

# The Financial Position of the Top Accountancy Firms in the UK

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## Abstract

The consolidated financial position of the Top 6 accountancy companies in the UK is the subject of this paper. Top 6 include PwC, Deloitte, EY, KPMG, BDO and Grant Thornton. The study period spans from 2014 to 2024. Key figures from the group balance sheet and the profit and loss statement and their growth over the study period are examined. The structure of the balance sheet is evaluated too. Next, liquidity, leverage and performance financial ratios are computed. The impact of the Covid-19 health crisis on financial performance is assessed too. Furthermore, a comparative panel regression analysis of financial performance among the sample firms is applied. Finally, regression analysis on the determinative factors of performance is conducted. The results show that the Top 6 accountancy firms in the UK are quite liquid and profitable, whereas they are financed via external capital and to a lesser degree via equity. The majority of the financial performance metrics computed along with the metric of firms' ability to leverage their assets to make revenue are impressive. On the question of the coronavirus' impact on financial position, the results show that the revenue and profitability of the Big 6 in the UK have been significantly higher during the post-covid era. However, the financial performance measures have not. Finally, the econometric analysis reveals a negative correlation between size and financial performance, while a positive relationship of financial performance is accentuated with the debt-to-equity ratio, the cash ratio, the efficiency ratio, and the revenue per employee.

**Keywords:** Accountancy Firms, Financial Performance, Liquidity, Leverage, Profitability, Efficiency

**JEL Codes:** M42

## 1. Introduction

PwC, Deloitte, EY, and KPMG belong to the so-called "Big Four or Big 4" companies, which are the four largest professional services networks worldwide in terms of revenue. The Big 4 are grouped together because they are comparable in terms of size, workforce, range of services, and markets served. They all offer audit, assurance, taxation, management consulting, valuation, market research, actuarial, corporate finance, legal, and headhunting services to their clients. They undertake the audits of a significant

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majority of public companies, as well as the audits of private companies, public sector enterprises, charities and other organizations. At the global level, [Gordieieva and Tsaturian \(2023\)](#) report that the Big 4 serve 88% of large enterprises from various sectors of the economy.<sup>1</sup> The remaining 12% of large companies are served by other 36 audit firms.

Though being called as “firms”, none of these companies is actually a single firm. In fact, they all are professional services networks. Professional services networks refer to business networks of independent member firms who work together to provide professional services to clients through the channel of an organized framework. Each one of the Big 4 is a network of firms, with independent ownership management, which have entered into agreements with the other members in the network to operate under common name, brand, intellectual property, ethics and quality standards. In addition, each network has established a global entity to co-ordinate the activities of the network.

Big 4 experience the competition of other smaller professional networks including, among others, BDO and Grant Thornton. In fact, locally, these (or other) competitors may break the dominance of the Big 4 by displacing one or more Big 4 to lower rankings.<sup>2</sup> Anyway, despite the increasing competition by the smaller networks and the occasional dominance of non-Big 4 companies over some of the Big 4, the rule is that the Big 4 companies are by far larger than their competitors at an international level. Among other things, the latter can explain why Big 4 firms have been the preferred choice for young professionals entering the professional services market.

Big 4 or non-Big 4, the role of the accountancy companies,<sup>3</sup> and, especially, the audit and assurance branch of their services, is vital to the operation of financial markets and the economy as a whole. The role of auditors is important because they provide independent, objective professional evaluations that ensure the accuracy, reliability, and a fair view of a company’s financial statements. This process fosters trust and integrity, protects against fraudulent behavior, errors, and corporate misconduct, and confirms compliance with laws and regulations. Overall, the audit mechanism is crucial to a range of stakeholders, including shareholders, investors, creditors, clients, suppliers, employees, regulators, and public authorities, as it helps protect their interests.

Another purpose that is served by auditors regards the possible inefficiencies, overspending, or weaknesses in internal control systems that can be accentuated through the examination of a company’s financial records and the assessment of the company’s adherence to the generally accepted accounting principles and the required regulation

<sup>1</sup> In this report, large companies are those with an annual global turnover of more than 700 million USD.

<sup>2</sup> For instance, Grant Thornton and BDO rank fourth and fifth in India, with PwC dropping to the sixth spot. Source: <https://economictimes.indiatimes.com/industry/services/consultancy/-/audit/books-marks-india-inc-prefers-the-big-6-for-audit/articleshow/120802349.cms?from=mdr>. In Greece, KPMG is the sixth biggest audit firm behind Grant Thornton and another major local brand.

<sup>3</sup> Throughout the text, the term accountancy firm will be referring to companies providing audit, accounting, tax, legal, advisory and any other relevant services altogether.

standards. By detecting such weaknesses, auditors can provide valuable insights and advice that help their clients improve operational efficiency and long-term financial health. In fact, several researchers, such as [Krishnan \(2003\)](#), [Bulut et al. \(2009\)](#), [Farouk and Hassan \(2014\)](#), [Afza and Nazir \(2014\)](#), [Ching et al. \(2015\)](#), [Hua et al. \(2016\)](#), [Egbunike and Abiahu \(2017\)](#), [Rahman et al. \(2019\)](#), [Khan et al. \(2021\)](#), and [Hyarat et al. \(2023\)](#), have found a positive relationship between the quality of the audit services provided and the financial performance of the auditees. At the same time, [Hanoon et al. \(2021\)](#) highlight the significance of internal audit by reporting that the financial success of an enterprise, as measured by the company's return on assets (ROA) and return on equity (ROE), is positively related with the company's internal audit standards and control system, as well as the independence and professional competence of internal auditors.

For an accountancy company to play its vital role, it needs a sound financial position and the necessary resources, including personnel, technical expertise, and infrastructure. As noted by [Gelashvili et al. \(2024\)](#), financial soundness should not be taken for granted when assessing the viability of accountancy firms. On the contrary, based on the computation of Altman's Z-score for a sample of 12,469 accountancy firms in Europe, several of them are found to be at high risk of bankruptcy.

The financial position of the accountancy companies is the subject of the current study. More specifically, in this paper, we examine the financial position of the 6 largest accountancy firms in the UK (hereafter, the "Big 6" firms). From the biggest to the smallest firm, the Big 6 in the UK include PwC, Deloitte, EY, KPMG, BDO, and Grant Thornton. The period under study spans from 2014 to 2024, while consolidated financial statements are examined.

In the context of financial statement analysis, key figures from the consolidated balance sheets and consolidated profit and loss statements of the sample firms are reported, along with their growth over the period under study. The balance sheet structure is then evaluated. An analysis of staff, staff cost, and revenue per employee follows. Next, key liquidity, leverage, and performance financial ratios are computed. The impact of the COVID-19 health crisis on financial performance is assessed, too. A comparative panel regression analysis of financial performance among the sample firms is applied then. Finally, the determinative factors of financial performance are explored via regression analysis,

The empirical results indicate that accountancy groups in the UK are quite liquid and profitable. However, Deloitte and Grant Thornton present negative average equity over the study period. In addition, the Big 6 are financed more by external capital than equity. Moreover, the majority of the financial performance metrics computed are quite impressive, except for Deloitte's and Grant Thornton's ROE, which are negative due to their negative equity. Furthermore, the ability of firms to leverage their assets to generate revenue is found to be very important.

Comparing the sample companies, we see that PwC is the largest one, in terms of size (assets), revenue, and workforce, and pays the highest average absolute staff cost (but not the highest average cost per employee) among the Big 6. PwC also presents satisfactory financial performance measures, which are higher than those of its competitors, except

for average ROE, which is the second-best in the sample. Regarding the impact of coronavirus on the financial position, the analysis reveals that revenue and profitability are significantly higher in the post-COVID era, i.e., 2021-2024. However, financial performance measures are not significantly better in the post-COVID period than in the pre-COVID period (i.e., 2014-2019) or in 2020. When it comes to factors affecting the financial performance of accountancy firms in the UK, the econometric analysis shows that larger companies perform worse financially. In other words, size is negatively related to performance. Other variables that can affect financial performance (in a positive way) include debt-to-equity ratio, cash ratio, efficiency ratio, and revenue per employee.

We consider our study a significant contribution to the literature. Most studies involving the Big 4 or other audit firms from the UK address research questions such as the ability of these companies to collect audit fee premiums based on their fame and industry specialization (e.g., [Basioudis and Francis, 2007](#); [Campa, 2013](#); [Kharuddin and Basioudis, 2018](#); [Kharuddin et al., 2021](#)). In the same field, [Kacer et al. \(2018\)](#) report that Big 4 real audit fees are quite persistent and partly dependent on prior realizations. On the other hand, [Beattie et al. \(2003\)](#) assess the concentration in the UK audit market, along with the causes and consequences of its dominance by the Big 4. We can find other studies on the relationship between audit quality and earnings management by auditees in the UK (e.g., [Sitanggang et al., 2020](#)). However, to the best of our knowledge, a comprehensive analysis of the financial position of the leading accountancy companies in the UK is missing.

Given the necessity of financially viable accountancy companies that play a crucial role in the efficient functioning of financial markets, we deem that our study will be useful to accountancy companies themselves, as well as to their clients and other stakeholders. First, our empirical findings from the regression analysis can help the firms examined identify factors that enhance their financial performance and work to further strengthen them. On the other hand, the audit clients of the Big 6 in the UK will be satisfied to confirm their perceptions of their auditors' financial soundness. This soundness encourages auditees to engage in long-term professional relationships with their auditors. Suppliers, creditors, and employees can also be motivated by the Big 6 in the UK's healthy financial condition to maintain long-term relationships with these companies. Other stakeholders, including regulators, public authorities, and society as a whole, might benefit from our results.

The rest of the paper is structured as follows: the next section discusses the main findings from the literature on the financial position and performance of accountancy companies at the international level. The research hypotheses to be tested in our study are defined in Section 3. Section 4 describes the sample companies and their accounting outlook. The research methodology is also discussed in Section 4. Section 5 provides the empirical results of our study. Conclusions are presented in section 6, along with suggestions for future research.

## 2. Literature Review

Among other things, the financial performance of accountancy firms is a function of the fees they collect from their clients given that there is no standard remuneration for the services provided and, consequently, it is up to each practitioner to define their own rates.

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Literature has accentuated several factors that can affect audit fees including client-specific factors, such as size, complexity, business risk, efficiency of internal controls, profitability, industry, location and ownership structure, and audit firm-related factors, such as reputation and size, competition, expertise and experience. The time spent on a project and regulatory environment can affect the level of audit fees too.

Regarding the determinative factors of audit fees, [McMeeking \(2007\)](#) examines the relationship between market structure, competition and pricing policies in the UK accountancy market focusing on the fees charged by the accountancy firms. The author reveals that the fees charged to FTSE100 clients rapidly increase during the 1990s due to independence concerns, corporate scandals and additional legislation requirements. The author also reports that, at the initial tender stage, the audit market is competitive, but concentration allows firms to significantly increase audit fees upon re-election. [Pong et al. \(2007\)](#) investigates the factors influencing audit fees in France where law requires a joint auditing process involving two separate auditors for companies issuing consolidated financial statements. The findings indicate that fees depend on firm size and risk, as well as the presence of two of the Big 4 firms. When two Big 4 firms audit company accounts, the fees charged are significantly lower in comparison with fees paid in other cases. Similar results are reported by [Thinggaard and Kiertzner \(2008\)](#) for the Danish stock market where a joint audit by two auditors is required too. [Mohammed and Barwari \(2018\)](#) show that the size and complexity of the auditee are the key determinants of audit fees in the UK Alternative Investment Market. In the same market, [Xue and O'Sullivan \(2023\)](#) accentuate a negative relationship of audit fees with client liquidity and the duration of listing in the alternative stock exchange of London. The significance of auditees' internal audit systems for the determination of audit fees is highlighted by [Saputra and Yusuf \(2019\)](#) and [Hazami-Ammar \(2019\)](#).

Furthermore, as noted by [Kharuddin and Basioudis \(2018\)](#) and [Kharuddin et al. \(2021\)](#), the level of fees collected by auditors depends on their industry specialization and brand name. In the same context, several studies evaluate the ability of Big 4 to collect fee premiums based on their fame and industry specialization. In this respect, [Che et al. \(2020\)](#) reveal the existence of such a Big 4 impact on the level of audit fees due to the acknowledged high quality of the audit services provided by these firms. High quality can be explained by the enhanced capacity of Big 4 to invest more resources in audit engagements (i.e., personnel, knowledge, tools, technology and time), offer significant learning opportunities and stronger incentives, and apply more efficient monitoring of the audit process. Similar results are reported by [Defond et al. \(2000\)](#), [Campa \(2013\)](#), [Kharuddin and Basioudis \(2018\)](#), and [Kharuddin et al. \(2021\)](#).

[Hrazdil et al. \(2020\)](#) confirm that a premium exists in the audit fees charged by the Big 4 in the U.S.. However, they point out that the impact of industry specialization on audit fees becomes statistically insignificant after controlling for individual pricing differences within the Big 4 group. [Fleischer et al. \(2017\)](#) assess the effect of auditor's rotation, after a client's decision, on the Big 4 audit fee premium finding that such a premium is the case only when the auditee retains its auditor. Upon auditor changes from one Big 4 auditor to another, the fee premium vanishes because the Big 4 auditors are willing to give up their premium (or even accept lower fees) in comparison to the non-Big 4 auditors.

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[Lee and Ha \(2021\)](#) relate fees to the hours spent on an engagement. Audit hours particularly increase after the discovery of fraudulent behavior on behalf of their clients because frauds result in more hours needed to carry out an audit and, thus, higher fees are charged to these clients. The increase in the fees charged to fraudulent clients happens no matter whether the auditee retains its old auditors or it decides to elect new. [Ensaf et al. \(2025\)](#) explore the relationship between previous audit adjustments with audit fees, also assessing their impact on the release of timed audit reports and audit quality with a sample of 103 companies listed on the Tehran Stock Exchange over the period 2013-2022. The authors find a significantly positive relationship between the average term of the past three years' audit adjustments and audit fees. This direct relationship is justified because an increase in previous audit adjustments signals higher audit risk, thus, requiring higher audit fees. Higher risk also leads to longer delays in the release of audit reports.

Apart from the factors that can affect audit fees, a matter of interest concerns the persistence in audit fees. In this respect, [Abdallah et al. \(2015\)](#), by examining whether cross-listed companies are charged a fee premium, report that the effect of the lagged nominal audit fees on current year's fees is significantly positive, indicating material persistence in audit fees. [Kacer et al. \(2018\)](#) use panel data for 76,867 Big 4 auditee observations over the period 1998 to 2012 to search for patterns of persistence in audit fees. The findings show that Big 4 real audit fees are quite persistent in both the listed and unlisted corporate markets in the UK, being partly dependent on their previous realizations.

The role of gender in the financial performance of small public accountancy practices in British Columbia is examined by [Collins-Dodd et al. \(2004\)](#). One key feature of these firms relates to their sole proprietorship, which means that they belong to a single owner. The empirical results indicate that gender is not a statistically significant direct explanation of the differences in financial performance among small accountancy firms. Nevertheless, women with a stronger motivation to establish a public practice to balance work and family have better financial outcomes, while men with such motivation experience reduced financial performance. [Garcia-Blandon et al. \(2023\)](#) examine whether there is any relationship between the involvement of auditees' female chief financial officers in the audit process and the pricing of audit services with the fees charged by auditors. The empirical analysis shows that firms with female chief financial officers and more female directors on the audit committee pay significantly lower audit fees than firms with less female directors.

In the audit profession, financial performance can relate to the time spent by auditors in their continuous professional development and education. [Chen et al. \(2008\)](#) investigate this matter with data from the Taiwanese public accountancy firms over the period 1992-1995, finding a direct connection between financial performance and the overall professional training of assistant auditors in big accountancy firms. In addition, regardless of the firm's size, the internal training of assistants is positively related to financial performance. On the other hand, external professional training of partners and assistants in both big and small firms positively affects financial performance.

The life cycle of an accountancy company is another determinative element of their financial performance. On this matter, [Chen and Cheng \(2008\)](#) focus on the life cycle

stage of the accountancy firms in Taiwan over the period 1998-2004 to assess the relationship of their size and quality with their financial performance. They define three stages of life cycle, that is, the youth, the adult and the old stage. Based on the empirical findings, the size of a firm (and not quality) is the most critical factor for its financial performance during its stage of youth. Size is significant in the adult stage too, when performance can only increase by increasing the size of the company. However, the significance of firm's size decreases in the old stage and the factor of quality becomes more important for financial performance. [Chen et al. \(2013\)](#) also focus on audit firms' size and quality, finding a positive relationship between the size and quality of firms, as well as a positive association between quality and financial performance. The direct correlation between quality and financial performance is more evident in accountancy companies with national coverage compared to firms with local or regional focus.

From another angle, [Eierle et al. \(2022\)](#) highlight the importance of political, economic, social, technological, legal, and environmental factors for the determination of audit fees. In the same field, Gordieieva and Tsaturian (2023) investigate how changes in economy around the globe affect the revenue of Big 4. Based on the empirical results, the revenue of Big 4 depends significantly on the state of global economy, being highly correlated to the global gross domestic product (GDP). On the other hand, recessions in global economic activity do not entail proportional drops in the revenue of Big 4. The protection of Big 4 from economic downturns is the result of a range of factors concerning their ability to attract the largest local and international audit clients, the wide industry diversification and regional coverage, the consistent upgrade of the services provided, the effective marketing strategies, the use of innovative technologies, and the recruitment of competent management and personnel.

Last, [Gelashvili et al. \(2024\)](#) evaluate the financial viability of the audit and accountancy firms, also assessing the impact of Covid-19 on financial performance. They analyze the profitability, liquidity and solvency of 12,469 accountancy companies in Europe, by considering the size and age of firms. Then, the authors employ the Z-score of Altman to measure the probability of a company going bankrupt. According to the empirical findings, though audit and accounting practices being highly important for the European economy, there are firms that are prone to the bankruptcy risk.

### *2.1. Hypotheses Development*

Based on previous literature (e.g., [Chen et al., 2013](#)), size is of one of the key variables that can affect the financial performance of the Big 6 accountancy firms in the UK. Size is positively related to the quality of the services provided, and audit quality itself is positively related to financial performance. The financial soundness and viability of an audit firm can affect its financial performance too, as noted by [Gelashvili et al. \(2024\)](#). Among other factors, financial soundness and viability depends on the leverage, liquidity, and efficiency of audit firms. Finally, the ability of audit firms to "exploit" their staff to make revenue should make an impact on their financial performance. Ideally, a company aims at the highest revenue-per-employee ratio, as a higher ratio possibly indicates greater productivity, which often translates into larger profits for the company.

The correlation of the UK audit firms' financial performance with their size, leverage, liquidity, efficiency, and revenue per employee is at the core of our analysis. The first

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hypothesis to be tested concerns the size of audit firms. This hypothesis is stated as follows:

*H.1<sub>0</sub>: Accountancy firms' size affects their financial performance in a positive way.*

*H.1<sub>1</sub>: Accountancy firms' size does not affect their financial performance in a positive way.*

With respect to the impact of leverage on financial performance, the hypothesis that will be examined is the following:

*H.2<sub>0</sub>: Accountancy firms' leverage affects their financial performance in a negative way.*

*H.2<sub>1</sub>: Accountancy firms' leverage does not affect their financial performance in a negative way.*

When it comes to the impact of liquidity on financial performance, the hypothesis that will be tested is as follows:

*H.3<sub>0</sub>: Accountancy firms' liquidity affects their financial performance in a positive way.*

*H.3<sub>1</sub>: Accountancy firms' liquidity does not affect their financial performance in a positive way.*

On the correlation between efficiency and financial performance, the hypothesis that will be examined is the following:

*H.4<sub>0</sub>: Accountancy firms' efficiency affects their financial performance in a positive way.*

*H.4<sub>1</sub>: Accountancy firms' efficiency does not affect their financial performance in a positive way.*

Finally, regarding the relationship between the revenue-per-employee ratio and financial performance, the hypothesis that will be examined is stated as follows:

*H.5<sub>0</sub>: Revenue per employee affects the financial performance of accountancy firms in a positive way.*

*H.5<sub>1</sub>: Revenue per employee does not affect the financial performance of accountancy firms in a positive way.*

### **3. Research Methodology**

#### *3.1. Sample*

The sample of this study includes the six largest accountancy firms in the UK during the period 2014-2024. Big 6 include PwC, Deloitte, EY, KPMG, BDO and Grant Thornton. The size of the selected companies is determined by their assets and revenue over the study period.<sup>4</sup> According to a recent report concerning the annual turnover of the thirty largest accountancy firms in the UK for the year 2024, the Big 6 examined in this study held revenue of £19.5bn out of the £23.1bn total revenue held by these thirty companies altogether. In other words, the Big 6 group holds 85% of the total fees paid to accountancy

<sup>4</sup> For details refer to: <https://www.accountancytoday.co.uk/top-30-accountancy-firms-uk-2023-2024/>.

firms. Based on these figures, we deem our sample to be quite representative of the UK accountancy market.

Table 1 presents the study sample. For each company, the tables report the official incorporation date in the UK, the end of the accounting period, the range of their business, the industries they serve, and the locations throughout the UK where these firms maintain offices.<sup>5</sup> Year-end has been found in the consolidated financial statements of the groups examined. Businesses, industries, and locations have been provided by the websites of UK groups.

More or less, the sample companies were incorporated in the UK at the beginning of the new century, with EY the oldest and Grant Thornton the youngest.<sup>6</sup> The 31<sup>st</sup> of December is the reporting period of choice only for Grant Thornton. With respect to the services provided by Big 6, Table 1 shows that these companies are involved in the audit and assurance business, the consulting services, the legal and tax services, the deals and transactions market, the risk and other advisory services, addressing the needs of a wide range of industries and customers from the private and public sectors. Finally, regarding the companies' geographical exposure through physical offices, Table 1 shows that Grant Thornton has offices in 23 locations across the UK, while BDO has offices in only 11 locations. PwC, which is the largest company, has offices in 19 locations, which is the fourth highest number in the Big 6 group.

### *3.2 Accounting Outlook*

#### *3.2.1 Accounting Figures*

Table 2 reports some key figures and their growth from the balance sheet, income statement, and the cash flow statement of the companies examined. These figures concern total assets, non-current assets, current assets, cash, equity, long-term liabilities, current liabilities, total liabilities, turnover (sales), staff cost, profit before tax (PBT), taxation, which includes tax on taxable profits and deferred tax where applicable, profit after tax (PAT), and net cash flow deriving from the cash flow statement. The data in the table refer to the mean terms of the annual figures for the entire study period and have been collected manually from the consolidated financial statements of firms published on the UK's Companies House.

The mean assets of the sample amount to £1.5bn, with PwC the largest firm at £2.7bn. Deloitte is the second largest company in the sample, EY is the third, and KPMG is the fourth. BDO and Grant Thornton are the fifth and sixth companies in the row, respectively. An interesting point to be made with respect to assets is that BDO is by 78% smaller by KPMG and by 87% by PwC. Similar percentages can be calculated for Grant

<sup>5</sup> The incorporation date has been found on the Companies House (<https://www.gov.uk/government/organisations/companies-house>).

<sup>6</sup> Before the early 2000s, the Big 4 accountancy firms operated in the UK as partnerships or (in some cases) limited liability partnerships. Some of them had a UK-registered structure, however their global networks consisted of independent, member firms. Each member was often a distinct legal entity, a structure that was designed to limit liability.

Thornton. This huge gap in size between Big 4 and the rest of the companies in the sample indicates that BDO and Grant Thornton are not that comparable to Big 4 in size terms.<sup>7</sup> Going further, the sample's mean non-current and current assets amount to £402m and £1bn, respectively. The mean cash figure is equal to £195m, with PwC holding average cash reserves of £505m and Grant Thornton holding cash of just £23m.

The average equity of the sample is equal to £110m. This mean term is affected by the very negative average equity figure of Deloitte approaching to -£1b and, to a lesser degree, by the negative average equity of Grant Thornton amounting to -£12m.<sup>8</sup> The average equity of the rest of the companies is equal to £413m. Furthermore, the sample's mean total liabilities amount to £1.3bn, while non-current liabilities amount to £718m, that is 1.1 times the mean figure of current liabilities, which is equal to £627m.

When it comes to figures from the profit and loss statements, the group's mean annual turnover is equal to £2.3bn, with PwC presenting an average turnover of £4.3bn and BDO and Grant Thornton presenting average turnovers of £598m and £585m, respectively. The average turnover of Big 4 amounts to £3.1bn, that is, 5.3 times the average turnover of BDO and Grant Thornton. As was the case about the actual non-comparability of the Big 4's and non-Big 4's size, it is also the case about their turnover figures.

The mean annual staff cost amounts to £1.1bn. The corresponding cost for PwC and Grant Thornton, namely the maximum and the minimum terms in the sample, are equal to £2bn and £256m, respectively. The average staff cost of the Big 4 group is 5.5 times the staff cost of BDO and Grant Thornton together. Moreover, the companies in the sample have been quite profitable over the period under study. The mean annual profit before tax of the sample is equal to £432m, with most of these profits realized by the Big 4 (£592m vs £113m for Big 4 and non-Big 4, respectively). The sample's average tax figure is rather low at £20m (just 4.6% of profits before tax).<sup>9</sup> After tax deduction, the remaining profit amounts to £432m. PwC is by far the most profitable accountancy company in the UK with mean annual profits exceeding £1bn (both before and after taxes).

Finally, the sample's mean annual net cash flow amounts to £19m. This average figure indicates that the Big 6 in the UK tend to retain higher cash balances year on year. Among other possible explanations for this trend, Big 6 keep more money to deal with hardships and distress during periods of crisis, such as the recent Covid-19 health crisis of 2020 and the more recent energy and inflation crisis that began after Russia's invasion of Ukraine in 2022.

### 3.2.2 Growth in Accounting Figures

<sup>7</sup> Whether the smaller size is a handicap for a firm's overall financial performance is examined below.

<sup>8</sup> Deloitte itself attributes its negative equity to the fact that the firm's liabilities exceed its assets mainly due to losses from past investments and the cost of the defined benefit pension scheme.

<sup>9</sup> This low tax burden for the accountancy firms examined can be attributed to the ability of these companies to leverage their size and position to take advantage of various tax planning strategies, including the utilization of tax reliefs and deductions, the engagement in international tax planning, and the enjoyed benefits from complexed tax laws.

In this section, we analyze the growth in the accounting figures discussed in the previous section over the period 2014-2024. The growth figures are presented in Table 2 along with the absolute values of accounting variables, which have already been discussed. Figures presented concern the average terms of the annual percentage changes of the accounting figures during the study period.

The samples' total assets grew at an average annual rate of 8.5%, with the average asset growth rates for the Big 4 and non-Big 4 firms equal to 9.2% and 7%, respectively. On the other hand, the increase in the non-current assets of BDO and Grant Thornton was slightly higher than that of Big 4 (22.4% vs 21.5%). The opposite is the case for current assets. Cash shows a significant average annual growth of 46.7%. This percentage is in line with the positive net cash flow reported in Panel A.

The average annual growth rate of the sample's equity is 13.7%. However, as already detected in Panel A, the growth rates of Deloitte's and Grant Thornton's equity are negative. In any case, the equity of Big 4 grew significantly more than that of BDO and Grant Thornton over the study period. The sample's total liabilities increased by 7.3%, with the Big 4 rate slightly higher than BDO's and Grant Thornton's (7.4% vs 7.1%). In addition, at the sample level, non-current liabilities grew at an average rate of 14.2%, compared with 8.7% for current liabilities.

An interesting observation can be made regarding turnover. Specifically, the average growth in BDO's and Grant Thornton's turnover is slightly higher than that of Big 4 (8.2% vs 7.8%). These percentages imply that, although the absolute turnover figures of Big 4 are hard to reach by the smaller firms, the latter seem to enhance their relative position in the market. Overall, the average turnover of the entire sample increased by 7.9% over the period 2014-2024.

On the other hand, staff costs increased by an average of 9.7%, while revenue increased by 9.7%. BDO and Grant Thornton were higher than the Big 4 by 54 basis points (bps). The increase in staff cost might be the result of the difficulties in finding new staff for accountancy firms due to the shrinking pipeline of graduates and the higher demand for professionals with both accounting and technology skills, as well as the desire of the candidates themselves for a better balance between work and life and higher compensation. To attract and retain talent, accountancy firms need to offer competitive payment and benefits, as well as opportunities for training and career development.

One could expect the rising staff costs to have negatively impacted profitability. However, this is not the case, as both profit before tax and profit after tax increased over the period under study at rates of 19.7% and 39.7%, respectively.<sup>10</sup> The increase in profits, despite higher staff costs, might have resulted from reducing other operating expenses and seeking additional secondary operating income (e.g., gains from investments in financial instruments). In between, average taxation increased at a rate of

<sup>10</sup> The average growth in profit after tax is heavily influenced by KPMG's growth rate of 199%. Without this figure, the average profit after tax of the other five companies in the sample is equal to 7.8%.

13.1% at the sample level, while the tax burden of Big 4 grew more than that of the non-Big 4.

Finally, regarding growth in net cash flows, Table 3 shows that the magnitude of the annual net cash flow declines, though it remains positive, as shown in Panel A of Table 2.

An overall conclusion that can be drawn from the comparative analysis of the accounting figures between the Big 4 group and the two smaller firms in the sample is that the absolute figures of the Big 4 are significantly larger than those of the smaller firms, and this is also the case with the growth rates in accounting figures. The only quite impressive exception to this observation concerns the slightly higher turnover growth rates for BDO and Grant Thornton. However, the relatively better turnover (in growth rates) for these companies does not translate into higher profitability.

### *3.2.3 Balance Sheet Structure*

Table 3 presents the structure of key balance sheet items of the UK accountancy groups examined. More specifically, the table presents the ratios of non-current assets to total assets (non-current assets ratio), current assets to total assets (current assets ratio), cash to total assets (cash-to-assets ratio), equity to total assets (equity ratio), current liabilities to total liabilities (current liabilities ratio), and non-current liabilities to total liabilities (non-current liabilities ratio).

The average non-current asset ratio for the sample is 24.3%. Non-current assets mainly include tangible assets (property, plant and equipment) and right-of-use assets (relating to leased property, machinery and vehicles) and, to a lesser degree, intangible assets and goodwill. The Big 4 presents a slightly larger non-current assets ratio than that of BDO and Grant Thornton (26% vs 20.8%).

The sample's average current asset ratio is 75.7%. Current assets mainly concern receivables from clients and cash reserves. The average cash-to-assets ratio is equal to 11.8%, with the respective mean term of Big 4 being slightly lower than that of BDO and Grant Thornton (11.4% and 12.6%, respectively).

The average equity of the companies examined accounts for 9.6% of their total assets. If we exclude the two negative ratios of Deloitte and Grant Thornton, the average equity ratio of the other four firms is equal to 25.2% (not reported in Table 3). In any case, both the sample's average equity ratio and the average ratio of the sub-group with positive equity figures are quite low, indicating that the top 6 accountancy firms in the UK are heavily financed via external sources (at an average rate of 90.4% compared to total assets) rather than via equity instruments.

When it comes to liabilities, about 45% of them are due in the long run and 55% of them are short-term, needing to be settled up to 12 months after the balance sheet date. Non-current liabilities mainly include long-term lease obligations, retirement benefit obligations, provisions, and other liabilities. Short-term liabilities concern trade and other payables, taxes payable, short-term lease obligations, borrowings, and provisions for short-term costs.

### *3.2.4 Staff, Staff Cost, and Turnover per Employee*

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Table 4 provides information concerning the staff of the firms examined. Information reported regards the annual staff number of each accountancy group over the period 2014-2024, the annual total staff cost per company, the annual staff cost per employee, calculated by dividing total annual staff cost to annual staff number, the annual turnover (sales revenue) per employee, calculated by dividing annual turnover to annual staff number, and the ratio of annual turnover per employee to annual staff cost per employee.

PwC has the largest staff among the six firms examined (about 24.5 thousand employees on average over the period under study, or 36 thousand employees at the end of 2024). On the other hand, Grant Thornton reported the lowest staff number in the sample, which was 5.6 thousand at the end of 2024. Big 4's staff is equal to 3.8 times the staff of non-Big 4's. Overall, the staff of the six firms, together, exceeded 111 thousand (or 18 thousand on average) at the end of the study period.

Another interesting point that has to be made about staff is that the number of people working for the top 6 accountancy firms in the UK was constantly growing over the period under study by a rate of 5.7%. The highest and lowest staff growth rates are presented by BDO and Grant Thornton at 8.8% and 2.8%, respectively, while the average growth rate of Big 4 is equal to 5.7%.

Overall, staff growth figures indicate that the accountancy market in the UK is very prosperous, having strong needs for new skilled talent in an environment of increasing business complexity and macroeconomic challenges, which however is in shortage nowadays. Nevertheless, UK's accountancy market is expected to grow, fueled by technological breakthroughs like artificial intelligence, the digital transformation of business, and the need for expertise in compliance and strategic forecasting. Trying to attract and retain staff, firms offer competitive benefits, training, opportunities for professional development, and flexible working conditions.<sup>11</sup>

As already shown in Table 2, the average payroll cost of the companies examined over the period 2014-2024 amounts to £1.1bn, with a growth rate of 9.7%. The increase in payroll costs is obviously the result of increased demand for new staff, which is also in line with the increasing workforce shown above.

Furthermore, Table 4 presents the average annual staff cost per employee, which is £70 thousand at the sample level over the period under study. Big 4 paid their staff about £80 thousand during 2014-2024, while BDO and Grant Thornton together paid an average of £60 thousand. At the firm level, EY is the most generous among the six companies examined, paying £90 thousand for payroll cost. Similar to the staff occupancy numbers and the annual staff cost, the annual cost per employee increased during the study period by an average rate of 3.6%.

Another element reported in Table 4 concerns the annual turnover (revenue) per employee. The sample's average figure is £150 thousand, with the Big 4's average at £170 thousand, exceeding the non-Big 4 average by £50 thousand. The positive difference in

<sup>11</sup> Refer to <https://www.glurecruit.co.uk/the-2024-accountancy-job-market/> for an analysis of the prospects in UK's accountancy market.

average annual revenue per employee between Big 4 and non-Big 4 is in line with the positive difference in annual staff cost between the two groups. This pattern can be interpreted as suggesting that the Big 4 attract more talented and skilled people than the non-Big 4, due to higher salaries and possibly better promotion and professional development opportunities.

The last element presented in Table 4 concerns the ratio of annual turnover per employee to annual staff cost per employee, which is 2.1 over the period under study. This figure means that the average employee of an accountancy firm in the UK earns 2 times their salary. On the other hand, this ratio decreased by 1.3% over the period under study. Although this decrease is rather low, it is indicative of a more aggressive increase in salaries compared to the increase in staff productivity, as reflected in revenue per employee.

### 3.2.5 Research Methods and Models

#### 3.2.5.1 Financial Ratios

In the first step, we calculate ten liquidity, leverage, profitability and efficiency ratios. The ratios used are as follows:

#### **A Liquidity Ratios**

1. Acid-Test (quick) Ratio =  $(\text{Current Assets} - \text{Inventories}) / \text{Current Liabilities}$   
*This ratio measures a company's ability to pay off short-term liabilities with current assets. Given that accountancy companies have no inventories, this ratio is equal to the Current Ratio = Current Assets/Current Liabilities.*
2. Cash Ratio =  $\text{Cash and Cash Equivalents} / \text{Current Liabilities}$   
*This ratio measures a company's ability to pay off short-term liabilities with cash and cash equivalents.*

#### **B. Leverage Ratios**

1. Debt Ratio =  $\text{Total Liabilities} / \text{Total Assets}$   
*This ratio measures the relative amount of a company's assets that are financed via debt.*
2. Debt to Equity Ratio =  $\text{Total liabilities} / \text{Shareholders' Equity}$   
*This ratio measures the weight of total debt and financial liabilities against shareholders' equity.*

#### **C. Profitability Ratios**

1. Return on Assets (ROA) =  $\text{Profit After Tax (PAT)} / \text{Assets}$   
*This ratio measures how efficiently a firm is using its assets to generate profit.*
2. Return on Equity (ROE) =  $\text{Profit After Tax (PAT)} / \text{Shareholders' Equity}$   
*This ratio measures how efficiently a firm is using its equity to generate profit.*
3. Return on Capital Employed (ROCE) =  $\text{Profit After Tax (PAT)} / (\text{Assets} - \text{Current Liabilities})$   
*This ratio measures a company's profitability relative to the capital it has invested.*
4. Profits Before Tax to Turnover Ratio =  $\text{Profit Before Tax (PBT)} / \text{Turnover}$   
*This ratio measures a company's profit before tax as a portion of its turnover.*
5. Profits After Tax to Turnover Ratio =  $\text{Profit After Tax (PAT)} / \text{Turnover}$   
*This ratio measures a company's profit after tax as a portion of its turnover.*

#### **D. Efficiency Ratios**

1. Asset Turnover Ratio = Turnover/Total Assets

*This ratio measures a company's ability to generate sales from assets.*

#### **3.2.5.2 Financial Performance around the Covid-19 Era**

After collecting annual figures for revenue and profitability and calculating financial ratios of performance (i.e., ROA, ROE and ROCE), we will make a comparison of the overall financial performance (i.e., revenue, profitability, and performance ratios) between the Covid-19 year (i.e., 2020) and the pre-COVID period (i.e., 2014-2019) and between the Covid-19 year and the post-COVID period (2021-2024).

#### **3.2.5.3 Econometric Analysis of Financial Performance**

In addition to analyzing accounting data and calculating financial ratios, we apply econometric analysis to identify the determinants of financial performance. First, we run the following model, via which financial performance is regressed on dummy variables for the companies examined:

$$Pnce = \beta_0 + \beta_1 D_{DEL} + \beta_2 D_{EY} + \beta_3 D_{KPMG} + \beta_4 D_{BDO} + \beta_5 D_{GT} + u \quad (1)$$

where Pnce stands for the annual financial performance, successively expressed by ROA, ROE, ROCE, PBT/Turnover, and PAT/Turnover. The  $D_{DEL}$  dummy takes the value 1 for Deloitte and zero otherwise. The  $D_{EY}$  dummy takes the value 1 for EY and zero otherwise. The  $D_{KPMG}$  dummy takes the value 1 for KPMG and zero otherwise. The  $D_{BDO}$  variable takes value 1 for BDO and zero otherwise. Finally, the  $D_{GT}$  variable equals 1 for Grant Thornton and 0 otherwise. The model's constant concerns PwC, the largest company in the sample.

If PwC's financial performance exceeds its competitors', the coefficients for the dummies will be negative and statistically significant. The model is applied with panel data over the period 2014-2024.

In the second step, we run a multivariate panel data model in an effort to detect factors that could affect financial performance. The model is the following:

$$Pnce = \beta_0 + \beta_1 \text{Size} + \beta_2 \text{DR} + \beta_3 \text{DER} + \beta_4 \text{AcR} + \beta_5 \text{CR} + \beta_6 \text{EFR} + \beta_7 \text{RPE} + u \quad (2)$$

where, Pnce is defined as above. Size is the natural logarithm of a company's assets at the end of each year over the study period 2014-2024. DR denotes the debt ratio. DER refers to the debt-to-equity ratio. AcR is the acid-test (quick) ratio. CR is the cash ratio. EFR is the efficiency ratio. RPE is the natural logarithm of the revenue per employee.

The literature review highlighted that the size of accountancy firms is crucial to their ability to charge higher fees and enhance financial performance. Based on our hypothesis about a positive relationship between firm performance and size in section 3, the size factor in model (2) should be positive. However, several researchers, such as [Kyere and Ausloos \(2020\)](#), [Li and Chen \(2018\)](#), and [Luo et al. \(2024\)](#), report a negative relationship between financial performance and firm size. Based on these empirical findings, a negative sign for the size factor in model (2) will not be surprising.

Furthermore, leverage can affect a company's financial performance by magnifying both potential profits and losses, depending on its return on assets relative to its cost of debt.

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Leverage can enhance return on equity if returns exceed interest costs and facilitate growth by financing expansion without the company issuing new equity. Leverage is also associated with tax benefits resulting from deductible interest costs. If this positive scenario applies to our case, the slopes of leverage factors in model (2) should be positive. However, uncontrolled leverage can increase financial risk, including a higher risk of bankruptcy, challenge a company's liquidity, and ultimately affect its financial performance. In fact, several studies, including those of [Pushner \(1995\)](#), [Salim and Yadav \(2012\)](#), and [Yameen et al. \(2019\)](#), report a negative effect of leverage on firm performance. If this is the case for our sample, the coefficients of debt ratio (DR) and debt-to-equity (DER) ratio in model (2) should be significantly negative, in line with our hypothesis in section 3 about a negative relationship between leverage on financial performance.

Furthermore, liquidity is crucial for a firm to be able to meet its short-term obligations without jeopardizing its operation as a going concern. Among other researchers, [Zygmunt \(2013\)](#) and [Nguyen and Dao \(2022\)](#) highlight that the lack of sound liquidity for a firm might undermine its financial performance and viability. Based on this analysis, the coefficients of the two liquidity ratios in model (2) should be positive and significant. Positive slopes for the liquidity ratios will be consistent with our hypothesis that liquidity has a positive effect on financial performance.

Moreover, several studies (e.g., [Khan et al., 2021](#); Ting et al., 2024) find that efficiency is positively associated with performance. Thus, the efficiency ratio is expected to be positive, consistent with our hypothesis in Section 3.

Finally, a positive relationship is expected between firm performance and revenue per employee. Such a positive relationship shows that a company is effectively using its human capital to generate revenue, reaching high efficiency, productivity, and profitability. Quite often, a higher revenue-per-employee figure correlates with a healthier entity that can invest more in employee development, resulting in a positive payback in terms of enhanced financial performance.

## 4. Result and Discussion

### 4.1 Financial Ratios

The average liquidity, leverage, profitability, and efficiency ratios of the period 2014-2024 are presented in Table 5. The average acid-test (quick) ratio for the sample is 175%. This ratio indicates that cash reserves and short-term receivables together can easily cover short-term liabilities, confirming the high liquidity of the sample companies. At the subgroup level, the Big 4's average quick ratio is 175.7%, slightly better than the non-Big 4's 173.6%. BDO is the most liquid company in the sample, with a quick ratio of 214.9%, while Grant Thornton is the least liquid, with a quick ratio of 132.3%.

Furthermore, the average cash ratio for the sample is 29.5%, indicating that about one-third of short-term liabilities can be paid from existing cash reserves. The cash ratio of the non-Big 4 is better than that of Big 4 (30.7% vs 28.9%). In addition, BDO has the best cash ratio in the sample, at 49.8%, while Grant Thornton has the lowest, at 11.4%.

A healthy cash ratio is often considered to be between 0.5 and 1.0, meaning a company can at least cover half of its short-term debts with liquid resources. If this is the benchmark for cash reserves, then the cash ratios of the sample firms are not ideal. On the other hand, one could argue that a high cash ratio may indicate that a company is mismanaging its capital. The excess cash could be allocated elsewhere to support growth and profitability. Therefore, whether these cash ratios are high enough depends on the companies' specific liquidity needs and on whether their short-term liabilities can be satisfied without jeopardizing their operations.

The average debt ratio of the sample is quite high at 90.4%, with the Big 4 average at 95.3%, mainly driven by Deloitte's 153.6%. The average debt ratio for BDO is quite low at 56%, while Grant Thornton's is the second-highest in the sample at 105.2%. The average debt-to-equity ratio is equal to 127.5%. This average term translates into an average capital structure for the companies examined of 44% equity and 56% debt. However, the average debt-to-equity ratio is biased by the negative figures of Deloitte (-360.4%) and Grant Thornton (-259.3%). The average ratio for the remaining companies is 346.1% (not reported in Table 5), indicating that the top 6 accountancy firms in the UK are quite leveraged. Holding low equity might be due to the partnership structure of these companies, which means substantial profits are paid to the partners rather than being retained as equity reserves.

Furthermore, the sample's average ROA is 29.3%. KPMG is the weakest firm in the sample, with a ROA ratio of just 4.9%, while PwC is the leader, with an average ratio of 41.8%. In addition, the average ROA of the non-Big 4 is higher than that of Big 4 (31% vs 28.5%). The average ROE for the sample is 73.8%. If we exclude the negative average ROE ratios of Deloitte and Grant Thornton, the average ROE of the rest of the companies is equal to 135.3% (not reported in Table 5). In ROE terms, EY is the best performing company in the sample, with an average ROE of 279.6%. Finally, the sample's average ROCE is 54.9%. The relevant ratio for non-Big 4 firms is better than that for Big 4 firms (62% vs 51.3%). This time, PwC is the best-performing company in the sample, with an average ROCE of 78%, while the poorest-performing firm is KPMG, with an average ROCE of 8.8%.

Overall, the ROA and ROCE ratios indicate that the smaller firms in the sample (i.e., non-Big 4) are using their assets and total capital employed more efficiently to generate profits than the Big 4. Similar inferences can be drawn from examining profitability ratios (before and after taxes) relative to turnover. For both ratios, the relevant average terms of the non-Big 4 are better than those of Big 4 (18.8% vs 17.6% in the case of profit before tax and 18.2% vs 16.9% in the case of profit after tax). The non-Big 4 outperform the Big 4 in efficiency terms too. The average efficiency ratios of BDO and Grant Thornton together is equal to 172.1%, while the relevant average ratio of Big 4 is equal to 162.5%. The average efficiency ratio for the entire sample is 165.7%, indicating the significant ability of UK accountancy firms to exploit their assets to generate revenue.

#### *4.2 Financial Performance around the COVID-19 Era*

Table 6 presents key financial performance metrics during the COVID-19 era. These elements include turnover, profit before tax (PBT) and profit after tax (PAT), ROA, ROE,

and ROCE during the pre-crisis period (2014-2019), the Covid-19 year (2020), and the post-crisis period (2021-2024).

The sample's mean turnover before the crisis was £1.9 billion, compared with £2.1 billion in 2020. Based on the t-test applied, the difference in mean turnover between the two intervals is not statistically significant. On the other hand, the mean turnover of the companies examined in the post-crisis period was equal to £3 billion. This time, the difference in mean turnover between the post-crisis period and the Covid-19-year is statistically significant.

Furthermore, the average PBT in the pre-crisis period was equal to £352 million. The average PBT of the sample in 2020 was £418 million, while the average PBT in the period 2021-2024 was £556 million. The differences in profit before tax between the Covid-19 Year and the pre-crisis and post-crisis periods are both statistically significant, showing that profits were higher in 2020 than in the pre-crisis period and larger in the post-crisis period than in 2020. Similar patterns are detected when profits after tax are considered.

Overall, the analysis of turnover and profits across the three sub-periods indicates that the Covid-19 pandemic did not affect the business of UK accountancy firms. Instead, the data verify the steady growth in revenue and profits throughout the study period, as noted in section 4.2.2. The data also shows that revenue and profits in the post-crisis period were significantly higher than those in the pre-crisis period, accounting for more than twice the revenue and profits of the pre-crisis period.

Similar claims cannot be made about ROA and ROCE. As shown in Table 6, the average ROA and ROCE ratios in the post-crisis period were higher than those in 2020 (in absolute terms but not statistically), but lower than the corresponding ratios in the pre-crisis period (again in absolute terms but not statistically). These findings indicate that the growth in profitability after the COVID-19 pandemic in 2020 did not translate into higher ROA and ROCE ratios. The opposite is the case with ROE, which is higher in period 2021-2024 compared to ROE during the period 2014-2019, but it is lower in the post-crisis period 2021-2024 than it was in the crisis year 2020.

#### *4.3 Econometric Analysis of Financial Performance*

Table 7 presents the results of model (1), which examines whether the difference in financial performance between PwC and the rest of the Big 6 is statistically significant. The slopes of the five alternative versions of the model are significantly positive at the 1% level, indicating that PwC's financial performance is significant in statistical terms. In the case of ROA, all dummies have negative signs. This negative sign indicates that PwC's performance is higher than its competitors'. Based on the statistical significance of dummies, this inference applies to all competitors except for BDO, whose dummy is negative but statistically insignificant. In the case of ROE, with the exception of EY's estimate, all dummies are negative, verifying the performance superiority of PwC against its rivals. In ROE terms, PwC does not outperform EY; rather, the opposite is true. When it comes to ROCE, all coefficients are negative and significant, except for the Grant Thornton coefficient, which is negative but statistically insignificant. Finally, with respect to the profitability ratios, all dummies give significantly negative coefficients.

Overall, with minor exceptions, the results of model (1) indicate that there are differences in financial performance among the top accountancy firms in the UK. These differences are in favor to PwC, which is the leader of the market, based on several metrics, concerning size, revenue, workforce (as shown in sections 3.2.1 and 3.2.4), as well as on its financial performance.

To examine whether the results of model (1) exhibit time bias, we reapply the model with fixed time effects by adding dummy variables for years 2015-2024.<sup>12</sup> The results of the revised model are provided in Table 7 too.

First, based on the results of the alternative model (1), the financial performance superiority of PwC revealed by the basic model (1) cannot be challenged. The estimates of the companies' dummies are roughly similar to those obtained from the simple model (1). Furthermore, the time dummies appear to be statistically insignificant. Of 50 single estimates, only 9 are statistically significant. In addition, significant estimates can be traced in several years (i.e., 2020, 2021 and 2024 for ROA, 2020 and 2021 for ROCE, 2017 and 2024 for the profitability ratios). The combination of limited statistical significance and the dispersion of significant estimates across several years suggests that there is no specific year in which something happened that significantly affected the financial performance of accountancy firms in the UK. In other words, no time bias is detected in the results of model (1).

The results of the multifactor model (2) are reported in Table 8. With respect to the size factor, all relevant estimates are significantly negative, indicating a negative relationship between the companies' financial performance and their size. Although we hypothesized that there must be a positive connection between size and financial performance, this negative sign does not surprise us, given the findings of several studies supporting such a negative relationship between a firm's size and its financial performance (e.g., [Kyere and Ausloos, 2020](#), [Li and Chen, 2018](#), and [Luo et al., 2024](#)).

The next statistically significant variable is the debt-to-equity ratio. The five single estimates of this factor are all significantly positive, supporting the rationale for a probable positive effect of reasonable leverage on financial performance, despite several empirical studies that emphasize a negative relationship between leverage and firm performance.

Regarding the impact of liquidity on the financial performance of the Top 6 accountancy firms in the UK, the coefficients for the acid-test (quick) ratio indicate a negative, though weak, relationship. All relevant slopes are negative, but only the coefficient obtained when ROCE is the metric of financial performance is statistically significant. In our view, holding about 75% of total assets in current assets (as shown in Table 3) is rather too high and might mean that profitable opportunities are passing unexploited due to mismanagement of liquidity.

The opposite is true for the cash ratio. This time, all relevant estimates are significantly positive. This means that the ability to hold cash to meet a sufficient portion of short-term

<sup>12</sup> To avoid collinearity trap, we do not add a dummy variable for year 2014.

liabilities is highly valuable and can be reflected in enhanced financial performance. This finding aligns with our expectations of a positive relationship between liquidity (especially cash reserves) and financial performance.

Regarding the relationship between financial performance and efficiency, the results in Table 8 confirm our expectation of a positive correlation between the two. All the relevant estimates are positive and statistically significant, indicating that the greater an accountancy firm's ability to exploit its assets to generate sales, the better its financial performance. This is also the case about the relationship between performance and the revenue-per-employee factor. All coefficients are significantly positive.

Similar to model (1), we examine whether the results obtained from applying the multifactor model (2) are affected by any time bias by re-running the model with dummy variables for years 2015 up to 2024 in the explanatory factors of the model. The results of this model are presented in Table 8 too.

Essentially, the relationships between the explanatory variables of the basic model with financial performance are reconfirmed (or even enhanced) by the new results. In particular, the size factor presents significantly negative coefficients for the five versions of financial performance. The debt ratio presents five negative estimates with one of them (in the case of ROE) being statistically significant. The debt-to-equity ratio has five significantly positive coefficients. The acid-test ratio presents five negative estimates, with those of ROCE, PBT/Turnover and PAT/Turnover. being significant, whereas only ROCE was significant in the simple model. The estimates of the cash ratio are all significantly positive. This is also true for the efficiency ratio and revenue per employee.

Overall, the results of the revised model (2) verify the original results of the model. On the other hand, the incorporation of time dummy variables in the model actually shows that there is no time bias in results. With the exception of four single estimates, all time dummies are statistically insignificant. To summarize, both models reveal a negative relationship between financial performance and size and positive relationships of financial performance with the debt-to-equity ratio, cash ratio, efficiency ratio, and revenue-per-employee.

## **5. Conclusion**

The financial position and performance of the Top 6 accountancy firms in the UK during the period 2014-2024 is evaluated in this study. Top 6 companies include PwC, Deloitte, EY, KMPG, BDO and Grant Thornton. In our analysis, key balance sheet and income statement figures are examined, major liquidity, leverage, profitability and efficiency ratios are calculated, and regression analysis is applied on the determinative factors of financial performance. The possible impact of the Covid-19 health crisis on financial performance is investigated too.

Based on the empirical findings, the companies under examination are quite liquid and profitable, with PwC being the leader in the market in several metrics including total assets, turnover (sales), workforce and financial performance metrics such ROA, ROCE, and profitability to turnover. With respect to capital structure, the analysis shows that UK's Top 6 accountancy firms are heavily financed via external capital rather than equity. One interesting (and quite surprising) observation concerning the sample's capital

structure is that Deloitte's and Grant Thornton's mean equity has been negative over the study period.

Furthermore, the analysis reveals a constant growth in the number of people employed by the companies examined over the study period indicating a prosperous market for those interested in working in the accountancy sector. Among other things, such prosperity is verified by the increasing salaries the accountancy firms pay to their employees. By comparing the annual cost per employee to the annual revenue per employee, the analysis shows that both figures increased over the study period, but the former increased more than the latter, due to the high competition among firms on attracting competent personnel and the shortage of skilled and experienced professionals.

Regarding financial performance and efficiency, all relevant metrics are quite impressive (except those of KPMG). When it comes to the Covid-19 crisis, the analysis shows that turnover and profitability were significantly higher in the post-crisis period (i.e., 2021-2024) than in the crisis period (i.e., 2020) or the pre-crisis period (2014-2019), indicating no negative impact of the coronavirus on the business of the Top 6 accountancy firms in the UK. In fact, the comparative numbers show exactly the opposite. On the other hand, the financial performance metrics of ROA and ROCE were better in the pre-crisis period than in the Covid-19-year 2020 and they improved post-crisis but did not reach pre-crisis levels. On the other hand, ROE's best average figures are found in 2020. Nevertheless, any differences in financial performance measures across the three sub-periods are not statistically significant.

Finally, the first line of regression analysis applied to financial performance indicates differences among the six companies examined, supporting PwC's superiority over its competitors. Second, the regression analysis accentuates a negative relationship between financial performance and companies' total assets (i.e., size) and positive relationship of financial performance with the debt-to-equity ratio, cash ratio, efficiency ratio and revenue-per-employee.

Our study could be the basis for further research on the topic. An obvious expansion would be to incorporate more companies from the UK's accountancy sector into the analysis. In another angle, relevant comparisons could be made between the UK's accountancy firms and their peers from other European countries or from countries outside Europe. Finally, the correlation between accountancy firms' financial performance and the environmental, social, and governance (ESG) aspects of their business could also be investigated. The chances for business development for accountancy firms stemming from ESG initiatives at the legislative level should be included in such an analysis.

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**Table 1: The Sample**

| <b>Firm</b> | <b>Incorporated</b> | <b>Year End</b> | <b>Business</b>                                                                                                                                                                                                                                                                       | <b>Industries</b>                                                                                                                                                                                                                                                                                                                                                                                               | <b>UK Locations</b>                   |
|-------------|---------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| PWC         | 9 December 2002     | 30.6            | <ul style="list-style-type: none"> <li>• Audit &amp; Assurance</li> <li>• Consulting</li> <li>• Deals</li> <li>• Tax</li> <li>• Risk/Other Advisory</li> </ul>                                                                                                                        | <ul style="list-style-type: none"> <li>• Consumer Markets and Hospitality</li> <li>• Energy, Utilities and Resources</li> <li>• Financial Services</li> <li>• Government and Health Industries</li> <li>• Industrial Manufacturing and Services</li> <li>• Private Equity and Funds</li> <li>• Technology, Media and Telecommunications</li> </ul>                                                              | Offices in 19 Locations across the UK |
| DELOITTE    | 10 January 2003     | 31.5            | <ul style="list-style-type: none"> <li>• Audit &amp; Assurance</li> <li>• Consulting/Technology/Transformation</li> <li>• Tax &amp; Legal</li> <li>• Risk Advisory/Financial Advisory/Transactions</li> <li>• Industry-Specific Services &amp; Global Network Capabilities</li> </ul> | <ul style="list-style-type: none"> <li>• Consumer</li> <li>• Energy, Resources and Industrials</li> <li>• Financial Services</li> <li>• Government and Public Services</li> <li>• Life Sciences and Healthcare</li> <li>• Private Equity</li> <li>• Technology, Media and Telecommunications</li> </ul>                                                                                                         | Offices in 21 Locations across the UK |
| EY          | 6 April 2001        | 30.6            | <ul style="list-style-type: none"> <li>• Assurance</li> <li>• Consulting</li> <li>• Strategy Consulting</li> <li>• Tax &amp; Legal</li> <li>• Transactions &amp; Corporate Finance</li> <li>• Managed Services and other Industry-/Sector-specific solutions</li> </ul>               | <ul style="list-style-type: none"> <li>• Industrials &amp; Mobility</li> <li>• Consumer</li> <li>• Energy &amp; Resources</li> <li>• Financial Services</li> <li>• Government &amp; Infrastructure</li> <li>• Health</li> <li>• Private Equity</li> <li>• Technology, Media &amp; Entertainment, and Telecommunications</li> </ul>                                                                              | Offices in 16 Locations across the UK |
| KPMG        | 22 February 2002    | 30.9            | <ul style="list-style-type: none"> <li>• Audit/Assurance</li> <li>• Tax &amp; Legal</li> <li>• Advisory &amp; Consulting Services</li> <li>• Managed Services &amp; Outsourcing</li> </ul>                                                                                            | <ul style="list-style-type: none"> <li>• Aerospace and Defence</li> <li>• Automotive</li> <li>• Business Services</li> <li>• Consumer Markets</li> <li>• Energy and Natural Resources</li> <li>• Financial Services</li> <li>• Infrastructure, Government and Healthcare</li> <li>• Life Sciences</li> <li>• Industrial Manufacturing</li> <li>• Private Enterprise</li> <li>• Professional Services</li> </ul> | Offices in 22 Locations across the UK |

|                       |               |       |                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                       |
|-----------------------|---------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
|                       |               |       |                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• Space Sector Advisory and Consulting Services</li> <li>• Technology, Media and Telecommunications</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                       |
| BDO                   | 18 July 2003  | 30.6  | <ul style="list-style-type: none"> <li>• Audit &amp; Assurance</li> <li>• Tax</li> <li>• Advisory &amp; Business Consulting Deals</li> <li>• Business Services &amp; Outsourcing</li> </ul> | <ul style="list-style-type: none"> <li>• Energy Transition and Renewables</li> <li>• Financial Services</li> <li>• Health and Social Care</li> <li>• Infrastructure and Capital Projects</li> <li>• Leisure and Hospitality</li> <li>• Life Sciences</li> <li>• Manufacturing</li> <li>• Medical Practitioners</li> <li>• Natural Resources</li> <li>• Not for Profit</li> <li>• Private Equity</li> <li>• Professional Services</li> <li>• Public Markets</li> <li>• Public Sector</li> <li>• Real Estate and Construction</li> <li>• Retail and Consumer Brands</li> <li>• Technology, Media and Telecommunications</li> <li>• Transport</li> </ul> | Offices in 11 Locations across the UK |
| GRANT THORNTON (G.T.) | 24 April 2004 | 31.12 | <ul style="list-style-type: none"> <li>• Audit &amp; Assurance</li> <li>• Tax</li> <li>• Advisory &amp; Business Consulting Deals</li> </ul>                                                | <ul style="list-style-type: none"> <li>• Automotive</li> <li>• Business Services</li> <li>• Consumer Markets</li> <li>• Energy, Utilities and Natural Resources</li> <li>• Financial Services</li> <li>• Government and Public Sector</li> <li>• Industrials and Manufacturing</li> <li>• Not for Profit</li> <li>• Private Sector Healthcare</li> <li>• Real Estate and Construction</li> <li>• Technology, Media and Telecommunications</li> </ul>                                                                                                                                                                                                  | Offices in 23 Locations across the UK |

**Table 2: Accounting Figures (in million £)**

| <b>Panel A: Absolute Accounting Figures (in million £)</b> |                            |                           |                       |               |               |                          |                                |                            |                              |                   |               |                 |                       |                      |
|------------------------------------------------------------|----------------------------|---------------------------|-----------------------|---------------|---------------|--------------------------|--------------------------------|----------------------------|------------------------------|-------------------|---------------|-----------------|-----------------------|----------------------|
| <b>Audit Firm</b>                                          | <b>Balance Sheet Items</b> |                           |                       |               |               |                          |                                |                            | <b>Profit and Loss Items</b> |                   |               |                 | <b>Cash Flow Item</b> |                      |
|                                                            | <b>Assets</b>              | <b>Non-Current Assets</b> | <b>Current Assets</b> | <b>Cash</b>   | <b>Equity</b> | <b>Total Liabilities</b> | <b>Non-Current Liabilities</b> | <b>Current Liabilities</b> | <b>Turnover</b>              | <b>Staff Cost</b> | <b>PBT</b>    | <b>Taxation</b> | <b>PAT</b>            | <b>Net Cash Flow</b> |
| PWC                                                        | 2,652                      | 836                       | 1,816                 | 505           | 771           | 1,881                    | 820                            | 1,061                      | 4,261                        | 1,959             | 1,091         | 63              | 1,028                 | 43                   |
| DELOITTE                                                   | 2,268                      | 617                       | 1,650                 | 263           | -980          | 3,248                    | 2,193                          | 1,055                      | 3,653                        | 1,647             | 623           | 20              | 604                   | 50                   |
| EY                                                         | 1,474                      | 318                       | 1,156                 | 175           | 279           | 1,195                    | 615                            | 580                        | 2,491                        | 1,283             | 557           | 13              | 544                   | -1                   |
| KPMG                                                       | 1,642                      | 486                       | 1,156                 | 139           | 447           | 1,195                    | 467                            | 728                        | 2,159                        | 1,147             | 95            | 14              | 81                    | 14                   |
| <b>Class Mean</b>                                          | <b>2,009</b>               | <b>564</b>                | <b>1,445</b>          | <b>271</b>    | <b>129</b>    | <b>1,88</b>              | <b>1,024</b>                   | <b>856</b>                 | <b>3,141</b>                 | <b>1,509</b>      | <b>592</b>    | <b>28</b>       | <b>564</b>            | <b>27</b>            |
| BDO                                                        | 357                        | 84                        | 272                   | 67            | 154           | 203                      | 73                             | 130                        | 598                          | 296               | 138           | 4               | 133                   | 5                    |
| G.T.                                                       | 339                        | 70                        | 268                   | 23            | -12           | 351                      | 143                            | 208                        | 585                          | 256               | 88            | 4               | 84                    | 3                    |
| <b>Class Mean</b>                                          | <b>348</b>                 | <b>77</b>                 | <b>270</b>            | <b>45</b>     | <b>71</b>     | <b>277</b>               | <b>108</b>                     | <b>169</b>                 | <b>592</b>                   | <b>276</b>        | <b>113</b>    | <b>4</b>        | <b>109</b>            | <b>4</b>             |
| <b>Sample Mean</b>                                         | <b>1,455</b>               | <b>402</b>                | <b>1,053</b>          | <b>195</b>    | <b>110</b>    | <b>1,345</b>             | <b>718</b>                     | <b>627</b>                 | <b>2,291</b>                 | <b>1,098</b>      | <b>432</b>    | <b>20</b>       | <b>412</b>            | <b>19</b>            |
| <b>Panel B: Growth in Accounting Figures</b>               |                            |                           |                       |               |               |                          |                                |                            |                              |                   |               |                 |                       |                      |
| PWC                                                        | 11.37%                     | 23.43%                    | 8.43%                 | 27.64%        | 21.02%        | 10.68%                   | 24.82%                         | 6.90%                      | 8.53%                        | 10.96%            | 5.76%         | 26.45%          | 4.92%                 | 96.31%               |
| DELOITTE                                                   | 13.60%                     | 20.40%                    | 12.92%                | 137.71%       | -1.76%        | 8.08%                    | 6.47%                          | 14.39%                     | 10.66%                       | 13.19%            | 9.03%         | 10.73%          | 9.43%                 | 185.77%              |
| EY                                                         | 7.51%                      | 31.01%                    | 5.05%                 | 23.07%        | 44.32%        | 6.66%                    | 6.76%                          | 9.14%                      | 7.17%                        | 7.44%             | 6.32%         | 9.34%           | 6.29%                 | 2,277.40%            |
| KPMG                                                       | 4.44%                      | 11.19%                    | 6.11%                 | 46.59%        | 11.52%        | 4.17%                    | 27.27%                         | 2.60%                      | 4.73%                        | 6.37%             | 79.44%        | 14.74%          | 199.05%               | -174.61%             |
| <b>Class Mean</b>                                          | <b>9.23%</b>               | <b>21.51%</b>             | <b>8.13%</b>          | <b>58.75%</b> | <b>18.78%</b> | <b>7.40%</b>             | <b>16.33%</b>                  | <b>8.26%</b>               | <b>7.77%</b>                 | <b>9.49%</b>      | <b>25.14%</b> | <b>15.32%</b>   | <b>54.92%</b>         | <b>-542.48%</b>      |
| BDO                                                        | 8.97%                      | 25.67%                    | 7.41%                 | 22.22%        | 10.24%        | 10.90%                   | 21.17%                         | 10.18%                     | 10.55%                       | 11.66%            | 12.54%        | 12.00%          | 12.69%                | 219.11%              |
| G.T.                                                       | 5.04%                      | 19.18%                    | 3.74%                 | 22.79%        | -3.46%        | 3.33%                    | -1.48%                         | 8.98%                      | 5.89%                        | 8.40%             | 5.25%         | 5.33%           | 5.53%                 | -215.76%             |
| <b>Class Mean</b>                                          | <b>7.01%</b>               | <b>22.43%</b>             | <b>5.58%</b>          | <b>22.51%</b> | <b>3.39%</b>  | <b>7.12%</b>             | <b>9.85%</b>                   | <b>9.58%</b>               | <b>8.22%</b>                 | <b>10.03%</b>     | <b>8.90%</b>  | <b>8.67%</b>    | <b>9.11%</b>          | <b>1.68%</b>         |

|                    |              |                |              |               |                |              |               |              |              |              |                |               |               |                 |
|--------------------|--------------|----------------|--------------|---------------|----------------|--------------|---------------|--------------|--------------|--------------|----------------|---------------|---------------|-----------------|
| <b>Sample Mean</b> | <b>8.49%</b> | <b>21.81 %</b> | <b>7.28%</b> | <b>46.67%</b> | <b>13.65 %</b> | <b>7.30%</b> | <b>14.17%</b> | <b>8.70%</b> | <b>7.92%</b> | <b>9.67%</b> | <b>19.72 %</b> | <b>13.10%</b> | <b>39.65%</b> | <b>-361.10%</b> |
|--------------------|--------------|----------------|--------------|---------------|----------------|--------------|---------------|--------------|--------------|--------------|----------------|---------------|---------------|-----------------|

Notes: 1. The accounting figures presented in this table concern the mean terms of the annual figures over the period 2014-2024. 2. The percentages of growth in accounting figures presented in this table concern the mean terms of the annual percentages over the period 2014-2024. 3. PBT: Profit Before Tax; PAT: Profit After Tax.

**Table 3: Balance Sheet Structure**

| <b>Audit Firm</b>  | <b>Non-Current Assets/<br/>Total Assets</b> | <b>Current Assets/<br/>Total Assets</b> | <b>Cash/<br/>Total Assets</b> | <b>Equity/<br/>Total Assets</b> | <b>Non-Current Liabilities/<br/>Total Liabilities</b> | <b>Current Liabilities/<br/>Total Liabilities</b> |
|--------------------|---------------------------------------------|-----------------------------------------|-------------------------------|---------------------------------|-------------------------------------------------------|---------------------------------------------------|
| PWC                | 29.24%                                      | 70.76%                                  | 17.07%                        | 27.99%                          | 39.89%                                                | 60.11%                                            |
| DELOITTE           | 25.28%                                      | 74.72%                                  | 9.41%                         | -53.58%                         | 68.75%                                                | 31.25%                                            |
| EY                 | 19.63%                                      | 80.37%                                  | 11.51%                        | 17.96%                          | 51.86%                                                | 48.14%                                            |
| KPMG               | 29.76%                                      | 70.24%                                  | 7.55%                         | 26.41%                          | 37.98%                                                | 62.02%                                            |
| <b>Class Mean</b>  | <b>25.98%</b>                               | <b>74.02%</b>                           | <b>11.39%</b>                 | <b>4.70%</b>                    | <b>49.62%</b>                                         | <b>50.38%</b>                                     |
| BDO                | 21.21%                                      | 78.79%                                  | 18.40%                        | 43.93%                          | 33.69%                                                | 66.31%                                            |
| G.T.               | 20.44%                                      | 79.56%                                  | 6.75%                         | -5.19%                          | 41.06%                                                | 58.94%                                            |
| <b>Class Mean</b>  | <b>20.83%</b>                               | <b>79.18%</b>                           | <b>12.58%</b>                 | <b>19.37%</b>                   | <b>37.38%</b>                                         | <b>62.63%</b>                                     |
| <b>Sample Mean</b> | <b>24.26%</b>                               | <b>75.74%</b>                           | <b>11.78%</b>                 | <b>9.59%</b>                    | <b>45.54%</b>                                         | <b>54.46%</b>                                     |

Note: The percentages presented in this table concern the mean terms of the annual percentages over the period 2014-2024.

**Table 4: Staff, Staff Cost and Turnover per Employee**

| Staff Per Annum                               |               |               |               |               |               |               |               |               |               |               |               |               |                |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Audit Firm                                    | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          | Mean          | Average Growth |
| PWC                                           | 18,096        | 19,741        | 21,864        | 22,601        | 22,305        | 24,207        | 25,951        | 26,657        | 30,211        | 32,640        | 36,006        | 25,480        | 7.20%          |
| DELOITTE                                      | 17,618        | 18,480        | 19,850        | 20,479        | 12,277        | 12,780        | 14,597        | 21,736        | 22,699        | 26,503        | 26,824        | 19,440        | 6.50%          |
| EY                                            | 11,049        | 12,305        | 13,756        | 14,398        | 14,501        | 14,578        | 15,468        | 15,866        | 16,100        | 18,166        | 18,545        | 14,976        | 5.41%          |
| KPMG                                          | 11,929        | 12,269        | 13,743        | 14,559        | 15,190        | 16,485        | 16,187        | 14,940        | 15,338        | 17,194        | 16,673        | 14,955        | 3.59%          |
| <b>Class Mean</b>                             | <b>14,673</b> | <b>15,699</b> | <b>17,303</b> | <b>18,009</b> | <b>16,068</b> | <b>17,013</b> | <b>18,051</b> | <b>19,800</b> | <b>21,087</b> | <b>23,626</b> | <b>24,512</b> | <b>18,713</b> | <b>5.68%</b>   |
| BDO                                           | 3,415         | 3,544         | 3,545         | 3,668         | 3,847         | 4,903         | 5,427         | 5,748         | 6,499         | 7,372         | 7,745         | 5,065         | 8.78%          |
| G.T.                                          | 4,238         | 4,461         | 4,629         | 4,589         | 4,597         | 4,801         | 4,712         | 4,892         | 5,316         | 5,561         | 5,559         | 4,850         | 2.80%          |
| <b>Class Mean</b>                             | <b>3,827</b>  | <b>4,003</b>  | <b>4,087</b>  | <b>4,129</b>  | <b>4,222</b>  | <b>4,852</b>  | <b>5,070</b>  | <b>5,320</b>  | <b>5,908</b>  | <b>6,467</b>  | <b>6,652</b>  | <b>4,958</b>  | <b>5.79%</b>   |
| <b>Sample Mean</b>                            | <b>11,058</b> | <b>11,800</b> | <b>12,898</b> | <b>13,382</b> | <b>12,120</b> | <b>12,959</b> | <b>13,724</b> | <b>14,973</b> | <b>16,027</b> | <b>17,906</b> | <b>18,559</b> | <b>14,128</b> | <b>5.71%</b>   |
| Staff Cost Per Annum (in million £)           |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Audit Firm                                    | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          | Mean          | Average Growth |
| PWC                                           | 1,197         | 1,330         | 1,537         | 1,620         | 1,628         | 1,816         | 1,951         | 2,011         | 2,295         | 2,834         | 3,325         | 1,959         | 10.96%         |
| DELOITTE                                      | 1,160         | 1,233         | 1,344         | 1,506         | 886           | 952           | 1,081         | 1,971         | 2,287         | 2,789         | 2,911         | 1,647         | 13.19%         |
| EY                                            | 862           | 976           | 1,064         | 1,164         | 1,163         | 1,230         | 1,365         | 1,411         | 1,423         | 1,719         | 1,737         | 1,283         | 7.44%          |
| KPMG                                          | 843           | 869           | 959           | 1,010         | 1,086         | 1,165         | 1,121         | 1,160         | 1,318         | 1,545         | 1,538         | 1,147         | 6.37%          |
| <b>Class Mean</b>                             | <b>1,016</b>  | <b>1,102</b>  | <b>1,226</b>  | <b>1,325</b>  | <b>1,191</b>  | <b>1,291</b>  | <b>1,380</b>  | <b>1,638</b>  | <b>1,831</b>  | <b>2,222</b>  | <b>2,378</b>  | <b>1,509</b>  | <b>9.49%</b>   |
| BDO                                           | 177           | 194           | 189           | 199           | 214           | 256           | 304           | 344           | 384           | 473           | 522           | 296           | 11.66%         |
| G.T.                                          | 182           | 195           | 246           | 248           | 209           | 329           | 240           | 243           | 279           | 309           | 335           | 256           | 8.40%          |
| <b>Class Mean</b>                             | <b>180</b>    | <b>195</b>    | <b>218</b>    | <b>224</b>    | <b>212</b>    | <b>293</b>    | <b>272</b>    | <b>294</b>    | <b>332</b>    | <b>391</b>    | <b>429</b>    | <b>276</b>    | <b>10.03%</b>  |
| <b>Sample Mean</b>                            | <b>737</b>    | <b>800</b>    | <b>890</b>    | <b>958</b>    | <b>864</b>    | <b>958</b>    | <b>1,010</b>  | <b>1,190</b>  | <b>1,331</b>  | <b>1,612</b>  | <b>1,728</b>  | <b>1,098</b>  | <b>9.67%</b>   |
| Annual Staff Cost Per Employee (in million £) |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Audit Firm                                    | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          | Mean          | Average Growth |

|                                                                             |             |             |             |             |             |             |             |             |             |             |             |             |                       |
|-----------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|
| PWC                                                                         | 0.07        | 0.07        | 0.07        | 0.07        | 0.07        | 0.08        | 0.08        | 0.08        | 0.08        | 0.09        | 0.09        | 0.08        | 3.47%                 |
| DELOITTE                                                                    | 0.07        | 0.07        | 0.07        | 0.07        | 0.07        | 0.07        | 0.07        | 0.09        | 0.10        | 0.11        | 0.11        | 0.08        | 5.33%                 |
| EY                                                                          | 0.08        | 0.08        | 0.08        | 0.08        | 0.08        | 0.08        | 0.09        | 0.09        | 0.09        | 0.10        | 0.09        | 0.09        | 1.89%                 |
| KPMG                                                                        | 0.07        | 0.07        | 0.07        | 0.07        | 0.07        | 0.07        | 0.07        | 0.08        | 0.09        | 0.09        | 0.09        | 0.08        | 2.81%                 |
| <b>Class Mean</b>                                                           | <b>0.07</b> | <b>0.07</b> | <b>0.07</b> | <b>0.07</b> | <b>0.07</b> | <b>0.08</b> | <b>0.08</b> | <b>0.08</b> | <b>0.09</b> | <b>0.09</b> | <b>0.10</b> | <b>0.08</b> | <b>3.37%</b>          |
| BDO                                                                         | 0.05        | 0.06        | 0.05        | 0.05        | 0.06        | 0.05        | 0.06        | 0.06        | 0.06        | 0.06        | 0.07        | 0.06        | 2.77%                 |
| G.T.                                                                        | 0.04        | 0.04        | 0.05        | 0.05        | 0.05        | 0.07        | 0.05        | 0.05        | 0.05        | 0.06        | 0.06        | 0.05        | 5.17%                 |
| <b>Class Mean</b>                                                           | <b>0.05</b> | <b>0.05</b> | <b>0.05</b> | <b>0.05</b> | <b>0.05</b> | <b>0.06</b> | <b>0.05</b> | <b>0.06</b> | <b>0.06</b> | <b>0.06</b> | <b>0.06</b> | <b>0.06</b> | <b>3.97%</b>          |
| <b>Sample Mean</b>                                                          | <b>0.06</b> | <b>0.06</b> | <b>0.07</b> | <b>0.07</b> | <b>0.07</b> | <b>0.07</b> | <b>0.07</b> | <b>0.07</b> | <b>0.08</b> | <b>0.08</b> | <b>0.09</b> | <b>0.07</b> | <b>3.57%</b>          |
| <b>Annual Turnover Per Employee (in million £)</b>                          |             |             |             |             |             |             |             |             |             |             |             |             |                       |
| <b>Audit Firm</b>                                                           | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>Mean</b> | <b>Average Growth</b> |
| PWC                                                                         | 0.16        | 0.16        | 0.16        | 0.16        | 0.17        | 0.18        | 0.17        | 0.17        | 0.17        | 0.18        | 0.18        | 0.17        | 1.28%                 |
| DELOITTE                                                                    | 0.15        | 0.15        | 0.16        | 0.17        | 0.18        | 0.19        | 0.18        | 0.21        | 0.22        | 0.21        | 0.21        | 0.19        | 3.64%                 |
| EY                                                                          | 0.16        | 0.16        | 0.15        | 0.15        | 0.16        | 0.16        | 0.16        | 0.17        | 0.18        | 0.18        | 0.19        | 0.17        | 1.75%                 |
| KPMG                                                                        | 0.15        | 0.15        | 0.14        | 0.13        | 0.14        | 0.13        | 0.13        | 0.15        | 0.16        | 0.16        | 0.16        | 0.14        | 1.40%                 |
| <b>Class Mean</b>                                                           | <b>0.15</b> | <b>0.15</b> | <b>0.15</b> | <b>0.15</b> | <b>0.16</b> | <b>0.16</b> | <b>0.16</b> | <b>0.17</b> | <b>0.18</b> | <b>0.18</b> | <b>0.19</b> | <b>0.17</b> | <b>2.02%</b>          |
| BDO                                                                         | 0.11        | 0.11        | 0.11        | 0.11        | 0.12        | 0.11        | 0.12        | 0.12        | 0.12        | 0.12        | 0.13        | 0.12        | 1.72%                 |
| G.T.                                                                        | 0.12        | 0.12        | 0.12        | 0.11        | 0.10        | 0.15        | 0.11        | 0.12        | 0.12        | 0.12        | 0.14        | 0.12        | 2.76%                 |
| <b>Class Mean</b>                                                           | <b>0.12</b> | <b>0.11</b> | <b>0.11</b> | <b>0.11</b> | <b>0.11</b> | <b>0.13</b> | <b>0.11</b> | <b>0.12</b> | <b>0.12</b> | <b>0.12</b> | <b>0.13</b> | <b>0.12</b> | <b>2.24%</b>          |
| <b>Sample Mean</b>                                                          | <b>0.14</b> | <b>0.14</b> | <b>0.14</b> | <b>0.14</b> | <b>0.14</b> | <b>0.15</b> | <b>0.14</b> | <b>0.16</b> | <b>0.16</b> | <b>0.16</b> | <b>0.17</b> | <b>0.15</b> | <b>2.09%</b>          |
| <b>Annual Turnover Per Employee/ Annual Staff Cost Per Employee (times)</b> |             |             |             |             |             |             |             |             |             |             |             |             |                       |
| <b>Audit Firm</b>                                                           | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>Mean</b> | <b>Average Growth</b> |
| PWC                                                                         | 2.4         | 2.3         | 2.2         | 2.2         | 2.3         | 2.3         | 2.3         | 2.2         | 2.2         | 2.0         | 1.9         | 2.2         | -2.05%                |
| DELOITTE                                                                    | 2.3         | 2.3         | 2.3         | 2.3         | 2.5         | 2.6         | 2.4         | 2.3         | 2.2         | 2.0         | 2.0         | 2.3         | -1.46%                |
| EY                                                                          | 2.0         | 2.0         | 2.0         | 1.9         | 2.0         | 1.9         | 1.8         | 1.9         | 2.1         | 1.9         | 2.0         | 1.9         | -0.04%                |
| KPMG                                                                        | 2.1         | 2.0         | 1.9         | 1.9         | 1.9         | 1.8         | 1.9         | 1.9         | 1.9         | 1.8         | 1.8         | 1.9         | -1.43%                |
| <b>Class Mean</b>                                                           | <b>2.2</b>  | <b>2.2</b>  | <b>2.1</b>  | <b>2.1</b>  | <b>2.2</b>  | <b>2.2</b>  | <b>2.1</b>  | <b>2.1</b>  | <b>2.1</b>  | <b>1.9</b>  | <b>1.9</b>  | <b>2.1</b>  | <b>-1.24%</b>         |
| BDO                                                                         | 2.1         | 1.9         | 2.1         | 2.1         | 2.0         | 2.2         | 2.1         | 2.1         | 2.0         | 1.9         | 1.9         | 2.0         | -0.88%                |
| G.T.                                                                        | 2.8         | 2.7         | 2.2         | 2.0         | 2.3         | 2.2         | 2.1         | 2.3         | 2.3         | 2.2         | 2.3         | 2.3         | -1.72%                |

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|                    |     |     |     |     |     |     |     |     |     |     |     |     |        |
|--------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--------|
| <b>Class Mean</b>  | 2.5 | 2.3 | 2.1 | 2.0 | 2.2 | 2.2 | 2.1 | 2.2 | 2.2 | 2.1 | 2.1 | 2.2 | -1.30% |
| <b>Sample Mean</b> | 2.3 | 2.2 | 2.1 | 2.1 | 2.2 | 2.2 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | 2.1 | -1.26% |

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**Table 5: Financial Ratios**

| <b>Audit Firm</b>  | <b>Acid-Test Ratio</b> | <b>Cash Ratio</b> | <b>Debt/Assets</b> | <b>Debt/Equity</b> | <b>ROA</b>    | <b>ROE</b>    | <b>ROCE</b>   | <b>PBT/Turnover</b> | <b>PAT/Turnover</b> | <b>Efficiency</b> |
|--------------------|------------------------|-------------------|--------------------|--------------------|---------------|---------------|---------------|---------------------|---------------------|-------------------|
| PWC                | 167.93%                | 44.44%            | 72.01%             | 275.06%            | 41.79%        | 158.59%       | 78.01%        | 25.87%              | 24.47%              | 171.30%           |
| DELOITTE           | 164.80%                | 21.50%            | 153.58%            | 360.37%            | 29.08%        | -68.41%       | 56.03%        | 17.76%              | 17.26%              | 173.04%           |
| EY                 | 206.99%                | 29.58%            | 82.04%             | 659.64%            | 38.09%        | 279.56%       | 62.46%        | 22.57%              | 22.03%              | 172.76%           |
| KPMG               | 163.13%                | 20.23%            | 73.59%             | 316.80%            | 4.87%         | 18.05%        | 8.79%         | 4.36%               | 3.71%               | 132.71%           |
| <b>Class Mean</b>  | <b>175.71%</b>         | <b>28.94%</b>     | <b>95.31%</b>      | <b>222.78%</b>     | <b>28.46%</b> | <b>96.95%</b> | <b>51.32%</b> | <b>17.64%</b>       | <b>16.87%</b>       | <b>162.45%</b>    |
| BDO                | 214.94%                | 49.86%            | 56.07%             | 133.15%            | 37.17%        | 84.92%        | 58.85%        | 22.72%              | 22.01%              | 169.95%           |
| G.T.               | 132.33%                | 11.43%            | 105.19%            | 259.32%            | 24.78%        | -29.61%       | 65.30%        | 14.96%              | 14.31%              | 174.26%           |
| <b>Class Mean</b>  | <b>173.64%</b>         | <b>30.65%</b>     | <b>80.63%</b>      | <b>-63.09%</b>     | <b>30.98%</b> | <b>27.66%</b> | <b>62.08%</b> | <b>18.84%</b>       | <b>18.16%</b>       | <b>172.11%</b>    |
| <b>Sample Mean</b> | <b>175.02%</b>         | <b>29.51%</b>     | <b>90.41%</b>      | <b>127.49%</b>     | <b>29.30%</b> | <b>73.85%</b> | <b>54.90%</b> | <b>18.04%</b>       | <b>17.30%</b>       | <b>165.67%</b>    |

Notes: The financial ratios presented in this table are the mean terms of the annual figures over the period 2014-2024. Quick Ratio = Acid-Test Ratio = (Current Ratio - Inventories)/Current Liabilities; Cash Ratio = Cash/Current Liabilities; ROA = Return on Assets = Profit After Tax/Total Assets; ROE = Return on Equity = Profit After Tax/Total Equity; ROCE = Return on Capital Employed = Profit After Tax/(Total Assets-Current Liabilities); Efficiency Ratio = Turnover/Total Assets.

**Table 6: Financial Performance around the Covid-19 Era (in million £)**

| <b>Audit Firm</b>              | <b>Mean<br/>Turnover<br/>2014-19</b> | <b>Turnover<br/>2020</b> | <b>Mean<br/>Turnover<br/>2021-24</b> | <b>Mean<br/>PBT<br/>2014-19</b> | <b>PBT<br/>2020</b> | <b>Mean<br/>PBT<br/>2021-24</b> | <b>Mean<br/>PAT<br/>2014-19</b> | <b>PAT<br/>2020</b>  | <b>Mean<br/>PAT<br/>2021-24</b> |
|--------------------------------|--------------------------------------|--------------------------|--------------------------------------|---------------------------------|---------------------|---------------------------------|---------------------------------|----------------------|---------------------------------|
| PWC                            | 3,488                                | 4,380                    | 5,392                                | 907                             | 1,008               | 1,388                           | 866                             | 938                  | 1,292                           |
| DELOITTE                       | 2,796                                | 2,627                    | 5,197                                | 486                             | 616                 | 832                             | 470                             | 616                  | 802                             |
| EY                             | 2,088                                | 2,515                    | 3,091                                | 486                             | 522                 | 673                             | 474                             | 509                  | 658                             |
| KPMG                           | 1,920                                | 2,066                    | 2,541                                | 63                              | 153                 | 129                             | 51                              | 146                  | 112                             |
| BDO                            | 424                                  | 632                      | 849                                  | 94                              | 137                 | 203                             | 91                              | 133                  | 197                             |
| G.T.                           | 546                                  | 496                      | 667                                  | 76                              | 70                  | 110                             | 73                              | 66                   | 106                             |
| <b>Mean</b>                    | <b>1,877</b>                         | <b>2,119</b>             | <b>2,956</b>                         | <b>352</b>                      | <b>418</b>          | <b>556</b>                      | <b>337</b>                      | <b>401</b>           | <b>528</b>                      |
| T-test Covid vs pre-Covid      | 1.565                                |                          |                                      | 3.213**                         |                     |                                 | 2.947**                         |                      |                                 |
| T-test post-Covid vs Covid     | 2.274***                             |                          |                                      | 2.326***                        |                     |                                 | 2.264***                        |                      |                                 |
| T-test post-Covid vs pre-Covid | 2.959**                              |                          |                                      | 2.845**                         |                     |                                 | 2.958**                         |                      |                                 |
| Growth Covid vs pre-Covid      | 12.89%                               |                          |                                      | 18.75%                          |                     |                                 | 18.99%                          |                      |                                 |
| Growth post-Covid vs Covid     | 39.50%                               |                          |                                      | 33.01%                          |                     |                                 | 31.67%                          |                      |                                 |
| Growth post-Covid vs pre-Covid | 57.49%                               |                          |                                      | 57.95%                          |                     |                                 | 56.68%                          |                      |                                 |
| <b>Audit Firm</b>              | <b>ROA<br/>2014-19</b>               | <b>ROA<br/>2020</b>      | <b>ROA<br/>2021-24</b>               | <b>ROE<br/>2014-19</b>          | <b>ROE<br/>2020</b> | <b>ROE<br/>2021-24</b>          | <b>ROCE<br/>2014-19</b>         | <b>ROCE<br/>2020</b> | <b>ROCE<br/>2021-24</b>         |
| PWC                            | 49.22%                               | 30.51%                   | 33.46%                               | 195.76%                         | 150.08%             | 104.97%                         | 101.89%                         | 46.97%               | 49.93%                          |
| DELOITTE                       | 33.59%                               | 23.02%                   | 23.83%                               | -44.26%                         | -50.57%             | 109.08%                         | 65.89%                          | 55.65%               | 41.33%                          |
| EY                             | 42.40%                               | 31.23%                   | 33.33%                               | 281.61%                         | 771.21%             | 153.56%                         | 68.79%                          | 47.57%               | 56.67%                          |
| KPMG                           | 3.73%                                | 8.77%                    | 5.60%                                | 15.46%                          | 41.48%              | 16.09%                          | 8.23%                           | 13.48%               | 8.46%                           |
| BDO                            | 36.09%                               | 24.68%                   | 41.91%                               | 79.22%                          | 84.18%              | 93.67%                          | 58.60%                          | 40.43%               | 63.81%                          |
| G.T.                           | 24.67%                               | 18.23%                   | 26.58%                               | 205.52%                         | -173.68%            | 270.28%                         | 66.50%                          | 44.90%               | 68.60%                          |
| <b>Mean</b>                    | <b>31.62%</b>                        | <b>22.74%</b>            | <b>27.45%</b>                        | <b>53.71%</b>                   | <b>137.11%</b>      | <b>88.25%</b>                   | <b>61.65%</b>                   | <b>41.50%</b>        | <b>48.13%</b>                   |
| T-test Covid vs pre-Covid      | -2.759**                             |                          |                                      | 1.017                           |                     |                                 | 2.493***                        |                      |                                 |

|                                                                        |         |  |         |  |         |  |
|------------------------------------------------------------------------|---------|--|---------|--|---------|--|
| T-test post-Covid vs Covid                                             | 1.609   |  | -0.354  |  | 1.064   |  |
| T-test post-Covid vs pre-Covid                                         | -1.198  |  | 0.380   |  | -1.516  |  |
| Growth Covid vs pre-Covid                                              | -28.08% |  | 155.28% |  | -32.68% |  |
| Growth post-Covid vs Covid                                             | 20.71%  |  | -35.64% |  | 15.98%  |  |
| Growth post-Covid vs pre-Covid                                         | -13.19% |  | 64.31%  |  | -21.93% |  |
| **Statistically significant at 5%; ***Statistically significant at 10% |         |  |         |  |         |  |

Table 7: Regression Analysis of Performance Per Audit Firm

|                                                   | (1)             | (2)             | (3)              | (4)              | (5)              |
|---------------------------------------------------|-----------------|-----------------|------------------|------------------|------------------|
|                                                   | ROA             | ROE             | ROCE             | PBT/Turnover     | PAT/Turnover     |
| <i>Panel A: Simple Approach</i>                   |                 |                 |                  |                  |                  |
| Constant                                          | <b>0.418*</b>   | <b>1.586*</b>   | <b>0.780*</b>    | <b>0.259*</b>    | <b>0.245*</b>    |
| T-stat                                            | <b>15.148</b>   | <b>8.463</b>    | <b>9.144</b>     | <b>28.496</b>    | <b>24.240</b>    |
| Deloitte Dummy                                    | <b>-0.127*</b>  | <b>-2.270*</b>  | <b>-0.220**</b>  | <b>-0.081*</b>   | <b>-0.072*</b>   |
| T-stat                                            | <b>-3.241</b>   | <b>-10.176</b>  | <b>-2.133</b>    | <b>-4.816</b>    | <b>-4.017</b>    |
| EY Dummy                                          | -0.037          | <b>1.210**</b>  | <b>-0.155***</b> | <b>-0.033*</b>   | <b>-0.024**</b>  |
| T-stat                                            | -1.162          | <b>2.032</b>    | <b>-1.745</b>    | <b>-3.237</b>    | <b>-2.208</b>    |
| KPMG Dummy                                        | <b>-0.369*</b>  | <b>-1.405*</b>  | <b>-0.692*</b>   | <b>-0.215*</b>   | <b>-0.208*</b>   |
| T-stat                                            | <b>-12.778</b>  | <b>-7.388</b>   | <b>-7.984</b>    | <b>-19.177</b>   | <b>-17.204</b>   |
| BDO Dummy                                         | -0.046          | <b>-0.737*</b>  | <b>-0.192**</b>  | <b>-0.031**</b>  | <b>-0.025***</b> |
| T-stat                                            | -1.403          | <b>-3.887</b>   | <b>-2.132</b>    | <b>-2.551</b>    | <b>-1.871</b>    |
| Grant Thornton Dummy                              | <b>-0.170*</b>  | <b>-1.882**</b> | -0.127           | <b>-0.109*</b>   | <b>-0.102*</b>   |
| T-stat                                            | <b>-5.719</b>   | <b>-2.424</b>   | -1.383           | <b>-10.176</b>   | <b>-8.827</b>    |
| R <sup>2</sup>                                    | 0.798           | 0.471           | 0.678            | 0.870            | 0.856            |
| <i>Panel B: Approach with Fixed Times Effects</i> |                 |                 |                  |                  |                  |
| Constant                                          | <b>0.461*</b>   | <b>1.325***</b> | <b>0.831*</b>    | <b>0.263*</b>    | <b>0.250*</b>    |
| T-stat                                            | <b>15.311</b>   | <b>1.897</b>    | <b>8.199</b>     | <b>27.117</b>    | <b>21.748</b>    |
| Deloitte Dummy                                    | <b>-0.127*</b>  | <b>-2.270*</b>  | <b>-0.220**</b>  | <b>-0.081*</b>   | <b>-0.072*</b>   |
| T-stat                                            | <b>-4.873</b>   | <b>-7.280</b>   | <b>-2.588</b>    | <b>-5.444</b>    | <b>-4.505</b>    |
| EY Dummy                                          | -0.037          | <b>1.210***</b> | <b>-0.155**</b>  | <b>-0.033*</b>   | <b>-0.024**</b>  |
| T-stat                                            | -1.420          | <b>1.940</b>    | <b>-2.141</b>    | <b>-3.351</b>    | <b>-2.279</b>    |
| KPMG Dummy                                        | <b>-0.369*</b>  | <b>-1.405*</b>  | <b>-0.692*</b>   | <b>-0.215*</b>   | <b>-0.208*</b>   |
| T-stat                                            | <b>-14.157</b>  | <b>-5.242</b>   | <b>-8.841</b>    | <b>-24.066</b>   | <b>-20.564</b>   |
| BDO Dummy                                         | <b>0.046***</b> | <b>-0.737**</b> | <b>-0.192**</b>  | <b>-0.031**</b>  | <b>-0.025**</b>  |
| T-stat                                            | <b>-1.773</b>   | <b>-2.745</b>   | <b>-2.399</b>    | <b>-2.889</b>    | <b>-2.072</b>    |
| Grant Thornton Dummy                              | <b>-0.170*</b>  | <b>-1.882**</b> | -0.127           | <b>-0.109*</b>   | <b>-0.102*</b>   |
| T-stat                                            | <b>-6.524</b>   | <b>-2.294</b>   | -1.597           | <b>-10.930</b>   | <b>-9.248</b>    |
| Year 2015 Dummy                                   | -0.019          | 0.240           | -0.039           | -0.012           | -0.014           |
| T-stat                                            | -0.530          | 0.321           | -0.410           | -0.977           | -0.997           |
| Year 2016 Dummy                                   | -0.021          | 0.201           | 0.006            | -0.012           | -0.013           |
| T-stat                                            | -0.590          | 0.289           | 0.075            | -1.433           | -1.401           |
| Year 2017 Dummy                                   | -0.040          | 0.321           | 0.018            | <b>-0.024***</b> | <b>-0.024***</b> |
| T-stat                                            | -1.121          | 0.410           | 0.178            | <b>-1.980</b>    | <b>-1.857</b>    |
| Year 2018 Dummy                                   | 0.005           | -0.113          | 0.107            | 0.018            | 0.019            |
| T-stat                                            | 0.138           | -0.150          | 1.152            | 1.012            | 0.972            |
| Year 2019 Dummy                                   | -0.045          | -0.295          | 0.008            | -0.015           | -0.015           |
| T-stat                                            | -1.285          | -0.355          | 0.099            | -1.450           | -1.367           |
| Year 2020 Dummy                                   | <b>-0.109*</b>  | 0.893           | <b>-0.185**</b>  | -0.001           | -0.001           |
| T-stat                                            | <b>-3.079</b>   | 0.768           | <b>-2.016</b>    | -0.069           | -0.059           |
| Year 2021 Dummy                                   | <b>0.068***</b> | 0.625           | <b>-0.143***</b> | 0.017            | 0.015            |
| T-stat                                            | <b>-1.924</b>   | 0.708           | <b>-1.698</b>    | 1.407            | 1.127            |
| Year 2022 Dummy                                   | -0.059          | 0.446           | -0.125           | 0.011            | 0.011            |
| T-stat                                            | -1.661          | 0.445           | -1.436           | 0.929            | 0.805            |
| Year 2023 Dummy                                   | -0.048          | 0.216           | -0.079           | -0.007           | -0.009           |
| T-stat                                            | -1.365          | 0.227           | -0.820           | -0.667           | -0.772           |
| Year 2024 Dummy                                   | <b>-0.072**</b> | 0.330           | -0.127           | <b>-0.027**</b>  | <b>-0.029***</b> |
| T-stat                                            | <b>-2.026</b>   | 0.359           | -1.197           | <b>-2.088</b>    | <b>-1.954</b>    |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |       |       |       |       |       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|
| R <sup>2</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 0.851 | 0.505 | 0.780 | 0.908 | 0.895 |
| <p>Notes:</p> <p>Panel A presents the results of a panel regression model, via which the performance of the Big 6 accountancy firms in the UK is regressed on five dummy variables that take values 1 for Deloitte, EY, KPMG, BDO and Grant Thornton respectively, and zero otherwise.</p> <p>Panel B presents the results of a panel data model with dummy variables for individual firms as above, to which year dummy variables have been added.</p> <p>*Statistically significant at 1%; **Statistically significant at 5%; ***Statistically significant at 10%.</p> |       |       |       |       |       |

Table 8: Regression Analysis of Performance Per Determinative Factors

|                                                   | (1)              | (2)              | (3)             | (4)              | (5)              |
|---------------------------------------------------|------------------|------------------|-----------------|------------------|------------------|
|                                                   | ROA              | ROE              | ROCE            | PBT/Turnover     | PAT/Turnover     |
| <i>Panel A: Simple Approach</i>                   |                  |                  |                 |                  |                  |
| Constant                                          | -0.187           | -0.534           | 0.310           | 0.050            | 0.067            |
| T-stat                                            | -1.339           | -0.591           | 1.035           | 0.559            | 0.749            |
| Size                                              | <b>-0.049***</b> | <b>-0.395**</b>  | <b>-0.151**</b> | <b>-0.036***</b> | <b>-0.041**</b>  |
| T-stat                                            | <b>-1.740</b>    | <b>-2.348</b>    | <b>-2.440</b>   | <b>-1.866</b>    | <b>-2.132</b>    |
| Debt Ratio                                        | -0.007           | -0.116           | -0.001          | -0.013           | -0.016           |
| T-stat                                            | -0.144           | -0.456           | -0.009          | -0.388           | -0.490           |
| Debt-to-Equity Ratio                              | <b>0.005**</b>   | <b>0.290*</b>    | <b>0.008***</b> | <b>0.003**</b>   | <b>0.003**</b>   |
| T-stat                                            | <b>2.291</b>     | <b>17.349</b>    | <b>1.938</b>    | <b>2.297</b>     | <b>2.401</b>     |
| Acid-Test Ratio                                   | -0.050           | -0.101           | <b>-0.321*</b>  | -0.041           | -0.038           |
| T-stat                                            | -1.198           | -0.460           | <b>-4.334</b>   | -1.623           | -1.483           |
| Cash Ratio                                        | <b>0.346*</b>    | <b>1.067**</b>   | <b>0.597*</b>   | <b>0.268*</b>    | <b>0.259*</b>    |
| T-stat                                            | <b>4.762</b>     | <b>2.834</b>     | <b>4.411</b>    | <b>5.456</b>     | <b>5.268</b>     |
| Efficiency Ratio                                  | <b>0.331*</b>    | <b>0.940*</b>    | <b>0.631*</b>   | <b>0.110*</b>    | <b>0.102*</b>    |
| T-stat                                            | <b>6.252</b>     | <b>3.128</b>     | <b>5.575</b>    | <b>3.293</b>     | <b>3.045</b>     |
| Revenue per Employee                              | <b>1.728***</b>  | <b>13.779**</b>  | <b>4.167**</b>  | <b>1.172***</b>  | <b>1.284**</b>   |
| T-stat                                            | <b>1.863</b>     | <b>2.417</b>     | <b>2.131</b>    | <b>1.928</b>     | <b>2.121</b>     |
| R <sup>2</sup>                                    | 0.632            | 0.918            | 0.576           | 0.490            | 0.479            |
| <i>Panel B: Approach with Fixed Times Effects</i> |                  |                  |                 |                  |                  |
| Constant                                          | -0.198           | -0.762           | 0.262           | 0.026            | 0.043            |
| T-stat                                            | -1.251           | -0.820           | 0.899           | 0.248            | 0.419            |
| Size                                              | <b>-0.066**</b>  | <b>-0.513*</b>   | <b>-0.179**</b> | <b>-0.045**</b>  | <b>-0.050**</b>  |
| T-stat                                            | <b>-2.209</b>    | <b>-2.930</b>    | <b>-2.643</b>   | <b>-2.307</b>    | <b>-2.574</b>    |
| Debt Ratio                                        | -0.057           | <b>-0.520***</b> | -0.065          | -0.016           | -0.013           |
| T-stat                                            | -1.167           | <b>-1.816</b>    | -0.548          | -0.511           | -0.409           |
| Debt-to-Equity Ratio                              | <b>0.004***</b>  | <b>0.282*</b>    | <b>0.008***</b> | <b>0.003***</b>  | <b>0.003***</b>  |
| T-stat                                            | <b>1.943</b>     | <b>21.170</b>    | <b>1.757</b>    | <b>1.792</b>     | <b>1.865</b>     |
| Acid-Test Ratio                                   | -0.059           | -0.073           | <b>-0.339*</b>  | <b>-0.045***</b> | <b>-0.042***</b> |
| T-stat                                            | -1.544           | -0.324           | <b>-5.111</b>   | <b>-1.828</b>    | <b>-1.697</b>    |
| Cash Ratio                                        | <b>0.353*</b>    | <b>0.864***</b>  | <b>0.645*</b>   | <b>0.269*</b>    | <b>0.260*</b>    |
| T-stat                                            | <b>4.296</b>     | <b>1.789</b>     | <b>4.367</b>    | <b>5.023</b>     | <b>4.873</b>     |
| Efficiency Ratio                                  | <b>0.355*</b>    | <b>1.156*</b>    | <b>0.668*</b>   | <b>0.130*</b>    | <b>0.122*</b>    |
| T-stat                                            | <b>7.378</b>     | <b>4.082</b>     | <b>5.555</b>    | <b>4.138</b>     | <b>3.895</b>     |
| Revenue per Employee                              | <b>2.769**</b>   | <b>20.951*</b>   | <b>5.818**</b>  | <b>1.746**</b>   | <b>1.864*</b>    |
| T-stat                                            | <b>2.847</b>     | <b>3.664</b>     | <b>2.577</b>    | <b>2.752</b>     | <b>2.944</b>     |
| Year 2015 Dummy                                   | -0.010           | -0.040           | -0.025          | -0.003           | -0.005           |
| T-stat                                            | -0.192           | -0.134           | -0.246          | -0.101           | -0.143           |
| Year 2016 Dummy                                   | 0.015            | 0.055            | 0.047           | 0.013            | 0.012            |
| T-stat                                            | 0.292            | 0.185            | 0.520           | 0.385            | 0.369            |
| Year 2017 Dummy                                   | -0.014           | 0.110            | 0.018           | -0.006           | -0.006           |
| T-stat                                            | -0.280           | 0.365            | 0.154           | -0.187           | -0.182           |
| Year 2018 Dummy                                   | 0.061            | 0.181            | 0.186           | 0.046            | 0.046            |
| T-stat                                            | 1.186            | 0.601            | 1.405           | 1.371            | 1.375            |
| Year 2019 Dummy                                   | -0.018           | -0.153           | 0.015           | 0.000            | 0.000            |
| T-stat                                            | -0.353           | -0.497           | 0.118           | 0.003            | -0.010           |
| Year 2020 Dummy                                   | 0.047            | <b>0.672*</b>    | 0.077           | 0.043            | 0.043            |
| T-stat                                            | 0.824            | <b>2.013</b>     | 0.628           | 1.160            | 1.157            |
| Year 2021 Dummy                                   | -0.006           | 0.068            | -0.002          | 0.007            | 0.005            |

|                 |                 |        |                 |        |                  |
|-----------------|-----------------|--------|-----------------|--------|------------------|
| T-stat          | -0.099          | 0.206  | -0.017          | 0.185  | 0.131            |
| Year 2022 Dummy | -0.028          | -0.107 | -0.019          | -0.006 | -0.006           |
| T-stat          | -0.503          | -0.335 | -0.192          | -0.155 | -0.164           |
| Year 2023 Dummy | -0.044          | -0.312 | -0.044          | -0.016 | -0.017           |
| T-stat          | -0.833          | -0.998 | -0.506          | -0.448 | -0.478           |
| Year 2024 Dummy | <b>-0.109**</b> | -0.412 | <b>0.184***</b> | -0.059 | <b>-0.060***</b> |
| T-stat          | <b>-2.018</b>   | -1.298 | <b>-1.998</b>   | -1.665 | <b>-1.698</b>    |
| R <sup>2</sup>  | 0.709           | 0.935  | 0.665           | 0.565  | 0.584            |

Notes:

Panel A presents the results of a panel regression model, via which the performance of the Big 6 accountancy firms in the UK is regressed on the natural logarithm of assets (size), the debt/assets ratio, the debt/equity ratio, the quick ratio (acid-test ratio), the cash ratio, the efficiency ratio (revenue/assets), and the revenue per employee.

Panel B presents the results of a panel data model with time fixed effects (i.e., with dummies for years 2015 up to 2024), via which the performance of the Big 6 accountancy firms in the UK is regressed on the natural logarithm of assets (size), the debt/assets ratio, the debt/equity ratio, the quick ratio (acid-test ratio), the cash ratio, the efficiency ratio (revenue/assets), and the revenue per employee plus the year dummies.

\*Statistically significant at 1%; \*\*Statistically significant at 5%; \*\*\*Statistically significant at 10%.