

# **Tax and Accounting Outsourcing Services to the USA- Opportunities and Challenges**

**Setting up outsourcing practice**

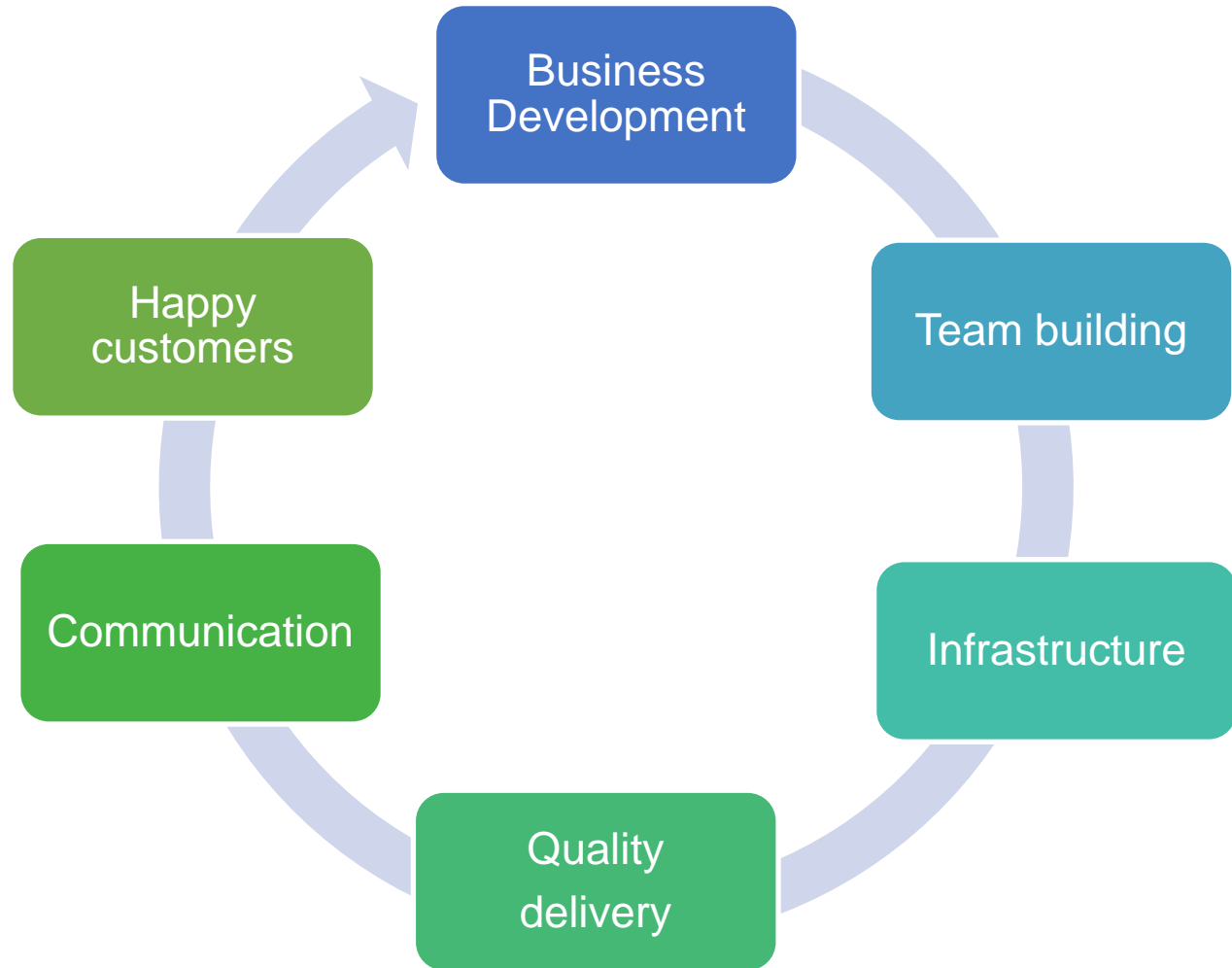
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**17<sup>th</sup> June 2021**

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# How can SMP CA firms do global outsourcing successfully?



# Engagement models

- Outsourced service provider
  - Case study- Providing AP and employee expense reimbursement services to US customer from Pune
- Captive service provider (in-house customer)
  - Case study- How a Pune based subsidiary of a US company built 75 people Finance and Accounts global shared services team
- BOT (build- operate- transfer) model

# Team

- Recruitment
- Training
- Knowledge upgrade
- Retention
  
- Working hours
- Shifts
- Work from home

# Back office v/s Front office mindset

- Accounts and finance is generally a staff function in large companies. People get limited exposure to company's business or customers. So, the mindset becomes mechanical "back office". Do the day's work and go home. No initiative for new approaches or increasing the scope of work because no rewards are tied to such additional work.
- BPO executives are in the front line dealing with customers. They know that their efforts are getting billed and generating revenue for the company. They are enthusiastic and take initiatives for improving the delivery of services. Team leads start thinking like entrepreneurs and try to capture more business from the existing customers.

# Infrastructure, software

- Dual monitors, additional screen for laptops
- Internet leased line/ high speed broadband
- Access control
- Server with virtual machines
  
- Cloud software- accounting, tax preparation, data storage
- Workflow management software
- Communication tools

# Data security

- Data retention
- Data security
- Privacy laws



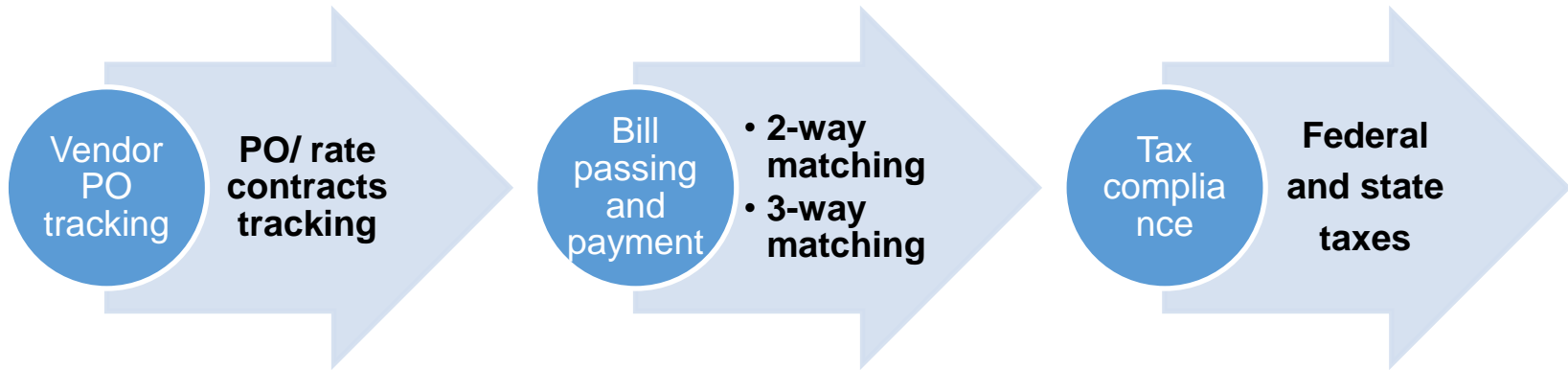
# Range of services that can be provided from India

- Tax preparation and filing
- Finance and accounts
  - P2P, O2C, FP&A, Financial consolidation and reporting
- Payroll
- Compliance tracking- federal, state and local

# Tax returns preparation and filing

- Case study- How a Pune based SME CA firm started providing tax returns preparation services.
- Software
- Training
- Timing, due dates
- Data security

# P2P- Accounts Payable outsourcing



- **P2P (Procure to Pay):** Tracking of purchase orders, 3-way matching of vendor invoices/ GRN/ POs, vendor payment, vendor reconciliation, aged AP reports.

# O2C- Order to Cash- Accounts Receivable

- Customer order entry,
  - pro-forma invoices,
  - Tax invoices,
  - Revenue recognition,
  - Receipt application
  - Dunning
  - Aged AR reports.
- 
- Bank reconciliation

# Compliance services

- Tracking federal, state and local tax and regulatory compliance calendar
- Provide data to US based tax advisors for timely filing of various returns.

# Financial reporting and consolidation

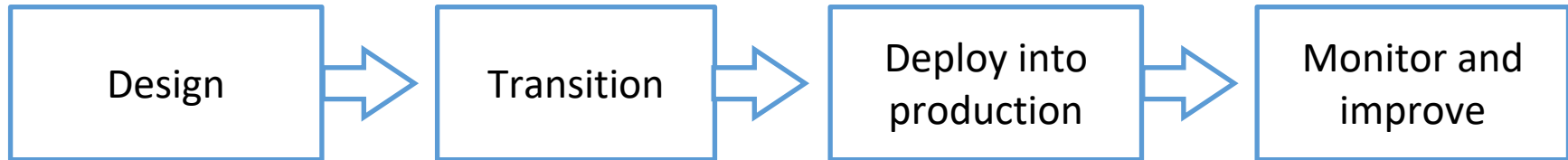
- Month close, accruals, revenue recognition, depreciation.
- Monthly MIS reports
- Annual financial reports
- Weekly AR, AP and bank reconciliation
- Consolidated financial statements- US GAAP
- Financial planning and analysis

# Payroll services

Case study- How a Pune based payroll service provider started US payroll outsourcing.

- Differences compared to Indian payroll- weekly payroll, federal/ state and local taxes
- Payroll data compilation and upload into portals
- Payroll accounting in customers ERP system

# Transition process



Study “as is” process.

List hand-offs, input sources.

Prepare transition methodology and “to be” process.

Training.

Configure access to relevant modules of ERP and external systems.

Depute team lead to client location for lift and shift.

Deploy into production

3P+C to be in place:  
Place, People, PCs + connectivity.

Detailed process document and training.

Work scheduling and delivery.

Monitor and improve

Regular tracking of process metrics-  
Turnaround time, service level agreement, defect %.

Periodic reviews with customer.

Process improvement, automation.



# Communication is the key

- Mere technical expertise is not sufficient
- Matching the culture of the organizations
- Empathy
- Collaboration
  
- Overcoming adversarial approach

# Business development- a quick summary

- Sales and marketing presence in the USA
- Inside sales, digital marketing
- Networks and cross referrals
- Parent companies of Indian subsidiaries
- Captive service provider to US based CPA firms
- Creating awareness about the firm's capabilities
- Customer testimonials

# References and acknowledgements

- Accounting Process Outsourcing -An Insight on Major Economies- by Committee for Development of International Trade, Services & WTO- ICAI (November 2020)
- The World is Flat- A Brief History of 21<sup>st</sup> Century- by Thomas Friedman (2005)
- Acknowledgements with thanks-
  - CA Rakesh Jain
  - CA Jayadeep Wakankar
  - CA Dinesh Tejwani

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**Thank you!**