

**Potential Impact of Resourcing on New Zealand Resourced Accounting Practice Profitability**

Projected Fees	TRADITIONAL PC PACKAGE APPROACH		
	No. of Clients	Ave. Fee	Annual Fees
Partnerships	86	1,780	153,080
Companies	305	2,040	622,200
Trusts	208	750	156,000
Monthly management accounts			
Other Fees (Advice, Special work etc)			120,000
Increase Partner Availability			57,500
<b>Total Annual Revenues</b>	599	1,755	<b>1,051,280</b>

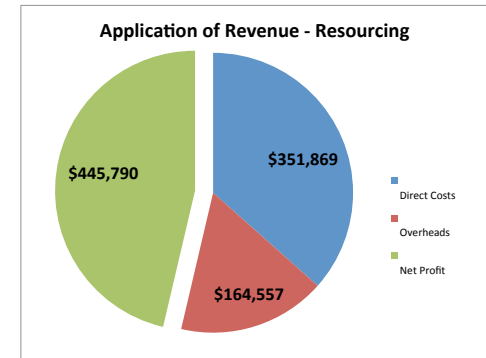
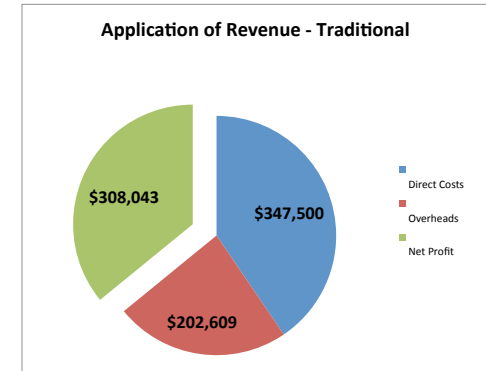
No. of Clients	Ave. Fee	Annual Fees	Analysis of Fees		
			Preparation	Tax Matters	Other
86	1,780	153,080	79,170	24,518	49,392
305	2,040	622,200	366,082	137,484	118,634
208	750	156,000	100,901	37,611	17,488
					120,000
		57,500			
599	1,851	<b>1,108,780</b>	<b>546,153</b>	<b>199,613</b>	<b>305,514</b>
			49%	18%	28%

Direct Costs	FTE	Salary Level	Annual cost
Director/Partner			
Manager			
Accountant/Senior	3.50	65,000	227,500
Bookkeeper/Junior	3.00	40,000	120,000
Outsourced resource			
<b>Annual Direct Costs</b>	<b>6.50</b>		<b>\$ 347,500</b>

FTE	Salary Level	Annual cost			
			-		
2.00	65,000	130,000	30,000	50,000	50,000
1.00	40,000	40,000	40,000		
		33 % of fees	181,869		
3.00		<b>\$ 351,869</b>	<b>251,869</b>	<b>50,000</b>	<b>50,000</b>

<b>Contribution</b>	<b>703,780</b>
Writeoffs(10%) Beancounter(5%)	\$ 93,128
Practice Overheads	\$ 202,609
Support Staff & Reception	35,000
Practice Manager	65,000
<b>Net Profit</b>	<b>\$ 308,043</b>
<b>Potential Practice Profits Increase</b>	
<b>Percentage increase in profits</b>	

<b>756,911</b>
\$ 46,564
\$ 164,557
35,000
65,000
<b>\$ 445,790</b>
<b>137,747</b>
<b>45%</b>



- Assumptions**
- Resourcing costs are calculated at 33.3% of fees associated with the preparation of the financial statements (excluding Advice Special Work etc)
  - The reduction in staff levels, have come about, with a competent junior to manage the Resourcing, queries and junior tax work.
  - The two seniors are retained to manage the compliance review, the tax functions of the client base and the adhoc client work.
  - The additional capacity required to generate the tax and ad hoc work to come from the Partner
  - Savings in using a fixed price model should also reduce writeoffs. In the model these have been reduced from the standard 10%, down to 5%.
  - The practice overheads should reduce as a result of a fewer number of staff, as many of the overhead costs are activity based transactions . Identified savings include,
    - Reduced ACC levies
    - MYOB Licences
    - Computer Expenses
    - Office expenses
    - Photocopier costs
    - Printing & Stationary
    - Staff expenses
    - Staff training
    - ICANZ Subscriptions
    - Telephone
- |                            | 40,000 | Reduction in staff |
|----------------------------|--------|--------------------|
| Number of accounting staff | 6.50   | 3.00 3.50          |
| Activity costs per staff   | 6,154  | 6,154 21,538       |

- This suggests that each full time staff member creates \$10,000 worth of activity based costs due to their footprint within the organisation.
- Reducing staff will reduce over heads by approximately 21,538
- Firm rent over time could be reduced but this could well require lease terms to finish and will be a longer term strategy
- Additional Partner capacity available of one hour per day by removing both the need to supervise non-performing staff and by having reduced staff numbers.