Accounting Outsourcing Services for Canadian Firms
Why Outsource
SMALL MEDIUM BUSINESSES – SOME HARD TRUTHS

High expenditure in manpower and overheads associated with business expansion restricts growth potential

Mid-sized companies spend as high as 87% of their time in doing routine accounting work rather than strategic analysis and reporting

Lack of access to real time and accurate financial data affects decision-making

Absence of specialized expertise in functions like HR and accounting

Lack of good processes related to finance and accounting functions

Semi-qualified, part-time or over-worked accounting staff manage day-to-day bookkeeping activities

Small mid-sized businesses need professional yet economical accounting services
BENEFITS OF OUTSOURCING

- Generate cost savings between 30%-50% for onshore North American companies
- Achieve flexible staffing levels through bookkeeping and accounting outsourcing
- Release time from routine activities like accounts payables processing and focus more on critical accounting and managerial activities
- Achieve better financial control and improve the relevance, reliability and quality of financial information
- Eliminate the difficulties related to recruiting and retaining headcount
- Leverage the favorable time difference between India and Canada as India works when Canada sleeps!

Note
1. On selective cases, actual timelines can only be decided after a complete financial review
# COST SAVINGS COMPARISON - ACCOUNTING PROCESS

All figures in CAD

<table>
<thead>
<tr>
<th>Position</th>
<th>Canadian Employee</th>
<th>Offshore Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bookkeeper/Jr. Accountant</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Salary</td>
<td>32360</td>
<td>17400</td>
</tr>
<tr>
<td>Payroll Taxes (8%)</td>
<td>2871</td>
<td></td>
</tr>
<tr>
<td>Overhead Costs (10%)</td>
<td>3523</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>38754</strong></td>
<td><strong>17400</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Canadian Employee</th>
<th>Offshore Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff Accountant/Sr. Accountant</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Salary</td>
<td>45637</td>
<td>23400</td>
</tr>
<tr>
<td>Payroll Taxes (8%)</td>
<td>4048</td>
<td></td>
</tr>
<tr>
<td>Overhead Costs (10%)</td>
<td>4969</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>54654</strong></td>
<td><strong>23400</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Canadian Employee</th>
<th>Offshore Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Analyst</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Salary</td>
<td>50853</td>
<td>30000</td>
</tr>
<tr>
<td>Payroll Taxes (8%)</td>
<td>4511</td>
<td></td>
</tr>
<tr>
<td>Overhead Costs (10%)</td>
<td>5536</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>60900</strong></td>
<td><strong>30000</strong></td>
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</tbody>
</table>

*Note*
- Employee benefit costs in Canada not included in the comparison
- Overhead cost includes cost of leasing computer hardware and maintenance related, software like accounting package licenses, training, floor space, and electricity among others
- Offshore cost are only estimates; includes wages, infrastructure, training and technology cost
- Canada Salary figures are average figures for Vancouver, British Columbia

Refer Detailed Savings Sheet

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40–60% Savings
OUR VALUE PROPOSITION—WHY US

- Focus breeds expertise—specialize only in finance and accounting outsourcing
- Narrow target market—we service the unique outsourcing needs of small and mid-sized firms
- Competitive pricing driven by our lean cost structure
- Well qualified and experienced team of accountants, CA/CPAs, and MBAs with prior experience (three–ten years) in outsourcing accounting and tax-return preparation services
- Flexible pricing structure designed to meet varied outsourcing needs
- Structured approach to process transition and implementation
- Scalable operations to meet current and future requirements

Good Quality at Competitive Pricing
LIST OF SERVICES

Monthly Bookkeeping Services

- Processing of customer invoices, receipts, sales orders and accounts receivable processing
- Entry of purchases/expenses and accounts payable processing
- Check and customer payments processing
- Bank, credit card and merchant account reconciliation
- General ledger maintenance
- Fast Close – quick monthly closing of books
- Generation of financial statements
- GST and HST reconciliation

Financial Services

- Profit and loss account
- Balance sheet
- Month end and year end adjustment entries
- Job cost statement
- Cash flow statement
- Financial analysis
LIST OF SERVICES (CONTD.)

Payroll Processing
- Processing of weekly/bimonthly/monthly payroll from time sheet
- Year-end T4s and T4 summaries
- Administration of employee benefits

Budgeting
- Budget set-up and maintenance
- Capital budgeting
- Revenue budgeting
- Cost budgeting
- Budget variance reporting

Tax Preparation Services (Only for CA Firms)
- Individual Tax Preparation - Form T1 General
- Business Tax Preparation - Form T2, T4, T4A, T5, T5018
- GST/HST Filings
SOFTWARE SKILLS – SUMMARY

General Accounting and Taxation Software

<table>
<thead>
<tr>
<th>SOFTWARE</th>
<th>EXPERTISE LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>QuickBooks (QB) (Canada Version)</td>
<td>High</td>
</tr>
<tr>
<td>MYOB</td>
<td>High</td>
</tr>
<tr>
<td>Great Plains (Microsoft accounting software)</td>
<td>Medium</td>
</tr>
<tr>
<td>Simply Accounting</td>
<td>High</td>
</tr>
<tr>
<td>NetSuite</td>
<td>High</td>
</tr>
<tr>
<td>Sage 50</td>
<td>High</td>
</tr>
<tr>
<td>Quicken</td>
<td>High</td>
</tr>
<tr>
<td>Wave</td>
<td>High</td>
</tr>
<tr>
<td>ERP and Oracle packages</td>
<td>Medium to High</td>
</tr>
<tr>
<td>Cantax</td>
<td>Medium</td>
</tr>
<tr>
<td>Taxprep</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Note
1. Leading US-based QB training and certification institute
The Process
OUTSOURCING MASTER FRAMEWORK

- Business Scoping
- Feasibility Assessment
- Transition Management
- Process Implementation
- Customer Feedback

- ✓ Process Identification
- ✓ Scope Setting
- ✓ Functional and Technology Requirements
- ✓ Risk Assessment
- ✓ Resource Mapping
- ✓ Transition Plan
- ✓ Remote/Onshore Training
- ✓ Process Monitoring
- ✓ Performance Tracking
- ✓ MIS Reporting
- ✓ Process Improvements

Structured approach to outsourcing

Note
For more detailed information on process transition and pilot phase, please refer to Annexure A and Annexure B.
PROCESS FLOW - ACCOUNTING PROCESS

**Data Input**
- Source documents\(^1\) scanned and uploaded by client staff

**Web based Interface/FTP**

**Data Transfer**
- Input data (Images) located at client server/our server

**Quality Control**
- Dedicated quality resource checks processed work

**Data Processing**
- Team in India
  - Downloads and checks data
  - Enters data in accounting package residing at client server/our server

**Data Output**
- Updated client accounts
- Reporting statements

**Note**
1. Source documents include invoice, bills, purchase orders, and bank statements among others
QUALITY PRACTICES

- Stringent hiring, extensive training and, proactive approach to quality
- Multi-tiered review levels to supervise the work of junior accountants
- Robust review mechanism at each critical point of the process and before delivery to end customer
- Quality manuals with standardized procedures followed for each accounting process
- Critical input/outputs are continuously monitored against predefined Key Performance Indicators (KPI)
- Well defined exception handling procedure involving clear communication of exceptions to customer

Need more information
INFRASTRUCTURE - KEY HIGHLIGHTS

Physical

- Off shoring center in New Delhi (the foremost outsourcing hub in India)
- Uninterrupted power supply (UPS backup)
- Spacious office set-up (2000 square feet) with modern facilities to ensure optimum productivity

Hardware

- PCs with latest technology configuration
- Segmented LAN with firewall protection
- Data is housed in server farms in US to ensure US law compliance
- Secured data access using encrypted SSL access

Software

- Access to current versions of accounting and tax software's like QuickBooks, Sage
- Dedicated bandwidth through a 5 MBPS leased line to maintain 24*7 online connectivity
- High speed secondary broadband connections for additional redundancy

Connectivity

- Dedicated bandwidth to maintain 24*7 online connectivity shared broadband connections to ensure redundancy
COMPANY PROFILE – SUMMARY

- Founded by an IIT-ISB alumnus, we have grown to become a forty people strong organization.

- Senior management team has extensive accounting and taxation outsourcing experience in American Express, Xansa, and HCL ranging from six to twelve years.

- Strong delivery team comprising of qualified accountants, CA/CPAs and MBAs with at-least four years of international accounting outsourcing experience. (Refer Team Profile and Staff Profile)

- Industry specific custom designed solutions for real estate and property management, construction and development, logistics, retail and CA/CPAs.

- Diverse client base spread across US, Canada and UK.

- Marketing and client servicing partners located in North America.

- Backed by an $20 mn business group with presence in manufacturing of electrical consumables and distribution of office-automation related and IT hardware products across India.

Note

1. IIT and ISB are leading engineering and management institutions of India. ISB has tie-ups with Wharton, Kellogg, and London business schools.
**CLIENT PROFILE**

**Industries Served**
- Real Estate & Property Management
- Transportation
- CPA & Accountancy Firms
- Retail & Ecommerce
- Construction
- IT/ITES

**Client Size**
Small medium businesses with an annual turnover from CAD 1mn to 800mn.

**Geographic Spread**
We have clients across USA, Canada, UK, Australia and even Japan.

**Average Engagement Size**
5 FTE

**Average Engagement Period**
5 Years

**Testimonials**

I am very happy that I have decided to outsource to you guys. I sing the praises of outsourcing to India to many people I meet in the Montreal business community. I truly believe that this will be the future.”

*President of Children’s Therapy Center in Quebec*

I was very impressed with the work your firm did. I am very pleased. Your accountants that worked on this account were very good.”

*President of a CPA firm based in Windsor, ON*
## A BRIEF SNAPSHOT OF OUR CLIENTS—INDUSTRY WISE

<table>
<thead>
<tr>
<th>Industry</th>
<th>Description</th>
<th>Our Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction</strong></td>
<td>1. A well-known construction and development company in Canada specializing in construction and development of high rise concretes. It is a mid-sized firm (Revenues&gt;100 mm.) and one of British Columbia’s most experienced and respected developers.</td>
<td>Accounts payable processing for general contractors, sub-contractors and vendors. These services are performed by remote accessing their systems in Timberline.</td>
</tr>
</tbody>
</table>
| **Hospital & Health Care** | 1. A well known Chain of Children’s Therapy Center based out of Westmount, Quebec.  
Our Services. We provide monthly accounting services—recording of cash receipts and deposits, expense accounting, accounts payable, accounts receivable, bank and credit card reconciliations, payroll, and month end reporting services. |                                                                                                 |
| **CPA and Accountancy Firms** | 1. Accountancy firm based in Edmonton, Alberta. The client provides accounting, payroll and individual and corporate tax return preparation services to a diverse mix of small medium businesses.  
**Our Services.** We perform accounting and payroll services in Simply Accounting and QuickBooks for their clients in different sectors |                                                                                                 |
| **Warehousing**   | 1. Based out of Calgary, Alberta the company provides solutions in storage, material handling and industrial supplies to western-Canadian businesses.  
**Our Services.** Monthly bookkeeping services— invoicing, expense accounting, accounts payable processing, accounts receivable processing, bank and credit card reconciliations, suitable general accounting entries for payroll taxes and expenses and general ledger maintenance. |                                                                                                 |

Please review our [Client Profile Page](#) for a detailed list of services covered and industry type of our clients.
CONTACT DETAILS

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244 Fifth Avenue
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New York, N.Y. 10001-USA

**Indian Office**
198/30, 2nd Floor
East Of Kailash
New Delhi 110065-India

**US Phone Number**: 1-646-367-8976

**Indian Phone Number**: 91-11-26475715
Extn. 109

**Email**: sales@outsourcinghubindia.com

**Website**: www.outsourcinghubindia.com
THANK YOU
ANNEXURES
100

- **Cost of In-house personnel**: 
  - ~30 to ~40
- **Savings from labor cost**: 
  - ~5 to ~10
- **Governance costs**: 
  - +2 to +3
- **Cost of outsourced process once Off-shored**: 
  - ~50 to ~60
- **Cost of outsourced processes once mature**: 
  - ~35 to ~55

40% to 50% cost benefit in short term

**Indicative figures**

**COST SAVINGS SUMMARY**

- **Savings from labor cost**
- **Savings from lower associated costs**
- **Governance costs**

**Governance costs**

**Savings due to Process improvements**

**Note**
1. Includes salary, benefits and ancillary costs of personnel currently executing the processes
2. Associated costs include non-compensation costs related to personnel, such as, occupancy, training, computing, attrition and hiring costs, and HR support
3. Includes cost of in-house personnel’s participation in administering the outsourcing relationship
Schedule of an Outsourcing Process – Small and Medium Businesses

**Service Delivery**
- Understand Clients’ expectations
  - Cost, Quality
- Client briefing regarding
  - Existing processes
  - Current capabilities
- Current Assessment
  - Technology
  - Cost, Risk
- Reaching on an agreement on outsourcing

**Transition Of Processes**
- Understand Process
  - Pre-migration Quest’re
  - Baseline SOP\(^1\)/Process maps
- Training of Resources
  - Pilot Testing of Process
- Review of Pilot
  - Process output with Client
- Final Buy in to start production & create SLA\(^1\)

**Opportunity identification & solution agreement**
- Create
  - Performance Metrics
  - Exception Handling
- Create & design MIS for Reporting
- Delivery in Compliance to SLA\(^1\)
- Obtain client feedback & improve for future delivery

**Note**
1. SOP: Standard Operating Procedure for the process, SLA: Service Level Agreement
2. Lower figures are estimated timelines for a small organization (≤ 10 people and/or less than 3 million CAD in annual revenues)
### Transition Plan for Accounts Payable Process in a Mid-sized Organization

<table>
<thead>
<tr>
<th>Activity Detail</th>
<th># of days estimate</th>
<th>Activities - Client Center</th>
<th>Activities – Offshore Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint kick off - Transitioning of Process</td>
<td>2–3 days</td>
<td>Communication to staff</td>
<td>Communication to staff</td>
</tr>
<tr>
<td>• Establishing contact points</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Technology study and demo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Understanding of process</td>
<td>3 days – if SOPs in place</td>
<td>Send to offshore</td>
<td>Send to Client</td>
</tr>
<tr>
<td>• Transfer of SOPs, Process flows</td>
<td>10 days – if SOPs have to be made</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Pre-migration Questionnaire</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training of Resources</td>
<td>One cycle of pilot testing – 7 days</td>
<td>• Send in batches</td>
<td>• Receive in batches</td>
</tr>
<tr>
<td>• Pilot testing</td>
<td></td>
<td>• No data entry at Client’s center</td>
<td>• Data entry at off shore center</td>
</tr>
<tr>
<td>• Scan Invoice</td>
<td></td>
<td>• Check Printing at Client’s Center</td>
<td>• Interim review at Offshore center</td>
</tr>
<tr>
<td>• Receive Invoice</td>
<td></td>
<td>• Jointly with offshore center</td>
<td>• No Check Printing at off shore</td>
</tr>
<tr>
<td>• Data Entry</td>
<td></td>
<td></td>
<td>• Customer/employees queries at offshore</td>
</tr>
<tr>
<td>• Error removal from Rejected invoices</td>
<td>Normally there are two cycles repeated with mid sized company</td>
<td></td>
<td>• Progress reports to Client Center</td>
</tr>
<tr>
<td>• Cheque Printing</td>
<td>Total 14 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Payment to Client</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Customer Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Reporting/MIS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review of Pilot process Output</td>
<td>3 days</td>
<td>Jointly with offshore center</td>
<td>Jointly with Client’s Center</td>
</tr>
<tr>
<td>Start Production</td>
<td></td>
<td>Stop production</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

### Timelines

3–4 weeks

### Note

1. Midsized organization defined as greater than CAD 3 million annualized revenues and less than CAD 50 million annualized revenues
2. All numbers are estimates. Actual time depends on the size of organization and complexity of business processes and software
Work-Flow and document management practices comprise a key component of a successful outsourcing relationship. We follow a comprehensive approach to manage data and information flows smoothly. Some of the main measures are:

**Work Flow Practices**
- Tiered project handling team structure with clear delineation of roles and responsibilities
- Use of IT to automate email and data-flow
- Standardized formats at every stage of the process—Input, Processing, and Output
  - File Tracker, Data and Clarification Sheets, Progress Review Reports and MIS reporting
- Contact points can be reached through multiple communication means

**Document Management Practices**
- Data is stored at two levels—US server and our local LAN server.
- Regular data backup—daily backup in US server and weekly backup in LAN server
- QB record level data management—large bookkeeping clients
- Experience in handling different DMS—Acct 1st, SourceLink, and Efile Cabinet
- Robust and tested folder structure for handling data from multiple small clients
PROJECT TEAM STRUCTURE

- Support Staff
- Delivery Manager
- Domain Experts
  - Team Leader 1: Team of 2–3 associates
  - Team Leader 2: Team of 2–3 associates
  - Team Leader 3: Team of 2–3 associates

Note
- Support Staff primarily includes IT support, HR, and FTP-data personnel.
- Team leader comprises typically of staff accountants with prior Canadian accounting experience of three–six years.
- Associate are junior accountants with 0–2 years of Canadian accounting experience.
- Domain experts are external/internal experts in a specific area like tax-return preparation etc.

- Scheduling and allocation of work is done between the Delivery Manager and Team Leaders.
- Each team leader handles a specific set of clients/ a single large client. The onshore staff can communicate directly with the team leaders and the delivery manager through phone, email or IM.
- The associate in turn performs the work for a single/multiple clients and reports to the team leader.
DATA SECURITY PRACTICES

Physical Security

- Screening of visitors and employees by a security guard (including in night shift) during entry and exit for data storage media like CD, USB drives, memory cards etc.
- No cameras, camera phones and digital recording media allowed in sensitive processes or sections of our premises.
- Entire work floor area is covered under CCTV security cameras whose feed is monitored by IT and administration department.

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.

Network Security

- Network security is maintained through Symantec Endpoint Protection for server and client level security to protect against virus, worm and other malicious attacks.
- Segmented LAN with Cyberroam firewall protection.

PC Security

- PCs used by processors have disabled floppy/USB and CD ROM drives.
- Individual domain accounts for each processor ensures that the access to source documents is restricted to authorized employees only.
CASELET 1 – CONSTRUCTION AND DEVELOPMENT INDUSTRY

Our Services
Accounts payable processing involving entry of invoices and generation of management reports

Client Profile
A well-known Canadian real estate developer based in Vancouver with proven expertise in constructing and developing high rise concrete homes

Client Size
USD 300-350 million with 60 employees

Challenge
Rising staff costs along with problems involved in expanding operations triggered the search for an outsourcing solution for their accounts payable team beginning with the entry of AP invoices.

Solution
- Team of two accountants was set up to service the stiff service levels (same day TAT with 99% accuracy)
- Designed a migration plan that covered business, technology, process review and work-flow steps
- Two week comprehensive training program to familiarize staff with the software (Timberline) and the process
- Gradual transition from the pilot phase to the “live” phase ensured smooth scaling up

Achievement
- Same day turnaround with 99.7% accuracy levels for a daily processing volume of 125 invoices per FTE
- Successful handling of complex invoices involving progressive invoicing and multiple tax codes
- Client has planned off-shoring of the entire AP department over the next few months
CASELET 2– CA AND ACCOUNTANCY FIRMS

Our Services
Accounting and payroll services in Simply Accounting and QuickBooks for small medium size companies

Client Profile
Accountancy firm providing accounting services to small medium businesses in Alberta, Canada

Challenge
Using outsourcing to reduce cost and eliminate any onshore hiring.

Solution
- A junior accountant was set-up to service the client. Review handled by a senior accountant
- A pilot phase was designed (one month) where-in we gradually increased the workload from handling 10 companies to over 50 companies in a month
- Quickly reviewed the existing practices of the end clients (retailers, wholesalers, professional services) and created process manuals to capture key accounting practices for each sector

Achievement
- Client achieved cost savings of 40% when compared against an onshore option
- Client added new customers without increasing head-count.
CASELET 3 - WHOLESALE AND DISTRIBUTION

Our Services
Monthly bookkeeping services— invoicing, expense accounting, accounts payable processing (including credit cards transactions), accounts receivable processing (booking receipts), bank and credit card reconciliations and general ledger maintenance.

Client Profile
Wholesale and distribution firm based out of Alberta, Canada

Challenge
- Migration of clients books from Simply Accounting to QuickBooks
- Setting up of charts of accounts in QuickBooks
- The client had a large list of raw material and finished goods items and they had to be checked and coded to the right accounts

Solution
- An experienced junior accountant was set-up to service the client. Review handled by a senior accountant
- Set up of a clean and logical charts of accounts
- Rationalizing and correcting the item list to reflect direct cost
- Setting accounting procedure to handle work-in-progress items

Achievement
- Successful migration of books from Simply accounting to QuickBooks
- The client has completely well maintained books with accurate inventory tracking
- This eliminated the need of hiring a part time accountant in Canada