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**LEHMANBROWN**  
雷博國際會計  
International Accountants

## Why Outsource Your Account [25 Apr. 2008 Issues 9]

With the rapid development of China, more and more foreign investors want to enter China market. Foreign investors will face some difficulties when they initially start up their businesses in China, so they are eager to look for the professional accounting firm to help. It is a good choice to outsource your accounts to the professional firms for the following benefits:

### 1. Good quality of accounts to ensure tax compliance in China

As everyone knows that the most difficult part for doing business abroad is to understand the local taxes. In China, the taxes are complicated and have strict requirements on filing, so tax compliance is very important. The risk of noncompliance will bring not only economic loss but also reputation damage of the company.

Professional accounting firm like Lehmanbrown has up-to-date knowledge of tax regulations, statutory compliance and accounting matters in China. We also have good working procedures for companies to follow. This includes proper procedures in data source collecting, data processing, financial report preparation, monthly review process and proper filing process to ensure the good quality of accounts to meet group financial reporting requirement and requirements from PRC tax authorities and to avoid any tax noncompliance.

### 2. To improve internal control - segregation of duties

Normally, during start-up stage the newly set up company or representative office will only have a small team to conduct the business. This will increase the fraud risk due to lack of segregation of duties in China operation.

Practically it's very difficult to achieve segregation of duties for a small team with 2-3 people. If the company engages an accounting firm to perform finance function, the segregation of duties is achieved with independent review to enhance the internal control. For example, if you engage LehmanBrown to do cashier function and bookkeeping function, managers' duties are strictly segregated among different team members with at least 2 levels of managers' reviews to ensure quality delivery. In such way, this arrangement has enhanced the internal control for the company.

### 3. To improve internal productivity and efficiency

During initial set up stage, management needs to focus on the new market development, core products/services, new customer relationship, in order to



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#### Professional Services

#### Taxation

#### Financial Accounting

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#### Business Management

#### Corporate Restructuring



TAX



"Zeng Zhi Shui"  
(Value Added Tax)



"Ying Ye Shui"  
(Business Tax)

set up a solid base to do business in China.

Internal support function such as financial accounting and tax filing is very important but it will take up management's additional time. By outsourcing your finance function to an accounting firm like LehmanBrown, management can be released from these support function and has more time to focus on the company set up matter to grow business in China. In this way, outsourcing finance function has improved your company's productivity and efficiency.

#### **4.To save cost at initial set-up stage**

During initial set-up stage, it will be costly for a company to hire a team of full time finance staff including a finance manager, in-charge accountant, and cashier with good knowledge of China taxes and knowledge of PRC GAAP and IFRS or US GAAP, and also with excellent English communication skills. Due to the small size of business during the set-up stage, the finance team may not have full time workload. By outsourcing your accounts, the company has engaged professionals to handle all the accounting and tax matters. It will save payroll and related costs such as local welfares at the set-up stage.

#### **Conclusion**

Companies will need to consider their needs and budgets to make a good decision on when to outsource accounts. When the decision for outsource is made, looking for an outsource partner with good reputation and service is crucial. LehmanBrown can provide full outsource services, which include bookkeeping, management reporting, cashier, payroll, CFO function, tax compliance work and planning and business/taxation advisory with extension experiences in China.

If you have any outsource needs, please feel free to contact LehmanBrown who will be more than happy to answer your queries.

#### ***"Providing an alternative in China"***

**insights@lehmanbrown provides updates of the latest business news, taxation and accounting regulations in the People's Republic of China. It is designed to provide you with interesting and informative information to assist in your dealings with China or any China-related issues that you may encounter. If you do not wish to receive this newsletter, we have provided an un-subscribe facility below.**

LehmanBrown also provides a monthly newsletter ***Peeling the Onion*** which investigates certain topical issues affecting businesses in China, particularly for those companies and individuals with operations in the PRC, or looking to establish a presence in-country.

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