

MODERN TRENDS IN ACCOUNTING

How technology is shaping the future of the industry

profitcents®

WE'RE RELOCATING
TO THE CLOUD. GIVE
EVERYONE ON THE STAFF
A PAIR OF THESE
WINGS.



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Course Agenda

Current issues facing accountants

The future of the industry

Trends in technology

Changing expectations

The importance of advisory services

How ProfitCents can help

What problems are facing accountants?



Staying on top of tax changes

Delivering to deadline

Getting clients on board with new technology

Growing or sustaining your accounting practice

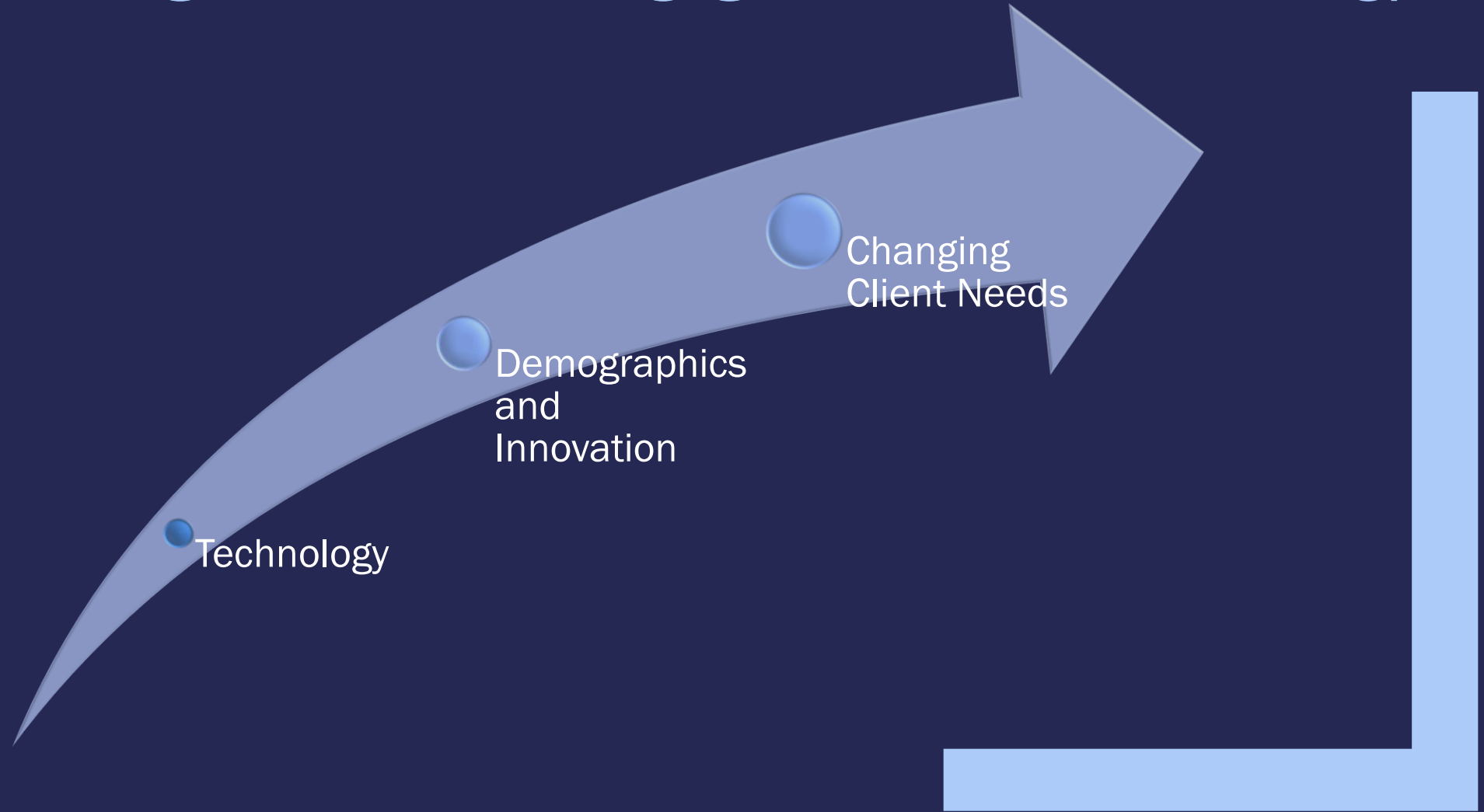
Working on your communication skills

Keeping an eye on the future

Do-it-yourself economy

Increased expectations

WHERE IS THE INDUSTRY HEADING?



TRENDS IN TECHNOLOGY

Cloud

Cryptocurrency

Automation

Blockchain

Social Media

Mobile Apps



As each transaction occurs – and the parties agree to its details – it's encoded into a block of digital data and uniquely signed or identified.



Each block is connected to the one before and after it – creating an irreversible, immutable chain.



Blocks are chained together, preventing any block from being altered or a block being inserted between two existing blocks.

BLOCKCHAIN



Cryptocurrency

Benefits

Drawbacks

Impact on
Accounting

Automation

26th

Out of 366 jobs, the accounting profession ranks 26th most likely to be automated, according to an Oxford study.¹

95%

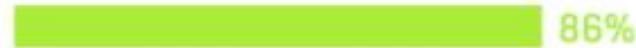
Researchers say there's a 95% chance accounting will be automated by 2033.¹

86%

Compared to other professions affected by automation, bookkeepers and accountants are spending the most time (86%) on potentially automatable tasks.²

Percentage of Time Spent Doing Activities with Automation Potential, by Profession

Bookkeeping and accounting



Stock clerks



Food preparation



Food service (waiters)



Executive assistance



- Able to take on repetitive tasks more quickly and accurately
- Less time spent on data entry and historical recordkeeping allows you to focus on taking on more clients and growing your service offerings.

SOCIAL MEDIA



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Mobile Apps



Great for you and your client

- Business owners can do things like invoicing and bank reconciliation anywhere
- Makes it easier for you to process tax returns, monitor cash flow and offer advice

Great for the client

- Invoicing on the go
- Chasing debtors
- Keeping up with bank reconciliations
- Photograph and store receipts
- Check cash flow at any time

Great for you

- More engaged clients
- Cleaner books
- Paperless office
- Better expense records
- Boost business value

Tax & Compliance



Data

High-quality data forms the foundation for analytics
Harnessing data allows for responding to tax authority audits and provide predictive analysis



Automation

Reduces time and costs
Powers repetitive functions



Artificial Intelligence

Search and recommend correct tax codes and identify exceptions
Leverage platforms to source services such as report writing



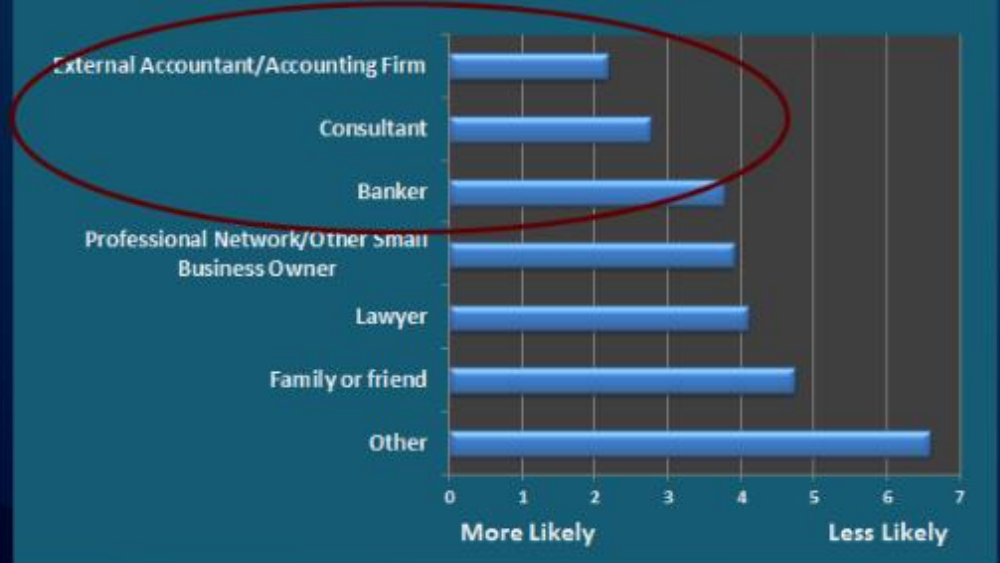
Changing
client
expectations

Building
relationships

Value-added
services

Who SMBs Seek

Who are you most likely to turn to for strategic financial advice?



ADVISORY SERVICES

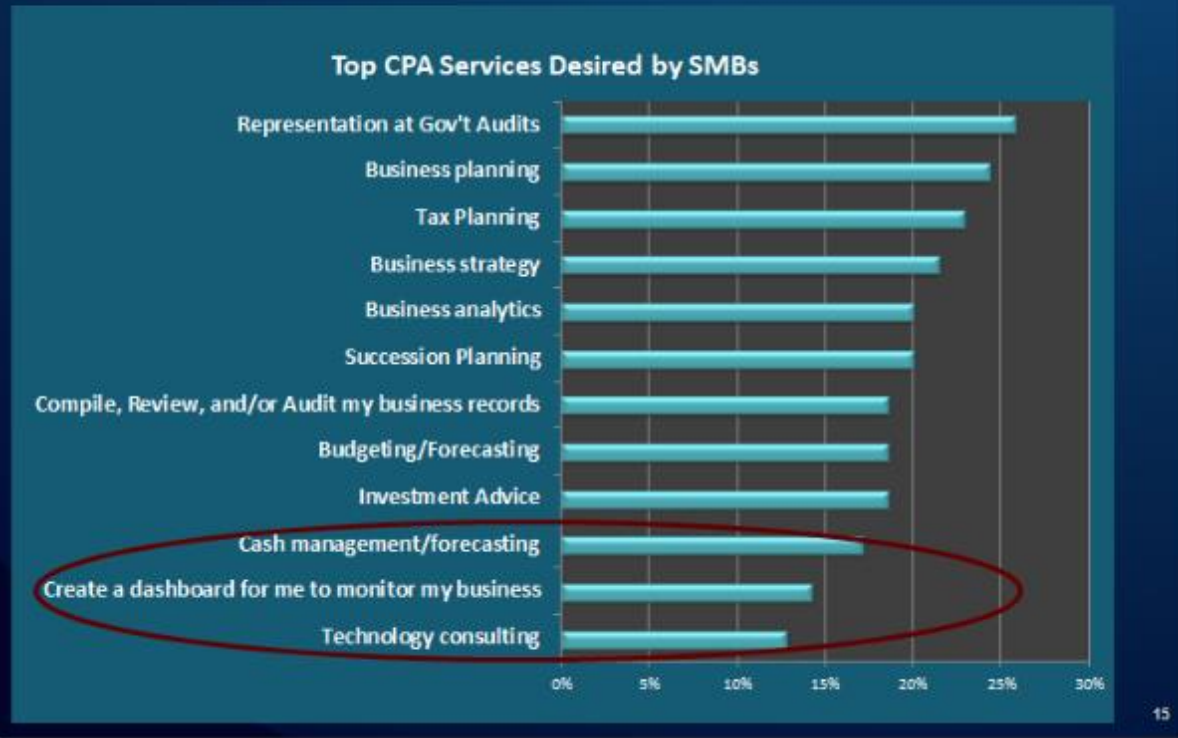
Top Six Services - Received

Top 6 CPA Services Received by SMBs



ADVISORY SERVICES

Top Services - Desired



ADVISORY SERVICES

HOW DOES PROFITCENTS FIT INTO THE SHIFT?



Industry Data

Industry Data with
Company Comparisons

Narrative

Projections

Analytical Procedures
For Audits/Reviews

Industry Data

Industry Data with
Company Comparisons

Narrative

Analysis
For A

profitcents®

sageworks® Industry Data

Industry: 722511 - Full-Service Restaurants
Sales Range: All Sales Ranges
Location: All Areas [What's my region?](#)
Prepared On: 3/26/2019

INDUSTRY FINANCIAL DATA AND RATIOS

[View Formula Key](#)

Average by Year (Number of Financial Statements)

Financial Metric	Last 12 Months (859)	2018 (897)	2017 (3,483)	Last 5 Years (19,754)	All Years (51,832)
Current Ratio	2.57	2.57	2.47	2.57	2.37
Quick Ratio	1.81	1.81	1.70	1.73	1.56
Gross Profit Margin	62.91%	62.69%	60.82%	59.53%	58.50%
Net Profit Margin	6.88%	6.78%	2.36%	2.50%	1.90%
Inventory Days	15.53	15.66	14.47	14.44	14.96
Accounts Receivable Days	0.80	0.81	0.58	0.49	0.58
Accounts Payable Days	18.35	18.81	16.24	15.31	16.78
Interest Coverage Ratio	11.84	11.75	10.09	11.15	9.43
Debt-to-Equity Ratio	2.97	3.12	2.96	2.80	2.92
Debt Service Coverage Ratio	5.23	5.14	5.95	6.26	5.60
Return on Equity	67.89%	66.64%	54.51%	54.32%	45.60%
Return on Assets	33.76%	32.88%	20.56%	21.46%	16.85%
Gross Fixed Asset Turnover	4.04	4.02	4.09	4.18	4.04
Sales per Employee	\$63,988	\$64,445	\$69,103	\$64,211	\$54,340
Profit per Employee	\$6,497	\$6,185	\$2,534	\$2,997	\$2,197
Growth Metric	Last 12 Months (231)	2018 (231)	2017 (2,162)	Last 5 Years (11,131)	All Years (27,355)
Sales Growth	5.52%	5.59%	4.89%	6.55%	5.50%
Profit Growth	13.60%	14.10%	6.73%	16.28%	15.48%

INDUSTRY DATA COMMON SIZE

What is common size?

Industry Data
(Number of Financial Statements)

Financial Metric	Company Data	Recent 12 Months (16)	2018 (24)	2017 (63)	2000-Present (1119)
Sales (Income)	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales (COGS)	30.15%	29.91%	27.19%	24.69%	24.50%
Gross Profit	69.85%	77.85%	78.00%	75.31%	75.50%
Depreciation	0.00%	0.18%	0.12%	0.50%	0.49%
Amortization	0.00%	0.00%	0.00%	0.00%	0.00%
Overhead or S,G,& A Expenses	83.94%	45.18%	47.78%	54.78%	55.96%
Other Operating Income	0.00%	0.00%	0.00%	0.00%	0.00%
Other Operating Expenses	0.00%	6.73%	7.52%	4.58%	5.92%
Operating Profit	-14.09%	16.87%	23.09%	15.45%	13.12%
Interest Expense	0.54%	0.16%	0.12%	0.34%	0.30%
Other Income	0.00%	0.04%	0.03%	0.04%	0.04%
Other Expenses	0.20%	0.07%	0.05%	0.19%	0.11%
Net Profit Before Taxes	-14.84%	15.13%	21.70%	14.96%	12.74%
Adjusted Owner's Compensation	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Net Profit Before Taxes	-14.84%	16.52%	22.62%	14.96%	12.74%
EBITDA	-14.29%	16.63%	22.79%	15.80%	13.54%
Taxes Paid	0.00%	0.11%	0.11%	5.01%	2.15%
Extraordinary Gain	0.00%	--	--	--	--
Extraordinary Loss	0.00%	--	--	--	--
Net Income	-14.84%	15.13%	21.69%	9.95%	10.59%

Industry Data with Company Comparisons

PROFITS & PROFIT MARGIN

What are some things the company might do to develop favorable profitability trends?

- ▶ Monitor the profit generated per individual client and focus business on the most profitable. Determine what aspects make those clients more profitable and if other clients can be turned more profitable.
- ▶ Monitor operating costs (labor charges) continuously, because it is easy for the company to get "bloated". In this industry, operating costs as a percentage of revenue should be about 30-35% of revenue.
- ▶ Implement best practices in order to increase efficiency. Some examples include knowledge sharing databases and process standardization. It would also be prudent to document the best practices in order to create user manuals for future consulting engagements.
- ▶ Consider using cost-plus pricing by establishing your fees based upon the price the firm incurs, rather than basing it on each staff person's cost for that engagement.
- ▶ Consider time and billing software, which will allow the firm to enter time with hand held devices in the field and track steps during an engagement process. This will enable the firm to produce more accurate budgets on future engagements. Also, the software will allow the firm to significantly reduce wasted costs by decreasing non-billable hours.
- ▶ Obtain internal reports that identify the business's key performance indicators (KPIs), such as bids accepted. KPIs help managers make good decisions by identifying the figures that are critical to performance.
- ▶ Eliminate or reduce some overhead or fixed costs to reduce monthly expenses. Small decreases in overhead will typically yield large cash savings over time, especially if fixed costs can be reduced (those costs which tend to stay the same over time).

Industry Data

Narrative

Analytical
For Audit

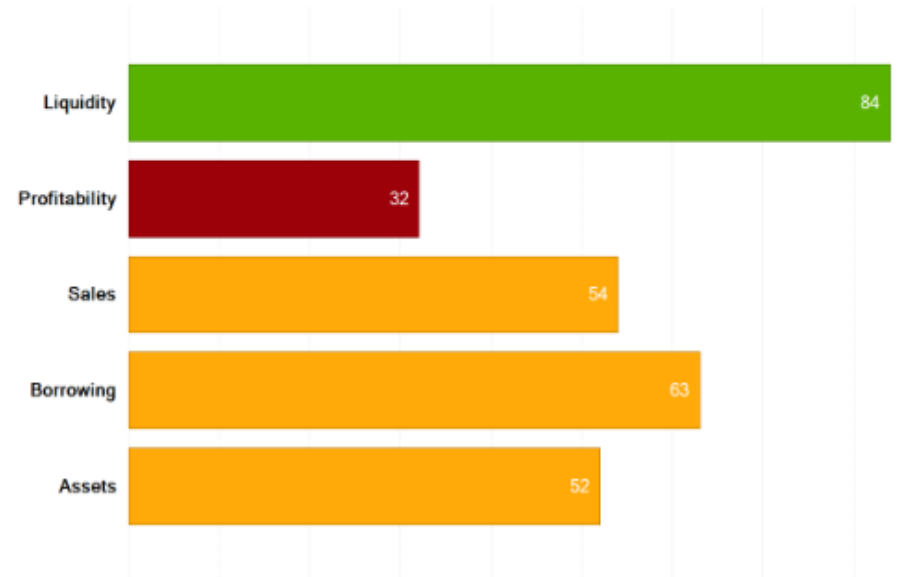
Kory's Kreative Solutions Narrative Report

Industry: 541613 - Marketing Consulting Services

Sales Range: Yearly sales under \$1 Million

Periods: 12 months against the same 12 months from the previous year

Report Summary



Kory's Kreative Solutions

Take a snapshot of a projection and perform a what-if scenario on the current projection using the projection controls.

Initial
12/31/2018

Current Projection
12/31/2018

<< Take Snapshot

Income Statement

Sales (Income)	\$443,494	\$521,704
Cost of Sales (COGS)	\$134,734	\$158,494
Gross Profit	\$308,760	\$363,210
Overhead or S,G,& A Expenses	\$363,104	\$363,104
EBITDA	(\$55,244)	(\$794)
Net Income	(\$60,194)	(\$5,744)

Balance Sheet

Cash (Bank Funds)	(\$57,250)	\$26,881
Total Current Assets	\$25,259	\$79,709
Net Fixed Assets	\$0	\$0
Total Assets	\$25,259	\$79,709
Total Current Liabilities	\$10,489	\$10,489
Total Long Term Liabilities	\$60,085	\$60,085
Total Equity	(\$60,194)	(\$5,744)

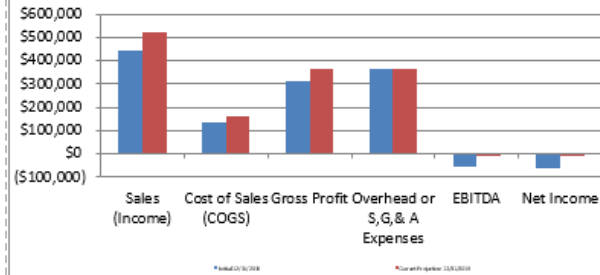
Valuation

Company Value	(\$292,049)	\$2,328,263
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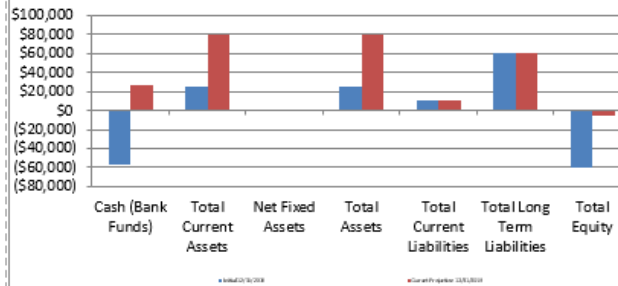
Projection Assumptions

Sales Growth	-2.24%	15.00%
Overhead Growth	-4.65%	-4.65%
Gross Profit Margin	69.62%	69.62%
Accounts Receivable Days	65.6 days	35 days
Accounts Payable Days	0 days	0 days
Inventory Days	0 days	0 days

Income Statement



Balance Sheet



Industry Data with
Company Comparisons

Projections

Analytical Procedure Worksheet

Report prepared for: Kory's Creative Solutions

Accounts whose current and expected values differ by more than 50% are highlighted in red.

NOTE: To change an EXPECTED value, click on the value.

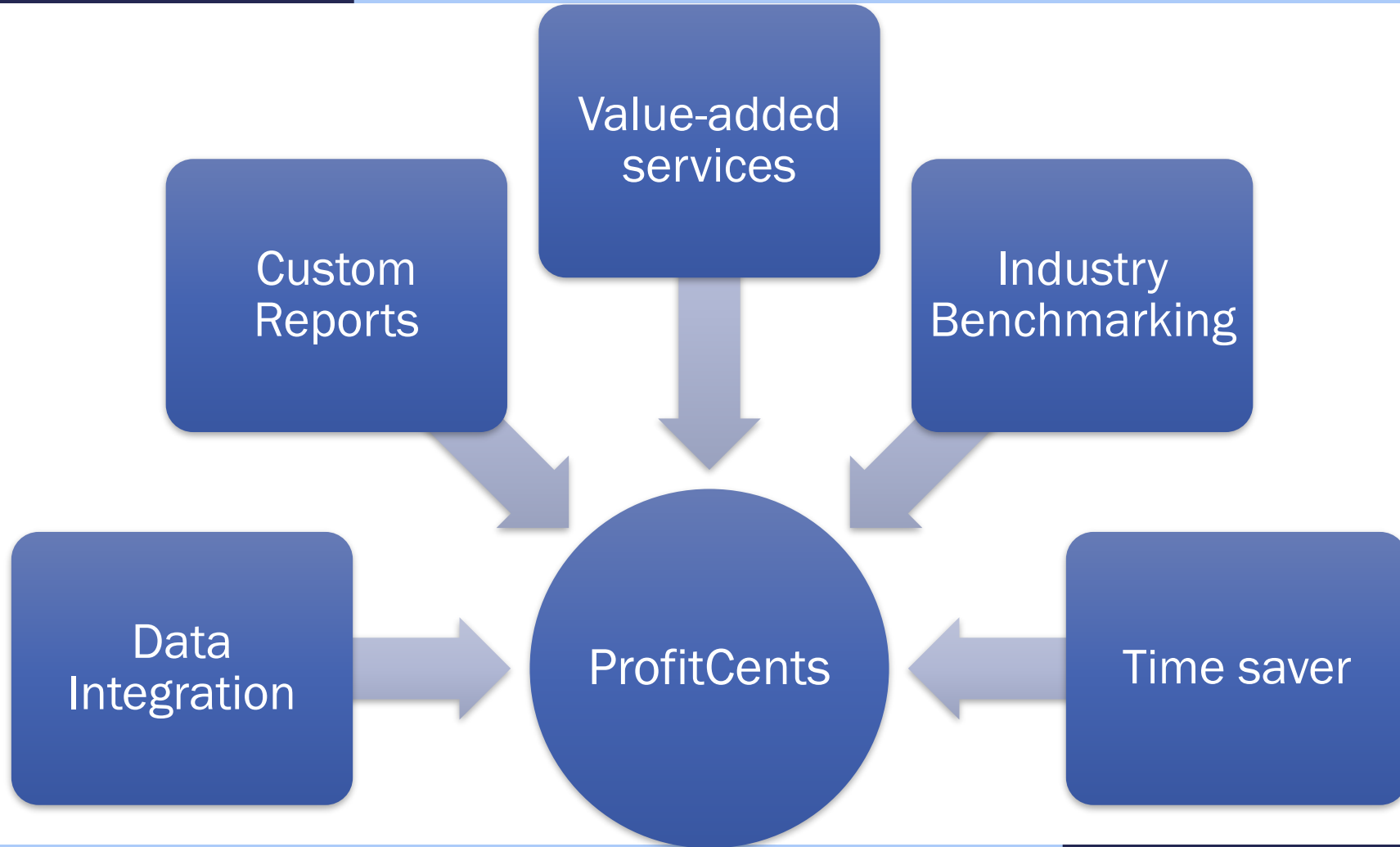
Export to Excel

Set Threshold Value

Hide Empty Sub Accounts

	12/31/2016	12/31/2017	Actual 12/31/2018	Expected 12/31/2018	% Diff	Notes
Income Statement Data						
Sales (Income)	\$463,828	\$453,656	\$750,000	\$443,484	69%	
Sales	\$463,828	\$453,656	\$750,000	\$443,484	69%	
Cost of Sales (COGS)	\$143,234	\$136,785	\$202,335	\$134,688	50%	
Depreciation (COGS-related)	\$0	\$0	\$0	\$0	0%	
Direct Labor	\$0	\$0	\$0	\$0	0%	
Direct Materials	\$0	\$0	\$0	\$0	0%	
Gross Profit	\$320,594	\$316,871	\$547,665	\$308,796	77%	
Gross Profit Margin	69.12%	69.85%	73.02%	69.63%	5%	
Depreciation	\$0	\$0	\$2,572	\$0	N/A	
Amortization	\$0	\$0	\$0	\$0	0%	
Overhead or S,G,& A Expenses	\$398,501	\$380,812	\$578,921	\$372,579	55%	
G & A Payroll Expense	\$263,917	\$258,570	\$395,182	\$253,223	56%	
Rent	\$36,966	\$32,377	\$51,004	\$27,788	84%	
Advertising	\$6,575	\$7,411	\$9,816	\$8,247	19%	

Analytical Procedures
For Audits/Reviews



THANK YOU!

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