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## **Review of Engagement & Trial Balance Systems -- 2006**

### **Engagement Programs Offer Keys to Efficiency -- How Can You Unlock the Door?**

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Financial statements, business tax and other core accounting firm services focus on the client's GL balances as the basis for the end product. GL balances are adjusted, grouped and put in the appropriate format. However, there is a lot more to the work processes of preparing financial statements and tax returns than simply working with account balances. Multiple staff, dozens of work steps and hundreds of working papers are involved in providing these services.

Back in the early '80s, some of the first applications designed specifically for accounting firms were built to improve the efficiency of manipulating GL information. The early Coopers and Lybrand, Financial Audit Systems' FAST! applications and the AICPA's ATB package were "trial balance" applications that became standard tools in almost every firm. While trial balance capabilities are still core features in many packages, today's tools have evolved to include features for creating workpapers, managing workflow, and managing engagement workflow and other areas of the trial balance-related engagement.

When looking at workpaper and trial balance applications, you need to focus on efficiency. Spend time developing the organization structure, processes for setting up information and review procedures. Then, train firm members extensively and enforce compliance with the firm's standards. While it may be necessary to have different standards for different types of services, tight standardization will reduce the effort it takes to get new users up to speed, provide more uniform workpapers from job to job, and reduce the amount of preparer and high-cost reviewer resources used.

From the trial balance perspective, these applications take account balance info that is relatively standard in format and present it in the form of financial statements (again, fairly standardized in format) and tax returns (very standardized). The key to efficiency is to standardize procedures and end product as much as possible. Efficiency can also be greatly increased by using the features that promote uniform workflow and engagement management. Because there are no third-party imposed standards and very little written about "best practices" in this area, every firm has a different approach to actually performing the financial statement/tax return engagement. Accordingly, vendors provide flexible tools to accommodate the different approaches firms take, but it is important that firm's look for ways to standardize engagement and process management whenever possible.

**The following five elements of workpaper/trial balance applications have been considered in this review:**

**Ease of Use** — In the context of a workpaper application, ease of use is a very relative term. The work process of performing a financial or business tax engagement is complex. Many steps, a lot of information, and multiple team members are involved in the process. The tools required to perform these types of services in an electronic environment require planning, training and constant review in order to be used in an effective and efficient manner.

**Data Import/Export/Integration** — Using detailed information from a client's system is a requirement of every financial statement and tax preparation engagement. If it is easy to do, pulling the data electronically costs a lot less in resources than having it manually keyed. Additionally, a package's features for using this information with other applications, either through an export process or by directly linking to other systems, has a lot of value.

**Trial Balance Features** — Creating, grouping and adjusting a trial balance is the cornerstone for creation of the financial statement, tax return and the documents that support these products. Features that make it easy to create, review and edit the trial balance can make a substantial difference in efficiency.

**Financial Statement Preparation** — In many firms, the creation and formatting of financial statements is almost an art form. The problem with this is that art has a high cost. Systems that have features that promote the standardization and preparation of complete high-quality financial statements offer many firms an opportunity to greatly improve on their current processes in this area.

**Engagement Process/Workflow Features** — This is the big one. Workflow technology is one of the hottest technology areas in today's accounting firm. An increased awareness of the benefits and possibilities combined with the critical resource shortages most firms face has firms thinking about how to use technology tools to implement or modify existing processes to increase engagement efficiency.