



# Accelerating Financial Growth

Through Outsourcing Accounting Services –

*A Handbook for CPAs*



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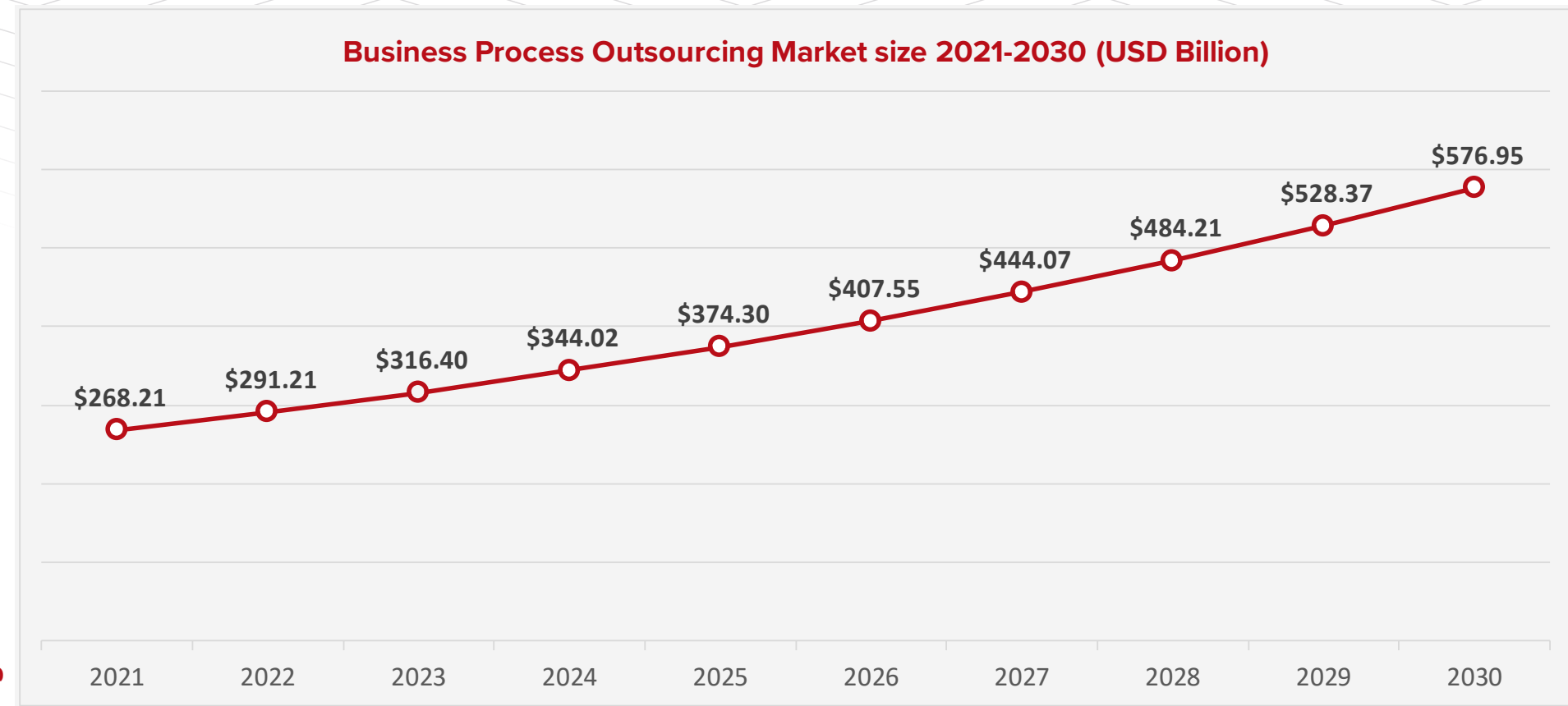


## Outsourcing Accounting Services

### A Brief Overview for CPAs

In the modern, rapidly evolving business landscape, owning or running a successful Certified Public Accountants (CPAs) firm is incredibly challenging, even for seasoned CPAs. Both established CPAs and newcomers face an equal number of incredible challenges as they strive to meet the highly volatile accounting and bookkeeping demands of their clients. Whether it is complex financial reporting requirements or the constant pressure to meet highly stringent deadlines, CPAs often find themselves overwhelmed by the changing demands of their business. Thus, to overcome these challenges and unleash financial growth for their business, even the most resourceful CPAs turn to outsourcing accounting services.

Figure 1



Contrary to popular notions surrounding outsourcing accounting services, the process is essentially an extension of the services offered by CPAs overseas. Outsourcing accounting services involves a CPA firm partnering with an external accounting and bookkeeping outsourcing provider to handle their accounting and bookkeeping tasks. Outsourcing for CPA firms is a strategic decision that allows them to shift their focus back to their core competencies while entrusting a team of professional accountants to handle their specialized accounting activities. The ability to shift focus back to growing their business is just one of the many benefits that accounting outsourcing services have to offer.

In this eBook, we will delve deep into the world of outsourcing accounting services, exploring the benefits it can bring, best practices, challenges, and how to successfully embark on your first outsourcing accounting service move. So, if you're a CPA or own a CPA firm, stay until the very end to discover the secret to unleashing financial growth for your business.

# The Basics of Outsourcing Accounting Services

## Understanding Outsourcing Accounting Services for CPAs

*As depicted in the figure in the earlier segment, the report by Precedence Research suggests that the global business process outsourcing (BPO) market is expected to surpass the \$576.98 billion mark by 2030, with a CAGR from 2022 to 2030.*

Accounting outsourcing services will be a significant contributing factor to this growth. Gone are the days when outsourcing was a tentative arrangement between a service provider and an enterprise to manage seasonal demands. Outsourcing accounting services are now an integral part of the success story of modern CPA firms. They not only help professional CPAs meet their clients' demands on a timely basis but also fill the resource and technological gap without draining their budgets.

The recent geopolitical and economic turmoil have further solidified the position of outsourcing service providers as an extended arm of CPAs and the accounting fraternity

in general. Having trained and professional accountants proficient in the latest accounting and bookkeeping software such as Sage, XERO, MYOB, and more fill in during times of immense resource crunch during the great reshuffle has made accounting outsourcing service providers a mainstay in the accounting industry for CPAs. Outsourcing has come a long way from being a means to handle mundane business operations to now being a strategic partner to enterprises, thanks to the significant growth in technologies and the evolving business model of these service providers. As a CPA firm owner, these service providers can prove to be valuable assets for anyone looking to grow their business to new heights.



# Types of Outsourcing Accounting Services

*Based on the business requirements, CPA firms can choose from a wide range of outsourcing accounting services. As a business owner, you need to identify the tasks and functions that you can delegate to an external service provider to focus on growing your core competencies. For Certified Public Accountants (CPAs), the choice of outsourcing accounting service provider will depend on the needs of the firm.*

**However, here are some of the most common outsourcing accounting services that you can leverage for your business:**

## Bookkeeping Outsourcing Services:

Bookkeeping outsourcing services involve maintaining general ledgers, reconciling bank statements, recording financial transactions, and managing accounts receivable and accounts payable. Outsourcing these tasks allows CPAs to focus on higher-level financial analysis and strategic planning.

## Financial Statement Preparation:

Financial statement preparation services include outsourcing the maintenance of financial statements such as income statements, balance sheets, and cash flow statements. Accounting outsourcing service providers deliver accurate and compliant reporting through these statements based on the data provided by the CPA firm.

## Tax Compliance and Reporting:

Tax reporting outsourcing services include outsourcing tasks such as calculating tax liabilities, tax preparation, compliance with tax regulations, and filing tax returns. This reduces the burden of tax-related tasks for CPAs and ensures accurate and timely tax compliance.

## Payroll Processing Outsourcing:

Payroll processing outsourcing involves calculating employee wages, creating pay stubs, processing payroll taxes, and maintaining payroll records. Payroll processing outsourcing helps CPA firms handle administrative burdens with ease, without worrying about the accuracy and timeliness of their payroll processing.

## Virtual CFO Services:

While not among the most frequently offered services, some accounting outsourcing providers do offer Virtual Chief Financial Officer (CFO) services. These services function as an external CFO for their clients, helping them with financial management, forecasting, budgeting, and advisory services on behalf of the CPA firm.

## Technology Implementation and Support:

Technology has proven to be a challenge even for the most proficient CPA firms. That's why outsourcing service providers offer dedicated services and resources for accounting software systems or just the technical infrastructure needed by CPAs. This enables CPAs to harness the power of advanced accounting software and technologies without heavily investing in building in-house IT support.

*With such a wide assortment of outsourcing services available for CPAs, it is imperative for CPAs to assess their accounting needs in detail when deciding to onboard an external service provider. You need to have your business goals well defined and identify the tasks that can be delegated to external service providers to help you make informed decisions.*

# The Best Practices for Outsourcing Accounting Services

*Whether you are planning your first outsourcing contract or have been availing the services of accounting outsourcing providers for a long time, there are certain best practices that you need to abide by to establish a fruitful partnership with your external service partner.*

**Here, we have listed some of the best practices to help you get started with outsourcing accounting services:**

### **Set Clear Goals and Expectations:**

Setting clear goals and expectations, both internally and externally, is integral to the success of your outsourcing arrangement. You need to communicate your requirements and expected outcomes from the arrangement to all the involved stakeholders.

### **Do Thorough Research and Due Diligence:**

When searching for the right outsourcing partner, you need to conduct thorough research. Evaluate their experience, expertise, reputation, capabilities, technological prowess, and data safety measures before signing a contract. It is also advised to check their testimonials or reviews to establish their service claims.

### **Establish Open & Transparent Communication Channels:**

Clear and transparent communication is key to the success of any business arrangement, and outsourcing is no different. You need to communicate your business goals clearly, receive timely updates on the project, and communicate any sudden or impending changes to ensure project continuity. This will result in the smooth operation of your business arrangement.

### **Establish Detailed Service Level Agreements (SLAs):**

Once you have finalized the outsourcing service provider for your business, you need to establish detailed SLAs with them to clearly state deliverables, project standards, timelines, dispute resolution mechanisms, and performance metrics. These SLAs will work as a framework for effectively managing the project, ensuring accountability, and adherence to compliance.

### **Protect Data Security and Confidentiality:**

In a world where data is the most valuable asset for any business, you need to ensure that your outsourcing partner is compliant with data safety measures such as GDPR and

CCPA. They must also have the necessary data security protocols, backup processes, and encryption methods in place. If you are outsourcing sensitive client information, you must sign a non-disclosure agreement (NDAs) with your outsourcing partner to safeguard that information.

### **Evaluate and Adapt:**

To make the most out of the outsourcing arrangement, you need to constantly evaluate its impact on your business goals and objectives. Assess client satisfaction, operational efficiency, and financial performance to ensure that the arrangement is yielding the desired outcome.

### **Foster a Collaborative Relationship:**

It's worth mentioning that your outsourcing partner is an extension of your business and should be treated as such. You must always encourage a collaborative approach, timely knowledge sharing, and mutual respect between the teams to forge a fruitful relationship that can withstand the test of time.

*While these are the standard best practices followed by CPAs worldwide to establish a fruitful and strong outsourcing relationship and drive business growth, there are certain business-specific best practices that you must consider, to maximize profitability for your business.*



# The Challenges and Risks of Outsourcing Accounting Services

*While outsourcing accounting services do offer numerous benefits, there are still some challenges and risks that you need to be aware of. Knowing these will help you get started on your outsourcing journey with ease.*

**Here are some of the challenges and risks frequently associated with outsourcing accounting services:**

### **Data Security and Confidentiality:**

Remote working has become the norm, but there is still a significant threat to data security and confidentiality, especially in accounting. Sharing sensitive financial client data with a third-party service provider invites the risk of data breaches or unauthorized access. You need to take essential precautionary measures to ensure the absolute safety of your client's information. Always check for essential data security protocols and standards when signing up for an outsourcing contract.

### **Quality and Accuracy:**

Poor quality and inaccuracies can mar outsourced accounting work if not handled properly. This is where establishing elaborate and clear Service Level Agreements (SLAs) with well-defined quality standards and performance metrics comes into play. These SLAs can help you mitigate the risks associated with the quality and accuracy of the work.

### **Business Continuity Measures:**

Recent unprecedented events have shown the importance of having business continuity measures in place when working with a third-party service provider. Setting up a 24x7 communication channel, agile technological infrastructure, backup for data and resources, and maintaining continuous contact with project managers are some ways to ensure business continuity.

### **Complete Control of the Project:**

One stigma attached to outsourcing is the perception that you lose control over the proceedings once the external service

provider comes onboard. Foster a collaborative work environment instead of a single party taking over everything to ensure that you maintain control and involvement in the project.

### **Cultural and Legal Differences:**

Cultural and legal differences between parties located in different geographies can present challenges in outsourcing. Differences in time zones, language, or work practices can impact work proceedings. It is important to be well-versed in local regulatory compliance and accounting standards to address any differences or have the means to do so.

### **Transition and Change Management:**

Transitioning to outsourcing accounting services can be tricky as it involves organizational reshuffling in terms of roles and responsibilities. Internal teams will need to adjust to new workflows, which may invite resistance from staff. Proper change management strategies should be in place to mitigate potential challenges during the transition.

*As a CPA firm owner, you need to address and overcome these challenges and risks through effective risk management strategies and continuous communication among all stakeholders.*

# The Future Trends and Opportunities of Outsourcing Accounting Services

*With the significant advancement in the technology space, the future of outsourcing accounting services promises several exciting trends and opportunities that can transform the business of Certified Public Accountants (CPAs) and their clients.*

**Here are some of the key trends and opportunities that we think you should watch out for:**

### **Advancements in Technologies:**

The rise of technologies such as Artificial Intelligence (AI), Machine Learning, Robotic Process Automation (RPA), and Cloud computing has transformed the world as we know it. They are bound to have a huge impact on automating a plethora of accounting processes, including financial statement preparation, data processing, data analytics, and improved accuracy. Outsourcing service providers are leveraging all these technologies to create highly advanced and high-value services for their clients and will continue to do so.

### **Data Analytics and Business Intelligence:**

With the significant increase in financial data available on customers, businesses are keenly looking for data analytics and BI services to help them leverage all that data effectively. Accounting outsourcing providers understand this and have started offering advanced data analysis, forecasting, trend identification, and insights to help CPAs and their clients make data-driven decisions. This not only has grown their revenue stream but also has helped them uncover new business opportunities.

### **Niche Accounting Services:**

Accounting outsourcing providers are increasingly tailoring services aimed at niche businesses, industries, or specific accounting functions. These niche accounting services include M&A Support (mergers and acquisitions support), complex financial analysis, international tax compliance, forensic accounting, and more. More and more CPAs have started leveraging these services to cater to their unique client needs.

### **Focus on Advisory and Consulting:**

With increasing automation in the accounting world, CPAs have now started to diversify their service portfolio by including advisory and consulting services. Outsourcing non-core accounting tasks has allowed CPAs to deliver strategic financial advice, offer growth strategies, provide risk assessments, and offer value-added services to help clients attain their financial goals.

### **Enhanced Security and Compliance:**

With a growing emphasis on data security and compliance, regulations across the world have become stricter. This has led outsourcing accounting service providers to implement robust security measures and compliance frameworks. This ensures that all sensitive financial data is protected and that all regulatory requirements are met.

*With the significant advancement in the technology world, outsourcing service providers can no longer be equated to accountants responsible for everyday tasks. Modern accounting outsourcing providers have emerged as a means to gain access to a global talent pool, acquire expertise in advanced accounting technologies, and serve as strategic business partners that can help CPAs fulfill their business growth goals.*



## Conclusion

*To sum things up, through the above eBook, we have seen how outsourcing accounting service providers can be instrumental in helping CPAs attain their business goals, unleash financial growth, and boost growth. By embracing outsourcing as a means to grow their business, CPAs can unlock access to accounting expertise, advanced technologies, pre-defined processes, and frameworks for streamlining their operations, and regain their focus on strategic initiatives.*

The guidelines and insights presented in this eBook can easily be used as a blueprint for CPAs looking to embark on a successful outsourcing journey and unleash financial growth for their firms. Throughout this eBook, we have explored the innumerable benefits that outsourcing accounting services have to offer to Certified Public Accountants (CPAs), helping them maximize their profitability. Whether you're seeking cost savings or aiming to improve efficiency through specialized expertise and advanced technologies, outsourcing accounting services can assist you in achieving those objectives.

# THANK YOU

## About Datamatics Business Solutions

Datamatics Business Solutions is a technology-driven outsourcing partner for leading global enterprises. With our technology enabled CPA services, we help CPA firms achieve their business goals with absolute ease.

With a perfect balance of a highly scalable and secure ecosystem comprising of some of the most acclaimed accounting & ERP software and human ingenuity to go with, we have been able to retain 100% of our client in over a decade of our operations.

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