



**CAIN ELLSWORTH
& COMPANY, LLP**

Beyond the Numbers...



When should you outsource
your accounting?



Outsourcing used to be a rarity among businesses, both large and small. Today, however, it's become largely commonplace. While the term "outsource" used to draw images of complicated phone calls with foreign contractors, it's a much less complicated practice in the modern business world. In fact, companies outsource many aspects of their day-to-day operations to third parties. Oftentimes, these third parties are dedicated experts in their fields, which makes outsourcing even more appealing. Still, when considering outsourcing versus in-house staff, it can be difficult to determine when to switch things up. That's especially true for the most important aspects of business, such as finance and accounting. This guide can help.



What makes outsourcing a better option today than in years past?

First, let's consider outsourcing: namely, why it's a better option in today's economy. For starters, the internet has heavily influenced all aspects of business, making it easier than ever to communicate and conduct business efficiently and cost-effectively. The introduction of the cloud, specifically, makes outsourcing a viable option for nearly any company. Phone calls and even emails can feel bulky and intrusive, taking up valuable company time. In the past, these were the only ways to communicate with remote contractors or third parties. For example, if you needed paperwork, you had to wait on a scanned copy via email or fax. With the cloud, however, most (if not all) of your files are easily available, and you have regular, ongoing access to any of your stored records and financial information.

In addition, many of your accounting processes can now be automated. Before, you might rely on a nameless person to upload your files and update your data. Today, many of these tasks are done by a computer, making the process faster and more accurate.





When you need to save money.

That leads us to the most likely reason you should switch to outsourcing: your budget. In-house employees are expensive for many reasons. On top of the obvious expenses, there are many “hidden” costs with hiring employees that you may have not considered. The most common ones include:



Payroll taxes: As an employer, you are required to pay a portion of your employees’ payroll taxes, including FICA.



Accounting software: Your in-house employees will need access to professional accounting software, which can be expensive and needs regular updating (or costs a monthly fee).



Vacation, sick, and holiday pay: As an employer, you will probably be expected to offer vacation days, sick days, and holidays. Most employers offer to pay for a certain number of these days each year.



Training: Even the savviest employees will need a bit of training to become accustomed to the way your office handles its processes. This can be a significant time and financial investment.



When you need more time.

Accounting is time-consuming. From daily tasks like billing and payables to yearly tasks like internal audits, the bookkeeping and financial aspects of your business can take up a significant amount of time for everyone involved. Though the bulk of the time investment may fall on your employees, as a business owner or executive, you will need to spend a lot of your own time managing these employees, too – especially in the early days or during periods of change. You could spend your time more wisely by focusing on other aspects of your business, like operations, sales, and developing long-term goals if you outsourced the accounting and bookkeeping tasks to experts in the field.





When you want an expert.

There are many important business tasks that require an expert's guidance, but your finances are possibly the most important. Unfortunately, typical office staff, especially in a small company, usually aren't financial experts. In fact, they may have no accounting experience at all. Oftentimes, small companies hire a receptionist or assistant to handle day-to-day tasks like phone calls, which require little to no office experience. In the early days of business, it's quite common for the owner or manager to handle the financial tasks until the company is up and running. Unfortunately, once the company grows and the manager can no longer handle the intense workload, these tasks are often pushed to the unqualified assistant, who simply lacks the training to manage the tasks effectively. With limited budgets, it can also be challenging to attract the right talent. A highly qualified candidate may accept a position at another company with a higher salary and better benefits, leaving you with a less qualified employee.

When you hire a third party, you can bypass this problem by searching for a professional accountant who knows the ins and outs of bookkeeping, accounting, and financial processes. Even if you don't understand the details yourself, you can trust that your consultant does. Most importantly, if something doesn't make sense, you can ask for guidance and understanding so you can make your own informed financial decisions.





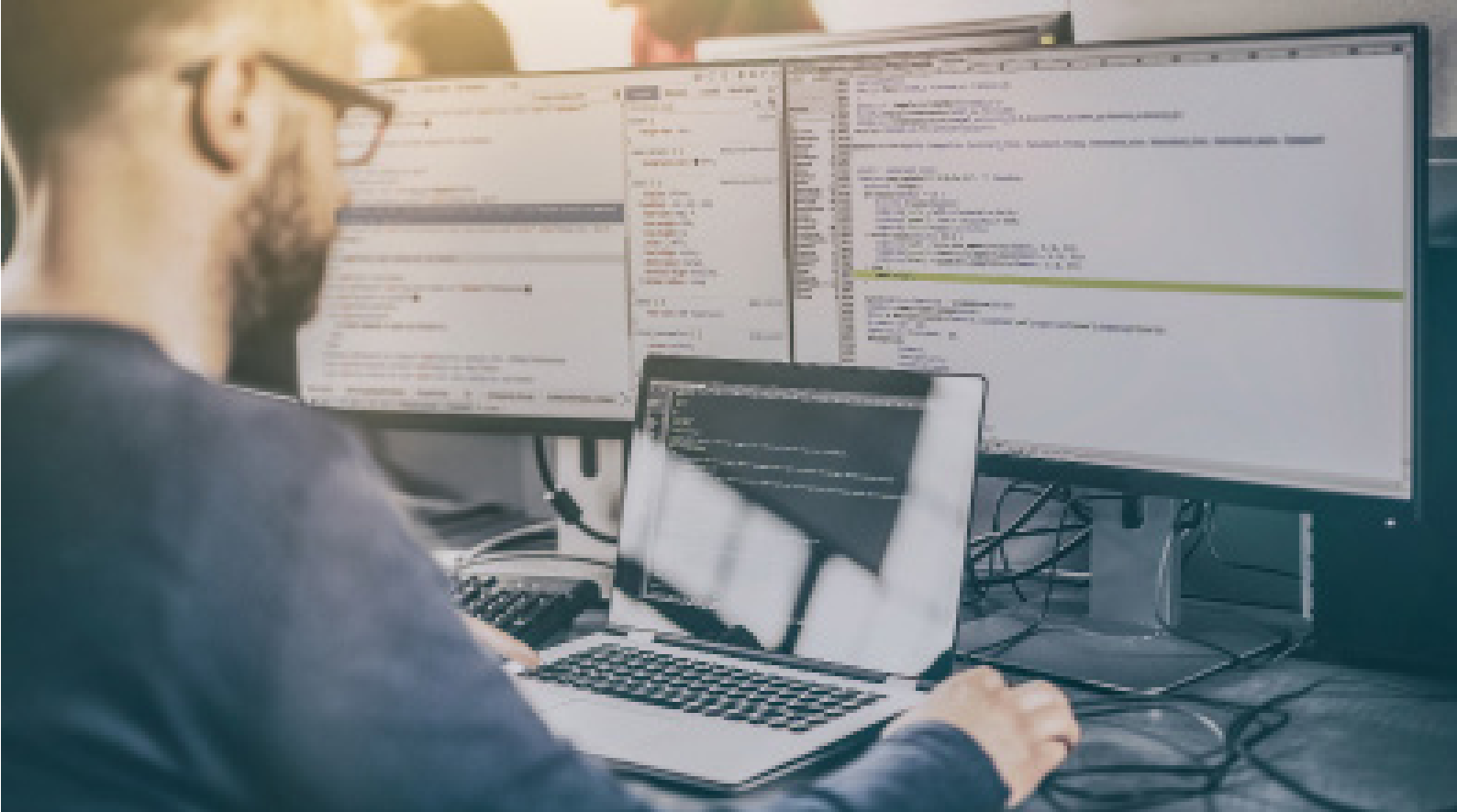
When you value efficiency.

Third party accountants are typically more efficient than in-house employees. Your employees may spend eight hours per day in the office, but their workload can vary from day to day. When you outsource, you typically only pay for finished results or time specifically dedicated to your business. By contrast, you'll need to pay an employee for the full day, whether they're productive or not.

In addition, most accounting professionals are more productive when they are working because they have more tools at their disposal. Your office staff is limited to the software, hardware, and supplies that your company can afford. Especially in the early days, that may not be much. Because a professional's primary focus is bookkeeping and accounting, they are more likely to invest in better, more efficient software. As a result, you may find that outsourcing actually speeds up your processes, making month-end closing, financial statements, etc. that much quicker.

This can create a snowball effect, creating better cash flow for your business, which in turn creates better financial opportunities because your books are organized. Efficiency can pay off in huge ways financially.





When you want to protect your business.

Fraud can be one of the scariest words you'll hear as a business owner, but it's also a reality for many people. Unfortunately, internal fraud is most common in small businesses (as compared to large corporations), according to the 2018 ACFE's Report To The Nations. When you outsource your accounting, you're adding a third party who can act as an auditor for your bookkeeping. Any internal data entry or record-keeping can be evaluated to catch the early signs of internal fraud.

In addition, financial experts will be familiar with accounting laws and regulations. Most small business owners aren't well-versed on the details of GAAP (Generally Accepted Accounting Principles) or IRS tax laws, but a CPA or tax expert will be, which adds another layer of protection for your finances.





When you are hoping to grow and expand.

Small companies don't stay small for long. Though growth may seem like a distant objective, it will happen faster than you may realize, and it can be difficult to keep up. When you hire employees, it can be difficult and time-consuming to scale your accounting department. While you may survive for years with a one-man operation, over time you will need a dedicated bookkeeper. Eventually, that bookkeeper will need an assistant, and down the road, you will need a whole department to handle your finances. If a third party deals with your day-to-day accounting tasks, you can minimize the investment needed to scale your accounting department.



When you want control.

Outsourcing gives you a level of control that you won't find elsewhere. Though many employers worry that they'll have less input and control with outsourcing, studies show that the opposite is true. In fact, because they're worried about losing this control, many business owners and executives are actually more diligent when it comes to hiring and keeping an eye on their third party contractors, especially when those people have access to financial records. Of course, most outsourcers also require a contract, which helps protect you if anything does go awry.



Conclusion

Outsourcing is an ideal solution for many businesses, big or small. It can save you time and money, while also giving you a new level of expertise and peace of mind that you won't find with in-house employees. When considering a third party to handle your accounting needs, you should look for an expert on all aspects of bookkeeping, accounting, and finance. If you're hesitant to give someone else this level of access to your finances, just remember: Accounting is one small part of your business, but it's their primary focus.



About Cain Ellsworth.

Cain Ellsworth is not all things to all people. Instead, we specialize in serving small to medium businesses in banking, manufacturing, property and casualty insurance, plus a variety of other industries. And we dedicate significant resources to assure that we are well-informed in each of them.



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