CPA The Ohio Society of Certified Public Accountants

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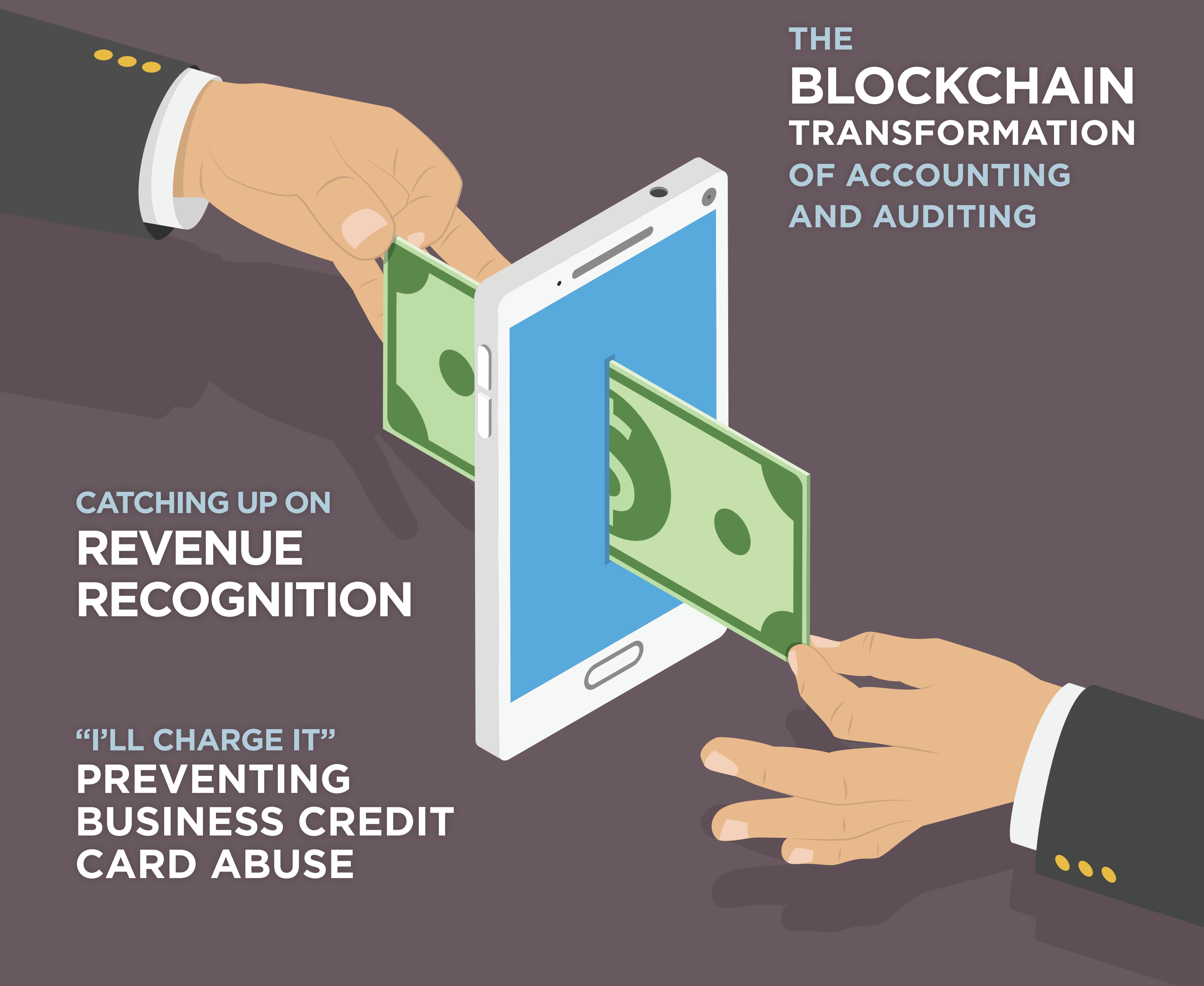

THE BLOCKCHAIN TRANSFORMATION OF ACCOUNTING AND AUDITING

CATCHING UP ON REVENUE RECOGNITION

"I'LL CHARGE IT" PREVENTING BUSINESS CREDIT CARD ABUSE

THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

"How do I make my practice more profitable and more relevant to my clients?"

by Dr. Chandra Bhansali, Co-founder and CEO, AccountantsWorld

This is perhaps the most acute strategic challenge facing professional accountants like you. Most firms spend over 80% of staff time on core services like tax, accounting, audit and payroll. These are all either compliance services, or services that are considered commodity services by clients. That makes it very difficult to "price your way to success" by raising rates on those services. Moreover, the fees that you and your peers have traditionally charged for these services have already set a precedent in the minds of your clients. That's naturally going to be very hard to change.

So if greater profits aren't achievable simply by changing our rates, what's the alternative?

Fortunately, there are simple techniques that virtually every CPA firm—large or small—can use to make their practices significantly more profitable. And you can accomplish this growth without increasing your fees, or adding any clients or staff. What's more, you'll also become a better advisor to your clients' businesses while you're raising your bottom line.

To learn how you can accomplish this, let's first accept a surprising reality of the digital age that we live in: the lack of correlation between value and price.

The common notion is that the price anyone pays for a product or service reflects its value in the buyer's mind. But today, companies such as Google and Amazon charge commodity prices, or even nothing, for highly valuable services. And they've become highly successful by doing so.

The common thread among all these companies is that they all used the cloud in innovative ways to defy conventional wisdom. What this means for you, the accountant: by using the cloud innovatively, you can convert commoditized accounting and payroll services into greater profits.

How to make accounting more profitable

Accounting is dominated by "Do-It-Yourself" software sold directly to small businesses. This model creates inefficiencies, making accounting a low profit-margin service. The only way to make accounting highly profitable for you, and make your services more relevant to your clients, is to put you – the accountant - back in the driver's seat. That's what we call an **Accountant-Centric** approach.

A professional system based on this Accountant-Centric approach provides everything you need for your professional work—write-up, trial balance, customizable financial statements, and analytics—along with a complete GL system for you and your clients. For clients who'd like to offload all their accounting work, your firm can now offer high-margin Client Accounting Services, including bill payments, bookkeeping, monitoring cash flow, and preparing financial statements. And you can do it all right from your office.

High-margin, headache-free payroll

Until recently, service bureaus monopolized payroll services, thanks to their unparalleled access to cutting-edge computing power. Now, accountants have access to the same level of processing power in the form of highly automated payroll systems. Accountants no longer have to worry about doing direct deposits, paying payroll taxes, filing payroll tax returns, or paying child support or garnishments. Advanced payroll systems can handle all of these automatically, electronically, and on time, with 100% accuracy. Since the cost of processing payrolls is so low, most of your payroll processing revenue goes right to your bottom line, making payroll processing a highly profitable service.

If you're dissatisfied with your firm's current level of profitability – and relevance to clients – now is the time to re-assess your software and processes. You can build more sustainable value for your clients – and your firm too.

About the author:

Dr. Chandra Bhansali (CBhansali@AccountantsWorld.com) is the Co-Founder and CEO of AccountantsWorld, a leader in cloud-based accounting and payroll solutions for accountants. Learn more at AccountantsWorld.com.

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a word from our CEO

Closing the skills gap…whose responsibility is it?

If you attended a fall Advance session or recent learning event, you know that our team has been developing content and education around topics such as data analytics, blockchain and other technology applications for CPAs.

That's been very intentional. We talk with members every day—new, mid-level and senior professionals about their top business and career challenges. Keeping pace with changing technology is always mentioned as both a top opportunity and concern.

Those same conversations then naturally move to finding qualified talent and to the graduate skills gap.

We've spent a lot of time sifting through surveys and other information and trying to wrap our heads around whether the gap is real or perceived. We've talked with CPAs in industry and firms and to educators who are preparing today's graduates for tomorrow's entry level roles.

It's been an interesting journey as we think about how OSCPA and the profession can work together to equip graduates to be relevant in an environment that changes virtually overnight.

Here's what we know:

The skills gap in entry level accounting and finance recruits isn't new. But we're hearing more about it as tools like data analytics and automation are moving swiftly into the front line of accounting and auditing practices.

An Accenture Survey estimates robotics could automate or eliminate 40% of basic accounting work by 2020. One of the top three concerns expressed by Ohio CPAs this year was learning new skills.

A 2014 survey of finance and HR professionals revealed that entry level job requirements have become more sophisticated and that skills employers listed as necessary aren't those considered to be traditional entry-level skills. Among them: leadership, planning, budgeting, forecasting, and strategic thinking and execution.

The study, a partnership of the American Productivity & Quality Center and the Institute of Management Accountants, is backed up by a recent Robert Half Survey of 2,100 CFOs of U.S. companies. It found CFOs consider general business knowledge as the most-valued non-accounting skill in new recruits, followed by information technology, communication skills, leadership abilities and customer service orientation.

The evidence is clear that employers want grads to have a deeper skillset. The revised CPA exam has started to address some of these business needs. And Ohio educators are largely on board and working to evolve accounting education to make sure graduates' skills meet business expectations. That could take some time, however.

In the meantime, there are ways to keep the process moving with innovative partnerships. KPMG launched a program in 2016 with The Ohio State University and Villanova University to develop a specialized data analytics curriculum for masters of accountancy students. It pairs classroom training with real-world application during a KPMG internship.

OSCPA is currently working on a multi-phase accounting workforce development program, as well. We are casting a wider net to attract more students to the profession. In addition, we've pulled together a group of educators, CPAs and talent directors to start defining talent gaps in Ohio graduates. Our research is in the early phases, but we know that students and young CPAs think they are more prepared than employees say they are.

We're also exploring where the responsibility lies in closing the gap—with educators, the businesses who hire graduates, or both. We believe there are multiple options that could make sense. Stay tuned as we work through these discussions.

One thing we all can be certain of is that business and technology won't wait for the profession to catch up. We must work together to ensure our graduates get the training they need to grow into strategic roles and tomorrow's financial leaders. The reputation of the profession depends on it.

Scott D. Wiley

THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

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Catching up on revenue recognition

By Laura Hay, CPA, CAE

The implementation date for new revenue recognition requirements is rapidly approaching – what should an organization do if it is underprepared?

Since the May 2014 issuance of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* businesses have been assessing its requirements and applicability to their revenue models.

"The standard doesn't discriminate based upon size or scope of an organization," noted Nick Lombardo, CPA, audit senior manager at Schneider Downs. "With a year or more before the effective date, some private companies are assuming that the ASU may not apply to their operations, implementation won't be a 'big deal,' or that they can rely upon the auditors for implementation. Ultimately, it's going to require some work for most, so starting sooner rather than later is strongly encouraged."

The revenue recognition standard applies to most companies that receive revenue from contracts with customers, including public, private and not-for-profit entities, with limited exceptions. In implementing the standard, entities need to take the following actions:

- Identify contracts with customers
- Identify performance obligations in the contracts
- Determine transaction prices
- Allocate transaction prices to performance obligations
- Recognize revenue when the entity satisfies a performance obligation

The new standard seeks to eliminate variations in the former transaction- and industry-specific revenue guidance in favor of a more principles-based approach to revenue recognition.

Entities that have not yet addressed the standard need to begin immediately. What steps should be taken now?

1. Allocate resources

"Understanding the rules can be time-consuming, and waiting for the audit is too late," said Lombardo. Companies should determine whether they have sufficient expertise and resources in-house, or if they need to engage a

partner to assist them with implementing the new rules. If a company decides to undertake the implementation internally, they need to ensure they understand the standard thoroughly.

2. Assess applicability

Organizations need to quantify their revenue streams and types of contracts to which the standard applies.

3. Develop an implementation plan

A project plan should be in place up-front, including milestones and timelines for implementation. For the organization that's unsure where to start, identifying a good partner might be most critical in the planning, rather than implementation phase.

4. Identify data and technology requirements

With more robust disclosure requirements, companies need to ensure that required data elements are being gathered and systems are in place to provide the necessary reporting.

5. Establish documentation and controls

With more requirements for estimates and management judgments in the standard, organizations need to determine how they will assess, document, and establish go-forward controls so that the rationale for judgments is captured, consistent, and auditable. Determine whether accounting policy changes are necessary and develop contract management processes to reduce risks.

6. Evaluate impact on other areas of the business

Evaluate whether changes in revenue recognition impact existing contracts, metrics, commissions, or compensation plans. Ensure that corporate governance and external stakeholders are informed as appropriate.

Challenges

Lombardo noted that some of the more frequent implementation challenges entities are experiencing include:

- Collecting the necessary data needed for the new disclosures.
- Assuming incorrectly that the standard doesn't apply to certain environments, like not-for-profit, or a certain revenue stream of the organization that is presumed to be

too insignificant. While that may be true, the auditors will need to see documentation of that assessment.

- Involving all relevant departments in the organization, including contract administration and tax.
- Finding the right resources, whether internal or external.
- Recognizing that internal resources need to obtain sufficient training to accept management responsibility for the changes.

"Obtaining the training up-front to learn what everything in phase 1 means, dedicating the right resources, and having a well-thought-out project plan will prevent problems down the road that could have costly impact," Lombardo said.

Effective date

The Standard is effective for public organization annual and interim reporting periods beginning after Dec. 15, 2017. For nonpublic organizations, the effective date is for annual reporting periods beginning after Dec. 15, 2018 and interim periods beginning after Dec. 15, 2019. Early application is permitted, but not prior to the original public organization effective date (Dec. 15, 2016).

Entities may elect full retrospective adoption, with the requirements applied to all prior reporting periods presented, or modified retrospective (cumulative effect at date of adoption,) with additional disclosures of the impact in the year of adoption.

FAST FACTS

1. The revenue recognition standard applies to all companies that receive revenue from contracts with customers, including public, private and not-for-profit entities.

2. The new standard seeks to eliminate variations in the former transaction- and industry-specific revenue guidance in favor of a more principles-based approach to revenue recognition.

3. Some of the challenges in implementation are collecting the necessary data for the new disclosures, involving all relevant departments in the organization, including contract administration and tax.

tax developments

The new IRS centralized audit procedures for partnerships

By Michael Bowman, CPA

Partnerships provide flexibility and other operational, legal and tax benefits for companies large and small. Financial executives and entrepreneurs often utilize partnerships when reshaping an existing legal structure or starting a new business. Likewise, investors and financiers often select partnerships as investment vehicles or holding companies.

The volume and complexity of partnership filings has increased over time. In response, the Department of the Treasury (Treasury) and IRS have changed the manner in which partnership tax filings are examined, required audit adjustments are made and tax due is collected.

Prior to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and the electing partnership rules, when a partnership was selected for audit, the assigned IRS examination agent or team would audit every partner in the entity individually, which was costly and time consuming. The TEFRA and electing partnership rules were written to streamline IRS examinations by providing that certain items could be reviewed at the partnership level while other needed adjustments could be pushed down to the affected partners.

Despite efficiency gains, this approach can be problematic because every partner in a partnership has a different set of circumstances (e.g., statutes of limitation, tax status, etc.) and a profile mix can create inconsistent treatment and outcomes for partners. Large partnerships and multi-tiered partnership structures also created challenging workloads for regulators because of the layers of modifications, tax notices and tax assessments.

These issues have made it hard to scrutinize large partnerships. The IRS audit rate of large partnerships, for instance, is less than one percent. By comparison, in 2012, 27% of large corporations were selected for audit[1]. That discrepancy distorts the legal entity selection decision and can drive down tax revenue for the federal government. Taxpayers, tax practitioners and some regulators have also criticized the TEFRA and electing partnership rules because of their complexity and rigor.

The ongoing dialogue on the topic and desire to increase government revenues led to the centralized partnership audit regime concept enacted by section 1101 of the Bipartisan Budget Act of 2015 and amended by the Protecting Americans from Tax Hikes Act of 2015. The Treasury staff believe the regime will streamline examinations and make collecting tax easier for the IRS. Time will tell whether taxpayers view the new rules similarly.

The guidance issued by the Treasury to implement this legislation was first proposed in January 2017, but not published in the Federal Register because of President Trump's regulatory freeze. The Treasury re-issued the proposed rules (REG-136118-15) on June 14 and solicited comments from taxpayers and practitioners in advance of a public hearing that took place on Sept. 15 in Washington D.C. The final rules are generally expected to be similar to the proposed rules.

The new regulations and regulatory framework is effective for all years beginning after Dec. 31, 2017, (early adoption is possible). Under the default rules of the centralized partnership audit regime, the partnership is liable for an imputed underpayment of tax based on adjustments made at the entity level. This is a significant deviation from current law and administrative procedure that treats partnerships as mere reporting agents rather than taxpayers.

In certain cases, the new audit regime's imputed underpayment calculation could create higher tax liabilities than the existing rules, which mandate that the IRS determine each partner's share of entity- level adjustments and compute tax at the partner level. To avoid such scenarios, partnerships can elect general modification procedures and amend tax returns. The rules also give additional authority to the IRS to adjust imputed underpayments. The proposed rules suggest that, "Where all partners amend their returns taking all adjustments into account, the IRS, the partnership and its partners have effectively mirrored the result of a TEFRA audit, including the final partner-level computational

[1]REG-136118-15, June 2017

adjustments."[2] Partnerships can also make a "push-out" election to avoid the default rules and mitigate proposed adjustments liabilities.

There are certain "eligible" partnerships that will be able to elect out of the general or default rules, but they must have 100 or less "eligible" partners[3]. The rules define "ineligible" partners and provide special rules for S Corporations that taxpayers will need to review and monitor closely. Eligible partnerships will elect out of the general rules by making an annual election on a timely filed tax return.

The new rules also replace the Tax Matters Partner designation with a Partnership Representative ("Representative") role. If the partnership does not have a Representative, the rules provide that the IRS can select the Representative and prohibit the partnership from selecting a new Representative without IRS consent. The new rules give the Representative sole authority to act on behalf on the partnership and make all decisions in relevant matters. Taxpayers should give serious consideration to updating partnership agreements to require that the Representative seek the consent of other partners before making binding decisions about adjustments, elections and other related matters.

The significant changes outlined in the new rules have prompted lengthy comments from tax practitioners. The Ohio Society of CPAs Federal Tax Committee submitted comments on the rules. In a comment letter sent to members of the House Committee on Ways and Means and the Senate Committee on Finance in July, the Section of Taxation of the American BAR Association asked for a delay in the implementation of the new rules in part because "virtually every partnership in the United States, including other types of business entities treated as partnerships for federal tax purposes, will need to amend its partnership agreement to address the important changes in the regime." A member of the AICPA also rendered testimony at the public hearing and outlined various technical recommendations.

The significant changes outlined in the new rules will also require that state legislatures and tax departments determine how best to approach the central audit regime.

Until the final regulations are released, the full impact of the new rules on taxpayers cannot be fully known. It is clear, however, that partnerships should review the proposed rules now and begin reviewing partnership agreements in consideration of the various elections and other nuances of the new rules. Partnerships should also work with their auditors to fully consider the implications of the new rules on ASC 740 reporting.

Michael Bowman, CPA, is a senior manager at Schneider Downs.

FAST FACTS

1. The Treasury and IRS have changed how partnership tax filings are examined because the volume and complexity of partnership filings has increased.
2. The ongoing dialogue and desire to increase government revenues led to the centralized partnership audit regime concept enacted by the Bipartisan Budget Act of 2015 and amended by the Protecting Americans from Tax Hikes Act of 2015.
3. The new regulations and regulatory framework is effective for all years beginning after Dec. 31, 2017. The significant changes outlined in the new rules have prompted lengthy comments from tax practitioners.
4. Until the final regulations are released, the full impact of the new rules on taxpayers cannot be fully known.

[2]REG-136118-15

[3]Reg. §301.6221(b)-1(b)(1), Reg. §301.6221(b)-1(b)(3)(i)

business
& industry

"I'll charge it!" Preventing business credit card abuse

Understanding the importance of adequate internal controls in preventing business credit card abuse

By Frank Suponcic, CPA, CFE, CFF

Many of our recent cases have involved one common theme—business credit cards were abused by executives and sales representatives. Deficient internal controls and lax supervision enabled these individuals to enrich themselves at will. Being asked by a client to examine their credit card policy or to audit employee's credit card charges and/or expense reports is a common request.

Our first-hand experience witnessing the increase in corporate credit card abuse pales in comparison to a recent case where a drug company executive and his escort managed to spend a whopping $5.8 million of unauthorized charges in a mere 16 months. (We have worked embezzlement cases involving millions of dollars of theft, but the time span of misconduct usually exceeded three to four years.)

I jokingly (emphasis on *jokingly*) advise attendees in my fraud presentations that if they intend to embezzle, they should make it worth their while by ensuring there are at least six zeros attached to the crime. In my mind, stealing $5.8 million over 16 months (that's an average of $362,000 worth of charges per month) truly defines the phrase "power shopping"—albeit in the context of criminal theft.

But how can an executive incur such a large amount of monthly credit card charges and get away with it for so long? I'll go out on a limb and say that no one back at the shop reviewed the credit card statements, and instead simply paid the executive's credit card bill each time it came due. That's a costly mistake!

In this case, if the company's accounting department reviewed all those credit card statements, they would have seen more than $600,000 in purchases for clothing and accessories; more than $550,000 spent on home décor; and another $250,000 spent on health and beauty-related products and services—including plastic surgery. To highlight the absurdity of this case, moving the escort's potted plants from Illinois to California cost the company *$24,000*.

With the help of her executive lover, the escort was planning to open a spa in her new 6,500 square-foot house in San Diego. All of these expenditures, if adequately substantiated, should never have been approved, let alone paid unless they were charged to the employee's loan account (provided that such a business/employee relationship existed). In addition to the outlandish expenditures listed above, there were excessive charges for travel, lodging and entertainment – all of which are common and necessary business expenditures – so long as they are incurred for legitimate business purposes and within the boundaries of the company's travel and entertainment policy.

Corporate credit cards are a reality in nearly every business. However, I am a staunch advocate of requiring employees to use their personal credit cards and adequately substantiate the expenditure (i.e., provide receipts and clearly state the business purpose) to the company that would, in turn, reimburse the employee. This approach enables the company to avoid reimbursing the employee for unauthorized or unsubstantiated expenditures. Accordingly, that employee is then left with the responsibility of having to make the balance of the credit card payment from personal resources. This method also serves to quickly correct unacceptable credit card charging behavior on the part of those who regularly fail to provide actual transaction receipts.

Examining credit card statements and the attached charge slips can be time-consuming for many accounting clerks. And before we go any further, a credit card statement alone will not pass adequate documentation requirements for the IRS or the state of Ohio (i.e., Use Tax).

Ask yourself: Does everyone in your company know the company's policy with regard to what an allowable charge is and how to properly document the charge? This is where investing the effort in compiling and implementing a detailed travel and entertainment policy becomes a valuable undertaking. Some companies do not permit alcohol, strip club entertainment, gambling, and even spouses to travel with employees on business. Other companies require employees to stay at certain hotels and establish dollar limits on client entertainment meals, airfare, auto rentals or accommodations.

Below are four strategies for helping to prevent business credit card fraud:

1. Require substantiation for all credit card charges.
2. Establish a comprehensive travel and entertainment policy (in conjunction with your credit card policy).
3. Require that all credit card statements and documentation be reviewed by internal accounting personnel. You can even use the resources of an outsourced internal auditor.
4. For those employees who habitually fail to provide adequate substantiation, you should take away their corporate card and require them to manually submit expense reports with the required documentation.

Corporate credit cards are a tool provided to employees. They are not a benefit—nor are employees entitled to them. Most employees use corporate credit cards in compliance with the business's rules and regulations and would never think twice of using the card for a personal purpose. Rather, it's the employee who is a noncompliant renegade who "pushes the envelope" that compels diligent companies to remain on the alert.

If you require assistance in implementing a plan to prevent employee misconduct, or if you believe that your company may have been a victim of unauthorized financial activity by a dishonest employee, please call Frank A. Suponcic, CPA, CFE, CFF in the Skoda Minotti Litigation Support Advisory Group at ***440.449.6800*** *or email Frank at* ***fsuponcic@skodaminotti.com***

FAST FACTS

1. Deficient internal controls and lax supervision can lead to business credit card abuse.
2. Companies should compile and implement a detailed travel and entertainment policy to help
3. It's the employee who is noncompliant and thinks they are above compliance that companies need to watch out for.

CONCERNED CPA NETWORK
The Ohio Society of CPAs

Concerned CPA Network assets will carry on the mission

More than 10 years ago, I challenged The Ohio Society of CPAs to dedicate resources to a problem I experienced firsthand: chemical addiction and dependency.

Now, after helping numerous individuals take the first step to recovery, the Concerned CPA Network (CCN) is officially ceasing its work. The boards of The Ohio Society of CPAs and The Ohio Society of CPAs Concerned CPA Foundation voted unanimously to dissolve the Foundation after acknowledging that other organizations are better positioned to provide support to those struggling with addiction.

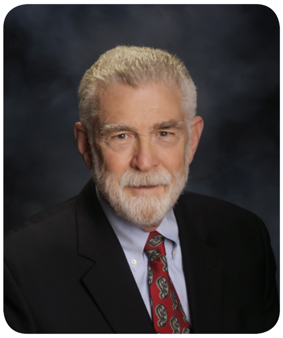
There's no doubt CCN made an important impact, and that would not have been possible without committed volunteers such as Greg Schade, CPA, CCN Task Force chair, who became the face of the Concerned CPA Network over the years. He, along with fellow volunteers, staffed conferences, answered calls and connected those reaching out for help with organizations who directly counsel and treat addiction. Volunteers also maintained contact with those individuals, serving as a supportive ear while they worked to put their lives back together.

Many Society members also supported the mission with their dollars. Your contribution touched the lives of others who might not have received the support they needed without you.

Thank you for making my challenge a reality.

CCN's remaining assets have been contributed to a not-for-profit entity with a similar mission. But the passion of our volunteers lives on, as does the need both in and beyond the CPA profession. If you or someone you know is struggling with addiction, please, do not be afraid to seek help.

I'm personally grateful to all who supported the Concerned CPA Network and encouraged our volunteers to continue this important work. You truly made a difference.



E. Lynn Nichols, CPA
Founder, Concerned CPA Network

THE BLOCKCHAIN TRANSFORMATION
of accounting and auditing

By Jack Shaw

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A short trip to the near future

As a professional technology futurist for the past 30 years, I've learned to heed the words of that great philosopher, Yogi Berra, who said, "Making predictions is very hard, especially about the future."

Nevertheless, I'm going to go out on a limb and make a few predictions about the future of the accounting and auditing profession. To understand how the roles of accountants and auditors will change, you need to understand how the world you'll be working in will change. So, please join me on a short trip to the near future.

In our first scene, a pre-teen needs orthodontic work. She and her parents don't just see the nearest orthodontist, or one a friend or relative recommends. Instead, they post an online request for proposals that can only be seen by registered orthodontists with offices nearby, and they receive several such proposals. Each proposal states their qualifications and a suggested treatment plan with costs based on the family's healthcare insurance plan. After speaking to a couple of orthodontists by phone, the young lady and her parents select one to meet with in person.

Once they've reviewed the treatment plan and payment schedule with the orthodontist, they authorize it via digital signatures through their smartphones. The family's insurance makes progress payments within 30 seconds of completion of each visit. The family makes co-payments using their airline frequent flyer miles. And no paperwork is ever required.

In our second scene, an aircraft is halfway across the Atlantic when it detects that a critical part must be replaced on arrival. The airline's advanced procurement system scans the internet to identify FAA certified providers of the required part. The system negotiates pricing, terms and conditions, selects a provider, and incorporates the terms into a legally enforceable, online "smart contract."

The part's design is then downloaded to a 3-D printer at the airport, and the part is waiting when the aircraft arrives.

In our third scene, a young couple is buying a new home. They first solicit offers from qualified mortgage providers by authorizing them to securely review their online credit histories. Each mortgage provider responds with approval for a home mortgage within a specified purchase price range.

The couple then "visits" houses via virtual reality and selects one they'll go to see in person. On their way, they request a title search, and ask each mortgage provider to propose a mortgage plan for this specific property. On arrival, they're delighted that the house is just as nice as they had thought.

They agree on a purchase price with the seller and select a mortgage plan. Because the title search has been completed by this time, they close the deal on the spot—again via digital signatures on their smartphones. No paperwork, no brokers, no attorneys.

And, no keys are even exchanged as the house and all its systems are now controlled via their own biometrics, such as fingerprints, voiceprints and retinal scans. What will make these extraordinary examples of innovation possible? Well, certainly a number of technologies come into play—3-D printing, virtual reality, biometrics and more.

But one other technology runs through all of these examples. Many have already recognized that this technology is the most significant to emerge since the internet itself. This technology doesn't simply enable improvements in specific areas. It facilitates the digital transformation of entire business and social ecosystems. The potential applications of this exciting new technology extend across every industry—including accounting and auditing.

While this technology has been around for nearly a decade, most people have just heard of it in the past year or two. It's called blockchain. No less reputable a publication than The Economist magazine said this technology is the most important advance in recordkeeping since the invention of double-entry bookkeeping in Florence, Italy in 1494—more than 500 years ago.

When keynoting the Global Blockchain Week Conference in London earlier this year, I pointed out that wherever people, processes, businesses, government, or the social good requires proof of identity, of ownership, of transactions, or of contractual commitments, blockchain technologies promise to meet those needs with a degree of trust and integrity never before possible.

What blockchain does

How do blockchain technologies do that? Well, they do four important things.

First, they create a permanent, immutable, signed, and time-stamped record of identity, ownership, transactions or contractual commitments.

Second, they allow two or more entities—people, businesses or other organizations—to share this information on the Internet without having to rely on any one of the others or to pay a third-party service to be the master record keeper. This has huge implications for most industries because it eliminates the need for businesses that do nothing more than act as informational intermediaries.

Third, they provide complete transparency for all those so authorized to easily view or update that information.

And fourth, they provide essentially un-hackable security against those who are not authorized to change or even see that information.

Applications of blockchain

The first use case for the blockchain was the digital currency, bitcoin. In fact, blockchain technology was originally developed to enable this first, functional, digital currency. For more than eight years now, the bitcoin blockchain has been working, and billions of dollars of transactions have taken place. Yet, despite the efforts of the world's most cunning digital criminals, the bitcoin blockchain has never been hacked.

So, people quickly realized that if they can use blockchain for digital currency, they can also use it for other digital assets, such as: electronic medical records, 3-D printing design files, and real estate property deeds.

One of the items that can be stored on a blockchain is a smart contract. This is more than just a permanent record of a traditional contract created in a word processor. It's a dynamic contract that can enforce its own provisions. A smart contract is a computer program that runs on a blockchain and can control assets on that blockchain, track what has happened to date and respond to incoming information or events. For example, a smart contract could respond to the information that an orthodontic visit was completed by automatically transferring funds for a progress payment into the orthodontist's account from the healthcare payer.

Blockchain technology is already producing astonishing results. For example, last fall, I keynoted the Global Big Data Conference in Qingdao, a major port on the northeast coast of China. Coincidentally, the weekend before the conference, a ship arrived in Qingdao with a load of cotton being sold from a company in Houston to a buyer in China. Typically, in international trade today, processing the paperwork to transfer ownership and to pay the seller and the freight carrier takes approximately 10 days. In this case though, because the information was shared on the blockchain, ownership was transferred, and the seller and the freight carrier were paid in full in 10 minutes. And, I was able to tell my audience in Qingdao about it just three days later!

Partial List of Industries Impacted by Blockchain

- Accounting/auditing
- Construction
- Energy
- Entertainment
- Financial services
- Government/NFP
- Healthcare/life sciences
- Insurance
- Law/legal services
- Logistics/transportation
- Manufacturing
- Media
- Real estate
- Retail
- Supply chain
- Technology

The examples cited above are just a few of the industries impacted by blockchain. There are dozens more. Many of these industries have already formed formal industry blockchain consortia. And those consortia, in turn, have identified hundreds of use cases for blockchain technology.

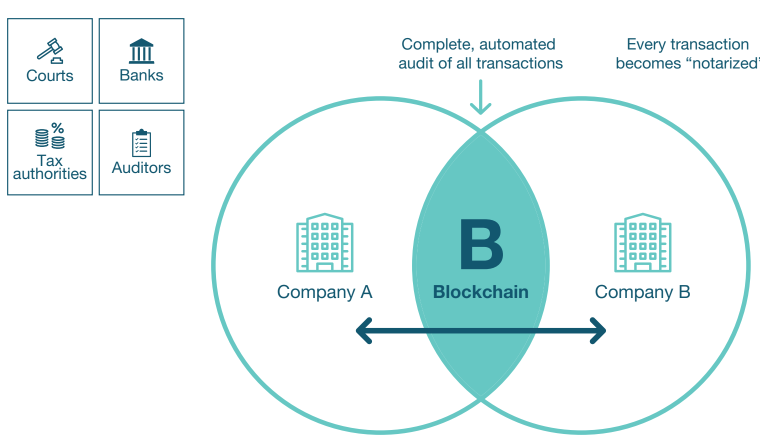
What blockchain means for accountants and auditors

Clients are making significant investments in advanced technologies. They expect accounting and auditing to keep pace. With blockchain, all of the participants in any given ecosystem can have shared ledgers of the details of every transaction that gives rise to accounting entries. The shared ledgers can be a single source of truth for every player.

They can also provide read-only access to authorized external entities such as regulators and auditors who can instantly and automatically verify and validate those transactions for reporting or other regulatory purposes. As a result, audits will become much more analytical, at least semi-automated, and even continuous.

This will have a huge impact on the accounting and auditing professions—both for CPA firms and for internal accountants and auditors. We're going to need to rethink how we manage the bookkeeping, accounting and auditing processes in our organizations. When

Fig. 1 – Blockchain technology enables complete, conclusive verification without a trusted party



Blockchain entry serves in both companies' accounting

you integrate blockchain, analytics and artificial intelligence, you can uncover anomalies in real time. You won't have to wait until the end of the month, quarter or year.

And, there will certainly be little need for people to paw through file cabinets or double check sample transactions to discover that there was a fraudulent transaction eight months ago. Material misstatements and financial irregularities could be uncovered and stopped as they occur, and in many cases, could be prevented entirely. Long gone are the days of the traditional green-shaded accountant, sitting and patiently cross-footing debits and credits.

There will still be jobs for human auditors, but the nature of those jobs is going to be very different. People will apply business analytics not only to manage risks but also to identify opportunities. Accountants and auditors who understand, monitor, and improve analytical and cognitive systems and processes are the ones who are going to thrive.

So the role is going to shift away from after-the-fact scorekeeping, which is going to be much more highly automated. Instead, accountants and auditors will design, monitor and tune business analytics. They'll oversee the automation of accounting and auditing, helping to develop and implement new systems. And, they'll continue to evaluate the underlying assumptions and estimates.

The really smart part of the work is going to become the most important part of the work. It's not going to require as many people, but the people that it requires will need to be much more skilled in their use of analytical tools of various types.

The impact on accountants and auditors will be very positive. Blockchain will enable changes that will improve auditor productivity and allow them to spend more time exercising their professional judgment. This will provide greater insights into trends in customer behavior, operations, and other key business factors—all of which will likely make the job much more rewarding.

What blockchain means for CPA firms

CPA firms, specifically, will need to ask themselves two key questions:

- How do we stay a step ahead of our clients and help them adapt to inevitable changes?
- How do we leverage emerging technologies to deliver more value more productively?

The answer in both cases starts with education about blockchain and its impact on accounting and auditing. Of course, you'll need a handful of experts, but that is not enough. Everyone will have to understand the basics.

In addition, you'll have to educate your clients. This is not just about advising your clients' financial organizations on changes to accounting and auditing processes. You'll also be expected to provide thought leadership to help their other C-level executives and senior managers understand the strategic implications of blockchain and related emerging technologies for their business.

If you think we've seen a lot of changes in our world in the 10 years since the first smartphones were introduced, you ain't seen nothin' yet! Driven by a host of emerging technologies, most importantly blockchain, we'll see more change in the next 10 years than there's been in the past 50.

To keep up, you're going to have to change. You'll have to change your mindset. You'll have to change your organizational culture. You'll have to change your business processes. You'll have to change your business models. You'll have to change your business ecosystems. That's a lot of change!

But, as the famed historian Henry Steele Commager said more than a century ago, "*Change does not necessarily assure progress, but progress implacably requires change.*"

Now is the time to embrace blockchain as a powerful new tool to help change your business, change the accounting and auditing profession, and change the world.

Jack Shaw is the executive director of the American Blockchain Council. He leads Blockchain Executive Seminars for CPA firms and their clients. Contact him at ***Jshaw@AmericanBlockchainCouncil.org***

FAST FACTS

1. Wherever people, processes, businesses, government, or the social good requires proof of identity, of ownership, of transactions, or of contractual commitments, blockchain can meet those needs.

2. A smart contract is a computer program that runs on a blockchain and can control assets on that blockchain, track what has happened to date and respond to incoming information or events.

3. Blockchain will require accountants and auditors to rethink how to manage the bookkeeping, accounting and auditing processes in organizations.

4. Accountants will need to educate themselves and their clients on blockchain and its strategic implications.

Career Center
feature

Avoid these 8 entrepreneurial time-wasters

Ask any veteran entrepreneur for tips on starting a business and time management will likely be near the top of the list. Your energy and creativity may feel limitless, but your time isn't. If you waste time on activities that are either tangential or irrelevant to your enterprise, you can never get it back.

Here are eight time-wasters to avoid for a more productive and efficient workday:

1. Being unorganized

If you come into work every day without a clear plan, the hours will fly by without anything to show for it. At the end of each day, assess the items that must be accomplished tomorrow. Assemble a list of priorities with the understanding that other urgent issues may come up later.

2. Procrastinating

Everyone has something they'd rather not do, but putting those tasks off for another time is the easy way out. Procrastination can easily become a persistent habit, resulting in overlooked items that *should* be addressed (until they grow into a full-fledged crisis). Set aside a dedicated amount of time to accomplish tedious, but essential, tasks and then focus on other matters.

3. Multitasking

We're all guilty of switching our attention from one task to another within minutes (or even seconds), but studies show that pausing to check social media accounts requires more time to refocus on the task at hand. Train yourself to set aside blocks of time to attend to individual projects without distraction.

4. Micromanaging employees

Business owners who fail to hire wisely often end up sacrificing valuable time overseeing workers' every move. If you find yourself in this situation, it's preferable to let go of employees who need hand-holding and recruit candidates with the experience and skills to work productively on their own, or get these employees the training needed to work autonomously. Micromanaging can also be a symptom of managerial inexperience; if an employee is up to the task and you're still micromanaging, recognize that your approach is stifling both the business' growth *and* the employee's growth. In this case, it may be time to take a management training course.

5. Calling unnecessary meetings

Any list of time management tips usually includes an admonition to cut down on needless meetings or impromptu conversations when essential tasks need to get completed. It's hard to say no to hallway chats, but unless some tangible benefit comes of it, recognize that it's wasted time.

6. Putting out fires

This time-waster is related to micromanaging, in that you're forever at the mercy of employees coming to you with urgent requests to fix a problem. Delegate these daily "emergencies" to the right people and reserve your time for focusing on strategic activities.

7. Checking social media

Maintaining an active social media presence is critically important to your brand, but that doesn't mean *you* have to be one responsible for making it happen. Assign a qualified employee to monitor and feed your social media accounts daily.

8. Overworking

Working around the clock is not an efficient use of your time. Long hours invariably result in sluggish, unfocused performance — and your health and your personal life will suffer as a result. Try not to bring work home with you, but when it's unavoidable, set aside a few hours away from the phone and laptop to recharge your batteries for tomorrow.

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Caitlin Maggio, Ohio Wesleyan University accounting student, diving with great white sharks on a trip abroad.

Adventures in accounting offer students new perspective

By Jessica Salerno, OSCPA content manager

A trip around the globe is an adventure some only dream about, but thanks to Caitlin Maggio's accounting studies it became a reality this past summer.

Maggio is a senior at Ohio Wesleyan University, and her visit to Australia and New Zealand was made possible by a proposal to OWU's Theory-to-Practice Grant program. The program gives funding from the university to support academic and community service initiatives of special interest.

"It was cool because we spent so much time doing things related to accounting, but we also got to learn and see so much in the area, and that was amazing," Maggio said.

Maggio traveled with another OWU student and accounting professor Justin Breidenbach, CPA, MAcc, CFE, to learn about the advantages and drawbacks of Australia adopting IFRS into their system. They met and spoke with different accountants about IFRS, went diving with great white sharks and visited sites like the Australian Treasury.

"When we went over there we had the idea their accounting was going to be completely different from ours," Maggio said. "But in reality, you pick up on little things so quickly it feels natural."

For Gabby Lowry, a freshman at the University of Cincinnati, her traveling was closer to home but just as eye-opening. She attended the NABA Central Region Student Conference Sept. 28-30 in Milwaukee.

"It was a great opportunity to talk to people who look like you in your major and going through the same things you are," Lowry said.

While there, she was able to take advantage of a career fair and attend informational sessions on what it's like to be in the accounting profession as a minority. She even left the career fair with leads on possible internships.

"It was great to see people who happen to be in positions of power," Lowry said. "They were telling us 'This is possible, this is how I got here. This is my journey, you can do it too. And I'll help you.'"

Trips such as these allow students to experience firsthand the world of opportunities in the accounting profession, whether it means learning a new accounting system or hearing the perspective of successful professionals.

Maggio will graduate in May 2018, and after an internship this past summer at BDO said she's looking forward to diving into the accounting profession even further.

"I definitely know I want to start in public accounting and take the CPA," Maggio said. "I want to see where accounting takes me."

The Ohio CPA Foundation benefits from The Big Give

We are grateful to those who made a contribution to the Foundation during The Big Give. This 26-hour giving rally held Oct. 10 and 11 raised $12,694 for The Ohio CPA Foundation from your generous contributions and The Columbus Foundation's record-breaking $1.4 million+ bonus pool.

The Big Give, presented by The Columbus Foundation and its corporate partners, raised a record-breaking $18 million in support of 906 nonprofits based in Central Ohio. Donations came from more than 30,000 donors in 49 states and seven countries.

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*For more information, please contact Karen West, CAE, executive director, at **kwest@ohiocpa.com** or **800.686.2727, x2235**.*

THE OHIO CPA FOUNDATION

Investing in the Future

members in motion

CLEVELAND

Charles P. Battiato, CPA, of Walthall CPAs was appointed to the Lakewood Catholic Academy board of directors.

DAYTON

Kurtis Campbell, CPA, has been named new managing partner at Brown & Campbell, Certified Public Accountants.

NEW PHILADELPHIA

Rea & Associates Inc., has announced its intention to merge in the Cleveland-based firm, Walthall CPAs, on Nov. 1, 2017.

WOOSTER

Charles S. Fast II, CPA, of Walthall CPAs was recently elected treasurer of the Kiwanis Club of Wooster.

new members and affiliates

111 new members and affiliates applied in **August**

40 new members and affiliates applied in **September**

The list of new members and affiliates is available on The Ohio Society of CPAs' website at **www.ohiocpa.com/quick-links/about-oscpa**

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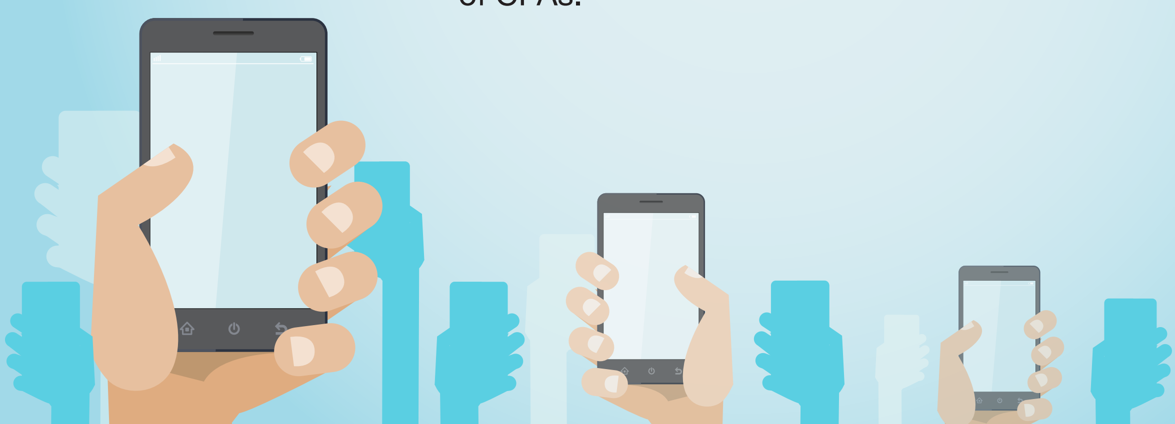

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NOVEMBER | DECEMBER 2017 Product ID: #51270

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Self-Assessment Exam Results

Respondents taking the exam online receive their results immediately. Respondents who pass with a grade of 70% or better receive one hour of CPE credit in specialized knowledge, as approved by the Accountancy Board of Ohio.

ANSWER SHEET

1.	a	b	c	d	**7.**	a	b	c	d
2.	a	b	c	d	**8.**	a	b	c	d
3.	a	b	c	d	**9.**	a	b	c	d
4.	a	b	c	d	**10.**	a	b	c	d
5.	a	b	c	d	**11.**	a	b	c	d
6.	a	b	c	d	**12.**	a	b	c	d

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Catching up on revenue recognition

1. Which entity type is not subject to the FASB's new revenue recognition standard?
A. Publicly traded companies
B. Privately held entities
C. Not-for profit entities
D. State and local governmental reporting units

2. The new revenue recognition standard seeks to eliminate variations in the former transaction-and industry-specific revenue guidance in favor of a more ____________ based approach to revenue recognition.
A. ethics
B. principles
C. economics
D. transaction

3. What was not identified as one of the steps firms should begin taking to address the requirements imposed by the new revenue recognition standard?
A. Allocate the resources needed to adopt the new standard.
B. Assess the applicability of the new standard.
C. Develop an implementation plan.
D. Consider adopting an alternative basis of accounting to avoid the need to adopt the new standard.

4. Firms that implement the new revenue recognition standard will need to:
A. identify the contracts with its customers.
B. identify the performance obligations associated with each customer.
C. allocate the transaction price to the contract.
D. determine when the firm satisfies the terms of the contract.

5. What is a frequently mentioned implementation challenge with the new revenue recognition standard?
A. Collecting the necessary data
B. Assuming incorrectly that the standard doesn't apply.
C. Involving all relevant departments in the organization in the implementation process.
D. All the above answers are correct.

The new IRS centralized audit procedures for partnerships

6. Prior to the Tax Equity and Fiscal Responsibility Act of 1982 if a partnership was selected for audit:
A. the partnership would be audited as a whole
B. the examination teams would audit every partner in the entity individually
C. the examination teams would select only certain partners for audit
D. All of the above

7. Under the default rules of the centralized partnership audit regime which will become effective Dec. 31, 2017, the partnership will be liable for an imputed underpayment of tax based on adjustments made at the ___________ level.
A. entity
B. individual
C. grouping
D. Schedule K-1

8. Under the new centralized audit procedures for partnerships, if a partnership does not have a designated tax representative, the rules provide that the IRS can ____
A. select an initial representative, but then allow the partnership to select a new representative without IRS consent.
B. select a representative and prohibit the partnership from selecting a new representative without IRS consent.
C. audit the partnership without selecting a taxpayer representative.
D. alter who the Tax Matters Partner is as a matter of statute in all cases.

Preventing business credit card abuse

9.The writer of the article is a staunch supporter of employees using _________ credit cards for expenditures.
A. their personal
B. company-issued
C. pre-loaded
D. pass-word protected

10. Which strategies that can be used for reducing business credit card fraud?
A. Require substantiation for all credit card charges.
B. Establish a comprehensive travel and entertainment policy independently of your credit card policy.
C. Require that all credit card records be reviewed by the company's external auditor.
D. All of the above.

The blockchain transformation of accounting and auditing

11.Which capabilities do blockchain technologies provide for?
A. Blockchain technologies can create a time stamped record of ownership.
B. Blockchain technologies provide transparency to authorized users.
C. Blockchain technologies allow two or more entities to easily share information without having to pay a third-party to act as the master record keeper.
D. All of the above.

12. Which represents one of the advantages that blockchain technologies will provide for accountants?
A. Blockchain technologies can be used to provide external auditors with read-only access to company files.
B. Blockchain technologies will allow clients to pay for accounting services using cryptocurrency.
C. Blockchain technologies will increase the need for audits at the transaction level.
D. None of the above.

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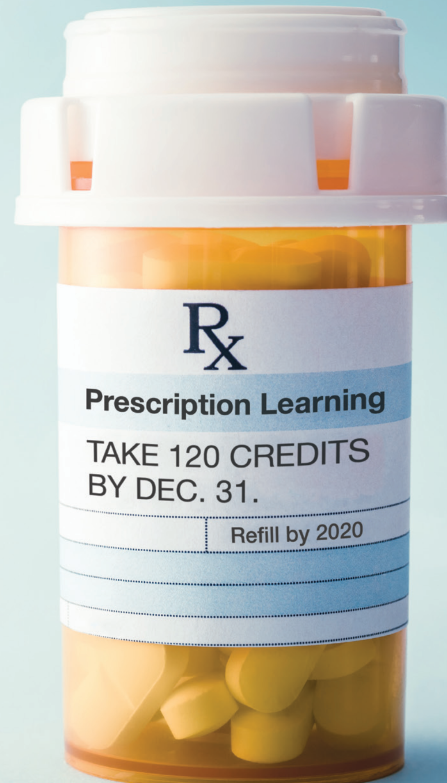

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