BUSINESS GUIDE

9 Developments Shaping the Future of Accounting

Your Guide to the Latest Regulations, Trends and Technologies

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Accounting has long been viewed as a static, numbers-crunching job. Accountants have historically been relied upon to ensure numbers are accurate so that an organization can understand its financial position and meet its financial obligations. But that role has changed, and it continues to change rapidly.

The combination of a fast-evolving regulatory landscape, emerging business trends and relentless technological innovation is changing the way financial data is collected, managed and interpreted. The COVID-19 pandemic spurred many of these changes, resulting in new regulatory and tax concerns, forcing dispersed accounting teams to find new ways to collaborate, and pushing more organizations to consider cloud-based technologies that could help them conduct business as usual from home.

Together, these forces are bringing a seismic shift to the role of the accountant. As the manual, transactional work that accountants have typically done is increasingly automated, accountants are being asked to pair their financial expertise with soft skills such as leadership, as well as the skills needed to extract insight from data analysis.

To get a sense of how much change the accounting profession is undergoing, look no further than recent changes to the Uniform CPA Exam. The American Institute of Certified Public Accountants (AICPA) has made changes to the 2021 exam that put more of an emphasis on understanding business processes, automation and data analytics. At the same time, the AICPA phased out other topics, such as specialized estate tax and trust knowledge.

This business guide aims to put the regulatory changes, emerging trends and key technologies contributing to this evolution in context so that accounting professionals and organizations alike can embrace this development and ensure they are supporting their accounting teams' transition into a more strategic role.

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CHAPTER 1

Regulatory Changes

Managing financial disclosures continues to be a concern for public and large private companies affected by SEC requirements. CFOs and controllers are concerned about complying with reporting requirements from pandemic-related government stimulus programs and ensuring proper documentation, recording and reporting for audits. Additionally, changes around disclosure requirements for Environmental, Social and Corporate Governance (ESG) are likely ahead, and accounting teams need to be mindful of a shifting regulatory landscape.

Tax Policy

The nearly 6,000 pages in the Consolidated Appropriations Act—better known as the COVID stimulus—created some new complexity for accountants. Passed shortly before tax season, it introduced a string of tax policy and regulatory changes, including tax extenders, Paycheck Protection Program (PPP) expense deductions, second-draw PPP loans and a simplified process for PPP loans under $150,000.

Whether it's understanding total tax liability or navigating changing trade and tariff policies, understanding changes in tax policy is vital. Aside from taxes, accounting teams need to be mindful of statutory and regulatory changes, and keep current on COVID and other stimulus legislation. Anticipated changes in leadership at the SEC are likely to further impact financial reporting requirements and scrutiny.

Effectively navigating the tax law changes can free up funds for organizations to weather other business challenges ahead. Tax records that are accurate and easy to access with accounting software will make a complex tax year more manageable.

Environmental, Social and Corporate Governance (ESG)

Environmental, social and corporate governance (ESG) is a growing area of focus for many organizations, and it's widely expected there will be new federal regulations pertaining to ESG, especially related to financial disclosures for public companies. The European Union recently enacted regulations requiring financial services firms to disclose how they account for environmental sustainability in their investment decisions and similar laws could follow elsewhere. The Sustainable Finance Disclosure Regulation (SFDR) includes mandated disclosure of climate-related financial risks and greenhouse-gas emissions in your operations, as well as your supply chain.

Professional trade organizations are trying to help accountants prepare. In November 2020, the AICPA shared plans for education and resources to help accountants with reporting on and assurance of ESG information.

More recently, the AICPA identified six ESG trends expected to affect accounting professionals in the coming year, including ramped-up ESG reporting, documentation of environmental-focused policies and increased diversity.

New Accounting Standards

Throughout the year, the Financial Accounting Standards Board (FASB) updates accounting standards with changes that can affect financial statements and how to keep them GAAP compliant. For 2021, FASB has instituted changes related to asset acquisitions, credit losses, debt securities, leases, reorganizations, variable interest entities and banking regulation disclosures. Tax and finance consulting firm BDO offers a helpful summary of all the specific changes for 2021.

New revenue recognition standards, standards for lease accounting and current expected credit losses (CECL) accounting standards have been a challenge for accounting teams over the past few years. While phased implementations of standards have been delayed because of the pandemic, they remain on the horizon, and accountants should pay close attention to stay up to date.

CHAPTER 2

Trends

In addition to an evolving regulatory landscape, accounting professionals are also facing a number of changes that are pushing the profession from its numbers-crunching roots toward a more strategic advisory role. There are three such trends that are proving to be particularly powerful drivers of change: the move toward a remote close, the adoption of continuous accounting practices and more frequent financial forecasting.

Remote Close and Online Collaboration

The COVID-19 pandemic brought a widespread shift to remote working, and physically dispersed accounting teams that used cloud-based software to collaborate and accomplish critical processes held a major advantage. Like many other roles, one of the top trends in accounting is a desire for more flexibility, with some 81% of accounting firms saying they expect to offer more remote work opportunities after the pandemic.

In such an environment, accounting will need continued access to collaborative communication tools such as Zoom, as well as functional collaboration tools for e-signature and cloud-based file sharing. Cloud-based accounting software and mobile accounting tools bring obvious advantages. For example, month-end close can be completed from anywhere with a computer and an internet connection.

A cloud system is especially important to supporting remote accounting teams, giving them secure access to reliable, real-time data, no matter where they are.

Similarly, mobile accounting tools are growing more important as millennials fill more of these roles, bringing with them an expectation of consumer-grade technology that will only expand with the continued rollout of 5G networks. This generational shift will push accounting to become more mobile and flexible.

But remote work brings challenges to accounting teams, which must adapt after decades of handling tasks such as month-end close with long nights at the office. Remote work also exacerbates the risk of cyberattacks, with IBM finding that 70% of companies saying that the pandemic-driven move to more remote work will result in increased data breach costs.

Given this, organizations must rethink their financial controls so that they're suited to a dispersed workforce, and consider applying a risk assessment framework to determine where the biggest risks exist.

Continuous Accounting

The antithesis of those late nights at the office, continuous accounting taps automation and other technology to embed tasks that are normally done at a period's end into a company's normal day-to-day activities.

Seen as a way to drive a more strategic accounting function, continuous accounting, or continuous close, effectively spreads the process of closing the books over the entire period. So, instead of having to reconcile figures at the end of the month, an accountant can reconcile a few items each day, preventing journal entries from piling up.

By doing this work every day and automating as many aspects of the close as possible, you boost efficiency and data integrity, which frees up time for your accounting team because errors can be a frequent source of time-consuming work. This also gives your team additional time to focus on other work that's more valuable to the organization.

Continuous accounting brings faster access to the data that drives decision-making, simplifies compliance and auditing, and has the potential to empower accountants by giving them more influence over strategic business decisions.

Improved Financial Modeling and Forecasts

Increased use of budgeting, forecasting and planning software, as well as data analytics and visualization tools, is another trend contributing to the changing role of accountants. The accounting function is becoming significantly more analytical, with technology pushing them from reactionary and transactional to proactive and analytical. This has blurred the lines between accounting and finance professionals, with the former taking on more responsibilities that traditionally fell on finance, especially at smaller businesses.

The improved ability to build predictive financial models is helping to drive this move toward proactive and analytical work. Armed with accurate, real-time data, controllers and senior accountants are able to build better models that are based on current business realities, giving companies a clearer picture of what to expect.

The conditions created by the pandemic simultaneously made accurate financial forecasting especially challenging while also putting a premium on it. On the one hand, supply chain disruptions and unpredictable consumer demand brought a degree of guesswork to forecasting efforts; on the other hand, the difficulty in gauging economic recovery and a return to normal spending habits also highlighted the value of an accurate forecast. Companies that have been able to navigate that double-edged sword, thanks to data that's more timely and accurate than ever, have distinguished themselves with customers and suppliers alike.

At this point, accounting leaders that aren't taking advantage of scenario planning tools that show the impact of various outcomes and continuously re-examining their forecasts for sales, expenses and cash are likely to fall behind. Testing and re-testing assumptions by modeling cash flow, burn rate and liquidity under multiple scenarios has become a requirement.

Because so much is changing so quickly, having access to real-time information will make the difference in building financial models that factor in current conditions to depict realistic best-, worst- and average-case scenarios.

CHAPTER 3

Impactful Technologies

It's not just evolving regulatory requirements and emerging industry trends accountants are contending with; they also must make a concerted effort to keep up with technological innovation.

By 2024, more than 45% of IT spending will shift to cloud-based technologies, according to research firm Gartner, and in many instances that will include accounting software. There's a reason cloud accounting software skills are some of the most in-demand for accountants.

Innovations around real-time analytics and AI will depend on having a clean, reliable and secure data infrastructure, which won't be easy for companies working with outdated, on-premises accounting systems.

By adopting a cloud-based accounting system, organizations can open the door to automating financial reporting, cash management, accounts payable and month-end close processes.

With that path in mind, here are three technologies that are poised to have a lasting impact on accounting: AI, analytics and cybersecurity.

Artificial Intelligence (AI)

There is a growing consensus that AI can and will have a significant impact on pretty much every industry and business role. Accounting departments are using AI to automate mundane, highly repeatable tasks, allowing accountants to focus their time on higher-value activities.

Accounting firm Ernst & Young, for example, has applied AI to the analysis of lease contracts to make it easier to quickly capture information such as commencement date, amount to be paid and termination or renewal options. That allows accounting professionals to spend more time making informed decisions with that data, instead of looking for it.

With machine learning, a type of AI, a company can feed a year's worth of expense reports into a travel and expense system with the goal of teaching it to flag anomalies that might indicate fraud or human error. The more reports the system has to study, and the more time it spends analyzing them, the better it will become at spotting potential issues (i.e., the system learns). That can help accountants save time and money processing these reports and reimbursing employees.

Use cases like this are popping up more frequently, and it's only a matter of time before some type of AI is used to automate and extract insight from every accounting process. As more transactional work becomes automated, accountants will need to develop new skills to apply their expertise to information generated from these new technologies, and thus play more of a strategic role.

Robust Data Analytics

An accounting team that's both data-driven and proactive can open up a new realm of possibilities for an organization. And CFOs get that: Brainyard's Survey of business leaders from a range of industries shows steady, sustained demand for more effective use of data, whether to identify areas for savings, evaluate investment opportunities or deliver better reporting and KPI tracking.

Accounting professionals that take advantage of business intelligence and analytics tools don't just enjoy increased productivity and accuracy. They gain the insights to make better decisions and are better able to provide the right data at the right time to the right people, whether internal stakeholders or clients.

The Institute of Management Accountants (IMA) recently launched its Data Analytics & Visualization Fundamentals Certificate. The program is designed to equip accounting professionals with the strong critical thinking, problem-solving and technology skills needed to advance business strategy.

Financial management software with powerful analytics capabilities frees up accountants to make more strategic contributions and minimizes errors by automating data collection and analysis. Once CFOs determine what KPIs are important, the system keeps those metrics up to date and readily available in dashboards.

For example, a cash flow dashboard could show your current cash conversion cycle, quick and current ratios, days sales outstanding, accounts payable and accounts receivable turnover and other KPIs at a glance. And the dashboard would constantly update with the latest information.

Instead of manually compiling this data, accounting teams can instead spend time interpreting it and sharing insights with colleagues. They can also leverage AI technology to analyze large amounts of structured and unstructured data to uncover revenue trends, predict shifts in consumer behavior and spot fraud.

Cybersecurity

At a time when the risk of data breaches is bigger than ever, finance divisions—typically home to accounting—are one of the leading targets. Breaches can lead to identity theft, the stealing of personal data and credit card information, or spoofing, which is when an email is disguised to appear to come from a known and trustworthy source. Invoice and payment fraud from spoofing at finance departments increased by 54% a week from Q2 to Q3 in 2020. Attacks are possible in any industry, but the most frequently targeted industries are retail, consumer goods and manufacturing.

For this reason, it's crucial to train accounting teams on how to recognize potentially harmful emails and spotting attacks, making them champions of cybersecurity for your organization. Accounting teams are well suited to be evangelists of cybersecurity companywide—they're already schooled in robust internal controls, access and permissions required of their roles. Outdated software can increase the success rate for malware and ransomware, so make sure all systems are up to date.

Already a common target for online attacks, accounting teams that work remotely have added another layer of complexity. For this reason, accounting leaders should identify key areas of risk, review their plans to respond and check in with team members regularly.

CHAPTER 4

Invest in Technology to Stay on the Cutting Edge

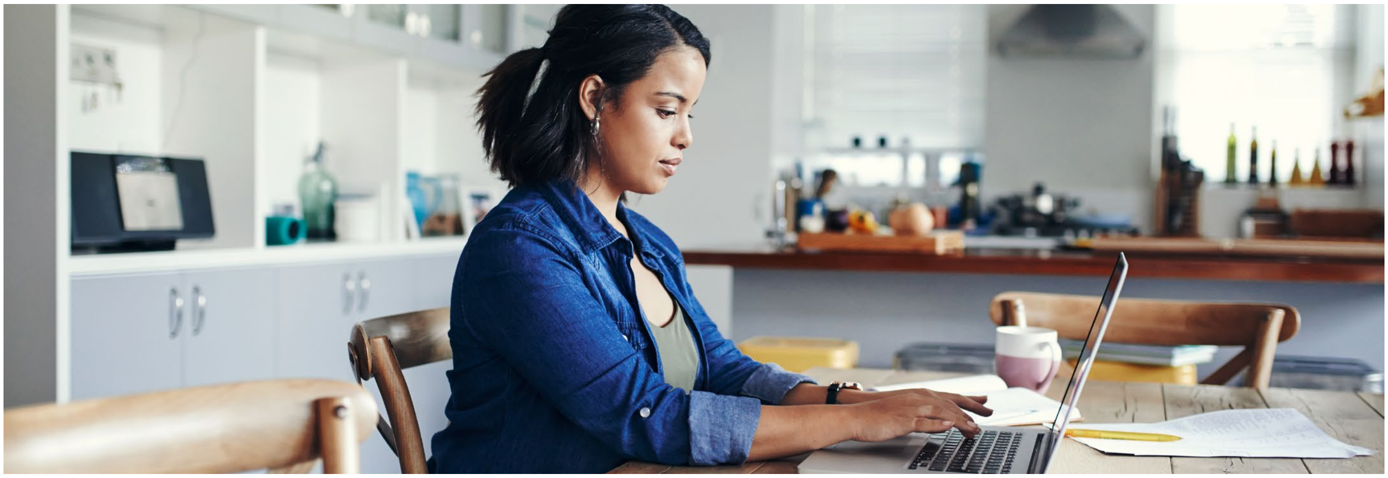
It's clear that evolving regulatory requirements, industry trends and innovative technology are combining to transform the job of the accountant from number cruncher to strategic advisor. Investing in the right systems is essential in keeping up with not only recent developments, but future ones. And some systems are better equipped for the job than others.

NetSuite's cloud-based financial management system offers all of the functionality accountants need to adapt to a rapidly changing space. NetSuite was a pioneer of the Software-as-a-Service (SaaS) model, so customers automatically receive biannual updates that help them comply with regulatory changes, adjust to emerging trends and take advantage of the latest technology like machine learning. Since it's a cloud platform, users can access NetSuite from any device with an internet connection, making remote closes a breeze.

The solution also pulls real-time data from across your business and has built-in reporting tools to deliver better transparency into company performance across all departments. Customers can take their forecasts, modeling and data analysis to the next level with add-on modules for planning and budgeting and advanced analytics. Finally, NetSuite's data centers adhere to leading cybersecurity protocols and offer a level of security most businesses cannot match on their own.

All of this gives accounting departments a true understanding of a company's performance and ensures accurate, up-to-date financial records and reporting. This also gives these employees more time to weigh in on strategic decisions and establish themselves as a key partner.

Today's accountants need a flexible, robust system to assist them in their redefined roles. It's the toolbox they need to earn the ear of those in the boardroom.



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