



# Describing the Experiences of Certified Public Accountants (CPAs) Outsourced as Bookkeepers of Small and Medium Enterprises (SMEs)

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## ABSTRACT

This study explores the experiences of Certified Public Accountants (CPAs) outsourced as bookkeepers for Small and Medium Enterprises (SMEs) in Pagadian City, Zamboanga del Sur. The target participants were Certified Public Accountants with experience of being an outsourced bookkeeper of SME. SMEs rely on CPAs for accurate financial management, compliance with tax regulations, and strategic financial advisory. Using a qualitative research approach, the study examines the benefits of CPAs as an outsourced bookkeeper of SMEs, the challenges they encounter, the coping strategies they implement, their contribution to improved financial decision-making and financial health for small and medium enterprises, and their insight and realization they gain in their experience. Key findings highlight the CPAs' flexibility in managing workloads, their crucial role in ensuring compliance, and their continuous professional development. However, CPAs also face challenges such as limited resources in SMEs, communication difficulties, and the pressure of workload management. CPAs use strategies like staying informed about regulatory updates, improving client engagement, and advance planning to address these challenges. The study underscores the importance of CPAs in enhancing SMEs' financial decision-making and stability.

**Keywords:** Bookkeeper, Bookkeeping Practices, Certified Public Accountants, Outsourcing, Outsourced Bookkeeper, Small and Medium Enterprises

## 1. Introduction

Small, and Medium Enterprises (SMEs) form a critical backbone of the Philippine economy. As a third-world country, the Philippines' SME sector is essential in establishing the Philippines as a developed nation (Tadeo et al., 2023). Agus et al. (2023) stated that through the presence of SMEs, people's incomes are raised, increasing society's standard of living and purchasing power. On the other hand, bookkeeping is a vital tool to generate valuable information in decision-making (Micabalo et al., 2022). This study aimed to identify the advantages of CPAs serving as outsourced bookkeepers, the challenges they face in performing this role for SMEs, and the strategies they use to overcome these challenges. It also aimed to explore the perceived contribution of CPA bookkeepers to the improvement of financial management in SMEs, as well as the insights and realizations gained by CPAs from their experiences working with small and medium-sized businesses.

This study explores how CPAs adjust their methods to accommodate the needs of SMEs, how their services affect the financial performance and sustainability of these enterprises, and how the CPAs involved in the process experience their professional growth and job satisfaction.

## 2. Review of Literature

Adela et al. (2024) found that bookkeeping practices and owners' accounting skills have significant positive effects on the performance of Small and Medium Enterprises (SMEs). Most importantly, we show a significant indirect relationship between bookkeeping practices and SME performance such that owners' accounting skills positively intervene in the relationship between bookkeeping practices and SME performance. According to Yap (2019), accurate and proper bookkeeping allows an entrepreneur to determine whether or not the microenterprise is making a profit.

Businesses classified as medium and small companies need accountants to help them implement the correct accounting practices (Angelica, 2022). Financial recording indicators also show that most SMEs do not separate business and personal finances and do not carry out accounting records. The majority of SMEs also do not make financial reports and do not exercise reasonable financial control (Edwy et al., 2023). SMEs must use their accounting information to gain business knowledge and accounting skills. Several studies prove that for these main reasons, numerous businesses need help preparing and practicing comprehensive accounts records and the cost to hire professional and qualified accountants (Seman et al., 2019). However, the Ascendant Asia Research Index (2019) stated that most micro-small and medium enterprise owners know the proper bookkeeping requirements. However, they must still comply with statutory requirements due to some constraints. The weakness of SMEs in preparing financial

reports is attributed to a lack of understanding of Financial Accounting Standards, inadequate internal control systems, and insufficient training in financial report preparation (Rahmadani, 2023). According to Grefalde (2020), most SMEs depend on the services rendered by an outsourced bookkeeper as an attractive and beneficial employment due to low cost and lack of expertise in bookkeeping functions.

The organization and management of the financial accounting function can be done within the economic entity, either through a separate department or through outsourcing, by entrusting, based on a service contract, to professionals (State et al., 2022). Maszczak (2019) stated that in the modern world, in an era of socioeconomic changes, the outsourcing of financial, accounting, and consultancy services can be an essential tool for micro and small entities in the area of building a competitive advantage, constructing business models, and creating their development. The concept of outsourcing refers to the practice of transferring certain functions of a company to another business entity that specializes in those functions and contractually commits to performing them with high quality and professionalism (Potryvaieva & Palieiev, 2023). Outsourcing is the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. Companies increasingly hire firms outside the company to handle some of their internal operations. Still, some companies hire outsourcing for every aspect of the operational circles except their core technologies. Outsourcing can be seen as a strategic way to manage technology initiatives and business goals, a strategy for managing technology operations in today's challenging business environment, and a way to reduce operating costs (Kocev, 2021). Most SMEs indicated they were extensively outsourced, ensuring compliance with established policies, plans, and procedures. It is recommended that owners and managers of SMEs ensure that their internal auditors' functions are outsourced to external audit firms to achieve audit independence and high quality at a reduced cost (Adeniji, 2021). Outsourcing management accounting functions have been beneficial to the productivity of SMEs, while outsourcing general accounting functions has not been associated with higher productivity (Rezazade, 2023).

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### 3. Methodology

This study was developed to explore the experiences of Certified Public Accountants (CPAs) outsourced as bookkeepers for Small and Medium Enterprises (SMEs) in Pagadian City, Zamboanga del Sur. Specifically, it aimed to investigate the advantages, challenges, coping mechanisms, insights and realizations CPAs have gained from their experience as outsourced bookkeepers and contributions of CPAs in the financial management of SMEs.

The study's participants were limited to CPAs with experience in outsourced bookkeeping for SMEs. The researchers managed to gather data from four CPAs who actively engage in financial management, compliance, and advisory roles for SMEs. The primary research instrument was the researcher, guided by a semi-structured interview guide validated by advisers and panelists to ensure the reliability and relevance of the questions. The study aimed to explore the business owners' experiences with outsourced bookkeeping. The key research questions included: What are the advantages of CPAs outsourced as bookkeepers? What challenges do CPAs experience as outsourced bookkeepers for SMEs? How do CPAs cope with these challenges? What is the perceived contribution of CPAs to improving the financial management of SMEs? What insights and realizations have CPAs gained from their experience as outsourced bookkeepers?

With the participants' consent, the researchers recorded their responses during discussions about their experiences and perspectives on outsourced bookkeeping and its impact on SME financial management. The study followed Merriam's (2016) qualitative research approach, incorporating in-depth interviews, interpretation, and case analysis. Data was collected extensively from the participants' responses and analyzed systematically to derive meaningful insights.

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### 4. Findings and Conclusion

The research findings from the CPAs who experienced outsourced bookkeepers of small and medium enterprises reveal their advantages as an outsourced bookkeeper, their challenges, their strategies, their contribution, and the insights and realizations they gained from their experience.

In advantages of CPAs outsourced as bookkeepers, they enjoy several advantages, including flexibility, higher compensation, and opportunities for professional growth. However, they face various challenges such as operational issues, communication barriers, compliance changes, and the overwhelming workload during tax season. To cope with these challenges, CPAs stay informed about regulatory changes, encourage client involvement, maintain effective communication, and manage their workloads by scheduling properly. Their contribution to improving the financial management of SMEs is highly valued, as they ensure tax compliance, provide accurate financial reporting, and offer strategic financial advice. Through their experience as outsourced bookkeepers, CPAs have gained valuable insights, realizing the importance of professional responsibility, the need for continuous learning, and the crucial role of effective bookkeeping in the success of SMEs. They also recognize how dependent SMEs are on financial advisors and the significant impact of clear communication.

Many CPAs find it rewarding because it allows them to use their expertise while helping businesses that cannot afford full-time accountants. However, they also face challenges, such as handling multiple clients and keeping up with changing tax laws. One major insight is that while CPAs excel in accounting, they often struggle with new technology. Many find accounting software difficult to navigate and need tools that are user-friendly and compatible with other systems. The study highlights the growing demand for outsourced bookkeeping and the importance of adaptability in the profession. To stay competitive, CPAs must embrace technology and continuously improve their software skills. Those who do will have an edge in the evolving, tech-driven world of accounting.

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