

PRINCIPAL ACCOUNTANT FEES AND SERVICES: A SNAPSHOT

Updated January 2025

This Snapshot discusses accounting fee disclosures in annual reports and proxy statements and is intended to assist preparers in determining how and in which category these fees are reported.

OVERVIEW



SEC REFERENCES

Part III (Item 14) of Form 10-K

Item 9(e) of Schedule 14A (Information required in a proxy statement)

Form 10-K¹ and Schedule 14A require registrants to disclose the aggregate fees billed by the principal accountant for each of the last two fiscal years. The categories of fees that must be disclosed are audit fees, audit-related fees, tax fees, and all other fees. Out-of-pocket expenses billed by the principal accountant should be presented within the category associated with the services to which the out-of-pocket expenses relate.

The disclosures are required for the auditor that issues the report for the most recently completed fiscal year. If there has been a change in auditors during the year, only the fees paid to the auditor opining on that fiscal year's financial statements must be reported. While not required, registrants may choose to disclose the fees of the former auditor as well. If the fees of the former auditor are included, the disclosures should clearly distinguish between the fees of the principal accountant and those of the former auditor.

EXAMPLE 1: PRINCIPAL ACCOUNTANT

FACTS

Registrant A has a December 31 year-end. In May 20X4, Registrant A changed auditors from Auditor A to Auditor B. Prior to May 20X4, Auditor B did not provide any services to Registrant A. Registrant A is preparing its disclosure of the aggregate fees billed by its principal accountant for 20X4.

Auditor A provided the following services to Registrant A:

- ▶ Audited the 20X3 financial statements
- ▶ Performed the interim reviews for each quarter in 20X3
- ▶ Performed the interim review for the first quarter in 20X4

¹ The Form 10-K may forward incorporate these disclosures from the registrant's definitive proxy statement for its annual shareholder meeting, provided the definitive proxy statement is filed within 120 days after the registrant's fiscal year-end. If the registrant does not file its definitive proxy statement within 120 days after its fiscal year-end (or is not subject to the proxy rules), it may include the disclosures in an amended Form 10-K filed within 120 days after its fiscal year-end.

Auditor B performed the following services to Registrant A:

- ▶ Audited the 20X4 financial statements
- ▶ Performed the interim reviews for the second and third quarter in 20X4

CONCLUSION

Registrant A must disclose the aggregate fees billed by Auditor B, its principal accountant for 20X4. Registrant A may choose to disclose the aggregate fees billed by Auditor A however such disclosure is not required because Auditor A is not the principal accountant for 20X4. If Registrant A chooses to disclose Auditor A's fees, it should clearly distinguish the fees from those of Auditor B.

The audit fees disclosed should include fees and out-of-pocket expenses for the current year audit and related quarterly reviews, regardless of when the services are performed or billed. Accordingly, if the registrant is aware that fees have been incurred but have not yet been billed, they must ask the primary accountant for the amount that will be billed.

EXAMPLE 2: AUDIT FEES

FACTS

Registrant A has a December 31 year-end. Registrant A's principal accountant fees related to the 20X4 audit and 20X4 quarterly reviews totaled \$1,000:

- ▶ \$600 for services rendered during 20X4
- ▶ \$390 for services rendered during 20X5
- ▶ \$10 for out-of-pocket expenses

CONCLUSION

Registrant A's audit fees disclosed for 20X4 are \$1,000. Audit fees include fees and out-of-pocket expenses for the current-year audit and related quarterly reviews, regardless of when the services are performed or billed. As such, Registrant A includes the \$390 for services rendered in 20X5 as well as the \$10 for out-of-pocket expenses.

Other services in the audit fees category, such as attest services, comfort letters, and consents, should reflect amounts billed for services rendered during the fiscal year.

The audit-related fees, tax fees, and all other fees disclosed should include fees and out-of-pocket expenses for services rendered during the fiscal year, even if the fees are billed after the fiscal year-end.

EXAMPLE 3: TAX FEES

FACTS

Registrant A has a December 31 year-end. Registrant A's principal accountant provided tax compliance services during 20X5 related to Registrant A's 20X4 tax return. The fees totaled \$50. No such services were provided during 20X4. Registrant A is preparing its principal accountant fee disclosures for 20X4.

CONCLUSION

Registrant A's tax fees disclosed for 20X4 are \$0. Although the fees relate to the 20X4 tax return, the services were rendered in 20X5. Tax fees, audit-related fees, and all other fees include fees and out-of-pocket expenses for services rendered during the fiscal year. As such, the tax compliance fees related to the 20X4 tax return will be disclosed under the tax fees caption in 20X5 when the services were rendered.

EXAMPLE 4: TAX FEES**FACTS**

Assume the same facts as Example 3 except that Registrant A is preparing its principal accountant fee disclosures for 20X5. The \$50 fees were billed as follows:

- ▶ \$45 billed in 20X5
- ▶ \$4 billed in 20X6
- ▶ \$1 for out-of-pocket expenses

CONCLUSION

Registrant A's tax fees disclosed for 20X5 are \$50. Although \$4 was billed in 20X6, the services were rendered in 20X5. The \$1 out-of-pocket expenses are included as they relate to the services rendered during 20X5. Tax fees, audit-related fees, and all other fees include fees and out-of-pocket expenses for services rendered during the fiscal year, even if the fees are billed after the fiscal year-end.

The principal accountant's fees include fees for work performed in the conduct of the audit by other associated or affiliated accounting firms. Additionally, fees billed for subsidiaries of the registrant should be included as part of the registrant's fees disclosure if those entities are consolidated entities. However, if other auditors not associated or affiliated with the principal accountant audit subsidiaries, those auditors' fees should not be reflected in the disclosure.

The fees disclosed in each of the four captions may be presented in narrative form or in tabular form. If the fees under the captions audit-related fees, tax fees, and all other fees are presented in tabular form, they must also be accompanied by a narrative description of the fees.

Registrants must disclose the percentage of audit engagement hours spent by professionals other than the principal auditor's full-time permanent employees, including professionals of other affiliated accounting firms if that percentage is greater than 50% of the total audit hours. For this purpose, an individual who works, or is expected to work, for the firm more than 500 hours a year would be considered a full-time employee.

**SEC STAFF GUIDANCE**

[The Office of the Chief Accountant: Application of the Commission's Rules on Auditor Independence Frequently Asked Questions:](#)

- ▶ Index M. Disclosure required in proxy statements [Schedule 14A, Item 9]
- ▶ Index K. Definitions

The following summarizes each category of fees that must be disclosed.

AUDIT FEES

All services that are performed to comply with PCAOB auditing standards should be included in this category. In addition, this category includes fees for services that normally would be provided by the principal accountant in connection with statutory and regulatory filings or engagements. Services in this category would include any services performed by the principal accountant or an associated or affiliated firm relating to:

- ▶ Audits and quarterly reviews
- ▶ Reports on issuer's internal controls
- ▶ Statutory audits
- ▶ Attest services
- ▶ Comfort letters
- ▶ Review of documents to be filed with the SEC, including registration statements, periodic filings, and company responses to SEC comment letters.

Certain services, such as tax services and accounting consultations, may not be billed as audit services. To the extent that these tax and accounting consultation services are necessary to comply with generally accepted accounting standards, an appropriate allocation of those fees should be included in this category. Generally, if the fees relate to services that only the auditor of the registrant's financial statements can perform, the fees related to those services are likely to be included in this category.

AUDIT-RELATED FEES

This category includes assurance and related services that traditionally are performed by the principal accountant outside of the scope of the engagement letter for the audit which are reasonably related to the performance of the audit or review of the consolidated financial statements. Examples include:

- ▶ Employee benefit plan audits
- ▶ Due diligence related to mergers and acquisitions
- ▶ Accounting assistance and audits in connection with proposed or consummated acquisitions
- ▶ Attest services that are not required by statute or regulation
- ▶ Consultations concerning proposed accounting and reporting standards

TAX FEES

This category includes all services performed by a principal accountant's tax division except those related to the audit. Typical services include tax compliance, tax planning, and tax advice. Tax compliance services generally include preparation of original and amended tax returns as well as claims for tax refunds. Tax planning and tax advice services would include, but are not limited to, assistance with tax audits and appeals, requests for tax rulings, and tax planning related to mergers and acquisitions.

ALL OTHER FEES

This category includes fees for any service not addressed in the other three categories above.

BDO INSIGHTS — ALL OTHER FEES

Based on the nature of fees reported in the categories above, we believe very few, if any, fees will be reported in the "All Other Services" category.

Contacts

TIMOTHY KVIZ

National Managing Principal, SEC Services
703-245-8685 / tkviz@bdo.com

PAULA HAMRIC

Professional Practice Principal, SEC Services
312-616-3947 / phamric@bdo.com

BRANDON LANDAS

Professional Practice Principal, SEC Services
312-233-1887 / blandas@bdo.com

SHERI FABIAN

Professional Practice Principal, SEC Services
732-734-3063 / sfabian@bdo.com

MEGHAN DEPP

Professional Practice Principal, SEC Services
248-688-3368 / mdepp@bdo.com

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