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## DISRUPTIVE TECHNOLOGIES FOR NEXTGEN ACCOUNTANTS



# Disruptive Technologies for NextGen Accountants

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## What Does It All Mean?

That is the question among co-workers, clients, educators, and other practitioners. The “what” is the revolution happening right now in the accounting profession brought about by disruptive technologies such as artificial intelligence (AI) along with its machine learning application, cloud computing, robotic process automation (RPA), and blockchain. The impact of these technologies is enabling the rise of data analytics into the mainstream as we are able to more easily access and process data.

As a result of these technologies, businesses and CPA firms can leverage big data and tap into resources they never thought possible to drive business decisions in finance, operations, human capital, etc. The proliferation of these technologies has brought us to a crossroads as we transition from providing transactional, reactive services (compliance related) to more strategic, proactive services (advisory related). Next-generation (NextGen) accountants will be impacted by the changing set of skills that are needed as they navigate their education, enter the workforce, and ultimately interact with clients, business owners, and other key stakeholders.

The American Institute of CPAs has taken the changing landscape seriously and, in partnership with other entities, recently launched several initiatives to help CPAs navigate the transition prompted by disruptive technologies:

1. **RADAR Initiative** to integrate the use of data analytics into the audit process;
2. **RIVIO Clearinghouse** to allow private entities to securely share financial information;
3. **OnPoint PCR** to transform the way preparation, compilation, and review engagements are conducted; and
4. **Dynamic Audit Solution Initiative** to revolutionize traditional auditing methodology.

NextGen accountants are stepping into a vastly different accounting profession. This is without even mentioning the significant changes being brought by major software applications such as Microsoft PowerPivot or BI, IDEA, ACL, MindBridge AI, Tableau, and TeamMate Analytics, to name a few. Understanding Microsoft Excel or other Office applications is no longer something to hang your hat on — having a basic understanding of Excel is assumed.

## It Begins with Education

Although some people fear machines will take over, technology will not replace CPAs. It merely will change the way we approach everything we do, particularly as it relates to providing tax and/or audit services to clients. Gone are the days of ticking and tying, of having staff accountants do repetitive, mundane tasks such as agreeing balances from subsidiary ledgers or matching invoices to transactions in the general ledger. These are the functions that can be automated by using AI and RPA.

Forbes recently published a statistic about the rate at which we process information in today's world. To paraphrase, “more information and data has been created within the past two years than in the prior entirety of the human race.” The pace at which we process information will only accelerate as technological advancements occur.

It's imperative to adapt our education practices to prepare students for the real world they will face when they enter the workforce. New accountants are expected to understand these technologies, how to feed information into them, and extract and interpret the results. Students do not need to be masters of one particular application; instead they need to be adaptable and agile enough to navigate the basic components of

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several and to change as these technologies continue to evolve. There are two critical ways to achieve this.

One, we need to weave technology into the accounting/business curriculum as much as possible. Some universities simply are revising their coursework to add more technology beyond just Excel and QuickBooks, while others are creating new programs centered on data analytics, and some are even partnering with KPMG to create a Master of Accounting with Data and Analytics. It doesn't matter how you do it, just that you do it.

Second, the more we can shift away from the traditional way of testing students through examinations the better. That doesn't mean eliminating exams altogether, simply that more weight should be given to project-based, team assignments based on real-world, practical examples. This focus is in line with the current changes that have been made to the CPA exam. The new version of the exam is centered more on testing a candidate's critical thinking, problem-solving and analytical ability through the use of more task-based simulations. The exams will be evenly weighted, about 50 percent each, between multiple choice questions and the simulations.

Some examples of project-based, group assignments could include:

1. **Auditing:** Using simulation software to conduct an audit from planning, fieldwork, wrap-up, and delivery of audit report to a simulated client.
2. **Tax:** Having students complete tax workpapers within Excel which then flow through to the appropriate tax forms within the same Excel file so students can see the flow of information to the forms.
3. **Forensics/Fraud:** Conducting a forensic/fraud investigation from engagement acceptance to report delivery.

4. **Research:** Using real case studies to have students work in groups to research an accounting dilemma and then develop a memo/letter supporting their conclusion.

These projects will serve as a way for students to learn the vital analytical, interpersonal and communication skills critical for their success as they enter careers in accounting.

## In Practice

Accounting work traditionally has been historical in nature, with tax and audit work both centered on analyzing information that is several months old, oftentimes after management has scrutinized the data ad nauseam. This historical approach met the needs of regulators, bankers, and customers by providing a glimpse into the company but didn't allow for much excitement for the people doing the work — practitioners — nor does it provide additional value to the most important stakeholder — the client. On the industry side, accounting work can be seen as rote and mundane as the month-end closing process is performed over and over again with the same set of financial information being generated each month for management's review.

Data analytics and AI will pay huge dividends. AI and big data are making data analytics more relevant as auditors and clients alike will be able to process large amounts of data once thought impossible or too time consuming. Using data analytics theoretically will allow us to examine 100 percent of the population and identify exceptions and anomalies to focus on areas of potential concern and higher risk.



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The opportunities these new technologies will provide are endless. NextGen accountants will need critical thinking skills to empower them to be curious and confident to ask questions.

Tactically, we will be able to innovate accounting processes while increasing quality and relevance. Instead of being historical, accounting work can become real-time, continuous and forward-looking. Professionals in public practice and private industry will have predictive capabilities to generate deeper insights and provide information that we never could before because of the limitations of human capabilities.

Take general journal entries for example. An organization that processes hundreds, if not thousands, of journal entries, faces a very time-consuming process, depending on the current technology, to analyze all these entries, whether it wants to look at entries made over a certain dollar amount, on a certain day, at a certain time, posted by a certain person, entries that don't balance, duplicate entries, etc. By using software such as IDEA or TeamMate Analytics, all those tests can be done in a matter of seconds, which will free up management or the practitioner's time to dive into the data and extract insights. It now becomes a much more valuable use of everyone's time than getting lost in lines and lines of data because of the reluctance to use technology to automate a process.

The opportunities these new technologies will provide are endless. NextGen accountants will need critical thinking skills to empower them to be curious and confident to ask questions. With the automation of mundane tasks, we are looking for students to have an analytical mindset to interpret the results and help their clients make more informed business decisions.

## Use Technology to Become a True Trusted Advisor

Sam Allred, director at Upstream Academy, likens becoming a trusted advisor to the clients or businesses we serve to having two checkbooks. The first is for the necessities of doing business — paying rent, utilities, insurance, etc. These expenses make up the cost center, and they [clients/business owners] try to nickel and dime every bill or expense. The second is for the fun things — organizational development, strategic planning, etc. — things that give value. These expenses make up their profit center, and they are happy to pay for it whatever the cost. Nine times out of 10, they write their check to their CPA out of the first checkbook because they view their tax return and audit as a compliance service. The goal is to have them write checks from the second checkbook, which means accountants need to provide advisory services clients or employers can't live without.

From a client/employer perspective, these disruptive technologies have vast implications. Imagine a world in which auditors test transactions every quarter, month, week or day. Instead of catching anomalies at audit/

tax time, which historically is once a year, they use dashboards and alerts to flag suspicious transactions and work with management to implement solutions. This leads to greater accuracy in financial information from which management makes key business decisions. In theory, practitioners will have a deeper understanding of the business climate of their clients leading to greater insights and value. It is then that we begin to transition from providing compliance to advisory. This deeper understanding is the result of increased interactions with the client where relationship building and communication skills will take on added significance.

## Key Takeaway

A changing skillset — adaptable, agile, inquisitive, analytical thinking, high interpersonal and communication skills — will be the hallmark of gold standard recruits. Automation is vastly changing the profession, replacing those mundane tasks we perform in our everyday work environments and freeing us to do high-value tasks. The future of accounting is as bright and exciting as it has ever been. These disruptive technologies won't replace accountants; it will make those who know how to use them 10 times more efficient and valuable to their clients and organizations than those who can't. Disruption provides an opportunity for those who embrace it and adjust to it.

Are you willing to change?

*Disclaimer: Software applications mentioned were for illustrative purposes only. They are not an endorsement of any specific product.*



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