

**Using Expert Systems To
Automate Analytical Procedures
&
To Support Your Role as a
Trusted Business Advisor**

Presenter: Jay Borkowski

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Overview



- Introduction
- Expert Systems
- Case Study
- Demonstration
- Applications to your Role as Business Advisor.

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Introduction



Who we are

Purpose of this seminar

How could it impact your practice

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Expert Systems



Definition

Examples

Their Introduction to Accounting

How an expert system works with Financial Statements

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Case Study



The Mann Company

History

Financials

Analysis of Sales

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Expert System Analysis of Sales

The company did well in the sales area this period, and its results are fairly interesting to interpret. The company drove in higher sales with essentially the same level of assets and a smaller employee base. This is a very good result -- the firm is earning more revenue with fewer people and is **"turning"** resources more effectively than it did last period. This dynamic can lead to increased profitability in the future, if management can reasonably control expenses. Right now, managers will want to think about how the company was able to increase sales. This way, they will be able to repeat what is working.

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Expert System Demonstration



Multi-factor Analysis of:

Liquidity

Sales

Profits

Use of Assets

Use of Debt

Use of Employees

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Introduction



Three common ways firms use this application:

1. Value added part of the management discussion
2. As the initial and final analytical procedures for reviews and audits
3. As a differentiator in proposals and prospect meeting

What makes sense for your firm?

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Components of an Analytical Procedure

- o Develop expectations of what the account balance should be
- o Compare the expected value and actual results
- o Investigate significant differences

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Recommended methods for developing expected values

SAS No. 96, Audit Documentation

- Document considerations in developing expectations
- Document results of comparisons of expectation with actual accounts
- Document significant unexpected differences between expectations and actual accounts, and responses

SAS No. 56, Audit

- Horizontal analysis (trends)
- Prospective information (forecasts)
- Vertical analysis and ratio analysis
- Industry information
- Relationship of non-financial to financial information

AICPA Review Guidelines

- Comparison of current data to prior periods
- Comparison of current data to forecasts
- Comparison to industry data

More efficient analytical procedures:



- Automates the task of developing expected values.
- Integrates forecasting, trend analysis, ratio analysis and industry comparisons.
- Saves the staff time to create the analytical procedures.
- Saves the manager and partner time through a standard format to review APs.

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Conclusion



What are Expert Systems

Use in Accounting

Impact your role as business advisor

More efficient Analytical Procedures

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For more information or to test an expert system

info@ProfitCents.com

877-724-3967 x502

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