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Financial Statements: An Often Unused Tool For The Masses

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With busy season upon us, we turn our thoughts to financials. It's our favorite tool that tells practitioners like us about the financial health of our clients' businesses. But surprise, surprise! It's not a crystal-clear window into our world for all those non-accountants who don't speak the language. The truth is that, oftentimes, we practitioners are more focused on our needs. We often miss the opportunity to provide value to clients by helping them get better insight into their companies with guidance from non-traditional financial reports. Like the rest of us, they can be more effective with more meaningful information.

Consider the case of companies that print financial statements by department. There's one statement for each department, right? Each month everyone gathers around the large table where they spread out the reports and start to examine comparative numbers between departments. Does it really seem effective?

How about changing the vista and have clients use the columns in their financial statements to represent the departments? Now everyone can sit in their seats and see the comparisons on one page. What makes this possible is the flexibility of a tool like FRx, an industry-standard financial reporting tool that works with most of today's middle market ERP solutions. The beauty of FRx is the power it gives to tailor the layout of the data to meet a user's specific needs. Other widely used programs, such as QuickBooks, also have tools to help with financials, including Custom Financial Reporter. Many accounting systems have the option to export to another favorite — Excel — where you can create your own financial reports.

We've seen that kind of thinking significantly impact the QSR (Quick Service Restaurant) industry where area managers are responsible for several locations. Upper management in the home office

can view a financial with columns representing each area manager's numbers, while the area manager's version can have each store broken out next to each other in their respective columns.

As accountants, we have all seen financials distributed to managers who get frustrated because included on their report are revenue and expense numbers over which they have no control. Where does it say that financial reports have to have all the company numbers in order to be of value? Step up and help create customized "manager financials" that only include numbers over which they have direct control. They will be happier because they can be proactive on numbers they can impact, and your client will be happier when they see results from empowering their team.

Another great way to look at financials is through the use of non-financial data, often referred to as unit accounts. These can represent a variety of information from number of employees to patient visits to number of customers served or to number of square feet. This information can then be used as a calculation field to yield great analysis information such as revenue per employee or expenses per patient visit. Now you've shown your client how to compare themselves to industry standards.

As companies grow, they are often plagued by the comparable growth of their chart of accounts. Numbers get out of order or groupings change to meet changes in the business. For example, a location of a restaurant or store that used to be part of one region is now included in another. Historically, it's been painful to have to revamp processes or redesign the chart of accounts. Forget that roadblock. With tools like FRx, you can format statements with the ability to include specific GL accounts in any order. You can also incorporate the concept of "trees," which allow you to

group GL segments differently for reporting purposes. The Atlanta location that was in the Gulf Coast region can now easily be part of the Eastern division by simply dropping and dragging that GL segment to a new relationship. You can also use this tool for "what if" analysis for planning. These features allow you to guide your client in analyzing data in ways that help with business decisions, tax planning, acquisition analysis and more.

Take the case of nonprofits and their boards of directors, who often are not accountants. The traditional financials just don't speak to these people. The answer here may not be as sophisticated as redesigning, but may rather be a simple matter of rearranging. Studies have shown that if you place the description of the line item in the middle of the financial statement instead of on the left, there's a marked difference in comprehension.

It's easy to gravitate to our more traditional formats for financials, but that doesn't take into account the whole world of non-accountants. Accountants are uniquely qualified to help them gain access to information that will allow them to see their world through a new view. Take the steps to help clean up your clients' windows. They will have better information to manage their business, and you reinforce your relationship as their trusted advisor and valued partner. That equals a win for everyone.

For a sample collection of favorite report presentations, please send an e-mail to lisakianoff@cpata.com with "financials" in the subject. ■

Lisa is President of L. Kianoff & Associates, Inc., which she founded in 1986. Her computer consulting firm has been a leader in helping companies strengthen their business performance with award-winning accounting and business management systems.