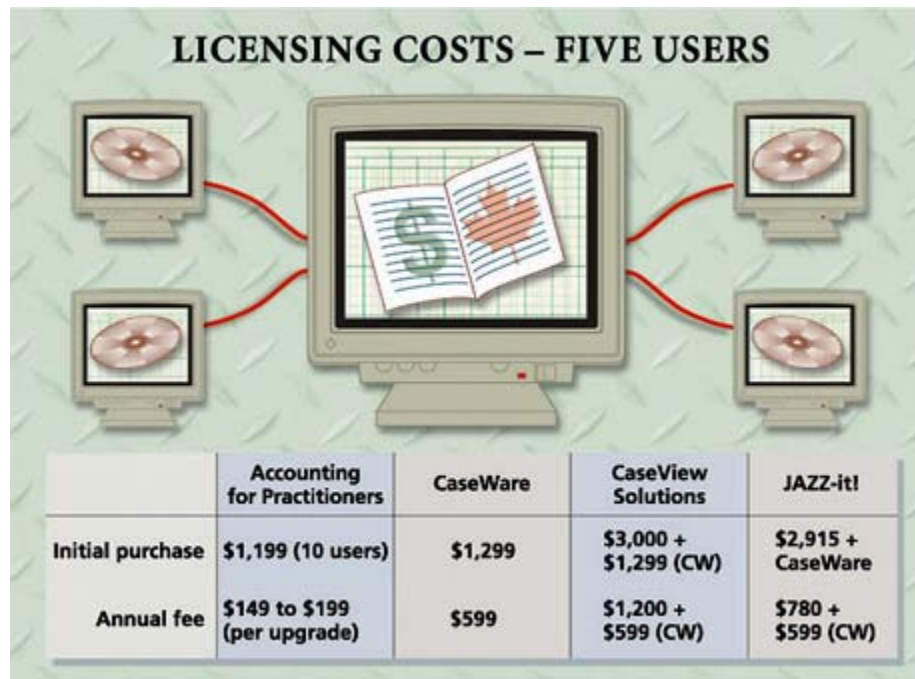


Leadsheets to spreadsheets

By Ray Desjardins
Illustration: John Sapsford

A Look at Canadian Electronic Working-Paper Software to automate the file preparation process



It is amazing how many accountants, especially small practitioners, still manually prepare most of their working papers, using a word processor to generate financial statements. Tempting as it is to dismiss the reluctance to embrace technology as a resistance to change, the reality is many have spent lots of time and money on productivity promises in the past and have little or nothing to show for it. The good news is working-paper software has evolved dramatically over the past few years and you no longer need be a programmer to adapt the software to your specific requirements.

Revolution on the desktop

After the introduction of the microcomputer in the early '80s, a handful of visionary CAs saw the potential of the technology. Not only could they help clients improve information systems by advising on the proper hardware and software, they could also revolutionize the way they managed their practices and professional engagements. These pioneers, and those following, eventually developed internationally recognized state-of-the-art software and systems that allowed accountants to process working-paper files electronically and publish client-ready financial statements directly from that electronic data.

Early working-paper software products were just electronic versions of the traditional columnar working trial balance. They rewarded the user, who entered opening balances and journal entries electronically, with a detailed printout of the trial balance and journal entries. Additionally, the software presented the accounts in leadsheet format and provided a relatively simple draft income statement and balance sheet.

The only show in town

In 1988, CaseWare revolutionized the industry by building a strong database engine and dynamically linking an interactive word processor called CaseView. This new product provided a complete electronic working-paper solution that went from data input to client-ready financial statements, and within a few years, it completely dominated the Canadian file preparation software market.

Through most of the '90s, CaseWare was almost the only show in town for Canadian accountants who wanted to process client files electronically. CaseWare evolved both in power and complexity during that period and developed into a complete client file management solution.

Because of the learning curve involved, however, many smaller practitioners limited themselves to the fixed format non-CaseView portions of the software. Surveys indicated that at least 40% of sole practitioners and members of small partnerships in public practice were still preparing paper-based working paper files and/or preparing client-ready financial statements that were not dynamically linked to their working papers.

New millennium, new options

The new millennium brought with it two new and parallel developments that promised to expand the electronic working-paper options for small to mid-sized accounting firms.

Building on the spreadsheet approach first developed in Lotus with a product called Quick & Easy, Cleve Pendock, president of Pendock Mallorn Ltd., rewrote the software in Excel and introduced Accounting for Practitioners (AFP).

Using an entirely different approach, CaseView Solutions and JAZZ-it! crafted sophisticated and standardized CaseView working paper and financial statement templates that required little or no customization or configuration by the user.

Although nearly 180 degrees apart in the execution of their solutions, the standardized CaseView templates developers and AFP were surprisingly similar in their ultimate goal — to provide a simple and painless way for small and mid-sized practitioners to standardize their working-paper files and client-ready financial statements with a minimum amount of conversion and customization time.

A close look at these two alternatives reveals their general benefits and their unique strengths.

AFP

The full-featured gold version of AFP provides accounting practitioners a relatively simple-to-use and full-featured working-paper package that can interactively prepare basic client-ready financial statements. AFP makes extensive use of macros to facilitate data import of client data into Excel, data entry into an integrated write-up module, journal entry processing, working paper preparation, checklists and documentation based on the latest CICA Practice Engagement Manual questionnaires, leadsheet preparation, analytical review, client letter preparation, and the generation of reasonably professional-looking financial statements within the constraints of Excel formatting. Once the initial client file has been set up in AFP, the creation of subsequent years' files is handled via a roll-forward macro and the preparation time is dramatically reduced when compared to manual file preparation.

The software employs a combination of menus and workbook tabs to facilitate moving around the client's file and allows for scanning images into the file, the ability to consolidate up to 80 companies, the ability to print financial statements to a PDF file and the preparation of annual and monthly operating budgets as well as variance analysis. In addition to the standard leadsheets, the software also ships with a capital asset working paper and a term loan working paper/calculator.

AFP includes an expandable notes library and a macro facilitates transferring the selected notes to the financial statements. Working with the financial statements and notes is relatively simple and intuitive for users familiar with Excel. Practitioners with no Excel experience, however, may find setting up statements and notes somewhat more challenging.

Since AFP is built on an Excel database, the software is not multiuser — that is only one user can be working on a client's file at a time.

CaseWare with special templates

CaseView Solutions and JAZZ-it! are both template solutions to producing client-ready financial statements and integrated working papers built on a multiuser CaseWare backbone. If the practitioner is not already a CaseWare user, the basic CaseWare licensing fee needs to be factored into the overall cost of the product.

CaseView Solutions

One of the main goals of CaseView Solutions was to remove the complexity and anxiety from CaseView by providing pre-customized templates to meet the requirements of the user. After discussing the needs and wishes of the users, CaseView Solutions provides them with a master template that contains all the libraries necessary to make things work as well as one or more Keystone files that contain all the font settings and custom choices.

There are close to 700 customizable switches that can be set to a user's preferences. With the ability to have multiple Keystone files, a firm can even have different statement looks or different partners.

JAZZ-it!

By deciding on a greater degree of standardization, JAZZ-it! has taken a somewhat different approach to designing its templates and has developed a more packaged approach than CaseView Solutions. JAZZ-it! includes more working papers that closely integrate into the financial statements and the notes to the financial statements. For example, the long-term debt working paper updates the long-term debt note to the financial statements including terms, rates, security, due within one year, etc.

In addition, JAZZ-it! provides a number of letters, questionnaires and other file documentation and practice aids that frequently pull numerical information from CaseWare or other working papers. Updates are provided on a regular basis and include changes in presentation mandated by the

Handbook or regulations as well as changes in wording in engagement letters, representation letters and other documentation. These updates are available on the firm's website and users can download them as required.

Finding the right fit

For the significant number of practitioners who are using CaseWare to some degree, the cost of either of the two template packages is probably recovered in the productivity to be gained by the time the first dozen or so clients are converted.

Which CaseView templates one should choose depends on his or her professional preferences and needs. CaseView Solutions places somewhat greater emphasis on customizing the financial statements while JAZZ-it! has a more complete suite of working papers, letters and documentation. (Visit <http://www.jazz-it.ca/> or <http://www.caseviewsolutions.com/> for more information.)

Anyone not using CaseWare, and who might have trepidations about doing so, will find AFP a viable and economical option. Users with Excel experience will find the software a delight to work with and should see an increase in productivity as compared with the standard paper-based working file. (See: <http://www.pendock.com/>.)

Make it home for supper

It is difficult to understand why any accounting firm today would choose to prepare working-paper files and financial statements manually or on a piecemeal basis when these and other modern tools are available to standardize and automate the file preparation process. When you have a client in your office and there is a question as to why the advertising expense on the income statement has doubled since last year, can you be confident about exactly which accounts are grouped into that total? The next time a client calls you at 2 p.m. on a Friday before

picking up his or her financial statements and says "Did I mention that the \$200,000 receivable from Smith & Co. is a bad debt?" will you ask for an extra half hour to make the journal entries and automatically revise the statements, or will you have to phone your spouse to tell him or her not to hold supper?

Some pain, much gain

Accountants who have made the move to automated file and financial statement preparation software can attest that the promised increases in efficiency, accuracy and standardization have indeed materialized. The most successful implementations have been those where the practitioners were fully committed to the process and converted 100% of their files as they progressed through their work year.

Although significant change does not come without some challenges, especially in the conversion year, the consensus of opinion is that the gain outweighs the pain, and the only regret is not having made the move much sooner.

Article from the March 2006 issue of CA Magazine

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