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QUARTERLY INSIGHTS

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USING BIG DATA ON A SMALL BUDGET TO IMPROVE REAL-TIME DECISION-MAKING

For years, companies looked to data tracked by their finance and accounting departments primarily as a way to understand past performance. But quantum leaps in computing power and other technology have made it possible for organizations to move far beyond historical analysis.

Today, companies can uncover insights that enable them not only to make near-term decisions with confidence, but also to perform predictive analytics—using data to forecast and compare the impact of various potential strategic decisions—to gain a significant competitive advantage. Companies that systematically use such insights have been growing at more than 30% annually on average, according to a recent Forrester Report.

For small- and mid-sized companies that may not have enterprise-level resources to invest in advanced analytics software or personnel, the idea of adopting a fully predictive model may seem out of reach.

Concepts such as data analytics, business intelligence and machine learning may seem so daunting that many smaller organizations do nothing because they don't know where to start.

But your data-management plan doesn't need to be perfect for it to yield valuable business insight. The key is to follow a process that is systematic yet scaled to fit your company size and resources.

Check out our 6 steps to utilize data to improve real-time decision making.

1. Identify What You Want to Measure:
Consider what key performance indicators (KPIs) would have the biggest impact on your decision making and the company's financial performance. Prioritize your wish list and select just a few KPIs to track and measure. Companies commonly select indicators that relate to revenue, expenses and cash flow, but the KPIs that will be most valuable for your organization will depend on a number of factors, including the nature of your industry as well as your business priorities.

In the manufacturing industry, for example, insight about how your prices, cost of goods sold and gross margins compare to

CONTENTS:

- *Using Big Data on a Small Budget to Improve Real-Time Decision-Making*
- *Tariffs Increase Delayed Until October 15*
- *The Gig Economy: How to Help Contractors Prepare for Retirement*
- *FASB Proposes to Defer Effective Dates of Major New Accounting Standards*

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industry averages could help you decide whether to focus on the revenue or cost side of your margin equation. But a biotech firm may benefit more from knowing how it compares to competitors in measures such as the length of clinical trials or time to market.

When considering what to measure, begin with the end in mind. Envision how the information will be displayed on your data dashboard, who will access it and how it will be incorporated into the decision-making process. Also, keep in mind that new privacy laws and other compliance regulations may restrict the collection and storage of certain types of data.

2. Take a Data Inventory:
Before you can identify opportunities to turn your data into actionable insights, you must first understand what data you currently have. Somewhat ironically, with smaller companies, the challenge often isn't a lack of data; rather, smaller companies often have an overwhelming amount of data stored across disparate systems.

If this is the case, you don't need to invest in new software or complex processes to gain control over your data.

You can make significant headway simply by talking with your existing team. Start by asking everyone who interacts with data to tell you where they get it and how they use it.

From these conversations, you can create the three key documents that form the foundation of your new data management system:

- A data register of your current data processes
- A data-flow diagram showing how data enters, leaves and moves around your organization
- A data map depicting where various data lives and in what form

By allowing you to take inventory of and locate all of your data, these tools can also help you comply with new privacy regulations that may require you to furnish or delete information about individual consumers upon request. Often, companies can lower their risk exposure by purging data that isn't essential.

3. Seek Out External Data Sources:
Regardless of how extensive your efforts are to capture and manage information about your company's operations and finances, the value of this information is limited by the fact that it is drawn only from within your four walls.

You will likely be able to glean deeper, more valuable insight from your internal data by pairing it with—and comparing it to— data from external sources and industry benchmarks.

This exercise requires you to put on your data scientist hat and get creative in thinking about what sorts of information would be most valuable in augmenting your visibility into the factors that affect your company's operational efficiency and financial performance.

For example, suppose you are a concession vendor at a baseball stadium and want to optimize how you staff and supply your food carts to meet the demand for hot dogs, beer and ice cream—all of which are highly dependent on the weather. By pairing your past sales figures with data from the National Weather Service, you could recognize historical patterns that would allow you to anticipate demand based on the forecast for the coming week.

Better yet, you may also be able to access information from a third-party research company about concession sales at ballparks in other cities and run additional weather-based regression analyses.

The good news is that massive quantities of information are available today for no or low cost, often in the time it takes to run a Google search. More detailed industry-specific data often can be purchased from third-party research companies—and, when used properly, it can have a high return on investment.

4. Consolidate Your Data: Before you can extract reliable business intelligence from the data you have collected, you need to structure and organize it in a way that makes sense. The required adjustments will depend on your unique data sets, but you may need to integrate data from multiple sources into a single destination, segment large blocks of data into smaller subsets or standardize the format of various data points. This step might be the most time-consuming and technically demanding part of the process, but it is essential.

Coming back to the food cart example, imagine if the time intervals for your sales figures and weather data didn't match up or if the weather data didn't provide enough precision to allow you to look at the hourly conditions during the actual games. Even if you had accurate measurements in each data set, it would be impossible to draw meaningful conclusions. Furthermore, each data set needs to be structured and formatted so it can be merged within your analytics tool.

5. Report Your Data
Unless your data is presented to decision-makers in a user-friendly format that enables them to take timely action, it is like a tree falling in the forest with no one around to hear it. Develop a data dashboard to display your KPIs in a way that allows you to see clear patterns and discover correlations. It should focus attention on key measurements, enabling you not only to make real-time decisions, but also to evaluate the results of those decisions in a timely manner.

While large enterprises may have sophisticated reporting software and a team of data analysts, you don't need all of that to extract real-time insights from your data. For many companies, Excel software may be sufficient. Other affordable tools, including Tableau and Power BI, offer robust reporting and analytics capabilities. And free online tutorials make it easy for someone to learn how to use these tools to build a useful dashboard and manage data reporting.

6. Plan for a Change: Perhaps the most significant determinant of how much value you will derive from your new approach to predictive analytics is your employees' willingness to adopt it. That is why you should be proactive about managing the people piece of the process.

Create a plan to ensure that employees understand how and why to integrate analytics into their day-to-day operations not only to find solutions to existing problems but also to generate new ideas for moving your business forward.

As technology advances and business priorities evolve, your data management process needs to adapt. Consider establishing a steering committee to regularly evaluate your data-analytics efforts. This group might initially review the dashboard in light of the organization's current goals and then focus on ensuring it continues to align with the long-term growth strategy.

TARIFFS INCREASE DELAYED UNTIL OCTOBER 15

On September 11, 2019, President Trump announced that the U.S. would postpone from October 1 – 15 a scheduled increase in Section 301 tariffs from 25% to 30%. The increase in tariffs covers approximately $250 billion worth of Chinese imports currently subject Lists 1, 2, and 3.

The postponement of the tariff increase came after China exempted 16 products from its 301 retaliatory tariffs on U.S.-origin goods earlier the same day. The USTR is expected to release additional details of the delayed tariff increase on the Federal Register soon.

THE GIG ECONOMY: HOW TO HELP CONTRACTORS PREPARE FOR RETIREMENT

By Joanne Szupka, Beth Garner, and Bob Criscuolo

The gig economy is growing, and there are many reasons why workers are looking to build careers as independent contractors as opposed to traditional W-2 employees. Some of the reasons the contractor lifestyle is attractive for American workers include flexible hours, the ability to work remotely, improved work-life balance and more control over their careers. Despite these positives, contractors are missing a critical component of their financial future: a company-sponsored retirement plan.

Freelance, independent contractor and other non-traditional employment relationships are all considered 1099 workers. By law, companies aren't allowed to offer 1099 workers the opportunity to participate in the company's retirement plan.

But that doesn't mean employers should disregard their contractors' retirement needs. Financial wellness is important to all workers' productivity, regardless of whether they are paid via W-2 or 1099. From a retention standpoint, if contractors feel that they aren't on track for their retirement goals, they may look for full-time W-2 employment at another company.

The gig economy is an increasingly important part of the labor market. The State of Independence in America report by MBO Partners found that nearly 42 million Americans worked on a contract basis in 2018, a 2.2 percent increase from the previous year. More than 3 million of those contract workers are highly-skilled workers earning more than $100,000 annually, according to MBO.

Even though contractors can't participate in the employer-sponsored retirement plan, there are still things companies can do to help 1099 workers prepare for retirement and understand the retirement savings options available today. In some cases, contractors could be saving more annually in tax-deferred retirement accounts than their W-2 counterparts. Informing contractors about these opportunities could be a way to help them feel more connected to your organization and less financially stressed about their future.

How Much to Save?

Providing information to help contractors determine how much they need to save for retirement can be an important first step in a) motivating them to save and b) helping them determine which retirement plan is the best fit. There are myriad retirement calculators available through commercial providers, but the Social Security Administration and the Department of Labor (DOL) also offer these tools. In addition, the Consumer Financial Protection Bureau has a detailed education page designed to help people plan for retirement. The DOL also offers a Lifetime Income Calculator to help people understand what a monthly income stream might look like.

What Retirement Savings Vehicles Are Available?

There are several types of tax-advantaged qualified retirement accounts available to contractors and other self-employed workers. One of the most difficult decisions contractors face when setting up their personal retirement accounts is determining which one best aligns with their financial situation. This requires understanding the eligibility requirements, contribution limits and other rules related to these accounts.

Traditional or Roth Individual Retirement Account (IRA). An IRA may be the best option for lower-income workers who are limited in the amount they can afford to save for retirement. In 2019, IRA participants can save up to $6,000; those age 50 and older can add a $1,000 catch-up contribution. Individuals can take a tax deduction for traditional IRA contributions; Roth users contribute post-tax, but the growth of the assets is tax-free.

It's important to note that workers must be below the income limit ($137,000 for single tax filers and $203,000 for married joint filers, with phase-outs starting at lower income levels for both types of filers) to contribute to a Roth IRA.

Simplified Employee Pension (SEP) IRA.
This plan can be an attractive option for solo contract workers or those who have only a few employees in their company. SEP users can contribute the lesser of $56,000 in 2019 or up to 25 percent of net compensation. Under this plan, all contributions to employee and employer SEP accounts must be equal. SEP IRAs often have very low administrative costs and are easy to set up and operate.

Solo 401(k).
This plan, also known as a one-participant 401(k) plan, can be an attractive option for self-employed workers who don't have any employees. For 2019, Solo 401(k) contribution limits are $56,000 or 100 percent of income, whichever is less. In addition, spouses can participate and contribute the standard 401(k) contribution limit, which is $19,000 in 2019. Users and spouses can make $6,000 catch-up contribution each, if they are over age 50.

These plans may require more administrative work and costs than a SEP IRA; once the plan balance exceeds $250,000, the owner may be required to file an annual 5500 report.

Insight: Deliver the Facts
Not everyone has access to a company-sponsored retirement plan—but all workers should be saving for retirement. In addition to contract workers, many part-time employees don't work enough hours annually to participate in the company's retirement plan.

Employers have an opportunity to help these groups prepare for retirement by providing information about the retirement plan options that are available to them. Helping contractors and part-time employees enhance their financial wellness and security can be a powerful retention tool—something that is especially important in an extremely tight labor market.

FASB PROPOSES TO DEFER EFFECTIVE DATES OF MAJOR NEW ACCOUNTING STANDARDS

Background
The proposed ASU would amend the effective dates of certain major accounting standards that are not yet effective for some or all entities, specifically:

- Leases
- Hedging, and
- CECL

The proposed ASU reflects a new FASB viewpoint about effective dates that would stagger the implementation dates of new major accounting standards for larger public entities compared to all other entities, including smaller public companies, private companies, employee benefit plans and not-for-profit organizations. Going forward, a new standard would first be effective for larger public companies. All other entities would generally have two additional years to implement, although the FASB would maintain the discretion to establish effective dates that vary from this guideline, as needed.

Main Provisions
The FASB is proposing to defer effective dates that vary by accounting standard and company type, adopting a two-bucket approach for staggering the effective dates of these standards. The two buckets would include:

- Bucket One – SEC Filers (GAAP definition), excluding smaller reporting companies (SRCs) as currently defined by the SEC.
- Bucket Two – All Other Entities, including:
  - SRCs,
  - Private companies,
  - All not-for-profit organizations, including not-for-profit entities that have issued, or are conduit bond obligors for, securities that are

are traded, listed, or quoted on an exchange or an over-the-counter market,
- Employee benefit plans, including those that file financial statements with the SEC

The proposed effective dates for CECL, Leases, and Hedging are as follows. Note that early adoption would continue to be permitted.

Effective Dates (Calendar Year-End Companies) utilizing the new two-bucket approach:

CECL
SEC Filers Excluding SRCs: January 2020
All Other Entities: January 2023

Effective Dates (Calendar Year-End Companies):

Leases
Public Business Entities: January 2019
All Other Entities: January 2021

Hedging
Public Business Entities: January 2019
All Other Entities: January 2021

A public entity would determine its effective date based on its most recent SRC determination at the date the final ASU is issued.

For example, if the final ASU on deferral of effective dates is issued in Q4, 2019 , a calendar year-end entity would utilize its SRC status as of June 30, 2019.

The effective date for that entity would not change even if the entity subsequently loses its SRC status.

Next Steps
The FASB is looking for feedback on the proposed effective dates and its two-bucket approach by September 16, 2019.

On the Horizon
The FASB is continuing to evaluate possible amendments for the insurance standard and will issue a separate proposed Update.

For future major standards only, the FASB also tentatively decided in July to align the annual and interim transition requirements for all entities in Bucket Two.

All entities in Bucket Two, including SRCs, would benefit from an additional year to apply amendments to their interim financial statements, consistent with current private companies transition requirements. As part of the proposed ASU, the FASB is requesting feedback on this approach to interim period effective dates for entities in Bucket Two.

About Urish Popeck

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