

The government is mostly responsible for the growth. Regulatory changes to mining and carbon tax, superannuation and financial planning, the complexity of tax regimes generally, plus the trend towards outsourcing bookkeeping and accounting to cut costs, should see the sector outperform the overall economy over the next five years, the report said.

"The industry's contribution to the economy is forecast to grow an average 4.9 per cent a year over the five years through to 2015-16, compared with 3.8 per cent a year in the overall economy," the report said.

Firms' profitability will increase in the next two years but fall in the long term due to price competition in staple services, such as tax and audit.

IBISWorld expects industry profits to increase from \$2.8 billion in fiscal 2011 to \$3.1 billion by June 30, 2012.

At the same time, the advent of consistent international reporting standards has increased the export potential of accounting and advice services, particularly to Asia.

"Free-trade agreements with Singapore, China, the United States and Thailand will affect this industry in terms of providing clients with invest-

"However, as advisory services tend to be perceived as a discretionary service, revenue from this division is likely to be more sensitive to economic conditions," the report's author Ee Gen Lee said.

Consolidation activity in Adelaide over the last year made its presence felt in the data. The number of firms in South Australia contracted, from 6.1 per cent to 5.9 per cent. NSW will register the biggest shrinkage, from 38.7 per cent to 35.9 per cent in fiscal 2012 the report said. Queensland is the only state forecast to increase the number of accounting firms in residence, to 18.7 per cent in fiscal 2012, up from 16.1 per cent the year before.

Combined, the big four firms account for 30 per cent of the sector. But the lion's share of industry's revenue, about \$8 billion, is generated by sole traders.

"Small firms generating less than \$3 million revenue a year account for close to 50 per cent of industry revenue," the report said.

Despite firms' moaning about the war for talent, wage pressure will be low over the next five years, as there is no shortage of accountants, according to IBISWorld.



Abstract reward of death and taxes

Had Ernst & Young been looking after the Picasso family tax affairs, Australia might never have seen the collection of works now on display at the Art Gallery of NSW (courtesy of Ernst & Young as sponsor). When Picasso died, his family couldn't pay the death taxes and the French government ended up owning the 150-plus pieces the artist had kept for himself.

Agnes King

Law can't save buyers from bad judgment

Anthony Sibillin

Good sale contracts cannot save buyers of accounting practices from bad sellers, one of the country's most acquisitive accountants has warned.

"The lawyers can't save you," said Brett Kelly, founder and senior client director of Kelly + Partners.

"You get it wrong, the lawyers can't save you from your lack of understanding and ability to work with people. The courts are for rich people, very rich people."

Revenues at the Sydney-based practice increased last financial year by 52.5 per cent to \$14.3 million, making it Australia's fastest-grow-

ing, according to *BRW* magazine. Several acquisitions lie behind its rapid expansion, including this week's purchase of FMK, a failed northern Sydney practice with \$1.5 million in annual fees.

"We run an 'attraction' strategy," Mr Kelly said. "If we have an attractive offer, an attractive organisation to be a part of that can do something unique for clients and staff, people are going to want to be there," he said.

Magnus Yoshikawa of Dip Jadeja & Associates, a specialist broker of accounting practices, said each sale contract should be drafted to account for the unique circumstances of the seller, buyer and prac-

tice involved. "Constraints vary within each contract but as a rule of thumb sellers commit to 'x' number of years and a physical area of restriction and an amount of retention monies under final handover," he said.

Mr Kelly said the best guarantee of a smooth transition was buyer and seller agreeing on "why they are in business, what they are they trying to achieve for clients and staff and what they are trying to achieve for each through the transaction.

"People tend to die the way they've lived. So if their career has been full of drama and dispute, then that is exactly what you are buying," he said.

Consultant Thea Foster said acqui-

sitions were a popular way for accountants shy about marketing to expand.

But Mr Kelly warned against using acquisitions to paper over weaknesses. "If you can't grow your client base very substantially organically and you don't have a very profitable business, you shouldn't think that getting involved with other firms makes any sense. In fact, it is a recipe for disaster," he said.

"We built our practice from a standing start, organically. Any acquisition we've made has come to us as a natural outgrowth of what we think is an attractive proposition to clients and team members."

disposing of Lehman Brothers' real estate assets in China, Malaysia, Thailand and Vietnam. He wants to expand KPMG Australia's opportunities in China beyond energy, mining and resources, into clean technology, food security and consumer brands. "There will be no major change in direction but we will diversify our business portfolio to contain more of those," Mr Ferguson said. There were attractive opportunities in the leasing market, and the one-child policy would drive demand for healthcare services, he said. "The government as relaxed restrictions in that sector lately."

Crowe swoops on staff

Crowe Horwath, the metropolitan arm of ASX-listed accountancy firm WHK Group, has whisked another handful of specialists away from the big four, two from Deloitte and one from PwC. Tax experts Chris Leach and Sam Neale will join the Sydney office, while corporate finance specialist Darryl Norville joins the Perth team.

Network pays off

Adelaide accounting firm Edwards Marshall will send one of its audit specialists on a three-month secondment to San Francisco in January, the first since joining the Nexia international network of independent firms last August. The ability to offer young staff overseas postings and create stronger international ties is driving many fiercely independent accounting firms into marriages with international associations.

Internal audit makeover

The professional body for internal auditors will offer an Australian specific professional development program to its 4300 members from January next year. It demonstrated a coming of age for the internal audit function, IIA president Cathy Blunt said. Ms Blunt believes internal audit should be mandatory for ASX 200 companies.

Edited by Agnes King

FBA 047