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## Lost in Translation

Professional accountants know the importance of financial statements because such statements provide an overview of the economic situation of a business or individual.

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Professional accountants know the importance of financial statements because such statements provide an overview of the economic situation of a business or individual. While many small business owners often keep themselves busy well beyond an eight- or 10-hour workday and “live and breathe” their business, the nuts and bolts facts of their financial condition are often overlooked. This may be due to a lack of comfort with financial data, limitations of their accounting systems or lack of formalized accounting training.

While virtually every accounting program on the market has the ability to generate income statements, balance sheets, cash flow statements and a few other basic financial statements, most software programs designed for small and midsize businesses lack deeper analysis tools, whether they are off-the-shelf programs or those sold by consultants. But several programs are available that begin where the general ledger and traditional financial reports end, providing in-depth statements, reporting, analysis of key indicators, goal setting, forecasts, what-if scenarios and comparison of the company's performance to benchmarks or others in their industry.

Accountants have offered variations of these services for years, often through the use of spreadsheets they built themselves, which must be constantly adapted to meet the needs of individual clients. Financial statement analysis programs, however, will automate these tasks and provide added value to both the client and the accountant. Analysis reports often include graphical elements that help clients visualize where their money is, where it's coming from and where it's going, what the future may hold, as well as client deliverable reports that are written in plain English. In addition to helping identify trends and tendencies in operations such as turnover of inventory or receivables, some of these systems offer enhanced budgeting and forecasting capabilities, as well as ratio analyses, which greatly eases the task of examining liquidity, efficiency, profitability and solvency.

With increased scrutiny of financial documents for even closely held companies, financial statement analysis and forecasting programs are an excellent resource for accountants. Use of such tools will help clients gain a better understanding of their present and potential financial condition and can ease the process of acquiring additional funding, whether through loans or private investors.

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**Sage Software, Inc.**

[www.sagesoftware.com](http://www.sagesoftware.com)

Sage offers several forecasting, reporting, budgeting and analytics programs under the ACCPAC brand name, which it acquired in March 2004. The foremost of these offerings is the **ACCPAC Comprehensive Financial Optimizer**, or ACCPAC CFO, which provides financial diagnostic and strategic analysis functions.

ACCPAC CFO provides users with an easy-to-use, yet comprehensive “financial scorecard,” which provides an overview of key financial information and indicators relating to a business. The program includes budgeting and forecasting capabilities, cash flow analysis, and includes “what-if scenarios” that help users see the potential effects of actions such as changing inventory or AR rules, allowing them to more accurately assess influences to their financial condition. In doing so, users are also able to better predict and prepare for potential changes to their business model or in the market and develop a plan that addresses the business' needs.

While stand-alone financial applications provide some assistance in business performance management (BPM), a key advantage to ACCPAC CFO is in its integration

with Sage Accpac ERP (formerly ACCPAC Advantage Series) and Sage Pro ERP (formerly ACCPAC Pro Series). By being able to automatically retrieve data from a business' accounting system, the ACCPAC CFO program provides advanced analytics that are truly real-time, without the need for redundant data entry. The program can also import data from Excel spreadsheets.

For the benefit of business clients whose entrepreneurial, fast-moving, strategic thinking style is sometimes not entirely compatible with the detail oriented communication style of accountants, reports are generated in common language and utilize multi-color visual images including charts and graphs, with at-a-glance summary information.

Through these reports, "ACCPAC CFO is the communication 'bridge' that allows these diverse communication styles to find a common ground," says Geni Whitehouse, CPA.CITP, CSPM, and vice president of product management for Sage Accpac.

"Using ACCPAC CFO, a CPA can take 40 pieces of financial statement information from a printed financial statement and turn it into a living and breathing discussion about business results, strategies and future direction for the company. The tool gives him the structured approach he craves, but at the same time allows him to educate that business owner on the impact of different business decisions.

"Every CPA has struggled to get his client to understand the difference between profit and cash flow," she said. "Using ACCPAC CFO, after making one change to a number on the What-If screen, the concept will be clear. In the eyes of a business owner, a picture is worth a thousand numbers."

Sage's Accpac line also includes Insight (which utilizes Excel to provide enterprise-wide reporting, forecasting, consolidation and budgeting), Financial Link Professional, Financial Reporter, KPI (Key Performance Indicator), Sales Analysis, Sales Optimizer, Crystal Enterprise Express and ACCPAC Query.

**CCH Tax and Accounting**

[tax.cchgroup.com](http://tax.cchgroup.com)

**ProSystem *fx* Profit Driver** provides financial diagnostics and analytics that help to pinpoint trends and potential problems that a business can face, from AR and cash flow, to inventory issues and staff productivity. Through its strategic planning tools, the system transforms a business' raw data into meaningful information that the professional accountant can provide to his or her client or use to develop goals, prepare for changes in the industry or use for obtaining loans or other funding.

Profit Driver includes what-if scenario planning that immediately shows the effect of particular variables such as decreasing receivables aging, changes in inventory, growth challenges and other potentials. The data is provided in spreadsheet form, which can then be generated as graphical charts for client presentation. The program integrates with ProSystem *fx* Engagement and ProSystem *fx* Tax, which reduces redundant data entry and enables professional users to quickly access reporting and analysis features.

Profit Driver's dynamic budget versus actual reporting tool helps make projections while in the process of budgeting, instantly showing the difference that changes in budget can make. The system also produces financials for up to 40 consecutive periods, providing greater insight into the client's business condition. New benchmarking features also enable users to compare the performance of a client's business against industry standards.

“Using existing financial statements, Profit Driver allows professional accountants to walk through various ‘What if’ scenarios,” said Stuart Gill, a product manager at CCH. “These scenarios help show the client what effect changing their business procedures will have on the health of their business, along with identifying goals for the business and outlining what changes would have to be made to reach those goals.”

One of the most impressive outputs of Profit Driver is the one-page “scorecard,” which provides an overview of a company's health and aids the professional accountant in evaluating the business' financial position, setting goals and planning for its future. Also of note, the program's diagnostic reports are written in plain English, allowing lay clients to better understand them and the key business drivers, results and performance measures the report presents.

As part of CCH Tax and Accounting's suite of professional accounting programs, Profit Driver can work as a stand-alone system or can complement the services performed by users of ProSystem *fx* Office. “Profit Driver

and Practice Driver allow professional accountants to strengthen relationships with their clients, seamlessly extend value-added services using existing data, and fine-tune their own operations for maximum performance,” said Mike Sabbatis, Vice President of Sales and Marketing for CCH Tax and Accounting. Practice Driver is CCH’s practice performance tool that provides an overview of firm productivity through analysis of client, staff, period and work code information.

## **Thomson Creative Solutions**

[www.CreativeSolutions.Thomson.com](http://www.CreativeSolutions.Thomson.com)

**Financial Analysis CS**, which debuted late in 2004 (briefly named Financial Analysis Solution until Creative Solutions rebranded all of its offerings with its CS name), provides a quick method of analyzing client actual financials for reviewing data at varying levels of detail, and also offers planning capabilities. The system’s excellent benchmarking features are a result of integration of the Risk Management Associates annual statement studies.

“One of the major challenges that an accountant has is to bring meaning to the financial numbers,” says Jack LaRue, vice president of marketing for Thomson Creative Solutions. “They can produce a set of financial reports with tremendous depth and insight, but it doesn’t accomplish much if the client doesn’t understand what the numbers mean. Is a debt/equity ratio of 0.3 better or worse than a debt/equity ratio of 0.8? Is an inventory turn of 17 days good or bad?”

LaRue says that with Financial Analysis CS, accountants can compare and contrast their clients’ financial data with benchmark financial data of their peers.

“It can be a group of like businesses that the accountant is serving, or we also integrate with the RMA Annual Statement studies. So the accountant can communicate information to their client regarding the strengths that client has over their peers along with areas of weakness as compared to peers. So using the above example, an inventory turn of 17 days would be very good if the peer benchmark was 25 days, but it would not be so good if the peer benchmark was 10 days. Financial Analysis CS can help clients better understand the financial health of their business, showing them how they compare to other similar businesses.”

The program’s RMA integration allows comparison of financial data with similarly sized companies in their specific industry. Companies in Financial

Analysis CS can be used in the comparison and can be filtered and selected from specific criteria.

Financial Analysis CS's ratio and performance analysis capabilities allow users to scrutinize key performance indicators and generate reports, with the ability to compare data from multiple years for a single client, compare statements on monthly, quarterly, semi-annual and annual bases. Users can print summary analyses using standard template reports or can generate more complex reports that incorporate charts and graphs for client deliverables.

### **CaseWare International**

[www.CaseWare.com](http://www.CaseWare.com)

CaseWare offers the **Scenarios** application as an optional add-on to its Working Papers system, which provides workflow management and reporting features for accounting engagements. Scenarios adds to that program by offering detailed analysis of client financial data and performance information.

The program includes standardized income statements, balance sheets and cash flow statements, as well as integrated versions of each that provide more than 70 data elements along with key business drivers and analytics. Scenarios, in keeping with its name, also allows the creation of unlimited "what-ifs" for planning and goal setting purposes, allowing professionals to help their clients prepare for changes in their operating environment or maximize efficiency by identifying factors such as AR aging and inventory that are having detrimental effects on the bottom line.

The program also offers a summary view that brings together key data and indicators onto a single screen, allowing professionals and their clients to have an easily monitored stat sheet of a client's business condition.

Scenarios can integrate directly into a Working Papers client file, allowing professionals to use and perform analysis on client data without the need for data transfer, import or manual data entry into a separate system.

### **Gerke & Associates**

[www.BizBench.com](http://www.BizBench.com)

**BizBench** is automated financial benchmarking software (hence its name) that calculates performance ratios that quickly identify strengths and weaknesses of clients' businesses. Functions performed by the software

include industry percentile rankings, scenario planning, peer company comparisons, and calculation of Liquidity, Efficiency, Operating, Financing and Profitability ratios. The BizBench goal-setting feature uses projected improvement figures to calculate new ratios and rankings if target goals are achieved. The system compares client ratios with median ratios of similar-sized firms in the same industry. With a database of more than 700 NAICS codes, BizBench analysis can be applied to a very diverse client base.

“CPAs can provide a valuable service to their clients by helping them determine their percentile ranking in relation to industry competitors,” said Joe Weston, a senior consultant with Gerke and Associates, developers of BizBench. “With the analysis and insight-ful reporting provided by BizBench, accountants can help clients identify areas of weakness and strength, and ultimately develop strategies by which they can be more profitable and productive.”

BizBench produces a 45-page client-ready report with strong visual elements such as colorful charts and graphs that help the client understand the data. The Discussion Ideas section focuses on diagnosed weaknesses and assists the professional in developing strategies and potential action steps to help improve profit and productivity. The report includes customized narrative, along with preparer observations and potential action steps.

“One of the most important benefits of BizBench is the high-quality report writing,” Weston says. “BizBench was developed by Management Consultants and provides an easy-to-understand, customized executive-level report. Plain English analysis, along with easily understood charts and graphs, help clients see how their business ranks and what actions might help them be more successful. Many CPAs report that BizBench reports are also a helpful tool for clients when negotiating bank loans because bankers understand the BizBench ratio analysis process and have high trust in the RMA database that is embedded in BizBench.”

**Sageworks**

[www.ProfitCents.com](http://www.ProfitCents.com)

**ProfitCents** has become one of the most popular financial statement analysis and benchmarking tools for financial professionals, due partly to its web-based nature that requires no software or updates, and the vast array of comparisons and analyses that the system provides. The system was a pioneer in developing client-ready reports that use plain language and visual charts

and graphs to help clients understand the financial condition of their business, from analytical procedures for pre-audit or credit analysis evaluations, to comparison with other businesses in their industry, forecasting and detailed ratio analysis. ProfitCents fulfills documentation requirements for analytical procedures while saving significant time in the pre-audit phase by automating tasks that are time consuming when performed manually.

ProfitCents is designed for use by accountants to provide as a service to their clients. Separate versions of the system are available for providing financial assessment to nonprofits, as well as a version for family financial analysis reporting for individuals. ProfitCents is even available in Spanish, with the same comprehensive analysis and plain-language reports designed for clients whose preference is that language.

“An accountant builds his or her practice on helping clients manage their business’ financial concerns, so it makes sense for the accountant to help his clients be more successful,” said SageWorks Chairman and CEO Brian Hamilton, an expert on financial analysis for corporations. “Financial analysis programs let accountants and their clients see the overall condition of their business, including areas in which the business is lagging behind its peers or is otherwise not performing as optimally as possible.

“In addition to this analysis, which is based on historical and industry data, ProfitCents provides recommendations for action and assists in setting goals, as well as the ability to test variables through scenario planning,” Hamilton said. “By letting accountants help their clients to take a more proactive approach to managing their business, ProfitCents provides great value to both, which strengthens the professional relationship.”

**New Horizon Technologies**

[www.planguru.com](http://www.planguru.com)

**PlanGuru** provides accountants with the ability to automatically generate client-ready integrated balance sheets, income statements and cash flow statements, and includes tools for analyzing data, making projections, forecasting and budgeting. Projections, forecasts and budgets can be made for up to five years, and the system can store an unlimited number of projections for any number of companies.



PlanGuru offers basic projection methods: fixed amount, percentage of another category, function of a non-financial item, and trend projections. It adjusts prior period amounts and supports multiple-scenario projections. The system can automatically calculate up to 21 financial ratios as well as breakeven point.

The program uses a spreadsheet-style interface and wizards that guide users through data entry, and allows importing data from Excel, QuickBooks, Peachtree and plain text files, and exporting of reports to Excel, Word, ASCII or \*.PDF. The reporting tool allows customization of headings, fonts and other items, with the option to include color or black-and-white charts and graphs.

The company offers three editions of PlanGuru: The Professional edition, Forecaster Edition and a Consultant Edition. Also available is an add-on component called the Business Analyzer, which offers benchmarking capabilities against comparably sized businesses in the client's industry. The system provides a client-ready report with narrative commentary.

### **KISS Computer Company**

[www.NetWorthExpress.com](http://www.NetWorthExpress.com)

**Net Worth Express** is a little different from the other programs in this article in that it is focused on preparing financial statements for individuals. The personal financial statements, which comply with GAAP, essentially cover the same general concerns as a traditional set of financials would for a business: income and expenses, assets, liabilities and cash flow. Initially, the reports give a client a better understanding of their own net worth, "where their money is going," and what their overall financial condition is, all of which are essential when conducting long-range planning.

But the report also helps clients when it comes to obtaining loans and maintaining their credit with banks and other creditors by allowing the client to know exactly what data and information those institutions will be seeing and judging them on. After all, credit isn't given based solely upon a credit score. The reports are prepared in the format lenders generally require, so the information can often be given to the institution directly.

"Knowing and tracking a person's net worth is important to every American," said Bay Gruber, president of KISS Computer Company.

“A personal financial statement, also known as a statement of financial condition, is the best report for individuals to begin with and use throughout their life when planning and analyzing their financial future. Most professionals recommend that individuals frequently calculate their net worth (assets minus liabilities) and identify how many and what kind of assets and liabilities they have.”

“Being able to analyze the person’s liabilities and assets provides the individual with insight of how to improve his or her financial situation, such as trying to reduce the amount of liabilities (or debt), increase the amount of assets, or allocate the assets differently. Knowing and obtaining a certain level of net worth can provide financial security for a person.”

With the Net Worth Express PRO Edition for accountants, professionals can include detailed asset and liability schedules and print standard or customized compilation reports. All reports can be printed on firm letterhead, with customizable footers. Notes and supplementary information can be added to a client’s financial statement.

## **Tableau Software**

[www.TableauSoftware.com](http://www.TableauSoftware.com)

**Tableau Software** offers programs that help visually analyze database information, helping users identify trends, discover related issues, summarize data and better understand their information. The Standard version of the system is geared toward extracting data from Excel, MS Access and text files, while the company’s Professional version is for larger database servers and data warehouses. Although not specifically designed for analysis of financial statements, the system can perform deep analysis of the data if it is put into one of the above formats, and can be used to scrutinize information from virtually any other aspect of a business’ operations.

The key to Tableau is that it lets users flip through “Views” of their databases in just a few minutes, providing them with a picture of their data. And the system is very easy to use: To set up a View, users simply drag and drop the fields of the database (in Excel, it’s the column headers) onto the system’s visual worksheet. Views, chart types, data, filters and analyses can be easily changed or modified by rearranging the data fields on the worksheet. The program provides interactive visual tables, picture-perfect

data displays, side-by-side comparisons and graphic encodings using color, size and shape.

The system aids in the data analysis process by allowing users to conduct a “Q&A” session with data. When Tableau provides the graphical analysis requested by the user, it offers insight such as “Costs are increasing,” and also offers suggestions for additional questions like, “Which products are responsible for the increase?” Users can easily move from the first view to the second question.

Tableau’s reporting features include the ability to copy and paste the system’s graphical displays into Microsoft Office applications or web pages, making document preparation simple, and providing impacting, visually appealing and easy-to-understand presentations. □

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