

# The pros and cons of outsourcing bookkeeping and payroll

Wouldn't you like to be able to reduce your time spent on administrative tasks so you could focus on increasing profits and running your business efficiently? Now might be the right time to contract out bookkeeping and payroll.

## The pros of outsourcing

As your business grows, it might be time to outsource these time-consuming, administrative tasks. There are a number of advantages when contracting out.

### Save money

You might be spending more time than you want on processing and reporting your own accounting and payroll information, and not enough time doing what you should be – making money.

It's less expensive to hire a bookkeeper or accountant than to employ a full-time staff member to complete these tasks. By hiring one, you'll only pay for the actual time the contract worker spends on your accounts.

Aside from wages, don't forget the typical expenses an employee can cost your business such as:

- Annual and sick leave.
- Benefits and work functions.
- Equipment and material costs.

You also won't have to lock up cash in extra workspace or office furniture.

### Get better reporting and expert advice

One of your main motivations for outsourcing should be to obtain better financial advice and reporting. The right advice at the right time could end up saving your business money over the long term.

A professional accountant or bookkeeper specializes in the work they offer. You should be able to trust them to handle your accounts correctly.

### Free up time

Whether you're logging your own hours doing the books or hiring a staff member to spend time doing them, you'll be able to free up some time (or reduce your wages expense) by contracting out.

Having more time to allocate to business and relationship building activities could be vital. You might also find that your stress levels naturally decrease by getting a skilled bookkeeper on the job.

### Improve your service and efficiency

If you decide to outsource to a bookkeeper, part of their job can be issuing invoices in a timely fashion and ensuring your bills are paid on time. They can help your business become more efficient by reducing late payments.

In addition, by taking these tasks off your hands, you might be able to focus on improving the service you offer your customers.

## The cons of outsourcing

With the positives there are always a few negatives, and outsourcing is no different.

### Loss of control

You may be unable to keep a close eye on your bookkeeping and payroll tasks if they're contracted out. You'll have less control over your financial information and the confidential data associated with it.

It'll be important to be able to trust the accountant or bookkeeper taking over these roles.

### Risk of choosing the wrong contractor

When contracting a job out from your business there's always a chance of the process not quite going the way you want, and in the case of accounts, errors being made. Ask your advisors, mentors and fellow business owners for some recommendations on who best to approach.

### Danger to confidentiality and security

Information can be the lifeblood of many businesses these days – without it, your business may not be able to operate.

There's always a risk that certain confidential information could be compromised. Be sure to assess your contractor for security reasons so you have peace of mind that your financial data will be protected.

Ensure there's a penalty clause in the contract if an incident occurs.

### You're still ultimately responsible

Should the worst-case scenario eventuate and your contracted worker fails to pay your taxes on time, or isn't careful and accurate with your figures, your business will still be responsible for these mistakes.

### Summary

After weighing up the advantages and disadvantages of outsourcing your bookkeeping and payroll jobs, you'll be able to reach a decision based on what stage of the business life cycle your operation is at and whether you've found the right contractor to outsource to.

### Next steps

- Talk to your accountant about the benefits and costs of having them look after your books.
- Research online accounting software options that could work in tandem with your accountant.