

R. Tulnan & Co.  
CHARTERED ACCOUNTANTS



**HOW CAN YOUR ACCOUNTING FIRM BE THE NEXT BIG 4**



## Shashwat Tulsian

*I am a Qualified Chartered Accountant, Lawyer and Company Secretary. As a result, I have a unique ability to manage multi-disciplinary projects and to navigate complex challenges. I have helped work on more than 5000 such projects for multinationals over the last few years.*

## How can your accounting firm be the next Big 4 ?

Recently I met with a partner of one of the top 15 CPA firm in the US and he remarked to me how surprised he was to see how competitive the quotes are from the BIG FOUR firms and he was wondering how were they able to "survive" with such competitive quotes- let alone thrive! And he remarked to me- how can we become one of them?

And being in the accounting industry, I have found that the greatest spoken (sometimes unspoken) aspiration in the minds of entrepreneurs.

And the answer might or might not surprise you- **INDIA**.

### **Take for instance these figures-**

The BIG 4's employ more than 22,000 people in India for offshore operations, mostly in tax, audit and consulting.

As much as 5 percent of U.S. audit work is presently done in India.\*

Deloitte said audit workers in India "receive training consistent with their U.S. colleagues, and their work is reviewed and supervised by professionals in the United States."

Viral Thakker is a Mumbai-based partner at KPMG. Its offshore centers in India handle audit, tax and advisory work. Offshoring gives the firm's overseas clients low-cost "access to a ton of really smart, talented individuals."

In our direct knowledge, 60% of the top 100 CPA firms are either offshoring or seriously considering it.

So the key questions are:

Why are they doing it?

AND

How are they doing it?

### **Why they are doing it?**

The big short answer: Competitive advantage.

The sheer competitiveness and scaling up opportunity that India provides is unparalleled.

The wage levels in India are at least 2 to 3 times less than the US and UK. This enables the Big 4 firms to adopt a cost leadership strategy, where for the same quality level their costs are substantially lower than their competitors. This quickly leads to significant gain in market share.

A 12 hour time difference between USA and India also facilitate overnight delivery of services. And so the operations of say the US BIG 4 firms run 24 hours round the clock.

The funny part is only now during the day the major focus is on sales and client relationship whereas during the night servicing occurs from delivery centres in India.

### **How they are doing it?**

To answer HOW they are doing it, we need to understand the history of Big 4 in India. All of them have strong presence in India for decades. Over a period of time, using their existing infrastructure, talent pool and PAN India network, they spun off a separate division by hiring smart local talent and training them on US accounting, auditing and tax laws.

Over a period of a decade, such operations have consolidated and matured. Thereby, rendering substantial gains to their most important markets like the US and the UK.

## How can other accounting firms take advantage of this model?

For other accounting firms who do not have any significant presence in India, there are several logistical, cultural and practical challenges to set up alternate delivery centres in India.

To overcome these barriers, it is important to work with a local partner in India who understands US accounting and has experience of working with accounting firms. This eliminates uncertainties and stress of having to understand the local market and setting up in a completely new environment.

## How can we help?

Our practice R.Tulsian & Co LLP is a 6 decade multinational accounting and legal services practice working extensively with accountants and companies from around the world including the US, UK and Australia. We have deep domain specialisation and diverse industry portfolio and have been helping our clients by our “Global Sourcing by Rtulsian” solutions. We have several industry breakthrough serviceability features including our “Concierge for business” service. We work with several top 100 accounting firms and are positioned to serve our sourcing needs- be it big or small.

In fact, one of the big 4 doubled their already large team for the upcoming tax season. It's almost a paradigm shift in the industry.

Perhaps as much as 5 percent of U.S. audit work is presently done in India, said M.G. Fennema, an accounting professor at Florida State University who has researched offshoring.

"If it's done properly, it would be OK, but the risks are that work will be offshored that is beyond the training, skills and experience of the people that it's offshored to," said Douglas Carmichael, former chief auditor of the Public Company Accounting Oversight Board, or PCAOB.

A U.S. watchdog group hired thousands of local workers to do a range of tasks, including tax, consulting and audit work.

Deloitte said audit workers in India, "receive training consistent with their U.S. colleagues, and their work is reviewed and supervised by professionals in the United States."

Today, the firms together employ about 22,000 people in India for offshore operations, mostly in tax and consulting, said industry sources.

PCAOB Deputy Chief Auditor Greg Scates told Reuters "The key question here is, are the staff that's doing the work properly trained and supervised?"

Like other U.S. companies, audit firms are not required by law to publicly disclose offshore hiring. Audit firms said they disclose offshoring in engagement letters - essentially contracts with their clients - but those letters are private.

The owner of the firm doesn't have to pay the usual benefits, insurance, and other overhead expenses associated with in-house staff members. "It's like employee leasing on a smaller level," says Harik Patricia Bell Harik, who heads up the tax department at Zdonek & Wolowicz in Torrance, California.

Forty-seven percent of the survey respondents said they are concerned about losing control of the outsourced process and 37 percent are not especially confident of the security at outsource service providers' facilities.

<http://www.accountingweb.com/aa/auditing/accounting-shortage-increases-outsourcing>

<http://www.reuters.com/article/us-usa-audit-india-idUSBRE89F1GC20121016>

<http://www.accountingweb.com/practice/team/should-you-send-some-tax-work-to-india>

Global hub.

## About R.Tulsian and Co. LLP

R.Tulsian and Co. LLP is a full services multinational chartered accountancy and legal services firm having its head quarters in India. We have a multinational presence with clients in USA, Europe and Australia. We also have a strong PAN India presence in important strategic locations including Kolkata, New Delhi, Bangalore, Mumbai and Gujarat, North East India, among other places.

Our practice is more than 60 years old and our services include Tax advisory and compliance including Direct and Indirect taxation, International transactions including Cross Border Transactions and Structuring, Accounting, Bookkeeping, Payroll, Transaction Advisory services, Auditing, Corporate Laws including Companies Act and other allied laws, consulting with FEMA laws and RBI laws, Due Diligence, Risk Management and Mitigation, Outsourcing services and Business development.

For more information about RTC service offerings, visit [www.rtulsian.com](http://www.rtulsian.com)

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