Chapter Three
Outsourcing Accounting

3.1 Introduction -
Chapter three is related to outsourcing accounting. It briefly explains the outsourcing accounting. The aim of the chapter is to know the outsourcing accounting practices in India and outsourcing accounting practices in USA.

3.1.1 Chapter Objectives -
The chapter’s objectives are to introduce outsourcing, types of outsourcing, with meaning, process, and use of various software’s. The chapter further discusses outsourcing accounting in India and USA. It focuses on SWOT analysis of outsourcing accounting.

3.1.2 Chapter Structure -
This chapter is divided into seven sections.
Section 3.1 Introduction, chapter objectives and chapter structure.
Section3.2 meaning of outsourcing, reasons for outsourcing, and types of outsourcing, outsourcing partner
Section 3.3 deals with outsourcing accounting.
Section 3.4 Outsourcing accounting in India discussed
Section 3.5 is about outsourcing accounting in USA
Section 3.6 Conclusion of the chapter three is given
Section 3.7 References.

3.2 Outsourcing -
Outsourcing is a process of transferring the responsibility for a specific business function from an employee group to a non-employee group. Today, accounting outsourcing service is recognized as an effective management tool. Companies often incorporate outsourcing as a strategy in business planning. Companies can provide better client service, produce a better product, do the job better, and do it efficient way by outsourcing their non-core business function. When
the companies outsource their accounting services functions, they put those responsibilities in the hands of professionals.

Accounting outsourcing means transferring part of accounting functions to a third party provider or a fully owned subsidiary in order to cut cost, gain access to scarce skills or obtain competitiveness. Some common examples of accounting outsourcing include general accounting, treasury and cash management, payroll processing, accounts payable outsourcing, invoice processing, and other industry specific processes. According to IDC market research 2007, the global market for outsourcing of finance and accounting functions is expected to reach $48 billion USD in year 2008.

Accounting work that are often sent for outsourcing include bookkeeping and accounting processes; general ledger accounting; accounts payable; fixed assets accounting; inventory management; reconciliations; payroll accounting; taxation; accounts receivable; internal controls; preparation of financial statements; and financial reporting or management information system covers a wide variety of processes, ranging from highly transactional activities such as accounts payable, accounts receivable and payroll, to processes that require greater and more complex degrees of knowledge and analysis, such as treasury, tax strategy, or financial planning and analysis. Although the same processes can help manage the challenges, risks and opportunities of both sorts of accounting activities, the risks associated with knowledge- and analysis-based accounting outsourcing are greater, and so require greater management discipline.

3.2.1 TOP TEN REASONS COMPANIES UTILIZE OUTSOURCING -

1. To Improve Company Focus: -

Outsourcing sets up a framework which an outside expert assumes responsibility for operational details. That leaves management free to focus on more important business issues related to customer service and marketplace demand.
2. **To Obtain World-Class Capabilities:**
   Because of their specialization, outsourcing providers bring an extensive skill set into the corporate environment. Such leading edge technology and expertise helps companies better satisfy customers and increase productivity.

3. **To Accelerate Re-Engineering Benefits:**
   Organizations realize the benefits of re-engineering more quickly if they contract with an outside organization that is itself already re-engineered to state-of-the-art standards.

4. **To Share Risks:**
   Outsourcing enables management to turn over to its suppliers certain risks, such as demand variability and capital investments. Unlike the buyers, the outsourcing provider can spread those risks over multiple clients.

5. **To Free Up Corporate Resources:**
   Outsourcing permits an organization to redirect its resources from non-core activates to ones that have the greatest impact on business performance.

6. **To Make Capital Available:**
   Contracting out certain functions as operational expenses can reduce the competition for capital, since the outsourcing entity provides the capital investment as part of its overhead.

7. **To Obtain Cash Infusion:**
   Outsourcing can involve the sale of assets to the provider, typically as a combination of cash and loan.

8. **To Control Operating Costs:**
   Access to an outside providers’ lower cost structure is one of the most compelling reasons for outsourcing.
9. To Obtain Resources Not Available Internally:
   Outsourcing is a often viable option for companies experiencing rapid
growth, expansion into new geography or spin-offs from the parent company.

10. To Deal With Management Or Control Problems:
   Control problems are often cited as the reason for outsourcing.
   However, the underlying cause, such as unclear expectations or difficulty in
   measuring performance, is often not solved by outsourcing.

3.2.2 Types of outsourcing -

There are four kinds of outsourcing, namely near-shore outsourcing, onshore
outsourcing, off-shore outsourcing and in-sourcing.

1) Near-shore outsourcing
   Near-shore outsourcing means that some of the company’s work is done by
   people in the countries of neighborhood instead of being done in its own country. For
   example, many companies in the United States outsource their work to its neighboring
countries, like Mexico and Canada. The advantage of near-shore outsourcing is that
   geographic proximity makes the travels easier and cheaper, and similar cultures and
   common languages make the communications easier and better.

2) On-shore outsourcing
   On-shore outsourcing is also called domestic outsourcing. It means that work
   or service of the company is done by another company in the same country.

3) Offshore outsourcing
   Offshore outsourcing means to outsource the work from some developed
countries to the areas of the world, normally developing countries, where the labor
   cost is much lower or tax savings is available. It is a type of business process
   outsourcing (BPO) and the outsourced work or service is normally IT-related.
   Offshore refers to “any country other than your own”. What makes the offshore
   possible is the appearance of Internet and the high-speed broad-band connections
between them, which has been introduced above. It seems that any IT-related work can be handled anywhere in the world. Offshore outsourcing not only can save the cost, but also can improve the company’s competition ability in other countries.

There are always different opinions on something in developing stage. Same thing happens to offshore outsourcing. The proponents of offshore outsourcing think that the niche professional service by the overseas 3rd party providers will highly improve the efficiency of the company and save the operational cost that could make the company to focus more on its core business and increase its competition ability. While opponents worry that too-much outsourcing will lead to the dry up of the in-house talent. They think that it is hard for a company to reverse their overseas outsourcing to in-house again. If doing so, they always need to pay much more than former in-house services.

3.2.3 What could be Outsourced and what could not be Outsourced -

To start an outsourcing case, a company’s CFO normally needs to sit down and takes with CEO to define what are the distinctive industry core competencies for the company that could differentiate it from the competitors. Activities about those core competencies are important for the company, and the rest could be the candidates for outsourcing. For example, for a manufacturing company, the research and technology might be the core competence. While for a consumer retail company, the supply chain management might the core competence.

Transactional services, like account payable, payroll, account receivable, general accounting, etc, should be outsourced. Business analysis, finance policy formulation and decision making related practice are key functions that should remain the internal activities.

Normally, there are four-tier pyramid functions in a company’s finance, as figure show. From bottom to up, tire one is about transactional processes like payroll, account payable, travel and expenses, account receivable; tier tow deals with financial and management accounting, like general account, cash management, statutory reporting; tier three handles budgeting and forecasting, finance decision-making; and tier four is in charge of policy and strategy.
Tier one and tier two contain mostly routine and repetitive transactional works that account for 80% of total finance and accounting headcount. Outsourcing the two tiers could save much headcount cost and get higher-level services. Some areas that need very professional knowledge, like tax planning and reporting, regulatory reporting and financial statements, are also candidates for outsourcing.

Tier three and tier four require much judgment by the company’s specialist knowledge and core skills, thus they are normally retained in house and not outsourced.

### 3.2.4 Outsourcing Decision

The outsourcing decision is ideally and usually based on economic principles. In theory efficient companies will allocate their resources within the value chain to those activities that give them a comparative advantage. Meanwhile, other activities that do not offer such advantages will be outsourced to external suppliers or partners. This is because some companies are highly integrated; others specialize and outsource their remaining transactions in market. Basically when companies outsource their activities to produce their products and services, they usually move towards a business strategy which helps them in maintaining their competitive advantage in serving customers. Hence, outsourcing is expected to imply cost saving relative to internal production or internal service function.

Previous studies have found that organizations choose to outsource to gain several potential benefits. According to Reddy and Ramachandran (2008), approximately 30-35% of time in accounting work is spent in low-end transaction processing activities. Outsourcing of such repetitive and non-value adding activities allow firms to focus more on strategic activities like financial planning. In addition, it
provides advantages such as economies of scale, process expertise, access to capital and access to expensive technology. Cost reduction and focus on strategic activities are often offered as internal reasons for outsourcing (Bendor-Samual, 1998).

**Figure 3.2:** A practical framework for evaluating the outsourcing decision

![Diagram of the outsourcing decision framework](image)

Source: McIvor (2000)

Evaluation of outsourcing decision is explain in following four stages —
- Stage 1 involved with identifying the core and non-core activities of the
company. The core activity is perceived by the customers as adding value and being a major determinant of competitive advantage.

- Stage 2 concerned with analyzing the competencies of the company in core activities in relation to potential external sources. This involves an evaluation of the relevant value chain activities and the total cost analysis of the core activities. A relative performance of the company is identified and this helps to understand the disparity between the sourcing company and the potential supplier.

- Stage 3 involved attempting to measure all the actual and potential costs involved in sourcing activities. In this stage two types of costs are identified: cost estimation of carrying out the activity internally, and cost estimations associated with potential suppliers.

- Stage 4 is the relationship analysis. Company only proceeds to stage 4 if it wishes to consider outsourcing its core activity. The company has to establish a relationship or a strategic alliance if it wants to outsource its core activity.

### 3.2.5 Types of Outsourcing Contract

Outsourcing contact is based on various criteria like work, time, etc. Table 3.1 provides a summary of contact and payment based on various criteria.

**Table 3.1 – Payment based Outsourcing Contract**

<table>
<thead>
<tr>
<th>Contact</th>
<th>Payment Based on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time and Materials</td>
<td>The Actual use of personal and materials.</td>
</tr>
<tr>
<td>Fixed fees</td>
<td>A Lump Sum for a defined work load or service.</td>
</tr>
<tr>
<td>Fixed fees plus variable element</td>
<td>Predicted changes in work loads or business circumstances.</td>
</tr>
<tr>
<td>Cost Plus management fee</td>
<td>The real costs incurred by the vendor plus a percentage.</td>
</tr>
<tr>
<td>Fees plus incentive scheme</td>
<td>Some benefits that accrue to the clients company or performance over and above an agreed baseline.</td>
</tr>
<tr>
<td>Share of risk and reward</td>
<td>How well the client company or a joint venture performs.</td>
</tr>
</tbody>
</table>

(Source – Mayur Sancheti, 2007)
Other Types

Outsourcing Contract is not only based on payment but based on other criteria also. The base of outsourcing contract is vary as per work, time, vendors, availability of service providers, etc. Further categories of outsourcing contract are based on degree of outsourcing contract, period, number of vendors and process. Table 3.2 provides a summary of the types of outsourcing and the factors they are based on.

Table 3.2: Types of other Outsourcing Contract -

<table>
<thead>
<tr>
<th>Based on</th>
<th>Types of Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of Outsourcing</td>
<td>Total Outsourcing. All or a significant functions are outsourced</td>
</tr>
<tr>
<td></td>
<td>Selective Outsourcing: Few activates are outsourced while significant activates and</td>
</tr>
<tr>
<td></td>
<td>functional areas remain in house</td>
</tr>
<tr>
<td></td>
<td>Transformational Outsourcing: A vendor is hired to move a company to a new technology</td>
</tr>
<tr>
<td></td>
<td>platform to achieve a rapid substantial and sustainable development</td>
</tr>
<tr>
<td></td>
<td>Transitional outsourcing: A company outsources ageing or obsolete systems and / or</td>
</tr>
<tr>
<td></td>
<td>technology platforms in order to focus its attention and limited resources on the</td>
</tr>
<tr>
<td></td>
<td>creation of new systems and infrastructure.</td>
</tr>
<tr>
<td>Period of Outsourcing</td>
<td>Long term</td>
</tr>
<tr>
<td></td>
<td>Short Term</td>
</tr>
<tr>
<td>Number of vendors</td>
<td>Single vendors</td>
</tr>
<tr>
<td></td>
<td>Multiple vendor</td>
</tr>
<tr>
<td>Process that is outsourced</td>
<td>Service Outsourcing</td>
</tr>
<tr>
<td></td>
<td>Asset Outsourcing</td>
</tr>
</tbody>
</table>

Source – Mayur Sancheti, 2007
3.3 Outsourcing Accounting -

Outsourcing Accounting means to outsource some or all of the functions of account work to the third party service providers. The outsourcing functions could range from simple operational activities, such as payroll, account payable, account receivable, to more complicated professional functions, like taxation, financial reporting, or even management reporting, and so on.

3.3.1 Outsourcing Accounting Processes

Once a company decides to outsource its’ activity/activities, the process of selecting a partner or supplier must be put in place. Analytical, thoroughness and careful insight are required in order to choose the ‘right’ supplier or partner (Hatonen and Eriksson, 2008). According to Kakouris, Polychronopoulos and Binionis (2006), the outsourcing process is a critical stage. ‘Make-or-buy’ question asked of themselves by manufacturers and the ‘do it ourselves or buy it on’ question asked by service providers must be answered by those responsible for sourcing (Kakouris, Polychronopoulos and Binionis, 2006). Furthermore, as highlighted by Hickey (2005), in current global economy factors that should be considered when making outsourcing decisions are: long-term productivity and cost projections, physical and data security, long-term business and employment stability, political agenda and cultural differences, and business continuity capability. Those factors are important because outsourcing enables companies to leverage the global market place, to choose the work they want to do and where they want to do the work in order to ensure the greatest profit.

Financial Services Authority (2003) introduced guidelines that cover the outsourcing decision and outsourcing process. Organizations are suggested to follow six steps to minimize risk exposure

(1) Strategic decision to outsource – assess strategic risk and rationale for outsourcing,
(2) Due diligence process – ensure supplier is competent, honest, financially sound, and has relevant knowledge and expertise,
(3) Contract and service level agreement – formal contract and service level agreement between the two parties,
(4) Change management – as company’s risk can increase, plan and effectively use project or change management,
(5) Contract management – Appointment individuals to manage the contract and do periodic review,

(6) Exit strategy and contingency planning – prepared for new arrangement with minimal disruption to business.

Outsourcing decision require proper estimation of cost, the time period involved, and other opportunity costs (Kee and Robbins, 2003). Survey by Kakabadse and Kakabadse (2001) among US and European companies grouped 14 objectives of outsourcing into three categories. First, to achieve best practice, enhance cost discipline and control skills of managers. Secondly, to improve service quality and management by focusing on core competencies, and finally to gain access to new technology and skills, reduce employees, enhance capability to develop new product or services and reduce capital cost. According to Chin (2003), Logical CMG’s experience from financial services contracts shows that outsourcing plays a significant role in improving company’s performance through increase in profitability, higher return on investments, greater capital efficiency and improved focus.

A new management accounting guideline (MAG), entitled Outsourcing the Finance and Accounting Functions, was recently developed jointly by CMA Canada, the American Institute of Certified Public Accountants (AICPA) and the U.K.-based Chartered Institute of Management Accountants (CIMA), the MAG provides guidance on managing finance and accounting outsourcing opportunities, challenges and risks. This guidance, which targets CFOs, finance and accounting managers, and others responsible for selecting, implementing and managing finance and accounting outsourcing relationships, centers on what might be done at each stage of the finance and accounting outsourcing life cycle to create and manage a successful finance and accounting outsourcing initiative. This guideline identifies processes for managing the challenges, risks and opportunities associated with finance and accounting outsourcing. A company that is considering outsourcing a collection of finance and accounting processes and then conducts its selection processes may ultimately decide against outsourcing because of what it learns about the provider marketplace.
Managing the relationship with outsourcing vendors technically begins during the provider selection process, when a request for proposal initiates communications with the eventual provider (Krell, 2007). A study by Barthelemy (2003) shows that successful companies in outsourcing work often have clear understanding of their core-activities, have done adequate research and planning and most importantly have developed clear objectives, goals and expectations of outsourcing activities.

Trusts or contracts between the companies and their outsourcing partners are also found to be significant in ensuring successful outsourcing (Elmuti, 2003). The contract is negotiated and signed by both the outsourcing buyer and the outsourcing vendor and should clearly identify items such as the services to be provided by the vendor, terms of payment, an escape clause for each party and methods for making changes to the agreement. (Deckelman, 1998). In another study, Zhu, Hsu and Lillie (2001) emphasizes on detailed outsourcing transition plan to ensure a successful transition process. An outsourcing effort is not complete until a post-outsourcing review is conducted to determine if the process is working as planned and to identify areas of improvements or changes (Zhu, Hsu and Lillie, 2001).

3.3.2 PROCESS FLOW: ACCOUNTING PROCESS

Following diagram show the process of outsourcing accounting. It started from Data Input, transfer of data, receiving of data, quality of control and output.

**Figure 3.3 – Outsourcing Accounting Process** -

![Outsourcing Accounting Process Diagram](image-url)
3.3.3 PROCESS QUALITY –

**Figure 3.4 – Quality Process**

- Process Identification
- Scope setting
- Functional and Technology Requirements
- Risk Assessment
- Resource Mapping
- Transition plan
- Process Monitoring
- Performance tracking
- MIS reporting
- Process
- Improvements

Process Mapping and Resources Profiling –

- Detailed mapping of existing processes to understand current workflow, process requirements and activity times.
- Profiling of resources required in the offshore operations

Process Migration and Implementation –

- Structured approach to process migration using a well defined transaction and implementation frame work ensures smooth transfer of processes
- Comprehensive process documentation, migration and training plan
- Clear delineation of responsibilities among onshore and offshore staff accelerates resolution of issues and enables effective process implementation

Tracking Input Quality-

- Complete checking of source documents by processors using a detailed checklist
• Clearly defined business rules at the time of process migration ensures quick handling of ‘exceptions’

Ensuring Output Quality –

• Specialized resource for reviewing the quality of work
• Close monitoring of service levels of the process by dedicated process leader
• Use of quality techniques like random sampling, fishbone analysis, and process charts ensures compliance to high quality standards

Extensive process training for agents.

Workers whose lives have been disrupted because their jobs have been outsourced to lower-wage workers overseas have understandably decried “offshoring” as threat to their way of life. (Thomas & Rick 2005)

3.3.4 Outsourcing Bookkeeping Services Online –

Outsourcing bookkeeping to India is fast and easy - Our bookkeepers can work in a way that suits you best to make the entire outsourcing process an incredibly pleasant experience.

Table 3.3: Online Bookkeeping Services

Outsourcing Option 1: FTP Server Bookkeeping Outsourcing

<table>
<thead>
<tr>
<th>Send us the source Docs</th>
<th>Update books</th>
<th>Give the updated books</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scan the Documents and upload to our secure server OR fax them to our toll-free Number@5PM</td>
<td>Bookkeeper updates books the same night, Ask to provide us a copy of books</td>
<td>Put the updated books on our 128-bit encrypted server. Next morning and download the updated books from server to computer</td>
</tr>
</tbody>
</table>
### Outsourcing Option 2: Remote Login Bookkeeping Outsourcing

<table>
<thead>
<tr>
<th>Send the Source Docs</th>
<th>Connect Computer via internet securely</th>
<th>Updates the books and logout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scan the Documents and upload to our secure server OR fax them to our toll-free Number@5PM</td>
<td>Bookkeeper connects to computer using a remote desktop access service like To My PC etc</td>
<td>Come to office the next morning and find the books updated on computer</td>
</tr>
</tbody>
</table>

### Outsourcing Option 3: Online Bookkeeping Outsourcing

<table>
<thead>
<tr>
<th>Send the source Docs</th>
<th>Use the online Accounting Software</th>
<th>Update the books and logout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scan the Documents and upload to our secure server OR fax them to our toll-free Number@5PM</td>
<td>Bookkeeper logs in to Online Accounting Software and update the books.</td>
<td>Login to the online accounting software via internet whenever need-24*7- and see the updated books</td>
</tr>
</tbody>
</table>

(Source - Online Bookkeeping Processes)
### 3.3.5 Outsourcing Bookkeeping – Process Options Comparison

#### Table 3.4 Comparison of Bookkeeping Process Options

<table>
<thead>
<tr>
<th>Feature</th>
<th>FTP Server</th>
<th>Remote Login</th>
<th>Hosted Software</th>
<th>Online Software</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Location</td>
<td>Our Data Center</td>
<td>Your Computer</td>
<td>Managed Server</td>
<td>Accounting Provider</td>
</tr>
<tr>
<td>Data Access by You</td>
<td>Download Data File from Server</td>
<td>On own Computer</td>
<td>Connect to server over internet</td>
<td>Data cannot be downloaded view Online</td>
</tr>
<tr>
<td>Software Functionality Available</td>
<td>Full</td>
<td>Full</td>
<td>Full</td>
<td>Limited</td>
</tr>
<tr>
<td>Hardware Required</td>
<td>Computer, Scanner/Fax</td>
<td>Computer, Scanner/Fax</td>
<td>Scanner/Fax</td>
<td>Scanner/Fax</td>
</tr>
<tr>
<td>Ease of Use</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Data Backup</td>
<td>Automatic</td>
<td>Manual</td>
<td>Automatic</td>
<td>Automatic</td>
</tr>
<tr>
<td>Min. Transactions per hour</td>
<td>35</td>
<td>30</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Appro. Platform Cost per month</td>
<td>Nil</td>
<td>$03-$30</td>
<td>$30-$40</td>
<td>$20-$40</td>
</tr>
<tr>
<td>Ideal for</td>
<td>Low Volume Accounting</td>
<td>Anyone with Computer + Software</td>
<td>Mobile User</td>
<td>Mobile User</td>
</tr>
</tbody>
</table>

(Source - Online Bookkeeping Processes)


### 3.3.6 Accounting Software’s

Software is a key of outsourcing accounting. Every country made their own software as per requirements. This software’s helps to minimize the technical problems. Table is the summary of different software’s used by the various countries.

#### Table 3.5 Country wise use of Accounting Software’s

<table>
<thead>
<tr>
<th>Name of Country</th>
<th>Software’s used</th>
</tr>
</thead>
</table>
| USA             | QuickBooks  
• Peachtree  
• GreatPlains (Microsoft accounting software)  
• Caseware  
• Multiledger  
• Easy Accounting |
| UK              | • Sage Line50  
• VT Transaction and Final |
| Canada          | • Simply Accounting  
• QuickBooks |
| Australia       | • QuickBooks  
• MYOB  
• Professional Accounting 7  
• HandiLedger  
• BGL (Superannuation Accounting) |
| Taxation Software | • TurboTax  
• Lacerte  
• ProSeries |


The software’s not only used for outsourcing work purpose but also for training to employees, standardization, reducing the working time etc.
3.3.7 Software Skills: Summary

Skill is practical approach of knowledge. Skill increases the working efficiency. Various types of software are used in outsourcing accounting. Table 3.6 is the summary of software’s and expertise level

Table 3.6: Summary of Skills required for handling software

<table>
<thead>
<tr>
<th>SOFTWARE</th>
<th>EXPERTISE LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>QuickBooks (QB) (QB Pro, Premier, Enterprise and QB Online)</td>
<td>High</td>
</tr>
<tr>
<td>Peachtree</td>
<td>High</td>
</tr>
<tr>
<td>Great Plains (Microsoft accounting software)</td>
<td>Medium</td>
</tr>
<tr>
<td>Easy Accounting</td>
<td>Medium</td>
</tr>
<tr>
<td>NetSuite</td>
<td>High</td>
</tr>
<tr>
<td>Timberline</td>
<td>Medium</td>
</tr>
<tr>
<td>Caseware and Multilegger</td>
<td>Medium</td>
</tr>
<tr>
<td>Sageline</td>
<td>High</td>
</tr>
<tr>
<td>ERP and Oracle packages</td>
<td>Medium to High</td>
</tr>
<tr>
<td>Lacerte</td>
<td>High</td>
</tr>
<tr>
<td>ProSeries and ProFx</td>
<td>High</td>
</tr>
<tr>
<td>Ultratax</td>
<td>Medium</td>
</tr>
</tbody>
</table>


3.3.8 Co-sourcing -

A relationship where the interaction between the supplier and the host organization is even more intimates than in normal outsourcing. This usually means that the host organization supplies staff or managers to the outsourcing deal, to as transferred staff but because of their specialist knowledge, which the host organization cannot afford to lose permanently. It is not to be confused with manager merely avoiding both organizations having responsibility for the supply of resources to meet the objective. There is also some risk, since there may be no redress if objectives or targets are not met. Such risk is very low due to educated and experience of co-sourcing partner. It helps to increases the part time jobs opportunities. People can do it in free time and increase the income level.
3.3.9 Risk in Outsourcing -

The risks facing offshore cut sourcing are similar to the risks associated with no shore outsourcing however some of the risks are unique to offshore outsourcing and are heightened in an off shoring context (Mayur, 2007). Managing an offshore provides a number of challenges which can become areas of vulnerability and pose risks to the company if not properly dealt with. There are financial, technical, managerial, behavioral, legal, political and labor issues and also risk associated with outsourcing contracts which are explained in detail.

Labour Risks:

Outsourcing can lead to a decline in the morale and performance of employees if they know it’s just a matter of time until their job is lost to outsourcing. Exploitation of workforce is also a major issue. With many companies choosing to move production to under developed countries in order to reap the benefits of cheap labor, this issue becomes increasingly more visible.

Being Leveraged by Suppliers:-
A major area of risk is that of a firm being leveraged by its suppliers, Supplier leverage can manifest itself in a number of ways: a supplier may decrease the quality of work they undertake, a supplier may withhold the latest technology or most commonly, a supplier may act to raise its prices. It will do one or more of these things if it believes it can do so without suffering adverse consequences. Those which are considered to be the four most important factors leading to being leveraged by suppliers are - poor contracting, outsourcing into a limited supply market, asset specificity, and uncertainty. The supplier may suffer interruptions to Supply because of:

- Dependency issues
- Supplier suffers short-term difficulties
- Supplier goes into liquidation

Financial and Technical Risks:

Financial risks and economic inconsistencies pose a threat in the specific area of offshore outsourcing because currency fluctuations can mean losses for companies
Technical risks concerned with infrastructure and poorly articulated requirements can lead to misinterpretations of ideas, reduced information sharing and poor communications of results.

**Behavioral Risks:**

Behavioral risks refer to the intangible inherent differences such as cultural and religious diversity or language barriers which can lead to conflicting standards, divergent working styles. Lack of team spirit, lack of focus and slow learning, respecting difference ideologies. Accommodating unique needs and requirements harmonizing inherent differences and galvanizing them as a unit are the other likely problems which can become liabilities for the companies. Turning diversity into synergy and coming to a unified decision is vital to achieve optimal results.

**Political Risks:**

Political animosities or religious feuds, can lead to persisting feelings of mistrust or tension among people from different countries. This can lead to prejudices which can interfere with performance. A country’s political stability can change rapidly, posing a major risk for investors in that country. Moreover corruption and bureaucracy can affect the smooth operations of the business.

**Confidentiality Risks -**

Confidentiality is another important issue for outsourcing. By introducing more 'outsiders' into its affairs, the firm increases the likelihood of there being a leak of important information. Therefore, managers must consider whether outsourcing an activity either directly (through the activity being core - which, of course, means it shouldn't be outsourced anyway) or indirectly (through the activity being related to core activities) involves the divulgence of information which is commercially sensitive.

**Legal Risks:**

Legal risks refer to the tangible issues of regulatory requirements, import – export restrictions, privacy and socio- political turmoil. Companies must be cautious while selecting an offshore provider by checking the credentials and reputation of the provider to avoid such risks.
Off-shoring Risks:

Working with an offshore provider can also be problematic if a situation has to be addressed urgently but due to time zone differences, the offshore provider cannot be communicated. Due to Geographical distances, there is a possibility of deviating from the original requirements or specifications of the project resulting in an end product which is unsatisfactory. (Mayur, 2007)

The Loss of Core Activities:

Perhaps the greatest risk of outsourcing is that of losing the firm’s core activity or activities. The consequence, which follows such an act, is a significant reduction in the ability of the firm to retain its competitiveness, certainly in the medium to long term in some instances it will lead to the firm ceasing to exist.

3.3.10 Data Security Measures

Data confidentiality is maintained through multiple measures stated below-

Physical Security

- Screening of visitors and employees by a security guard (including in night shift) during entry and exit for data storage media like floppies, cds, usb drives etc
- No cameras, camera phones and digital recording media allowed in our premises
- PCs used by processors have disabled floppy/USB and CD ROM drives
- PCs used in accounting and financial analysis work are denied email and web access
- No client data resides in PCs used for internet access.

Policy Backed Security

- Our organization adheres to a privacy and data security policy, developed in consultation with outsourcing experts. This is clearly discussed with existing and new staff to ensure complete understanding and compliance
• Employees sign Non Disclosure Agreements (NDA) with stringent data security clauses, punishable under Indian laws including Information Technology Act, 2000

• Complete background checks for employees including references from past employers, registrations with nearest police station, and family background check

• Most of our employees have prior outsourcing experience, and are familiar with the strict data security policies of an outsourcing firm

Data Security

• Master data is housed in our dedicated USA server in reputed data centre at Ohio

• USA server is protected using Symantec Antivirus and firewall

• Access to the server is through 128 bit SSL encryption which ensures transmission security

• Comprehensive security audits are performed on a bimonthly basis

• All data is backed up on a regular basis in our back-up server (IBM)

Network Security

• Network security is maintained through Symantec Antivirus and firewall protection

• Segmented LAN with firewall protection

• PC Security

• Individual domain accounts for each processor ensures that the access to source documents is restricted to authorized employees only

3.3.11 Drivers of Outsourcing Accounting -

• Customer is the king of market. To satisfy the need of customers is the prime objective of every organization. Thus organization is focus on the core activity of the business like customer satisfaction, production, accounting etc. Accounting section is very important for everyone. Outsourcing accounting helps to organization to concentrate on other core activity. The cost of outsourcing accounting is less as compare to in-house maintain the accounting
department. Following table explain the drivers of outsourcing accounting.

- Ghodeswar and Vaidyanathan (2008) classify drivers of outsourcing into four categories: organizational drivers, improvement drivers, financial and cost drivers, and revenue drivers (as depicted in Table 3.7).

**Table 3.7: Drivers for outsourcing**

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational</td>
<td>To achieve a greater focus on core business.</td>
</tr>
<tr>
<td>drivers</td>
<td>To increase flexibility to deal with ever changing business conditions.</td>
</tr>
<tr>
<td></td>
<td>To gain access to products, services and emerging technologies.</td>
</tr>
<tr>
<td></td>
<td>To assign operational issues to an outside expert.</td>
</tr>
<tr>
<td></td>
<td>To have greater thrust on market positioning and new product development.</td>
</tr>
<tr>
<td></td>
<td>To redirect resources from non-core activities to greater focus in serving the customer.</td>
</tr>
<tr>
<td>Improvement</td>
<td>To improve operating performance, quality, timeliness, and productivity.</td>
</tr>
<tr>
<td>drivers</td>
<td>To obtain expertise, skills, and innovative ideas.</td>
</tr>
<tr>
<td></td>
<td>To obtain technologies which otherwise will not be Available.</td>
</tr>
<tr>
<td></td>
<td>To improve management and control of operational Process including risk management.</td>
</tr>
<tr>
<td></td>
<td>To improve credibility and image by associating with Superior providers.</td>
</tr>
<tr>
<td></td>
<td>To eliminate the fixed cost of internal staff by moving the function to a supplier.</td>
</tr>
<tr>
<td>Financial</td>
<td>To reduce investment in assets.</td>
</tr>
<tr>
<td>and Cost</td>
<td>To reduce the invested capital funds in non-core</td>
</tr>
<tr>
<td>drivers</td>
<td></td>
</tr>
</tbody>
</table>
Business functions.
To expanding its operations into a new geographical Region.
To reduce or control operating costs.
To access an outside provider’s lower cost structure.
To achieve cost reduction with enhanced performance.
To handle varying demand more efficiently because of Economies of scale.

| Revenue drivers | To achieve aggressive growth objectives by gaining Increased market access. 
To leverage on the service provider’s best process, Capacity and systems. 
To expand capacity to design, test and build new Products and service. 
To stretch its limit in handling the increased volume of Business. 
To manage demand efficiently through outsider’s Automation, process maturity and the latest technology. 
To focus on enablers of business growth and strategies to fulfill them |

Source: Ghodeswar and Vaidyanathan (2008)

3.3.12 Benefits of Outsourcing –
Shreveport’s survey of the outsourcing practice of large organizations outlined in detail in the appendix found that the main benefits derived from outsourcings are:

- Reduction in the cost of obtaining the service
- Reduction in the headcount of the organization
- Flexibility in terms of service deliver
- Access to expertise
- Improved service
- Extra management time
- Focus on core service
• Improved quality
• Less need for capital investment
• Cash inflow

This was just a brief discussion about the advantages of the outsourcing. Now we discuss in detail the benefits of outsourcing which is Evidence of the advantages of strategic outsourcing in literature (Fan, 2000; Quinn and Hilmar 1994, Nelson 2003). The dominant Management belief expressed in every article is that outsourcing can bring about economics gains. Interestingly, Managers claim that they outsource for strategic benefits rather than financial gains.

Cost Saving -

The primary reason most companies choose to outsource is due to the huge cost benefits that can be realized using this strategy. The cost savings are due to many reasons.

Reduced labor Costs-

Most companies base their outsourcing decisions on the huge labor cost savings that can be realized by shifting core business processes to highly capable overseas providers whose labor rates are dramatically lower than those available in the company how country.

Reduced Processing Costs–

Since Outsource vendors process large amounts of transactions for a number of clients, the consolidation of the functions lead to the vendor performing them more effectively and efficiently. The economies of scale that are achieved due to this translate into costs savings for the outsource vendor. These savings are passed back to the clients who benefit from reduced processing costs. (Drucker, 1954)

Reduced Staffing Costs -

Staffing costs are reduced because companies do not have to employ specialist in a particular process. While the permanent employees can perform various internal functions, Outsourcing can be used to have experienced people provide specialized services without the need to employ them. Companies save expenses on recruiting, training and upgrading in house staff.
Reduced infrastructural Costs –

Cost advantages of the firm are mainly due to reduced investment in plant and equipment, which leads to lower fixed costs and lower breakeven point ultimately translating into an improvement into the firm’s financial performance. Through Outsourcing the company can make continuous improvements without an excessive capital investment (Nelson 2003)

Access to New Technologies -

It is unrealistic for corporations to change existing systems to meet the needs of rapidly changing technologies and environments. Outsourcing is advantages in this context because companies do not have to invest in technological costs as innovations arise companies can instead use outsource vendors who already have systems in place which are designed to suit the job. Vendors also regularly update their systems to keep pace with technological advances. (Nelson 2003)

Re-engineering and facilitating change –

Re – engineering means taking a fresh look at an entire process and discovering how it can be reconceiced and rebuilt as something that works better. When a company re-engineers a process, it is likely to see which processes can be done more efficiently and for better quality by an outside provider. Outsourcing thus helps vital processes that work best which in turn helps companies overcome competitive pressures.

Improving Quality, Service and delivery –

Quality improvements are realized by organizations because they often choose suppliers whose products or services are considered to be among the best in the world. Apart from quality improvements within the organization, outsourcing tends to promote competition among outside suppliers, thereby ensuring availability of higher quality goods and services in the future.

Maximization of Efficiency –

The highly competitive business scenario demands efficiency and excellence form companies. If companies chose what to outsource carefully, they can achieve
efficiency while still maintaining control of processes that are core. Companies also obtain optimal talent, can replace services that are not doing well, and respond quickly to technological changes. Providing efficiency overall, outsourcing provides leverage and scale that would be impossible for the organization to achieve on its own (Nelson, 2003)

**Market entry** -

Organizations can use outsourcing as a strategy for market entry in a number of ways. Firstly, organizations can use surveys performed by vendors to test particular market by showing the consumer characteristics and preferences for the target market before venturing completely into the market or making huge initial investments. In addition, organizations can from collaborative alliances with vendors to develop products which are less costly and bear less risk since the initial investment is minimal.

**Global Reach** –

Off-shoring has added advantages of helping a company be closer to its global customers, thereby providing appropriate offerings to its regional market and ensuring speedier problem resolution. Developers and support personnel in the relevant geographic have a better understanding of customers’ needs, regulatory compliances and regional preferences and can better implement the product or provide the service.

**Increased productivity and profitability** -

Benefits of outsourcing include increased productivity and improved schedule performance. When the airline company Delta decided to outsource certain customer services; it zeroed in on Wipro Spectra Mind, a leading Indian outsourcing firm.

The outsourcing of these processes to Wipro provided round the clock services to customers of Delta which ultimately improved the company’s productivity (www.wipro.com). Outsourcing increases profitability because it generates new revenue streams. This can be realized because the cost savings from outsourcing enables companies to create new service lines which may have been deferred due to the lack of investment.
Round the Clock Service –

In addition, off shoring alleviates problems created by time differences, enabling companies to support remote customers in 24*7 operations. For companies with constrained resources off shoring also offers better utilization of capital investments through remote usage in multiple time zones.

Focus on Core Competencies -

Another important benefit of outsourcing is that organizations with outsource can increase focus on its core competencies, outsourcing non-core activities, where the firm has neither a strategic need not special capabilities, allows the firm to increase managerial attention and resource allocation to core activities through which the firm can achieve definable preeminence by providing unique value for customers. Focusing on core competencies benefits the organization because well – developed competencies provide formidable barriers against present and future competitors that seek to expand into the company areas of interest, thus reinforcing the company’s position of dominance in the market.

Flexibility –

In the rapidly evolving business landscape faced by companies today, being dynamic is of utmost importance to respond quickly to change. Outsourcing enables companies to ramp up or down resources depending on the need. Corporations can develop flexible outsourcing partnerships to meet their unique needs and culture, Flexibility also implies being also to switch suppliers when market conditions demand.

Customer Satisfaction –

When a firm outsource it can be more responsive to customer needs. Some organizations also hand over the task of customer interaction to vendors and have seen customer satisfaction rate increase.

We also discovered what we call leveraged benefits those accompanying the implementation of outsourcing that were not necessarily expected. These include.

• Acting as catalyst for change by highlighting the need for improvement elsewhere in the organization
• Challenging, aiding and supporting other business initiatives such as IT
implementations, process modeling and business process reengineering.

- Initiating or fueling cultural change by educating people about creative service delivery options.
- Stimulating critical business analysis because of the requirement to document business processes and their costs.
- Focusing on the costs of services when alternative sourcing becomes a reality.
- Where it is working well, providing a strong case for the introduction of outsourcing to other areas of business.
- Invigorating businesses by converting sometimes sluggish functional areas into dynamic, successful ones and there by stimulating internal competition and pride.

3.3.13 Disadvantages –

Outsourcing doesn’t always bring the anticipated benefits, however. A major international study by business researches form Oxford University’s institutes of information management and the University of Missouri Followed the track record of 29 of the biggest outsourcing deals over the past eight years. The researchers concluded that more than 35 percent of the deals had failed.

Some authors argue that reliance on outside suppliers is likely to lead to a loss of overall market performance since outsource providers tend to slack in their innovative capabilities in the long period. This adversely affects research and development competitiveness. As a result, firms are likely to fall behind new technological break thoughts that offer opportunities for product and process innovations.

Since outsourcing implies the transferring of non core activities, it also requires a shift in overhead allocation to those products or activities that remain in house. It is argued that this reallocation degrades the financial performance of the products or activities that remain in house. Therefore making them potential targets to subsequent outsourcing. Thus those remaining products or activities that were performing satisfactorily before the onset of outsourcing may erroneously be targets for future outsourcing, creating a a spiral of activities that are outsourced.

In addition a suppliers need to maximize profits can conflict with a customers
need for good service, low costs and the ability to change course. There is also a risk that suppliers may misuse the information and knowledge of a product gained during outsourcing, and they may use that knowledge to begin marketing the product on their own.

According to the outsourcing Institute, ten factors need to be present for outsourcing to be successful:

- Understanding company goals and objectives
- A Strategic vision and Plan
- Selecting the right vendor
- Ongoing management of the relationships
- A property structured contract
- Open communications with affected individuals / groups
- Senior executive support and involvement
- Near term financial justification
- Use of Outside expertise

### 3.3.14 Master Chart of Position

Outsourcing accounting work needs various types of skills, knowledge, education and experience is required. Employees are working at various levels and position. Each level and position has different responsibilities. Table 3.8 shows the position, levels, responsibility, working area and experience required for outsourcing accounting work –

**Table 3.8: Master Chart Position**

<table>
<thead>
<tr>
<th>ID</th>
<th>Position</th>
<th>Level</th>
<th>Responsibilities</th>
<th>Position Area</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assistant Accountant (Junior Accountant/Clerk, Accounting Clerk)</td>
<td>Processor</td>
<td>Verifies and posts transactions to journals, ledgers and other records. Prepares statements, invoices and vouchers may</td>
<td>Accounting</td>
<td>A minimum of one to two years of experience are required.</td>
</tr>
<tr>
<td></td>
<td>Accounts Payable Clerk (AP)</td>
<td>Processor</td>
<td>Accounts Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------</td>
<td>-----------</td>
<td>-----------------</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Review invoices for accuracy. Sorts documents by account name or number, and processes invoices for payment. May perform other clerical duties associated with accounts payable. May post transactions to journals, ledgers and other records.</td>
<td>At least one to two years of experience are required.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Accounts Receivable Clerk (AR)</td>
<td>Processor</td>
<td>Accounts Receivable</td>
<td>One to two years of experience are required.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Accounts Payable Supervisor (AP)</td>
<td>Supervisor</td>
<td>Oversees accounts payable recordkeeping. Supervises the recording of amounts due, verification of invoices and calculation of discounts. Ensures expenses coding, voucher preparation and issuance are accomplished accurately and on time. Produces various reports for management including an accounts payable register.</td>
<td>Accountants Payable</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------</td>
<td>------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>-------------------</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Accounts Receivable Supervisor (AP)</td>
<td>Supervisor</td>
<td>Oversees accounts receivable record</td>
<td>Accounts Receivable</td>
<td></td>
</tr>
</tbody>
</table>

Typically, two to four years of experience are required.
keeping. Ensures cash receipts, claims or unpaid invoices are properly accounted for. Calculates and enters charges for interest, refunds or related items. Produces account statements or other related reports.

<table>
<thead>
<tr>
<th>Staff Accountant</th>
<th>Junior Accountant</th>
<th>Full Charge GL Bookkeeper</th>
<th>Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 staff</td>
<td></td>
<td></td>
<td>A minimum of one to two years of experience are required.</td>
</tr>
</tbody>
</table>

Prepares month-end general ledger close journal entries supporting reconciliations. Performs monthly financial statements corporate reporting. Drafts internal financial reports and supporting analytics for division senior management. Supports special projects and
<table>
<thead>
<tr>
<th>7</th>
<th>Senior Accountant, General Accountant</th>
<th>Supervisor</th>
<th>Accounting</th>
<th>Five to eight years of experience are required.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Manages accounting functions. Prepares reports and statistical data detailing financial results. Establishes and maintains accounting practices to ensure data necessary for business operations is accurate and reliable. May specialize in one or more functional accounting areas, such as accounts receivable, accounts payable, payroll or budget. Supervises professional and/or clerical accounting employees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Credit &amp; Collections (Credit/Collections)</td>
<td>Processor</td>
<td>Ensures the settlement of outstanding accounts according to contact terms. Contacts customers by telephone and/or letter. Reviews customers’ credit limits and accounts, sends monthly statements, issues escalation or final notice letters, and refers unpaid accounts for debt collection or legal action.</td>
<td>Credit</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>9</td>
<td>Credit Manager (Credit Manager/Supervisor; Credit &amp; Collections Manager)</td>
<td>Manager</td>
<td>Determines credit worthiness of clients and formulates credit and collection policies. May supervise the work of one or more of the following functions: credit</td>
<td>Credit</td>
</tr>
<tr>
<td>10</td>
<td>Payroll Accountant (Payroll Administrator/Payroll clerk; payroll coordinator)</td>
<td>Processor</td>
<td>Computes and disburses wages and salaries, deductions, taxes and other withholding. Posts payroll data and prepares routine reports and/or payments to govt. agencies, insurance companies and other organizations. Calculates and process special check, reviews and edits, and makes necessary corrections and adjustments.</td>
<td>Payroll</td>
</tr>
<tr>
<td>11</td>
<td>Payroll Manager</td>
<td>Manager</td>
<td>Manages the preparation, distribution and reporting processes for</td>
<td>Payroll</td>
</tr>
<tr>
<td>Time</td>
<td>Position</td>
<td>Supervisor</td>
<td>Task Description</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------------------</td>
<td>------------</td>
<td>----------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Payroll Supervisor</td>
<td>Supervisor</td>
<td>Supervises computation, documentation and processing of payroll wages and deductions for employees. Coordinates the preparation and maintenance of disbursements, reports and statistics for government agencies and payroll. Oversees the calculation of wages, overtime and deductions to ensure compliance with applicable regulations. Ensures that payments and government reports are disbursed accurately and on time. Establishes policies and procedures for payroll.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Payroll One year of relevant experience, or five years of experience are required.</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Financial Analyst, Accounting Manager (Costing or Financial)</td>
<td>Plans and conducts comprehensive studies to improve the operational and financial effectiveness of the unit. Performs statistical, cost and financial analysis of financial reports and data, and prepares subsequent narrative analysis for management. Plans and conducts in-depth studies to determine cost of business activates. Recommends budget adjustments and other cost improvement measures.</td>
<td>Finance</td>
<td>A minimum of two to four years of experience are required.</td>
</tr>
</tbody>
</table>
Analyzes financial data and extract and clarifies relevant information. Interprets data to determine past financial performance and/or programs. Develops financial reports to determine forecasts, trends and results analysis. Records, classifies and summaries financial transactions and events in accordance with generally accepted accounting principles. Interprets financial transactions and events for economic or business decision
<table>
<thead>
<tr>
<th></th>
<th>Position</th>
<th>Title</th>
<th>Responsibilities</th>
<th>Education/Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Internal Auditor</td>
<td>Staff</td>
<td>Conducts audits to verify accuracy of records and compliance with standards, policies and procedures. Compiles audit reports.</td>
<td>Two to four years of experience is desired.</td>
</tr>
<tr>
<td>No.</td>
<td>Role</td>
<td>Responsibilities</td>
<td>Experience Required</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>------------------------------</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Senior Internal Auditor</td>
<td>Conducts in-depth audit projects. Reviews records for accuracy and compliance to standards. Inspects financial or operational information to ensure procedures are correct. Compiles audit findings and recommends revisions to systems and procedures.</td>
<td>Four to six years of experience are required.</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Internal Audit Manager</td>
<td>Manages the review and verification of records to ensure their compliance with standards, policies and procedures. Develops audit procedures and</td>
<td>Five to eight years of experience are required.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>Treasurer (treasury Analyst; Assistant Treasurer/ AssistantController)</td>
<td>Staff</td>
<td>Optimizes working capital and forecasts daily cash. Develops and maintains working relationships with banks. Reduces bank charges, and ensures that foreign exchange and interest rate risk is managed efficiently and appropriately by employing proper treasury products. Prepares annual, monthly, weekly and daily cash forecasting.</td>
</tr>
<tr>
<td>---</td>
<td>----</td>
<td>---------------------------------------------------------------</td>
<td>------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>Tax manager</td>
<td>Manager</td>
<td>Establishes and executes campaigns to reduce an organization’s tax debt. Adheres</td>
</tr>
<tr>
<td>20</td>
<td>Finance Manager (Director of Accounting; Vice President of Finance)</td>
<td>Director</td>
<td>Responsibilities include directing and overseeing all or one of the following accounting functions: general accounting, payroll, and cost accounting. Directs an organization’s financial policies with comprehensive knowledge of generally accepted accounting.</td>
<td>Finance</td>
</tr>
</tbody>
</table>
principles. Oversees all financial functions including accounting, budget, credit insurance, tax, and treasury. Typically represents and 2nd most senior finance executive.

| 21 | Finance Director (Chief Financial Officer(CFO)) | Executive | Manages the overall financial plans and accounting practices of an organization. Oversees treasury, accounting, budget, tax and audit activities for an organization and its subsidiaries. Supervises financial and accounting system controls and standards. | Finance | 10 years experience |
| 22 | Assistant Accountant (Junior Accountant/Clerk; Accounting Clerk; payroll Clerk) | Processor | Verifies and posts transactions to journals, ledgers and other records prepares statements, invoices and vouchers. May handle balancing and reconciliations. May specialize in one area of the accounting function. | Payroll | A minimum of one to two years of experience are required. |

(Source: - Auxis 2010)

### 3.3.15 Outsourcing Partner –

To choose a right outsourcing partner, companies need to set the following requirements –

1) Whether the provider could provide continuous good service and economic benefits and if the possibility of success is high.

2) Whether the provider’s service is flexible enough to meet the requirement of changing management changes as result of government and environment changes.

3) Whether the provider’s cultural is matched with the company’s. It is important to measure the partner’s working style and personalities to see if they are compatible
with the companies. Whether the price of the provider is reasonable to guarantee the basic benefit the outsourcing.

4) Whether the provider is capable of providing efficient and professional services. It is important to measure to the partners’ IT hardware and application support level.

3.3.16 India Select as Outsourcing Partner -

Most of the countries choose India as Outsourcing Partner. Here are the top six reasons to outsource the services to India –

Table 3.9: Key benefits of India select as Outsourcing Partner

<table>
<thead>
<tr>
<th>Key Benefits</th>
<th>Off-shore to India</th>
<th>In-House Bookkeeper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Full Time</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Overnight Delivery</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Off-load Non-Core Function</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>High Quality Bookkeeping</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Reduced Operating Cost</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Reduced Cost</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

1) **Available Full Time**

Companies that have an in-house bookkeeper find that problems may occur when the employee works part time, calls in sick, or even leaves the company on short notice. Outsourcing with us, you get full-time, reliable, professional online.

2) **Overnight Updates**

Continuous work cycle: information scanned/faxed one day is processed overnight. See for more information on how the process works.

3) **Off Load Non-Core Function**

Accounting is one of the easiest business functions for a company to outsource. The efficiency of outsourced accounting services means that companies no longer need back-office accountants working at their location. This frees up space in your office so that a cost center (accounting) turns into a profit center (another sales person, estimator, attorney etc.)
4) **High Quality Bookkeeping**

Our clients are handled by a team of accounting professionals that have a level of expertise not normally found in small businesses. Our teams comprise of an Indian CPA Manager, Accounting or Bookkeeping Specialist and a Customer Support Contact who are trained and experienced at providing Managed accounting services. Your team is only a phone call, instant message, or e-mail away to provide prompt and accurate service.

5) **Reduced Operating Cost**

Managed accounting with us is cost efficient. You get a dedicated team for similar or less than what it would normally cost to hire one in-house employee.

6) **Reduced Overhead**

Not only do you save on salary but also you have no overhead, management, hiring or training cost when using an outsourced service. The overall savings can be **up to 50%**. Hidden costs of hiring an employee begins with paying for a classified ad, or even paying an agency to find someone. Next come the additional payroll taxes, an office space and computer and sometimes, benefits. All of these costs are not applicable when you use our services.

**Cost Saving Comparison: Accounting Process:-**

**Table 3.10:** Cost saving comparison between US and Offshore Cost

<table>
<thead>
<tr>
<th>Bookkeeper/Jr. Accountant</th>
<th>US Employee</th>
<th>Offshore Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Salary</td>
<td>34,000</td>
<td>16,800</td>
</tr>
<tr>
<td>Payroll Taxes (8%)</td>
<td>2,720</td>
<td></td>
</tr>
<tr>
<td>Overhead Costs (10%)</td>
<td>3,400</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>40,120</strong></td>
<td><strong>16,800</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bookkeeper/Sr. Accountant</th>
<th>US Employee</th>
<th>Offshore Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Salary</td>
<td>52,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Payroll Taxes (8%)</td>
<td>4,1600</td>
<td></td>
</tr>
<tr>
<td>Overhead Costs (10%)</td>
<td>5,200</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>61,360</strong></td>
<td><strong>25,000</strong></td>
</tr>
</tbody>
</table>

Notes 1) employee benefit costs in US not included in the comparison.
2) Overhead cost includes cost of leasing computer hardware and maintenance related, software like accounting package licenses, training, floor space, and electricity among others.

3) Offshore cost is any estimates; includes wages, infrastructure, training and technology cost.

4) US Salary figures are average figures for New York.


3.3.17 SWOT analysis Outsourcing Accounting -

Strengths
1. The quality of the accommodation and facilities applied to the storage and Maintenance of the organisation’s inactive records will, in many cases, immediately improve.

2. Future costs will increase or reduce incrementally in line with volume and activity, avoiding the step increase in costs of in-house expansion or development development, or the penalties of providing too much space.

3. The selected service provider will meet all immediate and future capital expenditure.

4. The organisation will dispose of an essentially non-core activity, allowing it to focus more fully on its core activities.

5. The service will be provided by a business for which records storage and retrieval is a core activity

6. There will be a direct reduction in the organisation’s head count, although staff will be needed to manage the contract.

7. Existing storage facilities can be disposed of or re-allocated to other uses.

8. Service management issues will be easier to deal with because a normal commercial contract management relationship will be established.

9. Working with an external service provider makes imposing effective internal disciplines on the records storage and retrieval process essential. End users usually respond positively to this, whereas some see purely internal controls as unnecessary and bureaucratic.

10. Records storage/facilities development will be removed from the internal
political and cultural environment and will not be subject to the same competition for capital and other resources.

**Weaknesses**

1. The US commercial records storage market is of variable quality.
2. The organisation will lose direct control over its records and associated information.
3. The organisation will still need to employ staff to manage the contract and take steps to provide the professional records management expertise which UK commercial storage companies may not be able to provide.
4. End users will need to accept changes in the procedures for storing and retrieving records, and this may involve training with its associated costs.
5. The service provider will need time to develop familiarity with the organisation and its activities and business. The residual expertise and knowledge of the existing records staff will be lost.

**Opportunities**

1. Records storage and retrieval services will be placed on a ‘revenue only’ basis which will increase awareness of real costs by making them more transparent. Many of the costs of in-house operations are hidden.
2. The right service provider may deliver additional expertise and experience, along with improved systems, at no extra cost.
3. The service provider should be able to respond more rapidly to changes in service needs and to cope more effectively with peaks in demand.
4. The organisation will be able to specify, and obtain, higher levels of service from a service provider without the need for additional capital investment.
5. The organisation will benefit from research and development carried out by the service provider in support of his own core business.
6. The service provider can be expected to apply new technology and systems to the organisation’s business, as they become available, at no extra cost.
7. The organisation’s professional archives/records management staff, where they exist, will be able to concentrate on the value-added aspects of records and information management, with the support of the service provider.
Threats

1. The service provider may fail to meet agreed service levels. This could affect end-user confidence and the organisation’s ability to do business.

2. The service provider may not maintain the initial quality of facilities and equipment post-contract, and may cease to employ suitably trained and vetted staff.

3. The organisation may lose vital records and critical information, have its confidentiality compromised and its reputation put at risk by the service provider’s actions.

4. The service provider may not be fully committed to maintaining the organization’s reputation.

5. The service provider may focus on what is good for his business at the expense of the organisation’s needs, if these are ever in conflict.

6. Low pricing in the initial contract might be followed by sharp increases on contract renewal when the organisation is ‘locked in’.

7. The service provider may subsequently try to impose a ‘one size fits all’ standard offering in place of the original customer-determined service because it may be impossible to achieve the levels of service demanded by an individual customer at, what the provider sees as, a realistic cost.

8. The service provider’s unit costs may rise over time and it may be difficult to control the process sufficiently to keep total costs down. (e.g. ensuring prompt disposal of time expired records).

9. The organisation may incur substantial exit costs from its existing storage facilities (e.g. lease penalties on rented equipment, scrapped equipment, continuing rate and utility obligations prior to disposal, legal fees).

10. There may be redundancy/early retirement/transfer of undertakings costs for staff affected by the change.

11. The organisation may find it difficult to exit from the arrangement, even at the end of the contract, without incurring unacceptably high costs.

(Source:- Association of London Government Attachment 2 Joint Records Storage Project 2001)
3.4 Outsourcing Accounting and India -
3.4.1 Services to be outsourced by Indian Services Providers -

Accounts Payable Services -

Accounts payable is the amount of money that a company owes to its vendors for goods and services purchased on credit. It is a current liability of a company and has to be fulfilled within a year.

Accounts payable result in negative cash flow of a company at the time they are paid off. Every company keeps a track of its accounts payable and also the time period when it is to be paid.

Accounts payable reconciliation & management can be a time consuming process and can take a long time to resolve discrepancies. Large organizations therefore use accounting software’s or take the help of professional accounting firms for managing its accounts payable. A close check should also be made on fraudulent invoices, to prevent embezzlement.

Accounts Payable Auditing:-
Professional auditors insist their clients to provide approved invoices, supporting documents and expense reports at the time of making payments through checks and other methods. This helps to keep a track of all the documentation related to purchase and also keep a check on the genuineness of invoice. Inflated or duplicate invoices get eliminated at this stage.

Advantages of Accounts Payable Outsourcing:-
Outsourcing the accounts payable process can help the organization by:

- Providing a method of internal control
- Providing expense administration
- Providing monthly reconciliation of accounts payable
- Saving time and man hours
- Preventing fraudulent invoices
- Preventing overpayment and duplicate invoices
Financial Analysis

Financial analysis means assessing the viability, stability and profitability of a business, or a project. It also includes techniques used for determining the needs of a business.

Techniques used for Financial Analysis -

Ratio Analysis: Can be defined as a quantitative investment technique used for comparing a company’s performance to the market in general. Change in different ratios helps to study the financial condition and performance of the company. These ratios can be derived from items in the financial statements or from other non-financial data & information.

ROI or Return on Investment: Can be defined as the ratio of money earned or lost on an investment in relation to the amount invested. The money invested can be an asset, capital, etc. Also known as rate of return or rate of profit, it is expressed as a percentage of return on current or past investment.

Break Even Analysis: Can be defined as analyzing the breakeven point, where the total revenue equals total costs for a particular product. It helps to determine the profitability of a particular product / service. The analysis also indicates the time period when the total cost incurred for manufacturing a product will be equal to the revenue earned. It is a point after which a firm will start earning profits.

Profitability Analysis: Can be defined as profit making capacity of a business. It is the measure of depicting how profitable a business is. The analysis helps a company to know how much profit it can earn in a given period of time. The analysis is done by professionals who prepare financial reports of a company, using the above techniques. The information for complete financial analysis of a company is taken from its balance sheet, and profit & loss statement.

Advantage
There are a number of advantages that a company gets from financial analysis. They are:
- Helps in taking informed business decisions
- Helps to change the strategies and functioning of a business
- Helps to monitor and forecast performance of the company
- Helps to measure profitability and assess competitiveness
- Helps to analyze restructuring opportunities

Financial Reporting

Financial reporting is done by every business and organization to assess its financial performance. It is an indicator of how well or poor a company has performed in a particular financial year.

Financial reporting involves preparation of financial reports or financial statements and then studying the overall performance of a company. These financial statements give a summary of a firm's long and short term profitability.

Financial reporting involves making the following financial statements/reports:

- **Balance Sheet**: This is one of the most important financial statement containing the assets, liabilities and net equity of a company at a given point of time.
- **Income Statement**: Also known as Profit or loss statement, this financial statement reports company's results of operations over a period of time.
- **Cash Flow Statement**: This statement reports company's cash flow activities, including its operating, investing and financing activities.

A company's financial reporting is done based on the above financial reports or statements. Since understanding & analyzing the information can be a tough job, companies these days are delegating the job of financial reporting to professional accountants. This helps the management get an accurate analysis of their financial standing and also helps them make strategies for future.

**Advantages of Outsourcing Financial Reporting**

- Accurate analysis
- Improved decision making
• Helps management make future strategies
• Less time consuming
• Requirement of less manpower
• Cost efficient

**General Ledgers**

A general ledger, also known as the nominal ledger, is one of the main accounting record of a business using double-entry bookkeeping system. The accounts book contains accounts for items including current assets, fixed assets, liabilities, revenue and expense items, gains and losses etc.

It is a summary of all of the transactions that take in the company. It is made by posting transactions recorded in the general journal.

A general ledger can be divided into certain categories in which all accounts are grouped. They are:

- Asset
- Liability
- Owner's equity
- Revenue
- Expense
- Gains
- Losses

It acts as a base for making important financial statements including income statement and balance sheet. It also helps to make a trial balance, which further ensures that total debit and credit amounts are equal.

A general ledger is further divided into sub-categories including:

- Cash
- Accounts receivable
- Accounts payable
Most companies worldwide are moving towards outsourcing their general ledger maintenance to professional firms. These firms have staff with professional training and comprehensive software for preparing detailed accounting reports and ledgers.

Accounting firms provide services starting at a point where the clients want them to. These firms also help by developing the accounting system further and making it more transparent and systematic.

**Budgeting**

Budgeting can be defined as the process of planning and anticipating costs and expenditure of various financial resources on projects. It is the process of making specific financial plans for a short period of time. It helps in predicting and controlling the money spent within the organization and also involves day to day monitoring of current budgets.

It involves making different budgets including:

- **Sales Budget**: The budget is made to forecast sales in terms of units sold and value of goods sold. This budget acts as a base for making production budget.
- **Production Budget**: The budget is made on the basis of sales budget and forecasts the number of units to be produced in coming months and how will production schedule be adjusted to meet the sales target.
- **Financial Budget**: The budget is made to forecast the cash and capital requirements for different projects and how those financial needs be met.

Today, companies are outsourcing the budgeting process to professional accounting firms for better planning & allocation of resources. It helps the company to utilize its current resources in the best possible manner.

**Advantages**

Budgeting provides the company the following advantages:

- Helps the management set out detailed plans for different departments
- Optimum resource allocation
- Helps the management set different budget targets
• Provides a yardstick against which the actual financial and non-financial performance can be measured
• Better management of scarce resources
• Better time management

**Payroll Accounting**

A company’s payroll is a series of accounting transactions that includes financial records of salaries, wages, commissions, bonus, overtime pay, pay for holidays, vacations and sickness, payment for piece work, value of meals and lodging and other substitutes for money etc. It includes disbursements of funds to management and employees for a particular time period.

Managing a company’s payroll can be a cumbersome and time consuming job because of different types of employees in an organization, eg: full-time, part-time, salaried exempt, salaried non-exempt, contractual labor etc.

Accounting consultancy and Chartered accountants make this task easier by providing professional services for making a company’s payroll. Leading companies these days, outsource their payroll to accounting professionals for better management. Companies keep a record of payroll that is based on objective criteria including time cards/ time sheets etc and accountants can perform related calculations and issue pay checks to employees. Companies just need to update changes in pay rates and deductions of individual employees.

**Advantages**

• Less paperwork
• Cost effective
• Time saving
• Higher accuracy
• Management can concentrate on other important issues
• Highly committed professionals
• No errors
**Ratio Analysis -**

Ratio Analysis can be defined as the study and interpretation of relationships between various financial variables, by investors or lenders. It is a quantitative investment technique used for comparing a company's financial performance to the market in general. A change in these ratios helps to bring about a change in the way a company works. It helps to identify areas where the management needs to change.

Types of Ratios Calculated - A number of ratios are calculated by companies for evaluating their short and long term performance and also to know liquidity and profitability. Some of the most commonly used ratios are:

Liquidity ratios: Can be defined as a ratio that indicates what proportion of a company's assets can be readily converted into cash in the short term. Some of the liquidity ratios are:

- Current ratio
- Quick ratio
- Defensive interval ratio
- Activity ratio
- Acid turnover
- Receivable turnover
- Inventory turnover

Profitability ratio: Can be defined as a ratio that explains the profitability of a company during a specific period of time. It explains how profitable a company is. These ratios can be compared during different financial years to see the overall performance of a company. Some of the profitability ratios calculated are:

- Return on assets
- Return on common stock equity
- Profit margin
- Leverage ratio
- Debt ratio
- Equity ratio
- Debt to equity ratio
- Times interest earned
- Degree of financial leverage
- Per share ratios
- Earnings per share
- Price earnings ratio
- Book value per share
- Yield on common stock
- Dividend payout ratio
Sales Tax

Sales tax is a tax imposed by the central / local government on retail goods and services at the point of sale. The tax is collected by retailers and passed on to the state. Sales tax is a percentage levied on the selling price of goods and services.

It is an 'ad valorem' tax, meaning that it is levied according to the monetary value of the taxable commodity. It accounts for 25 to 50% of the taxes collected by Government and can be easily collected.

Types of Sales Tax

- Central Sales Tax
- Local Sales Tax

Some consider sales tax to be of regressive nature, meaning that people with low income end up paying more sales tax as compared to people in higher income group.

Professional accounting firms help individuals, companies and other forms of businesses to fill and compute sales tax and also pay it to the local or central government. This further helps the company management concentrate on more important issues. Essential food items, prescriptive drugs are exempt from sales tax to cause less burden to the poor.

Advantage

Outsourcing sales tax computation has the following benefits:

- Faster computation of tax
- Error free computation
- Time saving
- Saving precious man hours

Records Management

"Records Management is a discipline which utilises an administrative system to direct and control the creation, version control, distribution, filing, retention, storage and disposal of records, in a way that is administratively and legally sound, whilst at the same time serving the operational needs of the business and preserving an adequate historical record."
Records management: Five key points

Good Records Management practice:

- **Helps you to do your job better**: it supports ease and efficiency of working because you can find the information you need, when you need it.
- **Protects you and the business**: it provides evidence of people's rights and entitlements, and shows what they did and why they did it.
- **Saves your time by ensuring you can find the information you need easily**.
- **Reduces costs, particularly space costs**, by ensuring you don't keep any more records than you have to, and that you know when you can delete or destroy them.
- **Gives you records you can rely on**, both by helping you to find the appropriate version and, by giving records a high value as evidence if they are needed in a court of law.

Why should we bother with records management?

There are many benefits to be gained from implementing records management. The business records management framework document identifies the main benefits that the business hopes to gain by introducing and improving records management practices. This page describes some of those benefits in greater detail.

Business Benefits - Records management is a key driver in increasing organisational efficiency and offers significant business benefits.

- Records management improves the use of staff time by reducing the time spent looking for information. The reduction is achieved because information can be retrieved quickly and reliably. A number of organisations have tried to calculate how much staff time is spent retrieving information. One estimate from a consultancy firm is that 10% of administrative staff time is spent retrieving information of one sort or another.
- Records management facilitates the sharing of information. This enables staff to access the "collective memory" which provides precedents for actions and
should prevent the need to spend time and resources "re-inventing the wheel". Better access to information also improves decision-making.

- Records management reduces the unnecessary duplication of information. By reducing the amount of unnecessary information held it is easier for individuals to concentrate on managing the necessary information for which they are responsible.

- Records management identifies how long records need to be kept before they can be destroyed, and by doing so it reduces the costs associated with retaining unnecessary information, such as storage costs, server costs and costs associated with servicing information.

- Records management optimises the legal admissibility of our records and by doing so will protect individuals and the business from malicious litigation, as society becomes increasingly litigious. Legal admissibility is optimised when we can demonstrate the authenticity of our records. As electronic records are increasingly becoming the "golden copy", and as records in this format present special challenges it is important that proper consideration is given to the legal admissibility of our records.

- Records management identifies how long records are needed and by doing so identifies those records that are needed in the medium and long term. When those records are held in electronic format it is crucial that they are identified as soon as possible to protect them from loss. Electronic records are increasingly difficult to access over time because of hardware obsolescence, software updates and storage media failure. Records management identifies those records that need to be protected for future use and implements appropriate protection methods.

- Records management supports risk management and business continuity planning. Records management identifies which records are vital to the running of the business and supports the business continuity or disaster plan. A disaster plan helps not only to reduce the risks of a disaster occurring but also ensures the ongoing operation of the business continues if a disaster does occur. 10 years ago, when the following statistics were compiled, 40% of organizations which suffered a disaster went out of business within a year; 43% never re-opened and 29% ceased trading within 2 years; 93% of firms
that had a major data processing disaster were out of business within 5 years. These statistics demonstrate how important records are to business continuity and why it is crucial to identify which records need priority measures taken to protect and recover them.

In short, records management improves control over our information assets, which has benefits in freeing up staff time and other resources, and will help protect individuals and the business from various risks. Records management means that we don't have to "muddle through" hoping that all will be well, for example by placing too much reliance on the memories of a few individuals.

**Accounting System Design**

In the new business environment dictated by technology, we encourage clients to have an automated accounting system that provides management with financial information necessary to make informed decisions. System Design and Implementation services consist of identifying software, performing a needs assessment of the internal control environment, documenting the internal control environment, designing an accounting system based on the internal control environment and management's philosophy, implementing the system, training personnel identified by the client and documenting the entire process in an accounting manual.

This process is geared towards the specific needs of each client. Our goal is to ensure that the accounting system meets the needs of the company and can be used for an extended time period. "We refuse to take a cookie cutter approach to designing accounting systems and insist that clients actively participate in this process.

**Installation and Implementation**

**Starting a new company? Overhauling an existing company?**

Let us design your accounting system for you. It will save your time, effort, and a good deal of frustration. And you will have an accounting system that works, and, more importantly, works the way you need it to work.

Once your system is designed, it needs to be installed on your computers, using the appropriate software. We have a great deal of experience with various accounting packages and can recommend and install the software that best suits your needs.
Furthermore, accounting systems need to grow and change as your company grows and changes. Even if your software is state-of-the-art, the accounting system your company is using may not have kept pace with your company's growth. Accounting needs change, and accounting systems must change accordingly.

**Accounting System Implementation can mean two things:**

- If you have an in-house bookkeeper, we will teach that person to use the software, as well as how best to use the accounting system that has been designed with your company's specific needs in mind.
- If that isn't the case, or if for whatever reason you choose not to have the work done in-house, we offer a complete range of bookkeeping services.

**General Accounting Service**

General accounting includes bookkeeping methods used for recording of financial transactions of a business or a company. Companies use the double entry bookkeeping system for recording all financial transactions.

It includes maintaining and keeping a record of various accounting day books including:

- Purchase book
- Sales book
- Cash book
- General ledger
- Supplier's ledger
- Customer ledger

A bookkeeper writes up and maintains various "Daybooks". He is responsible for making sure that correct transactions are recorded in the correct daybook. A trial balance is finally made with the help of these accounting books and ledgers.

**Why is it required?**

General accounting or bookkeeping is an important part of any business. It helps to compile all the accounting data and information on a daily basis. This information is
General Accounting Service

General accounting includes bookkeeping methods used for recording of financial transactions of a business or a company. Companies use the double entry bookkeeping system for recording all financial transactions.

It includes maintaining and keeping a record of various accounting day books including:

- Purchase book
- Sales book
- Cash book
- General ledger
- Supplier's ledger
- Customer ledger

A bookkeeper writes up and maintains various "Daybooks". He is responsible for making sure that correct transactions are recorded in the correct daybook. A trial balance is finally made with the help of these accounting books and ledgers.

Why is it required?

General accounting or bookkeeping is an important part of any business. It helps to compile all the accounting data and information on a daily basis. This information is later used to make various financial statements. It is the beginning of the financial data gathering.

Accounts Receivable Services

Accounts receivable is the amount of money owed to an individual, company, organization for the goods / services provided to them. It is a current asset of a company and represents the amount that customers owe to a business. Accounts receivable are payable by the customers within a year from the date of sale of goods / services.
Accounts receivable service is a vast area and includes:

- Accounts receivable recognition
- Accounts receivable valuation
- Accounts receivable disposal

These processes can be cumbersome and time consuming therefore, large organizations either use accounting software’s or outsource the process to professional accounting firms. This helps to manage it in a better way.

Organizations realize that not all debts will be collected and recovered, so they make an allowance for bad debts, that are in turn subtracted from the total accounts receivable. Accounting firms collect debts on behalf of their clients through settlement offers, payment plan negotiation and sometimes legal action.

**Advantages Accounts Receivable Outsourcing**

Outsourcing the accounts receivable provides the following advantages:

- Ensuring internal control
- Effective expense administration
- Timely reconciliation of accounts receivable
- Saving time and man hours
- Preventing fraudulent invoices

**Asset Accounting Management**

Accounting Management means different things to different people. For some, it’s just an inventory on an Excel spreadsheet. And for the enlightened, it’s an all out monitoring and management process using comprehensive asset accounting management policies and sophisticated AM tools. While inventories are necessary, doing this alone is not the solution.

Considering these factors, Asset management can be viewed as a set of well-defined practices and processes governing the acquisition, maintenance, and implementation of IT services.
In reality, AM has gone beyond an 'inventory' or 'financial' type of definition. Although these aspects are crucial, a fresh approach includes factors like asset lifecycles, asset utilization monitoring and optimization. The focus is more on the 'usefulness' side of assets than just 'stocktaking'.

All assets have their own lifecycles involving managing assets. Many other aspects are to be kept in mind like physical security and purposes served to the end user.

**Benefits of Asset Accounting Management**

The benefits associated with AM are direct and indirect. The biggest advantage is that it helps an enterprise keep track and utilize all its assets optimally. This is of great benefit in tracking TCO (Total Cost of Ownership/Operation) and ROI (Return On Investment).

It becomes easier to keep track of the capital expenditure and arrive at the ROI which the asset has given over a period of time with the help of proper asset management.

Asset Management helps to overhaul an enterprise's infrastructure for better results. One of the basic or rather the biggest advantage of using AM in an enterprise is that it is possible to fine tune and use the existing resources in an intelligent manner.

It can be clearly seen that knowing the exact number of computers that are actually being used from the entire inventory helps when doing the next procurement. This also provides direct financial benefits by avoiding loss. "If you do not know the exact number of the equipment that you have, there is a financial loss associated with it."

The importance of AM when negotiating with vendors is very critical. CTO/CIOs have to deal with vendors regarding AMCs and service contracts every year. Having an up-to-date inventory of the equipment coming under warranty is very handy during such negotiations—especially in organizations having distributed infrastructure.

This is true not just in the case of hardware but also for software. The box story, 'Managing software assets' details the issues related to software assets and how to manage them optimally.
Asset accounting management can also help the organization provide resources to users according to their requirement. For example, the requirement of data-entry personnel in the Logistics department will be different from that of the Accounts team.

**Bank Reconciliation Statement**

A bank reconciliation statement is a statement prepared by organizations to reconcile the balance of cash at bank in a company's own records with the bank statement on a particular date.

This statement is the most common tool used by organizations for reconciling the balance as per books of company with the bank statement and is made at the end of every month. The main objective of reconciliation is to ascertain if the discrepancy is due to error rather than timing.

The difference between the two records on a given date may arise because of the following:

- Cheques drawn but not yet presented to the bank.
- Cheques received but not yet deposited in the bank.
- Interest credited and not recorded in the organization's books.
- Bank charges debited but not recorded in the organization's books.

Bank Reconciliation Statement process is being outsourced to professional accounting firms by large organizations. This helps them have an accurate view and also ensure that the company's bookkeeping is good. Accounting firms make monthly reconciliation statements for clients and help them determine any discrepancy.

**Advantages**

- Faster processing
- Requirement of less manpower
- Easy identification of errors

**Tax Return Preparation**

A tax return is a filed form used for paying tax to the central or state government. The form is provided by the government (taxation authority) to citizens for filing in detail the:
- Income earned
- Expenses incurred
- Deductions & rebates

The form helps in computing the actual tax liability. It includes all the related paperwork that is required while making tax remittance to the government.

There are different tax return forms available for:

- Individuals
- Corporations
- Partnership firms
- Local authorities
- Co-operative

It is statutory liability that a tax return be duly filled and signed by the person concerned and in case of a company or partnership by authorized director or partner respectively.

- In case of an individual, it must be signed and verified by the person himself. If he is not able to sign due to illness, or any other reason, it must then be signed by any other person authorized to sign on his behalf.
- In case of a Hindu Undivided Family, (HUF), the return should be signed and verified by the karta and, in his absence by any other adult member of such family.
- In case of a partnership firm, the return should be signed and verified by its managing partner or an adult partner in his absence.

Accounting firms help individuals, corporations, partnerships firms and other organizations in filing accurate tax returns and on time. These professionals also help the companies prepare their tax returns. Since the document should contain detail on various Sources of Income, expenses incurred and other items, it is beneficial to outsource tax return preparation to them.
Cash Management Application

Overview

Cash Application is the single most important step in managing customer payment exceptions. Early detection, accurate identification, effective coding, dynamic dissemination to the appropriate owner and continuous tracking are key to increasing recovery rates and reducing time to resolution.

Cash Application accuracy and turnaround directly impact customer satisfaction, Days Sales Outstanding, collector productivity, and financial reporting integrity. The maturity of upstream processes (Customer Management, Contract Management, Order Management, Shipping and Distribution) dictates the magnitude of collection issues and deduction volumes. It is the efficiency of your Cash Application process that determines how quickly you resolve exceptions and the rate at which you convert invalid customer exceptions into cash.

Outsourcing Cash Application to professionals will improve cash flow by reducing the time and effort in processing cash and efficiently managing deductions. Integrated approach combines low-cost service centers with proven technology to enable higher auto cash rates and automation of the Deduction Management process.

The keys to success in Cash Management Application are:

- Technologies that drastically improve: auto-matching; issue detection; document imaging; indexing, distribution and tracking; and debit and credit memo workflow.
- Frequent and detailed reporting and analysis.
- Customer focus that allows performance based pricing.

Cash Disbursement

Cash disbursement can be defined as the payment of money or cash for different expenses or discharge of a debt etc. It can also be made through writing cheques. Cash disbursements can be made for the following:

- Loan payment
- Salary & wages payment
- Draw on a construction loan
- Advance on salary
- Discharge of a debt
- Payment of an invoice

It is important to keep a proper check while making cash disbursements and the objective of internal controls for cash disbursements is to ensure that:

- Cash is disbursed only upon proper authorization of management
- Cash is disbursed for valid business purposes
- Cash disbursements are properly recorded

Large and medium companies are outsourcing their cash disbursement process to accounting firms for timely, efficient and accurate disbursement of funds. This helps them concentrate on other vital areas and meet their current liabilities on due date. These accounting firms use technically sophisticated softwares to remove the possibility of any error and also to ensure timely payment.

**Cash Flow Statement**

A cash flow statement, also known as the statement of cash flow is a financial report depicting amount of incoming and outgoing money during a particular time period. The statement does not include non-cash items like depreciation, thus making it useful for determining the short-term ability of a company to meet its liabilities. It summarizes the company's cash receipts and cash disbursements over a period of time. It also lists cash to and cash from operating, investing, and financing activities, and also the net increase or decrease in cash for a particular period.

A cash flow statement collects, organizes and reports the cash generated and used in the following categories:

- **Operating activities:** Converts the items reported on the income statement from the accrual basis of accounting to cash.
- **Investing activities:** Reports the purchase & sale of long-term investments, property, plant and equipment.
- **Financing activities:** Reports the issuance and repurchase of the company's own bonds, stock and the payment of dividends.
• **Supplemental information:** Reports the exchange of significant items that did not involve cash and reports the amount of income taxes paid and interest paid

Most companies hire professionals or take the help of accountants for getting the cash flow statements made. This helps them have an accurate analysis of the firm's ability to meet its current liabilities.

**Advantages of a Cash Flow Statement**

- Helps the company to know whether it will be able to cover payroll and other immediate expenses
- Helps the lenders to know the company's ability to repay
- Helps the investors judge whether the company is financially sound
- Helps the newly formed companies to know their inflow and outflow of cash and thus prevent cash shortage

**Credit Collection Services**

Credit collection is a diverse and growing field that deals with accounts receivable management. With increasing complexity in businesses, managing and recovering debts has become a formidable task.

Most businesses face the same problem of debt collection and recovery, outsourcing credit and collection process to professional agencies is a better option. Most Indian and international companies are outsourcing their credit and collection process to professional companies for efficiently managing their accounts receivable. These companies have the necessary experience, knowledge and resources to quickly recover bad debts and also recover delinquent and slow accounts receivable.

**Advantages**

Outsourcing the credit and collection process has the following benefits:

- Better management of credit
- Less number of bad debts
- Quick recovery of debts
- Less burden on management for recovering debts
- Cost effective
Financial Accounting Service

Financial accounting, also known as financial accountancy is a type of accountancy dealing with the preparation and analysis of financial statements for major stakeholders of a company, including stockholders, suppliers, creditors, banks, government agencies, owners, etc.

Financial reports are made by qualified chartered accountants after carefully studying the financial statements of a company. These reports are made, based on Generally Accepted Accounting Principles of a respective country.

Why is it Required?

Financial accounting is important for reducing the principal-agent problem by measuring and analyzing the company's financial performance and reporting it to the interested parties.

This service is useful for preparing financial information for stakeholders / people who are not the part of the daily operation and management team. This branch of accountancy is governed by international and local accounting standards.

Process

It involves collecting, recording and extracting financial information of a company, summarizing it in the form of a profit and loss account, cash flow statement and a balance sheet. Stakeholders can know the financial standing or the soundness of a company merely by going through these financial statements.

The service also includes online consultancy for clients and implementation of proper accounting systems. (Source - Outsource2india.com)

3.4.2 Outsourcing Accounting Companies (Service Providers) in India

India is hub of outsourcing accounting. Indian outsourcing accounting practices provides the services to various countries. Number of outsourcing accounting services providers in India. they are spread all over the country. All
states of India provides the outsourcing accounting services. Following tables shows the state wise outsourcing accounting services provides in India –

**Table 3.11: State wise list of Indian Outsourcing Accounting Service Providers.**

<table>
<thead>
<tr>
<th>State</th>
<th>No. of Service Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>1</td>
</tr>
<tr>
<td>Bihar</td>
<td>1</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>1</td>
</tr>
<tr>
<td>Delhi</td>
<td>132</td>
</tr>
<tr>
<td>Gujarat</td>
<td>45</td>
</tr>
<tr>
<td>Haryana</td>
<td>39</td>
</tr>
<tr>
<td>Karnataka</td>
<td>66</td>
</tr>
<tr>
<td>Kerala</td>
<td>17</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>131</td>
</tr>
<tr>
<td>Mizoram</td>
<td>2</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>9</td>
</tr>
<tr>
<td>Nagaland</td>
<td>1</td>
</tr>
<tr>
<td>Odessa</td>
<td>2</td>
</tr>
<tr>
<td>Punjab</td>
<td>7</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>13</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>41</td>
</tr>
<tr>
<td>Telangana</td>
<td>45</td>
</tr>
<tr>
<td>UP</td>
<td>21</td>
</tr>
<tr>
<td>Uttarakhand</td>
<td>1</td>
</tr>
<tr>
<td>West Bengal</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>599</td>
</tr>
</tbody>
</table>

(Source – 123.outsourcing.com)
The total numbers of outsourcing accounting service providers are in India are 609. The largest number of services providers is in Delhi i.e. 142. Maharashtra is at second ranking position. Lowest number of service providers is in Assam, Bihar, Chhattisgarh, Nagaland and Uttarakhand i.e. 1 each.

3.4.3 India: Ranking Position -

In the global outsourcing environment India ranks 1st. The rank is given on the basis of financial attractiveness, people skills and availability and business environment. India has achieved 1st rank among the 50 participating countries.

Table 3.12: Ranking position of India in outsourcing-

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Financial attractiveness</th>
<th>People skills and availability</th>
<th>Business environment</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>India</td>
<td>3.11</td>
<td>2.76</td>
<td>1.14</td>
<td>7.01</td>
</tr>
<tr>
<td>2.</td>
<td>China</td>
<td>2.62</td>
<td>2.55</td>
<td>1.31</td>
<td>6.49</td>
</tr>
<tr>
<td>3.</td>
<td>Malaysia</td>
<td>2.78</td>
<td>1.38</td>
<td>1.83</td>
<td>5.99</td>
</tr>
<tr>
<td>4.</td>
<td>Egypt</td>
<td>3.10</td>
<td>1.36</td>
<td>1.35</td>
<td>5.81</td>
</tr>
<tr>
<td>5.</td>
<td>Indonesia</td>
<td>3.24</td>
<td>1.53</td>
<td>1.01</td>
<td>5.78</td>
</tr>
<tr>
<td>6.</td>
<td>Mexico</td>
<td>2.68</td>
<td>1.60</td>
<td>1.44</td>
<td>5.72</td>
</tr>
<tr>
<td>7.</td>
<td>Thailand</td>
<td>3.05</td>
<td>1.38</td>
<td>1.29</td>
<td>5.72</td>
</tr>
<tr>
<td>8.</td>
<td>Vietnam</td>
<td>3.27</td>
<td>1.19</td>
<td>1.24</td>
<td>5.69</td>
</tr>
<tr>
<td>9.</td>
<td>Philippines</td>
<td>3.18</td>
<td>1.31</td>
<td>1.16</td>
<td>5.65</td>
</tr>
<tr>
<td>10.</td>
<td>Chile</td>
<td>2.44</td>
<td>1.27</td>
<td>1.82</td>
<td>5.52</td>
</tr>
<tr>
<td>11.</td>
<td>Estonia</td>
<td>2.31</td>
<td>0.95</td>
<td>2.24</td>
<td>5.51</td>
</tr>
<tr>
<td>12.</td>
<td>Brazil</td>
<td>2.02</td>
<td>2.07</td>
<td>1.38</td>
<td>5.48</td>
</tr>
<tr>
<td>13.</td>
<td>Latvia</td>
<td>2.56</td>
<td>0.93</td>
<td>1.96</td>
<td>5.46</td>
</tr>
<tr>
<td>14.</td>
<td>Lithuania</td>
<td>2.48</td>
<td>0.93</td>
<td>2.02</td>
<td>5.43</td>
</tr>
<tr>
<td>15.</td>
<td>United Arab Emirates</td>
<td>2.41</td>
<td>0.94</td>
<td>2.05</td>
<td>5.41</td>
</tr>
<tr>
<td>16.</td>
<td>United kingdom</td>
<td>0.91</td>
<td>2.26</td>
<td>2.23</td>
<td>5.41</td>
</tr>
<tr>
<td>17.</td>
<td>Bulgaria</td>
<td>2.82</td>
<td>0.88</td>
<td>1.67</td>
<td>5.37</td>
</tr>
<tr>
<td>18.</td>
<td>United States</td>
<td>0.45</td>
<td>2.88</td>
<td>2.01</td>
<td>5.35</td>
</tr>
<tr>
<td>19.</td>
<td>Costa Rica</td>
<td>2.84</td>
<td>0.94</td>
<td>1.56</td>
<td>5.34</td>
</tr>
<tr>
<td></td>
<td>Country</td>
<td>Value1</td>
<td>Value2</td>
<td>Value3</td>
<td>Value4</td>
</tr>
<tr>
<td>---</td>
<td>---------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>20.</td>
<td>Russia</td>
<td>2.48</td>
<td>1.79</td>
<td>1.07</td>
<td>5.34</td>
</tr>
<tr>
<td>21.</td>
<td>Sri Lanka</td>
<td>3.20</td>
<td>0.95</td>
<td>1.11</td>
<td>5.26</td>
</tr>
<tr>
<td>22.</td>
<td>Jordan</td>
<td>2.97</td>
<td>0.77</td>
<td>1.49</td>
<td>5.23</td>
</tr>
<tr>
<td>23.</td>
<td>Tunisia</td>
<td>3.05</td>
<td>0.81</td>
<td>1.37</td>
<td>5.23</td>
</tr>
<tr>
<td>24.</td>
<td>Poland</td>
<td>2.14</td>
<td>1.27</td>
<td>1.81</td>
<td>5.23</td>
</tr>
<tr>
<td>25.</td>
<td>Romania</td>
<td>2.54</td>
<td>1.03</td>
<td>1.65</td>
<td>5.21</td>
</tr>
<tr>
<td>26.</td>
<td>Germany</td>
<td>0.76</td>
<td>2.17</td>
<td>2.27</td>
<td>5.20</td>
</tr>
<tr>
<td>27.</td>
<td>Ghana</td>
<td>3.21</td>
<td>0.69</td>
<td>1.28</td>
<td>5.18</td>
</tr>
<tr>
<td>28.</td>
<td>Pakistan</td>
<td>3.23</td>
<td>1.16</td>
<td>0.76</td>
<td>5.15</td>
</tr>
<tr>
<td>29.</td>
<td>Senegal</td>
<td>3.23</td>
<td>0.78</td>
<td>1.11</td>
<td>5.12</td>
</tr>
<tr>
<td>30.</td>
<td>Argentina</td>
<td>2.45</td>
<td>1.58</td>
<td>1.09</td>
<td>5.12</td>
</tr>
<tr>
<td>31.</td>
<td>Hungary</td>
<td>2.05</td>
<td>1.24</td>
<td>1.82</td>
<td>5.11</td>
</tr>
<tr>
<td>32.</td>
<td>Singapore</td>
<td>1.00</td>
<td>1.66</td>
<td>2.40</td>
<td>5.06</td>
</tr>
<tr>
<td>33.</td>
<td>Jamaica</td>
<td>2.81</td>
<td>0.86</td>
<td>1.34</td>
<td>5.01</td>
</tr>
<tr>
<td>34.</td>
<td>Panama</td>
<td>2.77</td>
<td>0.72</td>
<td>1.49</td>
<td>4.98</td>
</tr>
<tr>
<td>35.</td>
<td>Czech Republic</td>
<td>1.81</td>
<td>1.14</td>
<td>2.03</td>
<td>4.98</td>
</tr>
<tr>
<td>36.</td>
<td>Mauritius</td>
<td>2.41</td>
<td>0.87</td>
<td>1.70</td>
<td>4.98</td>
</tr>
<tr>
<td>37.</td>
<td>Morocco</td>
<td>2.83</td>
<td>0.87</td>
<td>1.26</td>
<td>4.96</td>
</tr>
<tr>
<td>38.</td>
<td>Ukraine</td>
<td>2.86</td>
<td>1.07</td>
<td>1.02</td>
<td>4.85</td>
</tr>
<tr>
<td>39.</td>
<td>Canada</td>
<td>0.56</td>
<td>2.14</td>
<td>2.25</td>
<td>4.95</td>
</tr>
<tr>
<td>40.</td>
<td>Slovakia</td>
<td>2.33</td>
<td>0.93</td>
<td>1.65</td>
<td>4.91</td>
</tr>
<tr>
<td>41.</td>
<td>Uruguay</td>
<td>2.42</td>
<td>0.91</td>
<td>1.42</td>
<td>4.75</td>
</tr>
<tr>
<td>42.</td>
<td>Spain</td>
<td>0.81</td>
<td>2.06</td>
<td>1.88</td>
<td>4.75</td>
</tr>
<tr>
<td>43.</td>
<td>Colombia</td>
<td>2.34</td>
<td>1.20</td>
<td>1.18</td>
<td>4.72</td>
</tr>
<tr>
<td>44.</td>
<td>France</td>
<td>0.38</td>
<td>2.12</td>
<td>2.11</td>
<td>4.61</td>
</tr>
<tr>
<td>45.</td>
<td>South Africa</td>
<td>2.27</td>
<td>0.93</td>
<td>1.37</td>
<td>4.57</td>
</tr>
<tr>
<td>46.</td>
<td>Australia</td>
<td>0.51</td>
<td>1.80</td>
<td>2.13</td>
<td>4.44</td>
</tr>
<tr>
<td>47.</td>
<td>Israel</td>
<td>1.45</td>
<td>1.35</td>
<td>1.64</td>
<td>4.44</td>
</tr>
<tr>
<td>48.</td>
<td>Turkey</td>
<td>1.87</td>
<td>1.29</td>
<td>1.17</td>
<td>4.33</td>
</tr>
<tr>
<td>49.</td>
<td>Ireland</td>
<td>0.42</td>
<td>1.74</td>
<td>2.08</td>
<td>4.24</td>
</tr>
<tr>
<td>50.</td>
<td>Portugal</td>
<td>1.21</td>
<td>1.09</td>
<td>1.85</td>
<td>4.15</td>
</tr>
</tbody>
</table>
Note: The weight distribution for the three categories is 40:30:30. Financial attractiveness is rated on a scale of 0 to 4, and the categories for people skills and availability, and business environment are on a scale of 0 to 3.

(Source: A.T. Kearney Global Services Location IndexTM, 2011. 123.outsourcing.com)

3.4.4 Reasons behind the Indian Ranking Position –

There are certain important factors on which outsourcing accounting services depend. Such factors, like talent pool, no language barriers, infrastructure, educational system, political conditions, economical conditions etc. are a support for the government. India has achieved the first position as India has a large talent pool, Indian people have good command on English language, which is universal language. The Indian education system is very good. Indian service providers get good government support due to healthy economical and political conditions.

Following table shows the reasons of India’s first position-

Table 3.13: Reasons of Ranking Position of India
3.4.5 Change in Ranking (2009 to 2012) -
India achieves 1st rank position form last five years. The following NASSCOM report shows Indian’s ranking position.

**Graph 3.1**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Change 2009-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Malaysia</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Egypt</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Indonesia</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Mexico</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Thailand</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Philippines</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Chile</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Estonia</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Brazil</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Latvia</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Lithuania</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>United Arab Emirates</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>United Kingdom</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Bulgaria</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>United States</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Costa Rica</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Russia</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Jordan</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Tunisia</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Poland</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Romania</td>
<td></td>
</tr>
</tbody>
</table>

(Source - Trends in Global Sourcing Finding and Managing IT Talent - April 18, 2012 Terri Station Gale Director, CSC)
3.4.6 Weaknesses of India’s BPO sector -

State owned companies continue to dominate telecommunication services market.

2) Regional political uncertainty (Kashmir and Pakistan).
3) High illiteracy since 41 percent of Indians over the age of 15 are illiterate.
4) English is spoken with a heavy accent.
5) Lack of customer service culture.
6) Poor infrastructure, which increases costs. Underdeveloped and unreliable electrical infrastructure, roads, railways, power, inadequate housing, inadequate and expensive telecom infrastructure, poor PC and internet access rates.
7) Process implementation and marketing are generally still in their infancy.
8) Rising operator attrition and rising training costs.
9) Corruption.
10) Low-quality middle and floor management (one prime cause of attrition).
11) Absence of legislation for intellectual property and data protection.
12) Margins may come under pressures as competition increases from other countries.
13) Most Indian BPO companies are small by world standards.
14) Price wars. Small and desperate players drive down prices, causing irrational pricing behavior and poor service.

(Sources: Nasscom, Gartner, McKinsey Global, The Economist, The Financial Express, Business Week, Forrester.)

3.5 Outsourcing Accounting and USA -

3.5.1 Outsourcing Accounting Service providers in USA –

Table 3.14: State wise USA's Outsourcing Accounting Service Providers

<table>
<thead>
<tr>
<th>States</th>
<th>No of Service Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>18</td>
</tr>
<tr>
<td>Alaska</td>
<td>3</td>
</tr>
<tr>
<td>Arizona</td>
<td>22</td>
</tr>
<tr>
<td>State</td>
<td>Count</td>
</tr>
<tr>
<td>---------------</td>
<td>-------</td>
</tr>
<tr>
<td>Arkansas</td>
<td>1</td>
</tr>
<tr>
<td>California</td>
<td>153</td>
</tr>
<tr>
<td>Colorado</td>
<td>21</td>
</tr>
<tr>
<td>Connecticut</td>
<td>32</td>
</tr>
<tr>
<td>Delaware</td>
<td>4</td>
</tr>
<tr>
<td>Florida</td>
<td>5</td>
</tr>
<tr>
<td>Georgia</td>
<td>43</td>
</tr>
<tr>
<td>Hawaii</td>
<td>4</td>
</tr>
<tr>
<td>Idaho</td>
<td>5</td>
</tr>
<tr>
<td>Illinois</td>
<td>72</td>
</tr>
<tr>
<td>Indiana</td>
<td>10</td>
</tr>
<tr>
<td>Iowa</td>
<td>6</td>
</tr>
<tr>
<td>Kansas</td>
<td>8</td>
</tr>
<tr>
<td>Kentucky</td>
<td>8</td>
</tr>
<tr>
<td>Louisiana</td>
<td>8</td>
</tr>
<tr>
<td>Maine</td>
<td>8</td>
</tr>
<tr>
<td>Maryland</td>
<td>20</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>34</td>
</tr>
<tr>
<td>Michigan</td>
<td>31</td>
</tr>
<tr>
<td>Minnesota</td>
<td>20</td>
</tr>
<tr>
<td>Mississippi</td>
<td>3</td>
</tr>
<tr>
<td>Missouri</td>
<td>13</td>
</tr>
<tr>
<td>Montana</td>
<td>3</td>
</tr>
<tr>
<td>Nebraska</td>
<td>9</td>
</tr>
<tr>
<td>Nevada</td>
<td>8</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>22</td>
</tr>
<tr>
<td>New Jersey</td>
<td>54</td>
</tr>
<tr>
<td>New Mexico</td>
<td>3</td>
</tr>
<tr>
<td>New York</td>
<td>95</td>
</tr>
<tr>
<td>North Carolina</td>
<td>34</td>
</tr>
<tr>
<td>North Dakota</td>
<td>2</td>
</tr>
<tr>
<td>Ohio</td>
<td>54</td>
</tr>
<tr>
<td>State</td>
<td>Count</td>
</tr>
<tr>
<td>---------------</td>
<td>-------</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>5</td>
</tr>
<tr>
<td>Oregon</td>
<td>13</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>32</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>1</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>2</td>
</tr>
<tr>
<td>South Carolina</td>
<td>7</td>
</tr>
<tr>
<td>South Dakota</td>
<td>3</td>
</tr>
<tr>
<td>Tennessee</td>
<td>16</td>
</tr>
<tr>
<td>Texas</td>
<td>71</td>
</tr>
<tr>
<td>Utah</td>
<td>3</td>
</tr>
<tr>
<td>Vermont</td>
<td>11</td>
</tr>
<tr>
<td>Virginia</td>
<td>17</td>
</tr>
<tr>
<td>Washington</td>
<td>33</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>4</td>
</tr>
<tr>
<td>West Virginia</td>
<td>4</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>19</td>
</tr>
<tr>
<td>Wyoming</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>1078</td>
</tr>
</tbody>
</table>

Source: www.dmoz.org/Business/Accounting/Firms/Accountants/North_America/United_States/

The total numbers of outsourcing accounting service providers are in USA are 1078. The largest number of services providers is in California i.e. 154. New York is at second ranking position. Lowest number of service providers is in Arizona and Wyoming i.e. 1 each.

3.5.2 Services provided by USA Outsourcing Accounting Service Providers -

USA practices providers not only provides accounting services but also provides the account related other services to their clients.

- Payroll
- Fixed Assets and depreciation tracking
- Journal entry and general ledger maintenance
- Comprehensive management reports
• Transaction Classification, entry and verification
• Credit card reconciliations
• Sales rep commission tracking and reconciliation
• Accounts payable and receivable
• Daily point-of-sale reconciliation
• Bank reconciliations
• Cash flow analysis
• Customized QuickBooks training
• Signatory authority on bank accounts
• Financial statement preparation
• Debt covenant calculations
• Online access to banking and QuickBooks
• Financial reporting and advice for management and investors
• Financial statement audit support
• Outsourced Controller, CFO and daily bookkeeping services available
• Access to certified QuickBooks Pro Advisors
• Bookkeeping/Write-Up
• Business Formation
• Financial Forecast and Projections
• Financial Statements
• Compilations & Reviews
• Tax Services
• Tax Planning
• Tax Preparation
• IRS and State/Local Representation
• Sales Tax Services
• Estate, Gift and Trust Tax Return Preparation
• Benefit Plan Services
• Business Succession Planning
• Buying & Selling a Business
• Consulting Services
• Estate Planning
• Financial Planning and Investment Review
• Management Advisory Services
3.5.3 Effects of off-shoring on US Jobs -

Every effects two sides, positive and negative like two sides of a coin. Thus USA companies prefer offshore outsourcing accounting instead of in-shore outsourcing accounting. Thus the selection of offshore outsourcing accounting stated as positive and negative.

Positive:

1. Lowers costs – US company outsourced the accounting work to other country because of lower cost others countries provide the services of outsourcing accounting in lower cost as compare to US cost. (Ref. 3.10)

2. Lower inflation spreads throughout the Economy. The benefits that businesses derive from offshore ITO set off a chain reaction throughout the economy that accumulates over time. The overall price level was lower.

3. Economic activity increases: lower inflation, lower interest rates, higher real wages, and higher labor productivity are expected to generate additional consumer and business spending and higher total output.

4. Real Wages get a boost: lower inflation and higher labor productivity boost real wages throughout the US economy.

5. Exports rise with offshore incomes and lower US prices: while personal consumption spending and business investment comprise most of the positive real GDP impact, real exports increase as well. The increase in offshore ITO spending by US companies directly increases income among offshore service providers and their employees. The increase in saving due to the use of offshore resources restrains price increases in response to already low inflation and competitive pressures. Some of the additional offshore income creates in increases in demand for US exports.

6. Additional economic activity creates new jobs: offshore IT software and service outsourcing has a positive cumulative effects on job creation throughout the US economy. In fact, the economic benefits of offshore ITO
creates many more jobs than are displaced. While offshore outsourcing has and will continue to displace workers in the IT software and service profession, the positive gains to the economy, as a whole, will stimulate job creation throughout the US economy. In fact, the economic benefits of offshore ITO creates many more jobs than are displaced. While offshore outsourcing has and will continue to displace workers in the IT software and services profession, the positive gains to the economy, as a whole, will stimulate job creation throughout the economy.

Negative:-

1. Offshore outsourcing is reduction of US employment since firms close domestic operations or downsize.
2. Workers who remain in their job feel pressure for wage reduction.
3. Firms stop new hiring while meeting production needs by importing services from abroad.
4. The higher-level IT positions that remain will require new skills.
5. American IT degree programs should move more toward broader business education.
6. Job losses due to off shoring are likely to be permanent in the sense that these workers will not be recalled by the same employer.
7. Job Loss Projections

As bad as these outsourcing numbers look, it is only the tip of the projected iceberg. According to the U.S. Department of Labor and Forrester Research, Inc, outsourcing is expected to expand in numbers and scope. Due to offshore outsourcing, number of US jobs moving from US to other developing countries. This is largest negative point as per USA’s point of view.
Table 3.15 Number of U.S. Jobs Moving Offshore

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>0</td>
<td>37,477</td>
<td>117,835</td>
<td>288,281</td>
</tr>
<tr>
<td>Business</td>
<td>10,787</td>
<td>61,252</td>
<td>161,722</td>
<td>348,028</td>
</tr>
<tr>
<td>Computer</td>
<td>27,171</td>
<td>108,991</td>
<td>276,954</td>
<td>472,632</td>
</tr>
<tr>
<td>Architecture</td>
<td>3,498</td>
<td>32,302</td>
<td>83,237</td>
<td>184,347</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>0</td>
<td>3,677</td>
<td>14,478</td>
<td>36,770</td>
</tr>
<tr>
<td>Legal</td>
<td>1,793</td>
<td>14,220</td>
<td>34,673</td>
<td>74,642</td>
</tr>
<tr>
<td>Art, design</td>
<td>818</td>
<td>5,576</td>
<td>13,846</td>
<td>29,639</td>
</tr>
<tr>
<td>Sales</td>
<td>4,619</td>
<td>29,064</td>
<td>97,321</td>
<td>226,564</td>
</tr>
<tr>
<td>Office</td>
<td>53,987</td>
<td>295,034</td>
<td>791,034</td>
<td>1,659,310</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>102,674</td>
<td>587,592</td>
<td>1,591,101</td>
<td>3,320,213</td>
</tr>
</tbody>
</table>

(Source - http://jobs.lovetoknow.com/Facts_and_Figures_on_Outsourcing)

3.5.4 Types of Organizations in USA -

Sole Trading, Partnership Firms, Private Limited Companies, Public Limited Companies are various types of organizations in India. USA also categorizes their organizations in the same way but use different terminologies for the same e.g. doing business as Limited Liability Partnership, Corporation, etc. Following are the details of USA organizations with the terminologies used by them

**Sole Proprietorship** -

It is a business consisting of a single owner (which may itself be a business entity), not in a separately recognized business form.

**General Partnership** -

It is a partnership in which all the partners are jointly and separately liable for the debts of the partnership. In most US states, it can be created by agreement without requiring a public filing. The partners may themselves be legal entities or individuals.
LP (Limited Partnership):-

It is partnership where at least one partner (the general partner, which may itself be an entity or an individual) has unlimited liability for the LP’s debts) and one or more partners (the limited partners) have limited liability (which means that they are not responsible for the LP’s debts beyond the amount they agreed to Invest). Limited partners generally do not participate in the management of the entity or its business.

LLP (Limited Liability Partnership):-

It is a partnership where a partner’s liability for the debts of the partnership is limited except in the case of liability for acts of professional negligence or malpractice. In some states, LLPs may only be formed for purposes of practicing a licensed profession, typically attorneys, accountants and architects. This is often the only form of limited partnership allowed for law firms (as opposed to general partnerships).

LLLP (Limited Liability Limited Partnership):-

It is a combination of LP and LLP, available in some states.

LLC, LC, Ltd. Co. (Limited Liability Company):-

It is a form of business whose owners enjoy limited liability, but which is not a corporation. Allowable abbreviations vary by state. Note that in some states Ltd. by itself is not a valid abbreviation for an LLC, because in some states, it may denote a corporation instead. For US federal tax purposes, in general, an LLC with two or more members is treated as a partnership, and an LLC with one member is treated as sole proprietorship.

PLLC (Professional Limited Liability Company):-

Some states do not allow certain professionals to form an LLC that would limit the liability that results from the services the professionals provide such as doctors, medical care; lawyer; legal advice; and accountants, accounting services; architects, architectural service; when the company formed offers the services of the professionals. Instead those states allow a PLLC or in the LLC statutes, the liability limitations only applies to the business side, such as creditors of the company, as opposed to the client/customer service side, the level of medical care, legal services, or accounting provided to cents. This is meant to maintain the higher ethical standards that these
professionals have committed themselves to by becoming licensed in their profession and to prevent them from being immune (or at least limit their immunity) to malpractice suits.

**Corp., Inc. (Corporation, Incorporated):**

It is used to denote corporations (public or otherwise). These are the only terms universally accepted by all 51 corporation chartering jurisdictions in the United States. However in some states other suffixes may be used to identify a corporation, such as Ltd., Co./Company. Some states that allow the use of “Company” prohibit the use of “and Company”, “and Co.; “& Company” or “& Co.”. In most states sole proprietorships and partnerships may register a fictitious “doing business as” name with the word “Company” in it.

**Professional Corporations (abbreviated as PC or P.C):**

These are those corporate entities for which many corporation statutes make special provision, regulating the use of the corporate form by licensed professionals such as attorneys, architects, accountants, and doctors.

**Doing Business As (DBA):**

It denotes a business name sued by a person or entity that is different from the person’s or entities true name. DBAs are not separate entities and do no shield the person or entity that uses the DBA as a business name from liability for debts or lawsuits. Filing requirements vary and are not permitted for some types of businesses or professional practices. DBAs can be sole proprietorships, or can be used by corporate entities to reserve” brand names”, such as those of chain stores owned and operated by a holding company or other “umbrella”.

**3.6 Conclusion -**

This chapter gave the detailed study of outsourcing and outsourcing accounting. It cleared the vision about outsourcing accounting. Also, software’s required for outsourcing and skills required for handling such software’s are discussed. The Chapter additionally discussed the outsourcing accounting in Indian as well as in the USA. It shows the ranking position of India in outsourcing with reasons. Chapter four is about the comparative study of account practices in USA and India.
3.7 References.

Auxis July 2010 Finance and Accounting Business Process Outsourcing Study
CMA Management, Nov.
Krell, (2007). Finance and accounting outsourcing: making an informed decision,
Flexibility and Control', Harvard Business Review, pp. 84-93
Mayur Sancheti, 2007, Outsourcing Accounting
McIvor, R. (2000). A practical framework for understanding the outsourcing
process.
McKinsey Global, The Economist, The Financial Express, Business Week,
Forrester.
NASSCOM Strategic Review 2010 – the IT-BPO sector in India Nasscom,
Gartner,
Draft Outsourcing.org
Prahalad, C. K. and Hamel, G. (1990), "The Core Competence of the Corporation,
Quiml, J.B. and Hilmer, F.G. (1994), 'Strategic Outsourcing', Sloan Management
Quinn, IB. (1992), Intelligent Enterprise: A Knowledge and Service Based
operations: The feasibility of the vertical in the Indian context. The Icfai Journal
of Services Marketing, VI(1).
Report, The Institute of Chartered Accountants in England and Wales.
Runnion, T. (1993), 'Outsourcing can be a Productivity Solution for the 90's', HR
Focus, 70(11), p 23.
Source –Business Process Outsourcing – A Unique Opportunity
Trends in Global Sourcing Finding and Managing IT Talent - April 18, 2012
Terri Station Gale Director,CSC
http://jobs.lovetoknow.com/Facts_and_Figures_on_Outsourcing
www.dmoz.org/Business/Accounting/Firms/Accountants/North_America/United_States/