



# Case Study: A CPA's Checklist for Putting FRF for SMEs™ to Work

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*[A great deal of excitement and opportunity surround the Financial Reporting Framework for Small- and Medium-Sized Entities. One CPA firm that has successfully integrated the FRF for SMEs™ framework into its service offerings shares how the framework enhances relationships with clients and their financial statement users.](#)*

## **A CPA Firm's Experience**

KerberRose, an 80-person, Wisconsin-based firm, began using the FRF for SMEs framework when it was first introduced. The firm has moved about a quarter of its existing GAAP-based and income-tax-basis clients to the framework, and the response from both clients and financial statement users has been very positive.

Shareholder Karen Kerber, a former chair of the AICPA Technical Issues Committee, was a member of the AICPA task force that developed the FRF for SMEs. "Our firm has a large number of small, private company clients, most of which have no controller and where day-to-day transactions are handled by a bookkeeper or the owner," she explains. "Some of the controllers we do deal with had difficulty following the more intricate GAAP requirements, so the framework seemed a great fit for our clientele." She offers these tips for success in integrating the framework into a practice.

### **1. Target the Right Clients**

Kerber knew that focusing on the most appropriate clients was important to encouraging the framework's use. Her firm concentrated on two types of clients:

- Those with GAAP-based financial statements that took departures, such as for deferred taxes. "The only thing that would change was the report, not the results," Kerber says. "That appealed to both the client and the banking partner."
- Income-tax-basis clients. The majority of these clients saw a significant improvement in their equity position. The use of accelerated methods, specifically bonus depreciation and Internal Revenue Code Section 179, did not reflect an appropriate value of the

assets and artificially lowered the equity. “Overall, the framework helped these clients show a much stronger asset and owner equity base, which appealed to both the client and their banker,” she notes.

*Implementation Tip:* The free AICPA [FRF for SMEs Toolkits](#) feature resources CPAs can use for client and financial statement user education. To demonstrate that your firm offers financial statement preparation using the FRF for SMEs, use the FRF for SMEs logo. Artwork is included in the toolkit, as are instructions for co-branding, talking points that can help guide client conversations, a flyer explaining the framework’s key features, social media blurbs and tweets and a cover letter informing clients of your capabilities.

## 2. Reach Out to Bankers

KerberRose thought it was important to inform lenders about the framework before it turned up on their desks as the basis for financial statements. “Bankers should never be surprised by the statements they receive,” Kerber observes. The firm held one-on-one meetings with bankers and gave presentations to lender groups. To illustrate what the framework would mean for financial statement users, the CPAs prepared both the traditional basis of accounting statement that the client and banker had been using and a statement following the FRF for SMEs, presenting them side by side and explaining the differences. Some of the bankers’ key questions included:

- Will the framework allow for a review or audit? “The lenders we met with were happy to be reassured that it would,” Kerber says.
- Will the companies’ numbers or results change? KerberRose found bankers were relieved to hear that there would be no difference for companies already using GAAP statements with departures.
- How are covenants affected? “Some bankers did have covenants that required GAAP statements, but they agreed to waive them once they understood the FRF for SMEs,” she says.

*Implementation Tip:* The [AICPA FRF for SMEs Toolkit for Financial Statement Users](#) contains a wealth of information and resources, including a primer, PowerPoint and video explaining the framework, illustrative financial statements and comparisons for financial statements created using different frameworks.

### **3. Bring Staff Up to Speed**

To build a strong technical foundation for the switch, the firm held a series of lunch-and-learns that focused on the differences among the framework, GAAP and income-tax-basis financial reporting.

*Implementation Tip:* Related resources in the [FRF for SMEs Toolkits](#) include a Learning and Implementation Plan, comparisons of different accounting frameworks and a decision tool CPAs can use to choose among them, the FRF for SMEs Staff Training PowerPoint and a video on the framework's evolution and key benefits.

The bankers with whom KerberRose works accepted the concepts behind the framework, and, because they continually seek ways to better serve bank clients, they were pleased to hear that clients could potentially save money by switching to the FRF for SMEs. Overall, the framework has given the firm a chance to open a discussion with both clients and bankers, emphasizing the importance of the client/banker relationship and allowing for an invaluable interaction. In addition, Kerber has received great feedback when introducing the framework to her fellow CPAs in industry, so she recommends keeping this group in mind when making presentations.

### **A Stronger Bond**

Introducing the framework to clients gives firms an additional opportunity to meet small companies' unique needs and differentiate their services in the market. "FRF for SMEs has enabled us to deepen our ties with clients, other CPAs and lenders in our communities. In addition, we've been able to demonstrate our overall understanding of the financial issues that

concern small business and how to address them,” Kerber reports. As Kerber has found, it’s an additional tool in the CPA toolbox, benefitting the practice and the companies it serves.