

Dear Colleagues:

Thank you for your interest in the 2002 PCPS/TSCPA National MAP Survey. This is the first year that PCPS, the AICPA Alliance for CPA Firms and the Texas Society for CPAs (TSCPA) have joined together to offer this important management tool to CPA firms across the country. Looking at our overall response, it's been quite a first year. More than 2,500 accounting firms responded to this year's MAP survey nationwide. This enthusiastic commitment by firms to share and provide data not only furthers our profession, but also enables each of us as practitioners to further our strategy and improve how we bring value to our clients and business. Our appreciation goes out to each responding firm for their time, effort and thoughtful feedback.

We could not have achieved this level of participation without the enthusiastic cooperation of the 38 state societies that agreed to participate and play a key role in encouraging firms in their states to respond. We look forward to continuing to foster our collaborative efforts in future surveys, through the delivery of meaningful and useful national and local results.

Of course, increased participation means more accurate data, against which we can benchmark our firms and make informed management decisions. The survey covered subjects including firm revenue, compensation, billable hours, human resource/staffing policies and service offerings. A number of interesting findings emerged — for example, 47% of the firms provide funded partner retirement, and 46% would consider providing multi-disciplinary services through their CPA firm. From the perspective of our organizations, we will be able to use these findings to enhance the development of products and services that best meet member needs.

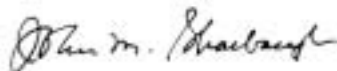
A firm that responded to the survey receives customized data that ranks the firm based on location, size of firm, compensation and level of profitability as well as other factors.

Again, we're pleased that PCPS and the Texas Society have been able to work together to bring the 2002 survey to the profession this year, and we look forward to continued success with our partnership next year.

Sincerely,



Bill Balhoff
Chairman
PCPS Executive Committee



John Sharbaugh
Executive Director
Texas Society of CPAs

Profiles of Participating Firms

The respondent base in the PCPS/TSCPA National MAP Survey comprised a diverse group of firm types that reflect the PCPS/State Society/AICPA member populations.

4,000 firms registered to take the survey. The final number of completions by firms as represented by a firm's confirmed submission of all requested firm MAP data was 2500.

Profile information was obtained for each responding firm. This information includes determining PCPS member and non member affiliations, Number of Owners, Number of CPAs, Number of Professional Staff per CPA, Size of Metropolitan Statistical Area, Type of Firm, Tenure of Firm, Significant Change in Firm Size, and Firms with/without Satellite Offices.

The charts that follow represent data that was reported by respondent firms and the data may not always match PCPS/State Society/AICPA member populations.

ACKNOWLEDGEMENTS

We would like to take this opportunity to acknowledge the many individuals that provided their expertise to make the survey content as timely as possible.

Without the support and commitment of PCPS Executive Committee and Texas Society of CPAs, this year's MAP survey would not have come to fruition. The leadership and confidence provided to the AICPA support team by the PCPS National MAP Survey Committee: Richard Caturano (Chairman) and Wayne Berson was decisive and inspiring. The historical guidance that was provided by the Texas MAP committee, specifically, Diane Jones and Jerry Cross, was also invaluable. A special thanks to Judy Trepeck and John Sharbaugh for their support and organization of the outreach effort to all State Societies.

Our appreciation of the 38 participating State Societies and organizations in this year's survey can not go unnoticed. We value your support and look forward to working closely with you in the future

Arkansas Society of CPAs	New York State Society of CPAs
Arizona Society of CPAs	North Carolina Society of CPAs
California State Society of CPAs	Ohio Society of CPAs
Colorado Society of CPAs	Oklahoma Society of CPAs
Delaware Society of CPAs	Oregon Society of CPAs
Florida Society of CPAs	Pennsylvania State Society of CPAs
Georgia Society of CPAs	Society of Louisiana CPAs
Greater Washington Society of CPAs	South Carolina Association of CPAs
Hawaii Society of CPAs	South Dakota CPA Society
Idaho Society of CPAs	Tennessee Society of CPAs
Illinois State Society of CPAs	Texas Society of CPAs
Indiana Society of CPAs	Virginia State Society of CPAs
Iowa Society of CPAs	Washington Society of CPAs
Maryland Society of CPAs	West Virginia Society of CPAs
Massachusetts Society of CPAs	Wisconsin Institute of CPAs
Michigan Association of CPAs	Wyoming Society of CPAs
Minnesota Society of CPAs	Association of Accounting Administration
Mississippi Society of CPAs	
Nevada Society of CPAs	
New Hampshire Society of CPAs	
New Jersey Society of CPAs	
New Mexico Society of CPAs	

How To Read This Report

This PCPS/TSCPA National MAP Survey was conducted among accounting firms throughout the United States. Intellisurvey, an independent market research company, administered this on-line survey. The survey addresses key metrics that firms rely on to gauge their performance and profitability. The results of this comprehensive survey are presented in both numeric and tabular formats.

Background/Survey Methodology

This is the first year of this comprehensive survey sponsored jointly by PCPS and TSCPA. The survey instrument covers many questions that were previously covered in the TSCPA MAP Survey.

Throughout the week of August 26, 2002 a random sample of 40,000 practitioners received the survey via e-mail:

- approximately 6,000 PCPS members
- 15 State Societies provided Intellisurvey with a list of members who received an e-mail alert similar to PCPS members.
- 23 State Societies opted to send customized e-mail or mail alerts to their members.

As an incentive to participate, respondents of PCPS were told that they would receive free results of the PCPS/TSCPA report, whereas non-members could get free results by joining PCPS.

Respondents were advised that only one response per firm would be accepted and that they should confer with partners and colleagues to determine whether someone within the firm had already completed the survey.

The survey field period was September 4, 2002 to October 15, 2002. The deadline was extended to accommodate the October 15 tax filing deadline. As of the cut-off date of October 23, 2522 firms had completed the on-line survey.

Subgroups Used in Report

This report provides a comprehensive analysis of firm practices and management trends. (See Appendix A and Appendix B). All questions are analyzed in tabular and chart format using the following subgroups:

Your Firm — Only applicable to firms that participated in survey.

Type of Owner

- **Single-owner** — a practice with only one owner.
- **Multi-owner** — a practices with 2 or more owners.

Geography

- **National** — aggregated results of all firms that responded
- **Regional** — 4 geographic regions based on National Census divisions.
 - a) Northeast
 - b) South
 - c) West
 - d) Midwest

- **State** — available if the respondent is in a state that participated in the survey and received sufficient responses to make the data statistically projectable.¹

Metro Population — Metropolitan Statistical Areas (MSAs) of comparable population size.

- < 250K — Areas with a population of less than 250,000
- 250K – 2M — Areas with populations within the range of 250,000 and 2,000,000
- 2M+ — Areas with a population of MORE THAN 2,000,000

Firm Size — (based on revenues) small, medium, and large as defined below:

Firm Size	Single Owner	Multi-Owner
Small	Less than \$150,000	Less than \$1,000,000
Medium	\$150,000 to \$300,000	\$1,000,000 to \$2,000,000
Large	More than \$300,000	More than \$2,000,000

Please note that final reports are customized and may exclude subgroups or statistics that may not apply to a particular respondent or state.

Research Terms and Definitions

Some totals in the report will not add to 100% due to rounding “No answer” or multiple answers. Several questions within the survey required respondents to indicate either dollar or percentage amounts. For such responses mean and median values are provided.

Median: Is the value that divides a distribution of responses exactly in half, in the sense that 50% of the responses in the distribution fall at or below that value and 50% of the responses fall above that value.

Mean: The average or sum of all responses divided by the number of responses in a distribution.

Confidence interval is the plus-or-minus figure usually reported in newspaper or television opinion poll results. For example, if you use a confidence interval of 4 and 47% percent of respondents in the survey select an answer you can be “sure” that if you had asked the question of the entire relevant population between 43% (47-4) and 51% (47+4) would have picked that answer.

The confidence level tells you how sure you can be about a particular answer. It is expressed as a percentage and represents how often the true percentage of the population who would pick an answer lies within the confidence interval. The 95% confidence level means you can be 95% certain; the 99% confidence level means you can be 99% certain. Most researchers use the 95% confidence level. When you put the confidence level and the confidence interval together, you can say that you are 95% sure that the true percentage of the population is between 43% and 51%.

Reviewing the Data

Given the depth of information provided we strongly urge readers to keep a copy of the PCPS/TSCPA National MAP survey handy so that you can compare statistics with the appropriate survey questions. The survey and glossaries can be downloaded from:

Survey: <http://map.pcps.org/misc/map/survey.pdf>

Glossaries: <http://map.pcps.org/misc/map/1glossary.htm>
<http://map.pcps.org/misc/map/2glossary.htm>
<http://map.pcps.org/misc/map/3glossary.htm>

Please direct all questions and comments to pcps@intellisurvey.com

The wider the confidence interval you are willing to accept, the more certain you can be that the whole population answers would be within that range. For example, if you asked a sample of 1000 firms in a particular state which accounting method they use, and 60% said Method A, you can be very certain that between 40 and 80% of all the firms in that state actually do use Method A. However, there is less certainty that between 59 and 61% of the firms in the state prefer Method A

There are three factors that determine the size of the confidence interval for a given confidence level. These are: sample size, percentage and population size.

Sample Size

The larger your sample, (number of respondent firms) the more sure you can be that the answers truly reflect the population. This indicates that for a given confidence level, the larger your sample size, the smaller your confidence interval. However, the relationship is not linear (i.e., doubling the sample size does not halve the confidence interval).

Percentage

Your accuracy also depends on the percentage of your sample that picks a particular answer. If 99% of your sample said "Yes" and 1% said "No" the chances of error are remote, irrespective of sample size. However, if the percentages are 51% and 49% the chances of error are much greater. It is easier to be sure of extreme answers than of middle-of-the-road ones.

When determining the sample size needed for a given level of accuracy you must use the worst case percentage (50%). You should also use this percentage if you want to determine a general level of accuracy for a sample you already have. To determine the confidence interval for a specific answer your sample has given, you can use the percentage picking that answer and get a smaller interval.

Population Size

The population size is defined as the number of people your sample group represents from the universal group. This may be the number of firms in your state, or geographic region. Often you may not know the exact population size. This is not a problem. The mathematics of probability proves the size of the population is irrelevant, unless the size of the sample exceeds a few percent of the total population you are examining. This means that a sample of 500 people is equally useful in examining the opinions of a state of 15,000,000 as it would a city of 100,000. For this reason, we ignore the population size when it is "large" or unknown. Population size is only likely to be a factor when you work with a relatively small and known group of people (e.g., the members of an association like the PCPS).

The confidence interval calculations assume you have a genuine random sample of the relevant population. If your sample is not truly random, you cannot rely on the intervals. Non-random samples usually result from some flaw in the sampling procedure. An example of such a flaw is to only survey firms for whom we have e-mail addresses and miss firms for whom we do not have current e-mail addresses. For most purposes, the non-working population cannot be assumed to accurately represent the entire (working and non-working) population.

Result Topic Index

The following is an index of the survey topics, consistent with the format of the 2002 PCPS/TSCPA National MAP Survey. The order and categorization of each of the topics corresponds to the results located in customized PDF reports for participating firms, national results as well as state and regional result reports.

FIRM BACKGROUND INFORMATION

Primary Office State Locations
 State Metro Areas of Primary Office
 Population of Practice Metro Area
 Type/Category of Practice Unit
 Whether Firm has satellite offices
 State Location of satellite offices
 Whether firm size change significantly (20% or > in gross fees) in last fiscal year
 Reasons Attributed to firm size change
 Number of Years Firm In Business
 Last Fiscal Year end
 Firm membership in AICPA Firm and Network Groups

FIRM FINANCIAL INFORMATION

Financial Information (as of Last Fiscal Year End)

Total Accounts receivable (billed less allowances)
 Total Work-in progress (unbilled less allowances)

Revenues

Prior Fiscal Year Amount Net client fees earned
 Last Fiscal Year
 Amount of gross fees earned
 Amount of Net write-ups /(write-downs)
 Amount of Net client fees earned
 Amount of Interest income
 Other income (rents and royalties)
 Amount of Total income

Expenses

Professional salaries (excluding owners)
 Paraprofessional salaries
 Other salaries (excluding owners)
 Retirement plan costs (excl. owners)
 Other employee benefits (excl. owners)
 Dues, library, CPE
 Insurance (excluding health)
 Office rent & other occupancy costs
 Interest
 Computer and technology expenses
 Promotion and marketing
 Other expenses
 Total expenses
 Net remaining for owners

Firm Premises

Description of Primary office location
Total square footage of firm primary office
If firm rents space, amount of **annual** rent per square foot
Kinds of office accommodations provided to staff

NET REMAINING FOR FULL-TIME/FULL-YEAR OWNERS

Number of **full-time/full year active owners** sharing in net remaining for owners by amount.

SOURCES OF FEES

Percentage of fees earned in the Last Fiscal Year by fee source
(Fee Sources: Auditing and attestation services, Litigation support, Reviews, Compilations, Information technology services
Information technology hardware sales, Tax services, Financial advisory services, Write-up and data processing, Mergers and acquisitions, Consulting services, Business valuation, Other services)

ACCOUNTS RECEIVABLE

Last Fiscal Year portion of billed receivables
Amount of bad debt written off in Last Fiscal Year
Whether interest charged on accounts receivables?

PERSONNEL/HOURS

No. of Persons, Hours Compensated and Hours Charged/Billed that were:

- Active Owners
- Professional Accountants with over 10 years of professional experience
- Professional Accountants with 6-10 years of professional experience
- Professional Accountants with 4-5 years of professional experience
- Professional Accountants with 1-3 years of professional experience
- Professional Accountants with Up to 1 year of professional experience
- Computer professionals
- Administrators, office managers
- Paraprofessionals (bookkeepers, etc.)
- Clerical (data entry, word processors, etc.)
- Other classifications

Total No. of Persons, Hours Compensated and Hours Charged/Billed

STAFF COMPENSATION

Fiscal, Calendar or Other Basis for Compensation Year

Gross Compensation full-year only for:

- Professional Accountants with over 10 years professional experience
- Professional Accountants with 6-10 years professional experience
- Professional Accountants with 4-5 years professional experience
- Professional Accountants with 1-3 years professional experience
- Professional Accountants with up to 1 year professional experience
- Computer Professionals
- Administrator, Office Manager
- Paraprofessionals (bookkeepers, etc.)
- Clerical (data entry, word processor, etc.)

Total Gross Compensation full-year only

Average annual percentage increase in base salary for professionals

STARTING SALARY

Number of new hires and average Annual Salary for recent graduates (less than three months professional experience) hired to firm in Last Fiscal Year meeting 150 Hour Requirement

Number of new hires and average Annual Salary for recent graduates (less than three months professional experience) hired to firm in Last Fiscal Year NOT meeting 150 Hour Requirement

BILLING RATES AS OF DECEMBER 31, 2001

Average standard hourly billing rates for:

- Active Owners
- Professional Accountants with over 10 years professional experience
- Professional Accountants with 6-10 years professional experience
- Professional Accountants with 4-5 years professional experience
- Professional Accountants with 1-3 years professional experience
- Professional Accountants with Up to 1 Year professional experience
- Computer Professionals
- Administrator, Office Manager
- Paraprofessionals (bookkeepers, etc.)
- Clerical (data entry, word processor, etc.)

Whether firm uses standard billing rates for Professional staff

Whether firm uses standard billing rates for Clerical/administrative personnel

Additional charges the firm bills for

(Charge Options: Copying, Clerical overtime, Technology, Fax charges)

BILLING RATE MULTIPLE

Percentage of fees based primarily on standard hourly billing rates

Firm's approximate ratio of billing rates to compensation

Estimated hourly billing rate for a professional with an annual salary of \$50,000 per year

COMPENSATION / PERSONNEL POLICIES

Whether firm provides for partner retirement

Whether retirement plan funded

Whether professional staff compensated for overtime/excess hours

Whether time spent traveling to client offices outside of normal working hours is paid

Whether firm has formal sick leave policy

List of policies in place at firm

(Policy Options: Compensatory time off for overtime/excess hours, Option of overtime pay or compensatory time off, Incentive bonuses for client development, Time off for the CPA examination, Paid time off and/or compensation for professional activities, Paid time off and/or compensation for community activities, Maternity leave in excess of any normal accumulated sick leave)

Whether part-time personnel hired

STAFF BENEFITS

Benefits that firm provides/financially support for firm staff

CLIENT SERVICES

Types of client services provided by firm

CURRENT / FUTURE ISSUES

Status of firms providing Security sales service to clients within two years
Status of firms providing Web Trust service to clients within two years
Status of firms providing Eldercare service to clients within two years
Status of firms providing Newly developed assurance services to clients within two years
Status of firms providing legal services within your firms (dependent on state) to clients within two years
Status of firms providing sales of insurance products service to clients within two years
Status of firms providing Performance View service to clients within two years

Whether firms consider hiring non-CPA professionals within two years
Whether firms consider making non-CPAs owners in the firm within two years
Whether firms consider hiring interns for professional staffing within two years
Whether firms consider merging with a non-CPA firm (if permitted by state law) i.e. law firm, technology, investment firm etc. within two years
Whether firms consider providing multi-disciplinary services through your CPA firm within two years

WORKING HOURS

Hours a week professional staff expected to work by standard and busy season periods?
Whether billing rates are adjusted depending on the season in which the work must be accomplished

TECHNOLOGY

Whether firm has a web site
Whether firm files tax returns electronically
If tax returns electronic, amount charged for this service

List of Internet resources utilized by firm
(Internet Resource Options: Planning (strategic, investment, operational, etc.), Tax research, Recruiting, Accounting research, Marketing, Researching or purchasing supplies and/or equipment, Other)

Whether email utilized for communication with staff, clients, or business associates?

Approximate percentage of firm's annual revenues is spent on technology

List of tax research sources utilized by firm
(Source options: Paper, CD-Rom, On-line subscriptions, Internet)