
Peculiarities of Outsourcing in Accounting

Islomov A.

Independent researcher University of Public Safety of the Republic of Uzbekistan

Annotation: This article is devoted to the use of outsourcing, where the key aspect is the use of outsourcing in accounting. The article gives the basic concepts of outsourcing, the history of the emergence and stages of development of outsourcing on a global scale. The trends influencing the strategy of introducing outsourcing are shown, and the classification of types of services is considered according to their proximity to the main activity of the organization and the level of know-how. The ways of using outsourcing in accounting, the advantages of transferring accounting services to outsourcing, as well as the factors affecting the functioning and expansion of accounting outsourcing are considered in d

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The issues of personnel policy are always relevant, since the development of innovative technologies is followed by changes in the labor market itself, changes in requirements, and changes in the approach to management itself.

The actively used outsourcing today ensures the integrity and continuity of the production process, often effectively using the labor of foreign personnel or so-called "borrowed labor".

The very concept of outsourcing means the transfer of some functions of the enterprise for execution to third-party organizations, individual entrepreneurs who specialize in this area [1].

Outsourcing has its origins in handicraft production until the XVIII century. In its activities, the craftsman depended on suppliers of raw materials, on customers and other craftsmen, i.e. on a set of cooperative ties. The most significant industrial organizations, which controlled the world's capital, were created in the late 19th and early 20th centuries. Their dominance lasted until the 1960s. In the 1970s they were replaced by smaller companies, for which not only control of capital became important, but also a new philosophy of management, aimed at the concept of cost optimization, increasing productivity and reducing the time of execution of orders. If initially, i.e. in the 60-70's of the last century, the outsourcing concept involved the delegation of certain functions, in today's conditions outsourcing plays a strategic role in the management of the company, its restructuring.

The founder of the theory of outsourcing can be considered Alfred Sloan, president of General Motors.

Back in 1921, when the company was on the verge of collapse, he brought it to the forefront of the automotive industry by 1935 by implementing a new project. The basis of the project was the methodology of outsourcing, applied by him 70 years before the appearance of this term.

Outsourcing in General Motors was used in two directions: in the organization of the

management system of the company and in the organization of production. The practice of A. Sloan's activity proved the conclusion that specialized firms perform certain functions much better than the executives of General Motors corporate unit. He used outsourcing for the organization of both company management systems and production, based on the method of cooperation of highly specialized productions inside and outside of the company. To this day, outsourcing in automotive manufacturing is the basis for the organization of the production process[1].

Outsourcing is often called "the phenomenon of the XX century", as well as "the greatest business discovery of recent decades", because only from the late 80s of XX century this concept entered into practice and became really widespread [2]. At the same time, the very idea of attracting the resources of a specialized firm to solve the tasks facing the organization is by no means new. This idea and the mechanism of its implementation have been known since the concepts of labor division, specialization and cooperation were formed in economic theory and later in scientific management. Nevertheless, precisely in the conditions of economic globalization, the division of labor and production cooperation on a global scale open up completely new prospects for the application of the long-known principles of the organization of production activity. Let us consider the main stages in the development of outsourcing, which are presented in Table 1.

If we call outsourcing involvement of services and resources of a specialized firm for solving individual issues related to the activities of the company, from this point of view, the first experience of outsourcers can be considered the services of law firms in the U.S. and Great Britain in the late XIX century. In countries whose legislation is based on the case law, solving legal issues has historically been transferred to specialists with high qualifications and the necessary experience.

At the beginning of the XX century, at the first stage of its development, outsourcing was mainly due to the expediency of transferring a number of functions to specialized firms engaged in the maintenance of production (repair of equipment, machinery, tool making, etc.).

Table 1 Stages of outsourcing development

Period	Processes stimulating and characterizing the development of practical outsourcing
Early XXth century	Attraction of specialized firms by organizations for solving legal problems
1920s-1930s	Application of the method of cooperation of highly specialized productions in the automobile industry
1950s	Development of economic integration processes in the "post-war" economic space
1960s-1970s	Formation of a new business sector: IT services. Widespread use of outsourcing as a method of production cooperation in industry

The origins of practical outsourcing as a method of production cooperation and high technology management in industry date back to the period of the "great confrontation" between two great managers - Henry Ford (1863-1947) and Alfred Sloan Jr. (1875-1966) and the giants of the automotive industry - Ford and General Motors headed by them. Further the development of outsourcing went on increasing, covering more and more extensive areas of activity.

Since the 1960s, there has been a fundamental paradigm shift in the application of outsourcing. At the second stage of outsourcing development, the increase in the competitive

advantage of the company begins to directly depend on the degree of use of a new form of business building.

The spread of cooperative relations in the world market of processed goods dates back to the mid-1960s, when American firms concluded several contracts with companies of Japan and then Taiwan (where wages turned out to be significantly lower) for the manufacture and delivery to the U.S. domestic market under their trademarks of initially electronic devices of consumer use, and then electronic components [3].

Such agreements were called contracts on terms of original equipment manufacturers (OEM), the essence of which was reduced to the production of products according to the technology and documentation of firms, which developed this equipment and had all rights to it.

In modern management outsourcing is understood as the performance of individual functions (production, service, information, financial, managerial, etc.) or business processes (organizational, financial, economic, industrial, technological, marketing) by an external organization that has the necessary resources for this, based on a long-term agreement. Outsourcing is now seen as a modern methodology for creating highly effective and competitive organizations in the face of fierce competition of the three economic centers established by the beginning of XXI century.

Outsourcing is a product of modern trends in the development of the world economy, opposite trends in monopolization. It is a methodology of adaptation of management of the organization to market conditions, allowing to quickly enter the new business, using all the available opportunities of the external environment, and in some cases the resources of competitors.

The modern business environment is characterized by the following factors:

- the acceleration of changes taking place in it;
- changes in consumer attitudes;
- increasing competition for resources;
- the internationalization of business;
- the further development of scientific and technological progress;
- The development of information networks, etc.

Over the past decade, a powerful wave of outsourcing has swept almost all organizations. In an effort to reduce firm size, reduce headquarters staffing and focus on value-added and core, firm-specific activities, public and private organizations are applying "outsourcing" to many of the processes previously performed by the firms themselves. The results of these processes are purchased from outsourcers as services. These include, first of all, service processes (cooking, security, cleaning, maintenance of office equipment and other processes ensuring the organization's vital functions), then auxiliary and, finally, the main processes. Transport, communications, warehousing, real estate management, etc. became separate areas of outsourcing application.

According to Robert M. Monczka of the University of Michigan, there are seven promising trends affecting outsourcing strategy (Table 2.).

The processes of economic globalization, which have affected all national economies without exception, largely determine the solution to the "make or buy? If used correctly, international, or global, sources of supply (international sourcing, or global sourcing) become a powerful weapon in the competitive struggle.

Attraction of qualified specialists to the management of the organization (outsourcing of

organizational management functions), training and staff development (outsourcing of corporate training), outsourcing of logistics functions and marketing, outsourcing of basic and auxiliary production processes, etc. can be effective with the full or partial transfer of the relevant functions to the outsourcer. A separate area of outsourcing is the outsourcing of human resources [4].

Table 2 Prospective trends affecting the strategy for the introduction of outsourcing

№	Trend	Strategy
1	Globalization	-integrating the supply/customer service strategy -Collaboration with suppliers to maintain competitiveness in quality, cost, delivery, etc. -modification of supply base structure/channels
2	Information technology	-global strategic chain -connecting with important suppliers electronically
3	Consideration of external customer requirements	-integration of supply base into external customer supply chain
4	Process/production technology	Strategic supplier alliances with industry-leading technology suppliers
5	Increasing complexity of operations	-Necessity to build an extensive collateral base/sourcing strategies and precise performance criteria relative to strategic goals
6	Legal/environmental issues	-Solving environmental issues along with supply issues
7	Revision/modification	-reviewing external processes -modifying outdated models for using external supply sources

The possibility of transferring the functions grouped in fields 1 and 2 (Fig.1.) largely depends on the qualifications of the potential outsourcer. The level of know-how and the degree of possession of the necessary technologies to perform the assigned tasks in the outsourcer should be at least not lower than in the client organization. It is this second criterion that forms the offer on the outsourcing services market. The possession of the top-class specialists in their field, advanced technologies, experience in solving similar problems and considerable potential for developing and promoting large-scale outsourcing projects in new areas attracts the customers and brings the outsourcing organization into the line of the world-class providers.

A significant share of the total outsourcing market is accounted for by the high cost of these services and their significant role in ensuring business stability and sustainability.

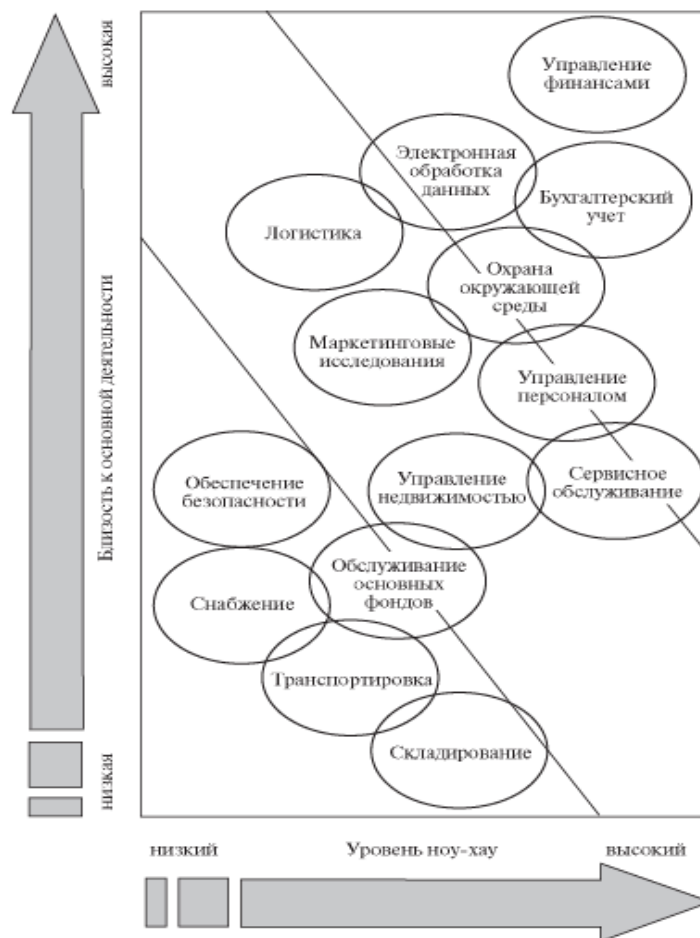


Fig. 1. Classification of services according to their proximity to the organization's core business and the level of know-how

Source: Anikin B.A., Rudaya I.L.¹

The use of outsourcing in accounting is the easiest, usually applied when there is a need to control the activities of in-house accountants. In addition, the services of an outside consultant can also be resorted to when accounting and auditing accounting procedures have certain specifics, such as conducting transactions with a foreign company. But even if the accounting activities in the company are not questionable, periodic consultations with experienced professionals can be very useful, especially in the area of constantly changing tax laws.

There are several ways to apply outsourcing in accounting: selective outsourcing, full outsourcing, conducting accounting on behalf of the chief accountant.

Selective outsourcing. Outsourcing is understood as the transfer of particular accounting functions to outsourcing: payroll calculation, statistical reports preparation, filing tax returns. In this case a number of interrelated functions are performed by the company independently. The reason for partial outsourcing of accounting is the desire of a manager or an owner to keep control over accounting processes. Partial outsourcing services are also used by those companies which want to relieve their employees from routine work in the presence of a large number of identical transactions, or are planning to reduce the staff of the accounting department.

Full outsourcing is a full accounting service of the company by an outside organization. When choosing this type of organization can do without staff accounting, because all its functions will take over the company-outsourcer.

Keeping accounts in the name of the chief accountant with the right to sign accounting and tax accounting documents. If necessary, the client company can completely transfer the right to sign accounting documents to the outsourcer, thereby freeing the company from the need to spend time on the paperwork. The disadvantage of this solution is a complete lack of control over the activities of the outsourcer.

The choice of one or another method of accounting outsourcing depends on the specifics of the company, its financial capabilities and the degree of readiness to move to remote accounting services.

Consider the advantages of outsourcing accounting services over having a full-time accountant or a freelance employee Figure 2.

Anikin B.A., Rudaya I.L. Outsourcing and outstaffing: high technologies of management: Textbook. M.: INFRA-M, 2009. - 320 c. - (Higher education).

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Fig.2. Advantages of outsourcing accounting services

1. Reducing the cost of maintaining the accounting office

For the work of even one staff accountant you need an equipped workplace, which requires a computer, telephone and other office equipment, purchase and installation of accounting programs.

If you outsource, the specialist already has everything you need, including software, which means there are no extra costs.

A full-time employee can always count on the payment of salary, regardless of his presence at his workplace at any given time (vacation, maternity leave, sick leave, etc.). In addition, taxes and wages must be paid at all times. This is done by the firm in which the accountant is listed as a full-time employee. Another point of cost reduction is the ability to write the services of the outsourcer organization into expenses, VAT in this case is deductible.

The transition to outsourcing can reduce costs by 25-30% on average.

2. Quality of services

Since in companies specializing in the provision of accounting services, all business processes have long since been perfected, the solution of both complex and routine issues is

much faster. At the same time, the outsourcer offers his client the simultaneous support of several specialists on his staff: lawyers, specialists in tax law and labour legislation. In order to improve quality the work of an accounting specialist is controlled and verified by the head of the department and the internal control auditor.

Prompt reaction to the legislation changes and knowledge of modern packages of legal and accounting programs also increases the quality of rendered services and guarantees correct and timely execution and accounting.

If we speak about an external accountant he usually has no such opportunities, and sometimes no time to solve the tasks assigned to him by the client.

3. Responsibility for the result.

In the case of accounting outsourcing, the company is protected by the provisions of the contract, under which the outsourcer is liable for the damages caused by errors, omissions, loss or damage of documents, unintentional violation of the law. Usually a correctly drafted contract always contains the details of the interaction between the customer and the company-executor. As a rule, the outsourcer assumes all risks of compensation for all fines and penalties imposed by the tax inspection, so he is interested in excluding any possibility of their occurrence.

Companies with their own accountant are not insured against paying fines and other sanctions due to his mistakes and lack of qualifications. The same applies to an outsourced accountant - the company bears all the risks on its own. In the case of outsourced accounting, the outsourcer company is usually responsible for damages, errors and loss of documents.

4. Confidentiality.

Since the outsourcer and his client are business partners, whose interests should coincide, there is an agreement between them to keep secret any information obtained in connection with the performance of the contract, in order to avoid losses and damage to the client's interests. In order to ensure confidentiality, various communication options can be used to ensure that no information is leaked.

In the case of a visiting accountant, this problem is the most serious because he has no interest in the prosperity and development of a particular firm. Typically, such an accountant maintains records in several organizations and there is a chance that information will be shared with competitors.

One way or another, the advantages of accounting outsourcing, especially their economic component, have long been appreciated by the world's leading companies. For example, the famous British Petroleum contract for outsourcing accounting services, signed back in 2002, is still valid.

Today, the opportunities to expand the market at the expense of the "unenlightened" have greatly diminished. So outsourcing providers, in their own opinion, helped both the general post-consumer recovery of business activity, as well as the strongest impetus to all that is associated with working remotely (accounting outsourcing is one of the varieties of distant.

In times of serious turbulence, as a rule, increases the demand for outsourcing accounting functions

Outsourcing of accounting and tax accounting became the most capacious segment of this market: on the results of 2021 its share was 51 % of total gain, the second in the amount of total gain is the segment of outsourcing of payroll calculation - 21 % of all gain[5].

Among the factors influencing the functioning and expansion of accounting outsourcing are changes in tax, accounting and labor law legislation; demand for services associated with the

buildup of electronic services and staffing in the economy and business in order to optimize processes; and the general migration of business processes towards digitalization.

Over the past 15 years, outsourcing has become one of the main components of strategic management. Both large corporations and relatively small companies are actively using this important tool to ensure business competitiveness.

All modern concepts of management are aimed at increasing efficiency and competitiveness of the company. If at the end of the last century the main topics in the discussion of outsourcing were cost reduction and implementation of new information technologies in management, today the main focus is on the creation of strategic alliances in global outsourcing projects.

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