



How to Benefit from Outsourcing Your Accounting

Focus on your business, not on accounting

Running your business is a non-stop commitment. Your time is valuable as an independent retailer and you can't do it all, all the time. With your primary goals of growth and increased sales, too often other areas of your operation are overlooked and suffer. Eventually, time restrictions and expertise will not allow you to maintain accurate and timely financial reporting.

The simplest, and most profitable, solution that lets you concentrate on your business is outsourcing your accounting to a professional accounting service. Sure, you can hire a bookkeeper, but you are still faced with training, supervision, vacations, and other administrative tasks related to the in-house employee you've hired. With a turnkey accounting service, you will also eliminate staff turnover and potential human resources-related issues.

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OUTSOURCING YOUR ACCOUNTING SAVES TIME AND MONEY

When you are working on your business, and not in your business, it's a natural strategic advantage for you. You're an expert on your business, not accounting. A turnkey accounting solution will let you use the time saved to focus on growing your sales, improving operational efficiencies, and understanding where your money is being spent.

Remember, you are saving a salary and benefits by not hiring an in-house accountant or bookkeeper. You will not need to pay Canada Pension Plan and Employment Insurance contributions for such an employee. The result is time and money saved by you because you will pay for only what accounting services you require. An outsourcing firm will provide you with different accounting packages to suit your business needs. You will pay a competitive fee that's comparable to the cost of a full-time staffer, without the hassles and learning curve.

Choosing the right accounting service should help profitability

A turnkey accounting service will look after your accounting needs while you run your business. It will give you a detailed and big-picture view of the financial health of your business as you work to make it grow. Choosing the right service that has experience in your industry will help create conditions for profitability and give you insight into your financial decisions.



There are **four pillars** that support outsourcing your business's accounting to a trusted accounting service that will work as a partner with you:

1

Accounting Expertise

Accountants are certainly experts in their field, but it's important to choose a service that understands your business. Choose one with industry-specific knowledge and experience. An accounting firm without the relevant experience could hinder your business's progress and end up taking up your time as you teach them what they need to know.

Here is a checklist for you:

- ✓ Ask questions about the accounting firm's experience and have them show you their accounting programs and packages, and what they would cost per month and year.
- ✓ Know exactly what services you would get each month and for your year-end reporting. A proven program exceeds just giving you a balance sheet.
- ✓ Will you receive personalized monthly reports as well as year-end reviews?
- ✓ Ask how the outsourcing service would help your business – ask for specifics related to your business such as how it would help your inventory management.
- ✓ Does it have customer testimonials that you can read and references that you can check? Choose an outsourcing accounting service with a proven track record in your industry.
- ✓ Be sure that the turnkey service you choose is cost effective compared to paying an in-house accountant.
- ✓ Is the outsourcing service skilled in all aspects of small business accounting, such as general ledger, payroll, accounts payable and receivable, inventory management?
- ✓ Can the service assure you that its accountants stay current on any tax and regulatory changes that could affect small businesses? How would they let you know of any changes and how they would affect your business?
- ✓ The turnkey firm you choose should mitigate financial risks, such as fraud.

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THE SERVICE YOU CHOOSE SHOULD HELP YOUR BOTTOM LINE

The turnkey accounting service should be able to help you create the conditions to improve your profitability as an independent retailer. By focusing on key areas of your operations, the firm should be able to improve the profitability of your operation. Businesses that outsource their accounting services have generally improved their pre-tax profitability by one to two percent. For example, a business with \$2.5 million in sales would be able to add \$25,000 to \$50,000 of additional pre-tax profit.

TURNKEY ACCOUNTING FIRM IS YOUR PARTNER

The firm you choose should be able to articulate all financial information relevant to your business in easy-to-understand terms. You shouldn't be left scratching your head and trying to decipher the reports you receive. The regular conversations you have with the accountant who looks after your business should be clear and relevant to your situation. Your questions should be encouraged.

When you hire an outsourced service, you're hiring a business partner. You should have a connection with the accountant(s) looking after your business. You have hired this service to make the financial side of your business less stressful for you as an entrepreneur. Calculate the hours you would spend on doing your business's accounting. For a small business with \$2.5 million in annual sales, it is estimated that outsourcing your accounting will save you up to 30 hours monthly, precious time that will allow you to focus on other areas of your operation.

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OUTSOURCING CAN HELP YOUR BUSINESS GROW

Outsourcing your accounting gives you access to qualified, skilled resources that you may not otherwise have access to in your immediate area as an independent business owner. The process will help increase your business's [operational efficiency](#) to help boost your productivity and profits. If you are ready to grow your business, but you lack the financial or accounting experience to make an informed decision on your next step, outsourcing your accounting will help you understand how to get to the next level.

2 Analysis and Timely Reporting

The advantage of a comprehensive month-end financial reporting package is that it's both analytical and cost-effective. It is your go-to reference for the financial health of your business.

The month-end package will meet your needs because it is specifically tailored to your business and will be reviewed during your monthly one-on-one review with your accounting expert. This will allow you to make impactful decisions about your business while keeping an eye on your bottom line. Timely and accurate financial information is essential to the success of your business. Outsourcing your accounting needs will help ensure this.

The Importance of Details



Additionally, you will get a profit and loss statement, which will let you know how your business is doing on a monthly basis. Another advantage is that you will receive a monthly in-depth expense analysis, which will tell you what you are spending on, what you are not spending on, and will help you determine where you might need to spend to improve sales and stay competitive.

You will also get a thorough expense analysis by category, such as operating expenses including wages, rent, equipment and marketing, and comparisons to similar industry leaders. A sales and expense budget report will let you see exactly where money is coming in and where money is going out and will guide you to making informed decisions when you're planning your business's growth.

You will receive a sales and product category analysis report, which will help you gain a deeper understanding of how each product category is performing and will tell you if one product category is pulling down your overall product category.

An accountant with in-depth experience in your specific industry will know how your financials statements should appear and any errors will show themselves. If so, then a manual diagnostic is done to determine the original and subsequent flow of transactions to ensure that financials are accurate.

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ACTING ON CONSISTENT, QUALITY INFORMATION CAN HELP LEAD TO GROWTH

Receiving high quality and detailed accounting information every month will help guide your business to growth. It also will give you consistent information to make better business decisions. Your turnkey accounting service will set goals for you and implement a plan to help make it happen.

Accounting errors can be costly and embarrassing. There can be penalties and interest charges for any income tax and payroll mistakes. Choosing an outsourcing service will limit the risk of these errors and losses to your business.



KNOW WHAT YOUR COMPETITION IS DOING

You can't improve what you don't measure. A turnkey service will provide monthly and detailed industry-specific reporting to help you better understand the critical areas of your business. It will compare both your sales and expense results with key performance indicators (KPIs) and metrics in your industry – by region and nationally -- to create efficiencies and improve profitability. This will help you understand how your industry is doing and how your high or low months compare to your competitors. This can give you reassurance concerning the ups and downs of your market and the path your business is on.

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YOUR DATA NEEDS TO BE SAFE AND ACCESSIBLE

Your outsourcing partner should be using reputable and known software to minimize cyberthreats related to your business. Don't forget to ask about the confidentiality of your data, its safety and how it will be ensured. Is it being stored in the cloud? What service is hosting your data? While you may be worried about the safety of your data, cybercrime can happen within a business and not just from the outside. Your business may not have the latest firewall or cybersecurity protection. Also, if your data is stored offsite in the cloud, it will be readily accessible to you whenever you need it at any time. Don't forget to ask what kind of cloud-based software will be used.

3

Business Coaching

Can the professional who is looking after your accounting also serve as your business coach? Yes, and it is a value-added advantage of outsourcing your accounting to an expert.

An outsourced professional accountant will have the intimate financial details of your business, but that person will look at them with an objective set of eyes to help develop a relationship as a trusted coach and advisor. In a coaching role, the outsourced accountant can help take your business from where it is now to where you, as the owner, want it to be.

LET THE PROFESSIONAL HELP YOU CUT EXPENSES, IMPROVE CASH FLOW

Never underestimate the importance of a budget. The accountant(s) that you will work with will help you develop a budget and stay on it, giving you a financial roadmap to help you achieve your goals.

Your accounting professional will provide objective advice on how to reduce expenses and optimize your cash flow by looking at such things your margins, working capital needs and capital expenditure planning. Your accounting expert can help to develop pricing strategies to ensure you remain competitive in today's constantly changing market.



GET YOUR BUSINESS STREAMLINED

Again, details are important and your accounting professional is there to help look after them as your coach. That person can help you with your organizational structure and job duties development. An organization chart, for example, outlines the roles and responsibilities of each position and to whom each staff member reports. In smaller businesses, job duties can be broad because employees often perform many duties.

As your company grows, your accounting professional can help you make your job descriptions more specific to avoid duplication of efforts, increase operational efficiencies and avoid the time-consuming procedure of having everyone report to you.

Your outsourced accountant will guide you on the best practices for store operation and provide practical software training with regard to in-store procedures. Additionally, he or she will help you with inventory net costing – what your business actually has for sale --- and how it affects profitability. Overall, you will better understand how your decisions affect your financials when you outsource your accounting needs.

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GET AN OBJECTIVE OPINION ON A SALE OR FAMILY SUCCESSION



Your partner accounting firm also can serve as a coach on sensitive matters, compared with an in-house bookkeeper who may not feel comfortable going over certain matters considered confidential or family related, or have the skills. This professional can be a sounding board on business development and expansion.

The outside accounting firm also can help you with a succession plan, an area that can be overlooked by small businesses until it becomes critical. Yes, it's often difficult for families to make tough decisions about the future of their business when it involves their children.

Your accounting professional can do an objective review of your business to help you prepare for your children to take over, or for a sale of your equipment or real estate to an outside party that will have a smooth transition.

For example, if your children will take over your business, the accounting professional will continue to take care of the financial side of the business while the adult children take over the operations.

YOUR OUTSOURCED ACCOUNT IS AS INVESTED IN YOUR BUSINESS AS YOU ARE

Typically, an in-house bookkeeper does not have the depth or knowledge that is often required to review, monitor and improve your business. Your outsourced accounting professional will be as invested in your business as you are because they want your business to grow, too. He or she will want your business to succeed. Keep in mind that your accounting professional has practical and real-life experience, often as a business owner and operator, that can be applied to your business to help make it grow.

You will better understand your business and make informed decisions with the help of a professional.

4

Inventory Management

Inventory, other than land and buildings, is often your company's largest asset. Disciplined management of this key area of your business is critical to your store's profitability. Maintaining the proper levels of the best-selling items is paramount to your operation's performance.

How can outsourcing your accounting to a professional firm help with proper inventory management? Really, it's about choosing the right outsourced accounting firm. What separates an outsourced accounting firm from its competitors is the ability to offer a full inventory-management program ensuring that optimal inventory levels, consisting of your top-selling items, are consistently monitored and maintained.



DO YOU HAVE THE CORRECT INVENTORY LEVELS ON HAND?

The accounting firm you select should have a proven record of successful inventory management. In many cases, maintaining the proper levels requires a reduction in inventory levels.

This can be achieved through analysis of your inventory by category, comparing your store's inventory performance to industry key performance indicators (KPIs) and then establishing, reaching, and maintaining optimal inventory levels. Conversely, reducing levels to conform to industry KPIs can have a very positive effect on other key areas of your operation. Increased cash flow, lower bank interest and carrying charges, increased GMROIs (Gross Margin Return on Investment), smaller warehouse requirements, less inventory damage, and increased profitability are but a few examples.

The first step to determine your inventory's performance is to have a complete inventory analysis done by your outsourcing partner. This process will help gain insight into your inventory's overall health by drilling down in each category, sub-category and even to the SKU levels. Often this process finds that stores have too much inventory, but in some cases, it exposes categories that are under inventoried. Both outcomes, if not managed properly, can lead to lost sales, decreased margins, and missed profit opportunities.

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MAINTAINING OPTIMAL INVENTORY LEVELS WILL PAY OFF

Properly maintained inventory levels will help your business's cash flow by reducing finance and carrying costs and increasing profitability through improved performance. Your accounting partner should be familiar with industry metrics and key performance indicators to allow for benchmarking of your inventory's performance to others in your industry.

Businesses that are carrying excessive inventory often require assistance in reaching and maintaining optimal inventory levels. The outsourced accounting firm you select should have a program available that promotes inventory reduction by category. With this process over a set period, inventory levels are lowered until optimal levels are reached. As previously mentioned, maintaining proper inventory levels can have a very positive effect on other key areas of your operation.

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YOUR INVENTORY IS A MANAGED ASSET

Properly [managing your inventory](#) is critical to your business's profitability. An improperly managed inventory can have a negative ripple effect on the performance of other key areas of your operation. Your inventory can consume your business rather than serving your business. The advantage of outsourcing is that your accounting partner can help you manage your inventory to the benefit of your business.

Here's a checklist to review with your outsourcing partner:

- ✓ How often will they perform an inventory analysis?
- ✓ What KPIs and benchmarks will be used?
- ✓ Do they offer a proven inventory reduction program?
- ✓ Will they assist in identifying your worst and best-selling items?
- ✓ Will you be shown how controlling and monitoring can increase cash flow and increase profitability?
- ✓ Ask questions about how this process will be suited specifically to your business.

LET AN EXPERT HELP YOU MANAGE YOUR INVENTORY

Effective inventory management requires skill. Maintaining the correct levels of the right product helps to ensure customer satisfaction. Your outsourced accounting partner will be able to identify market trends and patterns that will help in your buying process.

Your accounting partner will help you to choose an inventory strategy that works for the benefit of your business. You will get guidance with the management of your inventory, helping you to order more efficiently while increasing your cash flow and profitability. This strategy will help you focus on increasing sales and revenues.

ACCOUNTING OUTSOURCING LETS YOU FOCUS ON YOUR BUSINESS

You can improve your business's profitability when you outsource your accounting and financial reporting needs to a trusted professional service.

The firm that you choose for outsourcing will deliver a valuable service in a cost-effective way that will save you time, money and reduce risks to your organization. This firm will understand how timely and accurate financial information is critical to the success of your business. It will allow you, as an independent business owner, to make impactful decisions with an eye on your bottom line.



LET'S RECAP THE FOUR PILLARS OF SUCCESS FOR OUTSOURCING YOUR ACCOUNTING:

1 - Expertise:

You are hiring accounting expertise that you don't have.

Outsourcing your accounting will help you understand how to make your business grow with sound financial decisions.

When you hire an outsourced service, you're hiring a business partner to make the financial side of your business less stressful and less time consuming for you as an entrepreneur.

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2 - Analysis and Timely Reporting:

The month-end package that you choose will be specifically tailored to your business and will be reviewed monthly one-on-one with the accountant looking after your business.

You are looking for a thorough expense analysis by category and comparisons to similar industry leaders, to be reviewed monthly. You will receive detailed and consistent information that will help you make better business decisions and help you set goals for your business's growth.

3 - Business Coaching:

An outsourced accounting professional will look at the financial side of your business objectively as someone you can trust as a coach or mentor to help your business grow. This professional can act as a neutral advisor in the case of an acquisition, merger, sale, or family succession.

Your accounting professional also will provide objective advice on how you can reduce expenses and develop a budget to help you achieve your goals.

Overall, your accounting professional is a sounding board for how to make your business grow.

4 - Inventory Management:

The firm you choose will help you manage your inventory, a skill that you may not have enough time to devote to because you are already busy running your business.

Your accounting expert will see patterns in your inventory and help you streamline them to maximize sales and prevent waste. Inventory is often a company's most valued asset and requires an ongoing management plan that an outsourced accounting service can provide.

Working together to achieve your goals

The firm you choose will understand the challenges that you face as an independent retailer in today's competitive and constantly changing retail landscape.

Your accounting partner will help you manage your finances with their expertise and their time.

The result is that you will be able to focus on other areas of your business that need your expertise and time to achieve your goals.

Overall, it's a sound investment in your business. Can you afford the time not to make this decision?



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