White Paper

How Much of Your Revenue Should Be Spent on Accounting?

Learn what typical accounting budgets look like for companies of all sizes and other important factors that impact spending.

KEEPINGCOUNT.COM

Introduction

Managing your finances effectively is crucial for your company’s success. Yet, many business owners struggle with understanding how much of their revenue should be allocated toward accounting services. Overspending could cut into your margins, while underspending might leave you exposed to costly errors, missed opportunities, or regulatory risks.

This paper explores recommended accounting budgets for businesses of all sizes, factors influencing those costs, and actionable insights to help you make smarter financial decisions.

TABLE OF CONTENTS

Accounting Spending by Business Size

Small Businesses and Startups

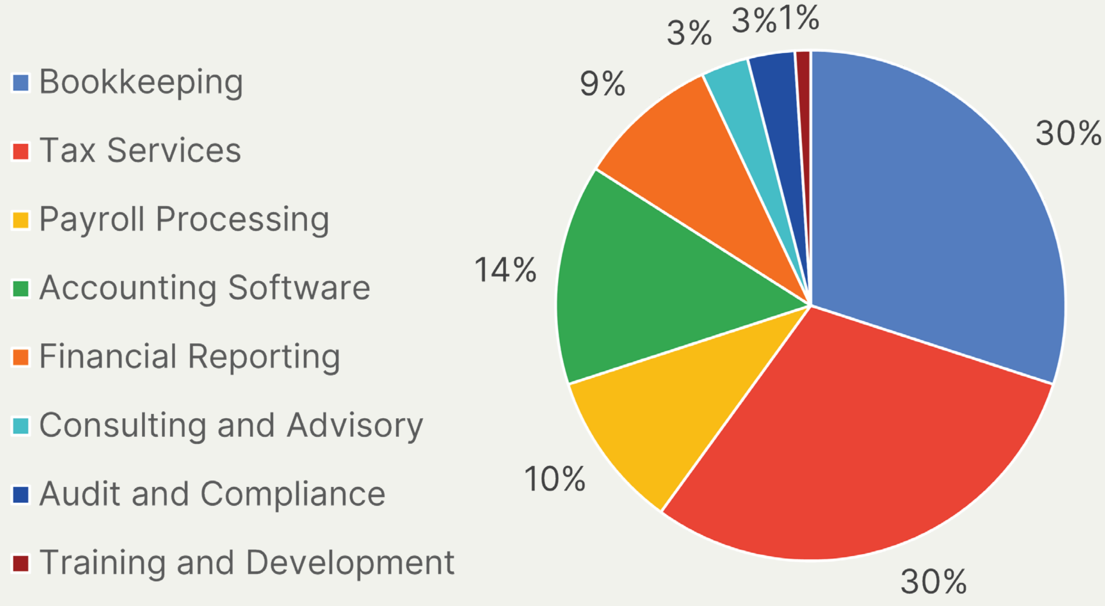
Typical Range: 1-5% of revenue

Small businesses often spend a higher percentage of revenue compared to larger companies due to limited resources and economies of scale. Since these companies don't manage many employees and operations are relatively straightforward, activities in this range are primarily focused on essential bookkeeping, tax preparation, and basic financial reporting.

Accounting challenges for small businesses usually arise from lack of experience and reliance on manual processes. Therefore, leaders at this stage can avoid future financial headaches by investing in accounting infrastructure that enables automation, reduces administrative burdens, and can support growth.

Example: A $500,000 annual revenue company may spend $5,000-$25,000 per year on accounting services.

Accounting Cost Breakdown for Small Businesses



Medium-Sized Businesses

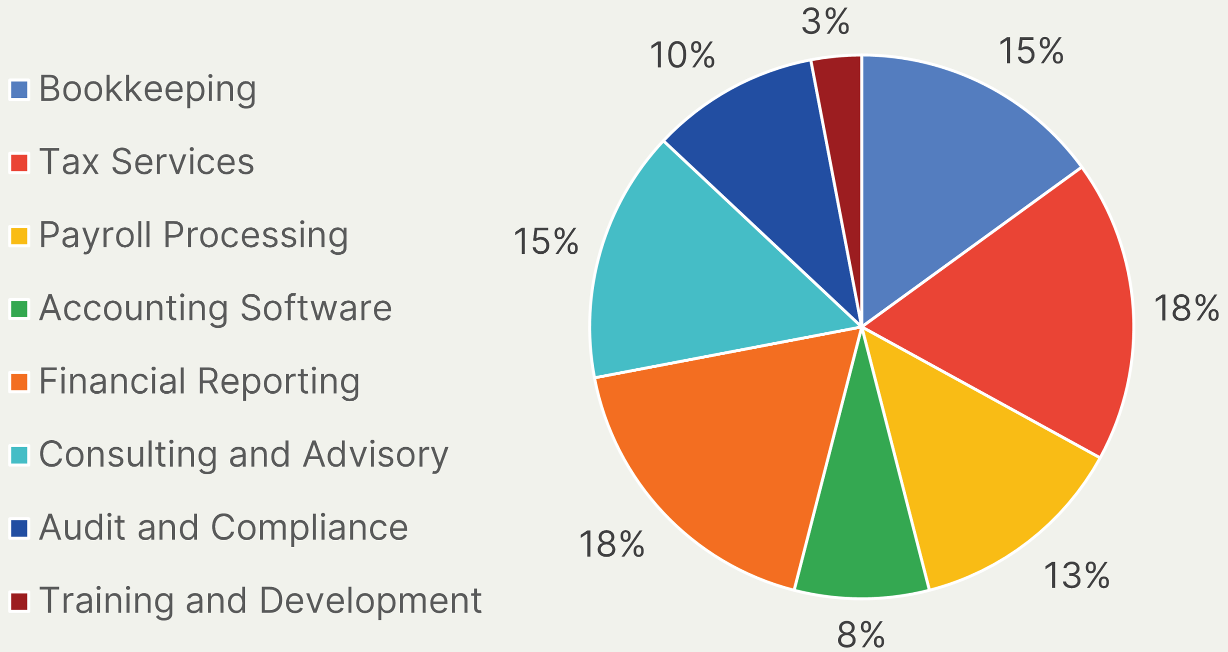
Typical Range: 0.5-3% of revenue

As businesses grow, their accounting needs become more complex, but they also benefit from efficiencies. Managing more contractors or employees, serving a larger portfolio of clients, or operating in multiple locations are all factors that can add new financial requirements. In addition to maintaining accurate records of bills, payments, deposits, and invoices, accounting efforts at this stage also include tax compliance, payroll services, cash flow management, and financial analysis.

The upside of this growth is that business owners can spread these costs over a larger base of revenues and achieve economies of scale. Lessons learned during the first few years of business lay the foundation for improving and standardizing accounting processes, identifying cost-saving opportunities, and investing in the infrastructure to support growth through a mix of technology, additional staff, and outsourcing.

For example, a $10M revenue company might spend $50,000-$300,000 annually.

Accounting Cost Breakdown for Medium-Sized Businesses



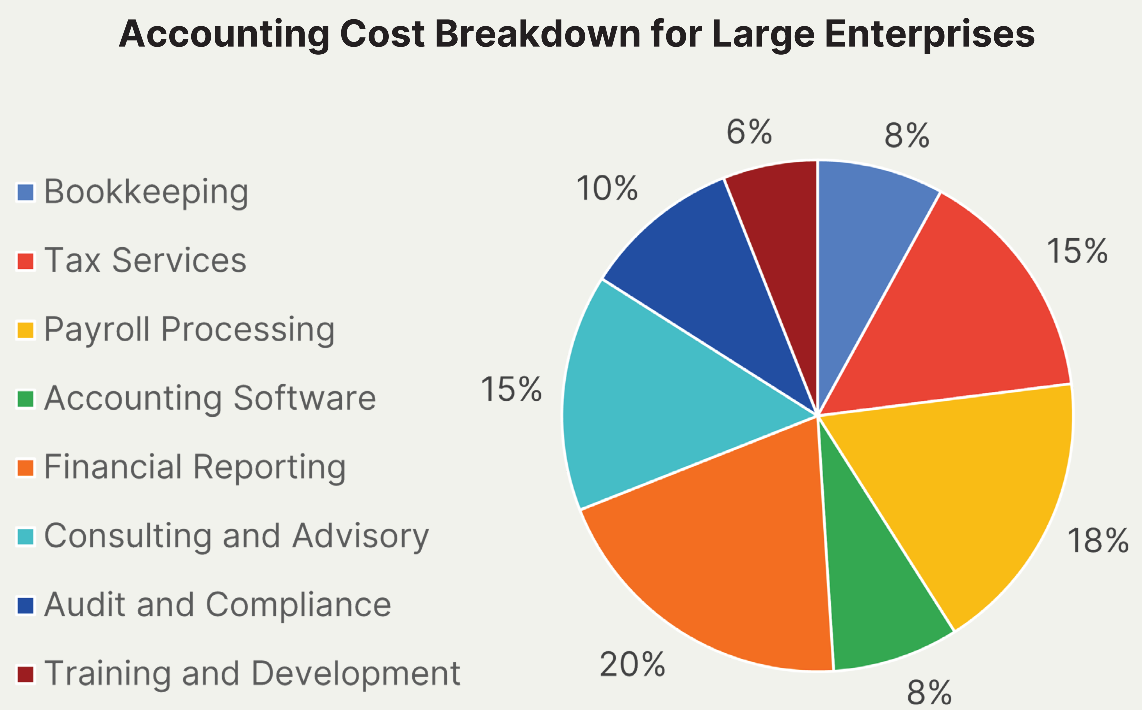
Large Enterprises

Typical Range: 0.1-1% of revenue

Larger corporations spend a smaller portion of their revenues on accounting due to their ability to leverage highly efficient technology and optimized processes. This frees up internal teams from manual, low-level tasks to focus on advanced financial reporting, cost control, and tax optimization.

Additionally, these businesses often standardize financial processes and structure transactional accounting functions into a shared service center for all divisions. This practice has been shown to effectively reduce the overall cost to perform financial processes by minimizing duplication of effort, shortening close cycles, and reducing common data entry errors. Compared to smaller organizations, these companies dedicate a larger portion of the accounting budget to payroll services, financial reporting, advisory, compliance and training, reflecting the increased complexity and scale of operations.

Example: A $1B revenue enterprise may allocate $1M-$10M to accounting annually.



Factors Influencing Accounting Costs

Now that we've covered how companies' accounting budgets vary according to their size, it's also important to address a few other factors that can influence these costs.

Industry Requirements

Depending on the industry in which it operates, a business can be subject to certain requirements that add a layer of financial complexity. This can be in the form of tax or licensing regulations, specific accounting processes, unique or high-frequency reporting, employment codes, loan obligations, or international trade laws, to name a few.

Manufacturing, retail, construction, and restaurants are examples of industries that require more robust accounting infrastructure.

Business Complexity

Complex businesses with multiple revenue streams, international operations, or intricate regulatory requirements require more sophisticated accounting systems and processes. This often leads to higher costs for advanced accounting software, additional staff or outsourcing for specialized knowledge, and frequent audits to ensure accuracy and compliance.

As complexity grows, so does the need for meticulous financial management, driving up the overall accounting expenses.

Outsourcing vs. In-House

Outsourcing can reduce costs by eliminating the need for full-time salaries, benefits, and training, and it often provides access to specialized expertise and scalable services. In-house accounting, while offering greater control over processes, can be more expensive due to the costs of hiring, training, and retaining employees.

The choice between outsourcing and in-house accounting depends on the company's size, complexity of financial operations, and budget constraints.

Growth Stage

For companies in a high growth stage, accounting costs can rise quickly due to the need for more sophisticated financial systems, detailed reporting, and handling more complex revenue streams.

Mature organizations with established financial infrastructure face different challenges. For example, companies preparing to sell will typically need to engage consultants to help them through financial reporting and due diligence preparation that leads to higher accounting costs.

Industry Benchmarks

Different industries allocate varying percentages of their revenue to accounting, influenced by factors such as complexity, regulatory requirements, and operational scale.

Industry	% of Revenue	Reasoning
Professional Services	1-4%	High need for detailed reporting and tax optimization.
Retail/E-Commerce	0.5-2%	Focus on inventory management and cost analysis.
Healthcare	2-6%	High compliance and insurance billing complexity.
Manufacturing	1-3%	Heavy focus on cost of goods sold (COGS) tracking.
Restaurants	1-3%	High number of daily transactions and sales tax reporting.
Financial Services	3-8%	Extensive reporting and compliance obligations.
Construction	1-3%	Need for job costing and project-based accounting.
Real Estate	1-2%	Complex asset management and property valuation tracking.

Conclusion

Businesses face a unique set of accounting challenges as they scale, balancing the need for efficient processes with the complexity of compliance and financial reporting. By understanding how much to spend on accounting and the factors that influence these costs—such as industry requirements, technology investments, business complexity, and workforce management—leaders can take proactive steps to optimize their accounting functions.

Strategies like adopting automation tools, outsourcing specialized services, and streamlining processes can help reduce accounting costs while maintaining accuracy and compliance.

Looking ahead, companies that invest in scalable, efficient accounting systems will not only improve their financial operations but also unlock opportunities for growth, risk mitigation, and better decision-making. If you want an accounting function that supports your company's long-term success and profitability, KeepingCount is ready to help.

Sources:
Statista 2024 Industry Accounting Report
APQC. (n.d.). *Total cost of the continuing operations process per $1,000 revenue. APQC.*
CFO. (2023, December 1). *Total cost to perform the finance function: Metric of the month. CFO.*
Boost CPA. (n.d.). *How much should my accounting cost? Boost CPA.*