

THE ACCOUNTANCY FOUNDATION
REVIEW BOARD

KEY FACTS
AND TRENDS
IN THE
ACCOUNTANCY
PROFESSION

July 2002

Independent Regulation of the Accountancy Profession

KEY FACTS AND TRENDS IN THE ACCOUNTANCY PROFESSION

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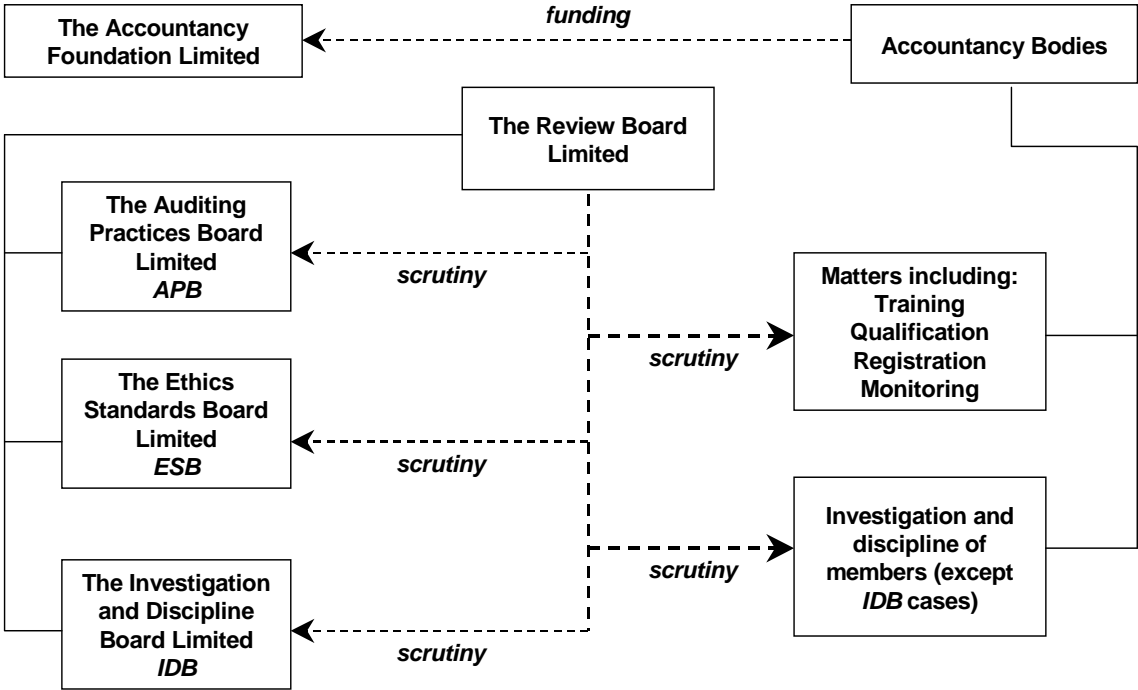
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KEY FACTS AND TRENDS IN THE ACCOUNTANCY PROFESSION

INTRODUCTION

The Review Board is a pivotal part of the new system of non-statutory independent regulation of the accountancy profession. Its remit is to monitor the regulatory functions of the six CCAB¹ accountancy bodies and the operation of the associated bodies of the Accountancy Foundation to ensure they are operating in the public interest. The diagram below illustrates how the new system works:

The new system



¹ The profession in the UK and Republic of Ireland is largely represented by the six members of the Consultative Committee of Accountancy Bodies (CCAB) which comprises:

- The Institute of Chartered Accountants in England and Wales (ICAEW)
- The Institute of Chartered Accountants of Scotland (ICAS)
- The Institute of Chartered Accountants in Ireland (ICAI)
- The Association of Chartered Certified Accountants (ACCA)
- The Chartered Institute of Management Accountants (CIMA)
- The Chartered Institute of Public Finance and Accountancy (CIPFA)

hereafter referred to as “the accountancy bodies”.

The Review Board believes that it would be useful if some key facts² and trends in respect of the accountancy profession were made available to those who are accountants, those who employ accountants and those who purchase the services of accountants. As set out in the Review Board's publication '*Protecting the Public Interest*' (February 2002), its preliminary studies included an analysis of data in respect of members and students of the CCAB bodies.

This document is the result of that analysis and provides information in respect of:

- members of the accountancy profession
- students of the accountancy profession
- the income and staffing of the accountancy bodies
- comparisons between the accountancy bodies
- the functions and turnover of the accountancy firms

It is intended that '*Key Facts and Trends in the Accountancy Profession*' will be an annual publication. In future years it will be published in the autumn to enable the inclusion of data from both the accountancy bodies and accountancy firms on a comparable five year basis.

² Figures in the subsequent tables are based on year end data unless otherwise stated.

MAIN HIGHLIGHTS

THE ACCOUNTANCY BODIES 1996-2001

- The accountancy bodies have almost 307,000 members and 278,000 students worldwide (*Tables 1 & 6, pages 7 & 14*)
- The accountancy bodies have over 237,000 members and over 126,000 students based in the UK and the Republic of Ireland (*Tables 1 & 7, pages 7 & 15*)
- Membership has been growing at an average rate of 4.6% per year worldwide and 3.9% per year in the UK and the Republic of Ireland (*Table 1, page 7*)
- Student numbers have been growing at the rate of 6.4% per year worldwide (*Table 6, page 14*)
- 48% of accountants were employed in industry and commerce in 2000 (growing at the rate of 6.9% per year) compared with 27% in public practice (growing at the rate of 5.5% per year) (*Tables 2 & 3, pages 9 & 10*)
- 24% of members and 48% of students of the accountancy bodies are female (*Tables 5 & 8, pages 11 & 16*)

ACCOUNTANCY FIRMS 1996-2000

- **96% of accountancy firms have annual sales of less than £1 million whilst only 1% have sales in excess of £5 million (*Table 28, page 55*)**
- **The annual average income of the Big Five firms has increased by 16.6% whilst that of the other accountancy firms has increased by 10.7% over the period 1996 to 2000 (*Tables 32 and 33, page 60*)**
- **The annual average growth in income for the Big Five firms from consultancy services (26.2%) and tax and legal services (16.5%) has been substantial over the period 1996 to 2000 (*Table 32, page 60*)**
- **The annual average growth in income from audit and accounting services for the Big Five firms (11.8%) is substantially higher than for the other accountancy firms (3.4%) over the period 1996 to 2000 (*Tables 32 & 33, page 60*)**

**MEMBERS OF THE
ACCOUNTANCY BODIES**

MEMBERSHIP: 1996-2001

Table 1 shows the number of members of the accountancy bodies worldwide (UK/Republic of Ireland and the rest of the world) over the period 1996 to 2001:

Year	UK and Republic of Ireland	Rest of the world	TOTAL
1996	196293	48620	244913
1997	205028	53031	258059
1998	212292	56291	268583
1999	219853	59717	279570
2000	228341	64503	292844
2001	237126	69803	306929
% growth	20.8	43.6	25.3
% annual average growth	3.9	7.5	4.6

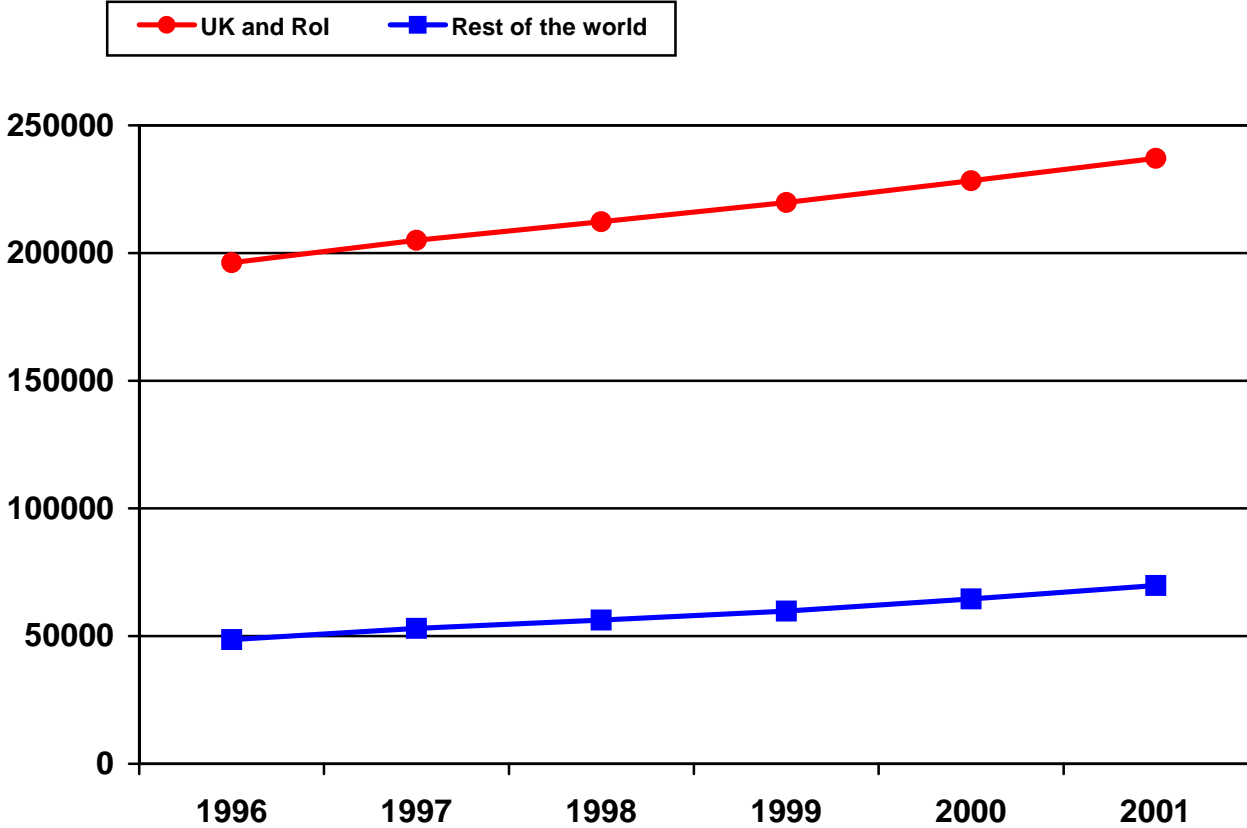
Table 1

Notes:

(1) The location of members is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.

- **There were almost 307,000 members of the accountancy bodies in 2001.**
- **77% (237,126 members) were located in the UK and the Republic of Ireland as opposed to 23% (69,803 members) in the rest of the world.**
- **The number of members worldwide has increased by 4.6% on an annual average basis since 1996.**
- **The number of members in the UK and the Republic of Ireland has increased by 3.9% on an annual average basis since 1996.**

National and international membership



- The number of members in both the UK/Republic of Ireland and the rest of the world has increased each year since 1996.

SECTORAL EMPLOYMENT OF MEMBERS: 1996-2000

Table 2 shows the sectoral employment of members of the accountancy bodies worldwide over the period 1996 to 2000:

Year	Public Practice	Industry and Commerce	Public Sector	Retired	Other	TOTAL
1996	63996	106637	18881	25225	30174	244913
1997	68199	114645	20965	26944	27306	258059
1998	70139	122123	20609	27464	28248	268583
1999	73181	127288	21238	28402	29461	279570
2000	79267	139239	23165	29975	21198	292844
% growth	23.9	30.6	22.7	18.8	-29.7	19.6
% annual average growth	5.5	6.9	5.2	4.4	-6.7	4.6

Table 2

Notes:

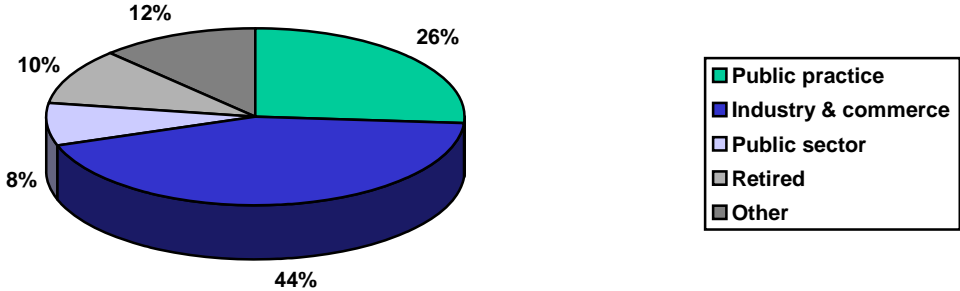
- (1) CIPFA does not presently differentiate between those employed in public practice, industry and commerce and 'other'. The table above assumes that they are classified as 'other'.
 - (2) ICAEW, ICAI and ICAS presently provide combined figures for those employed in industry and commerce and the public sector. The table above assumes that they are classified as 'industry and commerce'.
 - (3) 'Other' includes those members who are unemployed, taking a career break, undertaking full time study or maternal absence and those who are unclassified (i.e. those who have not provided the necessary information to enable classification). The figures for 'other' decline over the period 1996 to 2000 which reflects a reduction in the 'unclassified' component of 'other'.
- **Between 1996 and 2000 the employment of members in industry and commerce showed an annual average increase of 6.9% compared with an increase in those employed by the public sector (5.2%) and public practice (5.5%).**

Table 3 shows the percentage of members in each sector in 2000 compared with 1996:

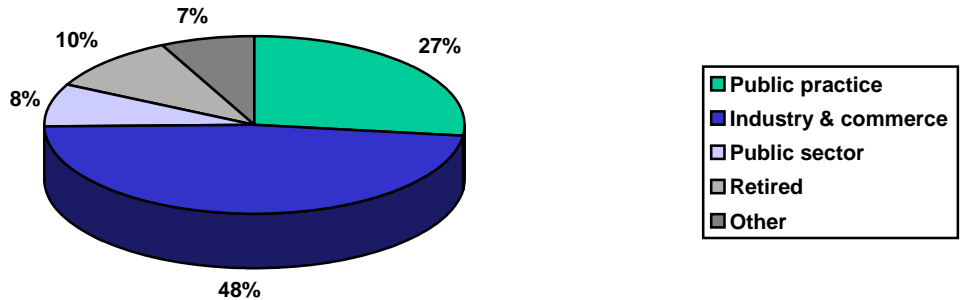
	1996 %	2000 %
Public practice	26	27
Industry and commerce	44	48
Public sector	8	8
Retired	10	10
Other	12	7

Table 3

1996:



2000:



- The number of members in industry and commerce increased from 44% to 48% over the period 1996 to 2000.
- 27% of members were in public practice and 8% in the public sector in 2000.

SECTORAL EMPLOYMENT OF MEMBERS: 2001

Table 4 shows the sectoral employment of members of the accountancy bodies worldwide in 2001:

	Public Practice	Industry and Commerce	Public Sector	Retired	Other	TOTAL
2001	66065	164785	23705	30483	21891	306929

Table 4

Notes:

- (1) The number of members in public practice has declined significantly between 2000 and 2001 with a proportionate increase in the number of members in industry and commerce. This is mainly due to the reclassification of those members employed in management consultancy firms which were previously classified as accountancy firms and are now classified as commercial companies. For this reason, figures for 2001 are not included in Table 3 to avoid artificial distortion of the growth rate.

- **21% of members are currently in public practice, compared with 54% in industry and commerce and 8% in the public sector.**

GENDER OF MEMBERS: 1996-2001

Table 5 shows the percentage of female members of the accountancy bodies worldwide over the period 1996 to 2001:

Year	% females
1996	18
1997	20
1998	21
1999	22
2000	24
2001	24

Table 5

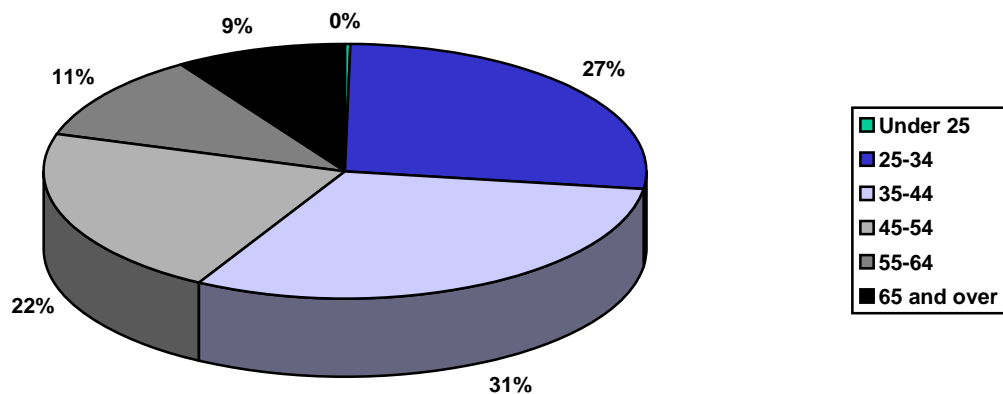
Notes:

- (1) ICAI did not analyse its members by gender before 2000 and is omitted from the table above from 1996 to 1999.

- The percentage of female members of the accountancy bodies has increased from 18% to 24% over the period 1996 to 2001.
- Comparison with solicitors and hospital doctors suggests that the accountancy profession has proportionately less female members³.

AGE OF MEMBERS: 2001

The pie chart below shows the age range of members of the accountancy bodies worldwide in 2001:



- 31% of members of the accountancy bodies are in the age range 35-44 compared with 27% in the age range 25-34, 22% in the age range 45-54 and 11% in the age range 55-64.
- Only 9% of members of the accountancy bodies are in the combined age range of 'under 25' and '65 and over'.
- Comparison with solicitors and hospital doctors suggests that the accountancy profession has an older age profile³.

³ Bill Cole, 'Trends in the Solicitors' Profession: Annual Statistical Report', The Law Society, 2000 and Department of Health, 'Hospital, Public Health Medicine (PHM) and Community Health Service (CHS) Medical and Dental workforce statistics for England', 2001 at <http://www.doh.gov.uk/stats/mdwforce.htm>

**STUDENTS OF THE
ACCOUNTANCY BODIES**

STUDENTS: 1996-2001

Table 6 shows the number of students of the accountancy bodies registered worldwide over the period 1996 to 2001:

Year	Total worldwide
1996	203871
1997	213593
1998	241277
1999	256437
2000	265343
2001	278179
% growth	36.4
% annual average growth	6.4

Table 6

Notes:

- (1) The figures include ACCA affiliates and CIMA passed finalists (i.e. those who have completed their examinations but have not yet been admitted into membership).
 - (2) The figures for ICAEW, ICAS and ICAI refer to the number of students in registered training contracts.
- **278,000 students of the accountancy bodies were registered worldwide in 2001.**
 - **The number of students worldwide has increased by 6.4% on an annual average basis since 1996.**

LOCATION OF STUDENTS: 2001

Table 7 shows the location of students of the accountancy bodies registered worldwide in 2001:

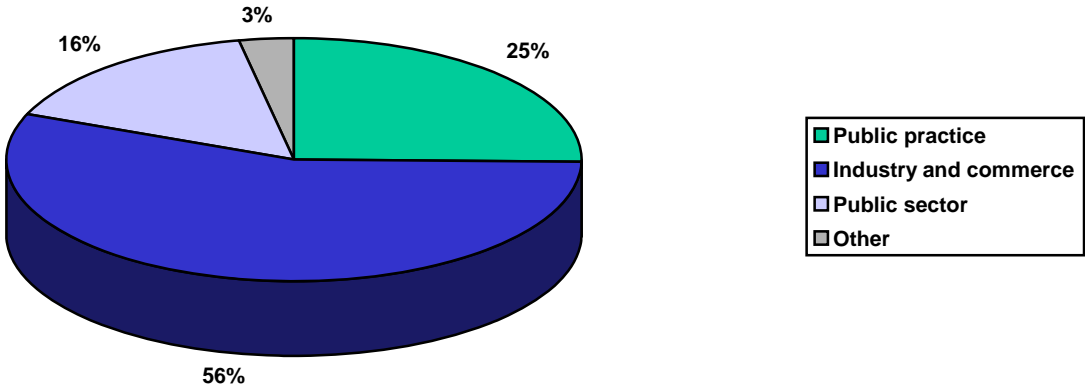
	No.	%
UK & Republic of Ireland	126491	45
Rest of the world	151688	55
TOTAL	278179	100

Table 7

Notes:

- (1) The location of students is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.
- **45% of students (over 126,000) were based in the UK and the Republic of Ireland as opposed to the rest of the world in 2001.**

SECTORAL EMPLOYMENT OF STUDENTS: 2001



Notes:

- (1) CIPFA does not presently differentiate between those in public practice, industry and commerce and 'other'. The table above assumes that they are classified as 'other'.

(2) ICAEW, ICAI and ICAS presently provide combined figures for those in industry and commerce and the public sector. The table above assumes that they are classified as 'industry and commerce'.

(3) 'Other' includes those students not in employment, i.e. studying full time.

- **56% of students were in industry and commerce compared with 25% in public practice and 16% in the public sector in 2001.**

GENDER OF STUDENTS: 2001

Table 8 shows the percentage of female students of the accountancy bodies registered worldwide over the period 1996 to 2001:

Year	% females
1996	43
1997	44
1998	46
1999	47
2000	48
2001	48

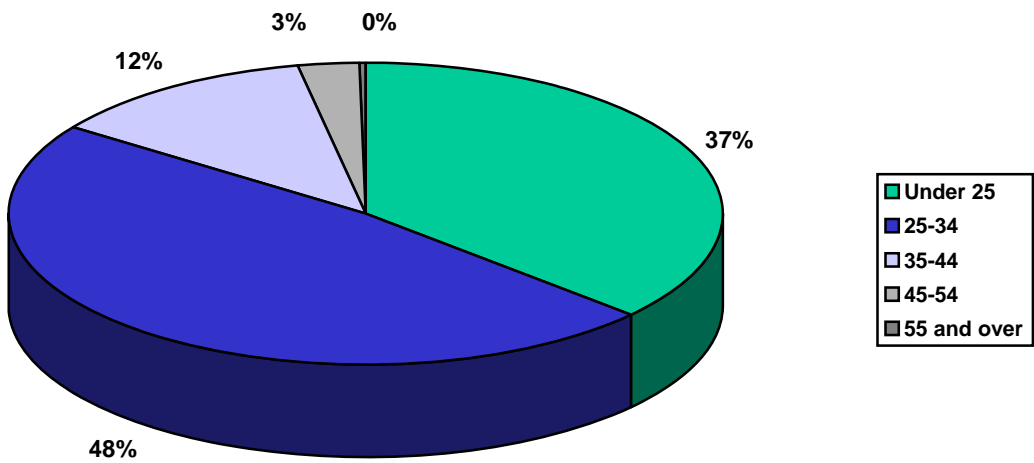
Table 8

Notes:

(1) The figures for ICAI and ICAS students refer to the proportion in the student intake, not the total number of students.

- **The percentage of female students of the accountancy bodies has increased from 43% to 48% over the period 1996 to 2001.**

AGE OF STUDENTS: 2001



Notes:

(1) ICAEW figures are estimated based on the percentage in each age band of responses received, since not all students provided information in respect of their ages.

- **48% of students were aged between 25 and 34 whilst 37% of students were less than 25 years of age in 2001.**

THE ACCOUNTANCY BODIES

Income and Expenditure

Table 9 shows the income of the accountancy bodies over the period 1998 to 2001:

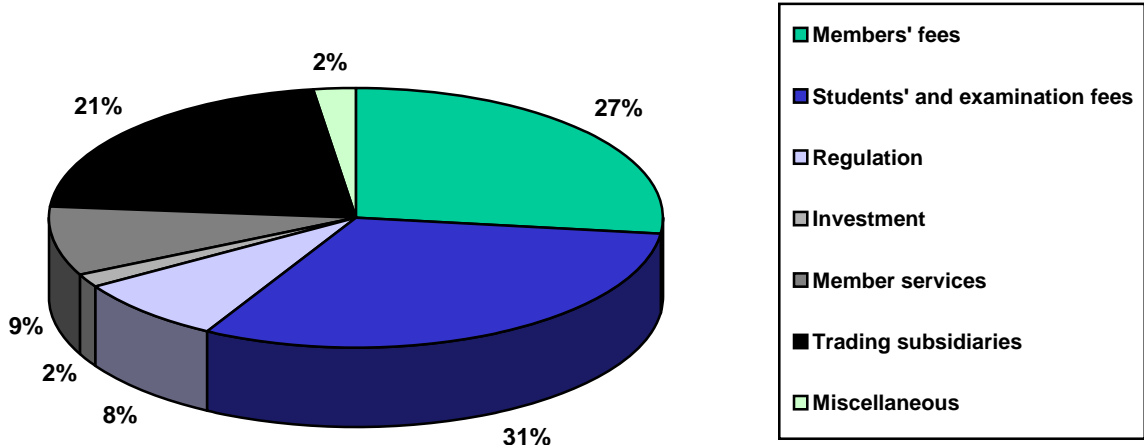
	1998 (£000)	1999 (£000)	2000 (£000)	2001 (£000)
Income	121604	132822	140870	170686

Table 9

These monies are expended on:

- education and training
- member services
- management and governance
- regional and international activities
- publications, courses and conferences
- regulation and discipline
- promotion and development
- policy and technical

The income of the accountancy bodies in 2001 comes from a variety of sources:



- **Members' fees and students' and examination fees accounted for almost 60% of the income of the accountancy bodies in 2001.**
- **Income from regulation, member services and trading subsidiaries accounted for the majority of the remaining income.**

Staffing

Table 10 shows the number of staff employed by the accountancy bodies over the period 1996 to 2001:

Year	Number of staff
1996	1274
1997	1277
1998	1290
1999	1370
2000	1447
2001	1631

Table 10

COMPARISONS BETWEEN THE ACCOUNTANCY BODIES

MEMBERS

Members in the UK and the Republic of Ireland: 1996-2001

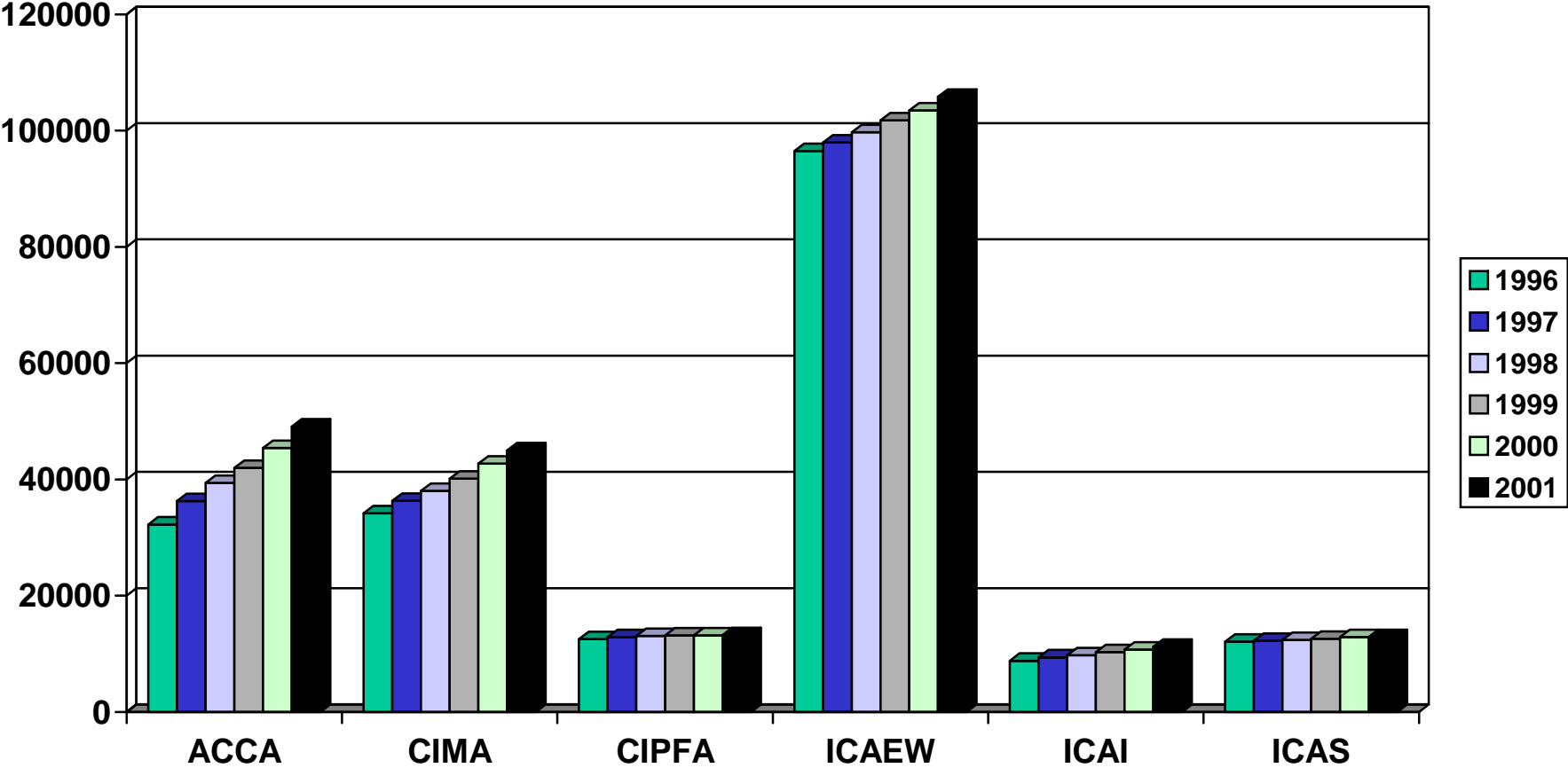
Table 11 shows the number of members of each of the accountancy bodies in the UK and the Republic of Ireland over the period 1996 to 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
1996	32235	34172	12517	96489	8788	12092	196293
1997	36267	36324	12861	97968	9370	12238	205028
1998	39406	38014	13061	99691	9758	12362	212292
1999	41995	40137	13143	101748	10269	12561	219853
2000	45392	42717	13176	103478	10721	12857	228341
2001	49085	44979	13192	105804	11196	12870	237126
% growth	52.3	31.6	5.4	9.7	27.4	6.4	20.8
% annual average growth	8.8	5.6	1.1	1.9	5.0	1.2	3.9

Table 11

- The membership in the UK and the Republic of Ireland of each of the accountancy bodies has increased every year during this period.
- The most rapidly growing accountancy bodies in terms of members in the UK and the Republic of Ireland since 1996 are ACCA (8.8% on an annual average basis), CIMA (5.6%) and ICAI (5.0%).

Members in the UK and the Republic of Ireland



Members worldwide: 1996-2001

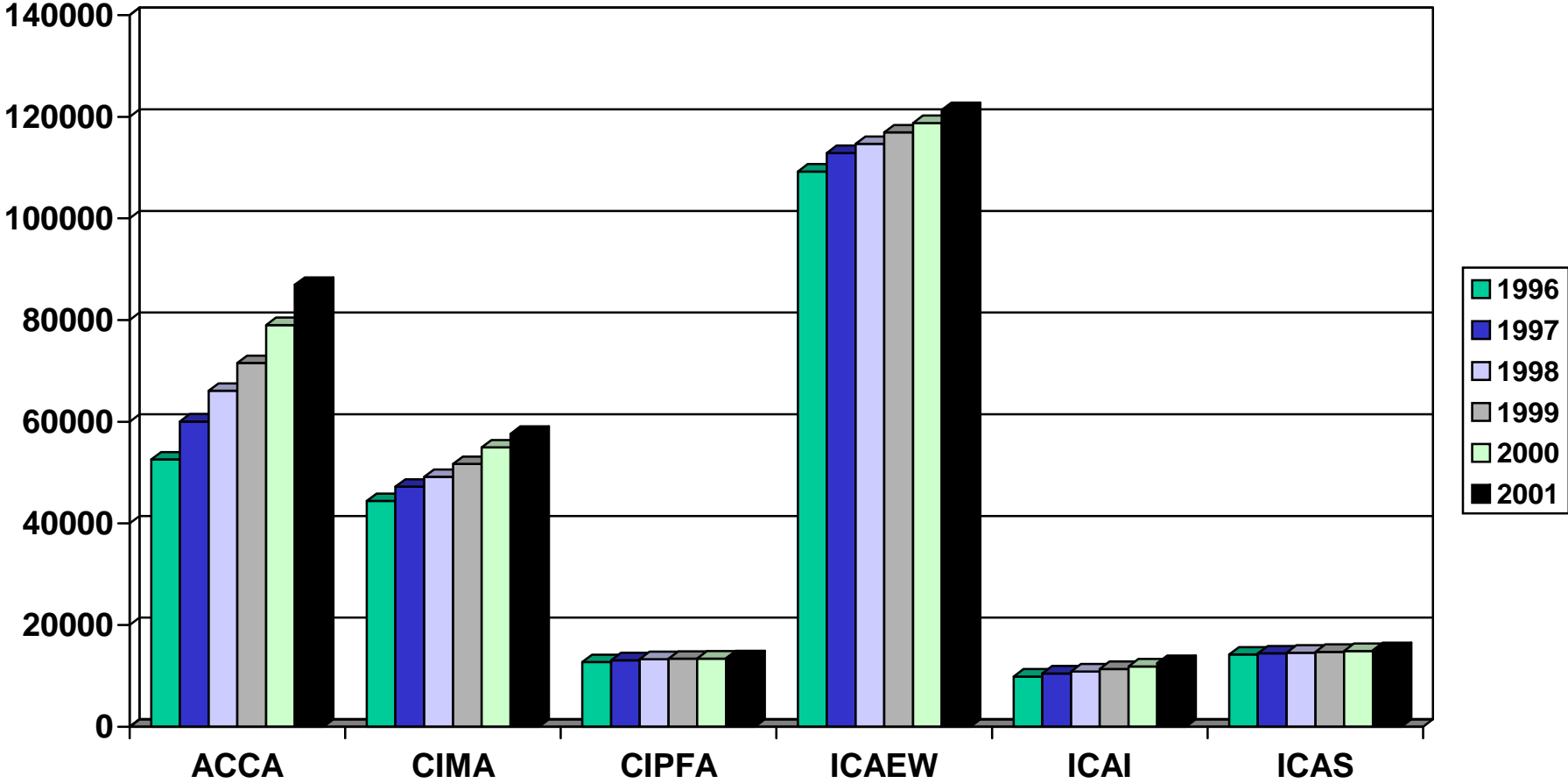
Table 12 shows the number of members of each of the accountancy bodies worldwide (UK, Republic of Ireland and the rest of the world) over the period 1996 to 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
1996	52576	44412	12709	111169	9851	14196	244913
1997	60046	47230	13057	112872	10459	14395	258059
1998	66083	49157	13271	114679	10861	14532	268583
1999	71538	51692	13356	116929	11357	14698	279570
2000	79027	54934	13396	118771	11828	14888	292844
2001	86929	57616	13471	121356	12515	15042	306929
% growth	65.3	29.7	6.0	9.2	27.0	6.0	25.3
% annual average growth	10.6	5.3	1.2	1.8	4.9	1.2	4.6

Table 12

- The membership worldwide of each of the accountancy bodies has increased every year during this period.
- The most rapidly growing accountancy bodies in terms of membership worldwide since 1996 are ACCA (10.6% on an annual average basis), CIMA (5.3%) and ICAI (4.9%).

Members worldwide



Location of members: 2001

Table 13 shows the location (UK, Republic of Ireland and the rest of the world) of members of each of the accountancy bodies for the year 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
UK & Republic of Ireland	49085	44979	13192	105804	11196	12870	237126
Rest of the world	37844	12637	279	15552	1319	2172	69803
TOTAL	86929	57616	13471	121356	12515	15042	306929

Table 13

Notes:

(1) The location of members is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.

- **44% of ACCA's members and 22% of CIMA's members were located outside the UK and the Republic of Ireland in 2001.**
- **The other bodies each had no more than 15% of their members located outside the UK and the Republic of Ireland in 2001.**

Sectoral employment of members: 2001

Table 14 shows the sectoral employment of members of each of the accountancy bodies worldwide in 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
Public practice	24579	1326	-	31897	4103	4160	66065
Industry and commerce	36103	41130	-	72874	7610	7068	164785
Public sector	10719	4309	8677	-	-	-	23705
Retired	4559	7267	2673	12619	582	2783	30483
Other	10969	3584	2121	3966	220	1031	21891
TOTAL	86929	57616	13471	121356	12515	15042	306929

Table 14

Notes:

- (1) CIPFA does not presently differentiate between those employed in public practice, industry and commerce and 'other'. The table above assumes that they are classified as 'other'.
 - (2) ICAEW, ICAI and ICAS presently do not differentiate between those employed in industry and commerce and those employed in the public sector. The table above assumes that they are classified as 'industry and commerce'.
 - (3) 'Other' includes those members who are unemployed, taking a career break, undertaking full time study or maternal absence and those who are unclassified (i.e. those who have not provided the necessary information to enable classification).
- **Very few members of CIMA and CIPFA are employed in public practice reflecting the fact that neither accountancy body has Recognised Qualifying Body⁴ status (i.e. allowed to train their students/members to practise in the reserved areas of audit, insolvency and investment business).**
 - **The percentage of members in public practice varied between 26% and 33% for the other accountancy bodies in 2001.**

⁴ The DTI is currently considering an application by CIPFA for Recognised Qualifying Body status.

Gender of members: 1996-2001

Table 15 shows the percentage of female members of each of the accountancy bodies worldwide over the period 1996 to 2001:

	ACCA %	CIMA %	CIPFA %	ICAEW %	ICAI %	ICAS %
1996	25	15	20	16	-	17
1997	27	17	21	17	-	18
1998	29	18	22	17	-	19
1999	31	19	22	18	-	20
2000	33	21	23	19	23	20
2001	35	22	24	19	25	21

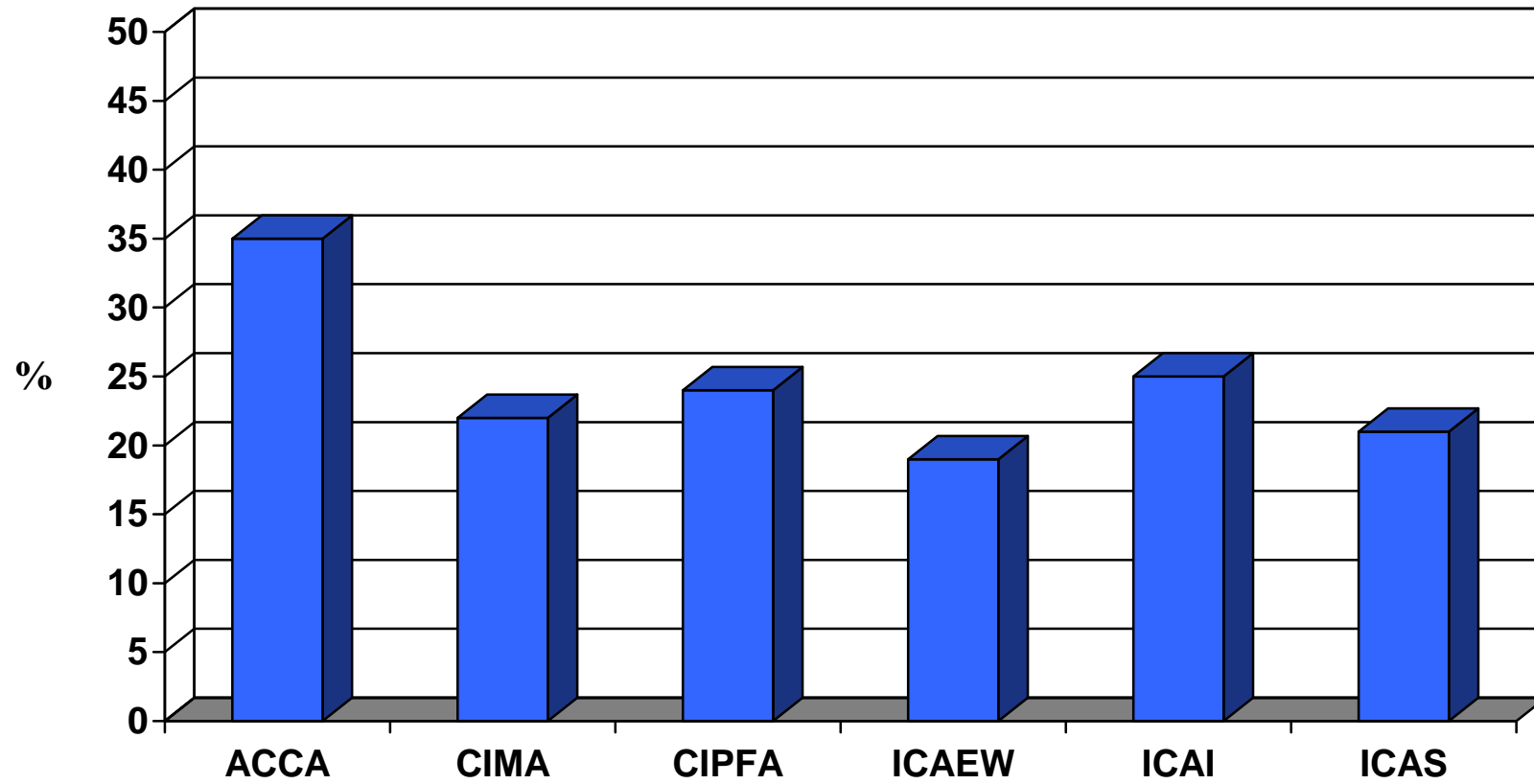
Table 15

Notes:

(1) ICAI did not analyse its members by gender before 2000.

- **The percentage of female members of each of the accountancy bodies varied between 19% and 25% in 2001 with the exception of ACCA where the percentage was 35%.**
- **The percentage of female members of each of the accountancy bodies has increased every year during the period 1996 to 2001.**

Percentage (%) of female members 2001



Age of members: 2001

Table 16 shows the age range of the members of each of the accountancy bodies worldwide for 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
under 25	561	34	2	154	20	66	837
25-34	32709	13105	2130	27379	4268	3547	83138
35-44	28050	19811	3974	34766	4156	3719	94476
45-54	15436	13510	3922	27915	2228	3122	66133
55-64	5601	5938	1981	17177	1024	2251	33972
65 and over	4572	5218	1462	13965	819	2337	28373
TOTAL	86929	57616	13471	121356	12515	15042	306929

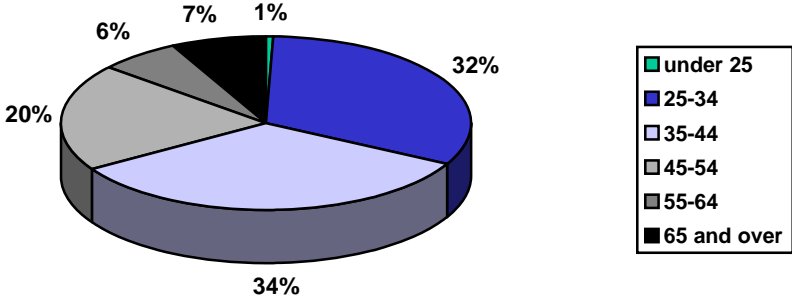
Table 16

Notes:

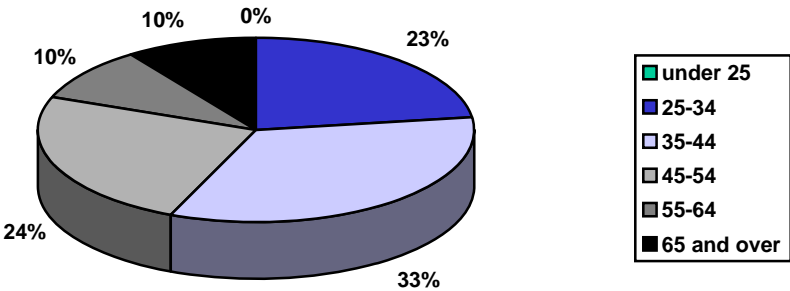
- (1) This data was not collected by ICAEW or ICAI before 2000.
- (2) The age profiles of ACCA and CIMA have decreased due to the substantial growth rates of members admitted in the last 10 years.

The diagrams below analyse the age range of each of the accountancy bodies (excluding ICAEW and ICAI) for 1996:

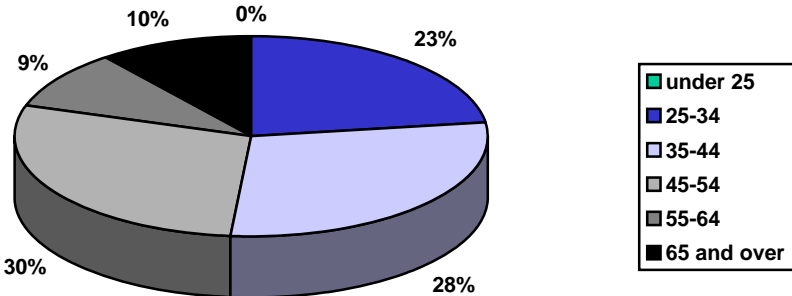
ACCA:



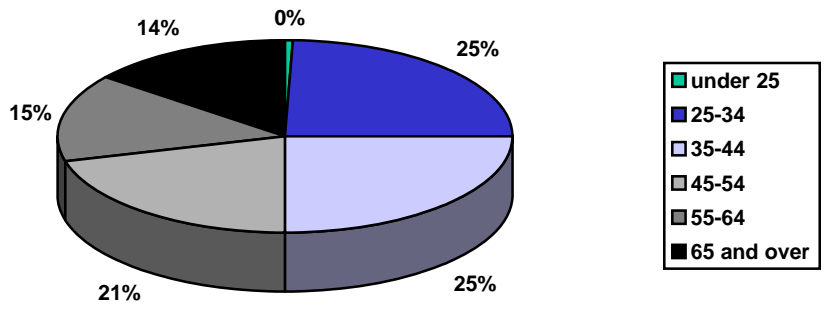
CIMA:



CIPFA:

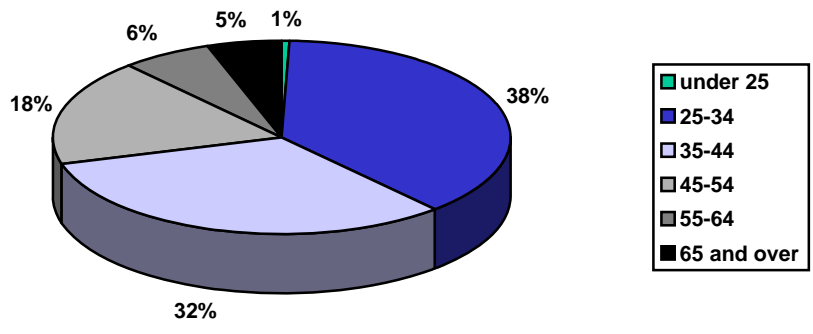


ICAS:

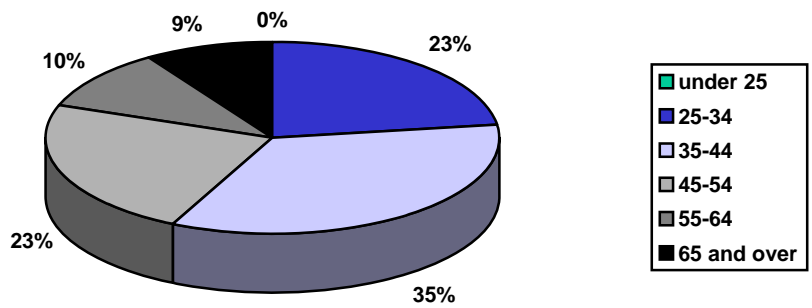


The diagrams below analyse the age range of members of each of the accountancy bodies for the year 2001:

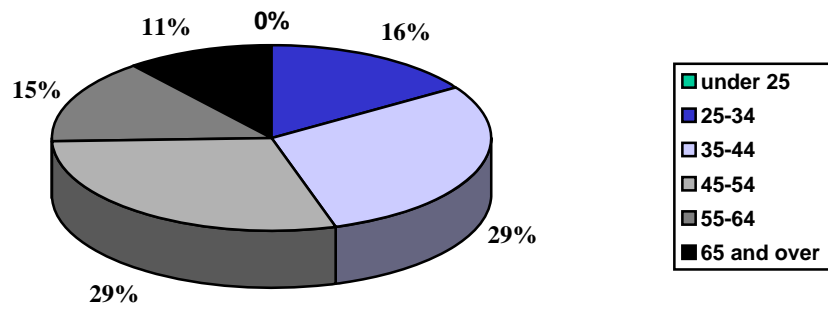
ACCA:



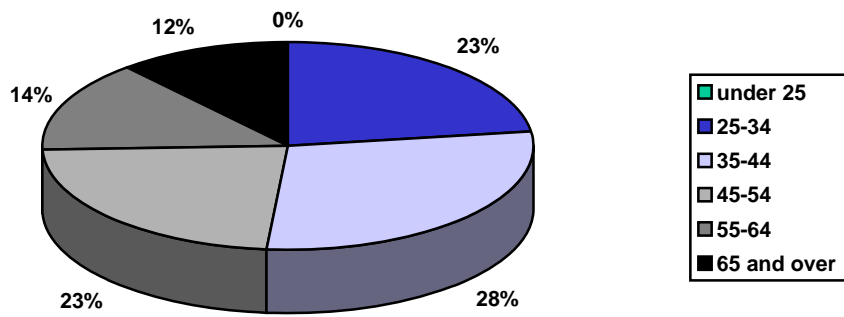
CIMA:



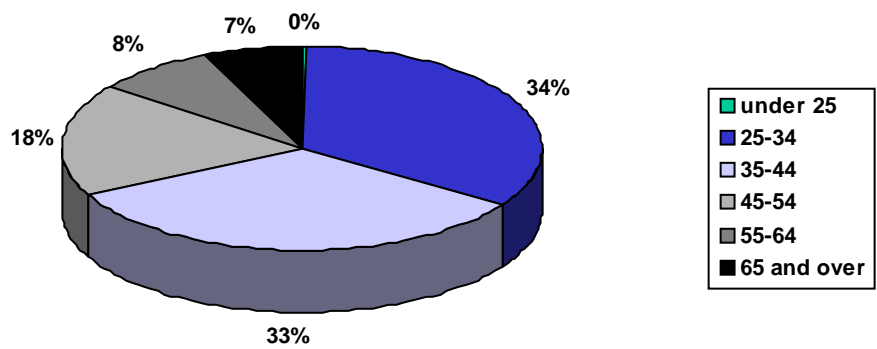
CIPFA:



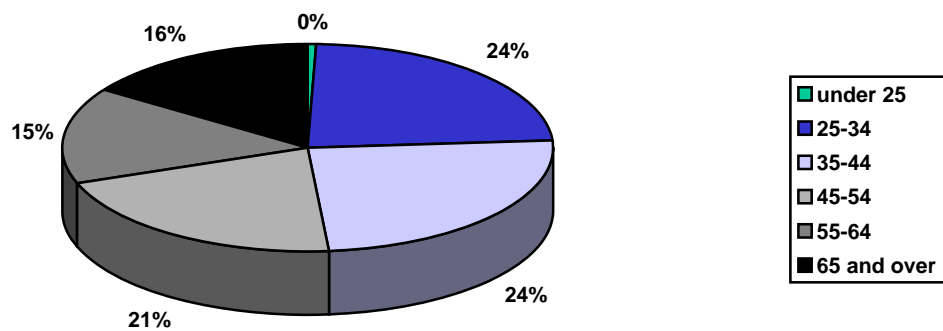
ICAEW:



ICAI:



ICAS:



- The age profile of ACCA members becomes younger and the age profile for CIPFA members becomes older over the period 1996 to 2001.
- The age profiles of ACCA and ICAI members are younger than the age profiles of CIPFA and ICAS members in 2001.

STUDENTS

Students registered worldwide: 1996-2001

Table 17 shows the number of students of each of the accountancy bodies registered worldwide over the period 1996 to 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
1996	128107	58744	2683	10626	2500	1211	203871
1997	134732	61799	2323	11021	2500	1218	213593
1998	156299	67320	2086	11720	2600	1252	241277
1999	167668	71203	2079	11585	2667	1235	256437
2000	174201	73761	2213	10727	2789	1652	265343
2001	185392	75263	2322	10114	3008	2080	278179
% growth	44.7	28.1	-13.5	-4.8	20.3	71.8	36.4
% average annual growth	7.7	5.1	-2.6	-0.9	3.8	11.4	6.4

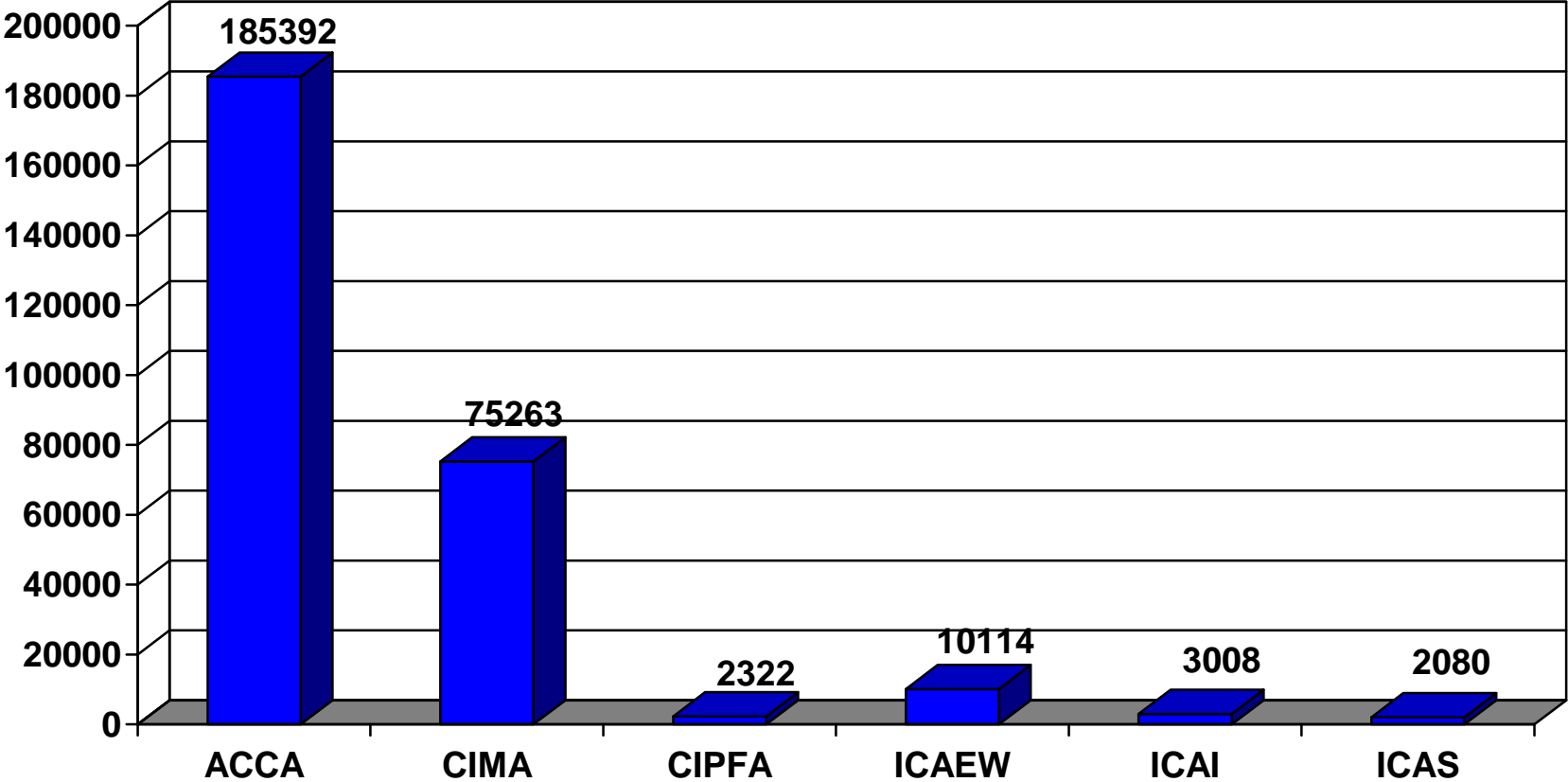
Table 17

Notes:

- (1) Figures for ICAI are estimated for 1996 to 1998.
- (2) The figures include ACCA affiliates and CIMA passed finalists (i.e. those who have completed their examinations but have not yet been admitted into membership).
- (3) The figures for ICAEW, ICAS and ICAI refer to the number of students in registered training contracts.

- **The student membership worldwide of each of the accountancy bodies (with the exception of CIPFA and ICAEW) has increased over the period 1996 to 2001.**
- **The most rapidly growing accountancy bodies in terms of student membership worldwide since 1996 are ICAS (11.4% on an annual average basis), ACCA (7.7%) and CIMA (5.1%).**

Number of students worldwide 2001



Location of students: 2001

Table 18 shows the location (UK, Republic of Ireland and the rest of the world) of students of each of the accountancy bodies for the year 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
UK & Republic of Ireland	57398	51827	2297	9881	3008	2080	126491
Rest of the world	127994	23436	25	233	-	-	151688
TOTAL	185392	75263	2322	10114	3008	2080	278179

Table 18

Notes:

(1) The location of students is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.

- **45% of students were based in the UK and the Republic of Ireland as opposed to the rest of the world in 2001.**
- **The vast majority (at least 97%) of students of each accountancy body were based in the UK and the Republic of Ireland, with the exception of ACCA (31% of students based in the UK and the Republic of Ireland) and CIMA (69% of students).**

Sectoral employment of students: 2001

Table 19 shows the sectoral employment of students of each of the accountancy bodies worldwide for 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
Public practice	55246	-	-	9976	2933	2059	70214
Industry and commerce	91398	63519	-	138	75	21	155151
Public sector	35597	6799	2135	-	-	-	44531
Other	3151	4945	187	-	-	-	8283
TOTAL	185392	75263	2322	10114	3008	2080	278179

Table 19

Notes:

- (1) CIPFA does not presently differentiate between those employed in public practice, industry and commerce and 'other'. The table above assumes that they are classified as 'other'.
- (2) ICAEW and ICAS presently provide combined figures for those employed in industry and commerce and the public sector. The table above assumes that they are classified as 'industry and commerce'.
- (3) 'Other' includes those students not in employment.

- **Very few students of CIMA and CIPFA are employed in public practice reflecting the fact that neither accountancy body has Recognised Qualifying Body⁵ status (i.e. allowed to train their students/members to practise in the reserved areas of audit, insolvency and investment business).**
- **Almost all the student members of ICAEW, ICAI and ICAS are employed in public practice compared with 30% for ACCA, which operates across all sectors of the profession.**

⁵ The DTI is currently considering an application by CIPFA for Recognised Qualifying Body status.

Gender of students: 1996-2001

Table 20 shows the percentage of female students of each of the accountancy bodies worldwide over the period 1996 to 2001:

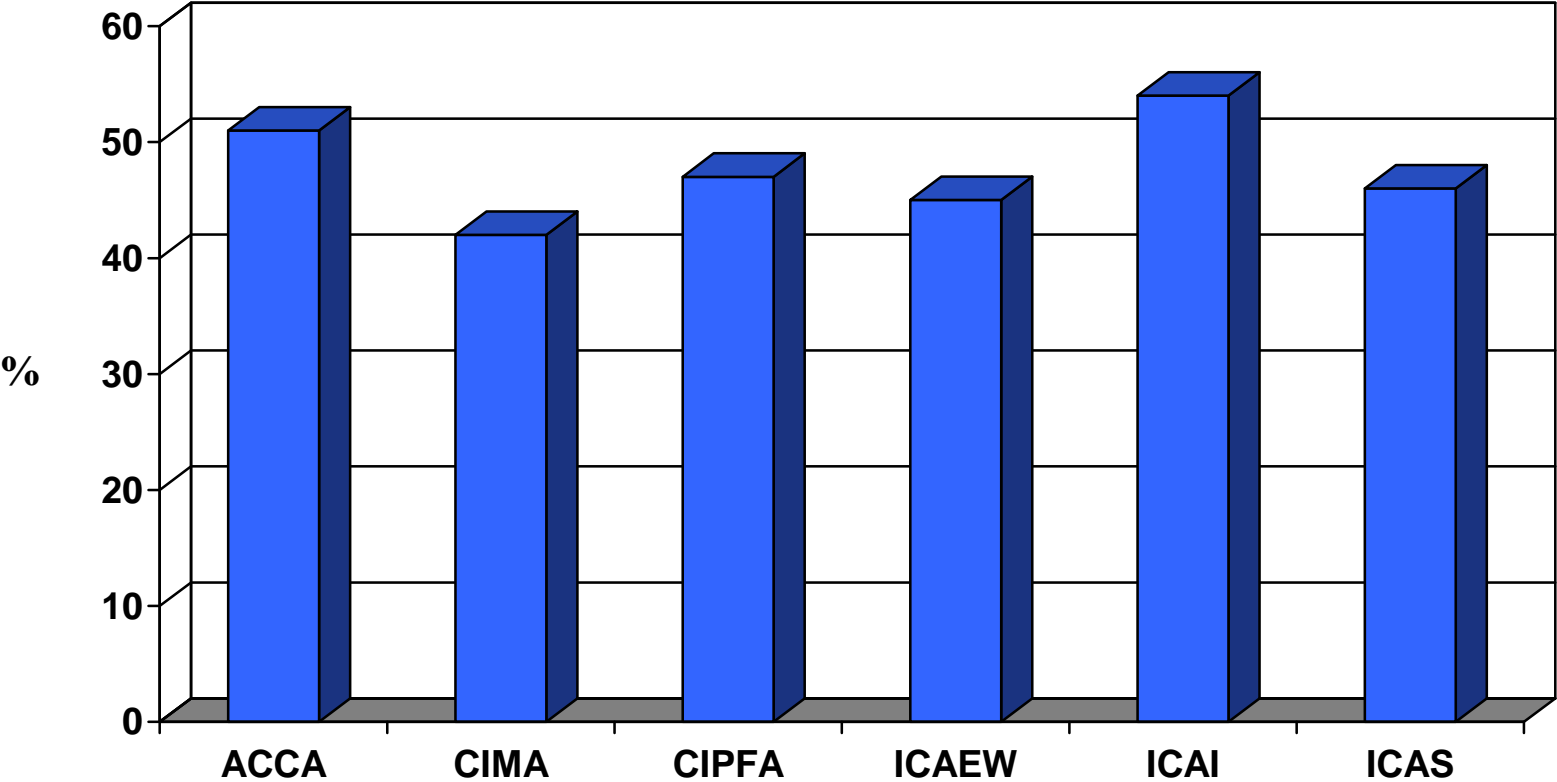
	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS
	%	%	%	%	%	%
1996	47	37	41	39	46	45
1997	47	38	42	41	45	47
1998	49	39	44	43	49	52
1999	50	41	46	43	51	47
2000	51	42	46	45	49	46
2001	51	42	47	45	54	46

Table 20

Notes:

- (1) ICAI and ICAS figures refer to the proportion of females in the student intake, not the total number of students
- **The percentage of female students of each of the accountancy bodies varied between 42% and 54% in 2001.**
 - **The percentage of female students of each of the accountancy bodies has increased every year during the period 1996 to 2000, with four out of the six bodies stabilising in 2001.**

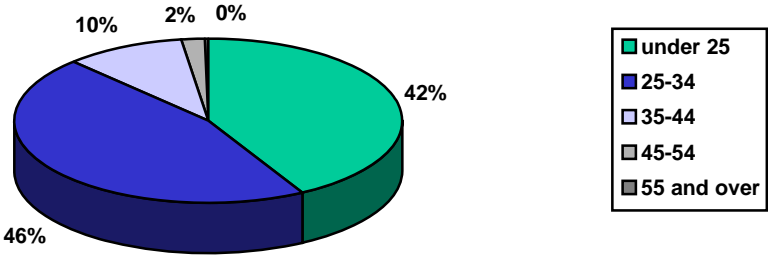
Percentage (%) of female students 2001



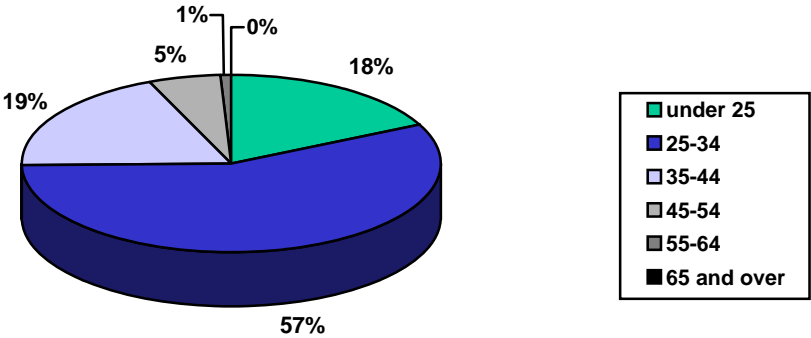
Age of students: 2001

The diagrams below analyse the age range of students of each of the accountancy bodies worldwide for 2001:

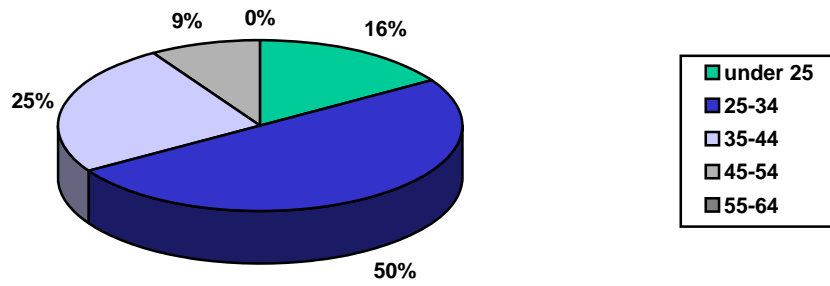
ACCA:



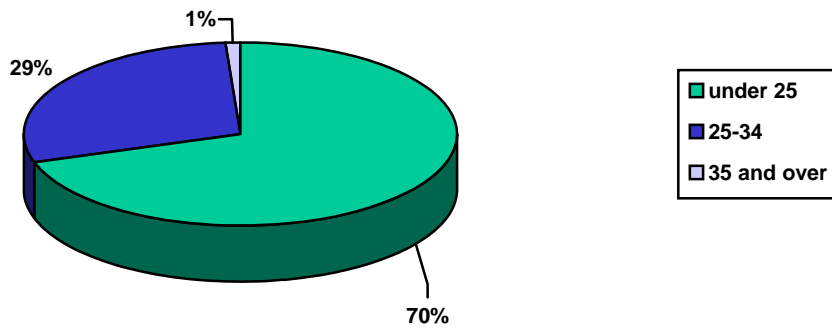
CIMA:



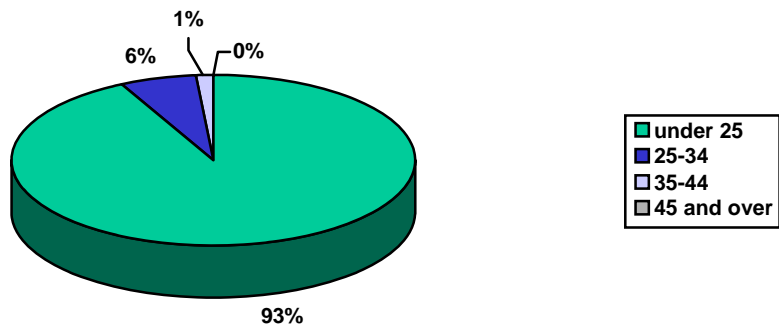
CIPFA:



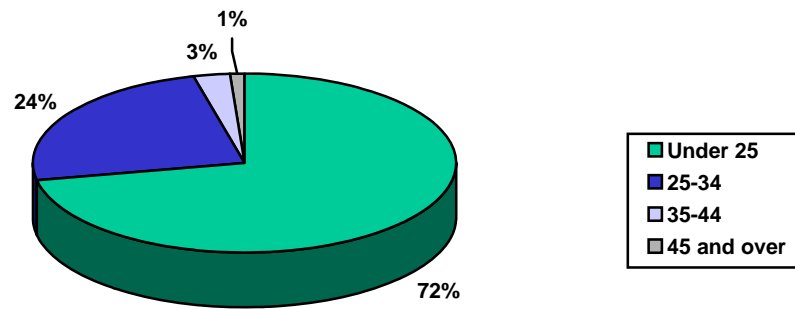
ICAEW:



ICAI:



ICAS:



Notes:

(1) ACCA figures relate to the student intake, not the age profile, of the student body.

- **CIPFA (34% of students above 35 years of age) and CIMA (25%) have more mature students than the other accountancy bodies.**

Student registration

The Review Board's document on '*Protecting the Public Interest*' (February 2002) suggests that the predominant focus of the accountancy bodies is on **outcome** (i.e. by ensuring that their students receive maximum benefit from their respective training programmes).

Nevertheless there are differences in the respective educational qualifications of those entering the various training schemes, which is often a reflection of the selection policies adopted by different employers.

The following section deals with three aspects of the different educational qualifications of those entering the various training schemes offered by the accountancy bodies:

- percentage of graduates
- percentage of graduates with relevant degrees
- percentage of graduates with first and upper second class honours degrees

It should also be pointed out that these figures are worldwide and do not reflect the fact that students outside the UK and Republic of Ireland often opt for a professional qualification as an alternative to a degree. In addition some of the accountancy bodies are developing degree programmes with universities which will alter these percentage figures in the future.

Percentage of graduates

Table 21 shows the percentage of graduates registered as students by each of the accountancy bodies worldwide over the period 1996 to 2001:

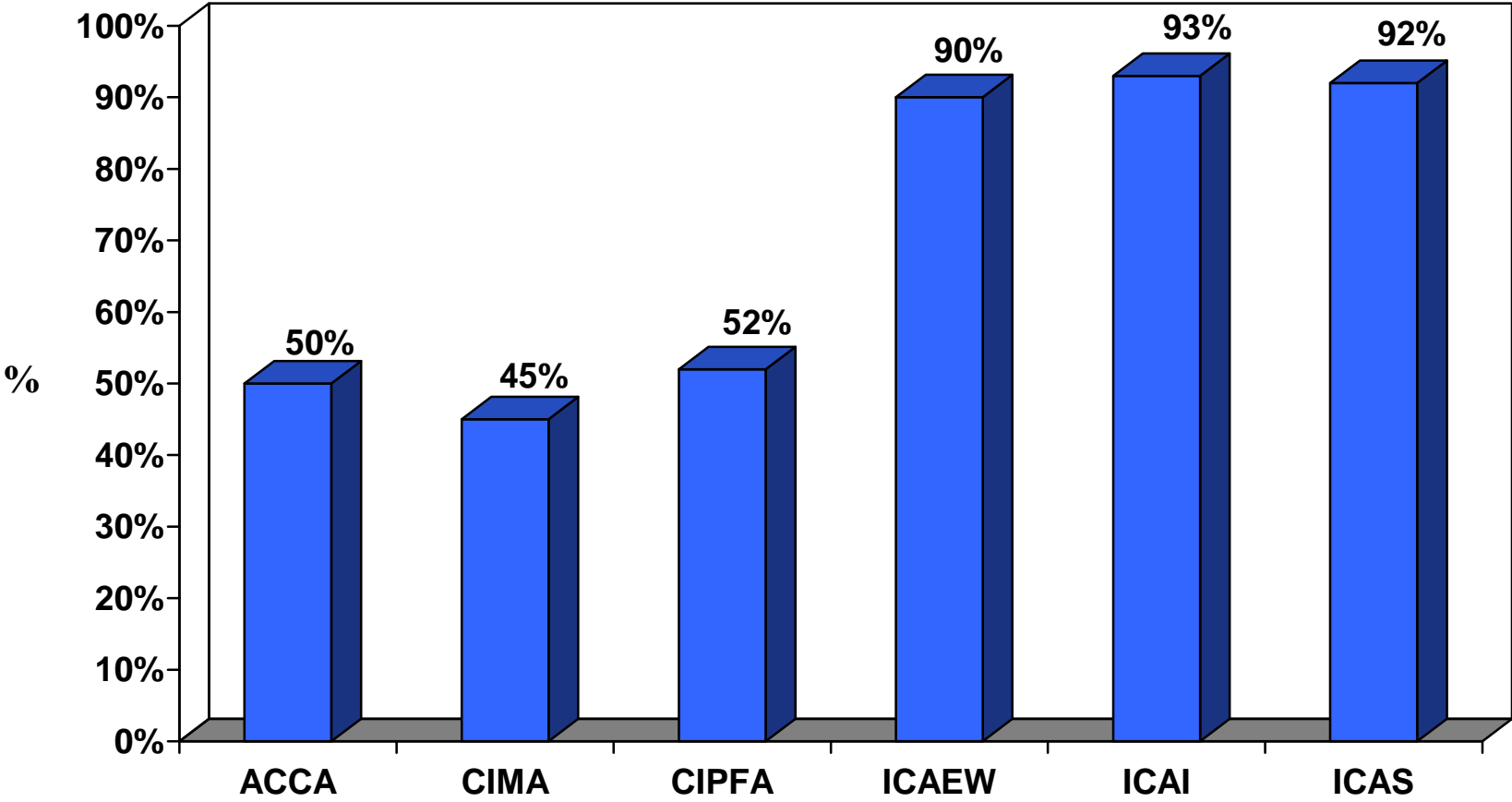
	ACCA %	CIMA %	CIPFA %	ICAEW %	ICAI %	ICAS %
1996	43	39	52	95	93	98
1997	45	42	58	94	93	98
1998	47	42	57	95	90	97
1999	47	40	45	92	92	98
2000	50	41	58	93	94	92
2001	50	45	52	90	93	92

Table 21

Notes:

- (1) CIMA's registration process does not record all previous qualifications. As a result, the percentage of graduates shown above only includes those students known to hold degrees and may actually be significantly higher.
- **ICAEW, ICAI and ICAS have a greater percentage of students with a degree than the other accountancy bodies.**

Percentage of students holding a degree 2001



Percentage of graduates with relevant degrees

Table 22 shows the percentage of graduates with relevant degrees registered worldwide as students by ICAEW, ICAI and ICAS over the period 1996 to 2001:

	ICAEW %	ICAI %	ICAS %
1996	48	82	71
1997	45	75	62
1998	44	77	66
1999	45	79	70
2000	44	79	45
2001	46	75	28

Table 22

Notes:

- (1) Information is only available in 2001 for ACCA and CIPFA which suggests that 39% of ACCA students and 23% of CIPFA students possess a relevant degree. No information is available for CIMA over this period.
- (2) The figures for ICAI and ICAS refer to the proportion of students in the annual intake, not the total number of students.
- (3) The percentage of relevant degree holders for ICAS has decreased in 2000 and 2001 due to a large increase in students from English firms, which tend to recruit graduates from a wider range of disciplines.
- (4) The accountancy bodies' definitions of a 'relevant degree' are as follows:

ACCA	Accountancy, Business
CIMA	Business Studies, Business Administration, Finance, Accountancy
CIPFA	Accountancy
ICAEW	Accountancy, Business Studies
ICAI	Accountancy, Business & Commerce, Finance
ICAS	Accountancy

- **ICAI has more students with a relevant degree than the other accountancy bodies.**

Percentage of graduates with first and upper second class honours degrees

Table 23 shows the percentage of graduates by the classification of their degrees (the percentage of graduates with first and upper second class honours degrees) registered as students by ICAEW, ICAI and ICAS over the period 1996 to 2001:

	ICAEW %	ICAI %	ICAS %
1996	76	95	76
1997	77	93	82
1998	77	93	82
1999	77	91	82
2000	79	92	85
2001	75	91	82

Table 23

Notes:

- (1) Data is not available for ACCA, CIMA or CIPFA over this period.
 - (2) The approach to further education in Scotland differs from elsewhere in the UK and the Republic of Ireland. In the former students receive ordinary degrees if they complete their course of study after three years and honours degrees after four years. The figures for ICAS refer to all students receiving an honours degree regardless of classification.
 - (3) Figures for ICAI and ICAS refer to the proportion of students in the annual intake, not the total number of students.
- **The majority of students registered with ICAEW, ICAI and ICAS have first and upper second class honours degrees .**

Pass Rates

The following section deals with two aspects of the examination process to determine if there are differences in the approach adopted and/or the relative success of students registered by each of the accountancy bodies:

- (1) the percentage of overall passes at the final examination stage for the year 2001
- (2) the percentage of first time passes at the final examination stage for the year 2001

Information is not generally available for overall passes at earlier stages of the examination process or in respect of students passing each stage of their examinations at the first attempt.

Table 24 shows the percentage of overall and first time passes at the final examination stage for the year 2001:

	Overall passes %	First time passes %
ACCA	43	49
CIMA	49	61
CIPFA	51	52
ICAEW	78	82
ICAI	84	87
ICAS	72	77

Table 24

Notes:

- (1) The first time passes are a percentage of overall passes.

- **The percentage of overall and first time passes for ICAEW, ICAI and ICAS are higher than the other accountancy bodies.**

Income

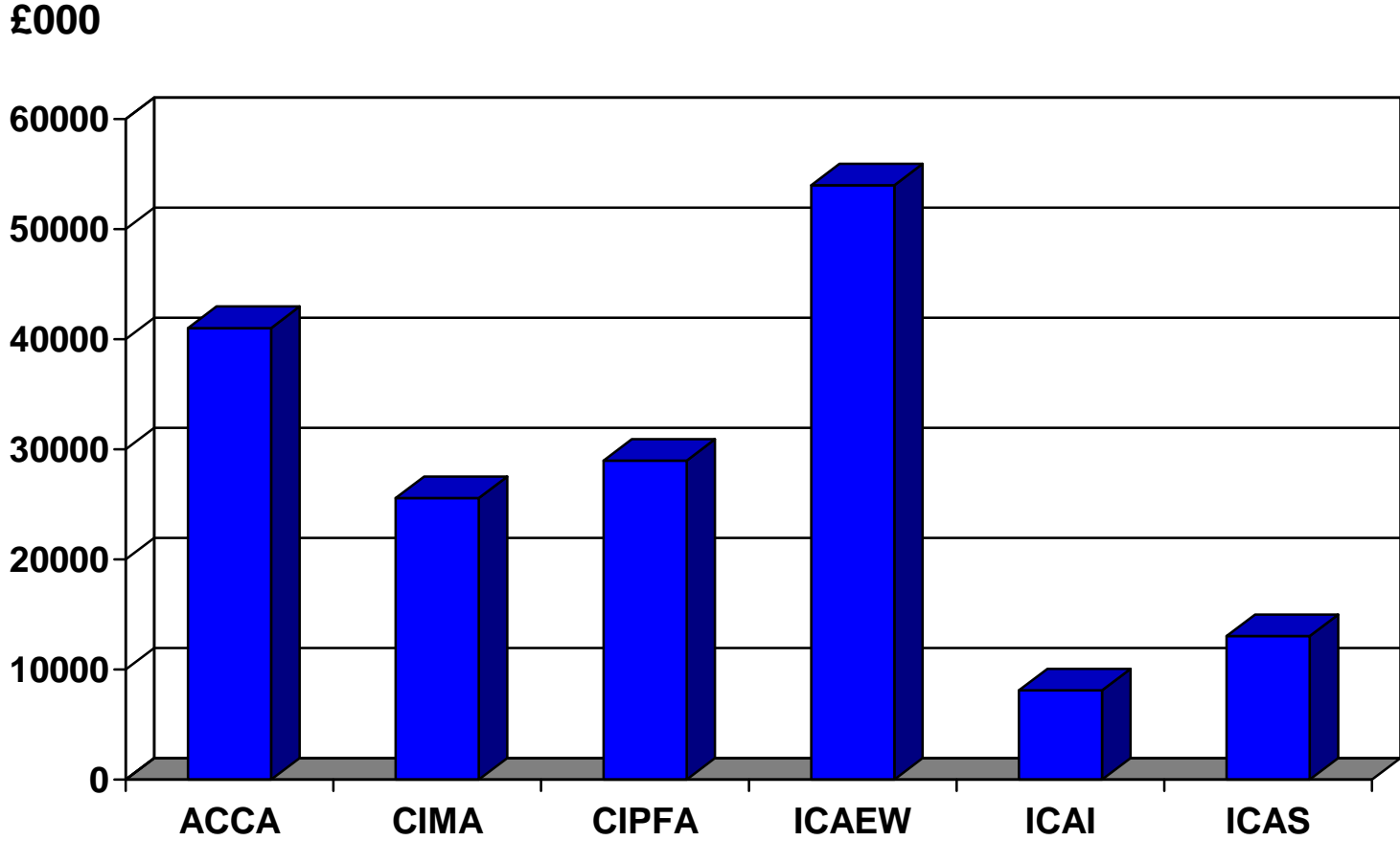
Table 25 shows the income of each of the accountancy bodies in 2001:

	£000	%
ACCA	41020	24.0
CIMA	25567	15.0
CIPFA	28967	17.0
ICAEW	53987	31.6
ICAI	8105	4.8
ICAS	13040	7.6
TOTAL	170686	100.0

Table 25

- **ICAEW (31.6% of total income) and ACCA (24.0%) are the two largest accountancy bodies in terms of income.**

Income by accountancy body 2001



Staffing

Table 26 shows the number of staff employed by the accountancy bodies in the UK and the Republic of Ireland over the period 1996 to 2001:

	ACCA	CIMA	CIPFA	ICAEW	ICAI	ICAS	TOTAL
1996	203	168	260	459	74	110	1274
1997	225	177	247	438	75	115	1277
1998	251	198	230	415	75	121	1290
1999	280	216	228	438	81	127	1370
2000	295	223	242	471	84	132	1447
2001	348	240	278	541	87	137	1631

Table 26

Notes:

- (1) Figures for ICAEW do not include 50 staff whose costs are borne by the Joint Monitoring Unit Limited although they have contracts of employment with the Institute.
- **ICAEW (541 members of staff) and ACCA (348 members of staff) are the two largest accountancy bodies in terms of staffing.**

Staff employed by the accountancy bodies 1996-2001

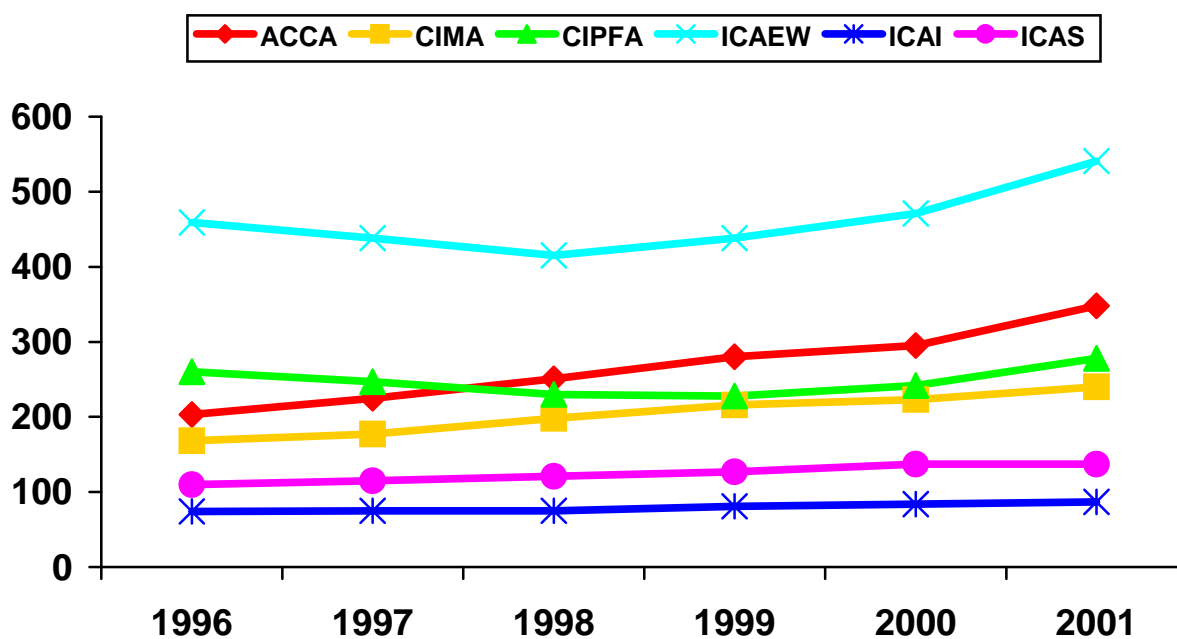


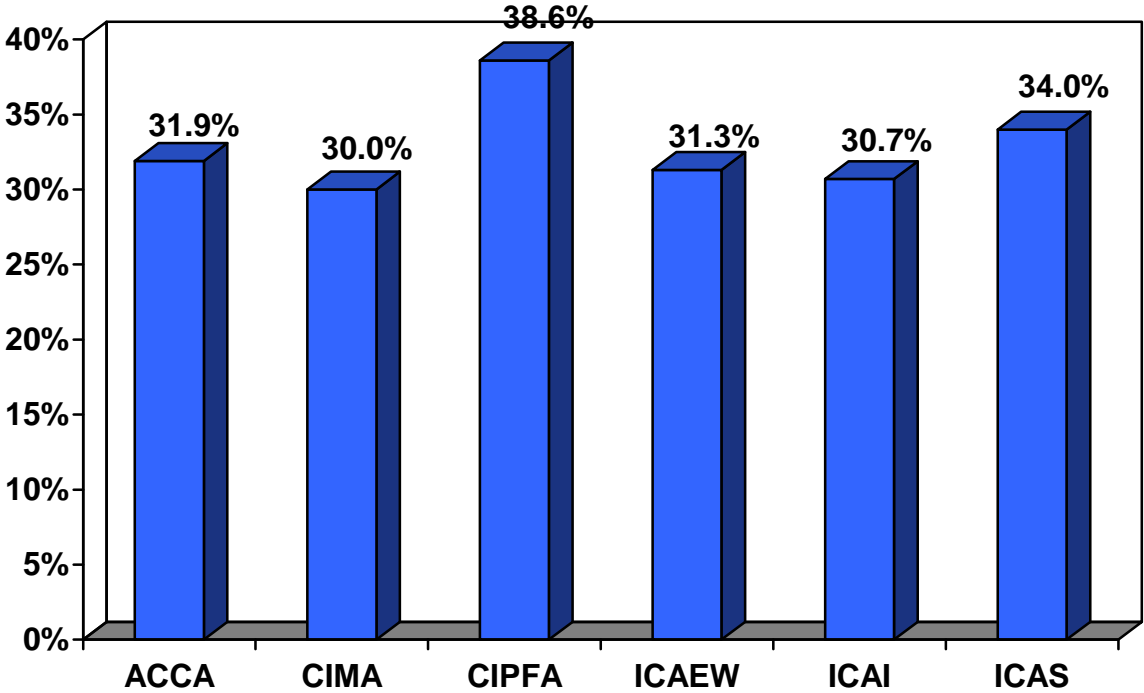
Table 27 shows staff costs as a percentage of total expenditure in 2001:

	%
ACCA	31.9
CIMA	30.0
CIPFA	38.6
ICAEW	31.3
ICAI	30.7
ICAS	34.0

Table 27

- CIPFA (38.6%) and ICAS (34.0%) have the highest staff costs as a proportion of total expenditure.

Staff costs as a percentage of total expenditure 2001



Notes:

- (1) ICAS is the only UK professional body to teach and examine all students.

THE FUNCTIONS AND TURNOVER OF ACCOUNTANCY FIRMS

Key Note Ltd specialises in providing UK market information in respect of a number of business activities. The firm has produced a wide variety of statistical information on the accountancy profession over a number of years.

Permission has kindly been given by Key Note Ltd to reproduce some of their material⁶ with a view to enlarging upon the information which is available to members of the public and interested parties in respect of the accountancy profession.

Market position

Table 28 shows the number of UK accountancy and related businesses by turnover for the year 1999:

Number of UK accountancy and related businesses by turnover (£000 and %): 1999		
Turnover (£000)	Number of Businesses	% of Total
1-99	41915	65
100-499	17405	27
500-999	2495	4
1,000-4,999	1920	3
Over 5,000	370	1
Total	64105	100

Table 28. Source: Office for National Statistics

Notes:

- (1) In 1999, measured on the basis of the number of VAT-based enterprises, there were 64,105 companies operating in the UK in the primary areas of accounting and book-keeping services, tax consultancy activities, business and management consultancy, financial management, and general management and consultancy services not elsewhere specified. Approximately 22,000 of these are member firms of the CCAB bodies.
 - (2) Within these numbers are consultancies for public relations, and excluded from these numbers are many other types of independent consultancies offering specialised management advice and services in technology and information technology (IT) systems. Many of these could be self-employed consultants who are not registered for VAT.
- **96% of the businesses have annual sales of less than £1 million, whilst only 1% have sales in excess of £5 million. The vast majority of the industry is occupied by small businesses with annual sales of less than £500,000.**

⁶ Key Note's Accountancy Market Report 2002 (containing figures for 2001) will be available from August 2002.

Market sectors

The accountancy profession serves a number of markets. The main activities covered by accountancy firms are:

- audit and accounting
- management consultancy
- tax and legal services
- corporate finance and business recovery

In addition other activities are carried out, such as:

- forensic accounting
- actuarial services
- transaction services
- outsourcing

Each of these is discussed in turn:

Audit and accounting

The examination, preparation and presentation of annual company accounts in accordance with each company's Memorandum of Association, tax law, company law and good practice, in a manner which provides a true and fair view of the company's financial position over the accounting period.

Management consultancy

Many of the largest accountancy practices have grown into management consultancy, either by design or at the request of their clients. However there is a recent trend whereby some of the larger practices are divesting themselves of their consulting arms. Consultancy requires board-level contact and covers advice on all the key management skills, including overall business strategy, IT, finance, production management, logistics and distribution, human resources and organisation and research.

Tax and legal services

The provision of advice on taxation and the changes in legislation that affect taxation issues. Accountants can be retained to prepare accounts for submission to the Inland Revenue and to help with the preparation of tax strategies and tax planning.

Corporate finance

Accountants can be retained to provide advice and services on a wide range of corporate finance issues, including mergers and acquisitions, disposals, management buy-outs, share issues, stock market flotations, privatisations, project and structural finance, private finance initiative (PFI) activities, large-scale leasing, debt management and factoring.

Business recovery

Business recovery refers to the work that accountants carry out concerned with insolvencies, liquidation and administration. In the first six months of 1999, for instance, figures from Dun and Bradstreet show that there were over 21,287 business failures in the UK, an increase of 10.7% against the total over the same period twelve months earlier.

Forensic accounting

Forensic accounting is concerned with legal, regulatory and investigative work in cases of fraud and other kinds of financial irregularities.

Actuarial services

Actuarial services concern the development of insurance and pensions services, as well as advice on any pensions aspects of takeovers and mergers.

Transaction services

Transaction services involve all kinds of investigative work that might arise at all stages of a transaction such as a takeover or merger. This type of service was used extensively in the course of transactions which transferred nationalised industries, such as the water utilities and railways, into private ownership or part ownership.

Outsourcing

The demand for greater efficiency in cost control and management has raised the importance of outsourcing, which is based on contracting for the supply of key activities (such as computing, debt management, etc.) through an independent third party, as an alternative to the previous practice of in-sourcing (carrying out these and similar activities utilising the company's own resources).

Table 29 shows the total UK market for accountancy and related services performed by accountants by value at current prices for the period 1996 to 2000:

The UK market for accountancy and related services performed by accountants by value at current prices (£m): 1996-2000					
	1996	1997	1998	1999	2000
Management consultancy	2202	2638	3238	3600	4240
Audit and accounting	2203	2436	2562	2778	3049
Tax and legal services	1215	1339	1553	1849	2101
Corporate finance and business recovery	641	703	781	918	1067
Total	6261	7116	8134	9145	10457
% change year on year	-	13.7	14.3	12.4	14.3

Table 29. Source: Key Note

Note:

- (1) The figures are based on fee income.

Table 30 shows the annual average growth of the main activities carried out by accountancy firms over the period 1996 to 2000:

Activities	% annual average growth
Management consultancy	23.1
Tax and legal services	18.2
Corporate finance and business recovery	16.6
Audit and accounting	9.6
TOTAL	16.8

Table 30. Source: Key Note

Notes:

- (1) The figures for management consultancy exclude income from Cap Gemini and Accenture (formerly the consultancy arms of Ernst & Young and Andersen Worldwide respectively)
- **The annual average growth of some activities (management consultancy, tax and legal services, corporate finance and business recovery) increased more than audit and accounting services over the period 1996 to 2000.**

Size of firm

Table 31 shows the major market shares in the UK accountancy and related services market by size of firm for the year 2000:

The major market shares in the UK accountancy and related services market by size of firm (%): 2000	
The Big Five	54.0
Firms ranking 6 th to 50 th	13.8
Rest of the accountancy profession	32.2

Table 31. Source: Key Note

- **The market share of the Big Five firms in the UK accountancy market was 54.0% in 2000.**
- **This compares with firms in the middle-tier (13.8% market share) and the rest of the accountancy profession (32.2% market share).**

Tables 32 and 33 compare the market share of the Big Five firms with the other accountancy firms in respect of the major accountancy activities over the period 1996 to 2000:

Big Five

	1996 (£000)	1997 (£000)	1998 (£000)	1999 (£000)	2000 (£000)	Annual average growth %
Management consultancy	631	808	1008	1151	1600	26.2
Tax and legal services	734	824	961	1164	1350	16.5
Corporate finance	435	473	533	640	730	13.8
Audit and accounting	1259	1435	1531	1728	1969	11.8
TOTAL	3059	3540	4033	4683	5649	16.6
% of total business	49	50	50	51	54	-

Table 32. Source: Key Note

Notes:

- (1) The figures for management consultancy exclude income from Cap Gemini and Accenture (formerly the consultancy arms of Ernst & Young and Andersen Worldwide respectively)

Other

	1996 (£000)	1997 (£000)	1998 (£000)	1999 (£000)	2000 (£000)	Annual average growth %
Management consultancy	1571	1830	2230	2449	2640	13.9
Tax and legal services	481	515	592	685	751	11.8
Corporate finance	206	230	248	278	337	13.1
Audit and accounting	944	1001	1031	1050	1080	3.4
TOTAL	3202	3576	4101	4462	4808	10.7
% of total business	51	50	50	49	46	-

Table 33. Source: Key Note

- Over the period 1996 to 2000 the Big Five firms have increased their proportion of the market from 49% to 54% compared with the other accountancy firms.
- The annual average income of the Big Five firms has increased by 16.6% whilst that of the other accountancy firms has increased by 10.7% over the period 1996 to 2000.
- The annual average growth in income for the Big Five firms from consultancy services (26.2%) and tax and legal services (16.5%) has been substantial over the period 1996 to 2000.
- The annual average growth in income from audit and accounting services for the Big Five firms (11.8%) is substantially higher than for the other accountancy firms (3.4%) over the period 1996 to 2000.

**THE REVIEW BOARD
JULY 2002**

NOTICE

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