

5 Ways to Increase Profit Using Outsourced Bookkeeping

1. Save money by eliminating the internal bookkeeper.

Most business owners hire a bookkeeper for \$12 to \$15 per hour. They don't realize that they are making a commitment to a number of other expenses. These include office equipment (computer, computer software, telephone, etc.), office space, office furniture and décor, payroll taxes, the cost of paid leave, worker's compensation, benefits, training, supervision - the list goes on and on. An honest calculation of these costs puts the cost per hour of a bookkeeper at more than double the actual wage rate of the bookkeeper.

Bookkeepers have to be supervised. How much time is the business owner or manager going to spend on this supervision? What activities could that person have engaged in to make money for the company rather than supervising an employee?

Outsourced bookkeeping companies provide all aspects of the management of the bookkeeper. They hire and fire, supervise, train, pay the payroll taxes, provide office space, provide a computer. It is all wrapped up in one fee. Two main financial results come from this: 1) You save money on the cost of the bookkeeping. The cost of outsourced bookkeeping is less than the full cost of hiring an internal bookkeeper. 2) The business owner or manager has more free time to focus on the company's customers, the people that bring you money.

2. Use good financial data to make good financial decisions.

The premise of outsourced bookkeeping is all data is entered at the end of each business day. The following morning the business owner can review the previous day's operating results. This breaks your financial review into the smallest possible reporting unit, one day. Basic functions of your business, such as invoicing customers and paying bills, are built into the daily processing. Payroll and payroll reporting is done electronically.

Many business owners make decisions from a financial statement prepared two or three weeks after the month is over. This financial statement is an entire month of activities rolled up into totals by income and expense category. The information is stale in our world before the business owner ever sees it. That is why many business owners

are moving to outsourcing their bookkeeping. The result is good financial decisions from good, real time financial data.

3. Don't lose money from poor asset protection.

Most business owners really don't know if their assets are protected adequately by a system of internal controls. For example, if your bookkeeper failed to properly report payroll and was paying penalty and interest along with payroll taxes, would you, the business owner catch it from monthly financial statements. Probably not. And we all hear the news reports and see the articles about bookkeepers who have stolen from their employer. The sad part is many businesses are unwilling to prosecute because of the publicity. This means the problem is more widespread than reported, and these dishonest bookkeepers just go on to take a job with their next victim.

The key to an outsourced bookkeeping system is internal controls are achieved by assigning key accounting functions, such as bank account reconciliation, to an outside party that does not write the checks or deposit the money. This builds in protections for the business owner.

4. Leverage good financial data with “business coaching”.

Let's face it. Owning a business is not easy. The business owner is constantly dealing with human resource issues, customer complaints and problems, not to mention the actual work that needs to be done. Sometimes the demands on the business owner are so great that it is really hard to focus on the important things to do right now.

More and more small businesses are hiring “business coaches.” A business coach is someone who can take an objective look at your business and give you advice on how to make it better. However, the first thing that the business coach is going to need is accurate, timely financial information. Using an outsourced bookkeeping system will give you this information.

Once you have good financial data, you may want to hire an outside consultant or just begin to look at the financial data every day. Some outsourced bookkeeping firms even offer business coaching as part of the monthly fee. You can also use industry financial ratios to see what areas of the business can be improved. These ratios are only meaningful and useful if your books are being done right and on time.

5. Make more money by better utilizing business owner time.

Businesses often see cash flow double in as little as 90 days using outsourced bookkeeping services. This is the culmination of the first 4 steps. Business owners tend

to not value their one greatest resource: THEIR TIME. Outsourced bookkeeping eliminates an employee to hire, train, and supervise. Outsourced bookkeeping eliminates an entire function in the business to be overseen by the owner. But most important, outsourced bookkeeping gives the business owner a clear and accurate view of the results of the business. The business owner can decide very quickly changes that need to be made in the business using this real time data. The result is good decisions made on a timely basis, the catalyst to making your business more successful.

Still not convinced? Fill in the yellow boxes below with the actual data from your company. Calculate what the cost of your internal bookkeeper is. The numbers will give you an idea of the benefit of outsourcing the bookkeeping.

Assumptions

Typical values based on full-time bookkeeper at \$12 per hour.

Typical values

Time factors

Number of work weeks in a year		Line A		52
Days per week		Line B		5.00
Total available days	=Line A x B	Line C		260
Less:				
Vacation days	Line D			
Holidays	Line E			
Sub-total - Days off	=Line D + E	Line F		20
Net working days	= Line C - F	Line G		240
Available hours per day		Line H		8
Available hours per year	=Line G x H	Line I		1920

Cost elements

Annual salary				\$24,960
Medical Insurance		per month		\$400 x 12 =\$4,800
Rent		sq. ft. per person (1)x		
		annual		400 x \$15=\$6,000

		rent/ft. (2)=		
		of annual		
Payroll taxes	%	salary		10% x \$24,000 = \$2,400
Cost of supervision		Hours (1) x		
		\$ per hour		
		(2) =		100 x \$75 = \$7,500
Recruiting and training cost				\$3,200
Management time		hours/hire		
		(1) x		
		\$ per hour		
		(2) =		20 x \$150 = \$3,000
Total cost	Line J	Add up		
		costs above		\$51,860
Hourly cost	Line K	Line J / I		\$27.01
Cost of Outsourced Bookkeeping	Line L	\$13 x Line		
		I		\$24,960
Annual cost saving		Line J – L		\$26,900

Online Books can help you make the transition to an outsourced bookkeeping system. We have numerous accountants and CPAs on staff to assist you with the process and work with your business every day. We use Quickbooks® accounting software, which you probably already are familiar with. I would love to learn more about your business so I can help you like I have helped so many other business owners.

Call me, Bruce Knudsen, toll free at 866-321-5123 or email me at bruce@bookkeepingservicesonline.com. I can show you how to take your business to the next level.