

Research on the Salary Incentive of Accounting Firms

-- Taking A Accounting Firm as an Example

Wentao Zhu, Weixin Shen, Yang Di, Yuqing Wang, Jiajun Qiu

Nanjing Audit University, Nanjing, Jiangsu, 211815, China

Abstract

The salary system established by the accounting firm determines the income of the employees, and the income of the employees affects their work enthusiasm. A reasonable salary system can promote the active work of employees and promote the better development of accounting firms. The article takes A accounting firm as an example to study its salary system, expounds the problems in the A accounting firm's salary system, and proposes corresponding improvement plans. The research conclusions of this article are helpful for accounting firms to rationally design compensation systems according to their own conditions, improve employee enthusiasm, operating efficiency and audit quality, and at the same time provide experience references for regulatory agencies to regulate the management of accounting firms and encourage certified public accountants to practice.

Keywords

Accounting firm; Salary system; Performance appraisal.

1. Introduction

In the past 10 years, the number of registered accounting firms in my country has shown an overall upward trend. In 2020, the number of newly registered accounting firms in my country will be close to 5,000. Chinese accounting firms play a huge role in corporate accounting information disclosure, tax consulting, etc., promote the development of the socialist market economy, and ensure the accuracy of corporate audit information. In an enterprise, the incentive effect of a reasonable salary system can stimulate the motivation of employees and create greater value for the enterprise. For accounting firms, a reasonable salary system not only enables employees to maintain a positive working attitude, but also provides a guarantee for the issuance of reasonable and high-quality audit reports. This article will take A accounting firm as an example to analyze the problems in its remuneration system and propose improvement measures. Through a specific analysis of the accounting firm, it will provide relevant revisions to the common problems in the remuneration system of certified public accountants.

2. Case Analysis-Take A Accounting Firm as An Example

2.1. Introduction to Accounting Firm A

Accounting Firm A is a large domestic accounting firm with a history of more than 30 years. It has relevant qualifications for financial business auditing, state-owned enterprise auditing, and confidential business consulting services. It has nearly 20 branches in Beijing and Shanghai. Its business scope covers stock issuance, financial consulting, tax consulting, etc. It provides auditing, taxation, consulting and other professional services for nearly 2,000 state-owned, foreign and private enterprises. It has a large number of employees, and the number of certified public accountants alone has exceeded 800. From 2018 to 2020, the comprehensive strength of

A accounting firm has been continuously improved, and the amount of profit has increased year by year. In 2020, the total annual revenue of A firm will reach several billion yuan.

2.2. The Current Salary System of A Accounting Firm

2.2.1. Basic Salary

Regular employees can be paid a basic salary within one month, and the amount of salary is paid according to the job level and different positions of the same level. The employee level of A accounting firm is Auditor Assistant-Auditor-Senior Auditor-Project Manager-Senior Manager-Director-Partner. The basic salary for the first year of the auditor assistant's employment is generally around 3000-4200 yuan/month, per liter The first-level basic salary increased by about 10%. In addition, the basic wages of employees in different regions and different positions also have certain differences. For example, the first-line branch office is generally higher than the second-line branch, and the consulting position is generally higher than the auditing position.

2.2.2. Performance Appraisal Salary

Performance appraisal is mainly composed of three parts of indicators: (1) The utilization rate of working hours throughout the year. Firm A stipulates that the basic working hours of all employees for the whole year is 2000 hours. The total working hours actually used by the employees in related projects throughout the year are divided by the basic working hours of 2000 hours to get the utilization index. This indicator represents the proportion of employees' working hours spent on actual projects to basic working hours. The higher the ratio, the more time invested in the project and the more active the work is. (2) Manager scoring. The manager objectively evaluates the performance of the employees, and comprehensively evaluates the employees based on their daily work attitude, work efficiency, project results, etc. (3) Assessment of specific projects. The manager evaluates the employees based on the final situation of their participation in the project and their usual work performance. The three-part assessment result summary is the employee's annual performance assessment situation. After the performance assessment is completed, the performance salary is determined according to whether the employee's performance assessment results meet the standard.

2.2.3. Project Commission

According to the fee of the specific project, it is converted into the corresponding project team commission according to the commission ratio. Generally, the project commission ratio corresponding to each project is 9%. The project manager allocates the commission accordingly within the group. The project manager commission ratio is generally the auditor's commission ratio. 1.5 times. At the same time, the project commissions of employees generally account for a large part of the annual income.

2.2.4. Certificate Subsidy (Only for Certified Public Accountants with CPA Certificate)

For certified public accountants who have passed all the CPA exams, accounting firm A generally grants a subsidy of 500 yuan per month.

2.2.5. Business Trip and Communication Subsidies

When designing a business trip project, each employee of the project team makes up for 50/day for out-of-town difference, 30yuan/day for inland difference, 30yuan/day for meal, and 100yuan/month for communication.

2.2.6. Year-end Bonus

A accounting firm distributes year-end bonuses based on the annual total working hours of employees. Generally, the amount of the year-end bonus is equal to the total working hours * unit working hour bonus. The unit working hour bonus is generally 12 yuan. According to 2000

hours as the standard total working hours, each employee can Received a year-end bonus of 24,000 yuan.

2.3. Problems with the Current Salary System

2.3.1. The Income of New Employees:

Firm A stipulates that there is no project commission for new recruits in the first year, and the monthly basic income is relatively low. The work intensity of the accounting firm is greater than that of other types of companies. The low income leads to more new employees leaving after less than a year of work.

2.3.2. Performance Appraisal Salary System:

(1) The scope of the inspection is limited. The main content of the performance appraisal of the A firm is the past performance of the employees, ignoring the growth and development of the employees; And the customer's comprehensive evaluation; (3) The performance appraisal content does not highlight the key points. On the one hand, the different sections of the appraisal content are not given corresponding weights, but simply summarized. On the other hand, the specific project appraisal section does not classify the difficulty of the project to improve The weights of key projects (such as IPO projects); (4) The results of performance appraisal are not fully utilized. When employees' performance appraisal scores reach the specified score, the corresponding performance wages will be issued, which does not provide sufficient discrimination for employees.

2.3.3. Project Commission

Without specific distribution rules and basis, the distribution ratios of the managers and auditors of each project team may be different, which is easy to cause unfair distribution. Employees may be passively slowed down during project implementation due to uneven distribution and reduce auditing. The quality of the report. At the same time, the manager controls the distribution power, which is easy to cause moral hazard and fraud.

2.3.4. Year-end Bonus

Only according to the number of working hours, lack of diversity, employees can get a year-end bonus that is not much different from other employees when they reach the basic 2000 working hours, and it is not possible to distinguish the rewards of employees with different work performance. The income generated by employees for Accounting Firm A is not linked to income, which consumes the enthusiasm for work. At the same time, it is too easy to obtain year-end bonuses, and it is not ruled out that some employees deliberately use high working hours to obtain additional year-end bonuses.

2.3.5. In Terms of Employee Equity Policy

There is a lack of an employee-oriented equity compensation policy. The equity compensation policy is currently limited to the partner level in Accounting Firm A. At present, the employee shareholding policy has been widely used in domestic enterprises. Equity incentives are actually a kind of core outstanding employees. Long-term incentives. As for the core employees with outstanding job performance, the need to participate in the distribution of residual benefits cannot be met by Accounting Firm A, which is not conducive to retaining talents.

2.4. Improvement Plan for the Compensation System

2.4.1. For New Employees:

Grant newcomers the qualification to participate in the commission distribution of related projects, but their distribution ratio needs to be reduced. On the one hand, their basic income should be appropriately increased to match their wages with work intensity; on the other hand, the commission distribution ratio of projects lower than ordinary employees can be reduced The dissatisfaction of other ordinary employees in the project team.

2.4.2. In Terms of Performance Appraisal:

On the basis of the three assessment sections of the original full-year working hours utilization, manager's rating, and specific projects, the employee learning and growth section is added, and different total indicators and specific indicators are given different scoring weights, and the "project level and quantity" indicator is added to specific projects. In the employee rating section, two subjects, customers and employees at the same level, were added to form the following specific performance appraisal table:

Table 1. Performance Appraisal Form of Accounting Firm A

Total index	Total weight	Specific indicator content	Specific indicator weight	Evaluation method	Score
Utilization of working hours	20%	Total annual working hours	5%	Based on the online platform record, 80 points will be awarded for full 2000 basic working hours, based on this, 5 points will be added for every 100 hours, and 5 points will be deducted for every 100 hours lost.	
		Working hours utilization	15%	Based on the online platform record, the utilization value is the score, such as 80% utilization rate is 80 points	
specific project	50%	Level and number of participating projects	20%	The level is divided into key projects and general projects. Projects with similar difficulty such as IPO are classified as key projects and assigned a value of 2, and the rest are classified as general projects, assigned a value of 1, scoring index=total assignment/total quantity, 90 points for the index at 1.5, Add 2 points for every 0.1 increase	
		Total fees for participating in the project	30%	80 points for the total project income of 200,000, plus 1 point for every increase of 50,000, and minus 2 points for every decrease of 50,000	
Staff ratings	20%	Manager score	10%	The department manager in charge scores the corresponding employees	
		Staff rating	5%	Employees at the same level in the department rate the corresponding employees	
		Customer ratings	5%	Invite customers related to project team services to rate employees	
Learning and growth	10%	Online learning	5%	Score based on the employee's relevant professional knowledge online course learning records	
		Professional Training	5%	Score according to the attendance rate and effectiveness of employees participating in professional training organized by the company	

1. Use of performance appraisal results:

Link the performance appraisal scores to the number of performance wages, and divide the scores into four sub-levels in the following table. Each sub-level corresponds to a different performance-based wage adjustment coefficient. The final number of performance wages issued = the prescribed amount * coefficient, and the individual performance appraisal of employees The score is linked to the relevant type of year-end bonus.

Table 2. Performance appraisal scores and corresponding adjustment coefficients of accounting firm A

Total employee performance score	90-100 points	75-89 points	60-74 points	59 points or less
Corresponding to the secondary	Excellent	Good	Generally	Unqualified
Adjustment coefficient	1.2	1.0	0.8	0

2. Project commission:

Formulate clear allocation regulations, especially the commission ratio between audit managers and auditors in the project team. At the same time, set different commission ratios for projects with different difficulties. For example, IPO projects of listed companies can increase the commission ratio to 10%.

3. Year-end bonus:

(1) Increase the type of year-end bonus, and add new year-end bonus types such as outstanding projects, best growth, and best performance for employees who have achieved overall standards and outstanding unilateral performance in the performance appraisal; (2) Retain employees who have achieved 2000 basic skills Year-end bonus is issued, and the amount is still equal to the total working hours * unit working hour bonus, but the amount of the year-end bonus for unit working hours needs to be reduced, adjusted to 5 yuan/hour as follows.

4. In terms of employee equity policy:

Based on the results of performance appraisal over the years, employees with the top 5% of average scores are selected and granted the qualifications to hold shares. The form of equity incentives can adopt the virtual share distribution implemented by most companies, that is, only outstanding employees are given nominal shares so that they can participate in the distribution of the remaining profits of the firm according to their shareholding ratio, but they do not have the control and ownership of the shareholders, which reduces The risk of too many partners due to the distribution of too many shares.

3. Conclusion

The remuneration system of accounting firms determines the remuneration income of employees. A reasonable income helps employees to work actively and grow actively, issue higher-quality audit reports, and promote the better development of the firm. This article takes the accounting firm A as an example, analyzes the problems in the remuneration system of the accounting firm, and proposes corresponding improvement measures. Through the case analysis of the specific remuneration system of the accounting firm A, the following suggestions are put forward for the common problems in the remuneration system of the firm: 1. Increase the remuneration of new recruits; 2. Improve the content of the performance appraisal and formulate reasonable Performance appraisal form; 3. Make full use of the results of

performance appraisal; 4. Clarify the system of project commission allocation ratio; 5. Improve the year-end bonus system; 6. Establish a stock ownership plan for outstanding employees.

Acknowledgments

This article is the 2019 College Student Practice Innovation Training Project Plan of Nanjing Audit University, project number: 201911287041Y.

References

- [1] Xu Xiaoshi Wu Jiyuan. The construction of the performance appraisal index system of accounting firms_based on the case study of HZ accounting firms [J]. Economist, 2013, 11: 20-21.
- [2] Zhou Chunyang. Thoughts on the performance management of auditors in accounting firms_Taking X accounting firm as an example [J]. Qilu Zhutan, 2019, 2:54-56.
- [3] Liu Xianli. Research on the performance appraisal and salary incentive mechanism of accounting firms [J]. Modern Economic Information, 2017, 1:94.
- [4] Cao Ruopei. Analysis of CPA salary incentives signed by accounting firms [J]. Finance and Accounting Newsletter, 2014, 3: 23-25.
- [5] Liu Xiang. Discussion on effective countermeasures for accounting firms to strengthen performance evaluation [J]. Accounting Management, 2021, 6:17-18.