# Virtual CFO(vCFO) Services

**A NEED OF TIME**

**AN OPPURTUNITY ALL CHARTERED ACCOUNTANTS AND FINANCE CONSULTANTS**

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**Concept :**

**Virtual CFO** (or **vCFO** for short) stands for virtual chief financial officer. A virtual CFO is an outsourced service provider offering high skill assistance in financial requirements of an organization, just like a chief financial officer does for large organizations.

In the present scenario, many challenges are being faced by the organizations in terms of growth, financial aspects, accounting as well as management.

For this an officer is required to be appointed who can be primarily responsible for managing the financial risks, financial reporting and record keeping as a higher management of the Company.

Thus a virtual CFO shall be there to meet the challenges effectively by providing the financial and professional advice, analysis and support to the management.

**Why is its needed:**

The accounting profession is going through some major changes. There are now more firms competing with each other than ever before.

Small businesses now have so much choice that ordinary services like compliance, tax preparation and basic bookkeeping are becoming commoditised. There's so little differentiation in this crowded market that the value of these services is being driven down.

Cloud technology is also reducing the value of basic accounting services. Firms using cloud-based systems are more efficient and productive. That's because many labor-intensive and time-intensive tasks can now be automated.

So it's a good time to move away from labor-intensive services into the world of business and financial consulting. But that can be a challenge, especially for firms that are used to working with clients in a particular way, and feel comfortable with their established software.

In fact there's more to it than just new software. To successfully move into the consulting services market you'll have to change the way you work and communicate with your clients.

That may sound daunting, but it can lead to a big increase in efficiency, productivity and profit. Cloud technology, coupled with valuable financial advising, helps you stand out from the competition.

So it's not only a good idea to use cloud technology – it's essential. Firms that don't adapt will face decreasing revenue as their services become more commoditised.

**How Virtual CFO services Benefits a Business:**

- **Financial Advisory :** Virtual CFO provides financial guidance on the basis of the need. A proper financial planning takes business to the next level. With this, senior management can focus on the core areas without thinking about the financial matters.

- **Cash Flow Forecasting :** The other main service of the virtual CFO is to forecast cash flows. Businesses must have better understanding of cash position to take right decision. You must have made proper cash arrangements to meet the future obligations. It helps in taking decision regarding how much fund is required?

- **Budgeting:**Virtual CFO services include budgeting. Budgeting helps in tracking performance of the company. Budget need to be reviewed on monthly or quarterly basis so that changes can be made accordingly to meet the defined goal.

- **Break Even Analysis:**Under break even analysis, total cost (fixed + variable) is compared with the revenue to determine a point where business neither makes profit nor loss. Virtual CFO will help in deriving break even analysis by which company will be able to control its expenses.

- **Accounting Functions of the Organization:**Accounting services are the very important aspect of the organization. It is a mode which helps in the assessment of organization's financial accounting health check. The accounting health check means a complete assessment of the financial and accounting aspect of the organization. For this, an eminent professional in the management is required to prepare a comprehensive data relating to the accounting practices such as preparation of data, and other accounting policies. Areas of expertise are required to be assessed in order to achieve growth to the next level.

  Preparation of various policies and implementation of strategic ideas are required in order to have a well-defined accounting health check. In this process proper guidance relating to current turnover, profit, business aspirations, operational and accounting systems and key performance indicators are discussed and evaluated. The business structure, tax efficiency, growth prospective is also considered in accounting health check.

- **Compliances of the various acts applicable:**Under this, end to end solution will be provided by the virtual CFO as per the provisions of Companies Act 2013, FEMA, Income Tax Act 1961, Contract Act, IPR laws etc.

- **Corporate Governance:**Corporate governance means rules & regulations which are followed by the corporate. It makes a balance between the interests of stakeholders, shareholders, management and clients.

- **Cost Management:**Cost management is a process under which virtual CFO makes a proper planning to minimize the cost of the company. Virtual CFO helps in determining the operating efficiency. A variable cost is analyzed by the virtual CFO to control it.

- **Debt Planning :**A virtual CFO makes a proper debt planning to achieve the desired goal. A proper debt planning is necessary to control the debt.

- **Year End Accounts Closure & Filing:**Virtual CFO ensures the drafting & annual filing of financial statements on time. It also ensures the income tax return filing & GST return filing.

- **Audit Support :**End to end audit support is provided by the virtual CFO by solving queries raised by the auditors.

- **MIS Reporting :**Virtual CFO is responsible for providing timely & accurate information regarding the financial health of the company in MIS reports.

- **Accounting Policies and Procedures:** For a comprehensive framework of internal control in the organization, a well-designed and properly maintained system of accounting policies helps in enhancement of accountability and consistency in the organization. Accounting policies and procedures help in formulating and implementation of well-defined accounting and management in the organization.

- **Internal Controls:**A proper guidance in respect of growth of the companies by way of streamlined internal control system helps in continued reliability of the organization. A proper and accurate accounting record, well informed financial decision, financial reporting is required as a part of internal control system to be effective.

## Why are virtual CFO roles becoming more common?

You may not have even heard the term until recently. Trends in the accounting profession have led to value-added services like Virtual CFO becoming more common:

- Increased competition and improvements in technology.
- Compliance and tax preparation becoming commodity services.
- Automation of basic functions, lowering the value of traditional services.
- Small businesses outsourcing non-core functions like accounting, in order to lower their costs and obtain better talent.
- Software that provides true, real-time cash flow insight for proper decision-making.

These trends are forcing firms to evolve, by expanding and differentiating the services they offer. Basic services like compliance, financial statements and tax returns can still be profitable. But they should be relegated to the bare minimum package your firm will provide to a new client.

In the near future, successful firms will generate most of their revenue through financial insight, analysis and other services that can directly influence the success of a small business.

## How Do Can one Become V CFO

To become a Virtual CFO you'll need to make some fundamental changes. These include moving to a cloud-based accounting system and changing the way you interact with your clients.

However, you must also change the way you think about your business relationships. To truly embrace the role of a Virtual CFO, consider the following changes:

- Stop seeing process-driven services as the core of your business.
- Offer more consulting services.
- Build meaningful, face-to-face relationships with your clients.
- Talk to clients often enough to manage their issues proactively.
- Understand and provide feedback on your clients' business goals.
- Help your clients achieve their goals.
- Become a trusted business advisor.

## Is my firm ready?

The short answer is – it has to be. Basic services have become commoditised. They will continue to decrease in value as more competitors emerge and technology improves.

Profitable accounting firms of the future will be 100% cloud-based and advisory-driven. You can start moving your firm in the right direction by:

- expanding the delivery of basic services and moving into a broader, advisory role.
- differentiating your firm from others in an increasingly crowded market.
- changing your business philosophy and engaging with clients as a business advisor instead of a service provider.
- using a cloud-based accounting system with in-depth reporting and analytical tools.
- having the scope and resources to deliver Virtual CFO services to your clients.
- having a solid customer base of small business clients who would benefit from a deeper level of business advice.

From this starting point you can move your firm out of the commodity services sector and into the advisory sector. And start making the most of the new era of accounting services.