

# The Comparison in Cognition on Outsourcing Decision for Accounting and Taxation between Cross Straits

Chiung Feng Ko

Department of Accounting  
Soochow University  
Taipei, Taiwan  
joanko@mail2.scu.edu.tw

## Abstract

By inquiring both companies between the Taiwan and Mainland China, the purposes of this study are (1) to specify the contents of accounting and taxation activities will be outsourced, (2) to identify which segment is suit for outsourcing and what are the odds, (3) to compare the attitude toward the taxation agent systems, and (4) to know whom will be eligible for serve in the accounting and tax service.

Following main findings are reached through this study. First, the companies in Taiwan do not conceive such kinds of activities, which on cash flow and budget matters could be outsourcing from outside while those of Mainland China do. However, such activities like tax closing entries and tax calculation are considerable to be outsourced in Taiwan. Second, both companies concur that parts of the organization functions should be outsourced. Furthermore, there exists significant difference on information disclosure and independence of outsourcee (external service providers) among the merits and demerits of outsourcing. The Mainland Chinese companies think that outsourcee may loss its independence on account of outsourcing. Third, both companies have consistently cognition on the system of professional accounting and taxation agent. Finally, the one who is a CPA, a tax expertise, or a tax practitioner will be qualified to take on such responsibilities.

**Keywords :** Outsourcing 、 CPA 、 Tax Practitioner 、 Tax Expertise 、 Disintermediation

## 1. Introduction

The practice of outsourcing has been a logical alternative for non-strategic areas such as payroll processing, public relations, building maintenance, and human resources. Recently, outsourcing has become a more visible perception as companies turn to it in operational areas, such as engineering, logistics, design, and tax. Firms are regularly outsourcing their accounting and tax function to CPA (Certified Public Accountant) firms or tax accountant firms (Tax practitioner), as well as to niche firms that specialize in the service. According to research compiled by G-2 Research Inc. [31], the percentage of U.S. corporation's tax compliance costs spent with outsourcers has quintupled from about 3 percent in 1992 to 15 percent in 1996. In the vertical integration and transaction cost economics respects, Alexander and Young [1] conducted that outsourcing is worthy of special

attention only of changes in current attitudes and practices could unlock significant latent or unrealized value.

On the other hand, a survey of the Ministry of Economic Affairs [50] reported that near 80% of companies in Taiwan are outsourcing their accounting or tax related matters from professional agents, including CPA firms and tax declaration agents, to save costs for the past few decades. Meanwhile, since 1994, Value-Added Tax (VAT) was reformed in Mainland China and contributed more than 40% of the government revenue [51]. Not only are they saving more costs, but also they are facilitating the focus of their tax and accounting practices to be more proactive.

The systems of accounting and tax between Taiwan and Mainland China are different, however, the cognition on outsourcing decision is homologous. For example, the purpose of tax declaration agent system in Taiwan is to help taxpayers to file tax return properly, and, the main function of VAT in Mainland China is to help government to moderate tax evasion problem. On the other hand, both the agents of accounting firm and tax firm in Mainland China must pass professional examination before they serve such kind of services. In Taiwan, however, only the CPA does. Because the system of tax accountant is not legislating yet, tax firms offer such kind of services through lore and experience. Thus, the services of Tax practitioner are subject to booking and a wide variety of tax services, but no auditing work.

To learn more about the perception of the accounting and tax function, the compatibility of outsourcing, the merits and demerits of outsourcing, the role of tax accountant, and the precedence of intermediary, this paper conducts a survey of senior officers both at small and medium-sized companies of cross strait.

There is a minimum level of business required for outsourcing. Factors such as minimum processing costs, current active business, and projected growth are considered in the outsourcing equation. Along with the extension of IT, would such kind of services be negligent under the e-business environment? Does e-business in taxation service system may replace the traditional role of Tax practitioner? This paper is the second of two articles reporting the results of that survey. The first article was presented at The 2002 Cross-Strait Conference on Finance, Economics and Business, Taipei in April 2002 and focused on views of companies and professional

firms in Taiwan. This article addresses the comparison in cognition on outsourcing decision between the cross straits.

## 2. Views of Accounting and Tax Outsourcing

In the past, a company hired outside expertise such as legal services for a specialized purpose, but did not shift wholesale responsibility for its accounting needs to another entity.

There is wider recognition of outsourcing as a tool for day-to-day management. Outsource services CPA firms provide most often are accounting and finance functions, payroll, accounts receivable/payable, financial statement preparation and analysis, budgeting, cash management, internal audit and tax.

Since the mid-1980s, Taiwan has launched two important tax reforms: one was the change of sales tax from the multiple-stage gross business receipts tax (GBRT) to the value-added tax (VAT) in 1986; the other was the establishment of the integrated system since 1998. The VAT has served as an effective remedy for resolving the problem of double taxation in sales tax. Similarly, the integrated system is the only way to mitigate double taxation on dividend income. Both systems discard multiple or double taxation and both are consisted with different stages of economic development.

Hereupon, the purpose of tax declaration agent system is to help taxpayers to file tax return properly. However, the existence of this system and its function has been debated for the last few decades. People argue the quality of financial statement the Tax practitioner made, doubt the ability of tax declaration agent, and require tax declaration agents to get license before they are qualified for this job.

In recent years, companies have looked primarily to technological improvements to cut expenses. While companies continuously seek creative methods to improve efficiency, handling both tax and accounting bills and payments can be a costly headache for companies. Thus, outsourcing these functions may offer many benefits. Johnson [21] stated that tax service is at the forefront of outsourcing because of the market is competitive and fees have continued to stay low over the years.

Most companies have traditionally outsourced a variety of tax functions, including international and expatriate tax administration, executive tax preparation services, relocation tax administration, acquisition and merger tax, investment tax credits, reverse sales audits, and property tax billing.

Before the emergence of the Internet and the Web, practitioners generally found the most reliable and most easily accessible source of tax information in tax services or in tax journals published by reputable organizations.

For most large companies the primary reason to outsource may reduce costs<sup>1</sup> and for some companies the main motivation may be to gain access to greater expertise or to be able to focus on core activities. For companies, five principal reasons to outsource are to: (1) reduce and control operating costs, (2) improve company focus, (3) gain access to world-class capabilities, (4) free internal resources for other purposes, and (5) obtain resources that are not available internally [5]. On the other hand, companies that outsource often experience one or more of the following drawbacks. There are: inflexibility, loss of control, reduced competitive advantage, locked-in system, unfulfilled goals, and poor service [29].

In early 1990s, Levine and Lerner [22] described how the tax executive might better approach the issue of outsourcing to do a more effective job of managing the tax function of the company. After having digested the accounting firm's responses to an outsourcing survey, Moore [23] concluded that accounting firms are becoming more aggressive in pursuing outsourcing until proven otherwise. Tax professionals in private industry are willing to change, adept, streamline, and automate.

The 1990s were the decade of integrated software, with software suites playing a prominent role. Crampton and Graig [10] compared Microsoft's Office Professional with the competing products from Lotus and Borland in terms of included applications, system requirements, and retail prices. Gellis [18] and Bradbury [6], as well as Yakal [34], also introduced computer software for Windows and for Macintosh respectively for tax accountants. Furthermore, Hawaleshka [19] reported on two Canadian companies offering services for doing income taxes online. It seems that a tax practitioner or an accountant may attempt to access pertinent information quickly from the Web as a free source. However, after trying hundreds of hours, Sumutka and Chang [32] concluded that it is not that easy and in many cases the information is not that useful either. They asserted that the Web does not change the fact because none of these sources are available on the Web free of charge. The problems encountered by tax accountants in accessing information from the Web are its accuracy, degree of sophistication, and accessibility (i.e., its usefulness).

Determining if clients are the right cultural match for each other and establishing a clear understanding of the engagement specifications at the outset are the key to making outsourcing work [5].

Based on strategic outsourcing theory, the transaction-cost motivations have been studied in a variety of settings. For examples, Dunbar and Phillips [15] indicate that transaction costs relating to human-asset specificity, proprietary technology, and economies of

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<sup>1</sup> For example, Berson (2001) stated that most large, for-profit organizations outsource their accounting, and it can cut them by 25% to 50%.

scale, along with the status of firm's top tax professionals and recent growth, are factors that affect the tax function outsourcing decision. This paper extends this investigation to a knowledge-based professional services setting in which external tax professionals have opportunities to serve tax and accounting knowledge that increase firm value.

A general economic trend in corporate tax function outsourcing has been viewed with concern. In a study more closely related to mine, Dunbar and Phillips [15] provides the first evidence of the standpoints associated with tax and accounting function outsourcing between the cross straits. Dunbar and Phillips [15] investigated the factors associated with firms' decisions to outsource corporate tax-planning and –compliance activities.

### 3. Methodology

This study employs survey research to investigate small and medium-sized enterprises in Mainland China and Taiwan. The outsourcing questionnaire consisted of 80 questions covering many areas of concern common to the private industry tax community. Information for this study was obtained through a questionnaire mailed in November 2000 to 317 senior tax administrators of companies. There were 171 responses to the request. The overall response rate was 53.94 Percent. A broad cross-section of companies responded to the survey.

The survey includes general instructions and questions relevant to constructing the survey-related variables. Questionnaires were sent to corporate executives at random. Survey instruments were sent to 317 firms totally. Of which 217 copies were sent to Taiwan and the others were sent to Mainland China. In Taiwan, three or Four weeks after the initial mailing, non-respondents were sent Fax or call reminders. Thereafter, non-respondents were sent second reminders along with the questionnaire. After removing unavailable or blank data from the sample, this process yielded 160 survey responses, resulting in a response rate of 73 percent. Neither however, suffer for economy, neither Fax nor second reminders were sent for non-respondents in Mainland China. Many responders felt the questions were "hard," "tough," "copious," etc. This process yielded only 14 survey responses, resulting in a response rate of 11 percent after filtering out 3 percent of nullity.

### 4. The Main Findings

The findings of the preliminary and principal studies comprise many different facets.

Table 1 presents descriptive statistics that compare Taiwanese firms to Mainland China firms at fundamental items. The comparative statistics presented indicate that Taiwanese firms are longer, larger, more variety at industry and human resource. The survey do not targeted

larger firms with a tax executive to ensure a response rate adequate to produce a sample large enough to test any hypotheses. Accordingly, it is not clear whether the results generalize to larger publicly traded firms.

Insert Table 1 here.

Insert Table 2 here.

The comparative statistics presented in Table 2 reveal the ways of declaration, bookkeeping, tax-announcement between Taiwanese firms and Mainland China firms. Most of the firms respond that firms do bookkeeping and tax-announcement by themselves or their accountant. Many of the companies do tax related works via the assistance of accounting professional service firms.

Insert Table 3 here.

Table 3 presents the descriptive statistics and t-Test of difference in means on the contents of accounting and taxation activities will be outsourced. At the "cash budget" item, the means for Taiwanese firms and Mainland China firms are 2.238 and 2.9, respectively; indicate that the perceptions of cash budget made to external service providers differ rather. Moreover, at the "budget management" item, the Taiwanese firms are reluctant to outsource while the Mainland China firms are neutral. In addition, the means for "tax calculation" item are 3.453 and 2.6 respectively, indicate that Mainland China firms are quite object to let this matter be outsourced. Both at the "tax closing entries" and "preparing annual income tax return" items, the Mainland China firms relict at budgets providing by outsiders. Taken altogether, the Mainland China firms do not conceive such kinds of activities, which on "tax calculation," "tax closing entries," and "preparing annual income tax return" could be staffed from outsider while those of Taiwanese do. However, such activities like "budget matters" are not considerable to be outsourced in Taiwan.

Insert Table 4 here.

Companies typically maintain those things that differentiate them from their competitors and provide a true competitive advantage. How do the firms determine what to outsource? Table 4 presents the result about what segments of organization to outsource. Outsourcing part of corporate departments is probably the solution for most of the companies that currently have accounting/tax departments. For most sample companies, core functions include internal auditing and payroll, of which functions choose to outsource eventually. The first segments for Mainland China Firms to outsource are part of operating functions and Administrative functions. Similarly, the first two choices for Taiwanese firms are Tax and part of operating functions. That is to say, with the growing trend toward focusing on core business capabilities, both the companies are outsourcing selected business functions to outside expert partners who can perform them more efficiently and cost-effectively.

Insert Table 5 here.

The results of the conception among merits and demerits of outsourcing are reported in Table 5.

There exists significant difference on information disclosure and independence of outsourcee among the merits and demerits of outsourcing. The Mainland Chinese companies think that outsourcee may loss its independence on account of outsourcing. However, the Taiwanese companies admit outsourcing of solution and of transparency. But, the Taiwanese companies do not assume that external service providers may loss its independence.

About the potential for loss of control of outsourced processes, both the companies do not think that they will be lost of costs management, nor shrinking organization or worse communication. In fact, many of the companies take the matter that there are a number of controls to maintain and enhance the management of the accounting and tax functions through outsourcing.

Taken altogether, both Mainland China and Taiwan companies seem agree at the merits but demerits. The first two advantages management seeks from outsourcing are: reduce and control operating costs and improve company focus. In a tight market, expense control is more important than ever. But today, as clients demand increased value and security requirements escalate, cost saving seems unachievable. Most will uncover the obvious - reengineer antiquated systems, automate manual processes, consolidate systems, launch a new methodology, and the list goes on.

Insert Table 6 here.

The t-Test results of difference on comparing the attitude toward the taxation agent systems are presented on Table 6. Both companies have consistently cognition on the system of professional accounting and taxation agent. Moreover, the Taiwanese companies show more positive attitude than Mainland China companies. Particularly, at the items of "Insuring firm's processing criteria" and "Reducing operating expense," the Taiwanese companies are significantly assenting.

Insert Table 7 here.

Though accounting and tax outsourcing start as an outgrowth of cost-cutting initiatives, today, the industry is looking into strategic alliance. Accounting and tax outsourcing is a decision a lender should approach with definable objectives and measurable results. From the result of Table 7, it indicates that a CPA, a tax expertise, or a tax practitioner will be qualified to take on such responsibilities. The company who can complement its accounting and tax capabilities in consulting, systems integration and outsourcing will be eligible to form business alliance with company.

## 5. Conclusion

This research provides the first evidence of the

standpoints associated with tax and accounting functions outsourcing between the cross straits. Regardless of the company being downsized, reengineered, or overcapacity, the most common reason cited for outsourcing a potion or all of the accounting and tax functions was financial savings. Besides, there are technological changes being made in the industry that have significantly streamlined processes and reduced manual efforts commonly associated with the business. In this study, both of the companies do not afraid for losing competitive advantage.

On the other hand, tax service companies are facing new challenges and creating new ways to perform traditional services. With regard to the continuous outsourcing accounting and taxation, when international accounting and taxation are complex, task difficult, and change of requirements frequent, facilities and human resources can be substituted by contractors to reduce risk and to increase flexibility. The practice of tax or accounting outsourcing is not new and is reviewed as an outgrowth of cost-cutting initiatives; today companies are looking beyond cost cutting and into strategic alliances.

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Table 1 : Comparative Firm Characteristics

Percent Contents	Characteristics	Taiwanese firms	Mainland China firms
Organization	Proprietorship	13.75%	36.36%
	Partnership	23.13%	9.09%
	Company	52.50%	54.55%
	Other (Public Services)	10.62%	
Industry	Manufacturing	20.89%	27.27%
	Retails	9.49%	
	Services	47.47%	18.18%
	Hard Ware Industry	4.43%	
	Soft Ware Industry	3.16%	9.09%
	Clinic	0.00%	9.09%
	Banking and Finance	5.70%	
	Other Industry	8.86%	36.36%
Set up Year	Under 1 year	3.80%	9.09%
	1 ~ 2 years	2.53%	9.09%
	3 ~ 5 years	12.03%	36.36%
	6 ~ 10 years	26.58%	45.45%
	11 ~ 20 years	31.01%	
	21 ~ 40 years	18.99%	
	41 ~ 70 years	3.80%	
	71 years beyond	1.27%	
Capital	Under 5 Million	33.57%	36.36%
	5.01 ~ 10 Million	15.38%	
	10.01 ~ 20 Million	5.59%	
	20.01 ~ 30 Million	6.99%	18.18%
	30.01 ~ 60 Million	4.20%	27.27%
	60.01 ~ 100 Million	4.20%	9.09%
	100.01 ~ 300 Million	8.39%	
	300.01 ~ 1000 Million	9.09%	9.09%
	1.01Billion over	12.59%	
The annual amount of its business operations for last consecutive year	Under 5 Million	18.71%	
	5.01 ~ 30 Million	29.03%	18.18%
	30.01 ~ 100 Million	14.84%	54.55%
	100.01 ~ 500 Million	13.55%	27.27%
	500.01 ~ 2000 Million	7.74%	
	2.01 ~ 5 Billion	9.03%	
	5.01 Billion Over	6.45%	
Full-timer personnel	Under 10 persons	33.75%	9.09%
	11 ~ 30 persons	15.63%	9.09%
	31 ~ 60 persons	11.25%	18.18%
	61 ~ 100 persons	5.00%	9.09%
	101 ~ 500 persons	17.50%	45.45%
	501 ~ 1,000 persons	14.38%	9.09%
	1,000 persons Over	2.50%	
Personnel at Accounting and Tax Section	None	6.96%	
	1 ~ 5 persons	55.70%	63.64%
	6 ~ 10 persons	15.82%	27.27%
	11 ~ 20 persons	11.39%	
	21 ~ 40 persons	7.59%	9.09%
	41 ~ 60 persons	0.63%	
	61 ~ 100 persons	0.63%	

	101 persons Over	1.27%	
Seniority	Under 1 year	8.13%	9.09%
	1~2 years	18.75%	9.09%
	3~5 years	28.75%	36.36%
	6~10 years	20.00%	45.45%
	11 ~ 15 years	14.38%	
	16 ~ 20 years	8.13%	
	21 ~ 30 years	1.25%	
	31 years Over	0.63%	

Note: The exchange rate for one RMB to NTD is about 1 for 4.3.

Table 2 : Comparative for Declaration for Tax payment

Percent Contents	Characteristics	Taiwanese firms	Mainland China firms
Declaration for tax payment	Use the Extant Expended Paper Review	7.50%	27.27%
	After duly audited and certified by a certified public accountant	25.00%	9.09%
	Use the blue colored tax returns	3.13%	
	Assisted by a CPA	45.00%	27.27%
	Assisted by a Tax practitioner	7.50%	9.09%
	Via magnetic tapes or disks (the media)	11.88%	9.09%
	Not Known	3.13%	18.18%
	Other	6.26%	
Whom in Charge at bookkeeping or accounting	Owner-self	21.25%	18.18%
	Accountant	46.25%	36.36%
	Tax practitioner	17.50%	18.18%
	CPA	8.13%	18.18%
	Software officer	1.25%	9.09%
Whom in Charge at tax-announcement	Accountant	21.25%	72.73%
	Tax practitioner	21.25%	18.18%
	CPA	51.88%	9.09%
	Software officer		0.00%

Table 3: t-Test Results of Difference in Means on the contents of accounting and taxation activities will be outsourced

Items No.	Contents	Taiwanese firms		Mainland China firms		t-Test p-value	Signifi cance
		Mean	Std. Dev.	Mean	Std. Dev.		
1	Recording account books and documents of evidence	2.913	1.178	2.3	0.823	0.1078	
2	Preparing vouchers	2.875	1.191	2.7	0.949	0.6495	
3	Recording and posting	2.95	1.212	2.889	1.167	0.883	
4	Daily accounting transactions	3.388	1.138	3.3	1.059	0.8132	
5	Cash deposit management	2.113	0.871	1.8	0.789	0.2695	
6	Cash receiving/collecting management	2.163	0.91	2.0	0.667	0.5799	
7	Cash paying	2.2	0.923	1.8	0.632	0.1794	
8	Cash budget	2.238	0.961	2.9	1.287	0.0399	**
9	Money management	2.194	0.921	2.2	0.789	0.9833	
10	Finance consultation	3.294	1.163	3.7	0.949	0.2812	
11	Preparing financial statements	3.069	1.25	3.5	0.972	0.2861	
12	Preparing in-house management reports	2.629	1.117	2.7	0.823	0.8436	
13	Closing account	2.73	1.135	2.8	1.033	0.8485	
14	Tax closing entries	3.208	1.097	2.6	1.265	0.0941	*

15	Preparing closing leaves/annual income return declaring	3.233	1.109	3.0	0.816	0.5156	
16	Tax calculation	3.453	1.095	2.6	1.075	0.0179	**
17	Preparing annual income tax return	3.444	1.109	2.778	1.093	0.0812	*
18	Bookkeeping consultation	3.569	1.062	3.4	0.843	0.623	
19	Segments of accounting books	2.894	1.13	3.0	0.943	0.7716	
20	Budget management	2.663	1.11	3.3	0.823	0.0762	*
21	Daily business processes	2.625	1.148	3.1	0.994	0.203	
22	Other account books management	3.356	1.151	3.1	0.876	0.4907	
23	Computerized accounting system	3.4	1.111	3.2	0.919	0.5784	
24	Computerized tax system	3.538	1.051	3.1	1.101	0.2047	
25	Tax declaration and consultation	3.725	0.984	3.7	1.160	0.9386	

Note: \*, \*\*, and \*\*\* denote significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table 4: t-Test Results of Difference in Means on suit for outsourcing segment

Items No.	Functions	Taiwanese firms		Mainland China firms		t-Test p-value	significance
		Mean	Std. Dev.	Mean	Std. Dev.		
1	Parts of operating functions	3.7	0.91	3.909	0.302	0.4498	
2	IT function	3.444	1.032	3	0.894	0.1666	
3	Internal auditing functions	2.888	1.138	2.727	0.905	0.6485	
4	General Ledger functions	2.938	1.158	2.545	0.82	0.272	
5	Payroll functions	2.631	1.114	2.909	0.944	0.4208	
6	Administrative functions	3.588	0.987	3.909	0.539	0.287	
7	Tax functions	3.75	0.932	3	1	0.011	**

Note: \*, \*\*, and \*\*\* denote significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table 5: t-Test Results of Difference in Means on among the merits and demerits of outsourcing

items No.	Merits and Demerits	Taiwanese firms		Mainland China firms		t-Test p-value	significance
		Mean	Std. Dev.	Mean	Std. Dev.		
1	Cost savings	3.85	0.841	3.545	0.688	0.2422	
2	Achieve operational excellence	3.688	0.892	3.455	0.688	0.3973	
3	Possess competition to market	3.713	0.9	3.364	0.505	0.2059	
4	Flexibility and respond quickly	3.756	0.822	3.364	0.674	0.1237	
5	In company focus	3.863	0.82	3.545	0.688	0.2126	
6	Transparent performance	3.719	0.818	3.182	0.874	0.0374	**
7	Transparent disclosure	3.725	0.816	3.091	0.831	0.0137	**
8	Improve firm's value	3.531	0.911	3.091	0.831	0.1208	
9	Loss of in-house knowledge	2.894	0.922	2.455	0.688	0.1234	
10	Lost of tactics integration	2.75	0.854	2.636	0.924	0.6716	
11	Reduced competitiveness	2.475	0.808	2.091	0.539	0.123	
12	Demoralizing/falling employees' morale	2.538	0.831	2.182	0.603	0.1655	
13	Leaking classified information	2.919	0.984	3.364	0.674	0.1424	
14	Changing business processes	3.25	0.925	3.182	0.751	0.8114	
15	Lost of costs management	2.644	0.907	2.455	0.688	0.4986	
16	Shrinking organization	2.65	0.926	2.455	0.82	0.4966	
17	Worse communication	2.606	0.905	2.909	1.044	0.2892	
18	Contractor become bloated organization	2.831	0.933	2.455	0.82	0.194	



19	Contractor will be over invested	3.057	0.859	3.3	0.675	0.3809	
20	Disengagement result in contractor lost customers	2.912	0.889	2.7	0.675	0.4603	
21	Contractor will be lost of independence	2.824	0.831	3.4	0.699	0.0335	**

Note: \*, \*\*, and \*\*\* denote significance at the 0.1, 0.05, and 0.01 levels, respectively.

**Table 6: t-Test Results of Difference in Means on comparing the attitude toward the taxation agent systems**

items No.	Contents	Taiwanese firms		Mainland China firms		t-Test p-value	significance
		Mean	Std. Dev.	Mean	Std. Dev.		
1	Simplifying tax processing	4.25	3.243	4.091	0.539	0.8714	
2	Enhancing the efficiency of collection authority	3.969	0.73	4.091	0.539	0.5872	
3	Insuring firm's processing criteria	3.769	0.892	3.273	1.104	0.0807	*
4	Improving firm's accounting systems	3.656	0.945	3.6	0.843	0.8546	
5	The tax market will be withered in that media effect	3.156	0.894	3	0.775	0.5729	
6	Reducing operating expense	3.686	0.865	3.182	0.751	0.0617	*
7	Not keeping the bookkeeping peace	3.101	1.086	3.1	0.568	0.9986	
8	Losing voucher or manipulating data	3	1.108	2.8	0.919	0.5774	
9	Delinquently income return declaring	2.786	1.046	2.6	0.843	0.5821	
10	Error or inconformity on cash account	3.208	1.038	2.8	0.422	0.2194	
11	Error or inconformity on account balance	3.069	1.032	3	0.667	0.8347	
12	Leaking classified information	2.981	1.064	2.7	0.823	0.4138	
13	Lack of other accounting information	3.119	1.09	2.8	0.632	0.3621	
14	Lack of other managerial information	3.15	1.1	2.9	0.568	0.4779	
15	Lost of internal control function	3.031	1.072	2.9	0.876	0.7053	

Note: \*, \*\*, and \*\*\* denote significance at the 0.1, 0.05, and 0.01 levels, respectively.

**Table 7: Who will be eligible for serve in the accounting and tax service**

candidate	Firm; score	Taiwanese firms		Mainland China firms	
		score	Ordinal	score	Ordinal
1. Who realize business processes	68			4	
2. Who know a system with substance and costs	28				
3. Who understand outsourcer's operational objectives	75			7	
4. Who is a software maker	10			0	
5. Who commission a tax agent for annual income tax	43			0	
6. Who prepare annual income tax return himself	14			0	
7. Who incorporate with tax agent	46			3	
8. Who well communicate with outsourcer	107	4		9	
9. Who align himself with outsourcer	13			10	4
10. Tax agent	166	2		13	1
11. CPA	257	1		11	2
12. Tax practitioner	123	3		11	2