

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

ACCOUNTING & AUDIT

What's the Future for Financial Statements in the Digital World?

Audited financial statements are a key underpinning of our financial markets. But are they still relevant in a digital world in which reams of information can be synthesized and analyzed for insight?

Jun. 25, 2018



Audited financial statements are a key underpinning of our financial markets. But are they still relevant in a digital world in which reams of information can be synthesized and analyzed for insight?

Analysts, advisors, portfolio managers and others who evaluate companies' financial conditions for a living think so. A survey last year by the Center for Audit Quality found that, when it comes to public companies, nearly eight out of 10 retail investors say they are confident in audited financial information when they make investing decisions.

Management and company board members feel much the same way. A 2017 Deloitte survey found that almost eight out of 10 C-suite executives agree that audited financial statements "reveal things that their companies could be doing differently or better." The percentage is even higher (91 percent) for board members who sit on the audit committee.

The process of auditing financial statements is also increasingly leveraging enhanced access to data and analytical capabilities to the benefit of clients. Deloitte found that audit insights – from the effectiveness of a company's business processes to spending

patterns and potential improvements in operations – often translate into higher growth for companies. Companies that routinely acted on audit insights were 47 percent more likely to achieve what their leaders considered “great” growth in the past three to five years, the survey found.

It’s clear business decision-makers, analysts and investors continue to see value in audited financial statements, as well as in other CPA engagements such as compilation and review. But another key component of relevancy is keeping pace with how information is exchanged in a digital world. In today’s environment, information that isn’t easily obtainable is less valuable and less actionable, no matter what insights it may hold.

In many ways, the availability of digital financial statements has been a tale of two cities. On the public company side, the SEC’s EDGAR platform has long offered a central hub for financial statements and other information in digital format, and there are other online databases with complementary information. Yet fewer companies, particularly small ones, are going public. The Wall Street Journal noted this trend last year with an illuminating statistic: in 1996, there were 557 initial public offerings that raised less than \$50 million; in 2016, there were only 18 IPOs of similar size.

On the private company side, information is far less accessible and centralized than public company data, but some strides have been made. We developed with Confirmation.com an online clearinghouse for private financial information that creates a secure, flexible exchange for audited financial statements and other CPA-provided documents. The RIVIO Clearinghouse platform ensures that lenders, investors and other authorized recipients can get an unaltered audit report prepared by a legitimate CPA firm, reducing the risk of fraud, misrepresentation or error. And across the profession, other digital innovations are under development to ensure that the audit can deliver more valuable insights.

Business is moving to digital processes and eliminating pain points from paper transactions at a rapid pace. But the shift to digital isn’t just about removing bottlenecks – it’s about expanding the capabilities we can bring to analyzing and presenting data. In that way, the shift to digital is helping to ensure the relevancy of financial statements now and into the future.

=====

Erik Asgeirsson is president and CEO of CPA.com, the technology arm of the American Institute of CPAs. CPA.com and Confirmation.com have jointly developed RIVIO Clearinghouse, an online exchange for private company financial information. For more information, visit [RIVIO.com](https://rivio.com).

Accounting & Audit • Auditing • Technology • News

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2023 Firmworks, LLC. All rights reserved