

# THE NEW APPROACH to Financial Accounting, Auditing, and Reporting Business Listing of Features – Summary

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## Overview

This listing of features is so advanced in technology, so impressive, and so large in number, we have created a separate document to showcase them. This will allow you, the Business Owner, and those who serve small businesses, to conveniently view and study them. Generally, the features are grouped based on the financial accounting and reporting function.

## Financial Statement Reporting Capability

The New Approach is designed to support virtually any financial statement reporting requirement you might have, with both simplicity and accuracy.

- **Financial Statement Models.** Some of the more commonly required financial statements:
  - ✓ **Cash Basis Financial Statement.** Our cash basis financial reporting model is not generally required for external reporting purposes. However, it is indispensable for use in tracking and monitoring cash.
  - ✓ **Budgetary Basis Financial Statement.** The New Approach integrates the budget with the accounting system. Hence, the accounting system is technically referred to as a budgetary accounting system.

By default, The New Approach employs the budgetary basis of accounting that is often referred to as the modified cash basis of accounting, modified for the inclusion of encumbrances. It is a very common basis of accounting and is sometimes called "encumbrance accounting" or "cash plus encumbrances." All mean the same thing.

- ✓ **Commitment Basis Accounting.** Commitment basis accounting is synonymous with encumbrance accounting used for budgeting purposes. The commitment basis of accounting is critically important to the small business owner for a number of reasons beyond the budgeting function.

**First**, legal commitments that do not constitute a liability (e.g., encumbrances) are a GAAP disclosure requirement. This disclosure requirement speaks to the importance of commitment basis of accounting to business owners as well as financial statement users.

**Second**, commitment basis accounting provides the business owner day-by-day monitoring of future cash flow requirements not otherwise available.

**Third**, legal commitments that do not constitute liabilities, are not included in the basic business financial statement reporting model (accrual basis balance sheet and income statement). Hence, the GAAP note disclosure requirement.

- ✓ **Tax (Cash) Basis Financial Statement.** For small business owners who report their taxable income on a cash basis, the related taxable income and deductible expenses are

merely an extension of the cash basis financial statement with adjustments for items such as depreciation.

- ✓ **GAAP Accrual Basis Financial Statements (Balance Sheet and Income Statement).** GAAP (accrual basis) financial statements are the standard external reporting requirement in the private (business) sector.
- ✓ **Tax (Accrual) Basis Financial Statement.** For small business owners who report their taxable income on an accrual basis, the related taxable income and deductible expenses are merely an extension of the accrual basis financial statement with adjustments for items such as depreciation.

## Data Integrity Protection Features

The New Approach has an arsenal of weapons designed to protect against breaches, both intentional and unintentional, to data being stored in the data warehouse. Some of these protective measures are voluntary, meaning we leave it up to the client to decide. Others automatically take place in the background.

- ✓ **Intelligence Reporting.** Business and accounting intelligence reporting has been around a long time. Put in very simple terms, intelligence refers to the retrieval of information for decision-making purposes.

Our focus with The New Approach is to provide assurance to the user that the accounting intelligence is accurate, complete, reliable, and understandable. We do this by keeping the accounting system simple to maintain, by protecting the integrity of the underlying data, and by being able to provide the accounting entity auditing and reporting tools to demonstrate on a regular basis that data integrity is intact.

- ✓ **Security.** The New Approach provides optional menu level access security.
- ✓ **Backup Protection.** The New Approach provides optional backup protection, including snapshot backup, compressed (zipped) backup, and offline backup storage. While backups are not required, they represent a critical part of NA's overall strategy to protect against fraud and embezzlement.
- ✓ **Full Chart of Accounts.** The New Approach will provide you with a complete chart of accounts for all accounting sub-systems, including the central accounting and reporting system, billing and accounts receivable, payroll, and GAAP.
- ✓ **Electronic-Based Internal Controls.** The New Approach introduces a whole new world of electronic-based internal controls you cannot find in other systems. It's our way of saying "Out with the old technology" and "In with the new technology."

The accounting and auditing professions, including academia, are still preaching the same old stuff because they do not have anything new. We are all about new reporting, new procedures, new technology. Our shift in focus to electronic-based internal controls is part of our overall effort to better protect against breaches to data integrity.

- ✓ **Regression Auditing.** The New Approach is deliberately designed to encourage regression auditing. That is, we believe it is important to re-create selected prior period

financial reports from the same original source transactional data used for the original report to provide assurance the data remains intact. This might include prior period bank account reconciliations and monthly financial statements provided to the oversight body or the business owner for a prior month.

- ✓ **Periodic (Monthly) Monitoring for Data Integrity Breaches.** The New Approach monthly data integrity monitoring procedures include numerous **reconciliation procedures** as well as **internal self-auditing procedures** which are relatively simple to understand and follow, and do not require any special knowledge of accounting or the accounting system.

## Central Accounting and Reporting Features

The New Approach was designed to satisfy ALL financial accounting and reporting needs and requirements for ALL businesses. Double entry accounting and GAAP accrual basis financial statements do not even come close.

- ✓ **Business Segment Accounting and Reporting.** The New Approach is designed not just for the accounting entity, but also individual business operating segments. Each business segment has full accounting and reporting capability. The accounting system's capabilities include the following:
  - Unlimited Number of Business Segments
  - Business Segment-Based Budgeting
  - Business Segment-Based Cash Basis Reporting
  - Business Segment-Based Budgetary Basis (Encumbrance) Reporting
  - Business Segment-Based GAAP Reporting (Balance Sheet and Income Statement)
- ✓ **Budgetary (Encumbrance) Accounting and Reporting.** The New Approach employs encumbrance accounting which is integrated into the financial accounting system. In fact, it is very simple to use, and opens the door to accounting intelligence you cannot imagine.
- ✓ **Electronic Cash Receipt Book.** The New Approach electronic cash receipt book is a huge first step in protecting the cash you collect, as well as reconciling book cash to bank cash.
  - Initial documentation for all cash receipts for internal control purposes
  - Electronic receipt book number tagging for internal control purposes
  - Electronic date stamp for bank deposit purposes and internal control
  - Specific identification of customer payments on accounts receivable vs. all other cash receipts
  - Specific identification of cash vs. checks for daily reconciliation purposes
  - Cash receipt printout for office use and a stub for the customer
- ✓ **Special Cash Receipting Procedures.** Cash receipt processing is basically the same for all receipts, but with minor variations depending on the type of receipt:
  - Over-The-Counter Cash Receipts
  - Online Direct Bank Credit Cash Receipts
  - Credit Card Payments
  - Remotely Collected Cash Receipts

- ✓ **Cash Receipt Processing – Starts with Cash Receipt Book Entry.** Cash receipt processing starts with the electronic cash receipt book entry. This initial entry identifies whether the cash receipt collected is 1) a customer payment on accounts receivable, or 2) a non-invoiced customer payment.

**Customer Payments on Accounts Receivable.** Cash receipts designated as customer payments on account will automatically appear in the Accounts Receivable entry screen as pending customer payments waiting to be processed.

**Non-Invoiced Customer Payments.** Cash receipts designated as non-invoiced customer payments will automatically appear in cash receipt entry screen as pending cash receipts waiting to be processed.

- ✓ **Cash Disbursement Process to Pay for Vendor Invoices (Accounts Payable).**

Paper Check Disbursements.

Non-Paper Check Disbursements – Electronic Checks.

- ✓ **Non-Cash Transactions – Non-Cash Treatment.** Non-cash transactions are, by design, accounted for separate and apart from cash transactions for internal control purposes. This reduces the risk that data breaches affecting cash will go undetected.

Non-cash transactions are stored in the data warehouse separate from cash, and separate from each other. Each non-cash transaction entry allows for a short comment to explain the purpose of the transaction for auditing purposes. We recommend a “Memo to File” where a more detailed explanation is needed.

Non-cash transactions include the following:

Inter-Business Segment Transfers

Cash Receipt Adjustments

Expenditure Adjustments

Encumbrance Adjustments

- ✓ **Period-to-Period (Continuity) Financial Reporting.** The New Approach has very sophisticated period-to-period (e.g., month-to-month, year-to-year) business segment-level financial reporting capability:

Cash Basis Financial Statement By Business Segment:

Business Segment Beginning Cash Balances

Business Segment Cash Receipts

Business Segment Cash Disbursements

Business Segment Ending Cash Balances

Business Segment Accounts Payable

Business Segment Outstanding Encumbrances (e.g., Purchase Orders, Contracts, etc.)

Budgetary Status Financial Statement By Business Segment:

Business Segment Beginning Uncommitted Cash (i.e., Unencumbered Cash)

Business Segment Budgetary Receipts (includes Cancelled Prior Year Encumbrances)

Business Segment Budgetary Expenditures

Business Segment Ending Uncommitted Cash

## Business Segment Remaining Budgetary Balance

- ✓ **Supporting Financial Reports.** Detailed financial reports are available that support virtually all monthly and year-end financial statements:

- Month-End Cash Balance Reports By Bank Account and Investment
- Cash Receipt Reports
- Cash Disbursement Reports
- Budgetary Receipt Reports
- Budgetary Expenditure Reports
- Accounts Payable Reports (Unpaid Vendor Invoices)
- Outstanding Encumbrances Reports (includes Purchase Orders and Contracts)

- ✓ **Detailed Inquiry Capability with Reporting Options.**

- Cash Receipts
- Purchase Orders
- Accounts Payable
- Checks (Paper and Electronic)
- Inter-Business Segment Transfers
- Cash Receipt Adjustments
- Expenditure Adjustments
- Encumbrance Adjustments

- ✓ **Form 1099 Processing and Reporting Capability.** Simple to administer.

## Banking Features

- ✓ **Cash Tracking.** Accurate and complete tracking of all bank accounts and all cash-equivalent investments (e.g., certificates of deposit).
- ✓ **ACH Customer Payments.** The Accounts Receivable module is designed to create ACH text files for submission to the ACH processor to electronically transfer customer payments from the customer's bank account to your bank account. Simple and quick to administer.
- ✓ **ACH Vendor Payments.** The Central Accounting module is designed to create ACH text files for submission to the ACH processor to electronically transfer payments to vendors from your bank account to the vendor's bank account. Simple and quick to administer.
- ✓ **Direct Deposit Paychecks.** The Payroll module is designed to create ACH text files for submission to the ACH processor to electronically transfer payments from your bank account to your employee's bank account. Simple and quick to administer.
- ✓ **Online Payments to Vendors.** The Central Accounting module is designed to create "electronic vendor checks" in instances where you make the payment online. An electronic check is virtually identical to a paper check electronically (i.e., in the computer). That is, in both cases, a check record is created in the system. But for electronic (online) payments, a pre-numbered paper check is not required, and not needed.
- ✓ **Monthly Bank Account Reconciliations.** Bank account reconciliations are designed to be conducted as of the end of each month. In actuality, bank account reconciliations can

be conducted as of any date. We discourage anything other than month-end reconciliations, except where there is a critical need to do so.

- ✓ **Monthly Cash Summary Report.** The Banking module provides a complete monthly summary of all cash belonging to the accounting entity, including bank accounts, cash-equivalent investments, and in-office petty cash and change.
- ✓ **Reproducible Reconciliations and Reports.** All bank account reconciliations and cash reports are reproducible, directly from the original source data entries, at any time, for audit protection purposes.
- ✓ **Banking and Central Accounting Integration.** The Banking and Central Accounting modules are uniquely integrated to make it possible to trace cash being reported “on the books” directly to banking records (e.g., bank statements). This allows simple and accurate verification of book cash using external records (bank records) for validation purposes.

This integration feature has far-reaching audit protection implications because Central Accounting is, in turn, integrated and reconcilable to all other modules, including Accounts Receivable, Payroll, and GAAP. The protection is inherent in the capability to verify the accuracy, completeness, and reliability of all cash transactions flowing to and from Central Accounting. This type of electronic internal control sophistication simply does not exist in any other comprehensive financial accounting and reporting system.

## Accounts Receivable Features

- ✓ **Service and Product Billing Capability.**
- ✓ **Unique Accounting Capability for Utility Service Businesses.** This is designed for businesses where customers are tied to specific “service addresses” and specific “utility services” (e.g., Mowing, Landscaping, etc).
- ✓ **Utility Billing Capability.**
- ✓ **Unlimited Number of Customers.**
- ✓ **Unlimited Number of Service Addresses.**
- ✓ **Unlimited Number of Utility Services.**
- ✓ **Unlimited Number of Utility Rates for Each Utility Service.**
- ✓ **Multiple Service Addresses Can Be Assigned to a Single Customer.**
- ✓ **ACH Customer Payment Capability.**
- ✓ **Customer Level Pay Option.**
- ✓ **Customer Payment Processing that Starts with Electronic Cash Receipt Book Entry.**

✓ **Multiple Billing Formats:**

Card Billings  
Letter Size Sheets for Use with Window Envelopes  
Email Billings

- ✓ **Different Billing Formats Can Be Used for Different Groups of Customers.**
- ✓ **Monthly Accounts Receivable Report for Reconciliation and Internal Control Purposes.**
- ✓ **Monthly Customer Payment Report for Reconciliation and Internal Control Purposes.**
- ✓ **Billings Register Reports.**
- ✓ **Billing Exceptions Report for Monitoring Possible Billing Errors.**
- ✓ **Delinquent Accounts Processing System with Delinquent Notices.**
- ✓ **Customer Payment Processing Integrated with Central Accounting System to Convert Payments to Format Required by Central Accounting.** Accounts Receivable uses a very sophisticated process to allocate customer payments to the appropriate utility-related business segment. These allocated amounts are then posted to Central Accounting as cash receipt entries.
- ✓ **Sales Tax Clearing Subsystem.**
- ✓ **Customer Deposit Clearing Subsystem.**
- ✓ **Penalty Collection Clearing Subsystem.**
- ✓ **Generally, all reports and features are designed to support a simple, efficient, reliable, and full-featured accounts receivable and billing system in accordance with commonly accepted accounting principles.**

## **Payroll Features**

- ✓ **Full-Featured Payroll System, Fully Integrated with Central Accounting.** NA's payroll module is easily the most sophisticated payroll system ever developed. And yet, at the same time it is so simple to administer a non-accountant can maintain it with minimal assistance from technical support.
- ✓ **Unlimited Number of Employees.**
- ✓ **Employees of All Business Segments Completely Accounted for in One Payroll System. Employee Payroll Costs Easily Shared Between Business Segments.** Simple to administer.
- ✓ **Unlimited Number of Payroll Benefits and Deductions.**
- ✓ **Up to Nine Miscellaneous Benefits and Deductions Per Employee in Addition to**

## Standard Benefits and Deductions.

- ✓ **Accommodates a Salary Per Pay Period, Wages Per Hour, Or Any Other Dollar Amount Per Unit.**
- ✓ **All Federal Tax Rates and Withholding Tables Updated Automatically Annually.**
- ✓ **All State Payroll Tax Information Such as Income Tax Withholding Rates and Allowance Amounts Can be Updated By the User, But Most Will Be Supplied Automatically.**
- ✓ **Direct Deposit Option Available.**
- ✓ **Unique and Sophisticated Payroll Adjustment Feature to Make Corrections to Prior Paychecks Issued in the Current Year.**
- ✓ **Employee Leave Maintenance Capability with Options to Include Balances on Paycheck Stub.**
- ✓ **Gross Pay Is Tracked at Six Different Levels and Included in Pay Detail Report.**
- ✓ **Payroll Benefit and Deduction Remittance Reports Identifying Remittance Amounts and Related Vendor.**
- ✓ **Payroll Costs Automatically Converted to Cost Format Required By Central Accounting.** This includes an automatic breakdown by Business Segment.
- ✓ **Payroll Clearing Subsystem.** The Payroll Clearing Subsystem serves multiple purposes. First, this feature provides assurance that the payroll costs are consistently charged to the intended Central Accounting business segments from paycheck to paycheck. Second, it provides assurance that payroll tax remittances are being paid, and paid the correct amounts. Third, it is a huge time-saver. You cannot help but appreciate this feature, especially if you have never used a Payroll Clearing Subsystem.
- ✓ **Payroll Processing Integrated with Central Accounting System to Convert Payroll Costs to Central Accounting Business Segment Expenditures.** These expenditures are recorded as inter-Business Segment transfers from the “paying” Business Segment (i.e., Business Segment that is charged a portion of the payroll cost) to the Payroll Clearing Subsystem.
- ✓ **Form 941 Quarterly Information Report.**
- ✓ **W2 Report and Form Printing Capability.** We will provide you with W2 and W3 forms. Alternatively, we can show you how to use the W2 report to enter W2s online.

## GAAP (General Ledger) Financial Reporting

- ✓ **GAAP (General Ledger) Module – Primary Financial Statements Are the Traditional Accrual Basis Balance Sheet and Income Statement.**



- ✓ **Central Accounting “Cash Basis” Trial Balance Is the Starting Point for Period-End (e.g., Year-End) Adjusting Entries.**
- ✓ **Maintains PPE Records (Plant, Property, & Equipment), Including Depreciation Schedule.**
- ✓ **Maintains LTD Records (Long-Term Debt), Including Principal and Interest Payment Requirements.**
- ✓ **Our research indicates the number of adjusting entries needed to prepare GAAP financial statements using The New Approach technology is less than one-tenth of one percent of the total number of double entry postings that might otherwise be required for all journal transactions using the traditional double entry posting process common to all other comprehensive financial accounting and reporting systems.**
- ✓ **Our GAAP (General Ledger) technology is simple, efficient, accurate, complete, reliable, understandable, and auditable.** Technology does not exist that provides a smoother path to GAAP accrual based financial statements than directly from the original source transactional data entries, such as those recorded in Central Accounting, using The New Approach technology.

**Important:** This GAAP general ledger technology is largely made possible with the creation of the “cash basis” trial balance that serves as the equivalent of the traditional “unadjusted trial balance.” The “cash basis” unadjusted trial balance is created in a matter of seconds using an automated procedure.

This is in sharp contrast to the traditional unadjusted trial balance created in all other accounting systems, all of which employ double entry accounting. The “traditional” unadjusted trial balance is basically a summarized version of all general ledger accounts which include the postings of all journal transactions.

- ✓ **“Cash Basis” Trial Balance – The Game Changer.** The technology behind the creation of the “Cash Basis Trial Balance” has an enormous impact on financial accounting, financial auditing, and financial reporting that borders on the unimaginable. It contributes significantly to the overall benefits made possible with The New Approach:

#### **Impact on Financial Accounting.**

All financial transactions are recorded and stored in single entry format and in various independent and integrated financial accounting subsystems, each subsystem having its own special function and reporting capability.

The 500-year-old double entry procedure of recording journal entries and posting them to the general ledger is completely eliminated.

The transformation from complex double entry accounting procedures to the simple and efficient recording of all financial transactions in single entry format is what we mean by unimaginable.

**Impact on Financial Auditing.**

All transactional data stored in the data warehouse is subjected to rigorous auditing procedures before it is ever used to prepare financial statements. These procedures are taking place daily, monthly, and annually. Some are electronically embedded in the software and work in the background. Other procedures require user intervention, such as month-end reconciliations.

The New Approach provides an optional internal audit function we refer to as the Risk Analysis. We suggest using the procedure periodically – monthly, quarterly, or even annually. This fraud-protection feature is particularly critical for small entities that are not otherwise subjected to an audit conducted by an external independent auditor.

All of these audit-related protective measures are simple to implement and negligible in cost, but very effective in the prevention and detection of data integrity problems. This is what we mean by unimaginable.

**Impact on Financial Reporting.**

The financial reporting capability of The New Approach speaks for itself. The fact that so many different types of financial statements can be prepared using different bases of accounting is noteworthy in itself. But to create such accurate, reliable, and auditable statements at relatively minimal cost emphasizes what we mean by unimaginable.