

NOTES

INTRODUCTION

This publication presents results for the financial year 1995-96 from an Australian Bureau of Statistics (ABS) survey of businesses in the legal and accounting services industries. It is the third survey of these industries with previous surveys being conducted in respect of 1992-93 and 1987-88 (refer paragraph 3 of Explanatory Notes for further information).

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SYMBOLS AND OTHER USAGES

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
n.a.	not available
n.p.	not available for publication but included in totals where applicable
RSE	relative standard error
*	subject to sampling variability too high for most practical purposes
**	subject to sampling variability too high for practical purposes
..	not applicable
—	nil or rounded to zero

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INQUIRIES

For information about other ABS statistics and services, please refer to the back of this publication.

For further information about statistics in this publication, please contact Ashok Kumar on Melbourne (03) 9615 7634.

PREFACE

As part of its service industries survey program, the ABS conducted surveys of selected business services in respect of the 1995-96 financial year. The industries covered were legal, accounting, consultant engineering, real estate agents and computer services.

This publication presents statistics for both the legal and accounting services industries.

Information in this publication was collected in a survey of businesses classified to Group 784 of the 1993 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC). This Group comprises two Classes: 7841 Legal Services, which includes all businesses mainly engaged in providing legal services and 7842 Accounting Services, which includes all businesses mainly engaged in providing accounting, bookkeeping and auditing services.

This is the third time the ABS has surveyed the legal and accounting services industries. Surveys were previously conducted in respect of the 1992-93 and 1987-88 financial years, and statistics were released in the publications *Legal and Accounting Services, Australia, 1992-93* (Cat. no. 8678.0), *Legal Services Industry, Australia, 1987-88* (Cat. no. 8667.0), and *Accounting Services Industry, Australia, 1987-88* (Cat. no. 8668.0).

Results from the other business services collections have been released in the following publications:

- *Real Estate Agents Industry, Australia, 1995-96* (Cat. no. 8663.0);
- *Computing Services Industry, Australia, 1995-96* (Cat. no. 8669.0); and
- *Consultant Engineering Services, Australia, 1995-96* (Cat. no. 8693.0).

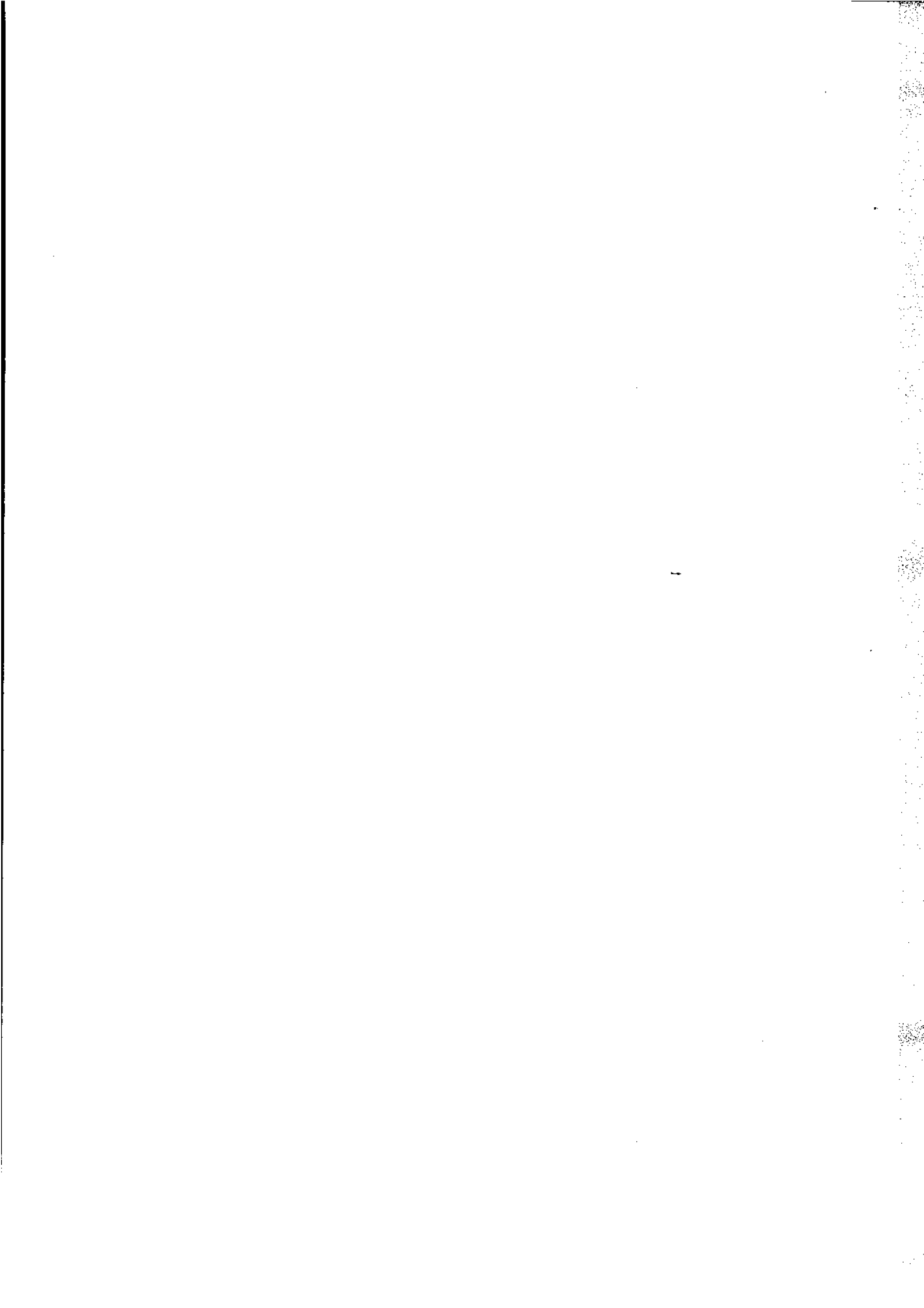
These publications contain a selection of the information available from the surveys. More detailed information is available from the ABS on request.

The ABS is committed to providing more information on the priority service industries sector of the economy. However, the breadth of activities encompassed in the sector poses the problem of selecting 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.

ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

Dennis Trewin
Acting Australian Statistician



CONTENTS

	Page
COMMENTARY	
Notes	2
Preface	3
List of tables	6
Legal services	
Main features	7
Income and expenditure	10
Employment	13
Practice size	15
State and Territory comparisons	16
Operating profit/loss before tax	17
Performance ratios	18
Solicitors and barristers	20
Accounting services	
Main features	22
Income and expenditure	25
Employment	28
Practice size	30
State and Territory comparisons	31
Operating profit/loss before tax	32
Performance ratios	33
ADDITIONAL INFORMATION	
Explanatory notes	35
Glossary	38

LIST OF TABLES

Page

Legal services

1	Key figures	9
2	Sources of income	10
3	Income by type of client	11
4	Items of expenditure	12
5	Type of employment	14
6	Practice size	15
7	State and Territory comparisons	16
8	Operating profit/loss before tax	17
9	Performance ratios	19
10	Selected statistics for solicitors and barristers	21

Accounting services

11	Key figures	24
12	Sources of income	25
13	Income by type of client	26
14	Items of expenditure	27
15	Type of employment	29
16	Practice size	30
17	State and Territory comparisons	31
18	Operating profit/loss before tax	32
19	Performance ratios	34

LEGAL SERVICES Main features

INTRODUCTION

This section of the publication presents results in respect of the 1995-96 financial year of a survey of businesses in the legal services industry. The legal services industry includes barristers, solicitors, and other businesses whose primary activity is the provision of legal services such as patent attorneys, legal aid services, conveyancing services (provided by units of qualified legal practitioners) and notaries.

A LEGAL PRACTICE

Many legal practices are conducted via a single entity (e.g. a solicitor or barrister practising as a sole practitioner or solicitors practising in partnership). Other practices are conducted via more than one entity, i.e. a legal firm and a service entity.

For the purposes of this survey, where a practice was conducted via a legal firm and a service entity, these entities were consolidated and treated as one practice if the service entity provided resources to a single legal firm only. Where a service entity provided services to more than one legal firm, the service entity has been excluded from the data in this publication.

Paragraphs 4, 5 and 6 of the Explanatory Notes contain more detailed definitions of legal firms and service entities.

SIZE OF INDUSTRY

At 30 June 1996, there were 9,796 practices in the legal services industry. This represented an increase of 11% in the three-year period since June 1993. In that period the number of solicitor practices had increased by 15% from 5,579 at the end of June 1993 to 6,403 practices at the end of June 1996. In contrast, barrister practices had increased by only 5%, from 3,184 at the end of June 1993 to 3,350 at the end of June 1996.

PRACTICE SIZE

In terms of total employment, most (95%) practices were small, employing fewer than 20 persons. However, these practices accounted for only 54% of the total employment and contributed 46% of the total income of the industry.

There were 64 practices with employment of 100 or more persons. Although these practices accounted for less than 1% of the number of practices, they accounted for significant proportions of total employment (21%) and total income (30%).

EMPLOYMENT

There were 67,494 persons employed in the legal services industry at 30 June 1996. Full-time employment accounted for 81% of employment. The employment in the industry at 30 June 1996 represented a 7% increase since June 1993.

The number of working principals of legal firms increased by 5% in the three years to June 1996. However, the number of other qualified employees increased 28% in the three-year period. In contrast the number of other employees, i.e. support staff, increased only marginally (3%) over the period.

LEGAL SERVICES Main features *continued*

EMPLOYMENT *continued*

At 30 June 1996, females accounted for 60% of employment in the industry. However, only 16% of principals and 41% of other qualified employees were female.

INCOME

The 9,796 practices in the legal services industry generated \$5,590.9 million in income in 1995-96. Commercial, finance and business services legal work was the major source (32%) of income, accounting for \$1,784.7 million. This was the same proportion as recorded in 1992-93. The other major source of income was property conveyancing, which accounted for 12% of income in 1995-96, down from 15% in 1992-93.

LABOUR COSTS

Labour costs were the major expense incurred by legal practices in 1995-96 and accounted for 49% of expenses. In 1992-93 labour costs accounted for 45% of expenses. The increase reflects the large increase in the numbers of employed qualified persons.

PROFITABILITY

The legal services industry recorded an operating profit before tax of \$1,750.4 million in 1995-96. This represented an operating profit margin of 31.5% which was down marginally on the 32.6% recorded in 1992-93.

STATE DIMENSION

New South Wales and the Australian Capital Territory combined accounted for 41% of practices in the legal services industry. They were responsible for 41% of total employment and 45% of total income. Victoria was the next greatest contributor, accounting for 30% of practices, 26% of employment and 25% of income.

Relative contributions by State to key aggregates remained similar to 1992-93.

LEGAL SERVICES Main features *continued*

1 Legal services, key figures

	1992-93	1995-96
Practices at end June		
Solicitors (no.)	5 579	6 403
Barristers (no.)	3 184	3 350
Other (no.)	87	43
<i>Total (no.)</i>	<i>8 850</i>	<i>9 796</i>
Employment at end June		
Working principals and partners (no.)	n.a.	15 503
Principals of service entities (no.)	n.a.	914
<i>Total (no.)</i>	<i>15 606</i>	<i>16 417</i>
Other qualified employees (no.)	9 059	11 554
Other employees (no.)	38 442	39 523
<i>Total (no.)</i>	<i>47 501</i>	<i>51 076</i>
<i>Total (no.)</i>	<i>63 108</i>	<i>67 494</i>
Income		
Income from legal services (\$m)	4 722.3	5 255.8
Other income (\$m)	421.7	335.1
<i>Total (\$m)</i>	<i>5 144.0</i>	<i>5 590.9</i>
Expenses		
Labour costs (\$m)	1 562.4	1 906.2
Rent, leasing and hiring expenses (\$m)	493.0	448.8
Other expenses (\$m)	1 423.0	1 561.6
<i>Total (\$m)</i>	<i>3 478.4</i>	<i>3 916.5</i>
Operating profit before tax (\$m)	1 655.5	1 750.4
Operating profit margin (%)	32.6	31.5
Industry gross product (\$m)	3 607.2	4 110.9

LEGAL SERVICES Income and expenditure

SOURCES OF INCOME

During 1995-96, the legal services industry generated \$5,590.9 million in total income, representing an average total income per legal practice of \$570,700. Income from legal services accounted for 94% (\$5,255.8 million) of total income and was derived from twelve areas of legal service.

Commercial, finance and business services was the main source of income, accounting for 32% of total income. More practices generated income from this source than from any other source.

As a proportion of total income, the contribution from property conveyancing has dropped from 15% in 1992-93 to 12% in 1995-96, however, it remains the second largest source of income. Almost 60% of legal practices derived income from property conveyancing in 1995-96.

2 Legal services, sources of income

Sources of income	Practices at	Value	Contribution to
	end June		total value
	no.	\$m	%
Sales of goods and services			
Income from legal services			
Property conveyancing	5 787	686.3	12.3
Other property work	4 978	346.4	6.2
Wills, probate and estate activities	5 732	222.5	4.0
Commercial, finance and business	6 681	1 784.7	31.9
Family	4 600	318.9	5.7
Criminal	4 093	179.0	3.2
Environmental	1 073	98.5	1.8
Industrial relations	1 742	134.1	2.4
Motor vehicle injury	4 199	311.8	5.6
Workers' compensation	2 973	358.4	6.4
Other personal injury	3 166	226.7	4.1
Other fields	3 152	588.5	10.5
<i>Total</i>	9 796	5 255.8	94.0
Gross disbursement recoveries	5 838	267.8	4.8
Other operating income	1 517	41.3	0.7
<i>Total</i>	9 796	5 564.9	99.5
Interest income	2 754	10.9	0.2
Other non-operating income	1 734	15.1	0.3
Total	9 796	5 590.9	100.0

LEGAL SERVICES Income and expenditure *continued*

TYPE OF CLIENT

During 1995-96, businesses in the legal services industry derived their income from legal services (\$5,255.8 million) from a variety of clients.

The major source of income in terms of clients were companies, which were the source of 36% of income, followed by individuals and non-profit organisations, which were the source of 32% of the income. The different levels of government, as direct clients, provided \$331.0 million in income.

In respect of income from conveyancing, the group of clients from which the greatest income (\$354.3 million) was derived was individuals and non-profit organisations, which accounted for just over half (52%) of conveyancing income.

With respect to income from other legal services, the group of clients from which the greatest income was derived was companies, which accounted for 38% of income from other legal services, with individuals and non-profit organisations not funded by legal aid, accounting for 25%.

3 Legal services, income by type of client

Type of client	INCOME FROM CONVEYANCING		INCOME FROM OTHER LEGAL SERVICES.....		TOTAL.....	
	Practices at end June no.	Value \$m	Practices at end June no.	Value \$m	Practices at end June no.	Value \$m
Individuals and non-profit organisations						
Funded by legal aid	201	*8.2	4 386	218.8	4 413	227.1
Not funded by legal aid	4 900	346.1	7 451	1 129.8	7 807	1 475.8
Sole proprietors, partnerships and trusts	3 598	154.3	5 302	558.0	5 731	712.4
Financial institutions	926	43.1	1 886	592.8	2 259	635.9
Other companies	3 427	119.8	5 805	1 753.9	6 167	1 873.7
Commonwealth government departments	83	*4.6	679	75.1	710	79.7
State government departments	*207	4.0	1 376	176.8	1 525	180.8
Local government	337	6.1	733	64.4	850	70.5
Total	5 787	686.3	9 697	4 569.5	9 796	5 255.8

LEGAL SERVICES Income and expenditure *continued*

LABOUR COSTS

During 1995-96, the legal services industry incurred \$3,916.5 million in total expenses. Labour costs represented 49% of these expenses, an increase in the contribution to total expenses of four percentage points since 1992-93.

RENT, LEASING AND HIRING

Rent, leasing and hiring expenses (\$448.8 million) was the second largest item of expense incurred by legal practices. Between 1992-93 and 1995-96, however, the percentage contribution of rent, leasing and hiring expenses to total expenses actually decreased from 14% to 12%.

OTHER EXPENSES

Of the remaining expense items, interest (\$135.2 million), telecommunication services (\$99.9 million) and professional library expenses (\$75.0 million) were the three largest.

4 Legal services, items of expenditure

Type of expense	Contribution to	
	Value	total value
	\$m	%
Labour costs		
Wages and salaries	1 770.7	45.2
Employer contributions to superannuation funds	125.8	3.2
Workers' compensation	9.7	0.2
Total	1 906.2	48.7
Selected expenses		
Rent, leasing and hiring expenses	448.8	11.5
Telecommunication services	99.9	2.6
Professional library expenses	75.0	1.9
Postal, mailing and courier services	43.6	1.1
Motor vehicle running expenses	40.5	1.0
Audit and other accounting expenses	36.0	0.9
Barristers' chambers fees	47.2	1.2
Barristers' clerks fees	18.0	0.5
Other selected expenses	727.0	18.6
Total	1 536.0	39.2
Other costs		
Interest expenses	135.2	3.5
Depreciation and amortisation	86.8	2.2
Residual costs	252.3	6.4
Total	474.3	12.1
Total	3 916.5	100.0

LEGAL SERVICES Employment

INTRODUCTION

In this publication a legal *practice* is defined as the aggregation of the legal firm and its service entity if that service entity provided resources to a *single* legal firm only. To avoid double counting, where principals of service entities were also principals of the legal firm, they were counted once as principals of legal firms. As a consequence, the counts of principals of service entities are understated in this publication. Paragraphs 4, 5 and 6 of the Explanatory Notes contain more detailed definitions of legal firms and service entities.

The number of principals of service entities only was not separately collected in the 1992-93 survey, but was included as part of working principals and partners.

TYPE OF EMPLOYMENT

At the end of June 1996, there were 67,494 persons working in the legal services industry. The majority (81%) of employment was on a full-time basis, although this proportion ranged from 94% of principals of unincorporated practices down to 74% of other employees (support staff). Females accounted for most (83%) of the part-time employment.

The employment of 67,494 persons at June 1996 represented an increase of 7% in the three years since June 1993. The number of working principals increased 5% in the three-year period. However, the most significant (28%) increase in the period was in the number of barristers and solicitors working as employees (i.e. not as principals of the practice). In contrast, the number of other employees, i.e. support staff, increased only marginally (3%) over the same period.

GENDER

Females accounted for 60% of employment in the industry, primarily employed as support staff.

The proportions of female employment varied significantly by the type of employment. Whereas they accounted for 84% of support staff, females accounted for only 16% of working principals (either as principal of the legal firm or the service entity) and 41% of barristers and solicitors working as employees. While the proportion of barristers and solicitors working as employees who were female was largely unchanged from that recorded (40%) in 1992-93, the proportion of working principals who were female has risen from 12% in 1992-93 to 16% in 1995-96. It is not possible to identify if this reflects an increasing proportion of females as principals of legal firms or as principals of service entities.

QUALIFIED PERSONS

Assuming that working principals (other than principals of service entities) are qualified barristers or solicitors, it is estimated that there were just over 27,000 qualified persons, i.e. 40% of employment, in the industry at June 1996. For each barrister and solicitor there were 1.5 other employed persons.

LEGAL SERVICES Employment *continued*

5 Legal services, type of employment

Type of employment	FULL-TIME.....			PART-TIME.....			TOTAL.....		
	Males	Females	Persons	Males	Females	Persons	Males	Females	Persons
END JUNE 1996									
	no.	no.	no.	no.	no.	no.	no.	no.	no.
Principals									
Working principals and partners of unincorporated practices	12 532	1 636	14 168	560	326	886	13 092	1 962	15 054
Principals of incorporated practices	401	n.p.	n.p.	—	n.p.	n.p.	401	*48	449
Principals of service entities(a)	169	n.p.	n.p.	*52	n.p.	n.p.	221	693	914
Total	13 102	2 129	15 232	612	573	1 185	13 715	2 703	16 417
Other employees									
Other qualified barristers and/or solicitors	6 327	3 921	10 248	448	858	1 306	6 775	4 779	11 554
Other employees	5 056	24 332	29 388	1 132	9 003	10 135	6 189	33 334	39 523
Total	11 383	28 252	39 636	1 580	9 860	11 441	12 964	38 113	51 076
Total	24 486	30 382	54 868	2 192	10 433	12 626	26 678	40 815	67 494
	%	%	%	%	%	%	%	%	%
Proportion of total	36.3	45.0	81.3	3.2	15.5	18.7	39.5	60.5	100.0
END JUNE 1993									
	no.	no.	no.	no.	no.	no.	no.	no.	no.
Principals									
Working principals and partners of unincorporated practices(b)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Principals of incorporated practices	313	*24	336	**2	**8	**10	314	*31	346
Principals of service entities(b)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	13 463	1 426	14 889	316	401	717	13 780	1 827	15 606
Other employees									
Other qualified barristers and/or solicitors	5 161	3 118	8 280	313	467	780	5 474	3 585	9 059
Other employees	4 845	25 365	30 210	843	7 390	8 232	5 687	32 755	38 442
Total	10 006	28 484	38 490	1 155	7 857	9 012	11 161	36 340	47 501
Total	23 469	29 909	53 379	1 471	8 257	9 729	24 941	38 167	63 108
	%	%	%	%	%	%	%	%	%
Proportion of total	37.2	47.4	84.6	2.3	13.1	15.4	39.5	60.5	100.0

(a) Excludes principals who are also principals of legal firms.

(b) Not separately collected in 1992-93.

LEGAL SERVICES Practice size

SMALL PRACTICES

Of the 9,796 practices in the legal industry, 95% had employment of less than 20 persons. Although these smaller practices dominated in terms of practice numbers, their contributions to total employment (54%) and total income (46%) were significantly smaller.

There were only 64 practices with employment of 100 or more persons. Although these practices accounted for less than 1% of practices, their contributions to total income (30%) and total employment (21%) were more significant.

OPERATING PROFIT MARGIN

Using operating profit margin as the measure, the profitability of the legal services industry varied significantly between practice size. Practices with employment of fewer than 5 persons (66% of total practices) reported the highest operating profit margin of 50.2%. This reflected the higher proportion of barristers' practices in this size grouping, which are characterised by a high incidence (as a proportion of employment) of working proprietors and partners who do not employ any other qualified staff. This results in lower labour costs (as working proprietors and partners do not draw a salary) and a consequently higher apparent operating profit margin. Practices with employment of 20 or more persons (5% of total practices) reported an operating profit margin of 29.9%.

6 Legal services, practice size

Employment size	Practices	Principals	Other	Total	Total	Operating	Operating
	at end June	and partners	employees	employment	income	profit before tax	profit margin
	no.	no.	no.	no.	\$m	\$m	%
0-4 persons	6 496	6 993	5 534	12 527	998.1	495.6	50.2
5-9 persons	1 878	2 940	9 201	12 140	779.4	151.2	19.5
10-19 persons	898	2 001	9 756	11 757	805.9	206.4	25.7
Total	9 271	11 933	24 491	36 424	2 583.4	853.1	33.2
20-49 persons	384	1 895	9 572	11 467	843.1	282.6	33.6
50-99 persons	77	732	4 415	5 147	473.5	126.6	26.9
100 or more persons	64	1 858	12 598	14 455	1 690.9	488.2	29.0
Total	525	4 484	26 585	31 069	3 007.5	897.3	29.9
Total	9 796	16 417	51 076	67 494	5 590.9	1 750.4	31.5

LEGAL SERVICES State and Territory comparisons

STATE AND TERRITORY COMPARISONS

Practices in the legal services industry were concentrated in New South Wales and the Australian Capital Territory. The 4,044 practices operating in this State and Territory accounted for 45% of total income and 41% of total employment, larger proportions than the sum of their estimated resident populations (36%).

Victoria accounted for 30% of legal practices but much smaller proportions of total employment (26%) and total income (25%). As a consequence, employment per practice (6) and income per practice (\$479,100) were lowest in Victoria.

In terms of percentage contributions, all States and Territories other than New South Wales and the Australian Capital Territory, and Victoria, made contributions to total employment and total income that were smaller than their contributions to the estimated resident population.

Relative contributions by State to key aggregates remained similar to 1992-93.

PRACTICE SIZES

Tasmania (11 persons) had the highest employment per practice. Wages and salaries per employee, however, were the lowest in Tasmania (\$26,000), as was income per person employed (\$58,100).

7 Legal services, State and Territory comparisons

EMPLOYMENT AT END JUNE.....

	<i>Practices at end June</i>		<i>Principals and partners</i>		<i>Other employees</i>		<i>Total employment</i>		<i>Wages and salaries</i>		<i>Total income</i>	
	no.	%	no.	%	no.	%	no.	%	\$m	%	\$m	%
NSW and ACT	4 044	41.3	6 770	41.2	21 076	41.3	27 846	41.3	776.5	43.9	2 511.3	44.9
Vic.	2 956	30.2	4 683	28.5	12 635	24.7	17 318	25.7	438.5	24.8	1 416.1	25.3
Qld	1 563	16.0	2 737	16.7	9 447	18.5	12 184	18.1	288.3	16.3	857.8	15.3
SA	487	5.0	830	5.1	2 702	5.3	3 532	5.2	94.4	5.3	269.0	4.8
WA	553	5.6	981	6.0	3 655	7.2	4 637	6.9	126.2	7.1	409.9	7.3
Tas.	136	1.4	336	2.0	1 153	2.3	1 489	2.2	30.0	1.7	86.5	1.5
NT	59	0.6	80	0.5	408	0.8	488	0.7	16.8	0.9	40.2	0.7
Aust.	9 796	100.0	16 417	100.0	51 076	100.0	67 494	100.0	1 770.7	100.0	5 590.9	100.0

LEGAL SERVICES Operating profit/loss before tax

PRACTICES MAKING A PROFIT

For the 1995-96 financial year, 87% of practices in the legal services industry made an operating profit before tax, or broke even.

Of the 8,508 practices who made an operating profit before tax or broke even, 38% fell in the \$20,000 to \$99,999 range, while a relatively smaller proportion (31%) fell into the higher \$100,000 to \$499,999 profit range. Just over 6% of legal practices made an operating profit before tax greater than \$500,000.

PRACTICES MAKING A LOSS

Just over 13% of legal practices made an operating loss during 1995-96. These losses were generally small, most less than \$20,000, although almost 5% of practices incurred a loss of \$20,000 to \$99,999.

Overall, the legal services industry reported an operating profit before tax of \$1,750.4 million.

8 Legal services: operating profit/loss before tax

	Practices at end June	Proportion of total businesses
	no.	%
Practices reporting a profit		
\$1 000 000 and greater	231	2.4
\$500 000-\$999 999	373	3.8
\$100 000-\$499 999	2 644	27.0
\$20 000-\$99 999	3 244	33.1
\$5 000-\$19 999	1 365	13.9
\$0-\$4 999	652	6.7
<i>Total</i>	8 508	86.9
Practices reporting losses		
\$1-\$4 999	*385	3.7
\$5 000-\$19 999	402	4.1
\$20 000-\$99 999	439	4.5
\$100 000 and greater	*82	0.8
<i>Total</i>	1 288	13.1

LEGAL SERVICES Performance ratios

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TOTAL INCOME PER PERSON EMPLOYED

Income per person employed varied significantly from the industry average of \$82,800. Practices with employment of 100 or more persons were 41% above the industry average (\$117,000 in income per person employed), while practices with employment of 5-9 persons were 22% (\$64,200) below the industry average.

LABOUR COSTS PER EMPLOYEE

Labour costs per employee tended to increase with practice size. The largest practices (i.e. those employing 100 or more persons) reported the highest labour costs (\$45,700 per employee) and the smallest practices the lowest (\$26,700 per employee). This reflects the different employment mix of the practices. Whereas smaller practices employ generally only support staff, the larger practices employ qualified legal staff as well as support staff resulting in a higher average cost.

OPERATING PROFIT BEFORE TAX

Using operating profit before tax per person employed as the measure, practices employing 0-4 persons were the most profitable (\$39,600), while practices employing 5-9 persons were the least profitable (\$12,500).

However, using operating profit before tax per principal as the measure, practices employing 100 or more persons were the most profitable, contributing an average per principal of \$262,800.

OPERATING PROFIT MARGIN

The operating profit margin for the legal services industry was 31.5% although this margin varied between practice sizes. Practices with 0-4 persons reported the highest operating profit margin (50.2%), 18.7 percentage points above the industry average, while practices employing 5-9 persons reported the lowest (19.5%), 12 percentage points below the industry average.

INCOME RATIOS

During 1995-96, 12.3% of total income was generated from conveyancing. Practices with 5-9 persons were well above the industry average, generating 24.1% of their income from conveyancing, while those with 100 or more persons were below the industry average, generating only 4.4% of their income from this source.

In contrast, 31.9% of total income was generated from services to commercial, finance and business. Practices with 100 or more persons were well above this industry average (40.8%).

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LEGAL SERVICES Performance ratios *continued*

9 Legal services , performance ratios

EMPLOYMENT SIZE CATEGORY AT END JUNE.....

	0-4	5-9	10-19	20-49	50-99	100 or more	All businesses
Employment ratios							
Total income per person employed (\$'000)	79.7	64.2	68.5	73.5	92.0	117.0	82.8
Labour costs per employee (\$'000)	26.7	33.7	33.8	33.4	40.7	45.7	36.3
Professional staff to support staff (no.)	1.3	0.6	0.5	0.5	0.6	0.7	0.7
Profit ratios							
Operating profit margin (%)	50.2	19.5	25.7	33.6	26.9	29.0	31.5
Operating profit before tax per person employed (\$'000)	39.6	12.5	17.6	24.6	24.6	33.8	25.9
Operating profit before tax per principal (\$'000)	70.9	51.4	103.2	149.1	173.0	262.8	106.6
Income ratios							
Legal services to total income (%)	95.6	93.3	92.7	93.6	92.6	94.6	94.0
Conveyancing to total income (%)	8.6	24.1	18.4	18.1	7.7	4.4	12.3
Commercial, finance and business to total income (%)	32.9	18.9	18.6	20.9	29.9	49.8	31.9
Legal services per professional staff (\$'000)	134.8	160.1	199.3	197.6	239.9	272.5	194.3

LEGAL SERVICES Solicitors and barristers

INTRODUCTION

Table 10 provides selected statistics by type of practice based on the principal activity of the practice in the legal services industry. The main types of 'Other' practices were patent and trademark attorneys, conveyancing, legal aid, and notaries.

PROPORTION OF PRACTICES

At the end of June 1996, solicitors accounted for 65% of practices in the legal services industry, while barristers accounted for 34% of legal practices. There was a 15% increase in the number of solicitors' practices and a 5% increase in the number of barristers' practices during the three-year period between June 1993 and June 1996.

EMPLOYMENT

In terms of employment, solicitors' practices accounted for 90% of total employment, compared with 9% by barristers, and 1% by other practices. As a consequence, average employment per practice was 10 persons for solicitors' practices, but only 2 for barristers' practices. The 'other' practices, however, reported the largest practices with 15 persons per practice.

Of the 67,494 persons working in the legal services industry at the end of June 1996, 40% were qualified legal practitioners (assuming that all working principals and partners are qualified legal practitioners). This proportion was slightly lower for solicitors' practices (38%) and significantly higher for barristers' practices (59%).

For each qualified legal practitioner working in a barrister's practice there were 0.7 other employees (including principals of service entities). In solicitors' practices there were 1.6 other staff for each qualified legal practitioner.

INCOME PER QUALIFIED LEGAL PRACTITIONER

Income from legal services for the industry was \$5,255.8 million in 1995-96, representing \$194,300 per qualified legal practitioner. This varied little between barristers' practices, which had a ratio of \$196,600 per qualified legal practitioner, and solicitors' practices, which had a ratio of \$192,700.

EXPENSES

Labour costs were the largest component of total expenses (49%) although this proportion ranged from 51% for solicitors' practices down to 23% for barristers' practices. This reflected the higher proportion (relative to total employment) of working proprietors and partners in barristers' practices.

LEGAL SERVICES Solicitors and barristers *continued*

PROFITS

For the legal services industry, the operating profit margin was 31.5%. There were, however, significant differences between practice types, with barristers' practices recording an operating profit margin of 60.5% while solicitors recorded an operating profit margin of 27.5%. However, the profit margin is significantly influenced by whether the practice is unincorporated and the extent to which income is generated primarily by the working principals and partners (as is the case with barristers' practices) as opposed to salaried qualified legal practitioners (as is the case for solicitors' practices).

10 Legal services, selected statistics for solicitors and barristers

	Solicitors practices	Barristers' practices	Other practices	Total
Practices at end June (no.)	6 403	3 350	43	9 796
Employment at end June				
Working principals and partners of unincorporated legal firms (no.)	11 633	—3 355	66	15 054
Principals of incorporated legal firms (no.)	405	*18	26	449
Employees who are qualified barristers and/or solicitors (no.)	11 457	*46	*50	11 554
Other employees (no.)(a)	37 555	2 360	522	40 437
Total employment (no.)	61 051	5 779	664	67 494
Income				
Income from legal services (\$m)	4 527.7	672.1	56.0	5 255.8
Other income (\$m)	307.9	14.6	12.6	335.1
Total income (\$m)	4 835.6	686.7	68.6	5 590.9
Expenses				
Labour costs (\$m)	1 816.5	66.5	23.2	1 906.2
Rent, leasing and hiring expenses (\$m)	421.3	21.7	5.7	448.8
Interest expenses (\$m)	104.5	29.8	0.8	135.2
Depreciation (\$m)	77.7	8.3	0.9	86.8
Professional library expenses (\$m)	60.0	14.5	0.5	75.0
Motor vehicle running expenses (\$m)	28.2	11.8	0.5	40.5
Barristers' chambers fees (\$m)	**0.1	47.1	—	47.2
Barristers' clerks fees (\$m)	—	18.0	—	18.0
Waste and environment protection services (\$m)	4.2	0.1	—	4.3
Other expenses (\$m)	1 061.7	69.5	23.4	1 154.5
Total expenses (\$m)	3 574.1	287.4	55.0	3 916.5
Operating profit before tax (\$m)	1 325.1	411.7	13.7	1 750.4
Operating profit margin (%)	27.5	60.5	20.1	31.5
Industry gross product (\$m)	3 541.2	529.9	39.9	4 110.9

(a) Includes principals of service entities.

ACCOUNTING SERVICES Main features

INTRODUCTION

This section of the publication presents results in respect of the 1995-96 financial year of a survey of businesses in the accounting services industry. The accounting services industry includes units whose primary activity is the provision of accounting, auditing or bookkeeping services.

AN ACCOUNTING PRACTICE

Many accounting practices are conducted via a single entity (e.g. an accountant practising as a sole practitioner or accountants practising in partnership). Other practices are conducted via more than one entity i.e. an accounting firm and a service entity.

For the purposes of this survey, where a practice was conducted via an accounting firm and a service entity, these entities were consolidated and treated as one practice if the service entity provided resources to a single accounting firm only. Where a service entity provided services to more than one accounting firm, the service entity has been excluded from the data in this publication. Paragraphs 4, 5 and 6 of the Explanatory Notes contain more detailed information on accounting firms and service entities.

SIZE OF INDUSTRY

At 30 June 1996, there were 8,389 practices in the accounting services industry. These practices had employment of 66,792 persons and generated \$4,939.1 million in total income.

PRACTICE SIZE

In terms of total employment, most (95%) practices were small, employing fewer than 20 persons. However, these practices accounted for only 56% of the total employment and contributed 42% of the total income of the industry.

There were 18 practices with employment of 100 or more persons. Although these practices accounted for less than 1% of the number of practices, they accounted for significant proportions of total employment (26%) and total income (39%).

EMPLOYMENT

There were 66,792 persons employed in the accounting services industry at June 1996. The majority (83%) of employment was on a full-time basis. The employment in the industry at 30 June 1996 represented an 11% increase since June 1993.

The number of working principals of accounting firms increased by 9% in the three years to June 1996, while the number of other qualified accountants as employees increased 22% in the three-year period. In contrast, the number of other employees (i.e. support staff) increased by only 6% over the period.

At 30 June 1996, females accounted for 51% of employment in the industry, an increase from the 48% recorded in 1993. However, only 17% of principals and 41% of other qualified employees were female.

ACCOUNTING SERVICES Main features *continued*

INCOME

The 8,389 practices in the accounting services industry generated \$4,939.1 million in income in 1995-96. Taxation (32%), general business and personal accounting (27%) and auditing (18%) were the three main sources of income. The proportions recorded in 1995-96 for these fields of accounting services were similar to those recorded in 1992-93.

LABOUR COSTS

Labour costs were the major expense incurred by accounting practices in 1995-96 and accounted for 56% of expenses. In 1992-93 labour costs accounted for 52% of expenses. The increase reflects the large increase in the numbers of employed accountants.

PROFITABILITY

The accounting services industry recorded an operating profit before tax of \$954.6 million in 1995-96. This represented an operating profit margin of 19.4%, which was down marginally on the 20.5% recorded in 1992-93.

STATE DIMENSION

The accounting services industry was concentrated in the two largest States, New South Wales and Victoria. Accounting firms in these two States accounted for 65% of total employment and 69% of total income. The relative contributions by each of the States have not changed significantly since 1992-93.

ACCOUNTING SERVICES Main features *continued*

11 Accounting services, key figures

	1992-93	1995-96
Practices at end June (no.)	8 699(a)	8 389
Employment at end June		
Working principals and partners (no.)	n.a.	14 487
Principals of service entities (no.)	n.a.	923
<i>Total (no.)</i>	14 143	15 409
Other qualified accountants (no.)	18 277	22 207
Other employees (no.)	27 580	29 175
<i>Total (no.)</i>	45 857	51 382
<i>Total (no.)</i>	60 000	66 792
Income		
Income from accounting services (\$m)	3 713.4	4 407.2
Income from management consulting and computer consulting services (\$m)	218.3	371.1
Other income (\$m)	154.7	160.8
<i>Total (\$m)</i>	4 086.4	4 939.1
Expenses		
Labour costs (\$m)	1 690.0	2 255.5
Rent, leasing and hiring expenses (\$m)	358.9	390.4
Other expenses (\$m)	1 209.0	1 375.2
<i>Total (\$m)</i>	3 257.9	4 021.1
Operating profit before tax (\$m)	828.6	954.6
Operating profit margin (%)	20.5	19.4
Industry gross product (\$m)	2 828.7	3 592.4

(a) Counts of practices are not directly comparable between 1992-93 and 1995-96. Refer to paragraph 3 of the Explanatory Notes.

ACCOUNTING SERVICES Income and expenditure

SOURCES OF INCOME

During 1995-96, the accounting services industry generated \$4,939.1 million in total income, representing an average total income per practice of \$588,800.

Income from accounting services contributed 89% (\$4,407.2 million) of total income, a small decrease from 91% in 1992-93. On the other hand, the contribution to total income from the provision of management consulting and computer consulting services increased by 2 percentage points to 7.5% over the same period.

Income from accounting services came from six main sources. However, three of these sources accounted for over three quarters of total income: taxation services (32%), general business and personal accounting services (27%), and auditing services (18%). Similar proportions were recorded in 1992-93. However for insolvency, reconstruction services the proportion of total income has declined from 7% in 1992-93 to 5% in 1995-96.

More accounting practices (91%) derived income from taxation services than from any other source. For those practices generating income from this source average income per practice was \$206,900.

12 Accounting services, sources of income

Sources of income	Practices at	Contribution	
	end June	Value	to total value
	no.	\$m	%
Sales of goods and services			
Income from accounting services			
Auditing	4 648	895.9	18.1
General business and personal accounting	7 397	1 311.6	26.6
Insolvency, reconstruction	529	236.3	4.8
Investment financial planning advice	1 965	167.1	3.4
Taxation	7 612	1 574.6	31.9
Other accounting services	2 213	221.7	4.5
Total	8 389	4 407.2	89.2
Gross disbursements recoveries	2 628	60.0	1.2
Income from management consulting and computer consulting services	1 496	371.1	7.5
Rent, leasing and hiring income	894	32.0	0.6
Other operating income	1 174	46.0	0.9
Total	8 389	4 916.2	99.5
Interest income	2 711	12.6	0.3
Other non-operating income	1 394	10.3	0.2
Total	8 389	4 939.1	100.0

ACCOUNTING SERVICES Income and expenditure *continued*

TYPE OF CLIENT

During 1995-96, businesses in the accounting services industry derived their income from accounting services (\$4,407.2 million) from a variety of clients.

Of the seven client groups identified, accounting practices derived most of their accounting income from companies which were the source of 43% of accounting income, followed by sole proprietorships, partnerships and trusts, which were the source of 34% of accounting income. Government departments (including local government) accounted for only 5% of accounting services income.

13 Accounting services, income by type of client

Type of client	Practices at end	Contribution to	
	June	Value	total value
	no.	\$m	%
Sole proprietors, partnerships and trusts	7 807	1 492.7	33.9
Individuals and non-profit organisations	6 580	595.3	13.5
Financial institutions	308	208.5	4.7
Other companies	7 661	1 905.3	43.2
Commonwealth government departments	*110	73.4	1.7
State government departments	223	91.4	2.1
Local government	130	40.8	0.9
Total	8 389	4 407.2	100.0

ACCOUNTING SERVICES Income and expenditure *continued*

LABOUR COSTS

During 1995-96, the accounting services industry incurred \$4,021.1 million in total expenses. The average total expenses per practice were \$479,300. Labour costs contributed the largest proportion of total expenses (56%) which was up from the 52% recorded in 1992-93.

In addition to labour costs, payments to subcontractors and consultants for accounting services (\$76.6 million) accounted for an additional 2% of total expenses.

OTHER EXPENSES

All other single expense items contributed less than 10% each. Rent, leasing and hiring expenses (\$390.4 million) was the second largest single item of expense incurred by accounting practices, representing nearly 10% of total expenses, which was down marginally on the proportion (11%) recorded in 1992-93. Interest expenses were 4% (\$143.7 million) of total expenses.

14 Accounting services, items of expenditure

Type of expense	Contribution to	
	Value	total value
	\$m	%
Labour costs		
Wages and salaries	2 059.7	51.2
Employer contributions to superannuation funds	188.1	4.7
Workers' compensation	7.7	0.2
<i>Total</i>	2 255.5	56.1
Selected expenses		
Payments to subcontractors and consultants for accounting services	76.6	1.9
Rent, leasing and hiring expenses	390.4	9.7
Travelling, accommodation and entertainment expenses	69.1	1.7
Telecommunication services	67.3	1.7
Payments for staff training services	37.5	0.9
Professional library expenses	35.8	0.9
Other selected expenses	683.9	17.0
<i>Total</i>	1 360.5	33.8
Other costs		
Depreciation and amortisation	107.7	2.7
Interest expenses	143.7	3.6
Residual costs	153.8	3.8
<i>Total</i>	405.1	10.1
Total	4 021.1	100.0

ACCOUNTING SERVICES Employment

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INTRODUCTION

In this publication an accounting practice is defined as the aggregation of the accounting firm and its service entity if that service entity provided resources to a single accounting firm only. To avoid double counting, where principals of service entities were also principals of the accounting firm, they were counted once as principals of accounting firms. As a consequence, the counts of principals of service entities are understated in this publication. Paragraphs 4, 5 and 6 of the Explanatory Notes contain more detailed definitions of accounting firms and service entities.

The numbers of principals of service entities only were not separately collected in the 1992-93 survey, but were included as part of working principals and partners.

At the end of June 1996, there were 66,792 persons working in the accounting services industry. The majority (83%) of employment was on a full-time basis, although only 74% of other employees (i.e. support staff), worked full-time. Females accounted for most (79%) of the part-time employment.

The employment of 66,792 persons at June 1996 represented an increase of 11% in the three years since June 1993. The number of working principals increased 9% in the three-year period. However, the most significant (22%) increase in the period was in the number of accountants working as employees (i.e. not as principals of the practice). In contrast, the number of other employees (i.e. support staff) increased only 6% over the same period.

GENDER

Females accounted for 51% of employment in the industry, primarily employed as support staff.

The proportions of female employment varied significantly by the type of employment. Whereas they accounted for 76% of support staff, females accounted for only 17% of working principals (either as principal of the accounting firm or the service entity) and 41% of accountants working as employees. However, both these proportions were significant increases on those recorded in 1992-93 when only 10% of working principals and 34% of accountants working as employees were female. It is not possible to identify if the increase in working principals reflects an increase in the number of females as principals of legal firms or as principals of service entities.

QUALIFIED PERSONS

Assuming that working principals (other than principals of service entities) are qualified accountants, it is estimated that there were 36,694 qualified persons, i.e. 55% of employment, in the industry at June 1996. For each qualified accountant there were 0.8 other employed persons.

ACCOUNTING SERVICES Employment *continued*

15 Accounting services, type of employment

Type of employment	FULL-TIME.....			PART-TIME.....			TOTAL.....		
	Males	Females	Persons	Males	Females	Persons	Males	Females	Persons
END JUNE 1996									
	no.	no.	no.	no.	no.	no.	no.	no.	no.
Principals									
Working principals and partners of unincorporated practices	7 129	635	7 764	454	419	873	7 582	1 054	8 636
Principals of incorporated practices	4 605	638	5 243	*236	371	607	4 842	1 009	5 851
Principals of service entities(a)	*317	379	695	**35	*192	*227	*352	571	923
<i>Total</i>	12 051	1 651	13 702	725	983	1 707	12 776	2 633	15 409
Other employees									
Other qualified accountants	12 301	7 999	20 299	755	1 153	1 908	13 056	9 152	22 207
Other employees	6 071	15 401	21 471	904	6 799	7 704	6 975	22 200	29 175
<i>Total</i>	18 372	23 399	41 771	1 659	7 952	9 611	20 031	31 351	51 382
Total	30 423	25 050	55 473	2 384	8 935	11 319	32 807	33 985	66 792
	%	%	%	%	%	%	%	%	%
Proportion of total	45.5	37.5	83.0	3.6	13.4	16.9	49.1	50.9	100.0
END JUNE 1993									
	no.	no.	no.	no.	no.	no.	no.	no.	no.
Principals									
Working principals and partners of unincorporated practices(b)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Principals of incorporated practices	2 908	359	3 267	130	197	327	3 038	556	3 594
Principals of service entities(b)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Total</i>	12 087	916	13 003	652	487	1 140	12 739	1 404	14 143
Other employees									
Other qualified accountants	11 442	5 456	16 898	680	699	1 379	12 122	6 156	18 277
Other employees	5 289	14 993	20 282	1 011	6 287	7 298	6 300	21 280	27 580
<i>Total</i>	16 731	20 449	37 180	1 690	6 986	8 677	18 422	27 435	45 857
Total employment	28 818	21 365	50 183	2 343	7 474	9 817	31 161	28 839	60 000
	%	%	%	%	%	%	%	%	%
Proportion of total	48.0	35.6	83.6	3.9	12.5	16.4	51.9	48.1	100.0

(a) Excludes principals who are also principals of legal firms.

(b) Not separately collected in 1992-93.

ACCOUNTING SERVICES Practice size

LARGE PRACTICES

In terms of number of practices, the accounting services industry was dominated (95%) by practices with employment of fewer than 20 persons. These practices, however, contributed significantly smaller proportions to total employment (56%) and total income (42%).

The largest contribution to total income and operating profit before tax was made by the 18 practices with employment of 100 or more persons. Although these practices accounted for less than 1% of practices, their contributions to total income (39%) and operating profit before tax (33%) were more significant.

OPERATING PROFIT MARGIN

Using operating profit margin as the measure, the profitability of the accounting services industry varied significantly between practice size. Practices with employment of 5-9 persons (25% of all practices) reported the highest operating profit margin of 24.1%. This reflected the high incidence (as a proportion of employment) of working proprietors and partners who do not employ any other qualified staff. This results in lower labour costs (as working proprietors and partners do not draw a salary) and a consequently higher apparent operating profit margin. By way of comparison, practices with employment of 100 or more persons reported the lowest operating profit margin (16.4%). The industry average operating profit margin was 19.4%.

EMPLOYMENT RATIOS

Income per person employed increased as the practice size increased. Practices with employment of 100 or more persons reported the highest income per person employed (\$111,300), while practices in the smallest employment grouping of 0-4 persons reported the lowest (\$46,300). The industry average income per person was \$73,900.

16 Accounting services, practice size

Employment size	Practices	Principals	Other	Total	Total	Operating	Operating
	at end June	and partners	employees	employment	income	profit before tax	profit margin
	no.	no.	no.	no.	\$m	\$m	%
0-4 persons	5 005	6 281	5 744	12 025	556.9	120.4	21.8
5-9 persons	2 087	3 687	9 990	13 676	811.4	194.5	24.1
10-19 persons	899	2 180	9 480	11 660	714.3	134.1	18.8
Total	7 991	12 148	25 214	37 362	2 082.6	449.1	21.7
20-49 persons	342	1 531	8 169	9 700	734.3	157.7	21.6
50-99 persons	38	336	2 159	2 495	203.4	34.7	17.1
100 or more persons	18	1 394	15 841	17 235	1 918.9	313.1	16.4
Total	398	3 261	26 168	29 430	2 856.5	505.5	17.8
Total	8 389	15 409	51 382	66 792	4 939.1	954.6	19.4

ACCOUNTING SERVICES State and Territory comparisons

INTRODUCTION

In the 1995-96 survey of the accounting services industry, the only data collected by State and Territory were total income, wages and salaries, and total employment at the end of June 1996. These were the only data items for which multi-State and Territory accounting practices were able to supply accurate State and Territory data.

STATE COMPARISONS

Practices in the accounting services industry were concentrated in New South Wales (37%) and Victoria (29%). These 5,477 practices accounted for 65% of total employment and 69% of total income in this industry. The relative contributions by all States and Territories (in terms of number of practices, employment and total income) have not changed significantly since 1992-93. The continuing predominance of accounting practices in New South Wales and Victoria reflects the concentration of commercial and financial businesses in these two States.

AVERAGE INCOME

The Australian average income per practice was \$588,800. However, accounting practices varied significantly between States and Territories. Average income per practice was highest in New South Wales (10% above the Australian average) and lowest in the Australian Capital Territory (21% below the Australian average). As with average income per practice, New South Wales reported the highest average total income per person employed (\$78,300). Victoria (\$78,100) was the only other State or Territory with total income per person employed above the Australian average of \$73,900. The effect these two States had on the Australian average is indicative of their significant contribution to the accounting services industry.

PRACTICE SIZE

Total employment per practice in each State varied little from the Australian average of 8 persons, with the exception of Tasmania which had a total employment per practice of 10 persons.

17 Accounting services, State and Territory comparisons

	Practices at end June (a)		Employment at end June.....		Wages and salaries.		Total income.....	
	no.	no.	%	\$m	%	\$m	%	
NSW	3 071	25 483	38.2	840.5	40.8	1 995.2	40.4	
Vic.	2 406	18 163	27.2	572.9	27.8	1 418.2	28.7	
Qld	1 291	10 813	16.2	291.4	14.1	693.2	14.0	
SA	584	4 253	6.4	113.9	5.5	281.7	5.7	
WA	807	5 634	8.4	162.4	7.9	387.5	7.8	
Tas.	109	1 131	1.7	33.5	1.6	70.0	1.4	
NT	52	406	0.6	12.4	0.6	29.0	0.6	
ACT	139	908	1.4	32.8	1.6	64.4	1.3	
Aust.	8 389	66 792	100.0	2 059.7	100.0	4 939.1	100.0	

(a) Multi-State and Territory practices are counted in each State and Territory in which they operate. Hence, the counts of practices for States and Territories do not sum to the total for Australia.

ACCOUNTING SERVICES Operating profit/loss before tax

PRACTICES MAKING A PROFIT

For the 1995-96 financial year, 87% of practices in the accounting services industry either made an operating profit before tax or broke even. Of the 7,308 practices making a profit or breaking even, most fell in the \$20,000 to \$99,999 range.

A relatively small proportion of accounting practices (2%) made a profit greater than \$500,000.

PRACTICES MAKING A LOSS

There were 1,081 accounting practices (13%) which reported an operating loss during 1995-96. These losses were generally small, most less than \$20,000.

Overall the accounting services industry reported an operating profit before tax of \$954.6 million.

18 Accounting services, operating profit/loss before tax

	<i>Practices at end June</i>	<i>Proportion of total businesses</i>
	no.	%
Practices reporting a profit		
\$1 000 000 and greater	55	0.7
\$500 000-\$999 999	142	1.7
\$100 000-\$499 999	1 397	16.7
\$20 000-\$99 999	3 209	38.3
\$5 000-\$19 999	1 665	19.8
\$0-\$4 999	839	10.0
<i>Total</i>	<i>7 308</i>	<i>87.1</i>
Practices reporting losses		
\$1-\$4 999	491	5.9
\$5 000-\$19 999	351	4.2
\$20 000-\$99 999	*202	2.4
\$100 000 and greater	*37	0.4
<i>Total</i>	<i>1 081</i>	<i>12.9</i>

ACCOUNTING SERVICES Performance ratios

TOTAL INCOME PER PERSON EMPLOYED

Total income per person employed increased with practice size. Accounting practices with employment of 0-19 persons reported the lowest total income per person employed (\$55,700), while practices with employment of 100 or more persons reported the highest (\$111,300).

LABOUR COSTS PER EMPLOYEE

As with total income, labour costs per employee increased with practice size. The largest practices (i.e. those employing 100 or more persons) reported the highest labour costs per employee (\$56,100) and the smallest practices the lowest (\$29,600). This in part reflects the different employment mix of the practices. Whereas smaller practices employ only support staff, the larger practices employ qualified accounting staff as well as support staff, resulting in a higher average labour cost.

OPERATING PROFIT BEFORE TAX

Using operating profit before tax per person employed as the measure, the largest practices (i.e. those employing 100 or more persons) were significantly more profitable (\$18,200) than those practices employing 0-19 persons (\$12,000). This difference is even greater when using operating profit before tax per principal as the measure. The largest practices reported an operating profit before tax of \$224,600 per principal, in sharp contrast with the \$37,000 per principal for practices with employment of 0-19 persons.

OPERATING PROFIT MARGIN

The operating profit margin for the accounting services industry was 19.4% although this margin varied between practice sizes. Practices employing 100 or more persons reported the lowest operating profit margin (16.4%), 3.0 percentage points below the industry average. Practices employing 0-19 persons reported the highest operating profit margin (21.7%), 2.3 percentage points above the industry average.

INCOME RATIOS

During 1995-96, 89% of total income was derived from accounting services. The larger the practice size, the greater the proportion of income derived from non-accounting sources. For example, practices with 0-19 persons derived 95% of their total income from accounting services, while practices with 100 or more persons derived only 82%.

Practices with 100 or more persons derived the largest proportion of their accounting income from auditing (43%) while practices employing 0-19 persons derived the largest proportions of their income from taxation services (48%) and general practice and personal accounting (39%).

The average income from accounting services per professional staff employed was \$120,100. Practices with 100 or more persons had an average income from accounting services per professional staff of \$166,600 (39% above the average). In contrast, practices with 0-19 persons employed averaged \$96,200 (20% below the average).

ACCOUNTING SERVICES Performance ratios *continued*

19 Accounting services, performance ratios

	0-19 persons	20-49 persons	50-99 persons	100 or more persons	All practices
Employment ratios					
Total income per person employed (\$'000)	55.7	75.7	81.5	111.3	73.9
Labour costs per employee(\$'000)	29.6	38.5	41.9	56.1	38.8
Professional staff to support staff (no.)	1.2	1.1	2.0	1.2	1.2
Profit ratios					
Operating profit margin (%)	21.7	21.6	17.1	16.4	19.4
Operating profit before tax per person employed (\$'000)	12.0	16.3	13.9	18.2	14.3
Operating profit before tax per principal (\$'000)	37.0	103.0	103.4	224.6	61.9
Income ratios					
Accounting services to total income (%)	94.9	91.9	90.4	82.0	89.2
Auditing services to accounting services income (%)	6.1	9.4	19.0	43.1	20.3
General practice and personal accounting to accounting services income (%)	39.0	34.3	31.9	16.0	29.8
Taxation to accounting services income (%)	47.8	40.8	27.7	19.4	35.7
Accounting services per professional staff (\$'000)	96.2	133.4	111.3	166.6	120.1

EXPLANATORY NOTES

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SURVEY SCOPE, COVERAGE AND METHODOLOGY

- 1** This publication contains results from a survey of the legal and accounting services industries for the reference year 1995–96. This is the third time the ABS has surveyed these industries. Previous statistics were released for 1987–88 and 1992–93.
- 2** The survey included businesses classified to Group 784 of the 1993 edition of the ANZSIC. This Group comprises two Classes: 7841 Legal Services, which includes all businesses mainly engaged in providing legal services; and 7842 Accounting Services, which includes all businesses mainly engaged in providing accounting, bookkeeping and auditing services.

COMPARABILITY WITH 1992–93 SURVEY

- 3** In general, the scope, industry definitions and survey methodologies of the 1992–93 and 1995–96 surveys were the same and hence most data from the two surveys can be compared. The exception to this is the counts of accounting practices where the two surveys used different sources in identifying the population of accounting practices. As a result it is now considered that the 1992–93 survey probably overstated the number of small accounting practices though the impact on the other estimates is small.

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 (e.g. a solicitor, barrister or accountant practising as a sole practitioner, solicitors or accountants practising in partnership). Other practices are conducted via more than one entity (e.g. a partnership and a service entity – such as an administration or service company or trust (see Glossary)).
- 5** For the purposes of this survey, where a practice was conducted via a legal or accounting firm and a service entity, these entities were consolidated and treated as one practice if the service entity provided resources to a single legal or accounting firm only. Where a service entity provided services to more than one legal or accounting firm, the service entity has been excluded from the data in this publication.
- 6** In addition to service entities, the legal or accounting practice also includes the consolidation of data from any other entities forming part of the practice. These entities were primarily auditors and investment companies.

RELIABILITY OF ESTIMATES

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

SAMPLING ERRORS

- 8** 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.

EXPLANATORY NOTES *continued*

SAMPLING ERRORS *continued*

9 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 a census had been conducted, and approximately 19 chances in 20 that the difference will be less than two standard errors.

10 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 this avoids the need to refer also to the size of the estimate.

11 The table below contains estimates of RSEs for a selection of statistics presented in this publication.

Relative standard errors, key figures

Data item	Legal services	Accounting services
	%	%
Practices at end June 1996		
Solicitors	2	..
Barristers	2	..
Other	18	..
<i>Total</i>	2	3
Employment at end June 1996		
Working principals and partners	2	3
Principals of service entities	17	19
<i>Total</i>	2	3
Other qualified employees	3	4
Other employees	2	5
<i>Total</i>	2	4
<i>Total</i>	2	3
Income		
Income from legal services	2	..
Income from accounting services	..	3
Income from management services	..	2
Other income	4	9
<i>Total</i>	2	3
Expenses		
Labour costs	2	4
Rent, leasing and hiring expenses	2	4
Other expenses	2	3
<i>Total</i>	2	3
Operating profit before tax	3	4
Operating profit margin	2	3
Industry gross product	2	3

12 As an example of the above, the estimate of total employment for the legal services industry is 67,494 and the RSE is 2% giving a standard error of 1,350. Therefore, there would be two chances in three that, if all units had been included in the survey, a figure within the range of 66,144 to 68,844 would have been obtained, and 19 chances in 20 that the figure would have been within the range of 64,794 to 70,194 (a confidence interval of 95%).

EXPLANATORY NOTES *continued*

SAMPLING ERRORS *continued*

13 Where the RSE of an estimate included in this publication exceeds 25%, it has been annotated with an asterisk (*) as a warning to users. Where the RSE of an estimate exceeds 50%, it has been annotated with a double asterisk (**).

NON-SAMPLING ERROR

14 Errors other than those due to sampling 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, and efficient operating procedures and systems used to compile the statistics.

REFERENCE PERIOD

15 Data contained in the tables of this publication relate to all practices which operated in Australia at any time during the year ended 30 June 1996. Counts of practices include only those practices that were operating at 30 June 1996.

BUSINESSES CEASED DURING THE YEAR

16 A very small number of practices ceased operations during the 1995-96 reference period. It is normal ABS procedure to include the contributions of these practices in the survey output.

GLOSSARY

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Depreciation and amortisation	These are the financial charges made to the accounts to reflect that part of the value of the asset which may be regarded as having been used up in producing revenue in a particular accounting period.
Employer contributions to superannuation funds	These are the contributions by the employer to superannuation funds, including the employer productivity contribution.
Employment at end June	This item includes full-time and part-time employees, employees absent on paid or prepaid leave, managerial and executive employees, permanent, temporary and casual employees, consultants who are employees (i.e. for whom PAYE tax is deducted), working principals and partners and working directors of incorporated companies and trusts. The item excludes non-salaried directors, sub-consultants and subcontractors for whom PAYE is not deducted.
Full-time employees	Full-time employees are those who work 35 hours or more per week.
Gross disbursement recoveries	This item is the recoupment of the costs of providing services to the client which are not regarded as part of the professional service provided, (e.g. telephone, facsimile and photocopying services), and which are added to the client's bill.
Income from accounting services	This item includes income derived from auditing, general practice and personal accounting, insolvency and reconstruction, investment financial planning advice and taxation work.
Income from legal services	This item includes income derived from conveyancing and other property work, wills, probate and estate activities, family, criminal and environmental law services, industrial relations, legal services in connection with personal injury, and commercial, financial and business services.
Income from management consulting and computer consulting services	This covers a wide range of activities involving the provision of advice to businesses to facilitate more effective operations.
Industry gross product	This is a measure of the unduplicated gross product of businesses derived from the value of sales of goods and services minus selected expenses.
Labour costs	These include wages and salaries, provision expenses for employee entitlements, employer contributions to superannuation and workers' compensation costs.
Operating profit before tax	This is 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.
Operating profit margin	This is the percentage of sales of goods and services available as operating profit, i.e. Operating profit before tax times 100 divided by sales of goods and services.
Other non-operating income	This includes net profit (loss) on sale of fixed tangible assets, dividend income, and net profit (loss) on share trading and on foreign loans as a result of variations in foreign exchange rates/transactions. The item excludes extraordinary profit (loss), i.e. not associated with the normal operations of this practice and of a non-recurring nature.

GLOSSARY *continued*

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Other operating income	This item includes royalties income and other operating income not included elsewhere. For the legal industry, this item also includes rent, leasing and hiring income.
Other selected expenses	This includes items such as management fees/charges paid to related and unrelated practices, freight and cartage expenses, paper printing and stationery expenses, fringe benefits tax, payroll tax, electricity, gas and water charges, repair and maintenance expenses, advertising expenses, payments for cleaning services, and other operating expenses not included elsewhere.
Part-time employees	Part-time employees are those who work less than 35 hours per week.
Practice	A practice is the legal or accounting firm and, where applicable, the service entity that supports it (where a service entity existed). Any internal payments between entities comprising a practice were excluded.
Practices at end June	This is a count of practices (i.e. the consolidation of the legal/accounting firm and its service entity) operating at the end of June.
Professional staff	This item includes working principals and partners of unincorporated firms; principals of incorporated firms; and other employees who are qualified (as barristers and/or solicitors for legal services; as accountants for accounting services).
Rent, leasing and hiring expenses	This item includes expenses incurred from the rental of land, buildings and other structures, motor vehicles and equipment used by the practice.
Rent, leasing and hiring income	This is revenue derived from the ownership of land, buildings, vehicles, machinery or equipment rented out for use by those other than the owners.
Residual costs	This item includes professional indemnity insurance expenses, other insurance expenses and bad debts.
Sales of goods and services	This includes income from legal services, income from accounting services, gross disbursement recoveries, income from management consulting and computer consulting services, income from rent, leasing and hiring, and other operating income.
Selected expenses	In addition to the items listed above as 'other selected expenses' this item includes items such as payments to contractors and consultants for accounting services; rent, leasing and hiring expenses; motor vehicle running expenses; telecommunication expenses; professional library expenses; and postal, mailing and courier services. For the legal industry, the selected expenses data item also includes barristers' chambers fees, barristers' clerks fees, audit and accounting expenses. For the accounting industry, selected expenses also includes payments for staff training services, and travelling, accommodation and entertainment expenses.
Service entity	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. Service entities that serviced more than one practice were not included in the survey.
Support staff	These staff are principals of service entities and all other employees who are not classified as professional staff (refer definition above).

GLOSSARY *continued*

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Wages and salaries This item includes severance, termination and redundancy payments, and provision expenses for employee entitlements. It excludes drawings of working principals and partners of unincorporated practices.

Workers' compensation costs These include insurance premiums/levies and non-payroll costs incurred by a practice and not reimbursed by an insurance company.







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