



WIRC-ICAI



Virtual Collaboration

*Meeting on Tax & Accounting Outsourcing Services to USA -
Opportunities and Challenges*

US Perspective on Accounting outsourcing

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Synopsis



- Accounting service industry in the USA
- US-India economic relations
- Outsourcing - The U.S. advantage
- Talent pool
- Professional opportunities - Identifying and Retaining them
- Presence in the USA - Is it necessary?
- CA or CPA? - The talk of the town!
- US GAAP and IFRS
- Job creation within USA

U.S. Accounting Industry- Infographic



Revenue of
accounting
services in the
United States



USD 110.7 bn

Number of
accountants and
auditors
employed in the
United States



1.27 mn

States with the
highest
employment
level in
accounting and
auditing



California

Annual mean
wage for
accounting and
auditing in the
USA



USD 101,440

U.S. Accounting Service Market



- **The Accounting Services Industry in the US**
 - The *6th ranked* Professional, Scientific and Technical Services industry by market size.
 - *99th largest sector* in the US.
- **The Leading Firms in the US**
 - Are the *Big Four* global accounting and auditing firms.
 - In 2020, these companies reported a combined revenue of over USD 157 billion worldwide. Just over *USD 56 billion (35%)* of their combined revenue was generated *from the US market*.
- **Global Accounting Services Market**
 - Expected to recover after COVID-19 and grow *at a CAGR of 6%* from 2021 and would reach to *USD 687.7 billion in 2023*.

U.S. Accounting Service Market cont..



- **North America**

- It is the *largest region* in the global accounting services market, accounting for 43% of the market in 2019.

- **The Global Accounting Services Market Segmentation**

- ***By Type:*** Payroll Services, Tax Preparation Services, Bookkeeping, Financial Auditing and Other Accounting Services
- ***By End Use Industry:*** IT Services, Manufacturing, Financial Services, Construction, Others

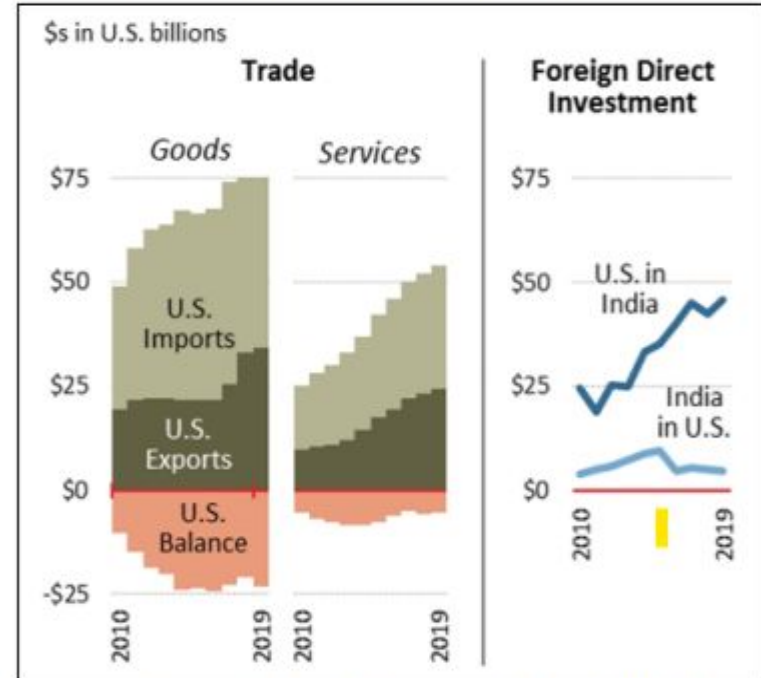
Constituting less than 5 percent of the world's population, Americans generate and earn more than 20 percent of the world's total income.

U.S.-India Economic Relations



- *International trade* in services accounts *seven percent* of world GDP.
- The *United States and India* view one another as important *strategic partners* to advance common interests.
- In 2019, the *United States was India's largest goods export market* (17% share), and third-largest goods import supplier (7%), which shows increasing economic ties between the two countries.
- United States is *number one trading partner* for India FY 2018-19 and FY 2019-20.
- *Trade in services* with India (exports and imports) totaled an estimated *USD 43.25 billion in 2020*. Services exports were USD 17.42 billion; services imports were USD 25.84 billion.
- In 2020, the *bilateral trade* of goods and services between the *US and India* stood at *USD 121.77 billion*.

Figure I. U.S. Trade and Investment with India



Source: CRS analysis, Bureau of Economic Analysis (BEA) data.

Outsourcing - The U.S. Advantage



- **Increased Cost Efficiency**
 - Research on outsourcing benefits suggests that cost reduction remains FAO's primary motivation.
 - Outsourcing leads to *reduction in expenses* but most importantly, without reducing the quality.
- **Scaling Accounting Easily**
 - In the global business scene, several companies had observed an *increment of 58%* in the level of *operational quality*, *38%* in *user experience*, and *31%* in *client revenue growth* after outsourcing their services.
- **Time Zone Advantage**
 - The *Indian time zone* is roughly *half a day ahead* of that of the United States.
 - Helps *US accounting firms* to get *24*7 accounting services* without any disturbance.
 - US firms can *send the work by end of the day*, and can rest easy as they would receive the *completed work by the next working day*.

Outsourcing - The U.S. Advantage cont..



- **Gain Access to Better Talent**

- India has one of the *largest and most talented pool of resources* who can cater to any type of client's needs.
- Accounting professionals here have the *skills and experience* to handle even the most critical projects for clients from different verticals and parts of the world.

- **Re-assign Employees to Higher-value Activities**

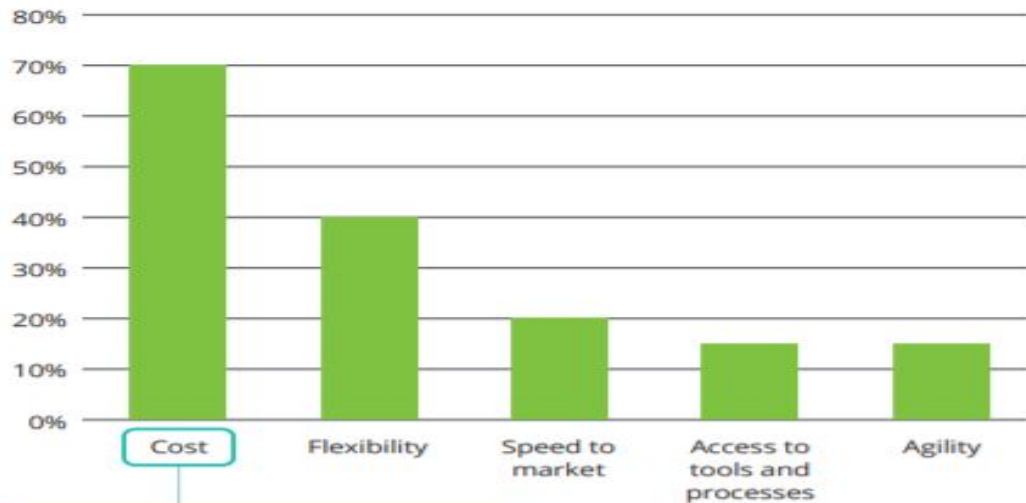
- Outsourcing allows to *concentrate limited resources on core business* and focusing on strengths, which leads to *yielding more profits*.

- **Better Business Decisions Faster**

- Working with accounting professionals will *yield more reliable information* to make *improved business decisions* in less time.



Outsourcing objectives



Cost reduction is back in vogue

Source: Deloitte Global Outsourcing Survey 2020

“What drives the clients’ decisions is cost reduction. If there is no positive cost case, it will not happen. It is always about cost.”

Partner, Law firm, EMEA

Outsourcing - List of some common services



Payroll execution services

Payroll reconciliation services

Expenses ledger maintenance

Accounts payable/receivables services/ aging reports

Finance & Accounting IT Support

Bank account reconciliation

Credit card reconciliation

Sales tax computation/filing

General accounting services

Income reconciliation services

Entity formation services

Talent Pool - Gig Economy



- **Indian Talent**

- CAs'
- CS/CMAs'
- MBAs' from Indian universities/B-schools
- Commerce graduates/Ph.D from Indian universities



- **US Talent**

- CPAs'
- EAs'
- MBAs' from US universities/B-schools
- Commerce/business graduates/Ph.D from US universities



Finding the Opportunities



- **Online Platforms**

- Upwork
- People
- Fiverr
- Outsourcely, Workhoppers, Freelancer, etc.



- **CPA Firms**

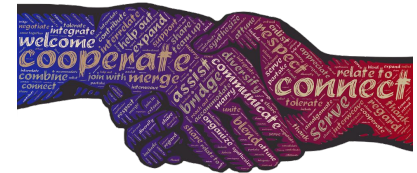
- Contact CPA firms for getting the outsourcing opportunities.
- Acquisition of US CPA and accounting firms and businesses.

- **Outsourcing Firms**

- Indian CAs' may partner / form a JV with the outsourcing firms.
- **Acquisition of business entities/firms.** - US businesses are **salable**.

- **Presenting Seminars/Webinars at Prestigious Platforms**

- ICAI, BCAS, AICPA, Youtube channels, etc.



Retaining the work



- **Key Considerations**

- Follow strict SLA and OLA.
- Ensure high quality delivery standards.
- Practice professionalism
 - E-mail
 - Document management
 - Service delivery
- Learn the US way of doing business
 - Offer “*greetings*”
 - Recognizing time and efforts - saying “*thank you*”
 - Using “*easy and understandable*” language
 - Focusing on “*listening*” more
 - Ensuring mentioning about “*time zone*”



Retaining the work cont..



- **Key Considerations cont..**
 - Respecting privacy and confidentiality
 - Say “no” to attachments
 - Using “*secured and updated*” technology
 - Data sharing
 - Data retention



Recommendation of your work by clients to others is the best client retention and business growing strategy.

Retaining the work cont..



Additional Considerations

- US society is a **Trust-Based society**.
- In the US, **suppressing the truth** is considered as a **crime**.
- **Confidentiality and Privacy** issues are of utmost importance. Always ensure to address these issues.
- **Speaker is responsible** for ensuring that content delivered is understood by the audience.
- **Conversational pace** in the US generally ranges between 120-140 words per minute. In India it is usually 140-160 words per minute. Fast pace influences Indian English, making Indians seem like “fast talkers” to Americans.

Presence in the USA- Is it Necessary?



There are a lot of mediums other than the United States or setting up

It is not necessary to have a presence in the US, but it is advantageous though.

the here.

- **Freelancing platforms** like Upwork, People per hour, can provide you the chance of meeting people and professionals around the globe and provide them your services.
- **Professional networking platforms** like LinkedIn, Opportunity, Meetup are a impressive source of building connections, joining professional groups and forums, and staying in touch with the opportunities in the US.
- CAs' could get in touch with **CPA and Outsourcing firms** and engage with them for the professional work without leaving India.

Advantages of having US presence



- **Building Trust**

- It creates your local connection in the US, makes you more reachable, which may help you building trust in the US market.



- **Swift Understanding**

- Professionals could get to understand the market and relative changes more quickly as compared to those who are operating remotely.



- **Access to Local Opportunities**

- Many people intend to deal with local US firms due to legal and regulatory benefits.
- Plus, presence in the US can provide you with access to the local market.

CA or CPA?



01

Chartered Accountant (CA)

- India CA is mostly **recognized** in **India** and the **Middle East**.
- ICAI on an average have approximately **300,000 members**.
- An Indian CA wishing to work as a professional in the US **should apply for the CPA credential**.
- **No MRA/MOU exist** between ICAI-AICPA.

02

Certified Public Accountant (CPA)

- CPA(US) has career opportunities **across the globe** due global presence of American businesses.
- AICPA has approximately **650,000 members** in the world.
- **US based companies**, even if it is based in the US or India, **prefer CPAs'** due to their understanding of US GAAP in addition to IFRS, and US taxation and other relevant laws.
- Your CA and graduation may get you **credit hours** helping you in fulfilling the eligibility for the CPA program.

Pathway to CPA!



Education credit hours
and Choosing a state for giving
the examinations

One year work experience

Deciding the state board

Minimum education hours are necessary to fulfil the eligibility for a CPA certification. In the US, there are **50 states** and each state has its **own board** for evaluating and conducting CPA exams. So the first and foremost step is to ensure the sufficient education credit hours and select the state for giving the examinations.

CPA course requires the candidates to have **one year work experience in an accounting or finance firm**. This is similar to articleship we have for the CA course. You may gain the work experience alongside the examinations or can do it after clearing the exams as well.

Once you are done with your CPA along with your one year work experience, decide from which state board you want to apply for a CPA licence. CPA's are **first required to get a licence** from the state board before practising in that state.

Fee Structure



- **Credit Hours Evaluation**
 - NASBA International Evaluation Services (NIES) performs the evaluation.
 - NIES Fee - USD 225.
- **Transcript**
 - ICAI Fee - INR 500, reaches within 21 days in a sealed envelope.
 - University Fee - vary from one university to another.
- **Registration/Application**
 - Application Fee - USD 100.
 - Examination Fee - USD 185 for each paper.
 - Additional fee USD 400 per subject for taking the exams in India.
- **Study and Educational Materials**
 - Review course books - USD 570-600 for the entire course.

US Business Demographics



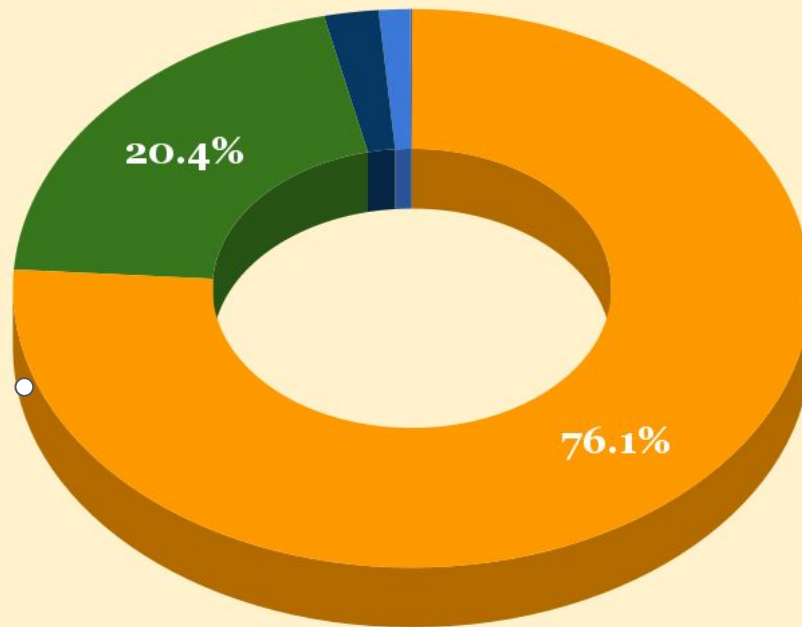
- According to [Economic survey Business Patterns, 2019](#), the total number of **establishments** were **7.96 million** in the US.
- According to [ABS Data, NES-D Tables](#), there were **25.31 million** non-employer **firms** in 2017.
- Small and medium businesses accounted for approximately **98.6 percent** of total businesses in the US.

Business Size	No. of Enterprise
Non-employer firms	25,310,000 <i>(2017)</i>
<20 employees	6,780,893 <i>(2019)</i>
20 - 49 employees	734,904 <i>(2019)</i>
50 - 499 employees	421,180 <i>(2019)</i>
500 - 1000+ employees	22,126 <i>(2019)</i>



Businesses by Employment Size

- *Non-employer businesses*
- *<20 Employees*
- *20 - 49 Employees*
- *50 - 499 Employees*
- *500 and more Employees*



*More than 98%
businesses in the US
are small and
medium*

Source: <https://www.census.gov/data>

US GAAP and IFRS - Status of Acceptance



		Permissibility of using	
S.No.	Entity Type	US GAAP	IFRS/IFRS for SMEs
1	<i>Small and Medium businesses (other than companies)</i>	Yes	Yes, but not mandatory
2	<i>Domestic Companies (DCs') - whose debt or equity securities trade in a public market</i>	Mandatory	Not Allowed
3	<i>Foreign Companies (FCs') - whose debt or equity securities trade in a public market</i>	Yes	Yes, but not mandatory
4	<i>Companies whose securities do not trade in a public market</i>	Yes	Yes, but not mandatory

US GAAP and IFRS - The Fact Check



- **Small and medium businesses (other than companies)**
 - *US GAAP is preferred* by almost all small and medium businesses.
 - Tax authorities do not give an option to file the financial statements with them prepared in accordance with IFRS. Tough, US GAAP is a permissible option.
- **Domestic Companies (DCs') - whose debt or equity securities trade in a public market**
 - All DCs' are bound to *follow US GAAP*. Following IFRS is not available as an option.
- **Foreign Companies (FCs') - whose debt or equity securities trade in a public market**
 - *Not mandatory* to follow IFRS.
 - As of September 2016, *only 500* foreign private issuers with a market capitalisation in excess of US\$7 trillion filed financial statements *prepared on the basis of IFRS Standards*.
- **Companies whose securities do not trade in a public market**
 - In practice they mainly select either *US GAAP* or other comprehensive basis of accounting, such as the *US income tax basis of accounting*.

Job creation



- **L1 Visa**

- L1 visa is a non-immigrant visa which allows overseas companies to transfer employees under two types of L1 visa schemes.
 - **L1A visa** - For L1 visa transfers of *executives and managers* including business owners for *up to seven years*.
 - **L1B visa** - for *specialized knowledge employees*, the L1B visa allows entry for *up to five years* to a new or existing US office.
- To qualify for an L1 visa the employee, which can include business owners, must have worked for a *subsidiary, parent, affiliate or branch office of the US company outside of the US* for *at least one year* out of the last three years.

Job creation cont..



- **H-1B Visa**

- H-1B is an **employment based**, non-immigrant visa for **temporary workers** in the USA.
- H-1B is an employer **sponsored visa**.
- H-1B is issued to a **specialty occupation**, requires **theoretical and practical application** of a body of specialized knowledge along with a relevant educational degree.
- The H-1B visa has an **annual numerical limit or "cap" of 65,000 visas** each fiscal year.
- **Initial approval** is for **three years**, which can be extended in **increments** of up to **three years**. Total stay cannot exceed total six years.

Job creation cont...



- **Other ways**

- Moving to US for pursuing higher education (student visa).
- EB-5 visa (investment based entry)
- O1 Visa Extraordinary ability in Science, Business etc.
- Business Visa
- Tourist visa
- PCAOB



Thank you!

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