a legal practice established a service entity to provide professional, administrative, secretarial or similar services to only that practice, the employees of those service entities were included in practice employment. Where a service company served more than one legal practice it has been excluded from the data.

### Large increase in employment

At the end of June 1993, there were 63,108 people working in the legal services industry. This represented an increase of 14 per cent in total industry employment from June 1988. This was considerably higher than the five per cent increase in the number of persons employed in Australia over this period.

### Working principals and partners predominantly male

Slightly more than 60 per cent of people employed in the industry were female. However, there were considerable differences in the proportions of males and females in different types of employment. Working principals and working partners of unincorporated practices were predominantly male (88 per cent). Just over 90 per cent of the principals of incorporated practices and 60 per cent of qualified barristers and/or solicitors were also male. In contrast, 85 per cent of other employees were female.

Between June 1988 and June 1993, there was a small increase in the proportion of females who were working principals and partners of unincorporated practices. In June 1988, the proportion was 8 per cent, whereas in June 1993 it was 12 per cent. At 30 June 1993, there were 5,411 females working, either as a principal or employee, who were qualified barristers and/or solicitors. This represented an increase of 41 per cent since June 1988.

### Industry dominated by full-time employment

Persons working full-time dominated employment in the industry, accounting for 85 per cent of total employment. Ninety-four per cent of males and 78 per cent of females employed in the industry worked full-time.

### Principal to staff ratios

Of the people employed in the legal services industry, 15,606 were working principals and partners of either incorporated or unincorporated practices. These practices employed 47,501 staff, giving an average ratio of 3.0 staff for each principal. The staff to principal ratio was only 1.7 for sole proprietors, 4.1 for partnerships, 4.2 for incorporated practices, and 5.5 for other types of organisations (e.g. trusts).

### Qualified barristers and/or solicitors

At the end of June 1993, there were 24,665 qualified barristers and/or solicitors working either as principals or employees in the industry. This represented an increase of 31 per cent since June 1988. For each barrister and/or solicitor in the industry, there were 1.6 other employees. The comparable figure for 1988 was 1.9 other employees.

#### More information?

Additional information is available showing wages and salaries by type of employment, e.g. sole practitioners/working partners, principals of incorporated practices, and other employees.

**TABLE 3.1 LEGAL SERVICES: CHARACTERISTICS OF EMPLOYMENT, AUSTRALIA, END JUNE 1993**

(Number)

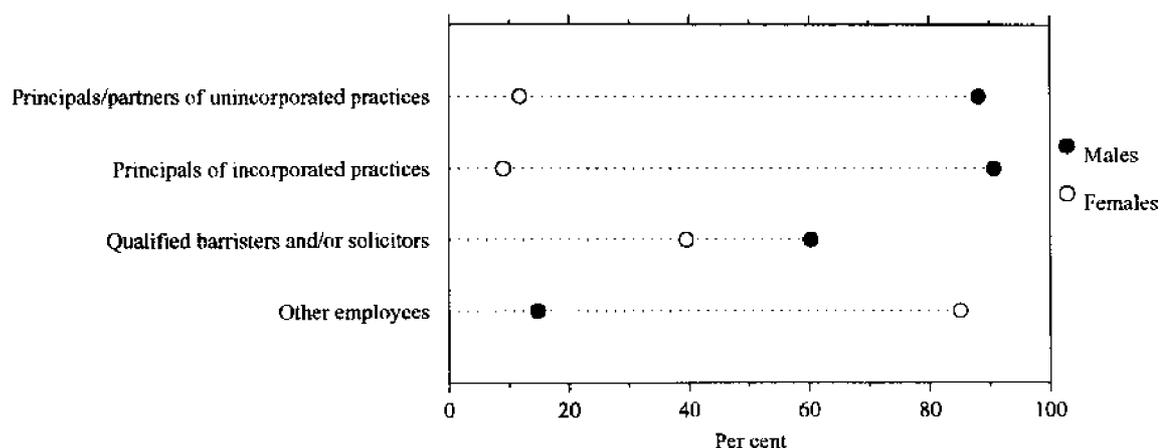
Type of employment	Males			Females			Total		
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total
Working principals and partners of unincorporated practices	13,151	314	13,465	1,402	393	1,795	14,553	707	15,260
<b>Employees</b>									
Principals of incorporated practices	313	*2	314	*24	*8	*31	336	*10	346
Qualified barristers and/or solicitors	5,161	313	5,474	3,118	467	3,585	8,280	780	9,059
Other	4,845	843	5,687	25,365	7,390	32,755	30,210	8,232	38,442
<b>Total</b>	<b>23,469</b>	<b>1,471</b>	<b>24,941</b>	<b>29,909</b>	<b>8,257</b>	<b>38,167</b>	<b>53,379</b>	<b>9,729</b>	<b>63,108</b>
Percentage contribution to total	37.2	2.3	39.5	47.4	13.1	60.5	84.6	15.4	100.0

**TABLE 3.2 EMPLOYMENT BY TYPE OF LEGAL ORGANISATION, AUSTRALIA, 1992-93**

Type of employment	Sole proprietorship (a)	Partnership (a)	Incorporated practice	Other	Total
Working principals and partners of unincorporated practices	7,007	8,207	-	*47	15,260
Working principals and partners of incorporated practices	-	-	275	*70	346
<b>Total working principals and partners</b>	<b>7,007</b>	<b>8,207</b>	<b>275</b>	<b>*117</b>	<b>15,606</b>
<b>Other employees</b>					
Qualified barristers and/or solicitors	1,448	7,323	240	*48	9,059
Other	10,698	26,252	903	*590	38,442
<b>Total</b>	<b>19,152</b>	<b>41,782</b>	<b>1,418</b>	<b>*756</b>	<b>63,108</b>
Staff per principal/partner	1.7	4.1	4.2	5.5	3.0

(a) Includes sole proprietorships and partnerships with a service entity providing services to only that practice.

**CHART 3.1 LEGAL SERVICES: TYPE OF EMPLOYMENT BY SEX, AUSTRALIA, END JUNE 1993**



## SECTION 4. BUSINESS SIZE

### Introduction

Table 4.1 provides key characteristics by business size for the legal services industry for 1992-93. The business sizes are defined in terms of the total employment of each individual business, with those businesses employing fewer than 20 persons being defined as "small".

### Industry dominated by small businesses

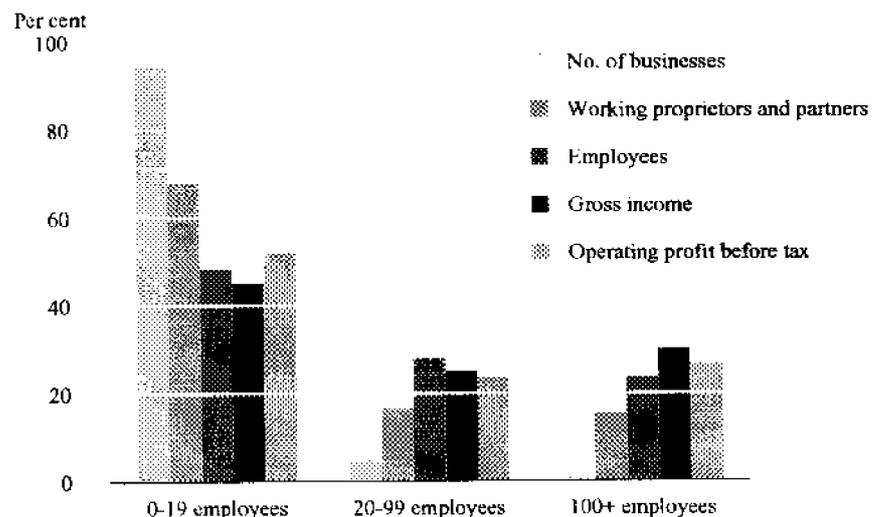
In terms of number of businesses, the legal services industry was dominated by small businesses with 94 per cent of businesses in the industry being defined as small. These small businesses accounted for 53 per cent of industry employment, 45 per cent of gross income, and 52 per cent of operating profit before tax.

Two thirds of businesses in the industry were very small, employing fewer than five people. These very small businesses employed almost 20 per cent of people employed in the industry, and accounted for almost 20 per cent of industry gross income, and almost 30 per cent of operating profit before tax.

### Significance of large businesses

In contrast, fewer than one per cent of business employed 100 or more people. However, these 64 large businesses accounted for 22 per cent of industry employment, 30 per cent of gross income, and 27 per cent of operating profit before tax. The proportion of total employment in businesses with 100 or more people rose by four per cent over the figure for June 1988.

**CHART 4.1 LEGAL SERVICES: PROPORTIONS BY BUSINESS SIZE, AUSTRALIA, 1992-93**



**TABLE 4.1 LEGAL SERVICES: KEY CHARACTERISTICS BY BUSINESS SIZE, AUSTRALIA, 1992-93**

Employment size category at end June	Employment at end June 1993					
	Businesses at end June 1993	Working proprietors & partners (a)	Employees	Total employment	Gross income	Operating profit before tax
	No.	No.	No.	No.	\$m	\$m
0-4 persons	5,882	5,954	5,801	11,755	952.4	484.3
5-9 persons	1,677	2,427	8,547	10,974	660.3	181.7
10-19 persons	798	1,998	8,746	10,744	706.1	205.7
<b>Total small businesses</b>	<b>8,357</b>	<b>10,378</b>	<b>23,095</b>	<b>33,473</b>	<b>2,318.9</b>	<b>871.7</b>
20-49 persons	343	1,611	8,550	10,161	740.5	195.3
50-99 persons	86	916	4,862	5,778	543.0	154.1
100 or more persons	64	2,355	11,341	13,696	1,541.6	444.5
<b>Total other businesses</b>	<b>493</b>	<b>4,882</b>	<b>24,753</b>	<b>29,635</b>	<b>2,825.1</b>	<b>793.9</b>
<b>Total</b>	<b>8,850</b>	<b>15,260</b>	<b>47,847</b>	<b>63,108</b>	<b>5,144.0</b>	<b>1,665.5</b>

(a) Includes sole practitioners, principals and working partners of unincorporated businesses.

**TABLE 4.2 LEGAL SERVICES: PROPORTIONS OF KEY CHARACTERISTICS BY BUSINESS SIZE, AUSTRALIA, 1992-93**

Employment size category at end June	Employment at end June 1993					
	Businesses at end June 1993	Working proprietors & partners (a)	Employees	Total employment	Gross income	Operating profit before tax
	%	%	%	%	%	%
0-4 persons	66.5	39.0	12.1	18.6	18.5	29.0
5-9 persons	18.9	15.9	17.9	17.4	12.8	10.9
10-19 persons	9.0	13.1	18.3	17.0	13.7	12.4
<b>Total small businesses</b>	<b>94.4</b>	<b>68.0</b>	<b>48.3</b>	<b>53.0</b>	<b>45.1</b>	<b>52.3</b>
20-49 persons	3.9	10.6	17.9	16.1	14.4	11.7
50-99 persons	1.0	6.0	10.2	9.2	10.6	9.3
100 or more persons	0.7	15.4	23.7	21.7	30.0	26.7
<b>Total other businesses</b>	<b>5.6</b>	<b>32.0</b>	<b>51.7</b>	<b>47.0</b>	<b>54.9</b>	<b>47.7</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(a) Includes sole practitioners, principals and working partners of unincorporated businesses.

**More information?**

Detailed income and expense data are available by various size groupings e.g. income and employment size groupings. Also available is the distribution of businesses by range of operating profit/loss before tax.

## Change since 1987-88

Growth in the legal services industry between 1987-88 and 1992-93 was fuelled by growth in small businesses. The number of small businesses increased by 2,406 (40 per cent), and small business employment grew by almost 5,438 (19 per cent) during that period. In contrast, the number of businesses in other size categories fell by 15 (3 per cent) while their total employment increased by 2,307 (8 per cent). As a result, the average employment per legal business decreased from nine in 1987-88 to seven in 1992-93.

For small businesses, 90 per cent of the extra businesses were very small (i.e. employing fewer than five persons). These very small businesses accounted for 64 per cent of the increase in total employment for small businesses.

For other businesses (i.e. those with employment of 20 or more), changes between 1987-88 and 1992-93 were not uniform. The number of businesses employing more than 100 persons increased by 22 (52 per cent) during the period, and total employment in this category increased by almost 4,000 (40 per cent). On the other hand, the number of businesses employing between 20 and 99 persons decreased by 37 (8 per cent), and their total employment decreased by 1,624 (9 per cent).

In summary, in the legal services industry, between 1987-88 and 1992-93 there appears to have been a trend to either small or large practices, with the number of middle sized practices (i.e. those employing between 20 and 99 persons) declining both in terms of numbers and employment.

**TABLE 4.3 LEGAL SERVICES: PERCENTAGE CHANGE IN SELECTED DATA ITEMS BY BUSINESS SIZE, AUSTRALIA, END OF JUNE 1988 AND 1993**

Employment size category	No. of businesses			Total employment		
	End June 1988	End June 1993	Percentage change	End June 1988	End June 1993	Percentage change
	No.	No.		No.	No.	
0-4 persons	3,722	5,882	58.0	8,301	11,755	41.6
5-9 persons	1,480	1,677	13.3	9,802	10,974	12.0
10-19 persons	749	798	6.5	9,932	10,744	8.2
<b>Total small businesses</b>	<b>5,951</b>	<b>8,357</b>	<b>40.4</b>	<b>28,035</b>	<b>33,473</b>	<b>19.4</b>
20-49 persons	374	343	-8.3	11,307	10,161	-10.1
50-99 persons	92	86	-6.5	6,256	5,778	-7.6
100 or more persons	42	64	52.4	9,765	13,696	40.3
<b>Total other businesses</b>	<b>508</b>	<b>493</b>	<b>-3.0</b>	<b>27,328</b>	<b>29,635</b>	<b>8.4</b>
<b>Total</b>	<b>6,459</b>	<b>8,850</b>	<b>37.0</b>	<b>55,363</b>	<b>63,108</b>	<b>14.0</b>

## SECTION 5. STATE DATA

### NSW dominates the legal industry

Just over 40 per cent of legal businesses were located in New South Wales. These businesses accounted for 40 per cent of employment and 44 per cent of gross income in the legal services industry. Together, New South Wales and Victoria accounted for almost three quarters of legal businesses in Australia. By way of comparison, these two States accounted for about 60 per cent of the Australian population. The concentration of businesses in these States possibly reflects the high proportion of financial and commercial businesses in these two States. Another factor could also be due to conveyancing being exclusive to legal firms in New South Wales and Victoria, whereas this activity is also undertaken by non-legal practitioners in some smaller States.

### Size and income ratios

Legal businesses varied significantly between States with respect to size and gross income ratios. Gross income per business was highest in the Australian Capital Territory (\$827,000) and lowest in Victoria (\$495,000). The Australian average was \$581,000 per legal business.

Gross business income per person employed ranged from a high of \$89,000 in New South Wales down to \$56,000 in Tasmania. The Australian average was \$82,000 per person employed.

### Employment differences

Working proprietors and partners represented almost one quarter of total employment in the legal industry in Australia. This proportion varied from a high of 26 per cent in Victoria down to 19 per cent in the Australian Capital Territory and a low eight per cent in the Northern Territory.

The average number of persons employed per legal business in Australia was seven. Victorian legal businesses had the lowest employment with six per business, and the Australian Capital Territory the highest with twelve.

**TABLE 5.1 LEGAL SERVICES: KEY CHARACTERISTICS BY STATE, 1992-93**

	<i>Businesses at end June No.</i>	<i>Working proprietors &amp; partners No.</i>	<i>Employees No.</i>	<i>Total employ- ment No.</i>	<i>Wages and salaries \$m</i>	<i>Gross income \$m</i>
New South Wales	3,590	6,412	18,796	25,208	603.4	2,243.5
Victoria	2,884	4,473	12,458	16,932	398.4	1,427.8
Queensland	1,341	2,303	8,833	11,136	222.4	742.7
South Australia	397	751	2,471	3,222	83.2	240.7
Western Australia	378	803	2,971	3,774	91.3	304.7
Tasmania	108	232	860	1,092	20.9	61.2
Northern Territory	40	33	368	400	11.3	29.9
Australian Capital Territory	113	253	1,090	1,344	34.3	93.5
<b>Australia</b>	<b>8,850</b>	<b>15,260</b>	<b>47,847</b>	<b>63,108</b>	<b>1,465.4</b>	<b>5,144.0</b>

## Change since 1987-88

Between 1987-88 and 1992-93, the legal industry in Australia experienced large growth in number of businesses, employment, and income (excluding interest income). However, growth varied significantly between States. In terms of number of businesses, Victoria and Western Australia experienced the largest growth with increases of 45 per cent and 44 per cent respectively. The Australian Capital Territory, despite recording the lowest growth in the number of businesses (11 per cent), experienced the largest growth in employment and income, with increases of 37 per cent and 99 per cent respectively. In sharp contrast, Tasmania experienced only eight per cent growth in income, and total employment decreased by 15 per cent whilst the number of businesses increased by 26 per cent.

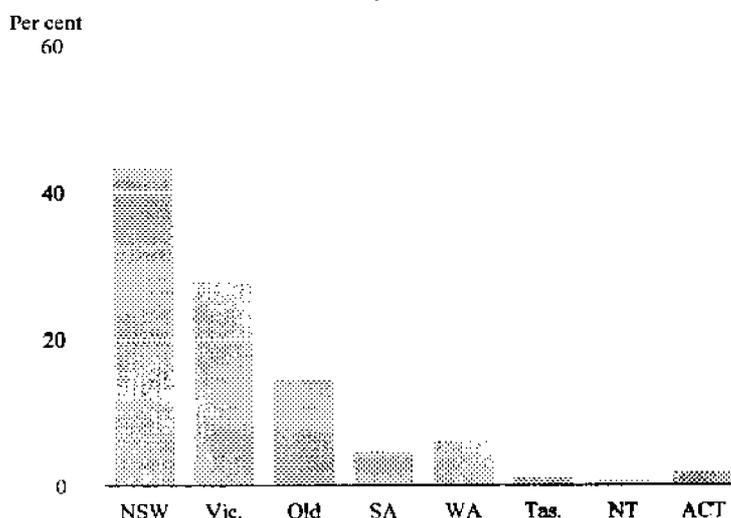
As seen in Table 4.3, growth in the legal industry was predominantly accounted for by an increase in the number of very small businesses. As a result the average employment per legal business in Australia decreased from nine in 1987-88 to seven in 1992-93. An outcome of this was that for most States, the number of businesses grew by more than employment. In Tasmania, the average employment for legal businesses decreased from 15 to 10. In contrast, average employment for legal businesses in the Australian Capital Territory increased from 10 to 12.

**TABLE 5.2 LEGAL SERVICES: PERCENTAGE CHANGE IN SELECTED ITEMS BY STATE, 1987-88 AND 1992-93**

State	No. of businesses			Total employment			Net income (a)		
	End June 1988	End June 1993	Percentage change	End June 1988	End June 1993	Percentage change	End June 1988	End June 1993	Percentage change
	No.	No.	\$	No.	No.	%	\$m	\$m	%
New South Wales	2,635	3,590	36.2	20,873	25,208	20.8	1,203.2	2,239.7	86.1
Victoria	1,984	2,884	45.4	15,298	16,932	10.7	892.9	1,425.5	59.6
Queensland	1,037	1,341	29.3	10,093	11,136	10.3	473.5	742.2	56.7
South Australia	323	397	22.9	3,148	3,222	2.4	178.3	240.2	34.7
Western Australia	262	378	44.3	3,393	3,774	11.2	202.2	304.5	50.6
Tasmania	86	108	25.6	*1,280	1,092	-14.7	56.4	61.0	8.2
Northern Territory	30	40	33.3	296	400	35.1	15.6	29.8	91.0
Australian Capital Territory	102	113	10.8	982	1,344	36.9	47.0	93.5	98.9
<b>Australia</b>	<b>6,459</b>	<b>8,850</b>	<b>37.0</b>	<b>55,363</b>	<b>63,108</b>	<b>14.0</b>	<b>3,069.1</b>	<b>5,136.4</b>	<b>67.4</b>

(a) Net income is gross income minus interest income.

**CHART 5.1 LEGAL SERVICES: PERCENTAGE OF GROSS INCOME, BY STATE, 1992-93**



## SECTION 6. PERFORMANCE MEASURES

### High operating profit before tax per person employed

In 1992-93, operating profit before tax per person employed in the legal services industry was \$26,400. There was very little difference between small (i.e. those with less than 20 employees) and other businesses. This ratio compares very favourably with all non-farm industries where operating profit before tax per person employed was \$12,800 over the same period.

### Labour costs and gross income

Gross income per person employed was 38 per cent higher for other businesses (\$95,300) than for small businesses (\$69,300).

Labour costs per employee were 45 per cent higher for larger businesses than for small businesses. This difference is largely due to the exclusion of sole proprietors and partners (i.e. small businesses) who are not employees of a service entity which accounted for 25 per cent of total employment and for whom no labour costs are recorded. The impact of imputing a wage for these sole proprietors and working partners is shown in Table 6.2.

### Profitability of partnerships

Of the three types of business structures, partnerships had the highest operating profit before tax per principal (\$128,000) and sole proprietorships had the lowest (\$81,800). With the inclusion of an imputed wage for working proprietors and partners, the notional operating profit before tax for sole proprietors and partnerships is reduced (refer to Table 6.2).

### Larger businesses more profitable

For all types of business structures, operating profit before tax per principal was higher for larger businesses than for smaller businesses.

The operating profit margin for legal services businesses (32.6 per cent) was over five times higher than for all non-farm businesses (5.9 per cent) during 1992-93.

**TABLE 6.1 LEGAL SERVICES: SELECTED PERFORMANCE RATIOS, AUSTRALIA, 1992-93**

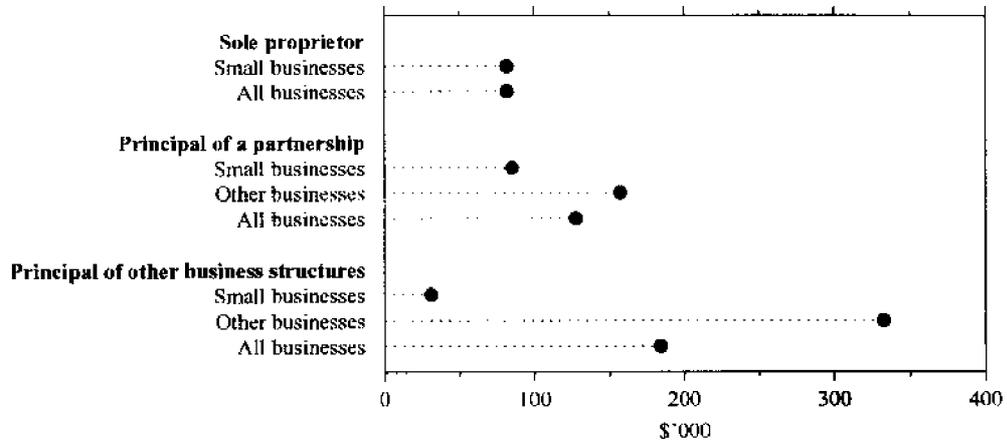
Ratio	Unit	Small businesses	Other businesses	All businesses
<b>Employment ratios</b>				
Gross income per person employed	\$'000	69.3	95.3	81.5
Labour costs per employee	\$'000	26.5	38.4	32.7
Operating profit before tax per person employed	\$'000	26.0	26.8	26.4
Operating profit before tax:				
per sole proprietor (a)	\$'000	81.7	n.p.	81.8
per principal of a partnership (a)	\$'000	85.3	157.7	128.0
per principal of other business structures	\$'000	58.4	*163.5	*105.5
<b>per principal of all business structures</b>	<b>\$'000</b>	<b>82.4</b>	<b>158.0</b>	<b>106.7</b>
<b>Financial ratios</b>				
Operating profit margin	Per cent	37.7	28.4	32.6
Interest coverage	Times	12.1	14.6	13.2

(a) Includes businesses both with and without a service entity.

**TABLE 6.2 LEGAL SERVICES: INCLUDING AN IMPUTED SALARY FOR WORKING PROPRIETORS AND PARTNERS, AUSTRALIA, 1992-93**

<i>Item</i>	<i>Unit</i>	<i>1992-93</i>
<b>Employment at end June 1993</b>		
Working proprietors and partners of unincorporated practices	No.	15,260
Employees	No.	47,847
<b>Total</b>	<b>No.</b>	<b>63,108</b>
<b>Income statement</b>		
Sales of goods and services	\$m	5,105.2
<i>Less</i>		
Selected expenses	\$m	1,498.0
<b>Trading profit</b>	<b>\$m</b>	<b>3,607.2</b>
<i>Plus</i>		
Interest income	\$m	7.6
Other non-operating income	\$m	31.2
<i>Less</i>		
Labour costs	\$m	1,562.4
Depreciation	\$m	83.9
Other expenses	\$m	197.4
<b>Earnings before interest and tax</b>	<b>\$m</b>	<b>1,802.3</b>
<i>Less</i>		
Interest expenses	\$m	136.8
<b>Operating profit before tax</b>	<b>\$m</b>	<b>1,665.5</b>
<b>Operating profit margin</b>	<b>Per cent</b>	<b>32.6</b>
<b>Industry gross product</b>	<b>\$m</b>	<b>3,607.2</b>
<b>Imputed salary for working proprietors and partners</b>	<b>\$m</b>	<b>771.9</b>
Operating profit before tax	\$m	893.6
Operating profit margin	Per cent	17.5
Industry gross product	\$m	3,607.2

**CHART 6.1 LEGAL SERVICES: OPERATING PROFIT BEFORE TAX PER PRINCIPAL BY TYPE OF LEGAL ORGANISATION BY BUSINESS SIZE, AUSTRALIA, 1992-93**



**An imputed salary for working proprietors and partners**

Working proprietors and partners of unincorporated businesses (i.e. sole proprietors and partnerships), unlike working proprietors of incorporated businesses, do not receive salaries. Instead they derive their income from the profit accrued by the business. Working proprietors and partners accounted for 25 per cent of total employment at end June 1993.

To enable more detailed analysis, and allow comparisons to be made between incorporated and unincorporated businesses, a salary has been imputed for working proprietors and partners and is included in Table 6.2.

**Value of an imputed salary**

The imputed salary assumes that working proprietors and partners of unincorporated practices are notionally paid the same salary as principals of incorporated practices. The average annual salary of \$56,485 was derived by calculating the average annual salary for principals of incorporated practices using data collected in this survey. No data were collected differentiating between the salary paid to principals working full-time and those working part-time, and between males and females.

This imputed salary amounts to about \$772 million for the legal services industry. This excludes sole proprietors and partners who are employees of a service entity and are paid by the service entity.

**An imputed salary has a significant impact**

The imputed salary of \$772 million reduces the industry's operating profit from \$1,666 million to \$894 million. The operating profit margin decreases from 33 per cent to 18 per cent.

## SECTION 7. LEGAL SERVICES INDUSTRY

Table 7.1 provides selected statistics by category of practice based on the principal activity of practices in the legal services industry. The main types of "other" practices were patent and trademark attorneys, conveyancing, legal aid, and notaries.

### **Proportion of businesses**

At the end of June 1993, solicitors accounted for 63 per cent of the legal services industry practices while barristers accounted for 36 per cent of the total. There was a 22 per cent increase in the number of solicitors' practices over the five year period from end June 1988, and an 81 per cent increase in barristers' practices for the same period.

### **Employment**

In terms of employment, solicitor's practices accounted for 88 per cent of total employment. This compares with 9 per cent for barristers, and 3 per cent for other practices.

Working principals and partners of unincorporated businesses accounted for just over 20 per cent of total employment where the practice was principally a solicitor's practice. For barristers the same proportion was a much higher 55 per cent.

### **Profits**

Practices that were principally solicitor's practices accounted for 72 per cent of total operating profit before tax compared with 25 per cent for barristers, and 3 per cent for the other category. On the other hand, the operating profit margin for barrister's practices was significantly higher at 62 per cent compared with 28 per cent for solicitor's practices and 22 per cent for the other category.

The higher operating profit margin for barristers is also reflected in the operating profit before tax per principal where they reported an average of \$127,600 per principal. The same figure for principal solicitors was \$99,700. It should be noted, however, that because barristers' practices are unincorporated, no wage expenses were deducted when calculating operating profit before tax. Solicitors' practices, on the other hand, may be incorporated or unincorporated.

### **Type of client**

Table 7.2 provides information about the type of client served by the legal services industry, and the proportion of income from the provision of legal services derived from property title conveyancing, and all other legal services.

### **Income from conveyancing**

For conveyancing, just over 50 per cent of income was derived from clients who were individuals and non-profit organisations. This was followed by clients who were sole proprietorships, partnerships and trusts (at 23 per cent), and companies (15 per cent).

### **Income from other legal services**

On the other hand, companies and financial institutions clients together accounted for just over 50 per cent of total income derived from the provision of other types of legal services. Individuals accounted for 28 per cent; and sole proprietors, partnerships and trusts for 16 per cent.

**TABLE 7.1 SELECTED STATISTICS FOR SOLICITORS AND BARRISTERS, AUSTRALIA, 1992-93**

<i>Item</i>	<i>Unit</i>	<i>Solicitors (a)</i>	<i>Barristers (a)</i>	<i>Other</i>	<i>Total</i>
<b>Businesses at end June 1993</b>	No.	5,579	3,184	87	8,850
<b>Employment</b>					
Working principals and partners of unincorporated businesses	No.	11,802	3,238	220	15,260
Principals of incorporated practices	No.	328	-	18	346
Other employees	No.	43,492	2,603	1,406	47,501
<b>Total</b>	<b>No.</b>	<b>55,622</b>	<b>5,842</b>	<b>1,644</b>	<b>63,108</b>
<b>Income statement</b>					
Sales of goods and services	\$m	4,253.2	661.9	189.9	5,105.2
<i>Less</i>					
Selected expenses	\$m	1,259.0	154.8	84.1	1,498.0
<b>Trading profit</b>	<b>\$m</b>	<b>2,994.2</b>	<b>507.2</b>	<b>105.8</b>	<b>3,607.2</b>
<i>Plus</i>					
Interest income	\$m	5.8	*0.8	*1.0	7.6
Other income	\$m	28.0	*1.1	2.2	31.2
<i>Less</i>					
Labour costs	\$m	1,455.8	51.6	54.9	1,562.4
Depreciation	\$m	73.0	6.9	3.8	83.9
Other expenses	\$m	183.5	9.9	4.0	197.4
<b>Earnings before interest and tax</b>	<b>\$m</b>	<b>1,315.6</b>	<b>440.6</b>	<b>*46.2</b>	<b>1,802.3</b>
<i>Less</i>					
Interest expenses	\$m	105.8	27.5	3.5	136.8
<b>Operating profit before tax</b>	<b>\$m</b>	<b>1,209.6</b>	<b>413.3</b>	<b>42.7</b>	<b>1,665.5</b>
<b>Operating profit margin</b>	<b>Per cent</b>	<b>28.4</b>	<b>62.4</b>	<b>22.5</b>	<b>32.6</b>
<b>Operating profit before tax per principal</b>	<b>\$'000</b>	<b>99.7</b>	<b>127.6</b>	<b>179.4</b>	<b>106.7</b>

(a) In some States, practices operate as combined solicitors and barristers. In these cases, they have been counted as solicitors' practices.

**TABLE 7.2 INCOME FROM LEGAL SERVICES BY TYPE OF CLIENT, AUSTRALIA, 1992-93**

<i>Type of client</i>	<i>Income from conveyancing</i>	<i>Income from other legal services</i>
	%	%
Sole proprietor, partnerships and trusts	23.4	16.1
Individuals and non-profit organisations	51.0	28.0
Financial institutions	8.5	16.0
Companies	15.4	34.2
Government	1.8	5.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

***PART B***  
***ACCOUNTING SERVICES***



## **SECTION 8. ACCOUNTING SERVICES - AN OVERVIEW**

### **Introduction**

The accounting services industry comprises businesses whose primary activities are the provision of accounting, auditing, bookkeeping, and tax agency services.

### *An accounting practice*

Many accounting practices (businesses) are conducted via a single entity (e.g. accountants practising in partnership). Other practices are conducted via more than one entity (e.g. an accountant partnership and a service entity - such as an administration or service company or trust; or an audit partnership, plus a practice company and a service entity).

For this survey, where a practice was conducted via more than one entity, these entities were consolidated and treated as one business.

### *A service entity*

A service entity is defined as a company, trust or other entity established by the principals of an accounting practice to provide professional, administrative, secretarial or similar services to only that practice. Where a service entity provided services to more than one practice, the service entity has been excluded from the data in this publication.

### **Size of industry**

At 30 June 1993, there were 8,699 businesses (practices) in the accounting services industry, employing 60,000 people. These businesses generated \$4,051 million from the sales of goods and services, and had an operating profit before tax (OPBT) of \$829 million.

Total industry gross product (IGP) was \$2,829 million. This represented 1.4 per cent of IGP for all non-farm industries.

### **Business size**

In terms of number of businesses, the accounting services industry was dominated by small businesses with 96 per cent of businesses employing fewer than 20 people. These small businesses accounted for 61 per cent of industry employment and 54 per cent of operating profit before tax. The 21 businesses employing 100 or more persons accounted for 24 per cent of industry employment and 28 per cent of operating profit before tax.

### **The State dimension**

Accounting services businesses were concentrated in New South Wales and Victoria, with almost two thirds of accounting services businesses operating in these two States. By way of comparison, New South Wales and Victoria accounted for about 60 per cent of Australia's population. The concentration of accounting businesses possibly reflects the greater concentration of financial and commercial activities in these two States.

**TABLE 8.1 ACCOUNTING SERVICES: SUMMARY OF OPERATIONS,  
AUSTRALIA, 1992-93**

<i>Item</i>	<i>Unit</i>	<i>1992-93</i>
<b>Businesses at end June 1993</b>	<b>No.</b>	<b>8,699</b>
<b>Employment</b>		
Working proprietors and partners of unincorporated practices	No.	10,549
Employees	No.	49,451
<b>Total</b>	<b>No.</b>	<b>60,000</b>
<b>Income statement</b>		
Sales of goods and services	\$m	4,051.2
<i>Less</i>		
Selected expenses	\$m	1,222.5
<b>Trading profit</b>		<b>2,828.7</b>
<i>Plus</i>		
Interest income	\$m	*15.8
Other income	\$m	19.4
<i>Less</i>		
Labour costs	\$m	1,689.9
Depreciation	\$m	70.6
Other expenses	\$m	131.2
<b>Earnings before interest and tax</b>	<b>\$m</b>	<b>972.1</b>
<i>Less</i>		
Interest expenses	\$m	143.6
<b>Operating profit before tax</b>	<b>\$m</b>	<b>828.6</b>
<b>Operating profit margin</b>	<b>Per cent</b>	<b>20.5</b>
<b>Industry gross product</b>	<b>\$m</b>	<b>2,828.7</b>

**More information?**

Income and expense data analysis using the mean, median, mode, and deciles, is available on request. This information is also available by business size groupings.

## A historical comparison

### Growth in small businesses

Between June 1988 and June 1993, the number of businesses in the accounting services industry increased by 44 per cent. Over the same period, employment increased by 21 per cent. Growth in the number of businesses was primarily at the small business (employment less than 20) end of the industry. Average business size dropped from 8.2 to 6.9 persons per business.

### Greater growth in male employment

Overall employment increased by 21 per cent between June 1988 and June 1993. By way of comparison, the total number of persons employed in Australia increased by five per cent over the same period.

Male employment increased by 25 per cent during the period whereas female employment increased by 17 per cent. This resulted in the proportion of males in the industry increasing from 50 to 52 per cent.

**TABLE 8.2 ACCOUNTING SERVICES: NUMBER OF BUSINESSES AND EMPLOYMENT, AUSTRALIA, 1987-88 AND 1992-93**

<i>Item</i>	<i>Unit</i>	<i>End June 1988</i>	<i>End June 1993</i>	<i>Percentage Change</i>
<b>Businesses at end June</b>	<b>No.</b>	<b>6,048</b>	<b>8,699</b>	<b>43.8</b>
<b>Employment at end June</b>				
Male	No.	24,910	31,161	25.1
Female	No.	24,569	28,839	17.4
Total employment	No.	49,479	60,000	21.3

### Taxation services remain the largest source of income

Income from the provision of taxation services remained the largest single source of income in the accounting services industry. In terms of relative proportions, this income source decreased only marginally from 34 to 33 per cent between 1987-88 and 1992-93. The contribution of auditing services to gross income decreased from 21 to 17 per cent.

### Diversification of accounting services industry

The accounting services industry showed evidence of diversification with large increases in several smaller components of income: revenue from investment financial planning advice and management and computer consulting income both recorded large increases in growth during the period.

### Operating profit per business

Operating profit per business rose from \$68,200 in 1987-88 to \$95,300 in 1992-93. This represented an increase of 40 per cent. Over the same period the consumer price index increased 26 per cent.

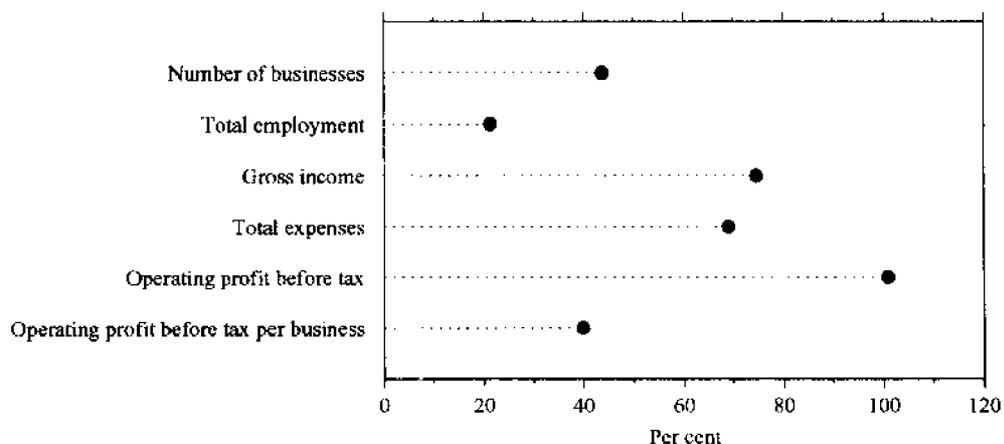
Gross income per business increased by 22 per cent while total expenses per business increased by 18 per cent. Consequently operating profit per business increased by 40 per cent.

**TABLE 8.3 ACCOUNTING SERVICES: SOURCES OF INCOME AND TOTAL EXPENSES, AUSTRALIA, 1987-88 AND 1992-93**

<i>Item</i>	<i>Unit</i>	<i>1987-88</i>	<i>1992-93</i>	<i>Percentage Change</i>
<b>Income</b>				
Income from accounting services				
Auditing services	\$m	481.3	689.7	43.3
General business and personal services	\$m	617.9	1,108.2	79.3
Insolvency, reconstruction	\$m	92.4	297.0	221.4
Investment financial planning advice	\$m	18.6	91.5	391.9
Taxation	\$m	805.5	1,351.0	67.7
Other accounting services	\$m	148.9	176.0	18.2
<b>Total income from accounting services</b>	<b>\$m</b>	<b>2,164.6</b>	<b>3,713.4</b>	<b>71.6</b>
Gross disbursement recoveries (a)	\$m	n.a.	49.8	..
Income from management consulting and computer consulting services				
	\$m	123.1	218.3	77.3
Interest income	\$m	4.8	115.8	229.2
Other income	\$m	46.5	89.0	91.4
<b>Gross income</b>	<b>\$m</b>	<b>2,339.1</b>	<b>4,086.4</b>	<b>74.7</b>
<b>Total expenses</b>	<b>\$m</b>	<b>1,926.8</b>	<b>3,257.9</b>	<b>69.1</b>
<b>Operating profit before tax</b>	<b>\$m</b>	<b>412.2</b>	<b>828.6</b>	<b>101.0</b>
<b>Operating profit before tax per business</b>	<b>\$000</b>	<b>68.2</b>	<b>95.3</b>	<b>39.8</b>

(a) For 1987-88, gross disbursement recoveries were not collected as a separate item, so were included with items of income from accounting services.

**CHART 8.1 ACCOUNTING SERVICES: PERCENTAGE CHANGE IN KEY DATA ITEMS, AUSTRALIA, 1987-88 TO 1992-93**



## SECTION 9. INCOME AND EXPENDITURE

### Sources of income

For the accounting services industry, one third of gross income was earned from the provision of taxation services. General business and personal accounting services accounted for 27 per cent of gross income, followed by auditing services which accounted for 17 per cent. Income from the provision of management consulting and computer consulting services accounted for 5 per cent of industry gross income.

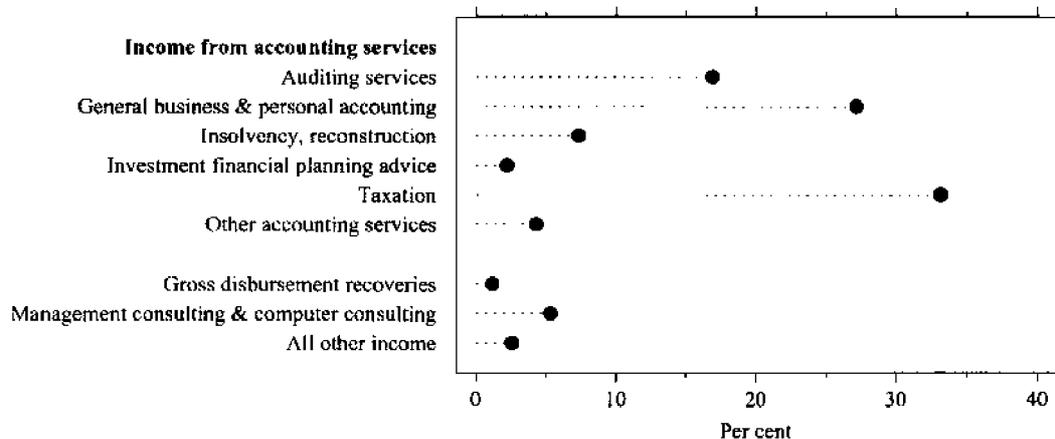
For 1992-93, the average gross income per accounting practice was \$470,000.

### Items of expenditure

The accounting services industry was very labour intensive, with labour costs accounting for 52 per cent of total industry expenses. Payments to sub-contractors and consultants accounted for a further 2 per cent of total expenses.

Other expenses which includes items such as office supplies, printing costs, travelling expenses, telephone and postal charges, etc. made up the majority of other costs, accounting for 25 per cent of total expenses, while rent, leasing and hiring expenses represented 11 per cent.

**CHART 9.1 ACCOUNTING SERVICES: SOURCES OF INCOME, AUSTRALIA, 1992-93**



#### More information?

Detailed analyses of the data are available on request:

- income and expenditure data items by deciles, mean, median, and mode values
- comparison of businesses grouped by their primary source of income

**TABLE 9.1 ACCOUNTING SERVICES: SOURCES OF INCOME, AUSTRALIA, 1992-93**

<i>Activity</i>	<i>Businesses</i>	<i>Value</i>	<i>Percentage</i>
	<i>at end June</i>		<i>of total</i>
	<i>No.</i>	<i>\$m</i>	<i>%</i>
<b>Sales of goods and services</b>			
Income from accounting services			
Auditing services	5,190	689.7	16.9
General business and personal accounting	7,507	1,108.2	27.1
Insolvency, reconstruction	806	297.0	7.3
Investment financial planning advice	2,372	91.5	2.2
Taxation	8,031	1,351.0	33.1
Other accounting services	2,501	176.0	4.3
<b>Total income from accounting services</b>		<b>3,713.4</b>	<b>90.8</b>
Gross disbursement recoveries	3,101	49.8	1.2
Income from management consulting and computer consulting services	1,645	218.3	5.3
Other practice operating income	1,429	69.6	1.7
<b>Total sales of goods and services</b>		<b>4,051.2</b>	<b>99.2</b>
Interest income	2,556	*15.8	0.4
Other practice non-operating income	1,646	19.4	0.5
<b>Gross income</b>		<b>4,086.4</b>	<b>100.0</b>

**TABLE 9.2 ACCOUNTING SERVICES: ITEMS OF EXPENDITURE, AUSTRALIA, 1992-93**

<i>Type of expense</i>	<i>Businesses</i>	<i>Value</i>	<i>Percentage</i>
	<i>at end June</i>		<i>of total</i>
	<i>No.</i>	<i>\$m</i>	<i>%</i>
<b>Labour costs</b>			
Wages and salaries	7,449	1,566.6	48.1
Employer contributions to superannuation funds	6,722	114.1	3.5
Workers' compensation costs	6,529	9.2	0.3
<b>Total labour costs</b>		<b>1,689.9</b>	<b>51.9</b>
<b>Selected expenses</b>			
Payments to sub-contractors and consultants	3,177	69.7	2.1
Rent, leasing and hiring expenses	6,705	358.9	11.0
Other practice expenses	8,670	793.9	24.4
<b>Total selected expenses</b>		<b>1,222.5</b>	<b>37.5</b>
Interest expenses	6,315	143.6	4.4
Depreciation on buildings and other fixed tangible assets	7,601	70.6	2.2
Other expenses	8,397	131.2	4.0
<b>Total expenses</b>		<b>3,257.9</b>	<b>100.0</b>

## SECTION 10. EMPLOYMENT

### Introduction

It should be noted that where the principals of an accounting practice established a service entity to provide professional, administrative, secretarial or similar services to only that practice, the employees of those service entities were included in practice employment. Where a service company served more than one accounting practice it has been excluded from the data.

### Accounting services

At the end of June 1993, there were 60,000 people working in the accounting services industry. This represented an increase of 21 per cent in total industry employment from June 1988.

Males comprised 52 per cent of people working in the industry. There were considerable differences in the proportions of males and females in different types of employment. Sole practitioners and working partners of unincorporated practices were predominantly male (92 per cent). Eighty-four per cent of principals of incorporated practices were also male, and of those employees who were qualified accountants 66 per cent were males. In contrast, 77 per cent of other employees were female.

Persons working full-time dominated employment in the industry, accounting for 84 per cent of total employment. Ninety-two per cent of males and 74 per cent of females employed in the industry worked full-time.

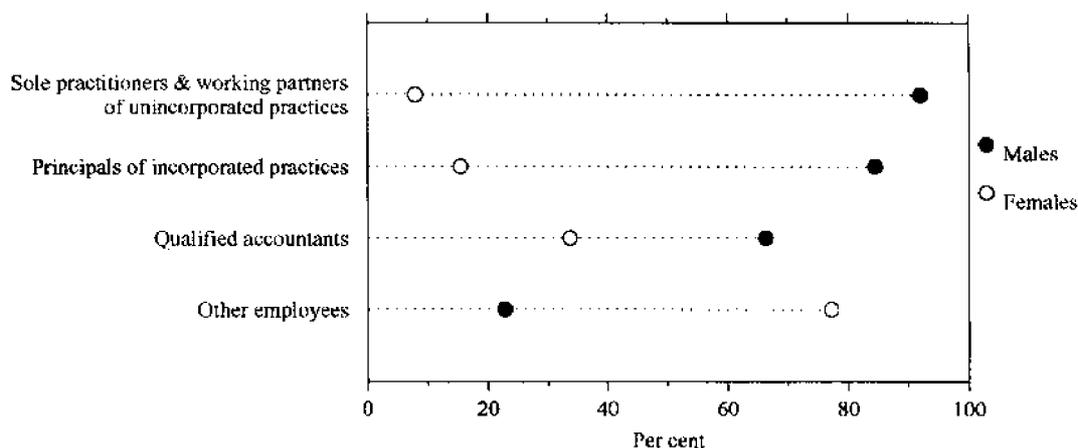
### Principal to staff ratios

Of the people employed in the accounting services industry, 14,143 were working principals and partners of either incorporated or unincorporated practices. These practices employed 45,857 staff, giving an average ratio of 3.2 staff to each principal. The staff to principal ratio was only 2.0 for sole proprietors, 4.8 for partnerships, 2.5 for incorporated practices, and 3.2 for other types of organisations (e.g. trusts).

### Qualified accountants

At the end of June 1993, there were 32,420 qualified accountants working either as principals or employees in the industry. For each accountant in the industry, there were 0.9 other employees.

**CHART 10.1 ACCOUNTING SERVICES: TYPE OF EMPLOYMENT BY SEX, AUSTRALIA, END JUNE 1993**



**TABLE 10.1 ACCOUNTING SERVICES: CHARACTERISTICS OF EMPLOYMENT, AUSTRALIA, END JUNE 1993**

(Number)

Type of employment	Males			Females			Total		
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total
Sole proprietors and working partners of unincorporated practices	9,178	523	9,701	557	290	848	9,736	813	10,549
Employees									
Principals of incorporated practices	2,908	130	3,038	359	197	556	3,267	327	3,594
Qualified accountants	11,442	680	12,122	5,456	699	6,156	16,898	1,379	18,277
Other	5,289	1,011	6,300	14,993	6,287	21,280	20,282	7,298	27,580
<b>Total</b>	<b>28,818</b>	<b>2,343</b>	<b>31,161</b>	<b>21,365</b>	<b>7,474</b>	<b>28,839</b>	<b>50,183</b>	<b>9,817</b>	<b>60,000</b>
Percentage contribution to total	48.0	3.9	51.9	35.6	12.5	48.1	83.6	16.4	100.0

**TABLE 10.2 ACCOUNTING SERVICES: EMPLOYMENT BY TYPE OF LEGAL ORGANISATION, AUSTRALIA, 1992-93**

Type of employment	Sole proprietorship(a)	Partnership(a)	Incorporated practice	Other	Total
Principals and working partners	5,543	5,482	2,324	794	14,143
Other employees					
Qualified accountants	3,055	12,543	1,726	953	18,277
Other	7,888	14,015	4,074	1,603	27,580
<b>Total</b>	<b>16,486</b>	<b>32,041</b>	<b>8,124</b>	<b>3,349</b>	<b>60,000</b>
Staff per principal/partner	2.0	4.8	2.5	3.2	3.2

(a) Includes practices which are conducted via more than one entity (e.g. an accountant's partnership and a service entity established by the principals/partners to provide professional, administrative, secretarial or similar services to only that partnership).

**More information?**

Additional information is available showing wages and salaries by type of employment, e.g. sole practitioners/working partners, principals of incorporated practices, and other employees.

## SECTION 11. BUSINESS SIZE

### Introduction

Table 4.1 provides key characteristics by business size for the accounting services industry for 1992-93. The business sizes are defined in terms of the total employment of each individual business, with those businesses employing fewer than 20 persons being defined as "small".

### Accounting services

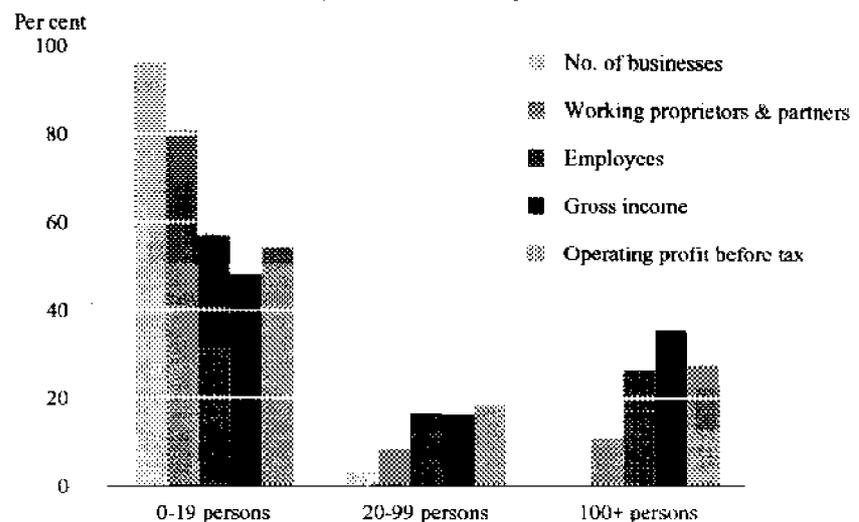
The accounting services industry was dominated by small businesses with 96 per cent of businesses in the industry being defined as small. These small businesses accounted for 61 per cent of industry employment, 48 per cent of gross income, and 54 per cent of operating profit before tax.

The proportion of total employment in small businesses increased by nine per cent from the figure for June 1988.

Almost two thirds of businesses in the industry were very small, employing fewer than five people. These very small businesses employed 23 per cent of people employed in the industry, and accounted for 15 per cent of industry gross income, and 20 per cent of operating profit before tax.

In contrast, the 21 businesses (0.2 per cent) employing more than 100 people, accounted for 24 per cent of industry employment, 36 per cent of gross income, and 28 per cent of operating profit before tax. The proportion of total employment in businesses with 100 or more people fell by eight per cent from the figure for June 1988.

**CHART 11.1 ACCOUNTING SERVICES: PROPORTIONS BY BUSINESS SIZE, AUSTRALIA, 1992-93**



**TABLE 11.1 ACCOUNTING SERVICES: KEY CHARACTERISTICS BY BUSINESS SIZE, AUSTRALIA, 1992-93**

Employment size category at end June	Employment at end June 1993					
	Businesses at end June 1993	Working proprietors & partners (a)	Employees	Total employment	Gross income	Operating profit before tax
	No.	No.	No.	No.	\$m	\$m
0-4 persons	5,610	5,119	8,454	13,573	612.8	167.6
5-9 persons	1,989	2,059	10,660	12,719	696.3	138.5
10-19 persons	790	1,342	8,940	10,281	651.4	143.0
<b>Total small businesses</b>	<b>8,390</b>	<b>8,520</b>	<b>28,053</b>	<b>36,573</b>	<b>1,960.4</b>	<b>449.1</b>
20-49	242	638	5,550	6,189	449.1	106.6
50-99	47	233	2,682	2,914	216.7	44.9
100 or more persons	21	1,158	13,166	14,324	1,460.2	228.0
<b>Total other businesses</b>	<b>310</b>	<b>2,029</b>	<b>21,398</b>	<b>23,427</b>	<b>2,126.0</b>	<b>379.5</b>
<b>Total</b>	<b>8,699</b>	<b>10,549</b>	<b>49,451</b>	<b>60,000</b>	<b>4,086.4</b>	<b>828.6</b>

(a) Includes sole practitioners, principals and working partners of unincorporated businesses.

**TABLE 11.2 ACCOUNTING SERVICES: PROPORTIONS OF KEY CHARACTERISTICS BY BUSINESS SIZE, AUSTRALIA, 1992-93**

Employment size category at end June	Employment at end June 1993					
	Businesses at end June 1993	Working proprietors & partners (a)	Employees	Total employment	Gross income	Operating profit before tax
	%	%	%	%	%	%
0-4 persons	64.5	48.5	17.1	22.7	15.0	20.2
5-9 persons	22.9	19.5	21.6	21.2	17.0	16.7
10-19 persons	9.1	12.7	18.1	17.1	15.9	17.3
<b>Total small businesses</b>	<b>96.4</b>	<b>80.8</b>	<b>56.7</b>	<b>61.0</b>	<b>48.0</b>	<b>54.2</b>
20-49	2.8	6.0	11.2	10.3	11.0	12.9
50-99	0.5	2.2	5.4	4.9	5.3	5.4
100 or more persons	0.2	11.0	26.6	23.9	35.7	27.5
<b>Total other businesses</b>	<b>3.6</b>	<b>19.2</b>	<b>43.3</b>	<b>39.0</b>	<b>52.0</b>	<b>45.8</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(a) Includes sole practitioners, principals and working partners of unincorporated businesses.

**More information?**

Detailed income and expense data are available by various size groupings e.g. income and employment size groupings. Also available is the distribution of businesses by range of operating profit/loss before tax.

**TABLE 11.3 ACCOUNTING SERVICES: PERCENTAGE CHANGE IN SELECTED DATA ITEMS BY BUSINESS SIZE, AUSTRALIA, END OF JUNE 1988 AND 1993**

Employment size category	No. of businesses			Total employment		
	End June 1988	End June 1993	Percentage change	End June 1988	End June 1993	Percentage change
	No.	No.		No.	No.	
0-4 persons	3,701	5,610	51.6	8,579	13,573	58.2
5-9 persons	1,502	1,989	32.4	9,612	12,719	32.3
10-19 persons	574	790	37.6	7,605	10,281	35.2
<b>Total small businesses</b>	<b>5,777</b>	<b>8,390</b>	<b>45.2</b>	<b>25,796</b>	<b>36,573</b>	<b>41.8</b>
20-49	217	242	11.5	6,124	6,189	1.1
50-99	27	47	74.1	1,767	2,914	64.9
100 or more persons	27	21	-22.2	15,792	14,324	-9.3
<b>Total other businesses</b>	<b>271</b>	<b>310</b>	<b>14.4</b>	<b>23,683</b>	<b>23,427</b>	<b>-1.1</b>
<b>Total</b>	<b>6,048</b>	<b>8,699</b>	<b>43.8</b>	<b>49,479</b>	<b>60,000</b>	<b>21.3</b>

(a) Includes sole practitioners, principals and working partners of unincorporated businesses.

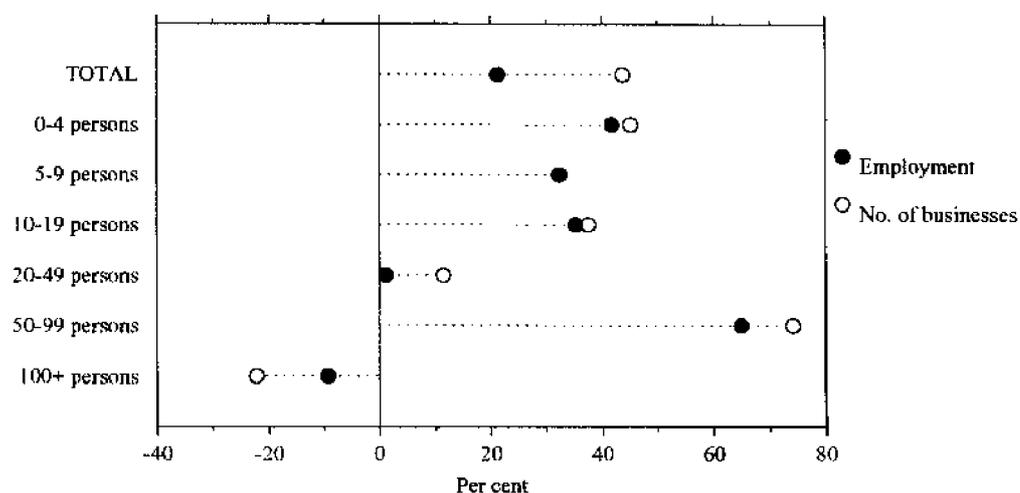
### Change since 1987-88

Growth in the accountancy services industry between 1987-88 and 1992-93 was fuelled by growth in small businesses. The number of small businesses increased by 2,613 (45 per cent), and small business employment grew by almost 11,000 (42 per cent) during that period. In contrast, the number of other businesses increased by only 39 (14 per cent) and their total employment actually fell by 256 (1 per cent). As a result, the contribution of small businesses to total industry employment increased from 52 per cent in 1987-88 to 61 per cent in 1992-93.

For small businesses, 73 per cent of the extra businesses were very small (i.e. employing fewer than five persons). These very small businesses accounted for 46 per cent of the increase in total employment for small businesses.

For other businesses (i.e. those with employment greater than 20), changes between 1987-88 and 1992-93 were not uniform. The number of businesses employing more than 100 persons decreased by six during the period, and total employment in this category decreased by almost 1,500 (9 per cent). On the other hand, the number of businesses employing between 50 and 99 persons increased by 20 (74 per cent), and their total employment increased by 1,147 (65 per cent).

**CHART 11.2 ACCOUNTING SERVICES: PERCENTAGE CHANGE IN SELECTED DATA ITEMS BY BUSINESS SIZE, 1987-88 TO 1992-93**



## SECTION 12. STATE DATA

### Introduction

In the 1992-93 accountancy services survey, the only data items collected by State were employment, wages and salaries, and selected income. These were the only data items for which multi-State businesses were able to accurately supply State data.

### State comparisons

Almost two thirds of businesses in the accounting services industry operated in New South Wales (37 per cent) and Victoria (29 per cent). These two States accounted for 66 per cent of the industry's employment and 68 per cent of gross income. By way of comparison, New South Wales and Victoria accounted for about 60 per cent of Australia's population. The predominance of accounting businesses in New South Wales and Victoria was possibly a reflection of the concentration of financial and commercial businesses in these two States.

Accounting businesses varied between States with respect to income per business. Selected income per business was highest in the Northern Territory (\$555,000) and lowest in Tasmania (\$351,000), a difference of 58 per cent. The Australian average was \$466,000 per accounting business.

The average selected income per person employed also varied between States. New South Wales (\$70,800) had the highest gross income per person employed and Tasmania the lowest (\$51,500). The Australian average was \$67,500 per person employed.

There was minimal difference between the States with regard to employment per business. Whilst the 40 accounting businesses in the Northern Territory employed an average of 10 people per business, the other States varied little from the Australian average of seven.

**TABLE 12.1 ACCOUNTING SERVICES: KEY CHARACTERISTICS  
BY STATE, 1992-93**

	<i>Businesses at end June (a)</i>	<i>Total employment</i>	<i>Wages and salaries</i>	<i>Selected income (b)</i>
	<i>No.</i>	<i>No.</i>	<i>\$m</i>	<i>\$m</i>
New South Wales	3,251	23,062	629.0	1,633.4
Victoria	2,510	16,275	438.5	1,132.3
Queensland	1,281	9,442	229.5	553.2
South Australia	612	4,023	101.3	269.1
Western Australia	843	4,896	108.1	326.2
Tasmania	143	975	21.4	50.2
Northern Territory	40	386	11.4	22.2
Australian Capital Territory	128	941	27.5	64.5
<b>Australia</b>	<b>8,699</b>	<b>60,000</b>	<b>1,566.6</b>	<b>4,051.2</b>

(a) Multi-State businesses were counted in each State in which they operated. Hence, States do not sum to the total for Australia. (b) Selected income is gross income excluding interest income, dividends, royalties and other non-operating income.

## Growth comparisons

The accountancy services industry in Australia experienced large growth between 1987-88 and 1992-93, in terms of numbers of businesses, employment and selected income. Growth varied quite significantly between States and Territories.

In terms of number of businesses, the Australia Capital Territory experienced the largest growth with a 91 per cent increase between 1987-88 and 1992-93. This was followed by Queensland (63 per cent) and Western Australia (57 per cent). The lowest increases in number of businesses were recorded by the Northern Territory (8 per cent), Tasmania (19 per cent), and South Australia (22 per cent).

The Australian Capital Territory also had the largest increase in industry employment with an increase of 54 per cent, followed by Queensland with an increase of 44 per cent. Tasmania recorded a decrease of one per cent, whilst Western Australia recorded an increase of only two per cent in industry employment.

Average employment per accountancy business decreased slightly from eight to seven between 1987-88 and 1992-93.

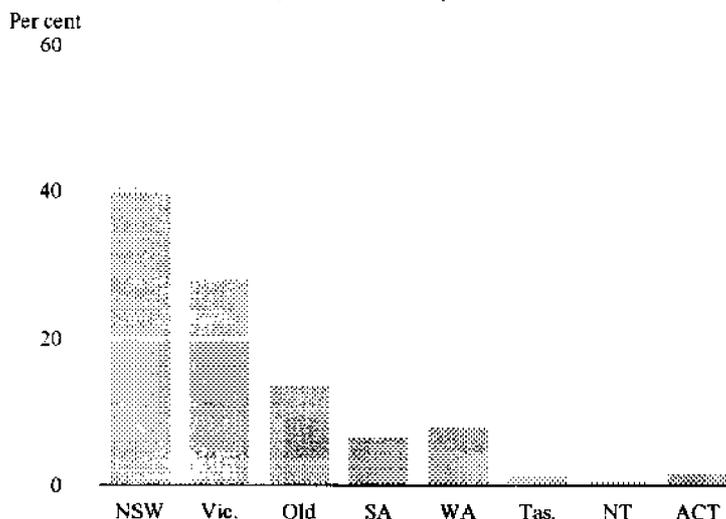
**TABLE 12.2 ACCOUNTING SERVICES: PERCENTAGE CHANGE IN SELECTED DATA ITEMS, BY STATE, 1987-88 AND 1992-93**

State	No. of businesses (a)			Total employment			Selected income (b)		
	End June 1988	End June 1993	Percentage change	End June 1988	End June 1993	Percentage change	End June 1988	End June 1993	Percentage change
	No.	No.	%	No.	No.	%	\$m	\$m	%
New South Wales	2,458	3,251	32.3	19,416	23,062	18.8	964.8	1,633.4	69.3
Victoria	1,631	2,510	53.9	13,057	16,275	24.6	630.8	1,132.3	79.5
Queensland	784	1,281	63.4	6,558	9,442	44.0	278.3	553.2	98.8
South Australia	503	612	21.7	3,764	4,023	6.9	153.1	269.1	75.8
Western Australia	538	843	56.7	4,791	4,896	2.2	228.4	326.2	42.8
Tasmania	120	143	19.2	988	975	-1.3	33.0	50.2	52.1
Northern Territory	37	40	8.1	295	386	30.8	15.2	22.2	46.1
Australian Capital Territory	67	128	91.0	610	941	54.3	30.7	64.5	110.1
<b>Australia</b>	<b>6,048</b>	<b>8,699</b>	<b>43.8</b>	<b>49,479</b>	<b>60,000</b>	<b>21.3</b>	<b>2,334.3</b>	<b>4,051.2</b>	<b>73.6</b>

(a) Multi-State businesses were counted in each State in which they operated. Hence, States do not sum to the total for Australia.

(b) In 1987-88, State income included all components of income except interest income. In 1992-93, State income excluded interest income, as well as dividends, franchise and other non-operating income. At the Australia level, these latter three items generated income of \$19.4m in 1992-93.

**CHART 12.1 ACCOUNTING SERVICES: PERCENTAGE OF GROSS INCOME, BY STATE, 1992-93**



## SECTION 13. PERFORMANCE MEASURES

**Operating profit before tax per person** In 1992-93, operating profit before tax per person employed in the accounting services industry was \$13,800. This ratio was marginally higher than for all non-farm industries where operating profit before tax per person employed was only \$12,800 over the same period.

**Labour costs and gross income** Gross income per person employed for other businesses (\$90,800) was almost 70 per cent higher than for small businesses (\$53,600).

Labour costs per employee were \$34,200. These costs were much lower for small businesses (\$27,200) than for other businesses (\$43,300). It should be noted that 18 per cent of total employment was sole proprietors and working partners (who would be included in the small business category) for whom no labour costs are recorded. The impact on these measures of imputing a notional wage for sole proprietors and working partners is shown in Table 13.2 below.

**Profitability of partnerships** Of the three main types of business structures, partnerships had the highest operating profit before tax per principal (\$99,200) and other business structures had the lowest (\$24,100). With the inclusion of an imputed wage for working proprietors and partners, the notional operating profit before tax for sole proprietors and partnerships is reduced (refer to Table 13.2 below).

**Larger businesses more profitable** For all business structures, operating profit before tax per principal was a lot higher for larger businesses than for smaller businesses.

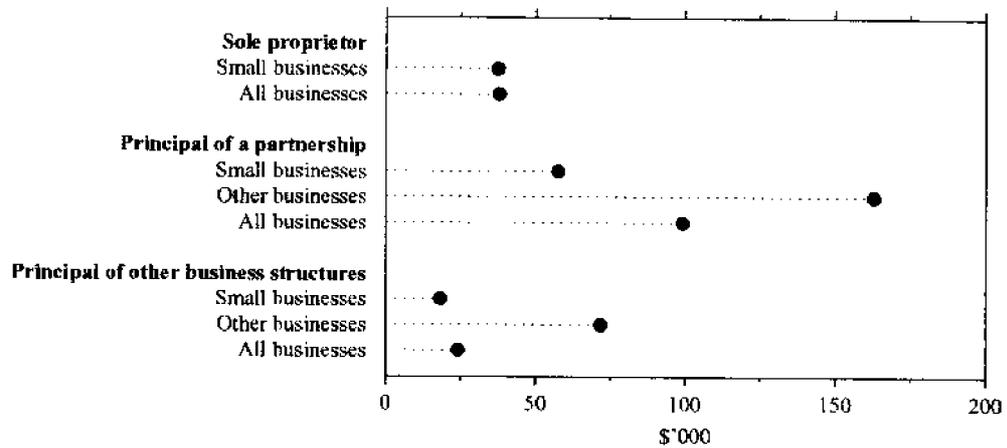
The operating profit margin for accounting services businesses (20.5 per cent) was more than three times higher than for all non-farm businesses (5.9 per cent) during 1992-93.

**TABLE 13.1 ACCOUNTING SERVICES: SELECTED PERFORMANCE RATIOS, AUSTRALIA, 1992-93**

<i>Ratio</i>	<i>Unit</i>	<i>Small businesses</i>	<i>Other businesses</i>	<i>All businesses</i>
<b>Employment ratios</b>				
Gross income per person employed	\$'000	53.6	90.8	68.1
Labour costs per employee	\$'000	27.2	43.3	34.2
Operating profit before tax per person employed	\$'000	12.3	16.2	13.8
Operating profit before tax:				
per sole proprietor (a)	\$'000	37.5	n.p.	37.8
per principal of a partnership (a)	\$'000	57.6	163.0	99.2
per principal of other business structures	\$'000	18.3	71.8	24.1
<b>per principal of all business structures</b>	<b>\$'000</b>	<b>38.6</b>	<b>150.8</b>	<b>58.6</b>
<b>Financial ratios</b>				
Operating profit margin	Per cent	23.1	18.0	20.5
Interest coverage	Times	6.5	7.1	6.8

(a) Includes businesses both with and without a service entity.

**CHART 13.1 ACCOUNTING SERVICES: OPERATING PROFIT BEFORE TAX PER PRINCIPAL BY TYPE OF LEGAL ORGANISATION BY BUSINESS SIZE, AUSTRALIA, 1992-93**



**An imputed salary for working proprietors and partners**

Working proprietors and partners of unincorporated businesses (i.e. sole proprietors and partnerships), unlike working proprietors of incorporated businesses, do not receive salaries. Instead they derive their income from the profit accrued by the business. Working proprietors and partners accounted for 18 per cent of total employment at the end of June 1993.

To enable more detailed analysis, and allow comparisons to be made between incorporated and unincorporated businesses, a salary has been imputed for working proprietors and partners and is included in the following table.

**Value of an imputed salary**

The imputed salary assumes that working proprietors and partners of unincorporated practices are notionally paid the same salary as principals of incorporated practices. The average annual salary of \$35,569 was derived by calculating the average annual salary for principals of incorporated practices using data collected in this survey. No data was collected differentiating between the salary paid to principals working full-time and those working part-time, and between males and females.

This imputed salary amounts to about \$217 million for the accounting services industry.

**An imputed salary has a significant impact**

The imputed salary of \$217 million reduces the industry's operating profit from \$828.6 million to \$611.4 million. The operating profit margin decreases from 21 per cent to 15 per cent.

**TABLE 13.2 ACCOUNTING SERVICES: IMPACT OF AN IMPUTED  
SALARY FOR WORKING PROPRIETORS AND PARTNERS,  
AUSTRALIA, 1992-93**

<i>Item</i>	<i>Unit</i>	<i>1992-93</i>
<b>Employment at end June 1993</b>		
Working proprietors and partners of unincorporated practices	No.	10,549
Employees	No.	49,451
<b>Total</b>	<b>No.</b>	<b>60,000</b>
<b>Income statement</b>		
Sales of goods and services	\$m	4,051.2
<i>Less</i>		
Selected expenses	\$m	1,222.5
<b>Trading profit</b>	<b>\$m</b>	<b>2,828.7</b>
<i>Plus</i>		
Interest income	\$m	*15.8
Other income	\$m	19.4
<i>Less</i>		
Labour costs	\$m	1,689.9
Depreciation	\$m	70.6
Other expenses	\$m	131.2
<b>Earnings before interest and tax</b>	<b>\$m</b>	<b>972.1</b>
<i>Less</i>		
Interest expenses	\$m	143.6
<b>Operating profit before tax</b>	<b>\$m</b>	<b>828.6</b>
<b>Operating profit margin</b>	<b>Per cent</b>	<b>20.5</b>
<b>Industry gross product</b>	<b>\$m</b>	<b>2,828.7</b>
<b>Imputed salary for working proprietors and partners</b>	<b>\$m</b>	<b>217.2</b>
Operating profit before tax	\$m	611.4
Operating profit margin	Per cent	15.1
Industry gross product	\$m	2,828.7

## EXPLANATORY NOTES

### Survey scope and methodology

1 This publication contains data derived from a survey of businesses in the legal and accounting services industries for the 1992-93 financial year. It also contains some comparative statistics relating to surveys for these industries in respect of 1987-88.

2 The survey was conducted by mail with full enumeration of the larger businesses and a sample of the smaller businesses.

### Classification by industry

3 The survey included the two industries classified to Group 784 of the 1993 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC). Subdivision 784 includes all units mainly engaged in providing legal services (ANZSIC class 7841), and accounting services (ANZSIC class 7842).

### Statistical unit

4 The unit for which statistics were reported in the survey was the legal or accounting *practice*. Many legal and accounting practices were conducted via a single entity and were therefore treated as a single practice. Other practices were conducted via more than one entity (e.g. a service entity may be established by the principals of a legal or accounting practice to provide professional, administrative, secretarial or similar services to only that practice). In these cases, the entities were consolidated to form a single practice, and internal payments between entities were excluded. Where a service entity provided services to more than one practice, the service entity has been excluded from the data in this publication.

### State data

5 For the legal services industry, all data items were collected at the State level.

6 For the accounting services industry, data were collected from the Australia-wide operations of each business. Businesses which operated in more than one State were asked to provide a dissection of selected income, employment, and wages and salaries, to enable State statistics to be compiled.

### Reference period

7 Data contained in the tables of this publication relate to all businesses which operated in Australia at any time during the year ended 30 June 1993. Counts of businesses include only those businesses that were operating at 30 June 1993.

### Businesses ceased during the year

8 A small number of businesses ceased operations during the 1992-93 reference period. It is normal ABS procedure to include the contributions of these businesses in the survey output.

### Comparability with previous statistics

#### *Units definitions*

9 For 1987-88, the enterprise i.e. the legal entity, was the statistical unit for which data was collected. Statistics for that survey excluded data relating to service entities, apart from employment. Numbers of businesses and employment are therefore comparable between the two surveys. However, other variables may not be directly comparable.

### Industry classification

**10** The 1987-88 legal and accounting industries survey used the 1983 Australian Standard Industrial Classification (ASIC), whilst the 1992-93 survey used the 1993 ANZSIC. The ANZSIC class 7841, legal services, and ANZSIC class 7842, accounting services, were previously included in the ASIC class 6371, legal services, and ASIC class 6372, accounting services respectively.

### Data item definitions

**11** Small changes to data item definitions occurred between the 1987-88 and 1992-93 collections. This was the result of different questions (often at a finer level of detail) being asked on the questionnaire for each survey.

**TABLE 14.1 RELATIVE STANDARD ERRORS FOR SUMMARY OF OPERATIONS, AUSTRALIA, 1992-93**

<i>Item</i>	<i>ANZSIC 7841</i>	<i>ANZSIC 7842</i>
	<i>Legal services</i>	<i>Accounting services</i>
	<i>%</i>	<i>%</i>
<b>Businesses at end June 1993</b>	<b>1</b>	<b>1</b>
<b>Employment</b>		
Working principals and working partners of unincorporated practices	1	2
Employees	1	2
<b>Total</b>	<b>1</b>	<b>2</b>
<b>Income statement</b>		
Sales of goods and services	1	2
<i>Less</i>		
Selected expenses	1	2
<b>Trading profit</b>	<b>1</b>	<b>2</b>
<i>Plus</i>		
Interest income	9	37
Other non-operating income	8	9
<i>Less</i>		
Labour costs	1	2
Depreciation	2	2
Other expenses	2	2
<b>Earnings before interest and tax</b>	<b>2</b>	<b>2</b>
<i>Less</i>		
Interest expenses	3	3
<b>Operating profit before tax</b>	<b>2</b>	<b>2</b>
<b>Operating profit margin</b>	<b>1</b>	<b>2</b>
<b>Industry gross product</b>	<b>1</b>	<b>2</b>

### Reliability of estimates

**12** The estimates presented in this publication are subject to both sampling and non-sampling error.

### Sampling errors

**13** Since the estimates in this publication are based on information obtained from a sample drawn from units in the surveyed population, the estimates are subject to sampling variability, that is, they may differ from figures that would have been obtained if all units had been included in the survey. One measure of the likely difference is given by the standard error, which indicates the extent to which an estimate might have varied by chance because only a sample of units was included.

14 There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if all units had been included in the survey, and approximately nineteen chances in twenty that the difference will be less than two standard errors.

15 *Sampling variability* can be measured by the relative standard error (RSE) which is obtained by expressing the standard error as a percentage of the estimate to which it refers. The RSE is a useful measure in that it provides an immediate indication of the percentage errors likely to have occurred due to sampling, and thus avoids the need to refer also to the size of the estimate.

16 Table 14.1 contains estimates of RSEs for a selection of statistics presented in this publication.

17 As an example of the above, an estimate of the employment for the legal industry is 63,108 persons and the RSE is 2 per cent giving a standard error of 1,262 persons. Therefore, there would be two chances in three that, if all units had been included in the survey, a figure within the range of 61,846 persons to 64,370 persons would have been obtained, and nineteen chances in twenty that the figure would have been within the range of 60,584 persons to 65,632 persons (a confidence interval of 95 per cent).

18 Where the RSE of an estimate included in this publication exceeds 25 per cent, it has been annotated with an asterisk (\*) as a warning to users.

#### **Non-sampling error**

19 Errors other than standard errors may occur because of deficiencies in the register of units from which the sample was selected, non-response and imperfections in reporting by respondents. Inaccuracies of this kind are referred to as non-sampling error and they may occur in any collection, whether it be a census or a sample. Every effort has been made to reduce non-sampling error to a minimum by careful design and testing of questionnaires, efficient operating procedures and systems used to compile the statistics.

#### **Availability of unpublished statistics**

20 As well as statistics included in this publication, the ABS has a large range of more detailed data on the legal and accounting services industries. For example, more detailed income and expense data may be made available on request.

21 Inquiries on legal and accounting services statistics should be made by telephoning Dennis Robson on (03) 9615 7634.

#### **Other publications in this series**

22 The 1992-93 series of surveys included several other property and business services industries. Statistics will be released in four separate publications:

- *Real Estate Agents Industry, Australia, 1992-93* (Catalogue No. 8663.0)
- *Computing Services Industry, Australia, 1992-93* (Catalogue No. 8669.0)
- *Selected Technical Services, Australia, 1992-93* (Catalogue No. 8676.0)  
This publication includes the architectural, surveying, and consultant engineering services industries
- *Selected Business Services, Australia, 1992-93* (Catalogue No. 8678.0)  
This publication includes the advertising, market research, and business management services industries.

**Symbols and other abbreviations**

—	nil or rounded to zero
..	not applicable
n.a.	not available
n.p.	not available for separate publication, but included in totals where applicable
*	subject to sampling variability too high for practical purposes (i.e. relative standard error greater than 25 per cent)

Where figures have been rounded, discrepancies may occur between the sum of component items and the total.

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
ASIC	Australian Standard Industrial Classification

## GLOSSARY OF TERMS

<b>Businesses at 30 June</b>	Count of practices operating at 30 June. (Refer to paragraph 4 of the Technical Notes for further information on how practices were defined.)
<b>Earnings before interest and tax</b>	A measure of profit prior to the deduction of interest expense and income tax.
<b>Employment</b>	Includes working principals and partners and other employees working for a practice during the last pay period in June each year. Employees absent on paid or prepaid leave are included.
<b>Full-time employees</b>	Employees who work 35 hours per week or more.
<b>Gross disbursement recoveries</b>	These are costs of providing services to the client which are not regarded as part of the professional service provided (e.g. telephone, facsimile, photocopying, etc) and which are added to the client's bill, and payments to third parties e.g. bill paying on the client's behalf. Costs of stamp duty and other statutory fees paid on behalf of clients are excluded.
<b>Gross income</b>	Sum of all income items. Includes income from the provision of legal and accounting services, gross disbursement recoveries, other operating income, interest income and other non-operating income.
<b>Income from accounting services</b>	Includes income from the provision of auditing, general business and personal accounting, insolvency, investment financial planning advice, taxation, and other accounting services.
<b>Income from legal services</b>	Includes income from the provision of legal services in the following fields: property, probate, commercial, finance and business, family, criminal, environmental, and other fields such as accident and consumer claims.
<b>Industry gross product</b>	Is a measure of the unduplicated gross product of businesses derived as follows: $\begin{aligned} \text{IGP} &= \text{Sales of goods and services} \\ &+ \text{Government subsidies} \\ &- \text{Selected expenses} \end{aligned}$
<b>Interest coverage</b>	The number of times over that businesses can meet their interest expenses from their earnings before interest, i.e. EBIT/interest expenses.
<b>Labour costs</b>	Include wages and salaries, employer contribution to superannuation funds and workers' compensation costs.
<b>Operating profit before tax</b>	A measure of profit before extraordinary items are brought to account, and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid).
<b>Operating profit margin</b>	The percentage of sales of goods and services available as operating profit, i.e. (operating profit before tax x 100)/sales of goods and services.

<b>Other business structures</b>	Includes incorporated businesses, trusts and other types of business structures.
<b>Other non-operating income</b>	Includes dividends received and income from net profit (loss) on sale of fixed tangible assets, net profit (loss) on foreign loans as a result of variations in foreign exchange rates/transactions. Also includes royalties income and dividends received. Does not include extraordinary profit (loss).
<b>Other operating income</b>	Includes rent, leasing and hiring income, dividends received and royalties income.
<b>Other practice expenses</b>	Includes expenses such as repairs and maintenance expenses, office supplies and printing costs, travelling expenses, telephone and postal charges, and other business expenses.  This expense item also includes expenses paid to a service entity where the service entity provides services to more than one legal or accounting practice. Where a service entity provides services to only one legal or accounting practice, expenses are shown against each relevant expense item of the practice.
<b>Other practice operating income</b>	Includes rent, leasing and hiring income.
<b>Part-time employees</b>	Employees who work less than 35 hours per week.
<b>Persons employed at 30 June 1993</b>	Includes working proprietors and working partners of unincorporated practices, working directors of incorporated companies and trusts, and all other employees working for a practice during the last pay period ending in June 1993.
<b>Practice</b>	Many legal and accounting practices are conducted via a single entity (e.g. a solicitor/barrister or accountant practising as a sole practitioner, solicitors or accountants practising in partnership). Refer to "statistical unit" in paragraph 4 of the Technical Notes for more information.  Other practices are conducted via more than one entity (e.g. a partnership <i>and</i> a service entity - such as an administration or service company or trust).
<b>Practice royalties income</b>	Royalties are payments made by one company/person for the use of rights owned by another company/person. It includes revenue received under licensing arrangements.
<b>Professional indemnity insurance</b>	These premiums relate to insurance against claims relating to inadequate professional work done by the practice.
<b>Professional library expenses</b>	Includes books, electronic library services and journal subscriptions used for professional purposes.
<b>Purchases and selected expenses</b>	Includes purchases of goods for resale, motor vehicle running expenses, other practice expenses and rent, leasing and hiring expenses.

<b>Rent, leasing and hiring expenses</b>	Includes rent, leasing and hiring of motor vehicles and equipment supplied without an operator, rent paid for premises, shops, etc, and rent or royalties paid for land use.
<b>Sales of goods and services</b>	Includes income from the provision of legal or accounting services; gross disbursement recoveries from the provision of telephone, facsimile, photocopying and similar services to clients; other practice operating income; and rent, leasing and hiring income.
<b>Selected expenses</b>	<p>In the legal services industry, selected expenses include rent, leasing and hiring expenses; motor vehicle running expenses; professional library expenses; and other practice expenses such as repair and maintenance costs, office supplies, cleaning expenses paid to other businesses, postage, telecommunication, electricity and gas expenses, advertising costs, and rates and land tax.</p> <p>In the accounting services industry, selected expenses include payments to sub-contractors and consultants; rent, leasing and hiring expenses; and other practice expenses such as repair and maintenance costs, office supplies, cleaning expenses paid to other businesses, postage, telecommunication, electricity and gas expenses, advertising costs, and rates and land tax.</p>
<b>Selected income</b>	Selected income for all industries is gross income minus interest income, dividends received, royalties, and other non-operating income.
<b>Service entity</b>	A service entity is defined as a company, trust or other entity established by the principals of a practice to provide professional, administrative, secretarial or similar services to only that practice.
<b>Total expenses</b>	Sum of expense items, i.e. wages and salaries, employer contributions to superannuation funds, workers' compensation costs, insurance premiums, cost of goods sold, interest expenses, depreciation on buildings, rent, leasing and hiring expenses, media advertising expenses, bad debts written off and other expenses.
<b>Trading profit</b>	A measure of profit directly attributable to trading in goods and services. It is derived by subtracting the purchases and selected expenses from the value of sales of goods and services.
<b>Wages and salaries</b>	Gross earnings of all employees before taxation and other deductions. Drawings of working proprietors and working partners of unincorporated practices are excluded.

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- The ABS can provide a wider range of data for the legal and accounting industries than is contained in this publication. Three examples of standard products that can be made available on request are detailed components of income and expenditure, detailed statistics by employment size groupings, and measures of profitability by principal activity of the practice.
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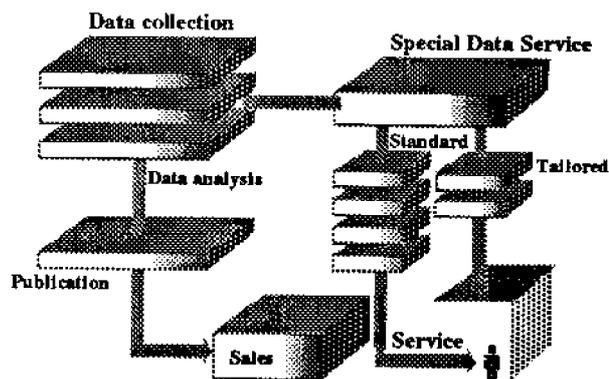
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