

ACCOUNTING OUTSOURCING SERVICES IN LATVIA: PROBLEMS AND POSSIBLE SOLUTIONS

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Abstract

Accounting outsourcing services as a type of business started developing in 1990ies. In compliance to the requirements of laws and regulations, accounting could be organized at companies in two ways – accounting could be performed by hired employees or a company may use accounting services by concluding a contract with a legal or a physical person on fulfilling the accounting functions. The authors perform research on the development of accounting services in Latvia in the historical context, carry out the analysis of the market of accounting services, study the factors influencing the quality of accounting services and develop the possible solutions for the improvement of the quality of these services. There have been general scientific research methods in economics, including teleological method of interpretation of laws and regulations, economic analysis and synthesis methods, data comparative analysis method, statistical analysis methods.

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The type of article: Research paper.

JEL Classification: L84, M41.

1. Introduction

Nowadays one of the developmental tendencies of global economy is to delegate the functions that are not related to the basic business activities to the providers of outsourcing services. Wide range of literature on the subject of different outsourcing relationships and strategic partnerships was analysed.

The success of outsourcing partnerships is dependent on the extent of full, joint ownership and commitment that exists, regarding the relationship, and, as discussed, the degree to which mutual respect, openness, transparency and honesty are present on both client and supplier sides. If these conditions are in place, findings indicate that this will encourage mutual trust and confidence in the relationship to grow. Research also highlights the importance of jointly agreed governance, joint strategic planning, and a future-focused approach where innovation and continuous improvement are key: the priority, it is asserted, must always be on the discovery of value, rather than the conventional concentration merely on costs. The outsource supplier and client should develop methods of measuring value looking forwards, rather than measuring costs looking backwards, and should endeavour to understand the total cost and value of performance, rather than simply focusing on the cost of the supplier (Dibley & Clark, 2010). Others scientists have investigated, how service providers, from an organizational perspective, can bring continuous added value to inter-organizational outsourcing partnerships. Suggestions for developing service providers engaged in outsourcing partnerships are provided, particularly focusing on improving competence development and the client relationship (Hedén, Nordahl & Wedborn, 2010). A similar research summarizes the expectations they had for outsourcing and explains what went wrong—and why—when expectations were not met. Successful outsourcing experiences are then used to outline a prescription for ensuring that expected benefits are fully realized (Lacity, Hirschheim & Willcocks, 1994). B. Rogers refers to co-operation theory, which suggests that, the best outcomes are achieved through parties to an agreement perceiving their goals to be interdependent (Rogers, 2008). R. Handfield has defined outsourcing as “the strategic use of outside resources to perform activities

traditionally handled by internal staff and resources". Sometimes known also as "facilities management", outsourcing is a strategy by which an organization contracts out major functions to specialized and efficient service providers, who become valued business partners. Why do companies outsource here are some common reasons:

- reduce and control operating costs;
- improve host company focus;
- gain access to world-class capabilities;
- free internal resources for other purposes;
- a function is time-consuming to manage or is out of control;
- insufficient resources are available internally;
- share risks with a partner company.

In earlier periods, cost or headcount reduction was the most common reason to outsource. In today's world the drivers are often more strategic, and focus on carrying out core value-adding activities in-house where an organization can best utilize its own core competencies (Handfield, 2008).

Accounting outsourcing is among most popular areas of company outsourcing. More small and medium size businesses use this because it is time consuming and difficult (Blokdijk, 2008).

In the business environment of Latvia the accounting outsourcing service (hereinafter - accounting service) as a type of business started to develop in 1990ies, when, alongside with the changes of social system, the transition to the market economy took place. In compliance to the requirements of laws and regulations, accounting could be organized at companies in two ways – accounting could be performed by hired employees or a company may use accounting services by concluding a contract with a legal or a physical person on fulfilling the accounting functions (Cabinet of Ministers No 585, 2012).

The aim of research is to study the developmental possibilities of accounting services and, discovering the existing problems, to develop the recommendations and possible solutions for the improvement of the quality of accounting services and successful development of business in Latvia. In order to achieve the set aim, the authors study the development of accounting services in Latvia in the historical context, perform the analysis of accounting services market, carry out research on the factors influencing the quality of accounting services and develop the possible solutions for the improvement of the quality of these services. The theoretical and methodological basis for the research is the works of Latvian and foreign scientists, the laws and regulations on the regulation of accounting, the materials of the proceedings of scientific conferences, the statistical data collections and the Internet resources. There have been general scientific research methods in economics, including teleological method of interpretation of laws and regulations, economic analysis and synthesis methods, data comparative analysis method, statistical analysis methods applied by the authors for the research purposes.

2. The development of accounting services in Latvia in the historical context

When viewed from today's point of view, the development of accounting services theoretically could be divided into two stages:

Stage I: 1923 – 1940.

Stage II: from 1991 until now.

The origins of accounting services in Latvia should be related to E. Lauris, Professor from Switzerland, who established the first accounting office in 1901, but at the end of 1930ies the offices had already spread all over Europe. Accounting offices carried out the accounting for the agricultural and craft companies. In Latvia the first office of this kind started its activities in 1923, and during its first year of activities it provided services to 71 agricultural companies. Their number varied during the next years, but mostly it was possible to observe the tendency of increase. At the accounting office the accounting was performed according to double-entry accounting system. Usually the services of accounting office was used by smaller companies that could not afford

hiring an accountant or ensuring a fulltime job for an accountant. However, while using the services of accounting office, the employees of the company had to perform some accounting functions themselves – the transactions had to be registered chronologically in the company's Log-Book. There had been also registered the money circulation, the sums of loans given and the sums received, the working days or hours of consumed labour force (that of men, women and horses) for each branch of farm and field crops, the turnover of products and materials, and other events. At the end of the year the office the office prepared a closing statement for each farm. Agricultural offices cooperated also at the international level and submitted the processed accounting data to the International Institute of Agriculture in Rome (Millere, 2011).

In comparison to other countries, there was a relatively small number of farms that used the services of Agricultural Accounting Office. For the purposes of comparing the authors chose the countries, the territories of which are similar according to their area (Table 1).

Table 1. The number of farms in some European countries that used the services of Agricultural Accounting Office, 1931/1932

Countries	Number of farms	An average area of a farm, ha
Austria	922	28.94
Czechoslovakia	268	24.75
Holland	486	16.36
Estonia	300	37.48
Latvia	149	38.74
Switzerland	541	14.80

Source: adapted by the authors with reference to Skrīvelis (1937).

Significant differences in relation to the number of farms that used the services of accounting office could be explained by the fact that in Latvia, in comparison to other countries, accounting was mostly performed according to the double-entry system. The problem of the Agricultural Accounting Office of Latvia was also the fact that it charged for its provided services, and in 1927 the National Bureau of Statistics established its accounting office that did not charge for its accounting services (Millere, 2011). Having researched Stage I of the development of accounting services, the authors drew several conclusions. The wider use of accounting services was hindered by the condition that a great deal of work in accounting had to be done by the owners of farms themselves. The second problem was related to the competition – the National Bureau of Statistics provided accounting services free of charge. On the one hand it was a support for the farms, in order they could develop more successfully, but, on the other hand, it distorted the business environment and hindered the development of accounting services as a type of business.

Since 1941, when the World War II began and the occupation by the U.S.S.R. continued, accounting did not exist as a type of outsourcing in Latvia anymore. Only in 1990ies, after the regaining of independence, the accounting services again could develop as an independent type of business. Starting from then we can observe the developmental Stage II. At present the accounting services in Latvia are offered by many and different firms that at the same time offer not only accounting, but also training concerning taxes and legal consultations. It is possible to identify several levels:

- large auditing companies (LtD KPMG, LtD Deloitte&Touche, LtD PricewaterhouseCoopers, LtD Ernst&Young), providing a full range of professional services – accounting, consultations concerning legal matters, taxes, auditing and business issues;
- local accounting and consultation firms, providing limited scale of services by specializing in the field of accounting and/or consultations on taxes.

Many of these firms have been established thanks to the fact that one entrepreneur has several firms and, in order to ensure the accounting services, a separate firm is being established that provides services for these firms. The former employees of large auditing companies also establish

their own firms of accounting services, because, while working for the large auditing companies, they have established contacts and gained experience that helps them to work independently (Purviņš, 2012).

During the last two decades, there have developed not only the direct accounting services, but also other types of outsourcing within the framework of which there have been separate accounting functions performed:

- record-keeping, where the provider of outsourcing verifies the invoices, ensures sending of invoices and the accounting of debtors, controls the receiving of payments and prepares the notices on the delayed payments;
- personnel management, where the provider of outsourcing registers the circulation of personnel, processes contracts, calculates the wages and taxes provided by the laws and regulations, verifies the payments of business trips;
- information technologies (IT), when the company concludes a contract with the provider of IT outsourcing on the design, development and maintenance of an information system for the accounting needs (Zelmane, 2002).

Having studied the range of services offered by several firms, as well as the most characteristic types of accounting services we can identify:

- the development and introduction of accounting policy;
- performing accounting and its organization, starting from the processing of initial documents up to the preparation of the declaration of taxes and annual report;
- consultations in accounting and issues related to it;
- consultations on the application of taxes;
- representation of companies at the State Revenue Service (SRS);
- development of a business plan;
- development and control of budget;
- control of cash flow;
- other tasks according to the agreement.

In order the firms of accounting services could develop, it is important to study what are the main criteria, when choosing the provider of outsourcing services (Figure 1).

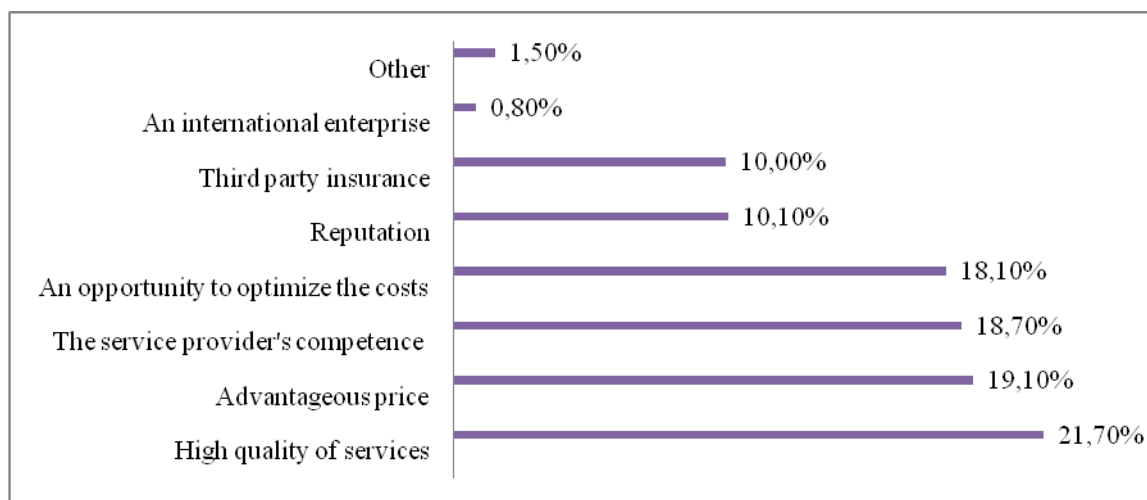


Figure 1. The Main Criteria, when Choosing the Provider of Outsourcing Services (Kronbergs, 2011)

The results of research show that one of the most important criterion, when choosing the provider of outsourcing services, is the quality of the service, the advantageous price, competence and the possibility to optimize the costs. Some (10%) entrepreneurs admit that the service provider's reputation is also important, and it is important, whether the service provider is ensured with the third party insurance against the possible losses. It enables to draw a conclusion that the main

factors, influencing the development of accounting outsourcing are the quality of services and the reasonable price policy.

However, the practice shows that it is rather difficult to start the provision of accounting services in Latvia without contacts. The most important criterion, when choosing the accounting services, is reliability and only then – professional personnel. The reliability is based on personal contacts or positive recommendations from the acquaintances. The second most characteristic reason regarding the use of accounting services is the fact that before the accounting has been performed by a non-professional, who did not observe the provisions of laws and regulations (Purviņš, 2012).

3. The analysis of the market of accounting outsourcing services

In order to evaluate the developmental possibilities of accounting services, the authors have studied what kind of outsourcing services the entrepreneurs use in Latvia, what problems there exist in the market of accounting services.

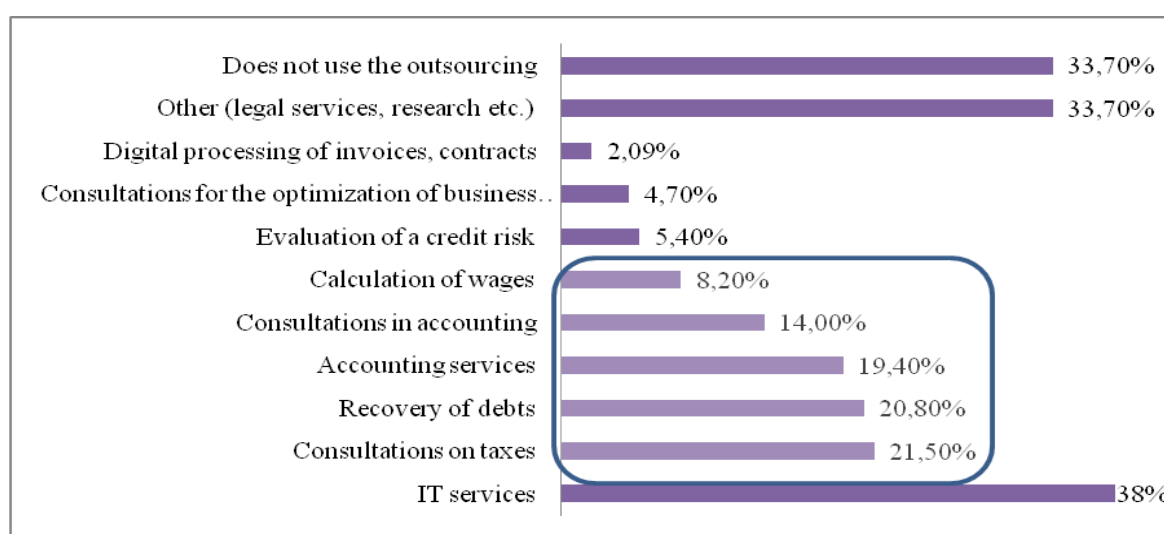


Figure 2. The outsourcing services used by Latvian enterprises in 2011 (Kronbergs, 2011)

The results of research show that 83.9% of enterprises, using the outsourcing services, use the services related to accounting. It should be pointed out that 44.8% of respondents – enterprises – use only one type of outsourcing services, two types of outsourcing services are used by 21.3%, three services – by 18.4% and four and more types – by 15.5% of enterprises (Kronbergs, 2011).

However, 33.7% of the enterprises involved in the survey have answered that they do not use outsourcing at all. It is important to find out the reasons, why enterprises do not use outsourcing. Such an analysis would enable to find out the reasons hindering the enterprises to use the opportunities provided by outsourcing, on the one hand, and, by eliminating the negative influence of these reasons on the business of outsourcing services, including accounting services, would provide them with the opportunities of growth and development, on the other hand.

The accounting services are used by enterprises of different sectors – 53.1%, trade enterprises -12.5%, agricultural companies -10.2%, industrial enterprises - 8.6%, construction companies - 7.0%, art and entertainment companies - 7.8%, public administration institutions - 0.8% (Purvins, 2012). Information of such character enables the providers of accounting services to specialize in a particular sector and to optimize costs.

The statistical data of Central Statistical Bureau (CSB) show that in 2011, in comparison to 2010, we can observe the considerable increase of the number of large enterprises (from 0.8% to 23%) that use the outsourcing firms for performing accounting functions for them. The rest of the receivers of accounting services constitutes 46% of medium and 31% of micro and small

enterprises. It shows that the accounting services become more popular, and the large enterprises have understood the advantages of accounting outsourcing services.



Figure 3. Turnover (Income) Indexes and Changes according to Quarters, 2007 -2011, % in comparison to the previous period

Source: authors' design according to the data of CSB: <http://data.csb.gov.lv/dialog>

Having analyzed the income of accounting services enterprises (Figure 3), we can establish significant tendencies – during the last quarter of each year the income has a tendency for increasing in relation to the income of the previous quarter. In its turn, the income of the 3rd quarter (July, August, September) of each year decrease considerably in comparison to the 2nd quarter. Similar tendency, however, not so explicit, could be observed also in the 2nd quarter (April, May, June), where the income decreases in comparison to the previous period – the 1st quarter (January, February, March). Such situation shows that the accounting services are mostly demanded at the end and the beginning of the year. Thus we can say that the accounting services in Latvia have a seasonal character. And this has a logical explanation – the laws and regulations provide that the small and medium enterprises shall submit the annual report to the State Revenue Service within a period of four months after the end of the accounting year. As shown in Figure 2, most of the enterprises use only separate accounting functions – digital processing of invoices, contracts (2.09%), calculation of wages (8.2%) and consultations in accounting (14%). In order to ensure relatively stable flow of income during the all year, the providers of accounting services shall work very seriously on the long-term developmental strategy – they should focus less on performing separate accounting functions, but should include these functions into the total package of accounting services.

Table 2. Indicators, Characterising the Market of Accounting Services, 2007-2010

Providers of services	2007	2008	2009	2010
Accounting enterprises (number)	1569	1936	2478	2843
Self-employed persons (number)	1461	1386	1915	2096
Individual merchants (number)	89	104	134	144
Turnover per an employee in commercial companies, thousands of EUR	26.36	25.19	22.46	22.46

Source: authors' calculations according to the data of CSB: <http://data.csb.gov.lv/dialog>

The accounting services are provided not only by commercial companies, but also by self-employed persons and individual merchants. Irrespective of the uneven flow of income, the number of the providers of accounting services increases year by year (Table 2); this enables to draw a conclusion that the accounting services become more and more demanded. However, at the same time it is possible to observe a negative tendency – the turnover per an employee in commercial companies decreases. It is important to find out the reasons, why the efficiency of the activities of firms decreases. In the vast collection of statistical data the authors could not find information on the self-employed persons' income from the provision of accounting services. SRS and the Latvian Association of Accounting Outsourcing Services also do not have such information at their disposal now. Thus it is impossible to evaluate fully the development of the market of accounting services, therefore research shall be continued in this field.

The segment of the market of the providers of accounting services is relatively equally dominated by commercial companies and self-employed persons (Figure 4). The statistical data show that 12.8% out of all self-employed persons registered at SRS provide accounting services, but, in its turn, the group of commercial companies is dominated by 99% of micro-enterprises, there are only 13 medium-size enterprises, large companies are only 2 that provide accounting services (State Revenue Service, 2012).

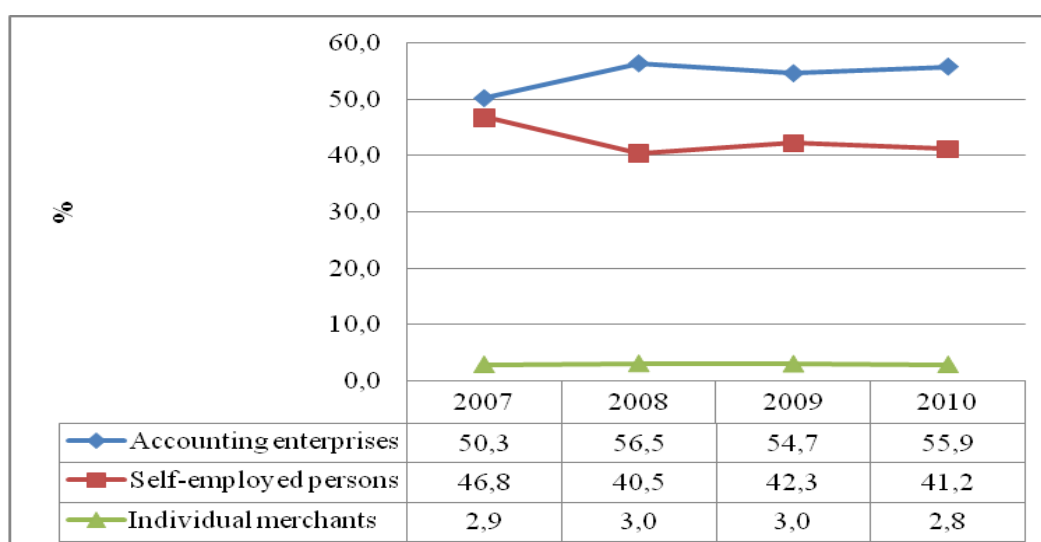


Figure 4. The Division of the Market of Accounting Services, 2007-2010, %

Source: authors' calculations according to the data of CSB: <http://data.csb.gov.lv/dialog>

Therefore a topical question is, whether the micro-enterprises and self-employed persons can ensure the provision of qualitative accounting services.

4. The quality of services and the factors influencing it

An accountant's professional services are used by any public, private or non-governmental institution, because their successful functioning could not be achieved without the accounting and analysis of economic transactions, financial flow and property. The accountants are the people, who perform calculations and prepare different accounts, reports and statements for the State Revenue Service, as well as prepare annual financial reports used in the process of different decision-making by potential investors, creditors, business partners, employees and public institutions. The accounting data are used for the decision-making at different levels, they are also the main source of information for the public administration to develop the budget and to analyze its fulfilment. Therefore one of the factors influencing the quality of services is the accountants' qualification (Šneidere, 2009). According to the modern view, the concept “professional accountant” has a

considerably broader meaning than it had at the initial developmental stage of profession. Today a professional accountant is a specialist, who has studied economics and accounting at a higher education institution and, perfecting his/her professional knowledge, has specialized in auditing, accounting or taxes. Our research shows that until now in Latvia there has been insufficient attention paid to the significance of accountants' profession and to the problems of accountants' qualification. One of the problems is the fact that there is an imperfect regulation in relation to the accountant's professional activities in Latvia. The law of the Republic of Latvia "On Accounting" provides only that the manager of the company is responsible for accounting. In its turn, the regulations regarding accounting and its organization are adopted by the Cabinet of Ministers, and there is only one requirement set in relation to the qualification of persons performing accounting (accountants) – the manager of an enterprise shall observe the following precondition – the professional duties are fulfilled by qualified employees. Our research shows that at present there are no criteria of a qualified employee defined in the regulating laws and regulations. It is also complicated for the manager of an enterprise to choose the provider of accounting services, because the activities of these firms are not the subject of licensing; thus it is almost impossible to find out the competence of the providers of accounting services.

Table 3. The Present Regulatory Requirements for Different Accountants' Specializations in Latvia

Accountants' profession	Specializations		Educational requirements	Certification	Job description
	Auditors		Provided by the law	Provided by the law	Provided by the law
	Accountants	Employees	Not provided by the law	Voluntary	Provided by the law
		Providers of outsourcing services	Not provided by the law	Voluntary	Provided by the law
	Consultants on taxes		Not provided by the law	Voluntary	Not provided by the law

Source: Latvian Association of Accountants (2012).

Out of all specializations of accountants' profession, only auditors have requirements provided by the law regarding their education and certification (Table 3). The content of accounting activities is regulated by several laws and regulations (the laws of the Republic of Latvia "On Accounting", "Annual Accounts Law", "Law on Consolidated Annual Accounts", "The Commercial Law", the System of Taxes of the Republic of Latvia, social and employment legislation, International Accounting Standards and International Financial Reporting Standards, Regulations of the Commission of the Finance and Capital Market on the Preparation of Annual Accounts, Regulations of the European Parliament and of the Council on the application of International Accounting Standards and different Regulations of the Cabinet of Ministers). According to the research performed by Latvian scientists, the qualification of accountants is strictly regulated in the EU Member States and other economically advanced countries of the world – in order to work as an accountant, the person should acquire knowledge at least at the academic or professional Bachelor's level. In its turn, when providing outsourcing services in accounting, it is necessary to have a document – certificate confirming the qualification; the document shall be issued by a professional society (association), thus taking upon the responsibility that the provided accountants' professional services meet the principles of ethics and a particular qualification level (Šneidere & Būmane, 2011).

The providers of accounting services admit that the main risks, related to their professional activities, are:

- the quality of services. Nowadays one of the most significant roles of the providers of accounting outsourcing services is to provide the customer in due time with the

information that would help to make decisions in future, not only to develop the historical data processing;

- the accountants' professionalism. It is important that the customer knows the strengths and weaknesses of the provider of services, but would be sure about the qualification. The mutual communication is important;
- data safety. The risk that the data of the company could become available for the third party may become very dangerous, therefore it is important to find out all aspects directly related to data safety (Palmbaha, 2011).

One of the important factors for the development of the business of accounting services is the customer's satisfaction with the received service (Figure 5). Research results show that 28.3% of customers are fully satisfied. The answer 'Rather satisfied' (49.8%) shows that the customers expect more than the provider of service has rendered. It is our opinion that this aspect is related to the insufficient accountants' qualification and the level of technologies used.

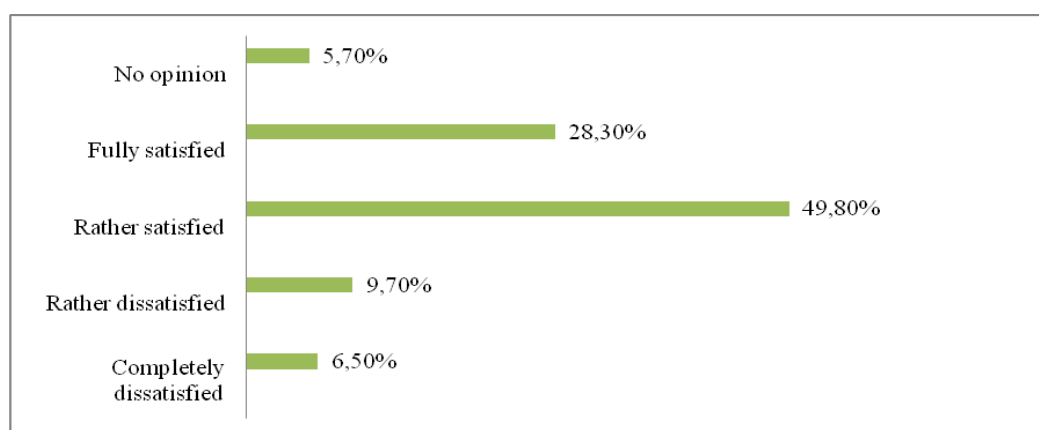


Figure 5. Customers' Satisfaction with the Received Service in 2011 (Kronbergs, 2011)

While performing research, what kind of information systems are used for accounting, we found out that 9.6% of the providers of accounting services do not use a particular accounting software, but use the Excel tables (Purviņš, 2012). The aspect of the accountants' qualification could be considered also on the basis of the results of SRS thematic control and tax audit (Table 4).

Table 4. The Results of the SRS Measures on Tax Control, 2006-2011

Themes	The results of SRS measures of control			
	2008	2009	2010	2011
Tax audit, out of it:	94%	94%	91%	94%
Additionally calculated sums, millions of EUR	141.7	130.1	154.3	259.9
Thematic accounting control, out of it:	50%	46%	64%	73%
Additionally calculated sums, thousands of EUR	232.3	157.0	131.6	149.8

Source: adapted by the authors with reference to SRS home page www.vid.gov.lv/statistika

The receivers of services have a reason to be dissatisfied with the quality of accounting services, because during the tax auditing and thematic accounting control the additionally calculated sums, firstly, decrease the amount of current assets and, secondly, negatively influence the cash flow. The statistical data show that these additionally calculated sums could be measured in millions of euros. (Table 4). In relation to the violations established during the SRS tax auditing regarding the determination of the base of taxes to be imposed and the calculation of taxes it should be pointed out that this could be related to frequent and drastic amendments to the laws and

regulations regarding taxes, particularly in the years 2010 and 2011. Anyway, if an accountant is a professional, he or she must be ready to deal with the urgent problem, whenever it emerges.

This problem is partially dealt with by a professional organization – the Latvian Association of Accountants (LAA). One of its main tasks is the improvement of the level of accountants' professional skills and competences and ensuring of the accountants' certification process. Therefore in the year 2000 there was commenced the accountants' certification. In the development of certification programs there were involved the academic staff of the University of Latvia, as well as the consultants of the International Association for Accounting Education and Research. The certification programs have been developed in compliance with the guidelines adopted at the conference of the United Nations Associations, as well as developed by the Education Board of the International Federation of Accountants (Šneidere & Būmane, 2011). The professional accountant's certificate is awarded for a limited period of time – five years. It may be extended by perfecting the professional knowledge at different qualification courses, the volume and structure of which are provided by the recertification regulations of the Latvian Association of Accountants. Until now the professional knowledge has been perfected and the qualification examinations have been successfully passed by 379 accountants, obtaining the professional accountant's certificates (Latvian Association of Accountants, 2012). During the last years, several commercial companies offer to obtain accountants' competences of different levels, as well as international accountant's certificate. In comparison to the Latvian Association of Accountants, commercial companies do not set any requirements regarding education and preliminary work experience for obtaining a certificate. They do not offer also the recertification opportunities. Such situation shows that there is no a uniform national system, regulating the basic requirements and criteria of professionalism regarding the accountants' profession, including the providers of accounting services. At present there is an absurd situation in Latvia, when the accounting services could be provided by any legal or self-employed person, without any licence and confirmation of professional qualification, registering these activities only at the Commercial Register or State Revenue Service (Šneidere & Būmane, 2010). However, the Latvian Association of Accountants has not succeeded in convincing the responsible public institutions that the accountants' profession shall be included into the register of regulated professions by making amendments to the laws of the Republic of Latvia “On Accounting”, “On the Regulated Professions and the Recognition of Professional Qualifications” and to the Regulations of the Cabinet of Ministers related to these laws. The working team of the Association has developed the Conception for the Development of Accountants' Profession in Latvia, where there are two developmental variants offered. One of them envisages that there shall certain professional activities of accountants regulated – the preparation of financial reports and tax statements, determining the minimum requirements for the educational level of persons performing the above mentioned professional activities – the academic or professional Bachelor's degree in economics, management sciences or their subbranches. The professional qualification certificate “*certified accountant*” shall be necessary for the providers of accounting services. The process of certification is ensured by the professional society – the Latvian Association of Accountants that has a close collaboration with the higher education institutions and rich experience in the field. The national monitoring of the introduction and ensuring of the regulation on the accountants' professional activities could be performed by the Accounting Council of the Ministry of Finance (Latvian Association of Accountants, 2012). The regulation of accountants' profession will align the market of accounting services, facilitate the fair competition, the observation of accountants' ethics and ensure the quality of accounting services in compliance with the market requirements.

Other studies also show that the market of accounting outsourcing services is still at its initial developmental stage in Latvia. There are no criteria provided in legislation by meeting which an enterprise could provide these services. Therefore the enterprises without the respective experience and the respective resources of qualified employees also offer their services in this market. A customer, once gained the negative experience, while cooperating with such enterprises, does not want to delegate such functions to another provider of accounting outsourcing services (Asere, 2008).

5. Discussion

Many scientists have studied the advantages and disadvantages of outsourcing services, the possible risks, when separate functions of a company have been delegated to the providers or outsourcing services; they have studied, whether the use of outsourcing services ensures the basic economic activities of an enterprise with an added value and what kind of communication there should exist between the provider and receiver of services. The scientists have drawn a conclusion that nowadays successful development of business cannot be achieved without the use of outsourcing services.

The research results for the year 2011 show that 33.7% of the enterprises in Latvia do not use outsourcing at all. It is useful to continue research and to find out the reasons, why enterprises do not use outsourcing. Such an analysis would enable to find out the reasons hindering the enterprises to use the opportunities provided by outsourcing, on the one hand, and, by eliminating the negative influence of these reasons on the business of outsourcing services, including accounting services, would provide them with the opportunities of growth and development, on the other hand.

One of the most characteristic types of outsourcing services in the world and also in Latvia are accounting services. The development of accounting services in Latvia in Latvia started with the establishment of first accounting office in 1923. The accounting offices mostly performed the accounting of agricultural and craft companies. Having researched the initial stage of the development of accounting services, the authors found out the reasons hindering wider use of accounting services, namely, a great deal of work in accounting had to be done by the owners of farms themselves. The second problem was related to the competition – the National Bureau of Statistics provided accounting services free of charge. On the one hand it was a support for the farms, in order they could develop more successfully, but, on the other hand, it distorted the business environment and hindered the development of accounting services as a type of business. Nowadays the accounting services in Latvia are used by enterprises of different sectors, and the services are mostly provided by micro-enterprises and self-employed persons. The accounting services are used by enterprises of different sectors – 53.1%, trade enterprises -12.5%, agricultural companies -10.2%, industrial enterprises - 8.6%, construction companies - 7.0%, art and entertainment companies - 7.8%, public administration institutions - 0.8%. Information of such character enables the providers of accounting services to specialize in a particular sector and to optimize costs.

The accounting services become more and more demanded; the number of the providers of accounting services increases year by year. The research performed by the authors shows that the main factors, influencing the development of accounting outsourcing services, are the quality of services and the reasonable price policy. However, the practice shows that it is rather difficult to start the provision of accounting services in Latvia without contacts. The providers of accounting services face several problems. The accounting services have a seasonal character; the services are demanded most at the last and first quarter of the year, thus the flow of income is uneven, as well as the accountants shall work under the conditions of high intensity that sometimes may influence also the quality of financial reports.

Not all the receivers of accounting services are satisfied with the received service; only 28.3% are satisfied. Most of the customers are rather satisfied (49.8%); this enables to draw a conclusion that the customers expect more than the provider of service has rendered. It is our opinion that this aspect is related to the insufficient accountants' qualification and the level of technologies used, because 9.6% of the providers of accounting services do not use them at all. The accountants' insufficient qualification is proved by the results of SRS thematic control and auditing of taxes – the additionally calculated sums that should be paid by the companies due to the mistakenly calculated taxes and mistakes in accounting could be measured in the scope from 130 millions of EUR up to 259 millions of EUR within the time period from 2008 till 2011.

The research shows that there are problems in relation to the qualitative provision of accounting services.

The authors find that the main reason is the fact that the market of accounting services is not regulated in comparison to other European countries. In Latvia there have been no criteria developed for the recognition of accountants' professional qualification and at present the accounting services could be provided by any legal or self-employed person, without any licence and the confirmation of professional qualification. By permitting to provide non-professional services in the field of accounting, Latvia as a state loses an opportunity to attract the necessary foreign investors, the state budget loses the possible tax revenues, the society loses on the whole, if the professional values are neglected by the state. The environment of competition is also distorted in the field of accounting services.

The developmental policy of entrepreneurship basically should be oriented towards the increase of business activities and initiatives, as well as the improvement of the competitiveness of companies that is regarded an integral part of economic and social policies both in the EU Member States and also in many other countries.

One of the solutions of problems could be the development of the normative regulation on the criteria for the recognition of the professional qualification of persons employed in the field of accounting, taking into consideration the international experience and the conception developed by the Latvian Association of Accounts. In order to implement this, it is necessary to have the cooperation between the public and non-governmental professional organizations (Latvian Association of Accountants, Latvian Association of Accounting Outsourcing Services). The authors support the variant of the conception developed by the Latvian Association of Accountants that there shall be regulated two fields of accountants' professional activities – the preparation of financial reports and tax statements, determining the minimum requirements for the educational level of persons performing the above mentioned professional activities – the academic or professional Bachelor's degree in economics, management sciences or their subbranches. The professional qualification certificate “*certified accountant*” shall be necessary for the providers of accounting services. The regulation of accountants' profession will align the market of accounting services, facilitate the fair competition, the observation of accountants' ethics and ensure the quality of accounting services in compliance with the market requirements. The regulation of accountants' profession will also positively influence nationally important functions such as combating of 'shadow economy' and the increase of budget revenues, the elimination of the legalization of illegally obtained means, the improvement of the system of laws and regulations, the protection of socially significant accountants' profession against the involvement of non-qualified persons in performing these functions. If there would be introduced the authors' recommendations regarding the development of accounting services, there will be facilitated the improvement of business environment and the development of knowledge-based society.

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