and complete visibility into business performance.

Mar. 27, 2024

In the realm of financial reporting, data accuracy is crucial to regulatory compliance and complete visibility into business performance. However, many companies do not have full confidence in their data, with 37% of CFOs and 50% of senior finance and accounting professionals questioning its accuracy and reliability.

Errors in financial data can lead to a number of legal consequences associated with

U.S. companies are short 340,000 accountants, leaving existing employees burnt out from managing larger workloads. This shortage is a result of a decreasing number of young professionals entering the industry combined with an increasing number of seasoned professionals retiring from the industry early. As leaders look to lower professional barriers to entry by re-evaluating entry-level salaries and the "150-hour rule" requirement to become a CPA, companies are relying on fewer employees and undergraduate interns to carry out the tasks of larger teams of seasoned practitioners. Consequently, there is a higher likelihood of errors and oversights in financial reporting. For example, a number of companies reported errors in their recent quarterly earnings statements, with over 720 companies citing insufficient staff as the reason.

Changing regulatory requirements can also prove a challenge to financial reporting, as companies may struggle to keep up with or correctly interpret new or updated regulations, affecting the reliability of reported financial information. Additionally, many companies still rely on outdated or disparate systems for financial reporting, which typically lack integration capabilities and are prone to breakdowns, hindering data accuracy. Excel, for example, is an extremely valuable tool for any accounting or finance professional. However, placing too much confidence in or reliance on the manual processes required to use Excel will inherently create risk. Instead, businesses should invest in tools that simplify regulatory compliance and are built for complex tasks like financial reporting.

How Leaders Can Improve Financial Reporting Data Accuracy

In order to address these challenges, companies must take a comprehensive approach toward improvement. By investing in their existing workforce and adopting innovative financial reporting tools, companies can enhance the accuracy and reliability of their financial data. Some ways leaders can improve the accuracy of their company's financial reporting include:

Upskilling their existing workforce to address skills gaps left by staffing

establishing regular meetings, introducing collaborative projects, or implementing shared platforms where employees can collaborate on financial reporting tasks across departments. It is also important to establish channels for feedback and information sharing to further streamline communication and collaboration.

Invest in financial and spend management software to improve efficiency, compliance, and accuracy. This allows for better visibility into financial contracts, including leases and software subscriptions, the automation of routine tasks, and advanced analytics and predictive capabilities. By leveraging technology like this or a financial close management software, which helps businesses generate accurate financial reports, companies can remove the administrative burden on their workforce and optimize the efficiency and accuracy of their financial operations.

Looking Ahead

Despite the challenges businesses and finance and accounting professionals are facing, industry leaders are working toward simplified processes and regulations fitting for the current landscape. In addition to conversations about removing certain CPA requirements and raising entry-level salaries, upcoming potential regulatory changes signify movement in the right direction.

For example, FASB is considering a new rule that would simplify software cost reporting. The rule would establish a single reporting rule for all software use cases, including whether it is being used for sale or internally. While FASB has not drafted a rule on this reporting model yet, this potential change would streamline software cost reporting and significantly reduce the likelihood of inaccuracies.

As industry and business leaders collaborate on processes and regulations that meet the needs of today's workforce and financial environment, the future of financial reporting appears poised for greater efficiency and accuracy. Regardless, leaders should strive to remain at the forefront of innovation and look within to identify

Emily Fish is the director of product accounting & operations at FinQuery. Emily serves as the technical accounting resource to managed service clients. She is also responsible for key accounting functionality within the software to ensure compliance with accounting guidance and designing workflow for product enhancements.

Financial Reporting • Firm Management