

ACCOUNTING OFFICE MANAGEMENT & ADMINISTRATION REPORT



EXCLUSIVE SURVEY RESULTS

Billing Rates Will Still Rise, CPA Firms Say

CPA firms are not letting the recession stop their plans to increase billing rates, according to respondents to AOMAR's *CPA Firm Practice Management Survey 2010*. Rate increases are definitely planned for the upcoming fiscal year by two thirds of the respondents, and small increases were reported this year over last year's rates in certain billing categories.

Billing rate increases are planned.

Among all respondents, 52.7 percent are planning an increase of 1 percent to 5 percent in the year ahead (see Table 1). In addition, 11 percent will raise their rates by 6 percent to 10 percent, and 4.4 percent plan an increase of more than 10 percent. Less than a third (31.9 percent) will keep rates the same. (For more information about the survey, see the sidebar "AOMAR's *CPA Firm Practice Management Survey 2010* Vital Statistics" on page six.

The breakout groups with the highest percentages planning for more than a 10 percent rate increase include CPA firms with \$1 million to \$1.99 million in gross fees (14.3 percent) and those with less than \$500,000 in fees (11.1 percent), as well as firms with 16 to 25 people (13.3 percent; see Table 2) and with 1 to 5 people (10 percent).

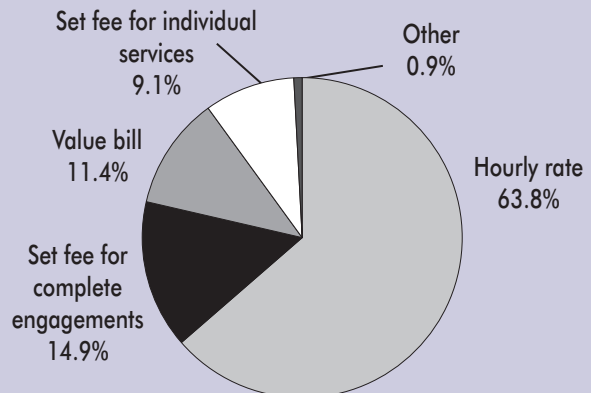
For most of the groups, the 1 percent to 5 percent billing rate increase will be the most popular in the year ahead. For instance, 66.7 percent of the firms in the \$2 million to \$3.99 million group will implement increases of this size, as will 62.5 percent of firms in the \$500,000 to \$1 million group

How CPA Firms Are Billing Now

The hourly rate is still the leading way that CPA firms bill, with 63.8 percent of billings being handled that way by respondents to AOMAR's *CPA Firm Practice Management Survey 2010* (see accompanying figure).

What other ways are firms billing? The next most popular approach at a very distant second is a set fee for complete engagements, cited by 14.9 percent of the respondents. Value-billed engagements are 11.4 percent of the billings among responding firms. A set fee for individual services accounts for 9.1 percent of billings, and other, 0.9 percent.

Billing Methods in the Current FY



(Source: AOMAR's *CPA Firm Practice Management Survey 2010*)

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and 61.1 percent of firms with \$10 million or more in gross fees. Responding firms with more than 50 people were most likely to plan for increases of 1 percent to 5 percent (61.9 percent) in the breakout by number of personnel; also, 53.3 percent of firms with 26 to 50 people plan for this increase.

Current billing rates. The current average hourly billing rate for CPA owners is \$228, up slightly from last year's \$225 (see Tables 3 and 4). Non-CPA own-

ers' billing rate averages \$192 (up from \$185 a year ago).

(Readers should note that different firms participate in our surveys year to year, so the annual figures may vary because of different participants as well as industry trends.)

For non-equity owners, the hourly rate is \$185. This is down quite a bit from last year's \$212. However, this group represents a mix of future

Table 1. Changes in Billing Rates in the FY Ahead, by Gross Fees

	< \$500K	\$500K to \$1M	\$1M to \$1.99M	\$2M to \$3.99M	\$4M to \$9.99M	\$10M or more	Overall
Increase by 1% to 5%	50.0%	62.5%	35.7%	66.7%	44.4%	61.1%	52.7%
Increase by 6% to 10%	16.7	0.0	7.1	13.3	5.6	16.7	11.0
Increase by more than 10%	11.1	0.0	14.3	0.0	0.0	0.0	4.4
Remain the same	22.2	37.5	42.9	20.0	50.0	22.2	31.9

(Source: AOMAR's CPA Firm Practice Management Survey 2010)

Table 2. Changes in Billing Rates in the FY Ahead, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 25	26 to 50	More than 50	Overall
Increase by 1% to 5%	50.0%	50.0%	50.0%	46.7%	53.3%	61.9%	52.7%
Increase by 6% to 10%	10.0	14.3	0.0	6.7	13.3	14.3	11.0
Increase by more than 10%	10.0	0.0	0.0	13.3	0.0	0.0	4.4
Remain the same	30.0	35.7	50.0	33.3	33.3	23.8	31.9

(Source: AOMAR's CPA Firm Practice Management Survey 2010)

Table 3. Most Recent FY Average Hourly Billing Rates, by Gross Fees

	< \$500K	\$500K to \$1M	\$1M to \$1.99M	\$2M to \$3.99M	\$4M to \$9.99M	\$10M or more	Overall
CPA owners	\$173	\$185	\$201	\$219	\$259	\$288	\$228
Non-CPA owners	172	150	-	165	213	242	192
Non-equity owners	-	150	110	179	185	221	185
Consultants	-	165	110	163	116	169	155
Supervisors/managers	125	136	127	149	173	195	163
Seniors	107	120	99	121	132	141	125
Juniors	-	81	72	102	106	115	102
Non-CPA juniors	76	75	65	85	93	105	91
Paraprofessionals	65	65	67	68	85	103	80
Firm administrator	60	50	74	100	112	167	113
Marketing director	-	94	-	-	86	168	132

(Source: AOMAR's CPA Firm Practice Management Survey 2010)

equity partners and firm leaders in areas such as administration and marketing who generally tend to have far fewer billed hours, if any at all, so this may affect this metric.

Staff billing rates show that supervisors/managers average \$163 an hour this year, up slightly from \$161 a year ago. The average for seniors is \$125 (it was \$119 a year ago), while juniors now average \$102 (last year, the average was \$93 among this group). For juniors who have not yet passed the CPA exam, the average is \$91, the same as a year ago.

For the latest data on billing methods, see the accompanying sidebar.

For more information. Additional highlights from AOMAR's *CPA Firm Practice Management Survey 2010* will be in upcoming issues of AOMAR. Complete results will be published in the forthcoming *CPA Firm Statistical Analysis Reference Handbook 2010*.

To provide you with expanded data on benchmarks, AOMAR is conducting a second, expanded survey focusing on marketing, technology, and HR information. Please participate in this survey by going to www.ioma.com/cpa. □

Table 4. Most Recent FY Average Hourly Billing Rates, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 25	26 to 50	More than 50	Overall
CPA owners	\$182	\$196	\$213	\$221	\$237	\$287	\$228
Non-CPA owners	164	-	-	205	178	250	192
Non-equity owners	150	-	150	142	178	217	185
Consultants	110	165	160	135	126	173	155
Supervisors/managers	104	143	157	136	167	192	163
Seniors	103	112	117	116	130	138	125
Juniors	82	80	85	102	101	112	102
Non-CPA juniors	76	65	75	92	86	103	91
Paraprofessionals	67	68	64	72	80	101	80
Firm administrator	65	68	66	101	124	149	113
Marketing director	94	-	-	-	91	153	132

(Source: AOMAR's *CPA Firm Practice Management Survey 2010*)

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