

Hey! What's New? 2024-103

How CPAs Can Bring Order to A Disorderly World

According to an article in the Journal of Accountancy, written by C. Christina Ho, CPA, a tech-savvy vision will help accountants use their skills to generate data, analyze problems and instill order that begets trust.

Accountants have been innovators and problem-solvers since the beginning of civilization, Ho writes. "The core function of the accounting profession has always been about discerning and reporting the truth, which can transcend chaos and lead to solutions. A good accountant can methodically decipher a complex problem such that it can be understood and solved."

Unfortunately, she says, "we have a trust problem. The lack of trust destabilizes our ability to solve problems, as people cannot even agree on the nature and extent of the various problems. For example, corporations are increasingly wrestling with the need to account for intangible and indirect events that may have a positive or negative material effect on their finances."

Ho advises that optimizing information for the intended use requires a multidisciplinary approach by applying expertise in:

1. **Data:** Humans have been creating, validating, analyzing and interpreting data since the invention of writing. The "ordering" of data enables the extraction of insights for decision making and problem solving — skills that are at the heart of accounting.
2. **Process:** Accountants are trained to focus on internal controls and are often experts in understanding the underlying processes that create data and facilitate business transactions. Process enables repeatability, consistency, and predictability.
3. **Finance:** All problems and risks need to be consistently broken down and measured in terms of their financial impact. Accountants can translate these risks into comparable and trusted financial measures for strategic decision making and problem solving.

She notes that "technology influences and enables the integration of these three domains. In other words, technology is essential for helping accountants bring order to a disorderly world and build trust in the problem-solving process. For example, accountants can use artificial intelligence (AI) to process and analyze data at unprecedented speeds. Innovative technologies, such as process mining, help accountants analyze and validate processes efficiently and automatedly. AI can also be used to automate processes, predict risks and detect fraud."

The accounting profession is at a pivotal moment, she warns, "given the precarious trust environment, rapid technology advancement and talent shortages. We can either maintain the status quo and risk becoming irrelevant, or we can be bold and lead the way in solving complex problems by using the most important skill all accountants are trained to have — understanding the data to discern the truth. To realize this bold vision, we need every accounting practitioner to drive changes in this profession."

Specifically, she points out, collaborative and consistent effort is required in five main sectors:

1. **Corporate (audit committee chairs/members and directors/CFOs/controllers/internal auditors):** Focus on (1) driving data standards within each company and across the industry

when feasible; (2) driving innovation to automate routine tasks and increase productivity; and (3) engaging stakeholders publicly when breaking down problems and making data-driven decisions to the extent possible.

2. **Public accounting (firm leadership):** Adopt data-centric audit approaches and use technology to improve audit quality; train staff to be thinkers and problem-solvers in addition to being task executors.
3. **Academia (accounting faculty members):** Develop accounting students' data analytic skills and technology aptitude. Publish more research on the accounting profession's contribution of novel ideas for using data and technology to improve financial reporting and auditing.
4. **Government (financial executives):** Commit to a data-centric and user-centered approach when developing and operating new financial management programs. Implement data-driven initiatives to improve efficiency and effectiveness of government programs.
5. **Regulators/standard setters:** Proactively develop feasible and cost-effective policies and standards that help enable the responsible use of rapidly evolving technology within the accounting and auditing professions.

Ho believes that “it will take time to turn this vision into reality, but collectively this profession has the ingenuity, influence, and intellect to make it materialize. I look forward to the day when accountants are innately regarded as decoders of complex problems, arbiters of facts, cultivators of order and solutions and, ultimately, trust builders.”

Learn more at [How CPAs can bring order to a disorderly world \(journalofaccountancy.com\)](https://journalofaccountancy.com).