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TECHNOLOGY

Engagement & Trial Balance Software — 2005

It's near the end of summer, and you've probably been spending a lot of time thinking about your practice model: How can I be more profitable? Serve my clients better? Recapture some personal time? Prepare my firm for future succession? If you're like most practitioners, the list goes on and on.

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From the August 2005 Issue

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Well, if you stop and look at your practice model, the odds are that trial balance (TB) engagements are the primary source of revenue within your firm. Whether the engagement is a compilation, review, audit or a tax return, the trial balance and supporting workpapers (WP) are at the core of the workflow. Therefore, it is a logical conclusion that this component of your practice has the greatest potential for return on investment by, at a minimum, utilizing an electronic trial balance program to manage AJEs, etc., and if you're forward thinking, actually transforming to an electronic workflow — taking it paperless.

That's the good news. The bad news is that this is perhaps the most difficult area of an accounting practice to "fully" automate. This is mostly because it means transforming the policies, procedures and culture of a core segment of your practice. The soft side implications are significant and need to be understood. In a fully automated trial balance workflow, we're not just talking about a "paperless" process. We're also talking about a "pencil-less" process. That means a significant change in culture, attitudes and elimination of a substantial degree of independence in the process (i.e., doing things your way). It is important that your firm leadership, in particular, has a clear understanding of this before you undertake the initiative to fully automate your TB engagement processes. The investment in tools, training and personnel can be significant, but the benefits can be substantial as well, with a realistic potential of reducing the "cost of delivery" of these engagements by 20 percent to 30 percent. I doubt there is a business on earth that wouldn't love to figure out how to drive 30 percent out of their cost of sales. In addition, the work product will be of higher quality and consistency, which will reduce liability exposure that results when different people do the same thing different ways in your firm. It will make your peer review process less painful as well.

Okay, enough pontificating. Let's take a look under the hood at the TB engagement workflow so that we can provide a framework for you to evaluate alternative solutions. The diagram in the next column illustrates the primary flow of a TB engagement. This will provide the basis for discussion about the features and functions that are important in the software selection process.

Evaluation Categories:

Learning Curve

What we attempt to capture in this rating is the essence of how simple or complex the program is overall in terms of understanding the flow of information through the system, the command and menu structure, screen design and user interface, etc. Please understand that while two packages may have a similar rating in this category, the actual level of learning required may be substantially different, simply due to the fact that one application may have a much broader scope of features and functions than the other.

Import/Export/Integration

This is an important evaluation criterion because it provides a measure of the

potential to eliminate time-consuming procedures that make up a large percentage of your trial balance engagement time. This is where firm's that successfully transform to a true digital TB engagement workflow are experiencing substantial productivity gains that translate into increased engagement profitability.

There are three key aspects of this criterion that we focus on in the evaluation process that follows:

- Bridging client data (importing) addresses the software's ability to automate the capturing of the client's unadjusted TB data and import it into the trial balance. The factors impacting the rating scale include the scope of pre-defined imports for multiple client accounting packages (i.e., QuickBooks, Peachtree, Great Plains, etc.) as well as application-independent imports (i.e., ASCII text files, Excel spreadsheets, etc.).
- Bridging to the tax software (exporting) refers to the ability to electronically transfer the tax basis trial balance information directly to the tax preparation software. The rating metrics are essentially the scope of tax software products the systems can export to as well as the level of intervention required by the user.
- Integration is the ability to integrate with compatible software applications to complement the core features of the system. The primary rating metrics include integration with Adobe for importing scanned documents as well as Excel spreadsheets and Word documents for customized workpapers and financial statement reporting.

One word of advice on this topic: You should make it a top priority of your implementation process to maximize the use of these features. Not only will they save you substantial time on engagements, but they will also facilitate the transformation to a more structured, consistent and overall systematic TB engagement workflow. The short-term and long-term benefits can be substantial, including increasing the market value of your practice overall.

Trial Balance

I don't think we need a lot of explanation about what's important in TB software, but here is a brief checklist of the key features for which to look:

- Ability to handle interim periods (monthly, quarterly, etc.)
- Support for multiple "basis" TB reporting (cash, accrual, tax, other)
- Specialized journal entries (recurring, reversing, cash basis, tax basis, potential, reclassifying, transaction specific, etc.)
- Link to electronic workpapers (lead sheets, account groupings, classifications)

- Link to financial statement reporter (“hands-free” financial statement generation)

Workpaper Management

The scope of this rating category is a bit more elusive because there are multiple aspects of workpaper management to consider. This is the foundation of TB engagement software in that the primary objective is to manage the entire collection of electronic documents related to the engagement, within a single electronic binder or folder. It is this component of the system that is designed to replace the “red rope” and other various paper file folders and documents that are traditionally used to “package” and transport the workpapers in a paper-based workflow.

This is the new frontier in TB engagement software since most firms have been using electronic TB software for many years. This is where the crossroads of technology and tradition meet in TB engagements. In order to fully leverage the value of these tools, you must instill a culture and philosophy throughout your firm that you will maximize the opportunities to automate your workpaper procedures in order to achieve a paperless workflow.

The following are some of the more important features for which to look:

- **Team collaboration.** This refers to features and functions that support an engagement team approach that requires multiple people to access individual engagement workpapers simultaneously. Specifically, look for user login security, file check-in/check out, engagement folder synchronization, etc.
- **Scanned documents.** Understand the process for scanning and filing paper documents into the engagement folder. Note: Don’t expect the TB engagement software to provide full document management capabilities for your firm. There are applications designed specifically for that purpose, many of which integrate with the TB engagement software.
- **Practice aide integration.** This refers to the capability to integrate directly with engagement aids such as PPC, Miller, etc.
- **Review note tracking.** As noted earlier, going “paperless” also means going “pencil-less.” Therefore, it is important to assess the software’s functionality as it relates to the reviewer note reporting process with resolution tracking and electronic workpaper sign-off. This may seem insignificant at first, but in terms of impacting the overall culture of your firm as it relates to a paperless TB engagement process, this is arguably the most important aspect.
- **Indexing methodology.** This refers to how the system indexes workpapers back to the TB. Is the index an active “hyperlink?” Can you drill down from the TB to the

workpaper? Can you drill down from the journal entry to the workpaper? etc.

- **Templates.** What does the vendor offer in terms of pre-defined workpaper templates? Look for both specific workpaper templates that can streamline the engagement setup process, as well as workpaper “package” templates that are designed for a specific industry (i.e., services, distribution, manufacturing, not for profit, governmental, etc.). The next best option is the capability to design and create your own industry template packages to streamline engagement efficiency and maximize consistency.

A number of other workpaper management features should also be considered, but these are the most important.

Financial Reporting

This category addresses the software’s ability to generate financial statement reports that meet your firm’s formatting standards and can be set up to maximize efficiency. A word of caution: Take time to reflect on the value and importance of some of your formatting requirements to your clients. My experience has been that many accounting firms place a much greater emphasis on this than their clients do. If you want to challenge this perspective, start showing “financial statement formatting” as a separate line item on your client invoices and assess the reaction.

The following are some of the key financial reporting features for which to look:

- **“Hands-free” financial reports.** This refers to the ability to print financial statements immediately upon completing the journal entries, without having to intervene in the transfer of information from the TB to the financial statements.
- **Dynamic footnotes.** This is the ability to format financial statement footnotes with variables (dates, amounts, etc.) that are automatically updated based upon the TB balances and appropriate workpaper information.
- **Word/Excel integration.** Many practitioners prefer to use these applications to format their financial statements. Most TB engagement packages support this option. While this may seem like the most suitable approach to financial statement reporting, the fact is you may be better served with a more structured financial statement formatting system. The latter will provide a more consistent approach to financial statement design and a reduced risk of errors in the financial statement reports.

Overall Value

The final category of our review of each system is an assessment of the overall value of the offering based on breadth and depth of features and functionality, relative to the cost of the system.

[AccountantsWorld — Accountant's Relief](#)

The interesting thing about reviewing this program is that the more I learned about it, the more respect I gained for how comprehensive it was in features and functions while maintaining its simplicity.

[Read Full Review](#)

[CaseWare International, Inc. — CaseWare](#)

In a sense, CaseWare has long been the TB workpaper management software to benchmark against. Unlike most of the other vendors, electronic workpapers has been the foundation of its product line since the company's inception. CaseWare is designed to tackle the most comprehensive and sophisticated TB-based engagements that you are likely to encounter.

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[CCH Tax and Accounting — ProSystem fx Engagement & ProSystem fx Trial Balance](#)

This is one of the most popular TB engagement workpaper systems on the market. The vendor claims over 2,000 firms using this system, including over 50 of the top 100 firms in the United States.

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[Creative Solutions, Inc. — Engagement CS & Trial Balance CS](#)

CSI offers two products in this review category. The first, Trial Balance CS, is actually a sub-set of the second, Engagement CS, and is designed for those firms not needing or wanting to implement the full paperless workflow provided by the second.

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[Pendock Mallorn — Accounting For Practitioners](#)

If you like Excel, you'll like this package. It is 100 percent Excel-based and was designed by Cleveland Pendock and programmed by Charles "Chip" Pearson. Chip is one of less than 40 designated Microsoft Excel MVPs (Most Valuable Professionals). This team has extensively leveraged the capabilities of Excel.

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Trial Balance & Engagement Software — Executive Summary

We hope this review provides you with some useful insight and information to help you in your pursuit of a paperless TB engagement workflow model.

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