

How Outsourced Accounting Drives

Sustainable Growth *for* Small & Medium Businesses



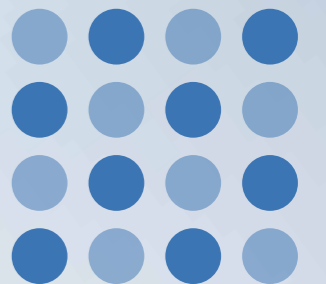
Quick Summary

Accounting is often referred to as a “Language of Business”. It is a means of communicating financial information to the stakeholders for decision-making.

Today, many small and medium business owners continue to struggle due to cash crunch, lack of process control, increasing operational costs, and thin profit margins. After all, it’s all about the numbers.

Accurate and timely accounting is now imperative for Small and Medium Businesses (SMBs) to combat these struggles. There’s a buzz, business owners who want to scale exponentially are talking about shifting priorities in the workplace, **Outsourcing Accounting**.

In this whitepaper, we will discover the best outsourced accounting practices, which emerged as a key strategic thrust among SMBs to drive sustainable growth. We look forward to sharing how many growing SMBs manage to focus more on core business aspects without keeping accounting on the back seat.



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Introduction

96% of small and medium business owners desire to have flexibility, increase internal control, and enhance customer satisfaction.

For years, SMB owners have had these desires to drive sustainable growth. But the Big Question – How to fulfill this?

Outsourcing Accounting. It is a new paradigm shift that steps beyond basic bookkeeping and tax preparation.

No wonder, accounting and bookkeeping services have existed for generations, albeit in different forms, and have gradually evolved into what we see them as today. Technological advancements have drastically changed accounting operations, from 13-columned, manually prepared documents to in-house accounting software, and finally the unprecedented shift to outsourced accounting.

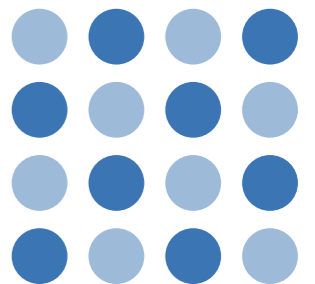
Is outsourcing accounting right for SMBs? Undoubtedly yes! Outsourcing accounting is a great strategic move for SMB owners who are looking to sustain, scale, and thrive as this approach brings substantial advantages to the table. So, what is accounting outsourcing?

Accounting outsourcing is the practice of offshoring daily, weekly, and monthly accounting responsibilities to a third party. That's how business owners can save valuable time and increase profitability.

Business owners can't ignore the fact that outsourcing accounting can help **save up to 30% – 50%** on operational expenses and overcome accounting inefficiencies.

However, many overlook the benefits and opportunities that outsourcing accounting puts forward besides cost savings and efficiency.

58% of small and medium business owners working 60 or more hours a week agree that bookkeeping tasks are draining, yet only 37% outsource their accounting operations.



Forward-thinking Business Owners Focus on Being Productive Not Busy

“

If you want a thing done well, do it yourself.

- Napoleon Bonaparte ”

This maxim may be true in some situations, but it may not be a wise practice when owners want their business to sustain, scale, and thrive.

Small business owners wear a lot of hats, but accounting would probably not be their passion. However, **accounting is the language of business**. That's why it is imperative to record, report, interpret and analyze financials for making crucial business decisions. It is complicated and arduous for a growing company to maintain ledgers.

Business owners can outsource accounting operation to rise above, resolve, and respond to accounting challenges and turn them into opportunities.

Here are some of the most pressing challenges small and medium business owners face and how **shifting from in-house to outsourced accounting can empower them to focus on growth strategies and improve the bottom line.**



Challenges That Hinder SMBs Growth

- Getting monthly financials on time
- Struggling with vendor reconciliation, lost credits, and incorrect payments
- Time constraints to properly manage business accounts and finances
- Not having a qualified bookkeeper who understands the intricacies of the business
- Dealing with inventory shrinkage due to lack of process control
- Increasing operational cost
- Staying abreast with changing regulation and tax laws
- Work overload disturbs work life balance

“A strategic alliance that transforms accounting woes into a stepping stone of success.”



Switch to Succeed

There are many reasons behind small and medium businesses switching from in-house to outsourced accounting services. These include bandwidth issues, increasing operational costs, high stakes and marginal errors that result in big consequences.

For a growing business, it's complicated and arduous to maintain monthly financials. By carefully planning the transition, selecting the right service provider, and maintaining effective communication, business owners can streamline their accounting processes, optimize costs, and focus on driving their business forward.

Let's dive into the recipe for a restaurant's success.

For running a successful restaurant, the owner requires a relentless commitment to quality, meticulous attention to detail, and a passion for delivering exceptional dining experiences. They start their day by inspecting the premises, reviewing the inventory, checking stock levels, and placing orders with vendors to ensure a steady supply of fresh ingredients.

They meet with kitchen staff to discuss the day's specials and address customers' complaints or feedback promptly. During service hours, restaurant owners find themselves consumed by spreadsheets, invoices, and financial statements. They spend around 33% of their monthly average time on bookkeeping tasks at the risk of losing their guests and poor cash flow.

Moreover, with limited knowledge of accounting, they often struggle to keep track of expenses, monitor cash flow, and ensure accurate bookkeeping. Switching to outsourced accounting enables restaurant owners to gain access to dedicated accounting professionals for quickly organizing their financial records, streamlining accounting, and implementing standardized practices. They can gain valuable insights into their restaurant's financial health and ensure that they are compliant with tax laws.



Move Beyond Traditional Outsourcing

Traditional outsourcing means hiring a partner to take care of bookkeeping and accounting needs. Bookkeeping means recording and organizing financial data, which includes invoicing, billing, payroll, and reconciling transactions with the help of an outsourced accounting partner. On the other hand, outsourcing accounting means having a partner to interpret and present financial data in the form of statements and reports.

The accounting landscape is evolving rapidly, which calls for a paradigm shift in outsourcing practices. Best outsourcing practices step beyond basic bookkeeping, accounting, and tax preparation, helping SMB owners to eliminate accounting complexities, drive efficiency, and focus on sustainable growth.

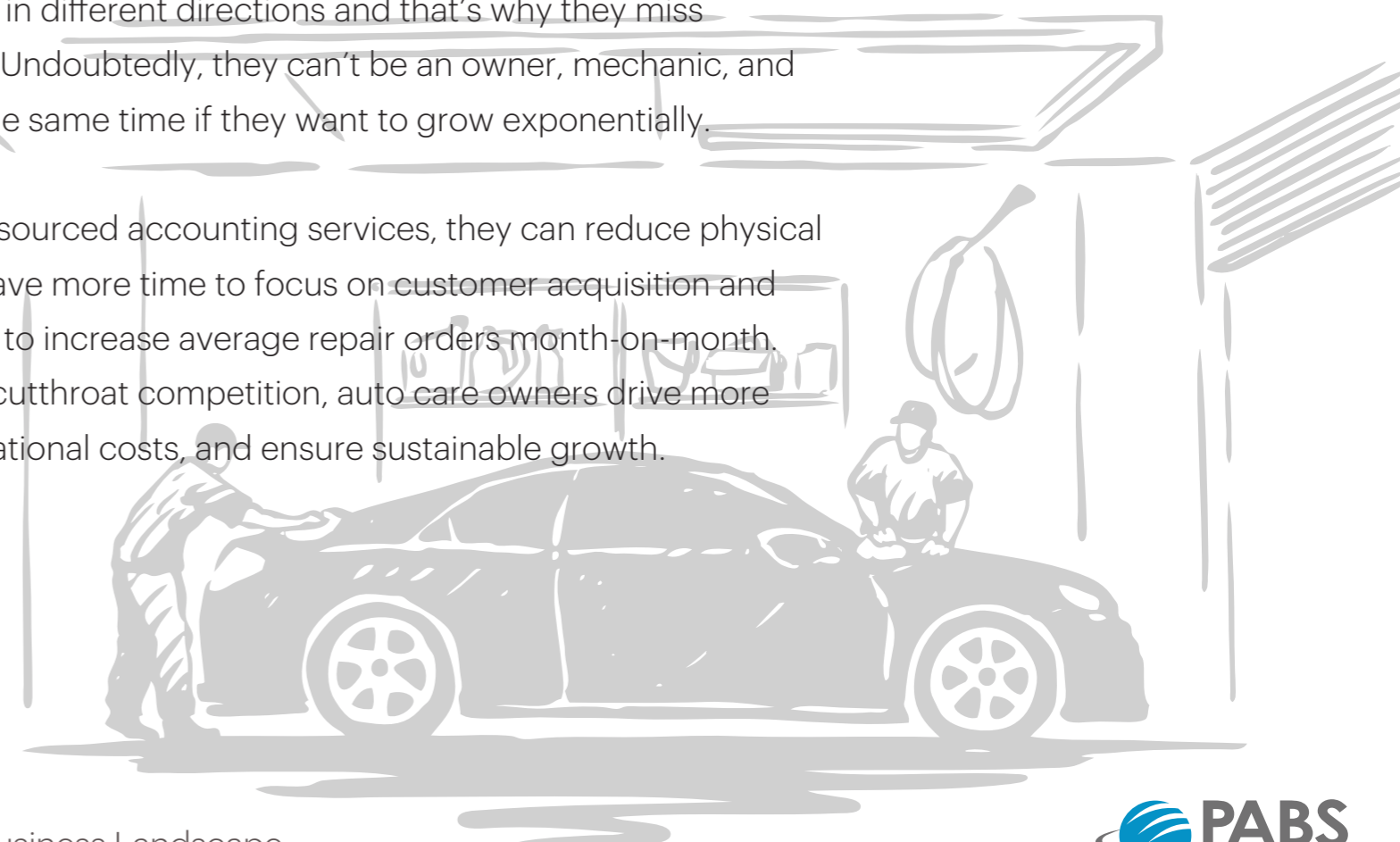
Many businesses have already adopted the successful accounting outsourcing model and enjoyed impressive success.

For instance, new challenges and opportunities emerge every day in the auto care industry. Optimizing financial operation is not easy with so many moving parts in the background, yet focusing only on core function isn't the option either.

Independent auto care and franchise owners have to manage a team of mechanics, strengthen customer relations and ensure smooth operation at the same time. They work alongside technicians, diagnosing problems, changing oil, aligning wheels, and performing various services. On top of these, balancing the books, handling payroll, and staying compliant are overwhelming, taking away 40% of their monthly average time.

They are pulled out in different directions and that's why they miss significant metrics. Undoubtedly, they can't be an owner, mechanic, and an accountant at the same time if they want to grow exponentially.

By switching to outsourced accounting services, they can reduce physical exhaustion. They have more time to focus on customer acquisition and training employees to increase average repair orders month-on-month. That's how amidst cutthroat competition, auto care owners drive more profit, reduce operational costs, and ensure sustainable growth.



Sustainable Growth Calls for A Successful Accounting Outsourcing Model

Harness the power of accounting outsourcing to foster scalability, adaptability, and strategic decision-making, propelling businesses towards long-term success and sustainable growth.

Team Approach

The ideal and experienced outsourcing partner should be able to provide access to:

- Jr. Staff Accountant
- Sr. Staff Accountant
- Reviewer
- Team Leader
- Accounting Manager

This hierarchical team structure has a strict separation of roles and responsibilities to enhance control and accuracy of daily, weekly, and monthly accounting tasks.

Industry Best Practices

ISO 9001:2015 and ISO 27001:2013

These certifications are the testament of data protection and Quality Management System (QMS). It ensures that the security management system is in accordance with international standards.

Well-defined Implementation Process

Business owners will define the tasks, team assignments, and standards. The outsourcing team will work on their documents, workflow system, and accounting software. Accounting tasks are reviewed at multiple levels, i.e., reviewer, team leader, and manager to ensure accuracy as in the accounting landscape nothing less than 100% is acceptable.

Physical Infrastructure

Data security is crucial in the times where cyber-attacks, security breaches, identity theft, and fraud are increasing day by day.

Mobile phone usage and printers are the prime reason for the loss or theft of sensitive and confidential data. Thus, the restriction of cell phones and paperless workstations are inevitable to keep the data safe. They need to ensure that the outsourcing team stores cell phones and other portable storage devices in lockers. Also, the installation of CCTV cameras will help to monitor activities carried out by the outsourcing team.

Strategic Advantages of Outsourcing Accounting for SMBs

By strategically outsourcing accounting, SMB owners can unlock a plethora of advantages to thrive in a competitive landscape. From accessing specialized expertise to cost savings, enhanced insights, improved compliance, and the ability to focus on core business aspects, outsourcing accounting offers a pathway to sustainable growth and success.

Blended Shore Accounting

It's a game changer that brings together the best of onshore and offshore resources. By leveraging this solution, SMB owners can strike the perfect balance between cost-effectiveness and quality, transforming their accounting operations and taking business to new heights.

The blend of onshore and offshore talent ensures that businesses have the right expertise to tackle their specific challenges and meet their evolving needs.

Businesses can achieve **remarkable flexibility and scalability while overcoming geographical limitations**. Also, by embracing blended shore outsourcing, business owners can optimize their operations, stay competitive, and achieve sustainable growth.

Cost Savings Between 30 – 50 %

Any mid-sized business needs 5-6 employees in their accounting department, including a bookkeeper, Jr. staff accountant, Sr. staff accountant, reviewer, accounting manager, and more.

According to salary.com, the average annual salaries of:

Bookkeeper - \$ 40,000

Staff Accountant - \$ 57,000

Accounting Manager - \$ 105,000

It goes without saying that employee cost is not limited to salary. According to the Bureau of Labor statistics, the average cost of employee benefits is \$ 13,000 per year.

Looking at the cost of accounting outsourcing, the full-stack team is \$ 30 – 60k a year. Obviously, business owners eliminate the cost of hiring, managing, retaining, and training staff.

Fraud Prevention

Fraud is likely to occur when businesses have just one or two employees to handle books. That's because they lack proper internal control.

For instance, in small and mid-size companies, each employee handles multiple roles. It may so happen that there's only one employee for paying the bills and performing bank reconciliation. So, there are higher chances of fraud, marginal errors, or lack of financial transparency.

With the accounting outsourcing model, business owners get access to a team with multiple layers of oversight and strict separation of duties. Thus, they can eliminate obvious human errors, data breaches, and fraudulent activities.

Extend Productive Time

With a diverse team working in different time zones, businesses can achieve **round-the-clock operations**. They can increase the productive time as the records are updated and reconciled overnight. That's how business owners ensure faster turnaround times and can access information when needed without disturbing their core function.

Reduce the Burden of Responsibilities

Once owners shift the burden of mundane bookkeeping and complex accounting tasks to outsourcing partner, the management can then focus on growth strategies, customer satisfaction, and innovation. Also, finance controllers and CFOs have more time to focus on financial strategies, capital raising activities, enhance operational performance, and improve investor relations.



Dedicated Team of Specialists

SMB owners frequently indicate the challenge of finding certified professionals. However, many raised concerns about their in-house team not having deep domain expertise nor they are up to date with the changing regulations.

The alternative, outsourcing accounting enables SMB owners to **get access to knowledgeable and dedicated team** who understand the intricacies of business. This enables them and their staff to identify productive opportunities for increasing bottom line and taking business to the next level.

Scalability and Flexibility

Due to the great reshuffle or resignation, there's an incredible shortage of certified accounting professionals. So, business owners struggle in finding qualified staff who understand the intricacies of SMB accounting.

They can **scale with absolute ease** through accounting outsourcing. The best thing – they are proficient in identifying when to scale up or down. That's how they can fulfill accounting needs without burning a hole in the budget.

Standardized Processes

With a limited budget and lack of accounting expertise, it's challenging for SMB owners to establish and maintain standardized accounting processes. They often focus on immediate needs and overlook the importance of the best accounting practices. This leads to inefficiencies, reworks, and delayed financials. Also, maintaining consistency in financial operations is more difficult.

The outsourcing accounting partners ensure **quick onboarding and implementation**. They help to catch up pending records and clean up open reconciliations. After that, the operation team which comprises of staff accountant, reviewer, team leader, and accounting manager starts with a clean slate. They streamline accounting operations and improve accuracy as their roles are well-defined. They stay abreast with the changing industry standards and regulatory requirements. Also, they have internal review processes and checks in place to ensure that the tasks performed meet the accounting standards.

Timely and Accurate Financials

Timely and accurate financials are imperative for all size companies to identify issues in operations at the earliest and before they become significant. Also, financial insights help to decide important clients for their business, plan growth strategies, and identify ways to save costs.

The outsourcing accounting partner adopts **robust systems and processes** that ensure data security, timely bookkeeping, and adherence to accounting standards. Diligent recording, categorizing and generating timely financials eliminate the chances of legal repercussions and penalties that can dent their reputation.

The new paradigm shift towards outsourcing accounting is reshaping the SMB landscape. The owners, once wary of outsourcing accounting, are now awakening to its undeniable strategic advantages.

No longer burdened by the complexities of accounting, SMBs are free to optimize their financial management, enhance decision-making, allocate resources effectively, navigate challenges, seize opportunities, and achieve long-term viability. With outsourced accounting as their trusted ally, SMB owners can focus on what truly matters - driving innovation, nurturing core competencies, and propelling themselves towards sustainable growth.

It's a new era of possibilities, where SMBs rise above their challenges and unlock their full potential.

The time for TRANSFORMATION is now.

References

- ↗ Entrepreneur
- ↗ Clutch

About Pacific Accounting and Business Services (PABS)

PABS provides a full range of accounting services. PABS knows that running a business is hard work. For the past 14 years, PABS has been providing businesses across the globe with precise, consistent, high-quality accounting, tax, and bookkeeping services. As leading experts in financial management, our team of 850+ certified professionals based in eight locations globally is ready to customize innovative, proven solutions to meet your unique needs.

Our 3200+ clients include small and medium businesses ranging from tax and accounting firms, nonprofits, franchises, auto care, retail, and manufacturing & distribution to restaurants, construction, property management, and more.

Our degreed, experienced, and customer-focused accounting professionals have a proven track record of delivering results. We know what it takes to streamline financial operations, reduce costs, improve internal controls and increase profitability. We are proficient in industry-leading accounting software that drives better outcomes for your business.

For the past 14 years, PABS has been providing businesses across the globe with precise, consistent, high-quality accounting, tax, and bookkeeping services.

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EXPERIENCE

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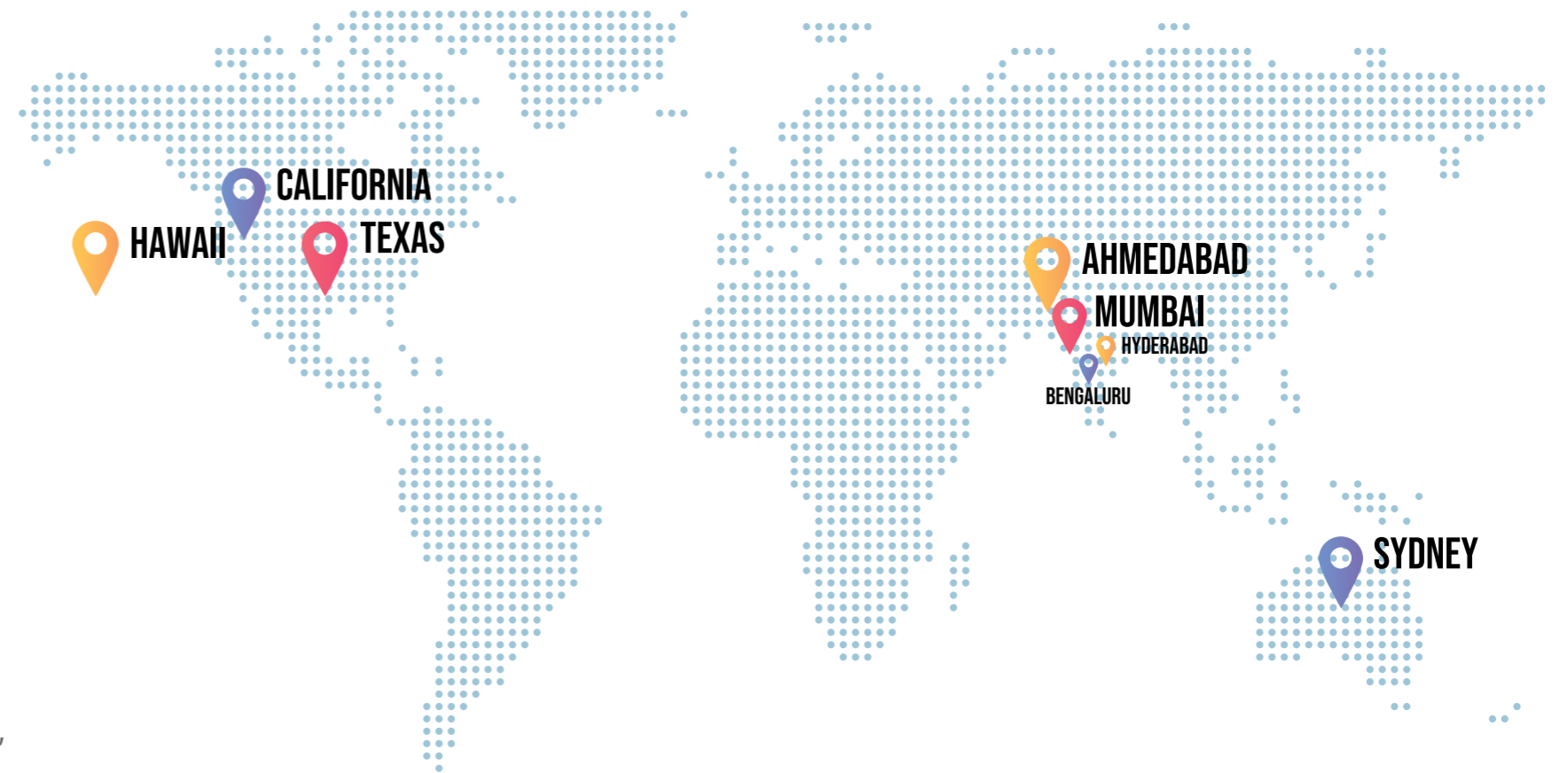


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