

# THE NEW APPROACH to Financial Accounting, Auditing, and Reporting NA – A Comprehensive Approach

Author: Steve L. Seawall, CPA  
Revised 9/10/2019

Copyright 2018-19 Custom Micro Works All rights reserved

## Executive Summary

- **Welcome** to a completely new experience in financial accounting. We call it The New Approach to Financial Accounting, Auditing, and Reporting.

Your experience cannot be anything but incredibly positive because The New Approach technology is superior in virtually all ways to any comprehensive financial accounting system ever developed. Whether you are the accountant, the auditor, the business owner, a member of accounting entity's oversight body, the local banker, or a taxpayer, you will benefit from this experience.

Our pledge to you: We will provide financial accounting, auditing, and reporting tools to inform and protect you in ways not possible with any other accounting system at any price.

- **The New Approach:**
  - ✓ Is the most technologically advanced accounting system ever developed.
  - ✓ Is the most intelligence-rich financial reporting system ever developed.
  - ✓ Contains accounting, auditing, and reporting features you have never experienced.
  - ✓ Simple to use, even for non-accountants.
  - ✓ Designed with data protection measures not possible in other accounting systems.
  - ✓ Creates financial statements and reports with verifiable accuracy and reliability.
  - ✓ Produces same financial statement reporting models you currently use.
  - ✓ Adds new financial statement reporting models for greatly improved understandability.
  - ✓ IFRS 8 (Operating Segments) financial reporting capability using a single data warehouse.
  - ✓ Expands the concept of electronic-based internal controls to new levels.
  - ✓ Introduces the concept of Regression Auditing for data protection and verification.
  - ✓ Introduces Risk Analysis audit procedures to monitor data integrity and protect assets.
- **The New Approach – Major Features (Fully Integrated Modules):**
  - ✓ Banking Module.
  - ✓ Budgetary Accounting Module (supports accounts payable and commitment accounting).
  - ✓ Payroll Module.
  - ✓ Accounts Receivable Module (supports billing for utility & business products and services).
  - ✓ GAAP (general ledger) Module (supports accrual and other bases of accounting).
  - ✓ Tax Module (supports Schedule C, accrual, and other tax bases of accounting).

## The New Approach – A Uniquely Designed Financial Accounting System

The New Approach is a uniquely designed approach to financial accounting and far beyond. It represents a total shift from complex accounting to simple accounting. At the same time, it

enables entirely new concepts in financial auditing that significantly increase the accuracy and reliability of the underlying data used to create financial statements and reports. All of this and, extraordinarily, financial statement reporting capability skyrockets from extremely limited in other systems to totally unlimited.

Hard to believe? This is not conjecture, it is FACT. Our extensive research and development, as well as rigorous testing procedures, have proven this beyond all doubt.

- **Complex Accounting to Simple Accounting.** Imagine a full-featured, comprehensive, computerized financial accounting and reporting system that can be maintained day-to-day by a non-accountant.
- **New Conceptual Approach to Auditing.** Imagine a two-hour auditing procedure, conducted by an independent non-accountant, that 1) provides proof-positive evidence that cash reported by an accounting entity (i.e., book cash) is tied to the penny to a completely independent set of accounting records (i.e., bank cash), and 2) provides reasonable assurance that the financial statements and reports of an accounting entity are free of significant mis-statements.
- **Unlimited Financial Statement Reporting.** Imagine a non-accountant creating 1) an accrual basis balance sheet and income statement, 2) cash basis financial statements, 3) commitment basis financial statements, 4) tax accrual basis financial statements, 5) tax cash basis financial statements, etc., all with minimal assistance from technical support.
- **Cost Savings.** Imagine the cost savings to any small business or local government with all of this. And we have not even discussed the **fraud prevention** capabilities with The New Approach.

## How Does “The New Approach” Compare to Other Systems?

Financial accounting systems are commonly put into one of two categories – 1) single entry accounting, and 2) double entry accounting. It is also commonly recognized that all computerized systems use the double entry method of bookkeeping and non-computerized systems use the single entry method of bookkeeping.

Given these two types of financial accounting systems, what do they give you?

- **Single Entry Accounting** is simple to administer, but the functional and reporting capability is also simple. It is not generally recommended except for a very small business with a minimal number of financial transactions to account for.
- **Double Entry Accounting** is touted as the gold standard of financial accounting because the technology has stood the test of time, over five centuries. Despite gold standard status, **double entry accounting is not without SIGNIFICANT problems** to the Business Owner and the Local Government:
  - ✓ **Double Entry Accounting Is Complicated.** To some, double entry accounting is simple in concept because it is a simple conceptual accounting framework. Double entry accounting is complicated, however, to administer. So much so, it requires a trained and experienced accountant to maintain, even on a day to day basis.

- ✓ **Double Entry Accounting Cost Issues.** The complexity of double entry accounting alone raises significant cost issues with any business owner or local government. But:

If you are a business owner you REQUIRE some type of Tax financial statement and you MIGHT need GAAP financial statements; accounting costs will be high no matter what.

If you want, need, or require business operating segment reporting, accounting costs begin to skyrocket.

If you want, need, or require modified cash basis financial statements, such as for tax reporting purposes, double entry accounting is probably not even the best solution due to cost issues.

- ✓ **Double Entry Accounting Financial Statement Reporting Limitations.** Double entry accounting, despite its complexity, is severely handicapped when it comes to financial statement reporting. For the most part, double entry accounting is not capable of, and not even designed for the purpose of, creating the critical financial statements needed by most financial accounting entities. To create these critical financial statements in a practical and economical (i.e., cost beneficial) manner is borderline prohibitive for small to medium businesses. These reporting limitations tend to make double entry accounting widely unacceptable.

**First**, double entry accounting is designed with the primary financial reporting objective to report financial position and operating results – GAAP accrual basis balance sheet and income statement. Double entry accounting and GAAP financial statements go hand in hand. There are problems here. What about the small businesses that do not want, do not need, and cannot afford GAAP statements. Why would they want to use a costly double entry accounting system that is not even designed to create the cash basis reports that they need for tax reporting? This is unacceptable!

**Second**, double entry accounting can also accommodate Tax accrual basis financial statement model, but it cannot accommodate both GAAP accrual basis **and** Tax accrual basis simultaneously, at least in a practical way. This is unacceptable!

**Third**, double entry accounting is designed to accommodate only financial statements for the “entity as a whole.” It does not support Business Segment level financial statement model reporting. This limitation can potentially be a disaster for tax reporting purposes. This is unacceptable!

**Fourth**, double entry accounting is not even designed to accommodate the Tax financial statement model showing taxable income and deductible expenses on a modified cash basis for Schedule C reporting, easily the most common tax reporting vehicle in the business world. This is unacceptable!

**Fifth**, double entry accounting is clueless (i.e., totally impractical) with regard to commitment basis accounting. Legal commitments are a GAAP disclosure requirement, as well as a helpful decision-making tool for all business owners regarding future cash outflow needs. Commitment basis accounting is required to demonstrate compliance with balanced budget statutes that are common to nearly all state and local governments across the nation. This is unacceptable!

- **Where does this leave you, the Business Owner or the Local Government?** Currently you, the business owner or local government, have two “accounting” options – 1) single entry accounting, and 2) double entry accounting. Surprisingly, neither option satisfies the needs of any accounting entity. Not Surprisingly, The New Approach satisfies **all** the needs of **all** accounting entities.

✓ **Keep this in mind:**

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 and reporting lexicon. Hence, we refer to it as “The New Approach.”