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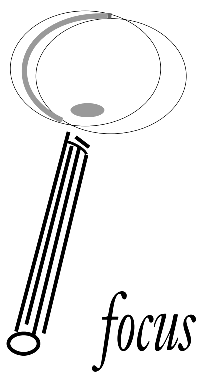
The Fundamental Expertise of the Accounting Manager



Learning Objectives

By the end of this chapter, you should be able to:

- Discuss the fundamental accounting skills as well as the new skills, knowledge, and abilities needed to fill the role of the twenty-first century accounting manager.
- Perform monthly general ledger closings and reconcile accounts.
- Perform financial statement analyses using key ratios and indicators.
- Understand the basics of taxation in relation to a business entity.
- Discuss the role of the internal and external auditors, and the accounting manager's role in the context of regulatory requirements.
- Discuss the accounting manager's role in relation to information technology, as well as the interaction with other members of management and the board of directors.

INTRODUCTION

This course presents the evolving role of the accounting manager. Study after study show that although the fundamental expertise of accounting is a prerequisite to becoming an accounting manager, today's management accountants spend far more time on strategic planning, internal consulting, and information system-based operations—and much less time on traditional accounting functions and financial reporting—than was the case in the past. Unfortunately, many people in industry believe that new accounting managers are starting their jobs without the fundamental skills they need to fill their new roles. This course will help the new accounting manager review some of the traditional core responsibilities while learning about and understanding the new roles, knowledge base, and abilities required of the accounting manager in the twenty-first century.

A report published by the Institute of Management Accountants entitled: "Counting More, Counting Less: The 1999 Practice Analysis of Management Accounting," reveals that automation of traditional accounting functions and technological developments in information systems have helped transform the management accountant into a financial analyst and internal consultant—roles that require new knowledge, skills, and abilities (KSAs).[1] Those KSAs include:

- The ability to analyze information
- Participation in decision making, strategic planning, internal consulting, process improvement, and performance evaluation
- The ability to communicate well, orally and in writing
- The ability to work on a team
- An understanding of business functions (Institute of Management Accountants 1999)

This course will help new accounting managers begin the process of upgrading the KSAs needed to be competent in this profession.

The starting point is recognizing that an evolutionary process is underway. Both the Institute of Management Accountants and the AICPA have recognized the need for accounting managers to gain the skills necessary to become strategic partners in their companies. All accounting managers need to recognize that the "shift is on"—a shift away from the accounting manager as the executive "scorekeeper" and into the new role of analyst, consultant, and business partner.

THE BASIC SKILLS OF THE ACCOUNTING MANAGER

Although the role of the accounting manager continues to evolve, the system of accounting still exists to measure business activities, process data into information, and communicate the information to decision-makers and stakeholders. Consequently, the accounting manager and his or her staff must possess the fundamental accounting skills to ensure that the information produced from the accounting system has integrity. Other supplementary requirements, including financial analysis, tax planning, and an understanding of the audit process continue to be key skills for the accounting manager.

CORE RESPONSIBILITIES

The accounting manager's role in the organization has undergone dramatic changes in the last decade. Though the accounting manager is still expected to maintain a strong hold on traditional accounting topics like general ledger

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activity, cost accounting, cash flow analyses, capacity management, and production planning, etc., he or she is also expected to maintain a working knowledge of such nonaccounting topics as benchmarking, performance measurement, managing change, etc. In short, the role of the accounting manager is becoming more about management, without ignoring the still important accounting roles.

Throughout the course, we cover many of the new skills expected of the accounting manager in the twenty-first century, however, you must also understand the traditional, and enduring, responsibilities of the accounting manager, including:

- Maintaining the general ledger, ensuring that all transactions are processed in an accurate and timely manner.
- Managing financial reporting requirements. This includes monthly, quarterly, and annual financial statements as well as other operating measures.
- Managing payroll.
- Managing subsidiary accounting functions such as:
    - Cash
    - Accounts receivable
    - Inventory
    - Fixed assets
    - Accounts payable
- Managing taxes.
- Driving the budget process.

TECHNICAL ACCOUNTING SKILLS

As the individual primarily responsible for the accumulation, processing, and reporting of financial and performance information within an organization, the accounting manager must possess strong technical accounting skills. Though designations such as certified public accountant and certified management accountant provide credibility, it is the individual's skills that ultimately create information useful in making good business decisions.

Regardless of the size of the company, the type of management, or the nature of the business, the accounting manager is responsible for certain basic areas. The accounting manager is usually expected to institute and maintain procedures and books of record that contain sufficient information to determine the financial position and performance of the firm. Accounting managers must keep records that are accurate, supported by sufficient documentation, and complete. Most routine business transactions are recorded within the confines of proper internal controls and use accounting policies that ensure appropriate accounting treatment. However, nonroutine transactions, such as barter or consignment arrangements, recapitalizations, or extraordinary items require the involvement of the accounting manager to ensure proper accounting treatment. Under these circumstances, the accounting manager must understand both the form and substance of the transaction and consult the appropriate authoritative literature to ensure proper recognition.

Accounting managers should be able to provide support for any transaction from their general ledger, paper records, or electronic files. For example, with respect to the purchase of a microcomputer, the records should contain authorization for the purchase, a record of the receipt of the computer, authorization to disburse funds for payment, and evidence that the payment was received by the vendor. Such documentation should be maintained by the accounting department for any appropriate length of time under a management-approved program for record retention. Further, firms subject to financial statement audits or reviews should maintain a clear audit trail to ensure both a clean opinion and reduced audit times and fees.

General Ledger Maintenance and Monthly Closing and Reconciliation Processes

Most firms perform monthly closings in order to evaluate their performance for the month and establish their financial position at month end. When closing the books, the accounting manager is responsible for ensuring that all postings are complete and that equality exists between:

1. Total debits and credits of the account balances in the general ledger
2. The balance of the individual control accounts in the general ledger and the subsidiary ledgers

This process is called balancing or proving the ledgers. This is an important control procedure designed to ensure the accuracy of the accounting records, and most computerized systems automatically perform this function during closings. However, this control procedure does shed light on the importance of critically reviewing and reconciling account balances on a periodic

Exercise 1–1: Improving Accounting Skills

INSTRUCTIONS: ☛ Brainstorm at least five ways in which you can improve your technical accounting skills. As part of each item, include a time when you might expect to complete the task and a measure to indicate that the goal is complete.

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2. ______________________________

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3. ______________________________

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4. ______________________________

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5. ______________________________

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basis and in a timely manner. On an ongoing basis, the accounting manager should have an expectation of the balance in each significant account. For example, consistent cash management and planning should provide the accounting manager with an *expected* cash balance at month end. Similarly, monitoring accounts receivable and recorded sales versus forecasted sales should provide the accounting manager with an *expected* accounts receivable balance at month end. Though these expectations are obviously only estimates, they do provide a basis from which to analyze an account balance and identify significant variances worthy of additional review. Likewise, the performance of account reconciliations in a consistent and timely manner can contribute to the integrity of a firm's financial statements.

End-of-Period Reporting

The preparation of the financial statements and the analysis and explanation of them to stakeholders typically take up a considerable portion of the accounting manager's time and energy over a period of several months. This is true even when external auditors are engaged with the financial statements.

The preparation of a company's financial statements is one of the single most important services provided by the accounting manager. Accounting managers do not share this responsibility with any other department. They must use their organizational and managerial skills to complete the financial statements, in addition to seeing that the routine department work is also accomplished.

When work on the financial statements begins, management often asks the accounting manager for estimates of key financial statement information. This is often a difficult request for two reasons. First, the accounting manager is already busy with the additional workload associated with the preparation of financial statements. Second, despite the fact that the request is for estimates, management expects fairly accurate numbers in substantially the same format as the formal financial statements. The preparation of these statements is a time-consuming task. The accounting manager faces the difficult situation of trying to manage scarce time at year end, balancing the demands of the formal statement preparation and the urgency with which management needs year-end planning data. If interim statements have been prepared, the accounting manager may use them in order to comply with management's request. Even if formal interim financial statements have not been prepared, astute accounting managers typically prepare their own informal estimates of results throughout the year. It is also prudent for the accounting manager to consult with operations personnel in order to disclose any changes that may not have yet been reflected in the books. Finally, in a preliminary statement, an accounting manager should make a footnote disclosure stating why some numbers might change once actual numbers are available.

FINANCIAL ANALYSIS

Unless they have some accounting or financial background, other managers probably do not have a significant understanding of the financial statements. It is the accounting manager's responsibility to ensure that management can interpret the financial statements. Prior to presenting them to management, it is essential that the accounting manager analyze the statements and prepare a textual discussion of relevant items. This analysis can be performed using traditional means—such as the analysis performed by creditors and investors when assessing the financial well-being of a firm.

The statement of cash flows is a required component of a complete set of financial statements. The statement of cash flows reconciles changes in cash to net income or loss by category (operations, investing, and financing). Many members of management feel comfortable with the level of information they obtain from the statement of cash flows; however, additional analytical procedures should also be performed. Examples of analytical procedures that may be used to compare budgets, industry information, or historical trends, include the following:

- Current ratio (current assets to current liabilities)
- Quick ratio (liquid assets to current debt)
- Inventory to working capital
- Current debt to equity
- Total debt to equity
- Long-term debt to working capital
- Fixed assets to equity
- Net income to net sales
- Net sales to equity
- Net sales to working capital
- Return on equity (net income divided by equity)
- Inventory turnover (cost of sales to average inventory) by product line
- Inventory components (direct labor, overhead, or materials) as a percentage of total inventory by product line
- Ratio of inventory write-downs (shrink) to total inventory
- Accounts payable turnover (accounts payable to total disbursements)
- Accounts receivable turnover (sales to average receivables)
- Allowance for doubtful accounts to total receivables
- Bad debt expense to allowance for bad debts
- Average accounts receivable balance per customer
- Accounts receivable aging by category as a percent of total receivables
- Fixed assets (e.g., tools, dies, and molds) by product line or location
- Depreciation expense to fixed assets by asset classification
- Payroll expense by number of employees or number of direct labor hours
- Gross margin by product line or location
- Expenses (e.g., advertising) by product line or location

Financial ratios such as these provide valuable insight into a firm's financial position and performance over time. They provide information that is not readily appreciated upon an initial review of the financial statements. Ratios are the tools of accounting and finance that allow for meaningful comparison of a firm's financial data to similar firms in comparable lines of business. In short, the accounting manager should provide management with an interpretation of year-end financial statements. With a microcomputer and the abundance of software that is well-suited for financial analysis, accounting managers should be able to provide decision-makers with state-of-the-art interpretations.

Tax Planning

Typically, small to mid-sized firms do not maintain a tax specialist on staff, but rather outsource their tax work to an accounting firm or rely on the accounting manager to take care of tax matters. Taxation is a difficult and dynamic area that requires specialists to continually refine their craft. Therefore, in the case when the accounting manager is the specialist, it may be necessary from time to time for him or her to consult with a certified public accountant or tax attorney on specific issues. Nonetheless, it is advisable for the accounting manager to stay abreast, at least in a general sense, of changes in the tax law. This can be accomplished via reading periodicals or attending annual tax symposiums.

Internal Audit

The internal audit function, when properly carried out, plays a key role in ensuring compliance with internal controls, company policies, and laws, and can even assist in the achievement of company-wide objectives. Often the stated objective of internal auditing is phrased in terms of service to the organization rather than to a narrower group such as management. Internal auditors function for the benefit of the entire organization—including the accounting manager, the chief financial officer, the chief executive officer, the board of directors, and even the shareholders. The services provided by the internal audit function include:

- Audits of financial reports and accounting control systems
- Reviews of control systems that ensure compliance with internal factors such as company policies, plans, and procedures
- Reviews of control systems that ensure compliance with external factors such as laws and regulations
- Appraisals of the economy and efficiency of a firm's operations
- Reviews of effectiveness in achieving results in comparison to established objectives and goals

Internal auditors often make recommendations that result in additional profit or cost savings for their companies. In this regard, the internal audit function operates in a manner similar to a management consultant. However, the internal audit function can also serve as a supplement to the external auditors. Consequently, the internal auditors' audit plans should be prepared with the participation of the external auditors so that documented procedures and results can be relied upon by the external auditors when performing their own procedures. By doing so, a company will realize a shorter audit period, lower audit fees, and a smoother audit process.

INTERACTION WITH EXTERNAL AUDITORS

Most companies are subject to an annual audit or review as a result of maintaining outstanding debt. Consequently, accounting managers inevitably interact with the external auditors. The role of the external auditor is one of credibility. The auditor, as a result of carrying out substantive audit procedures, makes important representations to the users of financial statements. A representation, if unqualified, indicates that the auditor has examined the company's financial statements and has determined that they are properly stated, substantially correct, presented in a manner consistent with prior periods, and prepared in accordance with generally accepted accounting principles.

Because the external auditor must perform tests of internal controls and transactions, the accounting manager interacts with the auditor frequently. This can be a time-consuming process, therefore the accounting manager must plan his or her time accordingly in order to carry out his or her daily responsibilities while also working with the auditor. Planning is the key. Prior to (at least 60 days) the commencement of audit fieldwork, the auditor and the accounting manager should meet to prepare for the audit. A list of required reports, analyses, and independent documentation (bank statements, accounts receivable confirmations, etc.) should be assembled so that the accounting manager and his or her staff can get a head start on preparing these items prior to the audit staff's arrival. Since external auditors test account balances included in the balance sheet and income statement, it is important that a set of financial statements be prepared prior to the audit staff's arrival. By doing so, the accounting manager provides the auditor with the ability to make selections for testing immediately. While the accounting staff accumulates the necessary documentation selected by the auditors, the auditors can complete their documentation of key business processes and perform tests of control. This ensures a smooth and efficient audit process.

Every audit, whether performed by an internal or external audit staff, can be a stressful endeavor. From a behavioral point of view, there are interesting and potentially disruptive dynamics in place during an audit. Therefore, it is important for the accounting manager to work carefully with the auditors, to try to accommodate their requests, and to promote a free flow of communication. Keep in mind that the auditor is concerned primarily with two issues: first, an assessment of existing controls and second, the verification that the transactions underlying the financial statements are properly

Exercise 1–2: Preparing Audit Materials

INSTRUCTIONS: ☛ Obtain or make a list of items prepared for the auditors during last year's audit. Using this list, prepare an Excel spreadsheet that organizes each item by balance sheet category (cash, accounts receivable, prepaid assets, inventory, etc.). Next to each item, delegate responsibility among your staff members, and a date to be completed. Share this information with your auditors and allow them to add additional items or modify dates.

recorded. Whatever can be done by the accounting manager to satisfy these concerns should be done in a timely and efficient manner.

The Accounting Manager's Relationship with Management

As discussed earlier, an important component of the accounting manager's job is to assist management in its decision-making process. This support function is performed through the supply of reliable and timely information. The formal financial statements of a company do not provide enough information for members of management to make all of their decisions. Managers who have important decisions to make usually need more current and detailed information than they can get from these periodic reports. As a result, they look to the accounting manager for this interim information.

The accounting manager's responsibilities include keeping the books and records, and supplying information from these records. Another critical component of the job is to contribute to the success of the company by providing information to other managers throughout the organization that helps the company operate. Accounting managers can do this in two ways: one is to answer requests for specific information and the other is to act as a strategic information broker.

Accounting managers should respond to requests for information in a timely manner. The quick response is essential so that managers can interpret the information and respond to an issue while it is still relevant. Accounting managers should always strive to answer these requests promptly, accurately, and in an understandable format.

Since reports play an essential role in the relationship accounting managers develop with management, reporting is an important issue. Reports issued to management should be easy to understand. Keep in mind that most managers do not have an accounting or finance background—make sure the format is easy to understand. Often, the accounting manager's opportunity to impress others is through report preparation.

In an attempt to provide timely reports, haste can come back to haunt an accounting manager. Often, management will request that the information be prepared as quickly as possible. As a result, the accounting staff will work diligently to meet these demands, but in its haste may submit a report with errors. A manager receiving such a report will normally not excuse such errors as simply the result of haste, but rather form an opinion regarding the staff's competence. Accounting managers must be disciplined enough to not let the pressure of a management deadline alter the quality of reporting. Good time management requires that the accounting manager inform management as to the time frame required to produce an accurate report.

The second type of information that accounting managers must provide to management is more demanding yet more creative and satisfying. It is the information other than the recordkeeping that management expects from the accounting manager. As information flow continues to change, so does the role of the accounting manager. Equipped with a significant amount of valuable information, the accounting manager is now viewed as an important link to the strategic planning process. The specific kind of information provided to support strategic planning varies significantly depending on the type of company. In all cases, however, the accounting manager must begin to change his or her thinking to meet this new challenge.

Information awareness is important for the accounting manager. He or she must stay alert for information that other managers may not be aware of but would find informative and valuable. Clearly, this service can make the accounting manager an even more valuable support to management.

THE ACCOUNTING MANAGER'S INTERACTION WITH THE BOARD OF DIRECTORS

Every corporation has a board of directors elected by the shareholders. Shareholders are represented by the directors in the management of the business. In protecting the interests of the stockholders, the board's duties include reviewing the systems of internal control, formulating corporate policies, reviewing the performance of the company, setting the compensation of officers, and declaring dividends. Many boards meet less frequently than on a monthly basis, therefore, they rely heavily on reports. The preparation of these reports is normally the responsibility of the accounting manager. Although it is far from a comprehensive list, the following are examples of the monthly financial reports usually required by board members:

- A complete set of financial statements
- Key financial ratios with trend analyses
- Capital and operating budgets
- Concentration of sales among customers
- List of significant expenditures

As with other users of financial information, the accounting manager must pay careful attention to the needs of the board. Board members want reports that are clear, concise, and timely. This is especially true for outside directors, who may not have the same depth of knowledge about the company as inside directors.

Timeliness is also very important. Some reports, like financial statements and ratios, are always timely, having been prepared as a matter of routine at the end of the previous month. However, other reports that are not on such a strict timetable need to be carefully planned and their preparation monitored by the accounting manager. It is crucial to have reports ready so that they may be part of the board's planned agenda.

It may also be wise for the accounting department to actively solicit feedback from the board to determine how its needs could be better satisfied in the future. Surveying the board's analytical needs from time to time could help keep the accounting manager on target in providing necessary information. And the board, if it needs a new report or additional statistics, should be able to rely on its requests receiving top priority, resulting in a quick and comprehensive response from the accounting manager. Finally, the accounting manager should provide an opinion as to the cost/benefit of the information. The cost to research and prepare some information far exceeds the value of that information.

Recent corporate events have undermined the public's opinion of both management and boards of directors. Many boards are now taking the initiative to restore public trust by working toward being more fully informed about the operation of their companies. A board can be more effective and accountable by utilizing the accounting manager's expertise in providing financial data. Further, the accounting manager can help the board make better decisions in an environment of uncertainty, when the manager's experience, intuition, and personal judgment are important factors.

THE ACCOUNTING MANAGER'S ROLE IN COMPUTER-BASED SYSTEMS

Advanced technologies have increased the computer's role in providing timely financial information. The use of the computer has expanded beyond the basic transaction processing function into such areas as tax planning, financial planning, budgeting, cash management, and other planning and control areas. Even the smallest organizations can afford a computer system that performs financial and accounting functions. Consequently, it has become imperative that the accounting manager become involved with the computer as a tool for problem solving. In this age of technology, it is reasonable to expect that the accounting manager can perform the following functions:

1. Maintain a basic familiarity with the terminology related to computer hardware and software.
2. Be aware of the state-of-the-art software for financial and accounting applications.

For an accounting manager who lacks computer proficiency, this knowledge can be acquired through formal training, such as college courses, or through such informal means as reading, interaction with accounting peers, and membership in professional accounting organizations. With a wealth of low-cost opportunities, there is no excuse for computer illiteracy in the accounting department.

General Ledger Packages

A powerful time-saving tool, the general ledger is the heart and soul of the accounting manager's daily routine. Therefore, when selecting a general ledger package, the accounting manager must seek a user friendly package. The manager must consider the nature of the company's operations and its long-term objectives when selecting a package so that the company does not quickly "outgrow" its software.

Some of the key questions to consider when reviewing the features of general ledger packages include:

- Will the package interact smoothly with accounts receivable, accounts payable, payroll, order entry, inventory management, fixed assets, and time accounting?
- Is the package designed to handle the company's industry and size?
- Is the package flexible so that reports can be tailored?
- Does the package allow direct transfer of data processing printouts and spreadsheets for further analysis?
- Does the package allow for financial statements to be provided on demand?
- Does the package allow for standard journal entries to be set up for such items as depreciation, prepaid expenses, etc., and for such entries to be posted automatically?
- Does the package allow for budgeting and analyses?
- Are account histories automatically accumulated and stored?
- May comparative statements be produced?
- Does the package allow for duplication of standard or existing charts of accounts and financial statement codes for new companies?

These are just a few key considerations when evaluating potential general ledger packages. The accounting manager will likely find that the selection process can be accelerated by eliminating those that do not meet these criteria.

Enterprise Resource Planning

During the past decade, the use of enterprise resource planning (ERP) systems has increased significantly as technology continues to advance. ERP applications help a company become more efficient by integrating the entire company with a single application. This provides open communication and data exchange between and among departments or divisions that previously may have been separated. Further, key business processes may be integrated through the use of an ERP application. For example, sales personnel can use the same applications as the accounting staff, and what one does will affect the other. The technology continues to change and the accounting manager, in conjunction with information technology personnel, is often expected to serve as a team leader during an ERP implementation.

When evaluating a new application, the accounting manager should enlist the services of a value added reseller (VAR) that specializes in ERP implementations. Since this is an infrequent event, you should rely on an expert to facilitate the selection and implementation processes.

The following are a few additional suggestions for the accounting manager to keep in mind during an ERP implementation:

1. Be sure to secure upper management's active participation in the implementation.
2. The scope of the project should be documented, signed, sealed, and presented to upper management to ensure consistent expectations throughout

the organization. Any and all subsequent changes to the scope of the project should also be approved, signed, sealed, and delivered to upper management.

3. A project implementation team should be established. This team should include representatives from accounting and finance, operational areas, and information systems personnel.
4. Identify and flow-chart key business processes. Agreement must be reached concerning the actual flow of the process. Publish the flow charts and distribute them.
5. Map the tactical planning processes that are used and develop specific measurements that monitor key performance indicators.
6. Map the operational processes that are used and develop measurements that monitor critical performance issues. Focus the company by creating reports that center around the critical performance issues.
7. Develop sales and operational teams that meet on a regular basis to review critical performance issues and are empowered to make changes to operational and tactical processes to improve performance.
8. Establish a realistic implementation schedule and make the required resources available.
9. Establish an issue log and meet with management to solicit upper management's assistance to resolve open issues.
10. Conduct a gap analysis that compares current business conditions to the vision of where the business will be in the future.

These ten key items will help guide ERP implementations and provide insight into the issues the accounting manager is certain to face from the time of selecting a package to "going live."

Data Warehousing

We are constantly being bombarded with increasing amounts of data. Both organizations and individuals need to be able to manage that knowledge, and data warehouses are an important tool in that management. Data warehouses are designed to store and retrieve data in an efficient manner. They are built to contain entity-wide information collected from multiple operational sources. As an information gatekeeper and frequent user of data originating throughout an organization, the accounting manager will find data warehousing a key tool in examining problems or possible problems and determining their causes.

Although the selection and use of a data warehouse is likely to begin with a company's MIS personnel, the accounting manager also plays a critical role. Some of the challenges to consider when employing a data warehouse function include:

- The various sources of information
- The ease or difficulty in collecting the data on a periodic basis
- How best to collect that information
- How to normalize the data

Every system stores data fields in different formats, so part of the collection problem is to reformat similar data into a single format. This is especially true when new businesses have been created through mergers and acquisitions. Therefore, the accounting manager must always consider the impact of data collection on the future use of the data. Similarly, the creation of a data warehouse must be a careful and diligent exercise, because once the data warehouse has been created, the usefulness of the systems depend upon how easy it is to access the data. Technologies such as the Internet, intranets, and data mining tools need to be employed to ensure all users can get the information they need when they need it.

High-Speed Telecommunications Capabilities

As technologies continue to advance, the accounting manager must consider the means by which an organization and its personnel communicate both internally and with external parties. Whether it be telephone services including cellular, local, or long distance or Internet access using ISDN, DSL cable, or other high-speed connections, the accounting manager must be aware of the alternatives available in order to exploit the most cost-effective solution. In most cases, the accounting manager should consult his or her technology staff as well as local providers in order to understand which features are available to the company considering needs, costs, and geographic location.

COURSE OUTLINE

In order to discuss the evolving role of the accounting manager, the course first delineates the basic competencies that are part of the accounting manager's fundamental expertise.

- Chapter 2 covers basic issues of cash management.
- Chapter 3 describes the accounting manager's role in accounts receivable management.
- Chapter 4 presents issues associated with inventory and its management.
- Chapter 5 covers long-term operational assets and other long-term assets.
- Chapter 6 discusses topics of accounts payable and other liabilities.
- Chapter 7 describes the accounting manager's role in budgeting.

The final chapters detail the new knowledge, skills, and abilities that will be needed as the accounting manager's role evolves into that of an information manager who adds value by helping collect data to facilitate the company's strategic planning process.

- Chapter 8 provides an overview of this new paradigm and describes the personal attributes needed to fulfill this role.
- Chapter 9 describes qualities that lead to effective leadership—developing a mission and vision for the accounting function, honing communication skills, and guiding the development of the entire accounting staff.

- Chapter 10 summarizes the broadening business perspective of the accounting manager, including methods for acquiring greater industry expertise, assisting in the management of regulatory requirements and proprietary technologies, and obtaining an improved understanding of risk management.

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- Although the accounting manager's role in the organization continues to evolve, a strong technical accounting skill set is still required in order to ensure reliable information from a company's accounting system.
- The accounting manager should be able to implement an appropriate level of internal controls and procedures that govern routine transactions while personally overseeing nonroutine transactions to ensure the proper recognition.
- Today's accounting manager should be an astute processor of information—one who sees beyond the debits and credits and can design reporting mechanisms that provide both management and the board of directors with timely, relevant information.
- The accounting manager should continually improve his or her interpersonal skills in order to properly manage staff and internal and external auditors, and interact with members of management and the board of directors.

? Review Questions

INSTRUCTIONS: *Here is the first set of review questions in this course. Answering the questions following each chapter gives you a chance to check your comprehension of the concepts as they are presented and reinforces your understanding of them.*

As you can see below, the answer to each numbered question is printed to the side of the question. Before beginning, you should conceal the answer in some way, either by folding the page vertically or by placing a sheet of paper over the answers. Then read and answer each question. Compare your answers with those given. For any question you answer incorrectly, make an effort to understand why the answer given is the correct one. You may find it helpful to turn back to the appropriate section of the chapter and review the material of which you were unsure. At any rate, be sure you understand all the review questions before going on to the next chapter.

1. Which of the following is considered a nonroutine business transaction? — 1. (c)
(a) The receipt of cash from a customer
(b) The payment of an outstanding payable
(c) A barter transaction with the company's law firm
(d) Invoicing a customer with extended credit terms

2. The services provided by the internal audit function include all of the following except: — 2. (a)
(a) audits of the financial statements.
(b) audits of financial reports and accounting control systems.
(c) reviews of control systems that ensure compliance with internal factors such as company policies, plans, and procedures.
(d) reviews of control systems that ensure compliance with external factors such as laws and regulations.

3. An unqualified opinion indicates that the auditor has examined the company's financial statements and has determined that they are all of the following except: — 3. (b)
(a) properly stated.
(b) completely accurate.
(c) presented in a manner consistent with prior periods.
(d) prepared in accordance with generally accepted accounting principles.

4. Managers who have important decisions to make usually need more current and detailed information than they can get from periodic reports. As a result, they look to the accounting manager for: 4. (d)
(a) payroll reports.
(b) accounts receivable agings.
(c) accounts payable details.
(d) interim reports.

5. Members of the board of directors usually seek certain types of reports. Which of the following is usually not prepared for the board of directors? 5. (b)
(a) Complete set of financial statements
(b) Cash reconciliations
(c) Capital and operating budgets
(d) Key financial ratios with trend analyses