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Trends that will shape the CPA profession in 2016
Startups, mergers, and Big Data will all impact CPAs this year.

By Usha Sankar

Usha Sankar is a Cary, N.C.-based freelance writer and editor.

January 25, 2016

How ready are CPAs to help their clients navigate the uncharted waters of 2016? Macroeconomic trends such as increasing globalization, the slowing of the Chinese economy, and growth in small and online businesses here in the U.S. are changing the business landscape. Here are some of the top economic trends to be mindful of in 2016, and ways they will affect CPAs.

The bifurcated economy. According to Ted Zoller, Ph.D., a professor of strategy and entrepreneurship and director of the Center for Entrepreneurial Studies at UNC-Chapel Hill, we're moving toward a "bimodal" economy. Increased merger-and-acquisitions activity means large companies are getting bigger, while smaller ones are being forced into narrower niche segments. Recent data backs up Zoller's claims: As of May 31, 2015, M&A activity in the U.S. was worth $875 billion, representing a 9% increase over the same period in 2014. Meanwhile, the percentage of micro businesses—businesses with fewer than 10 employees—has also grown 3.6% over 2014.

In the near future, Zoller predicts, there will be much more acquisition activity, fueled by cash-rich companies, R&D activity, a desire for a larger market share, and complementary products or services, among others. According to PwC, 54% of CEOs in the U.S. were eyeing an acquisition in 2015. That translates to more business for CPAs, who will be needed to do due diligence on acquisition targets, advise venture capitalists, and help determine equity structure and get companies publicly listed.

Further growth of startups. With the U.S. economy in an economic recovery, people are becoming less risk-averse. This should result in the founding of more startups, said Geeta Shah, a professor of economics at Wake Tech Community College in North Carolina. CPAs should prepare to do more work with small and midsize businesses. They'll need good communication and analytical skills, as they will be required to interpret companies' financial data for stakeholders such as vendors, customers, and financial institutions.

As startup culture grows in influence, CPAs will need to become more nimble, said Anoop Mehta, CPA, CGMA, vice president and CFO at Science Systems and Applications Inc. and a member of the AICPA Business & Industry Executive Committee. After all, startups are characterized by change: Most startup founders aim to scale their companies up, sell them off, and move on to the next opportunity. CPAs will also need to wear more hats, Mehta said, since, for small businesses, "the CPA is the proxy CFO."

Mehta also believes that CPAs and other professionals will need to have more niche knowledge as the economy bifurcates. "You will see a lot more specialization as domain-specific expertise becomes a significant factor in the growing startup culture of corporate America," he said.

Growth of the informal sector. CPAs will also have a greater role to play in the "informal sector," which encompasses forms of work that do not fall under tight regulatory control, such as freelance work such as writing and graphic design, "gig-based" jobs such as Uber driver or Airbnb owner, or day labor. This sector will likely expand as it is driven by Millennials, who now make up one-third of the population. The informal sector, which is now more about entrepreneurship than survival, typically falls through the cracks of the tax regulatory environment. However, that is about to change and the country could soon see a tightening of the tax regime, Shah said, meaning CPAs may be needed to perform more tax work for people working in this sector—and the companies that employ them.

Rapid change. Today's businesses are operating in a fast-changing and globally integrated environment, and one where risks are as much about missed opportunities as about unforeseen events.

To increase their relevance in this climate, CPAs must act as strategic thinkers for businesses, Mehta said. Instead of "looking at the past to understand the present," CPAs will need to act as "fortunetellers" whose role is to anticipate, he said.

Companies are also going to place more emphasis on efficiency. They're increasingly going to be asking such questions as "Are we utilizing labor most efficiently?"—and they are going to be looking to CPAs for the answer.

One way CPAs can be more strategic is by engaging with Big Data. The explosion of data means there is a lot of information available that can be translated into valuable business insights—and who better to do so than a numerically literate professional such as a CPA?

According to Zoller, the tools of forensic accounting will allow CPAs to mine data to examine how enterprises interact with one another and how consumers make purchasing decisions. Such insights can help CPAs become valuable strategic advisers in an era of rapid change.

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How to stand out in meetings

These tips will help you make the most of your next gathering with colleagues around the conference room table.

By Eddie Huffman
Eddie Huffman is a Burlington, N.C.-based freelance writer.
February 16, 2016

Every time you find yourself in a meeting at the office, you have two choices: stand out or fade into the background. While it may seem safer to simply listen and occasionally nod your head, that's not a promising long-term strategy. If you want to make a positive impression on your colleagues and advance your career, standing out is the only real choice.

"It's important to control your story and how people view you," said Robyn McLeod, a leadership consultant.

McLeod is a principal with Chatsworth Consulting Group in New York and a leadership coach for a variety of organizations. She considers herself an introvert and knows standing out doesn't come naturally to everyone.

"We tend to worry about whether we are going to look stupid, or be embarrassed, or maybe we're wrong," she said. "It's those worries that hold us back."

So how do you put your best foot forward? These tips will help you make the most of your next gathering with colleagues around the conference room table:

1. Get to know your co-workers before meetings.
It's much easier to speak up around people you already know and feel comfortable with.

"Practice being a more social person at work," McLeod said. "Meet someone new at the office. Go up to their desk and say hello."

It's obviously a good idea to get to know people you will meet with regularly. But McLeod also recommends talking to people all around your workplace as a way to get used to speaking up and making your presence known.

"The more you're able to deal with people in a casual setting, the easier it will be in a more formal setting," she said.

2. Be prepared.
Study the agenda ahead of time. Give the issues under discussion some thought before going into the meeting. If you are unfamiliar with any of the issues, do your homework. If you have relevant statistics or documentation, bring copies for everyone. If you know you will have information to contribute, prepare a few talking points. If you have questions, write them down.

"If you're stuck on something, then state that in the meeting," said Joy Lizotte, CPA, a growth planner and business coach in Lake City, Fla. "You need to come [to the meeting] with answers. If you have an issue, who can help you with that issue? Think about what will be discussed in advance instead of walking in cold and unprepared."

3. Don't speak until you have something to say.
While introverts may hesitate to speak up in a meeting, extroverts often have the opposite problem.

"So many people are just talking to talk," Lizotte said. "Think about the input you're giving: Is that going to make a difference in the outcome of the meeting? Will it help in some way?"

McLeod recommends a mnemonic device to keep tongues in check.

"There's a great acronym that I use for my coaching clients who are talkative, and it's 'WAIT,'" she said. "It stands for 'why am I talking?' And it really does work well, because it helps them to remember that there are times when it is better to not talk, and sometimes I'm just talking because it's my habit. Whereas it's much more powerful to not talk and hear what the other person has to say."

What is Kaizen?

Kaizen is the practice of continuous improvement. Kaizen was originally introduced to the West by Masaaki Imai in his book Kaizen: The Key to Japan's Competitive Success in 1986. Today Kaizen is recognized worldwide as an important pillar of an organization's long-term competitive strategy. Kaizen is continuous improvement that is based on certain guiding principles:

- Good processes bring good results
- Go see for yourself to grasp the current situation
- Speak with data, manage by facts
- Take action to contain and correct root causes of problems
- Work as a team
- Kaizen is everybody's business
- And much more!

One of the most notable features of kaizen is that big results come from many small changes accumulated over time. However this has been misunderstood to mean that kaizen equals small changes. In fact, kaizen means everyone involved in making improvements. While the majority of changes may be small, the greatest impact may be kaizens that are led by senior management as transformational projects, or by cross-functional teams as kaizen events.

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JOURNAL OF ACCOUNTANCY

How expected credit loss standards will challenge auditors

By Ken Tysiac

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March 3, 2016

Auditors and others that deal with a company's financial statement will experience new challenges as a result of implementation of new financial reporting standards requiring reporting of expected credit losses related to financial instruments.

IFRS 9, Financial Instruments, which will take effect Jan. 1, 2018, contains a new expected credit loss (ECL) model. FASB also is working on a financial instruments standard that has not yet been issued but is expected to include requirements to report expected credit losses.

The International Auditing and Assurance Standards Board (IAASB) has issued a new publication to highlight the challenges IFRS 9 will create for auditors, management, governance bodies such as audit committees, and users.

"Auditors need to be aware of the changes related to ECL and the implications for audits," IAASB Chairman Arnold Schilder said in a news release. "Auditors will need to be actively engaged in 2016 and 2017, in particular to understanding how an entity is planning for the adoption and implementation of its ECL models."

The IAASB's publication explains the board's project to revise International Standard on Auditing 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, to help auditors handle the changes related to expected credit losses. The publication, prepared by an IAASB task force, provides a detailed summary of the initial thinking on special audit considerations related to ECL provisions, including related estimation uncertainty.

Broadly, the publication advises auditors, management, and those charged with governance to act now to understand how an ECL model can be implemented. Auditors also are advised to:

- Prepare for the challenges that may arise in an audit as a result of the new standards.

- Communicate effectively on audits of entities that will be significantly affected by these changes. Auditors are advised to have robust, active, and ongoing communication with management, those charged with governance, and regulators as appropriate. Communication will be important because entities may need to develop or change systems and models to obtain the necessary data and expertise.

- Be aware that the ECL provision's complexity, estimation uncertainty, and materiality thresholds may lead to complex or difficult judgments regarding key data and assumptions, creating significant risks of material misstatement.

- Be aware that disclosures related to expected credit losses, including transitional disclosures, are likely to require significant attention from auditors because high estimation uncertainty is likely.

JOURNAL OF ACCOUNTANCY

Sound audit quality control

These tips can help firms maintain a system that helps deliver high-quality audits to clients.

By Cheryl Meyer

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March 1, 2016

Following these tips can help maintain an audit quality-control system that holds your firm to professional standards and aids in delivery of a top-notch product to clients, experts say.

Focus on the tone at the top. The tone established by leadership is all-important, as it sets the bar for quality within the firm. Leaders need to send clear messages to their staff detailing what "quality" means in-house and do this as early as possible within the audit process. Karen Kerber, CPA, a partner at KerberRose, said it is critical for leaders to «walk the walk» and demonstrate by their actions what quality means as well.

Draft a strong quality-control document. Quality-control definitions should be detailed in a robust document, which can keep your firm centered and your employees on the same page. This document also can help your firm abide by both professional industry standards and policies established in-house, Kerber said.

Outline your risks. Firms need to be able to accurately assess their risks and include them in the audit quality-control system. For instance, the time to perform an engagement could be greater than expected, or the engagement could require some technical knowledge that the firm does not have, said Ahava Goldman, CPA, CGMA, senior technical manager—Audit & Attest Standards at the AICPA. «We expect our clients to have control over financial reporting and over their operations,» Goldman said. «In the same way, CPA firms have to have control over their operations—and that›s what a system of quality control is.»

Detail policies about client acceptance. "Your firm's reputation is only as good as your least reputable client," Goldman said. Thus it's important to assess which clients to take on and which ones to avoid. Your firm should determine whether it has the expertise, the proper staff, and the time to accept an engagement.

Look to external resources for guidance. Small firms in particular sometimes need outside help before taking on certain clients—such as those outside their usual area of expertise—and in ensuring their audit quality-control system is strong. Firms can use several external resources, including valuation firms, required peer reviewers, AICPA Private Companies Practice Section toolkits, and even retiring Baby Boomers willing to perform audit quality control on a part-time basis.

Take time to reassess. "Firms have to recognize that public accounting serves the public trust, and they have to be committed to doing quality work," Goldman said. Having a good audit quality-control system takes regular review. It's important to breathe, step back, and figure out what your firm is doing right, how you can improve, and how policies and procedures need to be tweaked to provide and maintain good quality control.

This checklist is adapted from the article «Concerned About Your Audit Quality-Control System?" CPA Insider, Nov. 23, 2015.