Modern Practice Playbook

BUILDING FUTURE-READY PRACTICES, TODAY

AUSTRALIA 2026

About this report

Cutting through the noise, Modern Practice Playbook is here to guide Australia's accountants and bookkeepers on building agile, intentional firms.

Against a backdrop of rapid change, this playbook unpacks what it means to be a modern practice. Across four chapters – firm structure, redesigning workflows with AI, expanding service offerings, and pricing for outcomes over hours – it reveals what top-performing firms are doing differently, and the direction they're pointing the profession.

Commissioned by Xero, Modern Practice Playbook draws on survey responses from 524 independent senior accountants and bookkeepers throughout Australia. Behind every stat is a story – and a lesson worth learning. To offer guidance beyond benchmarking, we spoke with practice leaders, national industry bodies, and Xero experts.

SURVEY SAMPLE

Responses have been primarily sourced from third-party panels (302 respondents) in addition to the Xero customer database (222 respondents). The data has been weighted to ensure equal representation of firm sizes.

BENCHMARKING

Learning from top-performing practices isn't just about chasing higher figures – it's about understanding the blueprint for success. Throughout, 'top performers' are employing accounting and bookkeeping firms (two or more full-time employees) with a net profit margin of 41% or above, representing approximately the top quarter of employing practices. Where their results diverge meaningfully from the average (10+ percentage points), we use this lens to show what's possible.

Sole practitioners are excluded from this group, as their lower overheads structurally inflate net profit margins. Lower margin firms are defined as employing firms with a net profit margin of 0-40%. References to 'all firms' or 'average firms' include sole traders as part of the full sample.

Firm size: elements of the data are also cut by firm size across the full sample.

Grouping	Employee count
Solo	0-1 (i.e. themselves)
Small	2-10
Medium	11-50
Large	51+

Bookkeeper spotlight: where relevant, we highlight differences between bookkeeping and accounting firms. Bookkeeping practices in this sample tend to be smaller, so some differences may reflect size rather than (or as well as) profession.

Practice leader quotes: to bring the data to life, we've included anonymous quotes sourced and approved from survey participants.

Multi-response questions: where respondents could choose more than one answer, percentages will add up to over 100%.

AI time and money savings: figures are self-reported estimates, calculated using the mid-point of banded survey responses. Dollar figures are the reported weekly average annualised. See appendix for the full calculation.

DEFINITIONS

Advisory: refers to any of the following services: strategic planning, succession planning, forecasting and modelling, tax and wealth, tech and systems advisory, business opportunities, growth and capital support, hiring and sustainability/environmental, social, and governance (ESG) advisory.

The information in this report is a guide and should not be taken as financial, legal or business advice. We recommend you check with an independent expert that what you're doing is right for you and your practice.

Contents

FOREWORD

The accounting and bookkeeping industries are evolving - you get to shape what's next.

Charlie Sheppeard, CA
EGM Strategy & Operations - Australia and New Zealand

Practices across Australia are making big decisions about how they work: which services to offer, how to price them, where AI fits into the workflow, and how to create more time for the work clients value most. These are fundamental questions that shape how you and your teams spend your time, how you support clients and how confidently you invest in the future.

I started my career as an accountant. The thing that has stayed with me is that accounting really is the language of business. It helped me look at a business and understand what was actually creating value. Whether you came to this work through accounting or bookkeeping, that skill will only matter more as the industry evolves. That is what this playbook is for.

Across four chapters, we look at how top performing accounting and bookkeeping practices are structuring winning firms, integrating AI, refining their service offerings and rethinking the way they price. We surveyed more than 500 practices across Australia and combined that data with real stories from firms who have already made the shift, alongside perspectives from industry bodies and Xero experts.

The data shows where the profession is today, and the stories show how other practices are responding. What stands out to me is that the top performing firms aren't waiting for a perfect roadmap. They're testing new ways of working, learning from what works and making deliberate choices about where their time creates the most value.

AI is a good example. The data tells a more nuanced story than many headlines suggest. Most Australian firms are looking at what AI can make possible, rather than what it can replace: less time spent on repetitive work, and more capacity for advisory conversations, stronger client relationships and the work that depends on your expertise. The practices pulling ahead are using AI to rebuild or fine-tune workflows, testing where it can help and doing all of this with human judgement at the core.

Of course, AI should never replace professional judgement. Instead, it should support it; handling repetitive, rules-based tasks while humans retain oversight and decision-making.

Our aim isn't to give you a formula, but rather to provide evidence, practical examples and ideas you can take back to your own practice. That's why we've called this a playbook - it's designed to be used, not just read.

Highlights: The anatomy of a modern practice

Australia's top-performing firms aren't stopping at experimenting with AI and expanding into advisory. They're redesigning elements of their entire operations – from workflows, to service offerings and pricing – to unlock the full value of both.

HERE'S WHAT SETS THEM APART:

- **Clearly defining who they serve** and shaping their practice around that client profile.
- **Embedding AI in the core parts of how they operate** – with the financial return to show for it.
- **Channelling the time AI frees up into high value advisory work,** rather than letting efficiency gains disappear into the day-to-day.
- **Charging with confidence** – commanding a premium for the same services and planning bolder price rises.

THE PROFITABILITY GAP ISN'T EFFORT. IT'S ARCHITECTURE.

Top performers are 2.8x more profitable than lower margin practices.

But it doesn't come down to just size or structure. It's also the habits they share:

They're using AI to free up time, expanding into advisory to drive revenue, and shifting toward value-based pricing.

AI IS THE PRODUCTIVITY ENGINE SAVING TIME AND MONEY

Across all staff combined, the use of AI tools saves these Australian firms **one working day** per week on average.

For top performers actively using AI in day-to-day workflows, those time savings increase:

All firms: 8 hrs per week	VS	Top performers: 11 hrs per week

When it comes to average monetary savings, top performers see **1.5x** the yearly return:

All firms: $160,000 per year	VS	Top performers: $244,000 per year

THE SAME XERO AI, DIFFERENT SAVINGS

Looking at those leveraging Xero's AI capabilities specifically, a similar pattern emerges. Top performers experience significantly higher time and money savings:

All Xero firms: 6 hrs per week	VS	Xero top performers: 10 hrs per week
All Xero firms: $143,000 per year	VS	Xero top performers: $232,000 per year

AI IS EVOLVING JOBS

45% of accountants and 40% of bookkeepers
are redirecting AI-freed time towards advisory work.

While only
1 in 8
across both professions expect AI to reduce headcount in the next year.

Revealing that leveraging AI isn't shrinking teams – it's freeing them up for higher-value work.

IT PAYS TO BILL FOR OUTCOMES OVER HOURS

All practices bill an average of
69%
of client engagements on non-hourly terms.

43%
of practices using value-based pricing say it's made their practice more profitable.

The biggest opportunity is moving up the ladder towards value-based models.

ADVISORY IS WHERE FREED TIME CAN BECOME REVENUE

While just
over half (52%)
of Australian practices offer advisory, for those that do, it's their top-earning service (tied with tax).

For non-advisory firms,
32%
cite lack of capacity as a barrier – a problem AI has proven to help alleviate.

TOP PERFORMERS CHARGE MORE FOR THE SAME WORK

Top performers charge **over one third** more for advisory services alone.

They're over **2.5x** more likely to plan a price rise above 20%.

YOUR PLAYBOOK STARTS HERE.

CHAPTER ONE

The modern practice model

Built for success: the structural choices that set top performers apart

While no two firms are built the same, top performers manage to pull ahead no matter their size. How? Our data reveals success isn't related to structure or scale. Instead, it comes down to how they run things: embedding AI into workflows, converting the time saved into higher-value work, and billing with discipline. Whether you're a solo operator or eager to grow, you can build an agile modern firm. This chapter sets the scene: how Australian practices are structured, what top performers do differently, and the leaders building modern practices on their own terms.

'A modern practice combines technology with professional judgement, ethics and trusted relationships. The most successful firms are using AI to reduce routine work and create more time for strategic advice, stronger client relationships and the human insights that technology cannot replace.'

Ainslie van Onselen, CEO, Chartered Accountants Australia and New Zealand and Chair, Chartered Accountants Worldwide

Key learnings: what the data tells us about laying the right foundations

Size plays a defining role in practice structure, influencing everything from staffing ratios to service mix. Not every leader is looking to grow, but the choices that enable a modern practice to scale apply at any size: how you shape your team, who you serve, and how disciplined you are about tracking billable time. Here's the blueprint:

01 SIZE SHAPES STRUCTURE – DELIBERATE CHOICES CAN SHAPE PROFITABILITY:

top performers are **2.8x** more profitable than lower-margin employing firms. What sets them apart is how efficiently they convert that revenue – through embedded AI, offering value-added services, and pricing with discipline.

02 DEFINE WHO YOU SERVE:

top performers are more likely to primarily serve medium and large businesses (**72% vs 45%** for all firms). Regardless of whether your focus is on small or large businesses, being deliberate about your ideal client – their size, sector, and complexity – is the structural choice that shapes everything else.

03 BUILD YOUR TEAM AROUND WHO YOU SERVE:

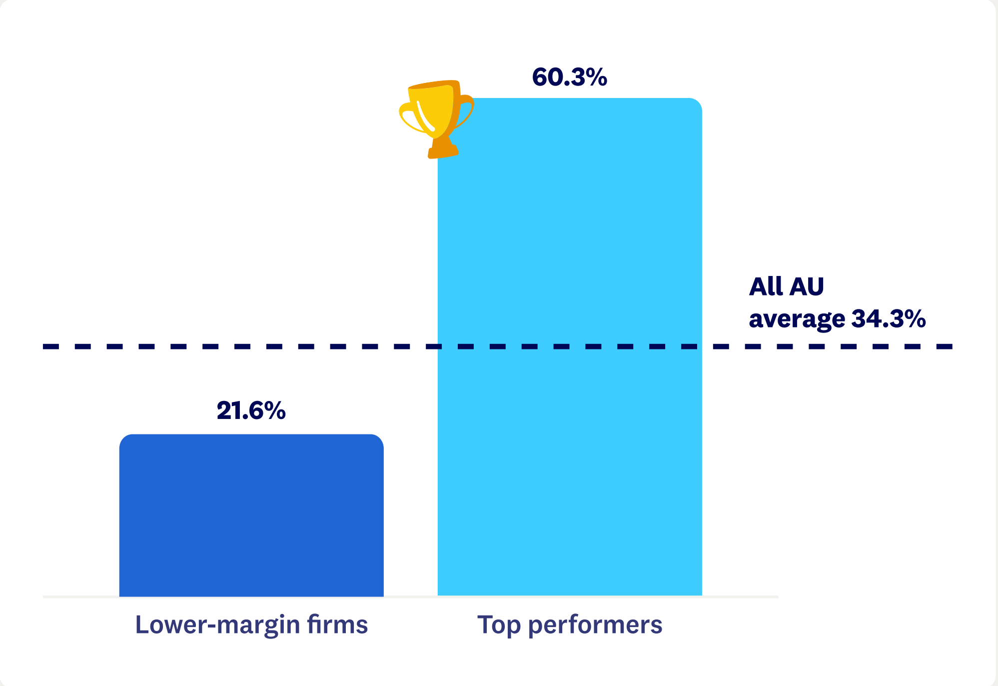
as practices grow, staff roles become more specialised (e.g. separate teams for bookkeeping or advisory) – ranging from **33%** in specialist roles at small practices to **84%** at the largest. Even smaller operations can benefit from this approach; if headcount allows, consider letting your ideal client profile shape how you structure your team and recruit talent.

04 PROTECT YOUR REALISATION RATE:

75% of top performers maintain a realisation rate above three-quarters, compared to **58%** of average firms. Recognising the value of your work is the standard that lets clients do the same.

Decoding the profitability gap

Top-performing practices are **2.8x** more profitable than lower-margin employing firms.



The profitability gap doesn't come down to practice size, structure, or even revenue per full-time employee. Instead, we found that top performers tend to share three key habits – deeply embedding AI, a higher-margin service mix, and pricing with conviction.

But none of this lands without the right foundations. Before we spend the following chapters diving into what sets top performers apart, it pays to set the scene.

Behind the scenes of modern Australian practices

Clear trends emerge when you segment the data by practice size. The biggest firms (more likely to be accounting firms) are far more likely to build specialist teams and primarily serve medium and large businesses – helping them deepen client relationships and focus on higher-value work as they scale. This reflects the scale and support structures larger firms have built, rather than a hierarchy of value – firms that focus on small business clients can specialise and deepen those relationships just as deliberately.

	Solo	Small	Medium	Large	Why it matters
Team structure					
Generalist team	6%	45%	32%	11%	Small teams depend on generalists pitching in
Specialist roles by function	5%	33%	58%	84%	Specialism climbs steeply with size
Average partners/directors	1.0	1.8	3.8	7.0	Leadership grows with scale
Fully onshore delivery	77%	56%	37%	27%	Offshore talent grows with size
Client focus					
Primarily serve medium/large businesses	7%	22%	62%	89%	Big firms capture the big clients
Clients per full-time employee (median)	30	20	13	4	Scale means depth over volume

> ***'Developing niche expertise doesn't just help differentiate your practice, it also means attracting higher-value specialised clients.'***
>
> *Practice leader, Accountant, Large firm*

What sets top performers apart

TOP PERFORMERS PROTECT THEIR REALISATION RATE

Billing discipline means capturing the value of the work you actually do – whether you price by value or by the hour.

To measure this, we asked practices what percentage of their team's billable hours are actually billed to clients in a typical month, after write-offs and write-downs. Write-offs are common: practices routinely absorb overrun work rather than have a difficult conversation about fees, and the cost disappears into overheads.

Every write-off is a missed opportunity for revenue – and top performers are measurably more disciplined about this. **75%** maintain a realisation rate **above three-quarters**, compared to just **58%** of average firms.

Xero expert insight: your strategy for building a modern practice

XERO EXPERT INSIGHT

Angad Soin
Managing Director AU/NZ and Global Chief Strategy Officer

The data in this chapter reveals the structural building blocks behind Australia's leading firms. But structure alone isn't enough to build a modern practice – it needs to serve a clearly defined strategy. Put simply, strategy is about purposeful decision-making. But in order to make strategic choices, you need to know what your endgame is, and how to realise success along the way – whatever it means to you.

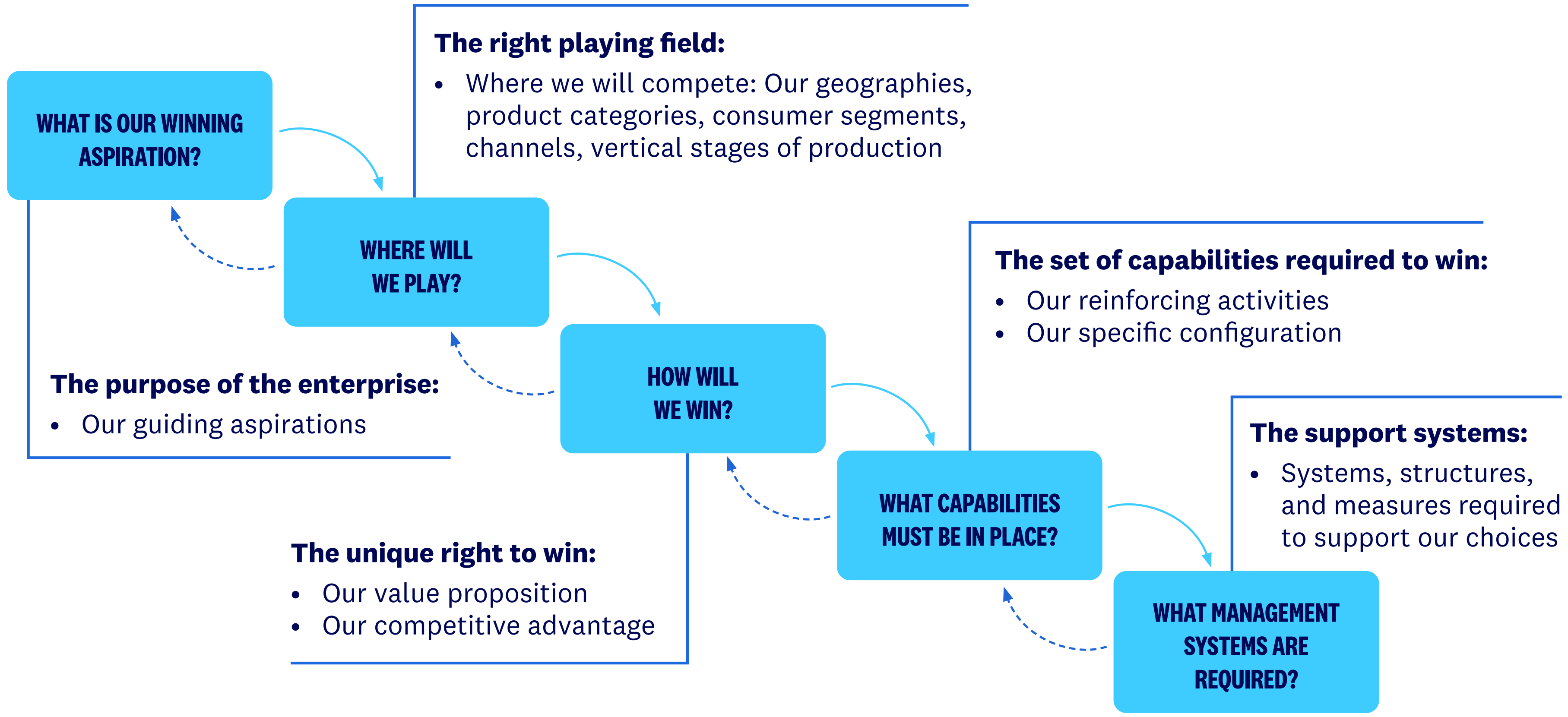
The framework below, adapted from Roger Martin and Alan G. Lafley's *Playing to Win*, is a useful lens for any practice leader thinking about where they're headed.

Let these questions guide you toward strategic decision-making:

- What does 'winning' actually mean for your practice? Depending on your goals, this could be anything from successfully expanding your advisory offering, to scaling a practice with genuine enterprise value you can one day sell.
- How can your definition of 'winning' guide all of your decisions?
- Where are you not going to play? Focus is essential: when should you say no?
- What would make a client choose you over another practice?
- The golden question: what needs to be true for these choices to be a winning strategy?

What makes a winning strategy?

An integrated cascade of choices, and reinforcing those choices



Source: Roger Martin and Alan G. Lafley. (2013). Playing to Win.

Case studies: meet the modern practices charting their own course

Meet Andrew, Belinda, Hayden, and Sean – four leaders building modern firms their way. Get to know them here, then follow their stories throughout the playbook, where you'll find deeper insights, practical tips, and real-world outcomes.

Andrew Erkins, Digit

LOCATION(S): Australia and the Philippines **TEAM MEMBERS:** 30+
FOUNDED: 2014 **WHERE YOU'LL MEET ANDREW AGAIN:** The AI advantage chapter

'I never think about redesigning the business from a structural perspective. I think about what the client really needs and how we can deliver that – that's the North Star everything else follows.'

Back in 2014, Andrew Erkins founded Digit with a big vision for what cloud accounting could achieve. He knew it wouldn't just reshape how businesses accessed their numbers – it would transform who could own the work, and where it could be done from. Before launching his firm, Andrew had built his own niche accounting platform for the trust accounting and commercial real estate sector. As a result, he learned first-hand what makes systems and tools sing. Yet, when it came to building Digit, Andrew chose Xero to manage its cloud accounting – all because Xero's vision matched his own.

DIGIT BUILDS ITS TEAM AROUND THE CLIENT, NOT A JOB TITLE

Digit's holistic approach is reflected in the firm's service model, with small, cross-functional teams built for each client – designed to flex and grow with them. Clients work directly with their bookkeeping, payroll and advisory specialists, backed by cross-trained cover behind each role to form a small pod, so relationships stay personal but never depend on a single person. It's an approach that matches the **84%** of large firms that favour specialist roles by function. As a client grows, roles scale along with them. When new expertise is needed (for example, if a client adopts an e-commerce platform), Digit can pull in a specialist from elsewhere in the firm and plug them in. This way, the relationship continues undisrupted and knowledge carries over.

As Andrew puts it, rather than trying to be everything to everyone, let your clients' needs be your 'North Star.' This kind of focus requires a strong, centralised platform that connects each of the firm's moving parts. Automated reminders, workflow, and call transcription mean any staff member can pick up a file and run with it. Teams built on Xero, like Digit, already have this visibility, and **92%** of accountants and bookkeepers using it agree it makes collaboration easier.*

ANDREW'S TIPS FOR BUILDING A MODERN PRACTICE:

1. **Design your team around continuity:** build cross-functional coverage around each client relationship, mixing skill sets rather than concentrating knowledge in any one person. That way, if a team member is unavailable or moves on, the client relationship and its history don't leave with them.
2. **Centralise client history in one system:** bring reminders, workflow, and communication records into a single internal platform rather than leaving them scattered across inboxes. When any team member can see a client's full history the moment they pick up a file, you can adjust who works on what without losing quality or duplicating effort.

**Survey conducted by Xero of 629 accountants and bookkeepers in Australia using Xero, May 2024.*

Hayden Brown and Belinda Roychowdhury, Carbon Group

LOCATION(S): Multi-national presence + offshore teams in Asia **TEAM MEMBERS:** 100+ **FOUNDED:** 2014
WHERE YOU'LL MEET THEM AGAIN: The service portfolio optimisation chapter

'Where we're going in the industry and the changes that are coming are very exciting. It pays to be ready to adapt.'

Carbon Group's model is built on the belief that clients need both accountants and bookkeepers, and shouldn't have to choose between the two. This instinct to disrupt traditional models (while also folding in CFO services) still drives the business today. And Hayden Brown and Belinda Roychowdhury are two of the leaders helping steer Carbon's ambitious growth strategy. Replicating its founding Perth approach in cities across Australia, the firm has scaled into a national, multi-office business. Offshore teams in Asia further extend its reach while upholding clearly defined standards.

GROWTH THROUGH ACQUISITION DEMANDS ONE SOURCE OF TRUTH

Rather than expanding from the inside out, Carbon has succeeded in scaling by bringing other firms into the fold. The challenge is, this introduces a structural hurdle most modern practices don't have to jump over – as every acquisition comes with its own set of systems, workflows, and data quirks. As a result, consolidation is a must, with Xero Partner Hub (XPH) acting as the master source of truth for lodgement data. Ignition, Active Workpapers, BGL, Now Infinity, Class, SuiteFiles, ACIS and a purpose-built onboarding application provide layers of functionality while all connecting through open API integrations. Before anyone hits the 'on' switch for a new acquisition, these are all plugged in and readied.

With this operating model, the complexity introduced by scale can be remedied by seamlessly interconnected systems, and XPH becomes a hub in the centre. Clean data that moves with fidelity from one platform to another is also essential. As Hayden explains it: 'If your data is a mess, what you put in will be a mess when it comes out the other end.'

TESTING WITH THE PEOPLE WHO'LL ACTUALLY USE IT

Carbon believes in embracing new technology, but not without education, oversight, and security. This means sufficient testing and trialing before committing at scale, as the firm sets out beta programs and pilots new tools. No firm-wide rollout happens until staff have had a chance to map workflows and whiteboard to fully test new technology. Carbon even has a dedicated AI and digital transformation committee that owns this process. All the while, the large volume of sensitive information the firm holds is protected by reliable internal guardrails.

HAYDEN AND BELINDA'S TIPS FOR BUILDING A MODERN PRACTICE

1. **Start with the data, not the tool:** messy data stays messy. Before implementing anything new, clean and standardise your data. Treat consolidation as a non-negotiable first step, not something to tidy up later.
2. **Map the workflow, then bring in the people who'll use it:** whiteboard and test new processes with the accountants and administrative staff who'll actually run them day to day, before rolling anything out firm-wide. This surfaces problems while they're still cheap to fix, and earns the buy-in that makes adoption stick rather than stall.

Sean Myles, EQ8

LOCATION: Melbourne **TEAM MEMBERS:** 20
FOUNDED: 1972 **WHERE YOU'LL MEET SEAN AGAIN:**
The evolving your pricing approach chapter

'We want to be in the position where clients are calling us for commercial advice before they act, rather than after, when we're left trying to unwind a decision.'

Sean Myles leads EQ8, a firm whose roots trace back to 1972. As CEO, Sean runs a corporatised model, where partners focus on client work, and he owns strategy, HR and marketing. This set the stage for Sean to explore a promising new frontier for the firm – a full pivot to value-based pricing.

EQ8 WALKED AWAY FROM BEING EVERYTHING TO EVERYONE

Before EQ8 evolved into what it is today, it was marketed as a generalist firm, taking on almost any client that came through the door. As AI automation became a powerful tool for generalist compliance work, Sean and the team chose to adapt. Today, the firm has built specialist niches across the likes of law firms and property developers. This bias toward narrow customer selection rather than breadth is shared by top performers, who're **60%** more likely to serve medium and large businesses (regardless of what size business your practice serves, being deliberate about your ideal client can help bring focus).

EQ8 backs itself in the market, and by being selective about its customers, reinforces its focus on client-firm relationships with the most promise. New clients are 'scorecarded' on their growth, ethical conduct and future referral potential, and a $2,000 minimum fee attracts serious prospects. The strategy, in Sean's words, was to be 'working where we can add value, and they see it as a relationship – not just tax returns.' While AI can automate compliance, it can't automate valuable relationships and genuine advisory, which is how EQ8 could confidently move to **100%** value pricing and leave hourly charging behind.

REAL-TIME DATA LETS EQ8 WORK STAY AHEAD

EQ8 became a dedicated Xero firm back in 2017. Already sharing a live ledger with its clients, COVID became a proof-of-concept for Sean and revealed the value of collaborative, remote interfaces. EQ8 was already on Office 365 using continuously updated files, and through this connectivity was able to issue year-end engagement letters and begin compliance work months early. This benefit is also proven across the industry, and 93% of accountants and bookkeepers using the platform agree client advice is more accurate because of Xero's real-time data.* It's not just a ledger on one platform, but the entire ecosystem that matters. Xero Partner Hub (XPH) is the source of truth, with FYI for document management and Syft for management reporting and visuals. Ignition standardises engagements and payments across over 300 client groups to complete the picture.

SEAN'S TIPS FOR BUILDING A MODERN PRACTICE:

1. **Find clients who see you as a partner, not a vendor:** Set a clear standard for the relationships you want, and assess new clients on their growth trajectory, ethics, and how they interact with your team – not just revenue potential. Walking away from the wrong clients preserves the culture and value you deliver to the right ones.
2. **Treat real-time data as your foundation, not a nice-to-have:** work from the same live ledger your clients see, so you can advise ahead of a decision rather than undo it afterwards. Everything else in your tech stack should build on that foundation.

**Survey conducted by Xero of 629 accountants and bookkeepers in Australia using Xero, May 2024.*

CHAPTER TWO

The AI advantage

Where AI drives the biggest efficiency gains – and what practices do with the time

Amidst mounting industry pressures, AI promises to arm you with the most valuable asset of all: time. We go beyond adoption rates, uncovering where it's having the biggest impact, which tools are being harnessed, and the way modern practices are rethinking how (and who) they hire. Most importantly, our data reveals that effectiveness ultimately seems to hinge on one thing: knowing your processes. Of the practices actively using AI in day-to-day workflows, 94% rate their core business processes as well-documented. That figure drops to just 40% among practices not using AI. This matters because top performers are saving three hours more per week than average (and 1.5x the monetary value). Why? **Clearer processes tend to make it easier to see where AI can be embedded most effectively (and to deliberately redirect the time it frees up toward higher-value work).** While AI handles the routine, leading practices are investing in what can't be automated: deepening client relationships.

When it comes to AI use, these fundamental guidelines factor into what best practice can look like:

Understand it: know what the AI does, its purpose and its limitations.
Control it: review, verify, correct or reject its outputs before relying on them.
Document/evidence: demonstrate the review, decisions and controls applied to the work.

AI guidance and professional expectations will continue to evolve, so be sure to keep checking the latest requirements from your professional bodies and regulators.

Key learnings: what the numbers uncover about using AI with intention

The data is clear: AI is the productivity engine behind the most profitable firms in the country. But with experimentation now widespread, the gap between top performers and the rest begins with how deeply these tools are embedded into daily workflows – and the benefits extend well beyond time savings alone.

01 BEGIN BY EXPERIMENTING, AIM FOR EMBEDDING:

85% of firms have tried AI, but top performers are more likely to have moved into daily use. Adoption alone won't move the needle. Depth will.

02 MAP YOUR PROCESSES BEFORE REACHING FOR TOOLS:

daily AI users are far more likely to rate their core processes as well-documented (94%) than non-adopters (40%). AI can only improve what you can already define.

03 START WITH THE SOFTWARE YOU ALREADY USE:

60% of firms use AI built into their accounting software. Integrated, in-platform tools are the lowest-friction starting point. For Xero users, that means the ease and security of AI that sits directly within their bookkeeping and accounting workflows. Inside Xero, JAX is your AI finance partner, delivering actionable insights and automating routine financial work, while keeping human experts in control.

04 TRACK TIME SAVED (AND WHERE IT GOES):

without a plan, AI efficiency gains risk getting absorbed by low-value tasks. **44%** of firms intend to redirect freed capacity towards more high value advisory work. Decide where the hours will go – and plan accordingly.

05 GIVE YOUR TEAM TIME TO EXPLORE:

56% of firms say self-led experimentation during work time is an effective route to AI capability. Create the conditions for your team to learn.

06 HIRE FOR WHERE THE PROFESSION IS HEADING:

over 3 in 5 (63%) practices have already adapted how they hire as a result of AI, including recruiting non-traditional roles such as data analysts and tax technologists.

'What stands out is how closely Xero's findings align with what we're seeing globally through our Chartered Accountants Worldwide research. The firms gaining the most from AI are using it to amplify expertise, strengthen client relationships and create capacity for higher-value work. ***The real opportunity lies in using AI to deepen client trust and confidence. Backed by their Code of Ethics, accountants are uniquely positioned to lead with confidence in the age of AI.'***

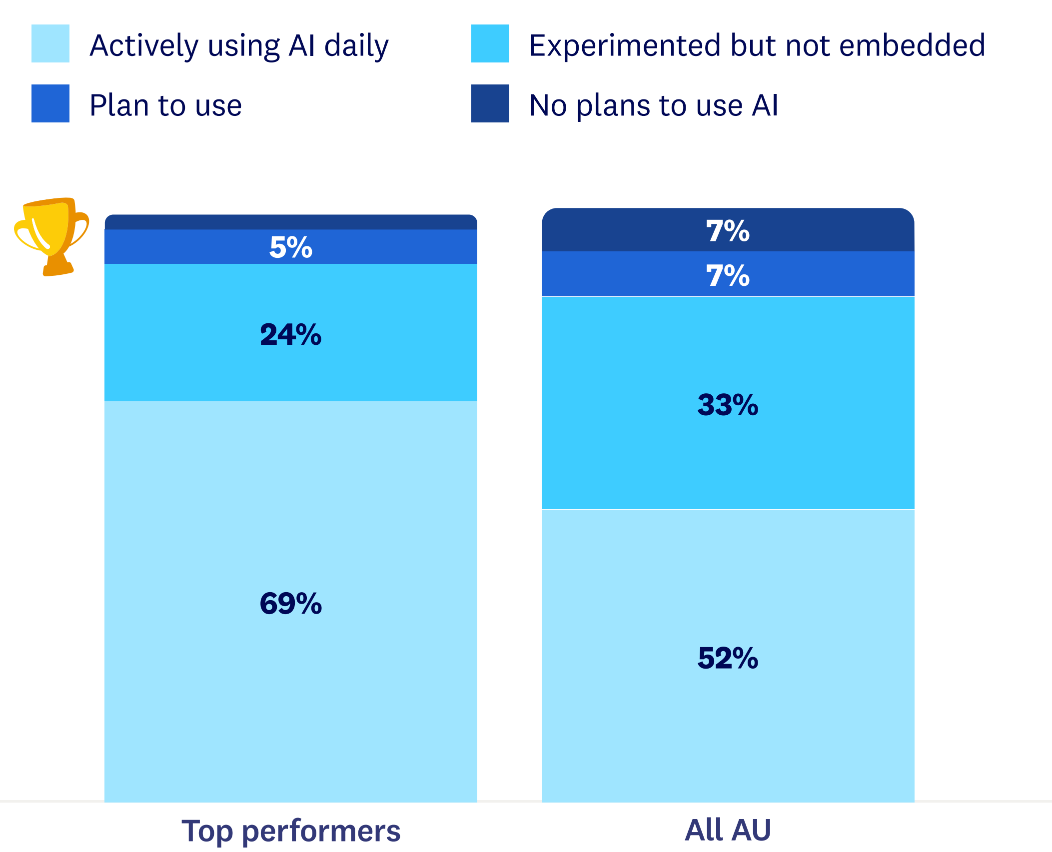
Ainslie van Onselen, Chief Executive Officer, Chartered Accountants Australia and New Zealand and Chair, Chartered Accountants Worldwide

Top performers are all in on AI. And it shows.

With **85%** of Australian practices having at least experimented with AI, adoption alone only tells part of the story – what separates top performers is how deeply the technology is embedded.

69% of top performers actively use AI in day-to-day workflows, compared to 52% of all Australian firms.

There's a tangible difference between reaching for a tool occasionally and building it into how your practice runs. Embedded AI shapes workflows, saves time at scale, and compounds in value the more consistently it's used.

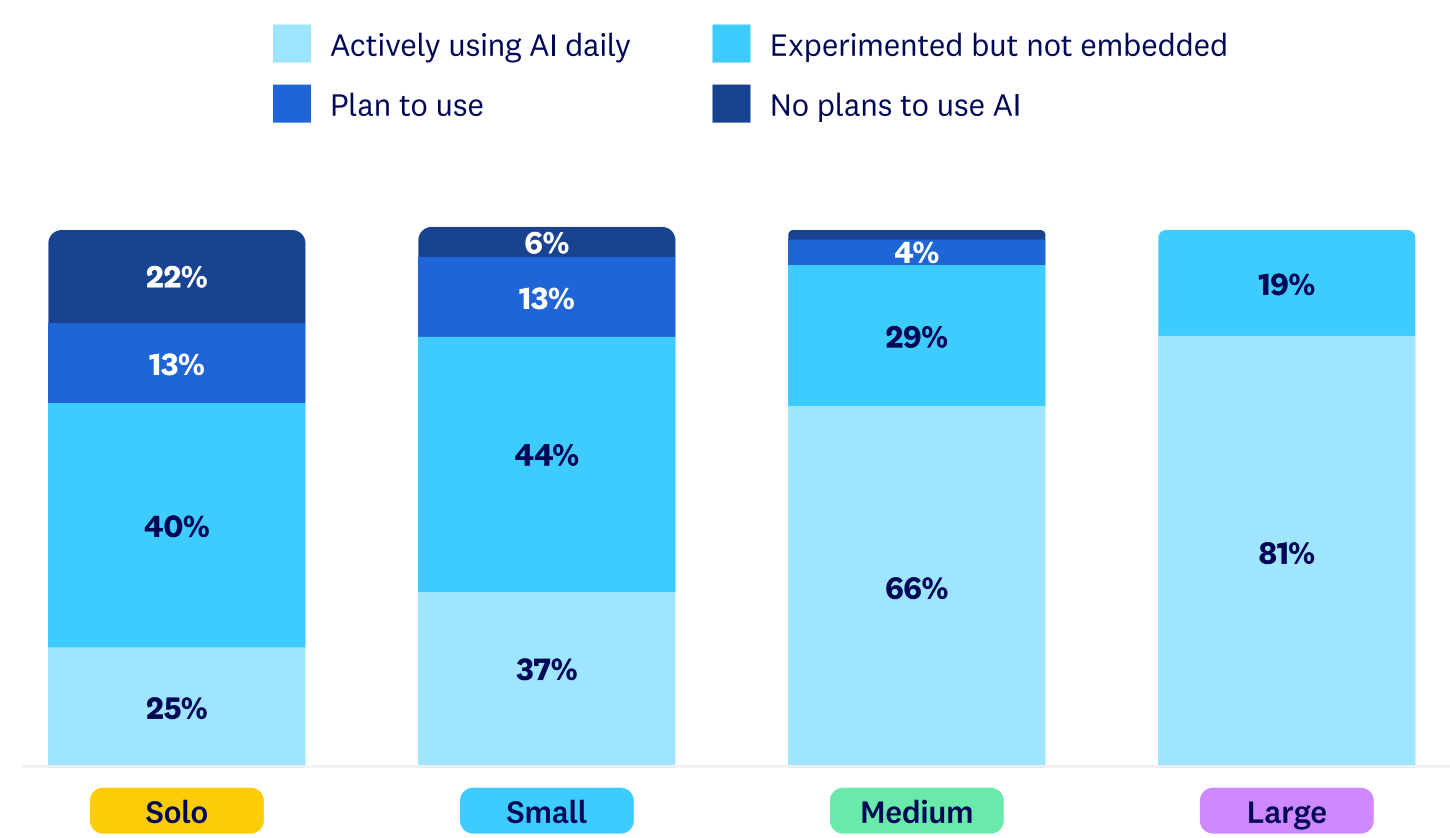


'The real question isn't about getting replaced; it's what our role will become. That means embracing technology use and supporting both staff and clients on how to use it.'

Andrew Erkins, Founder, Digit

THE BIGGER THE FIRM, THE DEEPER THE AI USE

It's a common assumption that smaller, nimbler firms move fastest. But when it comes to AI, size has its advantages – medium and larger practices lead the charge, with the workflow volume to make AI pay off quickly and the team at hand to embed it properly.



Bookkeeper spotlight: broader AI use – ranging from experimentation through to daily use – among bookkeepers sits at **66%**, compared to **91%** for accountants.

Active daily use sits at just **16%** among bookkeepers, compared to **61%** among accountants.

It's worth noting that these numbers also reflect firm size rather than appetite alone, with bookkeepers being strongly represented by sole practitioners.

'Don't be afraid to dabble in all of the new technologies and choose what's best for your practice.'

Practice Leader, Bookkeeper, Solo

AI IS THE PRODUCTIVITY ENGINE SAVING FIRMS TIME AND MONEY

By automating tasks like bank reconciliation, invoicing, and data entry, practices are reclaiming hours in their day. But just how much time?

Across all staff combined, the use of AI tools saves Australian firms **one working day** per week on average.

For top performers actively using AI in day-to-day workflows, those time savings increase:

All Australian firms:		Top performers:
8 hrs per week	VS	11 hrs per week

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THE SAME XERO AI, DIFFERENT SAVINGS

Looking at practices that leverage Xero's AI capabilities specifically, a similar pattern emerges:

All Xero firms:		Xero top performers:
6 hrs per week	VS	10 hrs per week
$143,000 per year	VS	$232,000 per year

All of which goes to show: the tools are already there. It's how you use them that counts.

THE AI YOU NEED IS ALREADY IN YOUR TOOLKIT

Practices are harnessing AI across a range of tools:

- **60%** use the AI tools built into their accounting software
- **58%** use standalone tools like ChatGPT or Claude
- **50%** use AI in productivity software
- **43%** use accounting and bookkeeping-specific practice tools

Generative AI tools like ChatGPT, Gemini, and Claude are widely used for research, drafting, and content creation. Used on their own, these tools can save time, but they also introduce risk. The core issue isn't AI itself – it's where and how it's used. Generic AI tools aren't trained on your firm's policies, your clients' data, or Australian-specific accounting and tax rules. They don't understand professional judgement, ethical obligations, or regulatory nuance.

AI should never replace professional judgement. Instead, it should support it; handling repetitive, rules-based tasks while humans retain oversight and decision-making.

Rather than relying on separate tools, firms need AI that sits directly within their bookkeeping and accounting workflow. This allows transparency, auditability, and human oversight to be built in. For Xero partners, that means the ease and security of an AI-native financial operating system that unifies core financial operations – including accounting, payments, payroll, reporting, tax – and an ecosystem, into workflows orchestrated by JAX, with actions queued for your review.

That AI-native foundation works in three core ways: Connected tools that help automate across your practice and work in the tools you're using; collaboration that surfaces client insights before they ask; and custom apps that turn expertise into a competitive advantage. Every one of them is built on Accountable Intelligence™ – Xero's commitment to AI that business can trust.

JAX is your AI finance partner in Xero, working across your clients and practice. It answers your questions, takes on routine work in the background, and surfaces what matters before you ask. Smart Document Capture and Auto Bank Reconciliation are JAX fronting the work; chat and proactive insights are how it helps you see further. All of it is built on the philosophy of Accountable Intelligence™.

ACCOUNTABLE INTELLIGENCE™

How trust shows up across JAX:

- **Full transparency.** JAX shows its reasoning at every step. Nothing moves without your approval.
- **Reliable answers.** JAX Assure is designed to ensure every answer is reliable with built-in guardrails.
- **Enterprise-grade security.** SOC2/ISO certified. Customer data never trains third-party LLMs.
- **Trusted at scale.** 20 years of trusted small business data, built with you – now relied on by 2M+ businesses

XERO EXPERT INSIGHT

How you can do more with less using Xero's AI

Smart Document Capture: Smart Document Capture is Xero's built-in way to get cleaner data into the ledger from the start. It reads and extracts key information from receipts and documents automatically, so records can be created quickly without manual rekeying or switching between systems. That means healthier data from day one, less chasing and correction later, and more confidence in everything that follows.

Auto bank reconciliation: Auto bank reconciliation, powered by JAX, helps keep bank transactions and the ledger in sync with less manual effort. When Xero has a high degree of confidence, transactions are matched and reconciled automatically, while everything, including exceptions, are surfaced for review. You can check the reasoning, correct anything that looks off, and review supporting documents, so visibility and control stay with you. The more it's used within your workflow, the more useful it becomes.

With a healthy foundation in place, JAX helps practices unlock capacity by taking on routine work and surfacing what needs attention. It goes beyond answering questions: JAX monitors signals across the workflow, highlights what matters, and helps teams focus their judgement where it adds the most value. It's designed to support professional oversight, not replace it, and is underpinned by Accountable Intelligence™.

Advanced reporting with Syft: Turn live Xero data into clear, valuable conversations with clients. Syft helps practices create polished reports, forecasts and visual insights that make business performance easier to understand and easier to act on. From tracking performance to planning ahead, it gives you the tools to deliver more confident, forward-looking guidance without building everything manually in spreadsheets.

'Prioritising strict data security and updating to modern accounting software is the most important factor in staying successful long-term.'

Practice leader, Accountant, Medium firm

ENABLING TEAMS TO DO MORE WITH LESS

Already, 35% of practices say AI has significantly allowed them to maintain or grow output with their existing teams.

In professions stretched thin by talent gaps and rising workloads, freed capacity is the most valuable resource there is.

BEYOND EFFICIENCY, AI IS BOOSTING CLIENT INSIGHTS AND EXPERIENCE

Improved efficiency and time savings top the list of benefits Australian practices report from using AI **(49%)**. But the gains go further.

Greater accuracy and reduced errors, reduced staff workload and burnout, and enhanced client experience (including more proactive advice and better communication) all follow closely behind, tied at **38%**.

While deeper insights from client data follows at **35%**.

Together, they point to something more significant than productivity gains alone: AI isn't just helping practices deliver faster, it's enabling them to do deeper, better work.

'Embracing AI and automation while also prioritising the human element – that means strong personal relationships with clients – is key to building a modern practice.'

Practice Leader, Bookkeeper, Solo

TIME SAVED IS ONLY VALUABLE IF YOU KNOW WHERE IT GOES

When we asked practices what they planned to do with the extra capacity AI gives them, clear growth priorities emerged:

44%
are doing more high-value advisory work.

40%
are looking to focus on innovation projects like new tools, workflows and niches.

39%
plan to invest in training and upskilling team members.

36%
are focusing on business development and new client acquisition.

Bookkeeper spotlight: bookkeepers and accountants are almost equally as likely to be redirecting AI-freed capacity towards advisory work at **40%** for bookkeepers and **45%** for accountants.

XERO EXPERT TIP

James Bergin
EGM Technology Research and Advocacy

ELEVATING YOUR AI USE

Avoid the 'productivity paradox', where efficiency gains from AI are absorbed by low-value work. By knowing your key processes and knowing where the value is, you can deploy time saved to the right tasks to amplify your impact. Examine how the AI capability on offer might augment your ability to do more, do things differently, improve your methods, or remove something of lower value. For example, could you:

- Transform unstructured data into a more usable format to enhance your processes
- Evolve a product or offering (for example, business plan creation) to deliver your specialist knowledge more efficiently at scale
- Move to a different and more structured, scientific approach to experimentation – state a hypothesis, define a method, and gather data to prove or disprove it
- Build quality control into your AI workflows – define standards for outputs, review processes, and checkpoints that ensure what leaves your firm is accurate and consistent.

AI IS POWERING A SHIFT TOWARDS HIGHER-VALUE WORK

When accountants were asked which workflows were their highest priority for automation with AI, tax return preparation and filing came in at **50%**.

This was closely followed by advisory and planning services (cash flow, forecasting, structuring) in second place at **48%.**

While bookkeeping and bank reconciliation followed at **45%**.

Advisory sitting near the top of the list tells its own story: the accounting profession isn't just using AI to do the same work faster. Accountants are harnessing it to assist in doing more of the work that commands higher value (as explored in the following chapter).

Bookkeeper spotlight: For bookkeepers, AI adoption is firmly rooted in the day-to-day: bookkeeping and bank reconciliation leads at **56%**, followed by practice admin and workflow management **(54%)**.

This is a picture of AI doing exactly what it should – streamlining the operational work that keeps practices running smoothly. Advisory and planning doesn't yet feature in bookkeepers' top uses of AI, revealing an area of opportunity to be explored.

'By actively embracing automated bookkeeping support, you free up the people power to shift towards high-value tax planning and consulting services'

Practice leader, Accountant, Small firm

AI IS EVOLVING JOBS

Just 1 in 8 firms expect AI to reduce headcount in the next year.

While **38%** expect to restructure roles and teams around new ways of working in the next year.

Despite the alarmist headlines, AI is freeing people up to focus on the kind of higher-value work where a human touch makes all the difference.

The bigger shift is what this means for the work itself. AI lifts some of the administrative burden, giving practices the space to offer more meaningful roles to recruits and existing staff alike.

AI IS RESHAPING WHAT PRACTICES LOOK FOR IN A HIRE

AI is evolving the nature of the work, and the skills practices prioritise are shifting in response. Over **three in five (63%)** practices are changing how they hire as a result.

27% now prioritise soft skills and relationship management.

28% are actively recruiting non-traditional roles such as data analysts and tax technologists.

While top-performing firms are more likely to be treating high tech fluency as a mandatory baseline **(51% vs 28%).**

Bookkeeper spotlight: 43% of employing bookkeepers say AI hasn't changed their hiring criteria, compared to just **15%** of employing accountants. As the bookkeeping profession continues to evolve, hiring criteria may need to follow.

THE FOUNDATION OF AI SUCCESS? KNOWING YOUR PROCESSES

The Australian practices actively using AI every day have one thing in common: **94%** rate their core business processes as well-documented, a figure that drops to **40%** among practices not using AI at all.

XERO EXPERT TIP

James Bergin
EGM Technology Research and Advocacy

HOW TO EMBED AI INTO YOUR PRACTICE'S WORKFLOWS

AI can't help streamline your processes if you can't articulate what your team does day-to-day. Successful integration begins with mapping out your core processes to identify bottlenecks and spot where AI can have the most impact.

Try this prompt to kickstart your discovery process: ***'You are an expert at business process modelling. Help me model out the core processes of my accounting [or bookkeeping] practice. Start with the functions that are common to most accounting [or bookkeeping] practices and ask me questions about the steps that we take in our practice to do things differently. Use Event-Driven Process Chain (EPC) notation in your diagrams.'***

THE BIGGEST BARRIERS TO AI ADOPTION? DATA PRIVACY AND ACCURACY CONCERNS

Despite AI's well-documented efficiency gains, there's still some reluctance to adoption. The top two barriers are accuracy worries **(48%)** and data privacy and security **(44%)**. These are legitimate concerns, and exactly what in-platform AI is built to help address.

Lack of time to experiment and redesign workflows is also a concern for **40%** of practices.

The good news: AI has proven to free capacity, with firms saving around one working day per week on average – time that can go straight back into experimenting with new workflows. It helps to view the time spent learning AI not as a 'cost' that takes you away from work, but as a 'capital investment' that buys back future time. Focusing on optimising the right processes could mean five hours spent today saves five hours every week – a worthy trade-off, indeed.

THE BEST WAY TO BUILD CAPABILITY: GIVE PEOPLE TIME TO EXPLORE

Making space for their team to learn is one of the highest-return investments a practice leader can make. When asked which training type best increases AI usage, they said:

- **56%** self-led experimentation during work time
- **39%** formal training courses
- **35%** peer-led coaching
- **30%** online self-study

The message for practice leaders: create protected time for your team to master these tools (with appropriate security guardrails in place) – not just a training budget.

> ***'Investing in AI also means investing in staff training – that way you can improve efficiency without sacrificing the quality of service your firm is known for.'***
>
> *Practice leader, Accountant, Medium firm*

Case study: How Digit built its own AI path

In Andrew's words, Digit's approach to introducing AI wasn't to simply hand the team a spade and ask them to dig. Instead, it was more like placing them in a sandbox and allowing them to play. Beyond being encouraged to learn new tools, they were given the guidance (and security guardrails) to build them. Internal hackathons gave staff hands-on problem solving experience using AI on real obstacles. As Andrew puts it, 'The goal isn't to turn accountants into coders. It's to help them understand the shape of a problem, and how technology could solve it differently to how we've solved it in the past.'

DIGIT TREATS AI AS SOMETHING TO BUILD, NOT JUST USE

Following one hackathon, an accountant built a payroll tax reconciliation tool that streamlined the firm's process for the entire financial year. The same experimentation led to AI-powered solutions to TPAR, IAS, and BAS compliance work.

Early models of Digit's new AI-first workflows predict a reduction in processing time between **50 to 75%**. While this strictly covers internal processing only (client follow-ups naturally require a human touch), Andrew considers this a very promising start. Another solid example arrived with an AI triaging tool. 'In one payroll run, **17 of 25** complex manual timesheet entries were spot-on and pushed straight through to Xero,' Andrew says. 'The rest just needed a quick check before confirming.' It's not just Digit saving time thanks to AI, with Australian firms reporting **saving an average of 8 hours per week**.

Routine matching and reconciliation falls to Xero's auto bank reconciliation powered by JAX. However, since Digit has intentionally built its book around complex clients or those with data that needs some cleaning, human judgement is still a part of allocating transactions correctly. The trade-off makes sense: give the easy wins to AI, and leave the nuanced judgement calls for people.

DIGIT BUILDS THE GUARDRAILS AS IT GOES

Digit began by consolidating its AI experimentation onto a single enterprise platform, Claude. Security was the first priority. Before opening the sandbox to the whole team, Digit built policies and guardrails to reduce the risk of extracting personally identifiable information (PII) from AI tools – mapped against its regulatory and legal obligations. The firm's client-facing disclosures covered AI tool use and cross-border data handling, so transparency was maintained at the storefront. Integrating AI requires no less focus than any other management of sensitive information.

ANDREW'S AI TIPS:

1. **Turn staff into builders, not just users:** dedicate time for staff to experiment with AI on real compliance problems, rather than leaving adoption to chance. The people closest to a client's work are best placed to spot where automation helps, and a structured session turns that insight into an actual tool rather than a one-off idea.
2. **Set up governance before you open access:** put policies, guardrails, and client disclosures in place first, covering what data can go into AI tools, how cross-border processing is handled, and what your obligations are under relevant regulation. Only once that groundwork exists should you give your team broader freedom to experiment.
3. **Treat your AI policy as a living document:** revisit your governance every time a tool changes its terms, a new regulation lands, or your team starts using AI in a new part of the practice. Build in a regular review point rather than assuming a policy written once will still do the job in a year.

CHAPTER THREE

Service portfolio optimisation

Value-added services: where the profit lives and how to get started

Extra time is easily filled in a busy practice. But the time saved with AI carries a higher return when it's directed beyond the every day, towards assisting and enhancing high-value advisory work. One thing remains clear: great advisory is a combination of hard-won expertise and reliable financial data. And both are already within reach. With AI reducing the administrative load and clients' financial data readily available through the right tools, the conditions to formalise that work have never been better. While just over half (52%) of Australian practices currently offer advisory services, it's ranked as the top earner for those who do (tied for first place with tax). Better yet, the benefits reach well beyond revenue to stronger client relationships and a more resilient business model. The pages that follow reveal which services modern practices are offering, where the margins live, and what's standing in the way.

> *'Technology can't replicate the trust and judgement that comes from genuine advisory – someone who notices when margins are quietly shrinking, and flags a problem before it becomes a crisis. That's the value businesses will pay for.'*
> *Practice leader, Accountant, Small firm*

Key learnings: what the data reveals about the advisory opportunity

For the practices that have already made the shift into advisory services, the results speak for themselves: stronger margins, deeper client relationships, and a more resilient business model. As client needs grow more complex, the practices pulling ahead are those expanding beyond compliance into tailored, high-value services.

01 THE MARGIN CASE FOR ADVISORY IS CLEAR:

while just **over half (52%)** of Australian practices currently offer advisory services, it's ranked as the top earner for those who do (tied for first place with tax). If you're yet to expand your offering, the numbers paint a compelling picture.

02 LOOK TO AI TO FREE UP CAPACITY FOR ADVISORY:

32% of non-advisory practices cite capacity as a barrier, yet over a third (35%) say AI has helped them grow their output without extra hires. Automating compliance tasks with AI tools, like Xero's automated bank reconciliation, is a proven way to start freeing up that capacity.

03 FORMALISE THE CONVERSATIONS YOU'RE ALREADY HAVING:

31% of non-advisory accounting practices say they just haven't started offering advisory yet; but many are already giving guidance away for free. Start with one client, one conversation, and build from there.

04 CONSIDER TAX AND WEALTH ADVISORY AS A STARTING POINT:

Over half (55%) of advisory accounting practices rank it their single most profitable offering. And as a natural extension of the compliance relationship, it's one of the most accessible entry points into advisory.

05 USE CLIENT DATA TO OPEN THE ADVISORY CONVERSATION:

benchmarking tools like Syft Analytics let you compare a client's performance against industry peers and other clients, creating a natural opening for proactive advisory conversations.

06 THE SKILLS YOU NEED MAY ALREADY BE AT YOUR FINGERTIPS:

23% of non-advisory bookkeeping practices cite a lack of internal skills as a barrier – yet **nine in ten** advisory practices already use apps to support their work, which promise to help alleviate the knowledge gap, with Xero Analytics favoured by nearly half. The tools to get started are likely already in your stack.

COMPLIANCE STILL DOMINATES – BUT ADVISORY IS WHERE THE PROFIT LIVES

Look across the Australian practice landscape and a familiar pattern emerges. Compliance remains the backbone; with bookkeeping, payroll, and financial reporting forming the core of the average service mix.

But while advisory is offered by just over half (52%) of the country's firms, those who do rank it as their most profitable service (tied for first place with tax).

As client needs become more complex, the firms that adapt and offer tailored solutions are gaining a competitive edge – this gap is where the real opportunity lies.

Service offered	% of AU practices
Bookkeeping	74%
Payroll	68%
Financial reporting	62%
Tax services	57%
Client advisory services	52%
Assurance/audit	33%
Sustainability/ESG reporting	19%

Firm size spotlight: small and large firms are almost equally as likely to offer advisory, revealing that firm size doesn't dictate potential. The opportunity to shift towards a more service-driven model exists at every level – and the practices capitalising on this are seeing strong returns.

Bookkeeper spotlight: 36% of bookkeepers offer advisory services, compared to **57%** of accountants. For bookkeeping-led practices, advisory holds the potential to be one of the biggest openings to move up the value chain.

'Upskill your team in AI, while also prioritising soft skills and the ability to identify and solve financial challenges for clients.'

Practice leader, Bookkeeper, Medium firm

ADVISORY CAN HELP REVENUE GROWTH OVER TIME

Over one third (35%) of practices who offer advisory report that it makes up a bigger share of their revenue mix than it did five years ago.

While **almost half (48%)** say it has added **more than 30%** additional revenue to their practice.

But with clients increasingly seeking specialists who understand their industry and can help them plan for what's ahead, this isn't just a revenue story.

'People get caught up thinking a report or a meeting agenda is advisory. It isn't. It's about the conversation – helping a client build accountability and plan what their future actually looks like.'

Sean Myles, CEO, EQ8

TAX AND WEALTH ADVISORY IS THE MOST PROFITABLE SERVICE ON OFFER

Across advisory accounting firms, tax and wealth is both the most widely offered advisory service and the most commonly **ranked #1** for profitability – cited by **over half (55%)** as their single strongest earner.

As a natural extension of the compliance relationship, it's one of the more accessible entry points for practices ready to expand their service portfolio.

THE BIGGEST BARRIER? A LACK OF CAPACITY

When it comes to why they don't offer advisory, **a third** of accounting and bookkeeping practices **(32%)** cite a lack of capacity. Diving deeper, the leading barriers look slightly different when split by profession.

For accountants, the order is:

1. Clients aren't suited to advisory – **36%**
2. Haven't started yet – **31%**
3. Lack of capacity – **27%**

For bookkeepers, it's the reverse:

1. Lack of capacity – **47%**
2. Don't have the skills internally (not confident) – **23%**
3. Clients aren't suited to advisory – **18%**

The good news is that AI is already helping break the capacity barrier down. Both accountants and bookkeepers using AI are already redirecting the time freed towards advisory work. When reconciliation time is reduced, client conversations can shift to planning for the future.

For those citing skills as a blocker, many are already having advisory conversations – they're just not formalising or charging for them. Tools like Syft and JAX can help bridge that gap, surfacing insights and drafting commentary that turns client data into a conversation worth having.

BOOKKEEPER INSIGHT

Martine Hoosen
Director/Founder, The Bookkeeper's Academy and ICB Non Executive Director

NAMING, SCOPING AND PRICING ADVISORY

If scope or pricing don't change when bookkeepers embrace AI efficiency, the capacity created will get absorbed by the same clients paying the same fees. Those who make the shift usually start with their client list, before leveraging the tech. Many will have clients sitting at the bottom of that list paying too little and demanding too much – they're the ones eating the hours that could be spent on advisory. Repricing that group and ditching the ones who won't pay the new fee frees up far more capacity than any tool will.

Tech earns its place in delivery. Automating reconciliations and data entry keeps the numbers clean and current, and tools like Syft and JAX let bookkeepers put dashboards, forecasts and insights in front of clients (none of which used to be realistic for a solo practitioner). That cuts prep time, but it isn't advisory. Someone still has to interpret it and apply judgement. Bookkeepers already deliver advisory worth paying for – cash flow, payroll risk and tech guidance – but it could be hidden inside their bookkeeping rates. Naming it, scoping it and pricing it turns capacity into revenue.

THE TOOLS FOR ADVISORY ARE ALREADY IN REACH

Close to **9 in 10 (86%)** practices offering advisory already use tools to support it – with the most common starting point being Excel **(63%)**. Xero Analytics is the second most popular at **48%**, meaning most Xero users already have what they need to start the advisory conversation.

Specialist platforms like Syft **(18%)** and Fathom **(22%)** are gaining momentum – purpose-built for practices that want to take advisory further.

Spotlight on Syft: of those surveyed using Syft, an impressive **7 in 10 (68%)** agree their clients are benefiting from the insights it provides.

XERO EXPERT INSIGHT

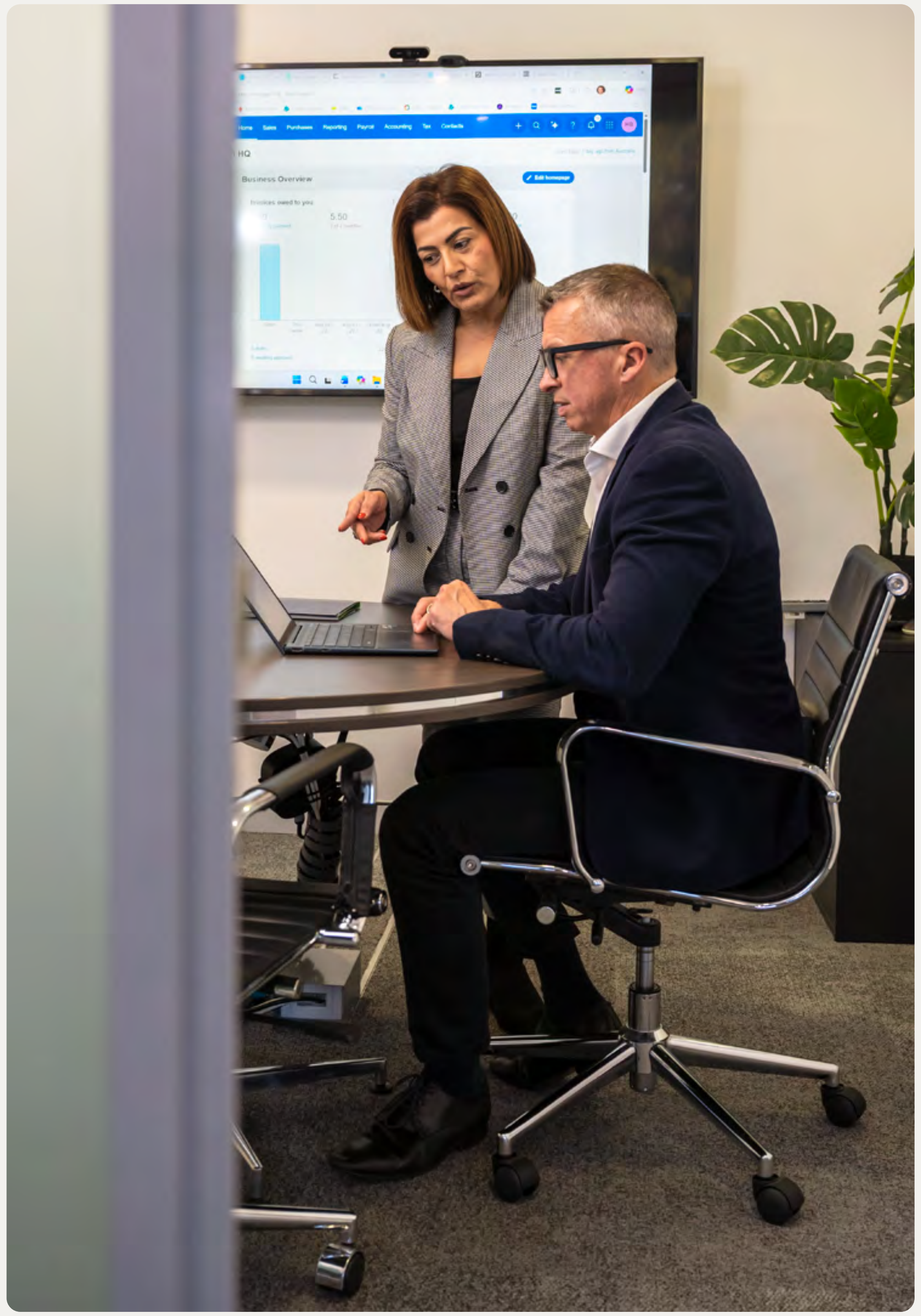
Duran Hamer
GM Sales, Syft

TURNING DATA INTO A SOURCE OF DIRECTION

An AI-powered analytics tool like Syft doesn't just provide data visualisations. It can identify trends, make suggestions about what to do next, and predict where things are headed. That means automatically creating reports, AI-generated summaries, long-term forecasts, and alerts for unusual activity, which come together to help you and your clients get ahead of what's next.

As for what comes next; it's your hard-earned expertise and client context that turns a report into a conversation – and a conversation into advice that genuinely changes outcomes. For instance, maybe they want to open a new location or hire an additional staff member. AI can handle the automation and analysis, but not the professional judgement; it's you who can guide your clients on what makes the most sense for their business. AI should support your expertise, not replace it.

Case study: the team making advisory the baseline



For Carbon Group, client advisory is proactive as a rule. This means conversations often begin off the back of spotting a change in the numbers or recognising an emerging trend. As part of this approach, Hayden and Belinda use technology to kickstart these opportunities – empowering their teams to use data to deepen client relationships. The firm's advisory model lives within its fractional CFO offering, designed to provide strategic guidance to businesses that don't need a full-time CFO of their own. Built to be their clients' only port of call, Carbon helps businesses interpret their numbers, make strategic decisions, and navigate major transactions like buying or selling a business. This service is now the fastest-growing part of its offering.

SYFT TURNS THE LEDGER INTO A CLIENT CONVERSATION

Like the nine in ten practices that offer advisory, the Carbon team looks to apps for support. As well as reducing admin, improving visibility, and smoothing day-to-day processes, Belinda explains that Syft works to strengthen Carbon's advisory capabilities. It does this by turning raw financial data into client-ready reports – visuals they can understand at a glance, rather than a series of numbers on a ledger. For Hayden, the real value lies in translating data into a story that helps answer the question 'What do I do next?' These reports give the team the cue to take action – whether that's spotting a fractional CFO conversation waiting to happen, catching loans that need consolidating, or reviewing an insurance policy long overdue. It's not just Carbon's clients who benefit from this approach. Our survey found that **7 in 10** Syft users say their own clients benefit from its insights too.

AI FREES PEOPLE FOR ADVISORY

For employees who carried out repetitive admin like routine ATO correspondence, annual reviews, and backend CRM cleanup, seeing technology absorb their responsibilities can be daunting. Yet, Carbon's leadership has been clear about what AI means for the firm. As Hayden says: 'AI isn't coming to take your job. Instead, you're going to be doing different work. Namely, more advisory.' Instead of staff losing jobs to AI, Hayden and Belinda have explained, they hope their jobs will be made easier so that they can provide better services to their clients. A pattern that is reflected in the data, with **44%** of firms redirecting AI capacity gains into advisory and higher-value work.

HAYDEN AND BELINDA'S TIPS FOR BUILDING AN ADVISORY OFFERING

1. **Let your service breadth create the advisory opening:** the more services a firm can offer under one roof alongside compliance, the more natural it is to spot and act on a client's adjacent needs (rather than referring them elsewhere). Carbon's cross-sell into loan consolidation, financial planning and insurance only works because those services already exist inside the firm.
2. **Make your data client-facing:** presenting financial information graphically, rather than as a raw ledger, helps clients engage with what they're looking at. But the real advisory value sits in interpreting the numbers for them and turning that into a plan.
3. **Frame automation as a job benefit:** be explicit with staff that reducing repetitive work is about creating more time for advisory and client relationships.

CHAPTER FOUR

Evolving your pricing approach

How Australian practices price today – and what it takes to charge with confidence

AI is transforming the economics of the profession. Hourly billing means every hour saved by automation is an hour of revenue lost – a paradox where efficiency becomes a liability. Today, the real opportunity can lie in value-based models that charge for outcomes, not effort. Top performers are already there: charging over one third more for advisory and 2.5x as likely to plan a price rise above 20%. The gap isn't just about confidence – it's about recognising what pricing signals. It tells clients how you view your own skills, dictates who you serve, and how much you take on. Above all, it's a promise that this investment will be even more valuable to their business and achieving their goals. Get it right, and pricing becomes one of the most powerful levers in your practice. This chapter – built with guidance from the Institute of Certified Bookkeepers – explores how.

'The sooner we shift the conversation from 'This is the price' to 'This is the value we're delivering,' the more enjoyable it is for everyone.'

Sean Myles, CEO, EQ8

Institute of Certified Bookkeepers' guide to pricing for value

Setting the right price for your services isn't just about numbers – it's about understanding your value, communicating it clearly, and building a sustainable business. We partnered with the Institute of Certified Bookkeepers (ICB) to bring their expert guidance to this chapter. The below tips from ICB Non Executive Director Martine Hoosen will help you price with confidence and avoid common pitfalls like undercharging or scope creep.

01 MOVE AWAY FROM TIME AS THE DEFAULT:

many practices are already shifting towards fixed or value-based pricing models, with **69%** of client engagements now billed on non-hourly terms. Firms that make the shift set themselves up to price on the value they deliver, not the hours it took to deliver it.

02 BENCHMARK AGAINST HIGH-PERFORMING PRACTICES:

top-performing firms consistently price with more confidence, including **55%** more for financial reporting. Clients aren't buying hours; they're buying certainty, accuracy and expert judgement – and communicating this upfront is key.

03 MAKE VALUE VISIBLE TO CLIENTS:

value-based pricing isn't just a pricing model – it's a communication tool. **46%** of practices say it makes client expectations easier to manage, and **44%** say it allows them to more easily upsell services. Clear framing reduces friction and strengthens relationships.

04 BUILD REGULAR, CONFIDENT PRICE REVIEWS:

price increases should be part of normal business practice, not a reaction to pressure. **70%** of practices plan to raise prices this financial year, and top performers are around **2.5x** as likely to plan increases above **20%**. Regular pricing reviews help protect margins and reflect growing expertise.

05 DON'T LET EFFICIENCY REDUCE YOUR REVENUE:

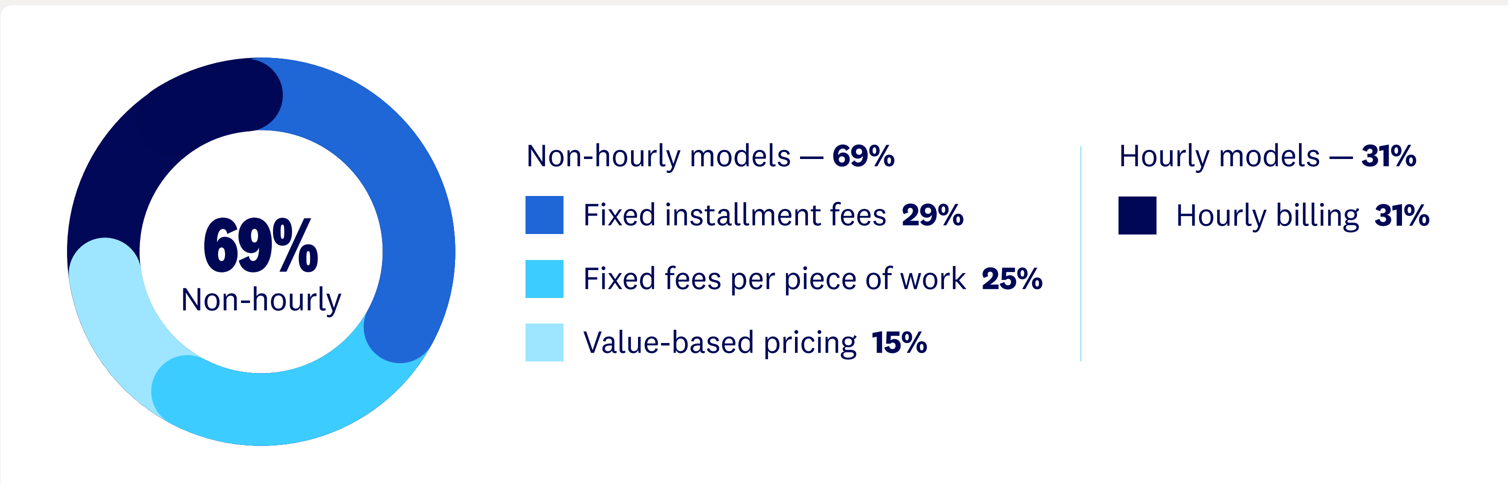
hourly billing can penalise efficiency. If AI reduces the time needed, revenue falls. Under value-based pricing, those gains stay in the business as improved margin, allowing you to benefit directly from becoming more efficient.

06 XERO INSIGHT: DON'T LET CLIENT SOFTWARE COSTS EAT YOUR MARGIN:

learn from the majority of firms either passing software costs on to clients **(43%)** or marking them up **(30%)** so as not to erode their bottom line.

YOUR NEXT STEP UP THE VALUE LADDER

Practices bill an average of **69%** of client engagements on non-hourly terms – most commonly through fixed instalment fees **(29%)**, fixed fees per piece of work **(25%),** or value-based pricing **(15%)**.



The bigger opportunity now is moving up the ladder: from task-by-task fixed fees towards tiered packages and value-based models. These relationship-focused approaches can generate steadier income, deepen client relationships, and help turn efficiency gains into margin.

When clients pay your fees, they're not simply paying for clean books and a completed tax return. They're paying for the peace of mind that comes with every tax submission, every conversation, and every forward-looking projection.

Bookkeeper spotlight: bookkeepers rely more heavily on hourly billing than accountants (**44%** of engagements vs **27%**) and are less likely to use value-based pricing (**10% vs 17%**). This matters in the context of AI: under hourly billing, efficiency gains don't automatically convert to profit. The practices seeing the biggest gains are those evolving their AI use and pricing approach in tandem.

'Don't underestimate your value! That means having the confidence to charge appropriately and transparently for your services.'

Practice leader, Bookkeeper, Small firm

THE HYBRID MODEL LEADS THE WAY

Among practices using fixed-fee or value-based pricing, the hybrid model is the most widely used approach **(56%)** – mixing billing types to fit the service. A typical example: annual accounts and tax returns on a fixed fee per piece, monthly bookkeeping billed hourly, and advisory priced on value.

It's worth noting top performers are more likely to use performance or outcome-linked fees (**51% vs 32%** for all firms).

IT PAYS TO PRICE FOR VALUE

Practices already pricing on value report benefits well beyond the bottom line:

46% say it makes client expectations easier to manage.

44% say it allows easier upselling of services.

43% say it has made their practice more profitable.

42% say it helps clients better understand services.

41% say it helps clients see more value in their services.

'Shape your pricing model to charge based on the value of a project, allowing clients to see results firsthand and ultimately forming a more cooperative relationship.'

Practice leader, Accountant, Large firm

XERO EXPERT INSIGHT

Paul Mustica, Head of Solutions Consulting

MOVE FROM REACTIVE TO PROACTIVE – AND PRICE ACCORDINGLY

The way a client perceives your fee depends entirely on the timing and relevance of your insights. When you work with historical data, you're often called in after a problem has already occurred – and your fee feels like a cost. When you work with live data and initiate proactive conversations, your fee becomes an investment.

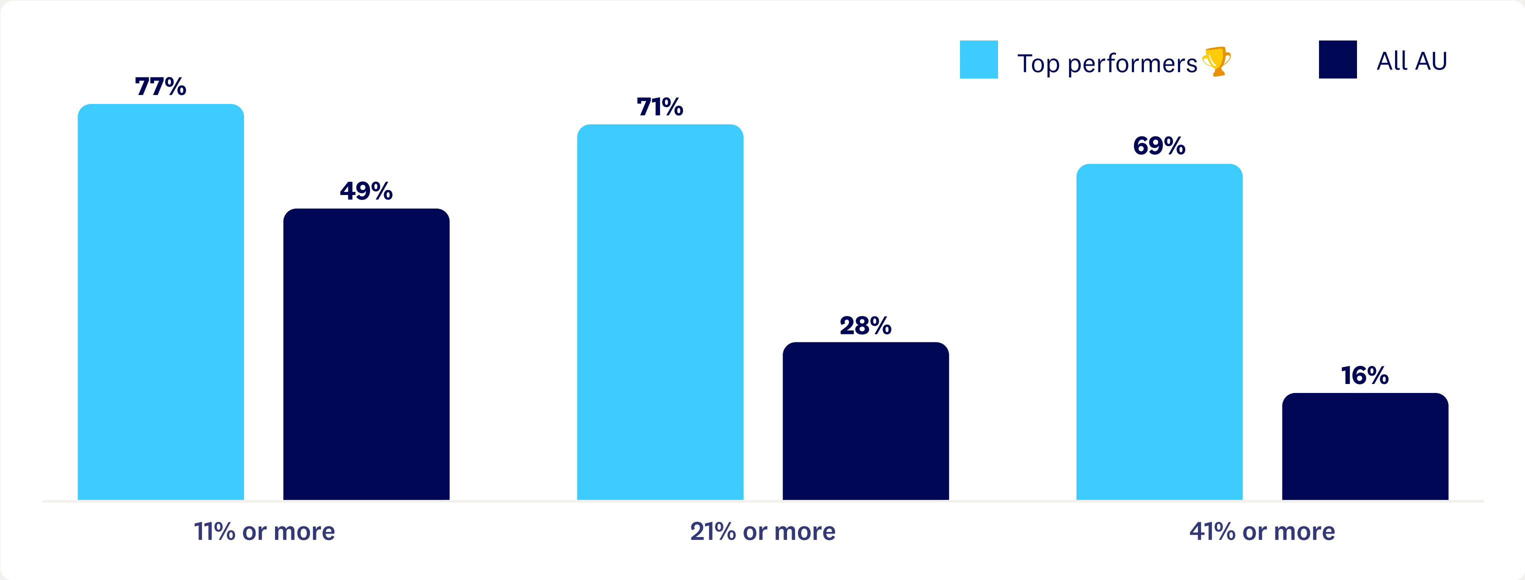
The shift is from reactive to proactive. From fixing the books to making decisions. From charging a compliance fee for advice that's worth far more.

Xero's live data and tools like Xero Analytics and JAX give you the real-time visibility to identify risks and opportunities before they become critical – so you can lead the kind of conversations that justify value-based pricing.

TOP PERFORMERS ARE PLANNING SIGNIFICANTLY HIGHER PRICE RISES

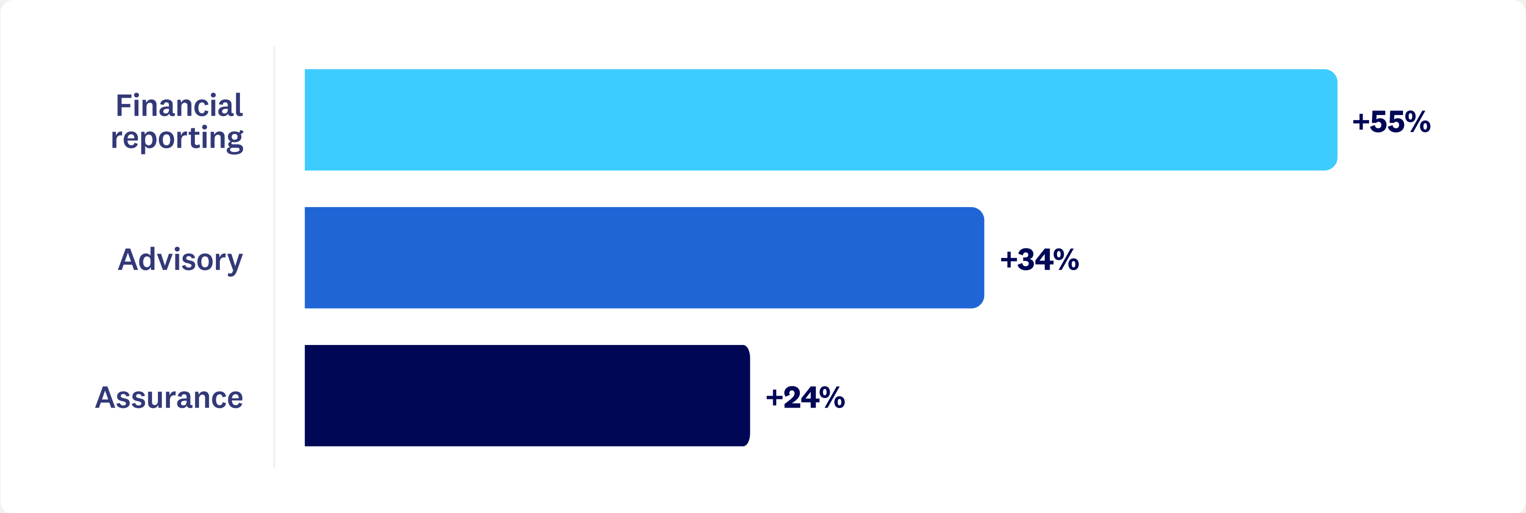
Over two thirds (70%) of practices plan to raise prices this financial year. But the real distinction isn't whether practices raise prices – it's by how much.

Among practices planning a price rise, top performers are around **2.5x** as likely to plan a price rise above **20%** this year – that's **71% vs 28%.**



TOP PERFORMERS CHARGE MORE FOR THE SAME WORK

When looking at fixed fee rates for key services, top performers charge significantly more.



This includes **55%** more for financial reporting, **over one third** more for advisory **(34%)** and **24%** more for assurance.

These figures show pricing confidence isn't reserved for advisory or other differentiated services – even compliance-driven work like financial reporting can command a premium when a firm prices with conviction.

SOFTWARE COSTS ARE WORTH RECOVERING

27% of practices absorb software costs as part of their fees, without charging clients.

The majority of Australian firms have already moved past this approach: **43%** recover the expense by passing it on at cost, while **30%** go further and mark it up, turning the cost into an added margin line.

Absorbing software costs may give clients a straightforward solution, but it also adds to your overhead. Alternatively, passing on the cost keeps pricing transparent, while marking it up creates an additional revenue stream. The right choice depends on how your practice is set up and how you want to manage client relationships. Whatever you decide, clarity and transparency are key.

Case study: the firm turning pricing into a filter, not just a fee

After having been in business for over five decades, in 2023, EQ8 rebuilt its entire pricing model from the ground up. Why? 'In no other part of life are you rewarded for taking longer to do something,' explains CEO Sean Myles. 'The sooner we shift the conversation from "This is the price" to "This is the value we're delivering," the more enjoyable it is for everyone.'

A MODEL BUILT AROUND VALUE DELIVERED OVER HOURS WORKED

Today, every job is priced by an internal value council rather than the accountant doing the work, with the fee and scope agreed with the client before an engagement starts. Sean explains that while hourly pricing made sense when the firm saw itself as a compliance provider, it no longer lined up with its new status as a commercial advisor. That shift arrived just as AI opened up a broader opportunity across the profession. Under hourly billing, every hour automation saves becomes an hour of revenue lost – a paradox where efficiency turns into a liability. Value pricing flips that: because the fee is tied to outcome, not time. As a result, the efficiency gains that Sean and his team experience from tools like Xero's Auto Bank Reconciliation and JAX flow straight to margin instead of eroding it. EQ8 already uses Auto Bank Reconciliation, and sees JAX as a natural fit for simple client tasks like raising an invoice on the spot.

Australian top performers back up EQ8's approach: they're far more likely to use performance- or outcome-linked fees than the average firm **(51% vs 32%)**.

A $2,000 FEE FLOOR FILTERS FOR CLIENTS WHO WANT A PARTNER, NOT A TAX RETURN

EQ8 also set a $2,000 minimum fee, a deliberate filter for clients who see the relationship as a partnership rather than a transaction. New clients are assessed on their potential to refer other business, their potential to grow, and whether they'll treat the team ethically and with respect, and EQ8 is willing to walk away from clients who don't meet that bar.

Communicating that value starts before an engagement even begins. Sean points to a simple example: helping a client think through the right entity structure before they buy a property is worth far more than untangling the tax consequences afterwards. Framing pricing around outcomes like this makes the value tangible before clients learn the cost of getting it wrong.

The shift has paid off in ways beyond the fee itself. Sean reports reduced bill shock, effectively no more write-offs, and a team that's glad to be rid of timesheets altogether. That tracks with the wider pattern: practices already pricing on value report clearer client expectations **(46%)**, easier upselling **(44%)** and higher profitability **(43%)** than those still billing by the hour.

SEAN'S TIPS FOR PRICING ON VALUE

1. Take pricing decisions out of the individual's hands: set up a process or panel that prices work independently of the person delivering it, so fees reflect the value of the work consistently, rather than one person's judgement, workload or instinct on the day.

2. Make the value visible before clients need it: show clients the outcome good advice buys them before a decision is made, not just when something's gone wrong. A client who understands what they avoided, not just what they paid for, is far easier to justify a fee to than one who only sees the invoice.

3. Use your fee floor as a client filter: set a minimum that reflects the depth of relationship you want, and assess new clients on their growth potential and how they treat your team, not just the revenue they bring in. Being willing to walk away protects the value you can deliver to the clients who stay.

Where to from here

While the pace of change shaping today's accounting and bookkeeping industry – and the world at large – can feel daunting, moving into the future with the right tools in place is less a leap of faith than a confident step forward.

The practices pulling ahead share a common thread. They are:

- **Deliberate about who they serve and how they structure their teams**, rather than trying to be all things to all businesses.
- **Actively embedding AI into daily workflows** – and extracting **1.5x** the financial benefit as a result.
- **Directing time saved by AI towards high-value advisory work,** training, and business development.
- **Building a considered service mix,** recognising bookkeeping and tax as reliable margin engines while growing advisory for its revenue and differentiation upside.
- **Pricing with conviction** – both charging more for the same work and planning bolder price rises.

Taking these steps is made all the easier with the right software behind you. Built for your practice's expertise and your clients' ease, Xero turns live data into clear, visual insights – giving you the clarity to focus on your clients' future. It's why **92%** of accountants and bookkeepers using Xero agree it helps them be more confident advising clients.*

JOIN OVER 250,000 ACCOUNTANTS AND BOOKKEEPERS USING XERO IN THEIR PRACTICE

**Source: survey conducted by Xero of 629 accountants and bookkeepers in Australia using Xero, May 2024.*

Your checklist for building a modern practice, today

BUILD THE RIGHT FOUNDATIONS

- Be deliberate about who you serve – focus beats breadth
- Never let realised value go untracked – protect what you deliver
- Get your processes in order before reaching for AI tools

EMBED AI INTENTIONALLY

- Aim to move beyond occasional use, and build AI into the right daily workflows
- Start with the AI already built into your accounting software
- Set clear guidelines on consent, data handling, approved tools and human review
- Measure time saved by AI and direct it towards higher-value work

BUILD YOUR ADVISORY ENGINE

- Formalise one advisory conversation you're already having
- For accountants, consider starting with tax and wealth advisory – the most profitable entry point for most practices
- Use live client data to spot and start advisory conversations proactively

PRICE WITH CONVICTION

- Move away from hourly billing – price for outcomes, not time
- Move up the value ladder – explore tiered packages or retainers
- Build regular price reviews into your calendar – don't wait for pressure to act
- Recover software costs as a client investment, not a practice overhead

Appendix

SURVEY OVERVIEW

The survey ran across multiple markets (Australia, New Zealand, United Kingdom, United States, Malaysia, South Africa, Ireland, Singapore), with country-specific screening and response lists. This appendix covers the Australian sample only (for full details on the survey sample and approach, see the About this report page).

ACCOUNTANT AND BOOKKEEPER SAMPLE

We spoke to 524 respondents in practices across Australia including 386 accountants and 113 bookkeepers.

Respondents identified with the following job titles:

Job title	Total
CPA / Chartered accountant / Accountant	57%
Outsourced / Independent bookkeeper	20%
Tax compliance manager/Tax advisor / Registered Tax Agent	12%
Virtual CFO / Financial advisor / CFA	5%
Payroll specialist	4%
Other	1%

SAMPLE AND WEIGHTING

We weighted the data so that each of the four practice size segments makes up 25% of the total sample. The unweighted breakdown was:

Practice size	Unweighted n	Weighted %
Sole practitioners (0-1 full-time employees)	124	25%
Small practices (2–10 full-time employees)	193	25%
Medium practices (11–50 full-time employees)	170	25%
Large practices (51+ full-time employees)	37	25%
Total	524	100%

CALCULATING AVERAGES

Where questions used a banded scale (ranges rather than exact figures), we used the midpoint of each band to calculate averages. See examples below.

Time saved from AI

Survey question:

Q. To the best of your knowledge, approximately how much time does your practice save per week across all staff due to the use of all AI tools (e.g. ChatGPT, JAX, Claude, Dext, Zato, Brief, Onboard Me, FYI Automations etc.)

Response option	Midpoint used to calculate average
We're not saving any time	0
Less than an hour	0.5
1 hour to under 2 hours	1.5
2 hours to under 5 hours	3.5
5 hours to under 10 hours	7.5
10 hours to under 15 hours	12.5
15 hours to under 20 hours	17.5
20 hours to under 30 hours	25
30+ hours	30

Money saved from AI

Survey question:

Q. To the best of your knowledge, approximately what is the dollar value your practice saves per week across all staff due to time saved by use of AI tools (e.g. ChatGPT, JAX, Claude, Dext, Zato, Brief, Onboard Me, FYI Automations etc.)

Response option	Midpoint used to calculate average
$0 (it doesn't save us any money)	$0
$1 - $499	$250
$500 - $999	$750
$1,000 - $1,999	$1,500
$2,000 - $3,499	$2,750
$3,500 - $4,999	$4,250
$5,000 - $7,499	$6,250
$7,500 - $9,999	$8,750
$10,000 or more	$10,000
Don't know	Not included in calculation

To calculate annual figures, we multiplied the weekly average by 52 (e.g. $3,086 per week × 52 ≈ $160,000 per year, as cited in the report).

ADDITIONAL DEFINITIONS

AI users: firms that are either actively using AI in day-to-day workflows, or have experimented with AI but haven't yet embedded it consistently. Firms that haven't tried AI, or are only aware of it without having used it, are excluded from this group.

Non-advisory practices: firms that indicated they don't currently offer any advisory services, based on their survey response.

For full definitions of 'top performers', 'All-AU average', and firm size groupings, see the About this report section.