

**THE NEW APPROACH** to Financial Accounting, Auditing, and Reporting

**A Monograph on THE NEW APPROACH (NA)**

**By**

**Steve L. Seawall, CPA**

## **About the Author**

**Steve L. Seawall, CPA, BS, MS, MBA, MPA**

**Founder, Owner, President, CEO – Custom Micro Works, L.L.C.**

- Author, Researcher, Software Developer
- Co-author Kansas Municipal Audit Guide (1994)
- Gold Key Award Winner, KS Society of CPAs (CPA Exam 1982, Highest Score)
- Elijah Watt Sells Award of Distinction, AICPA (CPA Exam 1982)
- NDEA Fellowship Award, 1970-1972 Oklahoma State University
- GASB Statement No. 14 project participant
- GASB Statement No. 34 project participant
- GASB Statement No. 35 project participant
- Prepared first GAAP Annual Financial Report, University of Kansas (1999)
- Frequent speaker (CPA conferences, Legislative committees, etc.)
- Founder and Past President, Topeka PC Users Club

### **Experience:**

- Accounting, Auditing, Budgeting (35 years)
- Software Engineering (30 years)
- Database Management (30 years)
- Computer Programming (multiple languages)

### **Education (Majors):**

- Math
- Chemistry
- Biochemistry
- Accounting
- Business Administration
- Public Administration

### **Schools Attended:**

- Peru State College
- Oklahoma State University
- Fairleigh Dickenson University
- Washburn University

# **THE NEW APPROACH to Financial Accounting, Auditing, and Reporting**

## **Listing of Monograph Documents**

**Document 1: A Monograph on The New Approach (NA) – Introduction (7 pages)**

**Document 2: NA – Financial Accounting and Reporting Methods (13 pages)**

**Document 3: NA – Protection Against Fraud and Embezzlement (5 pages)**

**Document 4: NA – A Comprehensive Approach (4 pages)**

**Document 5: NA – Business Listing of Features – Summary (10 pages)**

**Document 6: NA – Business Listing of Features – Detailed Analysis (14 pages)**

**Document 7: NA – Risk Analysis Overview (6 pages)**

**Document 8: NA – Risk Analysis Audit Procedures and Findings (7 pages)**

# THE NEW APPROACH to Financial Accounting, Auditing, and Reporting A Monograph on The New Approach (NA)

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## Introduction

This is the first in a series of documents addressing **The New Approach to Financial Accounting, Auditing, and Reporting** – an entirely new concept in financial accounting. We commonly refer to it as **The New Approach**, or **NA** for short. In brief:

- ✓ NA is designed to create any and ALL types of financial statements.
- ✓ NA is designed to create a wealth of financial statements and reports intended for internal (managerial) purposes, in addition to external reporting needs and requirements.
- ✓ NA is designed with a wealth of electronic internal control compliance procedures, coupled with embedded audit features to protect against data integrity breaches.
- ✓ NA is designed with special features to protect against fraud and embezzlement.
- ✓ NA is so simple to use it can be maintained by a non-accountant.

No other financial accounting system or technology can match, or even come close to matching, NA's capabilities. NA answers questions not being asked. NA solves problems not being recognized.

## Why a Monograph?

In its most simple form, a monograph is “a writing on a single subject.” The main purpose of a monograph is to present primary research and original scholarship. I have chosen the “monograph” format to introduce NA to a world-wide audience because of its importance and wide-ranging impact on the future of financial accounting, financial auditing, and financial reporting.

The New Approach (**NA**) represents an entirely new concept in financial accounting that, in turn, creates profound changes in not just **accounting**, but also **financial auditing** and **financial reporting**. Historically, these three disciplines have been inextricably commingled and overlapping. Only now, with NA technology, are these disciplines converging to fix problems that heretofore were not even being recognized as problems!

A convergence of this magnitude is complex, and not easily understood simply because it is so new, in so many ways, to so many. To do justice to all concerned, it takes more than a 30-second commercial or a one-hour presentation to explain NA. It takes a monograph.

**As you read this monograph**, much of what you read will be hard to believe, not to mention understand. This is to be expected and totally natural because you have been led to believe based on your education, training, and experience that the capabilities of The New Approach are simply not possible. In fact, the advantages offered by NA over the Old Approach to financial accounting and reporting are so overwhelming your instinct alone would tell you this is not possible.

**Be careful** to avoid confusion. The world of financial accounting, auditing, and reporting believes there are only two types of financial accounting systems – single entry accounting

systems, and double entry accounting systems. Why? Because nobody has ever taught, or thought, any differently.

**By definition**, and as current practice dictates:

The New Approach is NOT a single entry accounting system.

The New Approach is NOT a double entry accounting system.

The New Approach **is without definition** in the financial accounting, auditing, and reporting lexicon. Hence, we refer to it as “The New Approach.”

**NA is made possible** using a sophisticated relational database technology combined with novel design techniques never before even attempted. Modern computer processing is beyond the imagination of most who lack skills in database management, software engineering, programming, design techniques, financial accounting procedures, financial reporting requirements, generally accepted accounting principles, generally accepted auditing standards, and internal financial accounting and reporting controls.

**Be assured** that what you read in the monograph is not theoretical. What you read is what you get. NA technology has been thoroughly and successfully tested in the real world.

## **THE OLD APPROACH to Financial Accounting and Reporting**

Much of the discussion about The New Approach necessarily includes comparisons to The Old Approach to emphasize the differences between the two.

**What is The Old Approach?** The Old Approach to financial accounting refers to the Double Entry Method of Bookkeeping, popularly known as **Double Entry Accounting**. It was first codified 500 years ago by Luca Pacioli circa 1500. Merchants were dancing in the streets they were so delighted. The concept spread like wildfire all over Europe and beyond. It has evolved significantly over the centuries, particularly in the past 100 years. Double Entry Accounting has been referenced in different ways as one of the finest inventions of all time and deservedly so.

Funny thing is, have you ever even heard of, a business owner, city council member, taxpayer, or anyone, dancing in the streets over anything they have seen that is remotely related to financial accounting, financial auditing, or financial reporting. Has nothing happened in 500 years to get anyone excited?

This seems somewhat extraordinary when you look at technological advancements over the past century in so many other fields, such as transportation and medicine. It's hard to go a month without hearing or reading of some new technology that is in the works, or on the horizon. But apparently nothing in financial accounting, auditing, and reporting.

This observation is nothing to smile about, given that financial accounting, auditing, and reporting impacts virtually all business owners, as well as state and local governments. Yet the attention-getting headlines in the last few decades have been fraudulent reporting, and embezzlements at epidemic levels. And the best solution anyone can come up with is that “we need more financial statement audits,” or “you need better segregation of duties.” These old, ineffective, and inefficient ideas are wearing thin.

The New Approach puts on the table entirely new concepts that **simplifies** the accounting process, **expands financial reporting** capability, **improves auditability** of financial statements and reports, and **reduces costs**. All of this, and **unheard-of accuracy and reliability**.

## Comparative Summary - The New Approach vs. The Old Approach

- **Financial Accounting.** With respect to financial accounting, The New Approach is drastically changing the landscape. Thus, The New Approach and The Old Approach are probably just short of being diametrically opposed because NA has its foundation in a completely new concept of financial accounting whereas The Old Approach is still using 500-year-old technology (Double Entry Method of Bookkeeping).

<b>Financial Accounting Characteristics</b>	New Approach	Old Approach
Simple to Maintain Day to Day	Y	N
Double Entry Method of Bookkeeping	N	Y
Posting of Journal Transactions to GL Required	N	Y
Posting of J. Transactions to Sub Ledgers Required	N	Y

- **Financial Reporting.** With respect to financial reporting, the verdict is the same. NA has virtually UNLIMITED financial reporting capability whereas The Old Approach has extremely LIMITED financial reporting capability.

<b>Financial Statement Reporting Capabilities</b>	New Approach	Old Approach
GAAP Accrual Basis – Entity as a Whole	Y	Y
GAAP Accrual Basis – Business Segment	Y	N
GAAP Accrual Basis – Business Segment Group	Y	N
Tax Accrual Basis – Entity as a Whole	Y	Y
Tax Accrual Basis – Business Segment	Y	N
Tax Accrual Basis – Business Segment Group	Y	N
<b>GAAP &amp; Tax Accrual Basis – Entity as a Whole</b>	Y	<b>No</b>
GAAP & Tax Accrual Basis – Business Segment	Y	N
GAAP & Tax Accrual Basis – Business Seg. Group	Y	N
Cash Basis – Entity as a Whole	Y	N
Cash Basis – Business Segment	Y	N
Cash Basis – Business Segment Group	Y	N
Tax Cash Basis – Entity as a Whole	Y	N
Tax Cash Basis – Business Segment	Y	N
Tax Cash Basis – Business Segment Group	Y	N
Commitment Basis – Entity as a Whole	Y	N
Commitment Basis – Business Segment	Y	N
Commitment Basis – Business Segment Group	Y	N

- **Financial Auditing.** With respect to financial auditing, the verdict is still the same. The New Approach introduces entirely new financial auditing capabilities that are otherwise not possible. The Old Approach continues the standard year-end financial statement audit as the primary tool, perhaps the only tool, to provide a measure of reliability regarding the accuracy of the entity's financial statements.

<b>Auditability of Financial Statements &amp; Reports</b>	New Approach	Old Approach
Manageable Auditability	High Level	Low Level
Electronic-Based Internal Controls	Extensive	Very Limited
Daily/Monthly Fraud & Embezzlement Protection	Y	N
Regression Auditing Capability	Y	N
Risk Analysis Fraud Protection	Y	N

## **Reminders As You Read the Monograph Documents**

This monograph is presented in a series of documents, each of which is intended to provide a summary or detailed picture of one aspect of The New Approach. However, it does not contain all of my work. There are additional components that build upon my current work, and they will be disclosed at a later date.

## **We Are Looking to TEAM UP**

Historically speaking, The New Approach is in its infancy. I have developed NA with the advice, assistance, and support of a very small group of trusted and highly reputable individuals from a variety of disciplines.

At this point, we have worked with limited resources. The New Approach presently has deliverables for small businesses, small local governments, and non-profits. The application can be used by the accounting entity in-house, or it can be used for an unlimited number of accounting entities by an “outside” accounting consultant.

With the development and testing phase of our work basically completed, we now have complete confidence in the NA technology that serves as the foundation of all of the deliverables, current and future. But this is only the beginning.

We are currently looking at new platforms for delivering our products. Also, the near future will include this same advanced technology for large businesses, large cities, states, colleges and universities, and major corporations. Such work is already in the pipeline, and I am certain of that work’s success.

We are now turning our attention to speeding up the development of new platforms and new products. We also want to focus on the consuming public, and how to generate interest and support for our continued work. Hence, our interest in **partnering support**.

If you are interested in partnering up with us in any way, shape, or form, we would like to hear from you. We already have project proposals on the table that we are considering. Some of the projects are minor, some are major. Some are short term, some are long term.