

# *White Paper– Accounting Outsourcing*

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## Introduction

In today's highly competitive business environment, companies are balancing costs versus benefits in every key decision. Organizations are looking at ways to reduce the costs and be competitive in the market. Decision makers have realized that keeping all operational functions of the company in house may not be feasible anymore. That has given rise to business functions being outsourced at a much higher rate than in the past. Outsourcing is now a mature and intrinsic part of business strategy for most large US businesses. GE, Citibank, Boeing and many others do it. Small medium businesses (SMB) too have recognized the need of accounting outsourcing and are now increasingly adopting outsourcing as a powerful business strategy. According to an independent survey accounting outsourcing by small medium businesses (SMB) have gained a significant attraction in the year- 2014.

Businesses without the resources or infrastructure to manage the accounting and bookkeeping functions internally often look to outsourcing service providers for that expertise. Small companies find this suitable because they are often unprepared to absorb these functions into the operation. This is also attractive to larger companies that want to save the costs of retaining personnel. If the right organization is chosen for outsourcing, the functions can sometimes be customized and some portion retained with the company.

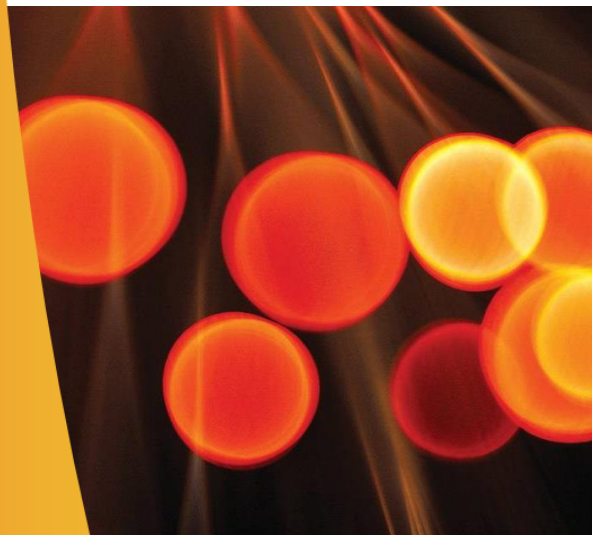
The document elaborates more on the specifics of accounting outsourcing, its benefits, trends, technology used and points to keep in mind before one thinks about outsourcing.





## BENEFITS

- ✓ Savings between 40%-60%
- ✓ Flexible staffing levels
- ✓ Better financial control
- ✓ Access to latest technology
- ✓ Favorable time difference between India and US
- ✓ Focus more on critical business activities



# The Big Question- Why

For small medium businesses (SMB), outsourcing accounting companies can be of great help. A company who wants to reduce costs, outsourcing companies can be a good option. Increasingly, many small mid sized businesses are outsourcing their accounting work and functions across USA. We explore some of the common reasons behind this trend.

## COST SAVINGS

The first and foremost is the savings you generate while hiring an outsourcing accounting service provider against an inhouse accountant. Once a process is stabilized and running smoothly (typically in 1-2 month for small businesses and 3-4 months for mid size businesses), outsourcing generates consistent cost savings between 40%-60% of the original cost base. Refer Adjoining Chart.

## FLEXIBILITY

By outsourcing the accounting functions of the company one can manage the resources in sync with demand. In other words, hire the service provider when you need them. And also you can manage seasonal increase in work load by outsourcing additional work.

## FOCUS ON CORE BUSINESS

Businesses normally outsource their business process to reduce expenses, and to transfer the burden of responsibility. This enables management to focus on their core business activities such as sales and operations.

## EXPERTISE

Outsourcing providers work with many small and large businesses. They have access to internally developed and

# 40%-60% savings

All figures in USD

Bookkeeper/ Jr. Accountant	US Employee	Offshore Cost
Annual Salary	34000	16800
Payroll Taxes (8%)	2720	
Overhead Costs (10%)	3400	
<b>Total Cost</b>	<b>40120</b>	<b>16800</b>

Staff Accountant/ Sr. Accountant	US Employee	Offshore Cost
Annual Salary	48000	22800
Payroll Taxes (8%)	3840	
Overhead Costs (10%)	4800	
<b>Total Cost</b>	<b>56640</b>	<b>22800</b>

externally imbibed best practices in process design, accounting and technology. Outsourcing enables a small mid size business to access this expertise.

## FAVOURABLE TIME DIFFERENCE

The complimentary time difference between India and US (India works when US sleeps and vice-versa) increases the productive time available

for a US business. Work gets done overnight and finished work output is available for clients when their day begins.



## ADD- ON BENEFITS

In most businesses, outsourcing triggers discussions and mapping of work procedure, thereby resulting in better more standardized processes. Outsourcing also acts as a catalyst for adopting new age technologies such as cloud hosted accounting package, document management software, remote working software, and VOIP

## Management



## Performance



## Reliability



## Scalability







## FACTS & FIGURES

- ✓ Yearly growth of about 8%
- ✓ US\$ 4.6 billion in Annual Contract Value (ACV)
- ✓ United States continue to be the principal adopters of FAO
- ✓ Cloud-Based Solutions
- ✓ Robotic automation on the rise



## Trends - 2015

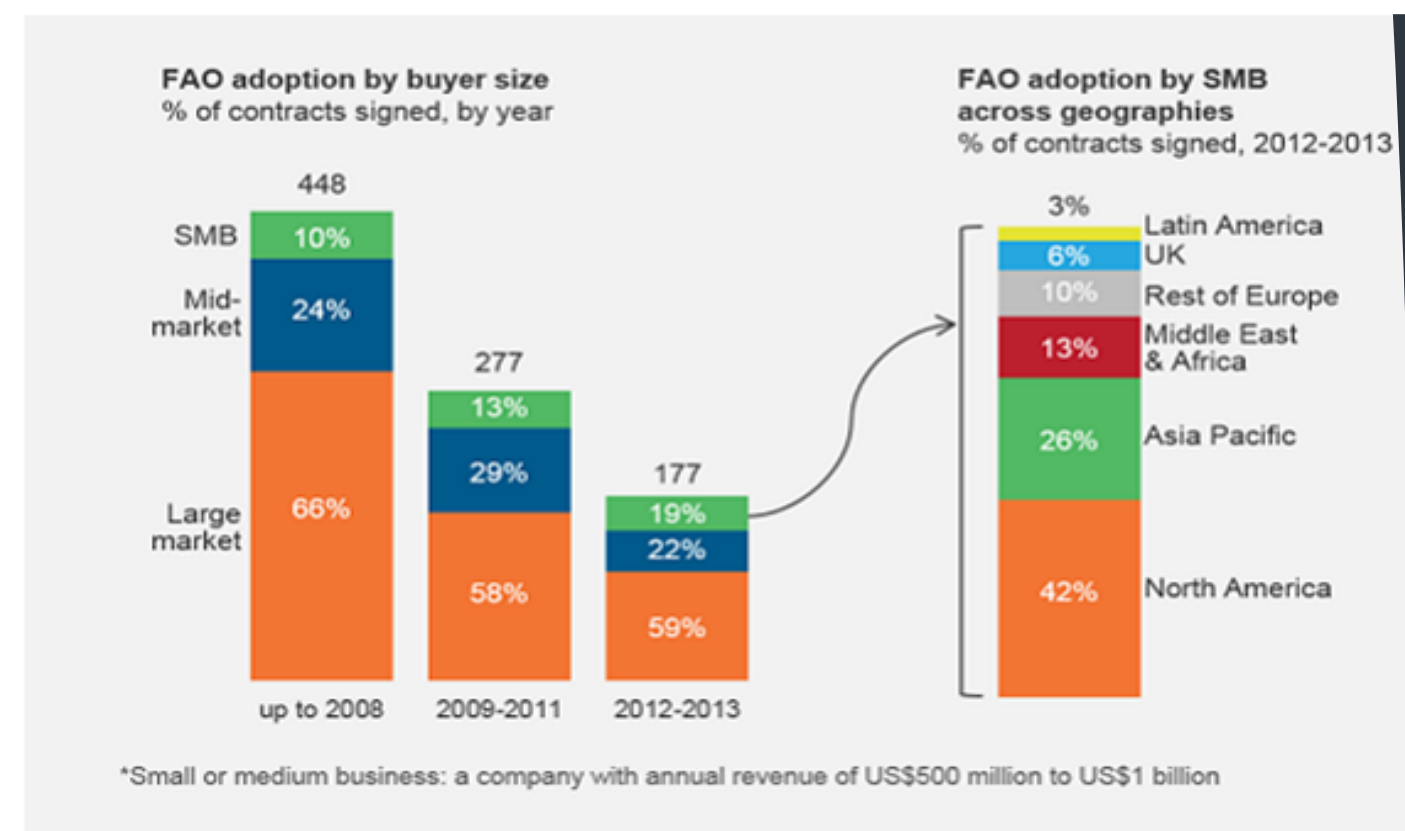
Finance and Accounting Outsourcing (FAO) has traditionally been a horizontal service offering with a value proposition driven by cost savings and efficiency gains. However there has been a marked difference in the way outsourcing is being viewed in recent years. The value proposition for FAO is growing beyond cost reduction, to focus on process transformation, to measure business impact and to enable world-class performance.

### Value Proposition Moving Beyond Cost Savings

FAO value proposition is moving beyond cost reduction. Now, service providers are increasingly being asked to explain how their services are adding value to the overall operations of the buyer. There has been an increased focus on simplification and automation of the entire or sub components of the process.

### End to End Solution and Industry Specificity

The scope definition of outsourcing engagements is evolving along three broad themes – end-to-end process-driven approach, industry-specific (vertical), and expansion into adjacent functions. According to a recent published industry report, **industry focus has emerged as a key differentiator in the FAO market**. For instance, [OutsourcingHubIndia](http://OutsourcingHubIndia.com) is a specialist real estate FAO service provider. The buyers are keenly looking at service providers who can provide industry relevant FAO solutions along with the ability to expand into adjacent functions.



### Cloud-Based Solutions

Cloud based solutions are now making seminal impact on outsourcing process flows and technologies. The impact is on multiple dimensions. Data-storage tools and sites such as Drop-box, Google Drive and Amazon web services (AWS) have eliminated the need for having dedicated storage servers.

Virtual meetings tools such as GoToMeeting, Microsoft Lync has facilitated interactive working, virtual training (with recorded sessions) and better communication. The adoption of web based ERP and accounting packages has galloped ahead in recent years, making outsourcing easy to implement. The cumulative impact of these technological changes is to make process transition faster, lower the technology cost and reduce the efforts required to get outsourcing going.

Please  
**VIEW HERE**  
for a detailed  
description of the  
**Accounting  
Outsourcing Trends  
2015**







### Technology Options for Communicating with the Accountant in India:

- ✓ Email Based Communication
- ✓ Messenger Based Communication
- ✓ US Phone Numbers (with Voicemail)



## Technology involved in Accounting Outsourcing

It is commonly misunderstood that outsourcing requires a high amount of investments in terms of human resources, infrastructure, and technology making it a feasible solution only for the larger companies. This is a myth and the assumption has been proven consistently wrong with fast multiplying instances of small mid market companies outsourcing their accounting, marketing support, HR activities and other processes for fruitful results.

There are two basic data items involved in an outsourced accounting process:

- a) Input documents or source data like bank statements, invoices, bills, check stubs etc.
- b) Accounting file such as QuickBooks or Real Estate Accounting software like Appfolio, MRI, Onesite, and Yardi

### Technology Options for Accessing the Input Documents:

Data can be electronically faxed or can be sent by clicking picture through smartphones, a method very popular among small clients. It is handy and easy way if the volume of data is not too much and very popular if the client is travelling or on the move on most occasions. Another option is where scanned documents can be uploaded by the client staff on

Alternatively, they may also be picked from the client server or just opened remotely by the service provider' staff. Client can provide online "View Only" access of bank accounts, credit card accounts, utility accounts, mortgage/ loan accounts and other online data.

### Technology Options for Accessing the Accounting File

Primarily, there are four ways by which accounting file can be accessed namely Offline Accounting File Based, Remote PC Access Based, Hosted Software Based, and Online Software Based methods

#### Offline Accounting File Based:

The accountant works on the backup copy of the accounting file and once the work has been completed the file is uploaded back to the server

**Remote PC Access Based:** The accountant connects to the clients' PC using a remote desktop access service

GoToMyPC.com, LogMeIn, Windows Remote Desktop, Citrix WebEx or Secure VPN connection to work on software installed at client's computer. This requires no expensive remote access software

#### Online Software Based:

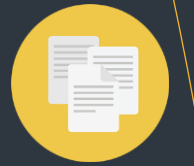
In this method, the accounting software is a web-based version.



So the accountant logs in to the online accounting software (e.g. Quickbooksonline Realpage – Onesite, Appfolio) and updates the books and logs out.

#### Hosted Software Based:

This version is a modified version of the remote access based version. The hosting of the software can be in client office LANs or in third party hosting service providers such as Personable.com, Smartsheet.com.



### SOURCE DOCUMENTS

You scan the Documents and upload them to our secure server or FAX them to us



### REMOTE ACCESS

Our team connects to your computer using a remote desktop access tool like GoToMyPC connection, LogMeIn or Windows Remote Desktop Connection. If your firm uses an online accounting software, we can connect to the online software



### UPDATED BOOKS

We update your Books and Logout. You come to the office next morning and find the books updated on your computer.





# Ready to Outsource the Accounting Functions of your Company

This section elaborates more on the basic steps small medium businesses should follow to successfully outsource their accounting activities

## Identifying what finance and accounting functions to outsource

The first step involves in deciding whether you want to outsource your entire accounting process or some part of your accounting functions. If you are new to accounting outsourcing, start with outsourcing some part of your accounting functions to the service provider. Clearly identify which accounting function you would like to outsource. Generally non-core accounting functions which would require minimum guidance to the service provider is ideal to start the process. Once the familiarity increases additional accounting functions could be outsourced to the service provider. A/P, A/R, Bank Reconciliations, payroll are some of the activities which can be a good starting point to initiate the outsourcing process.

## Selecting the right accounting outsourcing service provider

The second step would involve in finding the right service provider. While searching for an accounting outsourcing service provider online follow the the following steps:

1. Search for vendor names through a Google/Yahoo search. This throws up multiple vendors with vastly varying capabilities. Prepare an initial list of 10-12 names
2. Study the provider's website for quality and comprehensiveness of information, services and capabilities. Study their client testimonials, case-studies and client profiles.
3. Shortlist about 6 names from the list for further questioning. Questions that can be asked include the following, how long have they been in business, do they have clients that you can do a reference check etc.



## Pilot/Trial Project

Once you have selected the final candidate, begin with a pilot phase with the provider. The pilot project is important to establish a working relationship and to test and check the

capabilities of the service provider. It also provides an opportunity for you to understand the procedural activities involved in outsourcing (like transfer of data, reporting formats etc).

## Finalizing and Contract Negotiation

Once the service provider matches you expectations, finalization and contract negotiation is the final step.



## IDENTIFY

Identify the accounting activities you would like to outsource



## SELECT

Identify and select the right accounting outsourcing service provider



## PILOT PHASE

Begin with a Pilot Phase to test and check the services



## ONGOING PROCESS

Once you are comfortable with the services you can then accordingly expand

## Contract Negotiation

- ✓ Define the scope of work and level of quality
- ✓ Negotiating price and payment terms
- ✓ Length of the contract
- ✓ Build flexibility into the contract







## About Us

We are a specialized finance and accounting outsourcing service provider based out of New Delhi (India) since 2006. We have strong functional outsourcing expertise in end to end accounting processes covering daily accounting activities, month end and year-end account finalization processes, employee reimbursements, payroll processing, management reporting and financial analysis. We also provide human resource outsourcing related services, business research and marketing support services. Over the years, we have also developed expertise and domain knowledge in select industries such as real estate and property management, construction and development, logistics, retail and CPAs. We have industry specific solutions for these industry verticals in the finance and accounting function.

We understand the intricacies involved in outsourcing engagements involving small midsize businesses such as lack of documented processes, limited technology infrastructure, wide scope of work, limited onshore over-sight among others. This has helped us deliver consistent and reliable work quality to clients based all over North America and UK. Many of our clients from our early years continue to work with us even now! We have a strong delivery team of accounting professionals comprising of qualified accountants, CPAs and MBAs. Most of our operational team has at-least four years of international accounting outsourcing experience.

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Industry Specific  
Solutions



Experienced Staff  
Members



Specialized FAO  
Provider



Small Medium  
Businesses



Spacious  
Office Setup