

**Summary**

*of the*

PAC’s 2019 Annual Conference:

**Professional Accounting Futures**

*held at the*

*Institute for Management & Innovation and the University of Toronto Mississauga (UTM)*

***September 13, 2019***

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The views and opinions expressed in this paper are those of the speakers and do not necessarily reflect those of their respective organizations or CPA Ontario.

Len Brooks

Professor & Director

Professional Accounting Centre

<https://www.utm.utoronto.ca/pac/>

# Introduction

The Public Accounting Centre (PAC) at the University of Toronto Mississauga (UTM) was established to examine the challenges affecting professional accounting, with the aim to enhance the relevance of professional accounting in the future.

PAC’s fourth annual conference: *Professional Accounting Futures* was held at the Institute for Management & Innovation (IMI) and the University of Toronto Mississauga (UTM) on September 13, 2019. Attended by academics, accounting professionals, accounting standards setters, regulators, and graduate students, the conference consisted of four plenary sessions—two panel sessions in the morning; a keynote address during the lunch break; and one session in the afternoon. Funding for the conference was generously provided by CPA Ontario.

Academics, accounting professionals, accounting standards setters, and regulators addressed this year’s themes of reimagining the profession of accounting, and the relevance and complexity of financial disclosures. These topics were chosen to provide windows on the transformation process underway for the profession, and on leading studies and thinking on how the complexity and relevance of financial disclosures could be improved. Specifically, the major segments of the Conference Agenda sought to explore the following:

* *Reimagining the Profession:* the current transformative studies in U.K. and Canada that began because of concerns that the relevancy of the profession was eroding in the face of increasing use of technology, artificial intelligence, massive databases, data analytics, and numerous other socio-economic factors. The Canadian study is known as the Foresight Process.
* *Complexity and Relevance*; the new challenges facing financial statement preparers, auditors, and users because rrecent accounting standards have become so complex to understand that boards of directors, and even audit committee members are asking whether:
* Audit committees can provide adequate oversight of financial statement disclosure and audits
* Reporting relevance has been lost, and
* Complexity can be reduced and reporting relevance be increased?
* *Keynote Speech:* the challenges of accounting standard setting
* *Research on Changes in Relevance over Time:* research into non-GAAP performance metrics and the changing relevance of financial statements and performance measures.

The PAC Annual Conference brings thought leaders together through dialogue and discussion, to share perspectives and to serve as a kernel for collaborative problem solving. With registration closed after just three days, due to space considerations, the salience of this year’s conference theme was quickly affirmed, and the conference discussions were spirited and pithy.

This document provides a brief summary of the conference. For the original presentations, please visit the PAC’s *Events* website under the conference name, [*PAC 2019 Annual Conference on Professional Accounting Futures – September 13, 2019*](https://www.utm.utoronto.ca/pac/pac-events/pac-2019-annual-conference-professional-accounting-futures-september-13-2019).

# Executive Summary

### The Conference

PAC’s fourth annual conference: *Professional Accounting Futures* was held at the Institute for Management & Innovation at the University of Toronto Mississauga (UTM) on September 13, 2019. Attended by academics, accounting professionals, accounting standards setters, regulators, and graduate students, the conference consisted of four plenary sessions—two panel sessions in the morning; a keynote address during the lunch break; and one panel session in the afternoon. Funding for the conference was generously provided by CPA Ontario.

Academics, accounting professionals, accounting standards setters, and regulators addressed this year’s themes of reimagining the profession of accounting, and the relevance and complexity of financial disclosures. Topics were chosen to provide windows on the transformation process underway for the profession, and on leading studies and thinking on how the complexity and relevance of financial disclosures could be improved. Specifically, the major segments of the Conference Agenda sought to explore the following:

* *Reimagining the Profession (Panel 1):* the current transformative studies in U.K. and Canada that began because of concerns that the relevancy of the profession was eroding in the face of increasing use of technology, artificial intelligence, massive databases, data analytics, and numerous other socio-economic factors. The Canadian study is known as the CPA Canada Foresight Process.
* *Complexity and Relevance (Panel 2)*; the new challenges facing financial statement preparers, auditors, and users because rrecent accounting standards have become so complex to understand that boards of directors, and even audit committee members are asking whether:
* Audit committees can provide adequate oversight of financial statement disclosure and audits
* Reporting relevance has been lost, and
* Complexity can be reduced and reporting relevance be increased?
* *Keynote Speech:* the challenges of accounting standard setting
* *Research on Changes in Relevance Over Time (Panel 3):* research into non-GAAP performance metrics and the changing relevance of financial statements and performance measures.

Key findings and discussions are summarized below.

### Complexity and Relevance…

“An increasingly complex business environment has, of necessity, resulted in more complex financial reporting and more complex standards to govern that financial reporting process.” Ted Christensen, Panel 2

University of Georgia researcher, ***Ted Christensen***, speaking in Panels 2 and 3, began his research as a skeptic, believing that non-GAAP reporting was meant to obfuscate, rather than clarify financial performance. After 18 years of study, he now believes that non-GAAP measures are meant to be informative. Business complexity, he said, means that the one-size-fits-all approach to financial statements just cannot work for all businesses or users.

The other Panel 3 researchers and Panel 1 speakers supported this conclusion:

* University of Toronto researcher, ***Dushyant Vyas***, in a preliminary study of key performance indicators (KPIs), emanating from last year’s PAC Conference on Accounting Futures,[[1]](#footnote-1) found positive correlation of some KPIs with future return on assets (ROA) and sales growth. In addition, market participants do seem to recognize the importance of these measures for predicting future profitability of large firms. Results are less clear for small firms, which are informationally more opaque
* ***Anup Srivastava***, Canada Research Chair, University of Calgary, from research resulting in a series of *Harvard Business Review* articles, demonstrated that traditional financial statements are irrelevant for digital companies. Compared to industrial companies, digital companies have many intangible assets (e.g., Facebook’s network), and no inventory (e.g., Airbnb’s associated properties are not owned by the firm).[[2]](#footnote-2) This finding agrees with facts introduced in CPA Canada’s Foresight project to reimagine the profession: Intangible assets in 2015 made up 84% of the market value of the S&P 500, up from just 17% in 1975.[[3]](#footnote-3) This means that traditional accounting statements capture just 16% of the value of firms, lending credence to the growing concern for the relevance of these statements.

Panel 2 speaker, ***Anthony Scilipoti***, CEO at independent equity research firm, Veritas, remains skeptical about non-GAAP reporting. While acknowledging that non-GAAP metrics are the bridge between accounting and economic reality, he said that when a company provides a non-GAAP metric that is not clearly explained or that is not comparable to historical numbers or to those of industry peers, users should question *why*. Is the new number coming from accounting ingenuity or business ingenuity? Seventy percent of S&P 500 and TSX 60 members include non-GAAP measures in their regulatory filings, and “…over 95% of TSX 60 members rely on a non-GAAP metric to report their performance. EBITDA and Adjusted Earnings continue to be the most prominent.”[[4]](#footnote-4)

Anthony maintains that improving Canadian financial reporting could lower the national cost of capital, and prevent international investors from turning away from Canada.

Deloitte partner, ***Allan Donald***, also speaking in Panel 2, added that the use of non-GAAP metrics is increasing, because GAAP metrics are very poor measures of performance.

Allan Donald, partner at Deloitte LLP, added to the discussion of business complexity by challenging the notion of going concern:

“The 33-year average tenure of companies on the S&P 500 in 1964 narrowed to 24 years by 2016 and is forecast to shrink to just 12 years by 2027.” Innosight, 2018[[5]](#footnote-5)

This prediction was identified as a *critical certainty* in the CPA Canada Foresight roundtables, said ***Pat Meredith***, a leader of that process. That said, the assumption that entities are going concerns is a starting point for producing an internally consistent set of principles in conceptual framework for standard setters, said keynote speaker, ***Christine Botosan***, member of the Financial Accounting Standards Board (the FASB).

In 1964, continued Allan, backward-looking information—financial statements – was a good predictor of future performance, but that is no longer the case. Now, short business lifetimes force investors to be *forward* thinking. For example, investment companies like BlackRock want proof that what companies do today is creating future value that will allow them to live for 12 years. In addition, Blackrock wants to see sustainability—to the benefit of all stakeholders, including communities, not just shareholders–is part of long-term value creation.[[6]](#footnote-6) The latter was also expressed as a critical certainty in the Foresight project, reported Pat Meredith.

### Reimagining the Profession

Just as investors are replacing backward thinking with forward thinking, the accounting profession globally is turning its attention from hindsight to foresight. The *CPA Canada Foresight*[[7]](#footnote-7)*,* focused on reimagining the profession in Canada, has used a process called catalytic governance[[8]](#footnote-8), co-designed by Pat Meredith, to generate transformative projections of future professional activities and skills. Pat outlined the four steps completed over the last year, which culminated in new directions for the profession’s continued relevancy. The latter include:

* Data mastery for CPAs, and a role in data governance and data integrity
* New competencies, agility, and life-long learning
* Stewardship of the public trust

Taking the baton from Pat Meredith, ***Gordon Beal*** of CPA Canada described Foresight’s next phase, the planning and implementation of the rethinking process. Gordon warned that strengths of CPA Canada as an institution—success of its programs, pride in its history, and satisfaction of its members–may be what keep the profession from changing at the pace required.

“[Particularly because only 16% of a firm’s value is reflected in the financial statements], CPAs will need to transition from being keepers of the financial statements to becoming proactive contributors to real-time evaluation.”

The next steps in the process include the development of a data governance action plan; early engagement with members, decision makers, data experts, regulators, consumers, and citizens at each stage of the process; and developing the work in parallel with the Canadian Data Governance Standardization Collaborative.[[9]](#footnote-9)

CPA Canada Foresight has informed the Institute of Chartered Accountants in England and Wales (ICAEW) process called AuditFutures, led by Panel 1 speaker ***Martin Martinoff***. Unlike Canada’s profession-initiated process, however, the U.K. process continues in a hostile environment, where audit and accountancy have their lowest-ever level of public trust and support. Mostly set off by the collapse of U.K. construction giant, Carillion, just months after a clean audit review, five government-mandated auditing inquiries[[10]](#footnote-10) are addressing the lack of competition and regulation, the scope of audit, audit standards, and the need for an operational split between auditing and non-audit services.

### Regulators and Standard Setters

While the audit sector’s regulator, the Financial Reporting Council, comes under fire in the U.K., those elsewhere grapple with the complexity and relevancy of accounting standards.

As the financial statements and user needs become more complex, regulators feel they need to step in and add control, said Ted Christensen. In the U.S., the U.S. Securities and Exchange Commission (SEC), the Financial Accounting Standards Board (FASB) and the Public Company Accounting Oversight Board (PCAOB) have all shown interest in the proliferation of non-GAAP performance metrics.

In Panel 2, Canadian Accounting Standards Board (AcSB) member ***Nancy Andersen*** said that the AcSB’s approach was a consultative process that resulted in *Framework* for voluntary reporting of performance measures.[[11]](#footnote-11) The performance measures include non-GAAP measures, financial, operational, and non-financial measures to be reported outside financial statements by for-profit, not-for-profit, or non-profit entities. The key objective of the AcSB process was promotion of *transparency* and *consistency* to improve the relevance and quality of performance measures.

Going further than the AcSB, said both Ted and Nancy, is the International Accounting Standards Board (IASB). Its approach to remaining relevant and helping users with complexity is to consider the inclusion of non-GAAP performance measures in financial statements and increasing the comparability of non-GAAP measures.[[12]](#footnote-12)

U.S.-based Financial Accounting Standards Board (the FASB), said both Ted and keynote speaker, ***Christine Botosan***, is studying disaggregation of line items on financial statements to increase their transparency and relevance. As an example, Ted said that displaying the GAAP and non-GAAP income statements side-by-side can be informative if a company excludes an item but wants to show how it differs from the original. Currently, the SEC disallows submission of non-GAAP income statements because they are not audited.

Long-time audit committee chair and board member ***Philip Orsino*** has asked auditors to check the calculation of non-GAAP metrics, an action Ted Christensen agrees with. However, ***Anthony Scilipoti*** disagreed, saying that preparers, auditors, and analysts have different specific roles to play. Because the foundation of an adjusted number is the audited number, he urges auditors to restrict their attention to GAAP numbers and warns standard setters to do the same. However, he suggests preparers standardize numbers, like cash flow, so that analysts and users can calculate metrics like free cash flow themselves, and use the calculated number to compare industry peers.

***Allan Donald*** agreed that the financial statements have a value as a starting point, because “…they are the only information subject to a highly codified set of standards and, typically, external verification.... Beyond that, they really don’t help people with what the original intent was—to understand the business’s performance, what it is doing, and whether it will be successful in the future.”

### …And Relevance and Complexity

As chair of an audit committee, ***Philip Orsino*** feels responsible for ensuring that company disclosure is as accurate as possible. If comparing statements from period to period is challenging for an audit committee, how does that complexity help users of financial statements, without access to additional company information, make better decisions? ***Allan Donald*** concurred, adding:

“In the age of fast communication, shareholders have come to expect information to be readily usable in a relevant and easily readable form.”

Further, ***Anthony Scilipoti*** added, analysts are responsible for more companies each than ever before, so they want to rely on the mythical “one number,” rather than on time-consuming, critical analysis of financial statements. Companies like Bloomberg are providing such numbers (EBITDA, cash flow, etc.), but the “one number” is mythical, because no company is likely to calculate it the same way as others.

***Allan Donald*** concluded his talk by saying,

“The whole financial disclosure system, which is which is really 85 years old, doesn't fit that purpose in the modern world.”

That statement makes salient this 4th annual PAC Conference on Accounting Futures.

Summaries of the remarks of individual speakers follows.

# Panel 1: Reimagining Professional Accounting

### ***Martin Martinoff***, ICAEW-Process Reimagining Leader

### ***Pat Meredith***, Process Leader for CPA Canada Foresight

### ***Gordon Beal***, Research, Guidance and Support, CPA Canada

**Professional accounting bodies around the world are considering how professional accounting needs to change in the face of increasing use of technology and numerous other socio-economic factors. Panel 1 looks at forces changing the profession in the U.K. and Canada.**

### **Martin Martinoff**, Program Manager, AuditFutures, ICAEW,

### *The Future of the Profession: U.K. Perspective*

The collapse of U.K. construction giant Carillion in 2018, just a couple of months after receiving a clean audit review, had massive economic and social impacts. Fair or not, blame was placed squarely on the accounting and audit profession. Particularly damning was the Prem Sikka review:

“Auditors have been unable to deliver independent and robust audits, and the auditing industry is in disarray, dysfunctional and stumbles from one crisis to another. Auditing firms are mired in conflicts of interest and have shown willingness to bend the rules at almost any cost to increase their profits. A steady parade of scandals has followed and auditors’ silence has been a major factor in loss of people’s pensions, jobs, savings and investments.” Reforming the Auditing Industry, 2018[[13]](#footnote-13)

Panelist ***Martin Martinoff***, leader ofthe U.K. process, AuditFutures, a foresight, innovation and collaboration initiative of the Institute of Chartered Accountants in England and Wales (ICAEW) to reimagine the profession,[[14]](#footnote-14) described government-forced reviews of audit in the U.K. running concurrently with AuditFutures.

With implications for the profession as a whole, Martin said the five auditing reviews[[15]](#footnote-15) since 2017 address the lack of competition and regulation, the scope of audit, audit standards, and the need for an operational split between auditing and non-audit services.

Martin said that given this quite hostile environment, where audit and accountancy have their lowest-ever level of public trust and support, the ICAEW realized it needed to build a modern profession and “…to embrace fundamental change.”[[16]](#footnote-16) He added that collaboration with CPA Canada[[17]](#footnote-17) has been instrumental in thinking about the future.

*“AuditFutures is reinventing accountancy as the exemplar of an innovative and socially relevant profession.”*[[18]](#footnote-18)

AuditFutures’ research areas (in italics, with additional, un-italicized comments by Martin)[[19]](#footnote-19) include:

* *the impact and disruption of technology*, as well as collaboration on the development of common, rather than competing, data models amongst the Big Four accounting firms
* *the changing nature of work and the future firm*, including human-centered design as a way of developing new services
* *the evolving role and purpose of accounting and finance in modern society*
* *the importance of broader education in fostering future competencies*, and commitment in students.

### **Pat Meredith**, Consultant and leader, *CPA Canada Foresight Project: Reimagining Accounting for the Information Age: Phase I*

Pat Meredith led the Canadian process to reimagine the accounting profession. An initiative of CPA Canada, not motivated by government or political intervention, the process, called catalytic governance[[20]](#footnote-20), was co-designed by Pat Meredith to generate transformative change. Pat outlined the four completed steps in Phase I of CPA Canada Foresight and described some highlights, as follows.[[21]](#footnote-21)

* Step 1—*Framing the issues*: understanding the external forces that are driving the profession to change. Six high-level speakers challenged participants’ view of the world and forced participants to focus on the external environment. Some key challenges were these:
* Making decisions in real time is clearly new and not how management has operated in the past.
* Data is the “new oil,” but has few rules associated with its ownership, use, and governance.
* Investors are relying less and less on financial statements.
* Sustainability is extremely important and requires meeting the needs of all stakeholders, not just shareholders. Climate change must be considered.
* Step 2—*Engaging stakeholders*—CPAs and others from business, industry, non-profits, and academia–through roundtables and digital platforms to share ideas through dialogue, not debate; to build a case for change in the profession; and to develop work plans.
* Step 3—*Building plausible scenarios of the future*. By developing scenarios, working groups gained better understanding of what the future might look like and of what actions the profession can take in order to be prepared. Steps included:
* Identifying *critical certainties*: things that will certainly happen. For example, technology will continue to impact auditing and accounting, as will data management, since global data flows, said a roundtable participant, will have increased exponentially (roughly 40 fold) by the end of 2017, while trade flows of goods and services have been flat since 2008.
* Identifying critical *un*certainties (e.g., the extent of global coordination on these issues; the impact of social inequality; the role of trust in information; governance; the profession’s ability to adapt to change)
* Step 4—*Developing strategies* to address the scenarios revealed new directions for the profession’s continued relevancy. These include:
* Data mastery for CPAs, and a role in data governance and data integrity
* New competencies, agility, and life-long learning
* Stewardship of the public trust
* Step 5—*Creating working groups* to implement strategy of Step 4. This is the topic of Gordon Beal’s presentation (next in this document).

### **Gordon Beal**, Vice-President, Research, Guidance and Support,

### CPA Canada,

### *CPA Canada Foresight: Phase II—Action Plan and Implementation*

“Every large and successful institution has an immune system…But here’s the paradox: the immune system that has given large institutions extraordinary resilience in the past may be the very thing that makes these institutions so vulnerable today.”[[22]](#footnote-22) John Hagel, Co-Chairman Deloitte Center for Edge Innovation

Taking the baton from Pat Meredith, ***Gordon Beal***, vice-president of research and support at CPA Canada, described Phase II of CPA Canada Foresight: Action Planning and Implementation of the rethinking process. To start, Gord warned of the dangers of resisting change. He found a report from 1970 in the CPA Canada archives that had warned accountants then that they needed a look at value differently, because technology was going to disrupt the profession.

Gordon warned that strengths of CPA Canada as an institution—success of its programs, pride in its history, and satisfaction of its members–may be what keep the profession from changing at the pace required.

What makes *Foresight* different from past attempts at examining the profession are two things: its aggressive timeline to reflect urgency, and the backing of CPA Canada and its provincial counterparts, an advisory council and an oversight committee.

In Step 4— *Developing strategies*, it was clear that the accounting profession needed to change “Where to play” and “How to play.” This next phase /Step 5 is all about the areas in which CPAs could be effective; the skills CPA of the future needs; and the role CPA Canada will play.

Where to play is the umbrella focus over two areas:

* Rethinking value creation: Intangible assets in 2015 made up 84% of the market value of the S&P 500, up from just 17% in 1975.[[23]](#footnote-23) This means that traditional accounting statements capture just 16% of the value of firms, lending credence to the growing irrelevance of these statements. So, an important role for accountants could be to develop new frameworks for data valuation: to recognize and assess hard-to measure assets, key performance indicators (KPIs)/non-GAAP metrics.
* Data mastery, the highest-priority starting point, could include providing guidance on data governance and data operations, for example, guidance on: ownership and access, on ethics/trust issues such as compliance with privacy and other rights, accountability for data collection, data integrity, and data analytics.

How to play is the umbrella focus over four areas:

* How to educate CPAs on what to learn, how to learn. What existing and new skills and competencies will be needed? What qualifications and continuing professional development will CPA Canada provide?
* How CPA Canada governance will operate and partner with other associated professions and organizations.
* How to ensure that integrity and ethical behavior are fundamental to the profession. CPAs could be stewards of the public trust.
* How to train CPAs to drive agility and innovation in businesses and to ensure their relevancy.

“[Particularly because only 16% of a firm’s value is reflected in the financial statements], CPAs will need to transition from being keepers of the financial statements to becoming proactive contributors to real-time evaluation.”

The next steps in the process include the development of a data governance action plan early engagement with members, decision makers, data experts, regulators, consumers, and citizens at each stage of the process, and developing the work in parallel with the Canadian Data Governance Standardization Collaborative.[[24]](#footnote-24)

# Panel 2: Complexity & Relevance – Are They Unresolvable Challenges to Accounting Standards?

### ***Nancy Anderson***, Member, Canadian Accounting Standards Board (AcSB)

### ***Philip Orsino***, Senior Audit Committee Member

### ***Anthony Scilipoti***, Veritas Investment Research

### ***Allan Donald***, Deloitte LLP

### ***Ted E. Christensen***, University of Georgia

**Panel 2 addressed the new challenges facing standard setters, financial statement preparers, auditors, and users.**

### **Nancy Anderson**, Member, Canadian Accounting Standards Board,

### Chief Financial Officer and Vice President, Financial Reporting, REALPAC

### *Complexity & Relevance – Are They Unresolvable Challenges To Accounting Standards?*

“The complexity of financial reporting now is that you have so many users, you have so many needs, you have the preparers trying to fulfill these needs, and you have so many questions that need to be answered. How do you satisfy all of these in one place?”

As an AcSB board member, Nany Andersen said that, in Canada, the AcSB’s response to complexity and remaining relevant has been a consultative process to improve the quality of financial and non-financial performance measures. The process recognized that users need to understand key pieces of information. They need to know how a measure is selected, calculated, and how it relates to other measures. If a measure changes, change could be acceptable, as long as it is explained.

The product of the consultative effort is the AcSB’s *Framework* for voluntary reporting of performance measures.[[25]](#footnote-25) The performance measures include non-GAAP measures, financial, operational, and non-financial measures: whatever is being reported outside financial statements by for-profit, not-for-profit, or non-profit entities. Described simply, the key outcome of the AcSB process was promotion of *transparency* and *consistency* to improve the relevance and quality of performance measures.

Despite general complaints about the complexity of information disclosure requirements, Nancy referenced a forthcoming paper that indicates that

“…[while] a significant portion of professional financial statement users believe disclosure overload is a problem…this group is in the minority, with about twice as many professional users [about 44%, said Nancy] believing that overload is not a problem and that **more information** [emphasis added] should be disclosed in financial statements.”[[26]](#footnote-26)

The AcSB has presented its *Framework* to other standard setters internationally. Going further than the AcSB, Nancy said, is the International Accounting Standards Board (IASB). With another approach to remaining relevant and to help users with complexity, the IASB is considering the inclusion of non-GAAP performance measures in financial statements and increasing the comparability of non-GAAP measures.[[27]](#footnote-27)

### **Philip Orsino**, Businessman and Senior Audit Committee Member,

### *On Complexity from the Perspective of a Long-Time Senior Audit Committee Chair*

“The way our financial information is being reported, is it so complex that it's no longer relevant?”

Over a 22-year career as business owner, corporate director, and audit committee chair, Philip Orsino shared his perspectives on how financial reporting has changed, and his views on the properties required for financial reporting to remain relevant.

Put simply, Philip sees financial reporting as a means of communication. To be effective it must be understood; to be understood, it must be clear. Like a language, reporting must be understood by its users. To be relevant, reporting should provide useful information for decision making, but should also allow users to ask challenging questions.

Philip made some observations and challenged the audience with some rhetorical questions:

* Companies have come full circle. Years ago, potential investors were concerned about earnings, and companies were compared on a price-earnings or net income basis. Later, Earnings before interest, tax, depreciation and amortization (EBITDA) became more important, particularly in acquisitions. Now, EBITDA has been replaced by free cash flow as a focus for credit, and income is almost irrelevant.[[28]](#footnote-28)
* Non-GAAP measurements are normal on any public company financial statements. Why are adjusted numbers needed? He suggested that company auditors check the calculation of non-GAAP metrics to avoid incorrect calculations. He questioned whether more complex accounting policies, methods, and procedures somehow diminished the usefulness of financial statements?

As chair of an audit committee, Philip feels responsible for ensuring that company disclosure is as accurate as possible. If comparing statements from period to period is challenging for an audit committee, how does that complexity help users of financial statements, without access to additional company information, make better decisions? In conclusion, he said that companies must ensure that financial statements give shareholders and other users of financial information the economic basis to make good, solid decisions.

### **Anthony Scilipoti**, CEO Veritas Investment Research

### *Some Truths About Financial Reporting Complexity and Relevance*

“As an auditor or as a user of financial statements, the most important question you can ask is, ‘Why?’”

As CEO at independent equity research firm, Veritas, Anthony represents the users of financial information. He maintains that improving Canadian financial reporting could lower the national cost of capital, and prevent international investors from turning away from Canada.

On relevance and complexity, Anthony asserted the following:

* Comparable numbers add relevancy. Auditors and board members should push for comparability to increase the relevance of their company’s financial information. Without comparability, proper decisions cannot be made. When a company provides a non-GAAP metric that is not clearly explained or that is not comparable to historical numbers or to those of industry peers, users should question *why*. Is the new number coming from accounting ingenuity or business ingenuity? Anthony advocates skepticism.
* Analysts are responsible for more companies each than ever before, so they want to rely on the mythical “one number,” rather than on time-consuming, critical analysis of financial statements. Companies like Bloomberg are providing such numbers (EBITDA, cash flow, etc.), but the “one number” approach is probably not useful because no company is likely to calculate it the same way as others.
* “Non-GAAP measures continue to feature prominently in Canadian financial reporting. Although the use of non-GAAP measures in TSX 60 members’ regulatory filings has declined from 80% to 70% and is now in line with members of the S&P 500….over 95% of TSX 60 members rely on a non-GAAP metric to report their performance; EBITDA and Adjusted Earnings continue to be the most prominent.”[[29]](#footnote-29)
* Approximately 40%[[30]](#footnote-30) of the TSX 60 companies are breaking one or more of the seven guidelines[[31]](#footnote-31) for disclosure of non-GAAP financial measures.
* Preparers, auditors, and analysts have roles to play. The lines between them are blurred, but should not be. Because the foundation of an adjusted number is the audited number, he urges auditors to restrict their attention to GAAP numbers and warns standard setters to do the same. Anthony urges preparers to standardize numbers, like cash flow, so that analysts and users can *calculate* free cash flow themselves, and use the calculated number to compare industry peers.

### **Allan Donald**, Partner, Audit & Assurance, Deloitte LLP

### *Complexity and Relevance of Financial Statements*

Allan Donald, partner, audit and assurance, at Deloitte LLP, opened with a startling quotation:

“The 33-year average tenure of companies on the S&P 500 in 1964 narrowed to 24 years by 2016 and is forecast to shrink to just 12 years by 2027.” Innosight, 2018[[32]](#footnote-32)

The significance of the statement is that, historically, backward-looking information—financial statements–was a good predictor of future performance, but that is no longer the case if companies will only be around for 12 years, on average. Short business lifetimes force investors to be *forward* thinking. For example, investment companies like BlackRock want proof that what companies do today is creating future value that will allow them to live for 12 years. In addition, Blackrock wants to see sustainability—to the benefit of all stakeholders, including communities, not just shareholders–is part of long-term value creation.[[33]](#footnote-33)

In addition, Allan says the use of non-GAAP metrics is increasing, because GAAP metrics are very poor measures of performance, and because forward-looking information is needed to understand the performance of a business, rather than the backward-looking financial information.

“In terms of relevance,” Allan said, “the financial statements are the only information subject to a highly codified set of standards and, typically, external verification, so they have a value as a starting point. Beyond that, they really don’t help people with what the original intent was—to understand the business’s performance, what it is doing, and whether it will be successful in the future.”

“On the complexity side, who reads financial statements?” Allan challenged. “The short answer,” he continued, “is virtually no one...because they are so complex, even for a professional accountant. So what chance does the average person have to understand them?”

In the age of fast communication, Allan said that shareholders have come to expect information to be readily usable in a relevant and easily readable form. He concluded by saying, “The whole financial disclosure system, which is which is really 85 years old, doesn't fit that purpose in the modern world.”

### **Ted E. Christensen**, Director and C. Herman & Mary V. Terry Distinguished Chair, School of Accounting, University of Georgia,

### *Non-GAAP Reporting: What Does It Say About the Relevance of GAAP Income Statements?*

After studying non-GAAP metrics for 18 years, academic Ted Christensen says that the proliferation of non-GAAP performance metrics indicates that the relevance of GAAP financial statements is declining, because they do not meet everyone’s needs.

As the business environment becomes more complex because of technology, rapid communication, global competition and changing consumer demand, of necessity, the financial reporting process and the standards that govern that financial reporting process are going to become more complex.

With different informational needs in this constantly changing environment, a set of standardized, one-size-fits-all, all-purpose financial statements are not going to satisfy the demands of each different user group.

“This proliferation of non-GAAP metrics is just a natural result of the fact that the one-size-fit-all approach doesn’t really work.”

Ted is not suggesting that standard setters should just give up and let the “wild west” prevail. As Anthony Scilipoti said earlier in this document, the audited financial statements are an important starting point: they define the GAAP number. Ted added that each user then needs to be able to modify numbers, e.g., the earnings number or the cash-flow number, to fit their specific needs.

Concerning comparability across companies, industry standards result from companies seeing what their competitors are reporting. Users will assume that a company is hiding something if it does not report similar metrics.

Ted’s 2018 research[[34]](#footnote-34) shows that 70% to 80% of S&P 500 companies, by 2013, were reporting non-GAAP performance metrics on a regular, recurring basis.

As the financial statements and user needs become more complex, regulators feel they need to step in and add control. In the U.S., the U.S. Securities and Exchange Commission (SEC), the Financial Accounting Standards Board (FASB) and the Public Company Accounting Oversight Board (PCAOB) have all shown interest in the proliferation of non-GAAP performance metrics.

Ted offered three ways to make standardized financial statements more useful:

* More disaggregation of financial statements. For example, the income statement is so aggregated that understanding what is included in its few line items is very difficult or impossible. Analysts and other users want more information. Disaggregation allows better understanding of the non-GAAP performance metrics that management provides. From those, or the GAAP metrics, analysts and users can calculate their own customized metrics.
* Less stringent SEC rules on non-GAAP reporting. For example, the SEC:
  + disallows non-GAAP income statements because they are not audited. However, displaying the GAAP and non-GAAP income statements side-by-side can be informative if a company wishes to exclude an item from a line but wants to display the adjusted number to show how it differs from the original.
  + requires that companies calculate non-GAAP performance metric consistently. However, Ted’s research shows that when firms change the way they report a number, the change is done for *informative* reasons, not *deceptive* reasons: something has changed in their environment that makes them want to change their reporting.
* Auditors should consider playing a greater role with respect to non-GAAP metrics that appear on financial statements. Auditors should not necessarily audit the non-GAAP numbers, because they want to avoid that liability, but checking the calculation could avoid errors.

# Keynote Speech

## Christine Botosan, FASB Board Member – Standard Setting Challenges

The U.S.-based Financial Accounting Standards Board (the FASB) establishes financial accounting and reporting standards for organizations that use GAAP. Part of the FASB’s mission is to improve information for financial report users and to help stakeholders understand and use the standards.[[35]](#footnote-35)

Board member **Christine Botosan**, outlined the FASB’s extensive research and technical project agenda and explained why the projects are important to standard setters.

The overall aim of the technical and research agenda is a robust decision-making framework to guide standard setters in developing consistent, logical, internally consistent solutions to financial reporting issues.

To reach the agenda,[[36]](#footnote-36) pervasive problems in financial reporting that seem to have feasible solutions are voted on by the Board. Projects fall under three categories: improving the framework that guides standard setters (e.g., by refreshing definitions); dealing with measurement problems (e.g., for intangible assets); and updating disclosure requirements (e.g., disaggregation of financial statements).

Christine said that “…to make standards that that are consistent across boards, that are internally consistent with one another, and that are based on economic principles, currently we’re operating handcuffed right now, because we just don't have an adequate conceptual framework to help us with all of those decisions that we're making daily.”

Christine said that she believes the solution starts in “…understanding that the conceptual framework is a system of interrelated principles that are built upon a foundation-set of assumptions. Among those assumptions, the *objective* of financial reporting is by far the most important starting point, because until we know what it is that financial reports are intended to do…we really can’t make any progress on any other aspect of the conceptual framework.”

Further, “…while it’s critically important and has a very special role in the conceptual framework, [the objective] alone doesn't give enough structure to produce an internally consistent set of principles.” This is because starting point assumptions—e.g., one as simple as entities are going concerns, which was challenged in Allen Donald’s talk and raised by participants in the CPA Canada Foresight roundtables, said Pat Meredith–would lead down a particular path in terms of measurement principles and presentation principles that would be different if the initial assumptions were changed.

Christine believes that making progress on the development of the integrated conceptual framework requires making sure that underlying definitions and assumptions are as explicit and as complete as possible, and linking back to the objective of financial reporting.

# Panel 3: Research on Changes in Relevance over Time

### ***Ted. E. Christensen***, University of Georgia

### ***Anup Srivastava***, University of Calgary

### ***Dushyant Vyas***, University of Toronto

**Three research presentations considered non-GAAP measures and their growing relevance.**

### **Ted E. Christensen**, C. Herman & Mary V. Terry Distinguished Chair, University of Georgia, *Non-GAAP Reporting: Evidence from Academia and Current Practice*

From his co-authored 2018 review article covering 20 years of academic research and current practices on non-GAAP reporting,[[37]](#footnote-37) Ted outlined some key findings:

* Before regulation of non-GAAP disclosure in 2002, companies could report any numbers, and these did not necessarily reconcile with GAAP. U.S. regulatory and standard-setting events, from 2002 to 2016—usually in response to scandals–helped to reduce inscrutable financial reporting and regulate non-GAAP disclosure. Regulations, strict at first, lightened with SEC compliance and disclosure interpretations in 2010, and tightened again in 2016.
* Non-GAAP reporting fell off when regulations were introduced, but only until about 2004. Early research looked for “bad guys”: managers that were using non-GAAP numbers to mislead investors. Since 2004, non-GAAP reporting has become so standard[[38]](#footnote-38), that mounting evidence suggests that *most* non-GAAP reporting is meant to be informative, not misleading.
* Early work showed that small traders paid the most attention to non-GAAP metrics. Now, non-GAAP metrics are the basis of trading for even sophisticated investors, and they see general use. For example, compensation committees routinely focus on non-GAAP metrics to construct compensation packages.
* In general, research has shown that the quality of non-GAAP metrics in the U.S. and Canada improved with increased regulation. Increased regulation does not entirely prevent managers from misleading shareholders, but other monitoring mechanisms may make deception more difficult.
* Litigation risk is one such mechanism.
  + Analysts act as another monitoring mechanism. Research found that when analyst coverage of a company drops, information asymmetry increases between the company and its investors; the frequency of non-GAAP disclosures increases, and the quality of the disclosures decreases.[[39]](#footnote-39)
  + By contrast, when creditors are involved, or where boards have a high level of independence, or when analyst monitoring is high, increased scrutiny comes with a drop in non-GAAP reporting practices.

### **Anup Srivastava**, Canada Research Chair in Accounting, University of Calgary, *Changing Economics of Listed Firms and the Declining Relevance of Financial Statements*

In 2018, Anup Srivastava[[40]](#footnote-40) and co-researchers divided listed companies into cohorts defined as “pre-1970,” and by decade, from 1970 to 2009. He showed that traditional financial reporting has become less and less relevant over time, particularly for digital companies. Anup’s key messages included these:

* The relationship between market to book value, and between current revenues and expenses in 1970 was a 1:1 ratio, meaning that book value fairly accurately captured the market value of the company. With the 2000-2009 cohort of listed companies, the ratio of market to book value was 3.5:1, meaning that only less than 25% of market value, on average, is on the books. In addition, 60% of costs are *not matched* to revenues, for this cohort, so traditional calculations of profits, profit margin, and earnings, become meaningless. Cost of goods sold (COGS) still shows good matching, but selling, general and administrative expenses (SG&A) are not matched at all.
* Earnings volatility has increased with every cohort. Earnings volatility of the 2000-2009 companies is an astounding ***70 times*** that of the pre-1970 cohort, making meaningless any prediction of future profits or future cash flows. Two reasons may account for the change in earnings volatility. Compared to the older cohort, firms of the newer cohort:
  + are less likely to survive because of changing economics (reaffirmed in Allan Donald’s talk)
  + are more susceptible to technological disruptions
* Traditional financial statements, like the balance sheet, do not work for digital companies. Compared to industrial companies, digital companies have many intangible assets (e.g., Facebook’s network), and no inventory (e.g., Airbnb’s associated properties are not owned by the firm).[[41]](#footnote-41) ***Scalability*** is what is so important about these intangible assets: the value of the network increases with usage. This is the concept of returns increasing as scale increases (hence the metric. ***returns to scale***). That assets *appreciate* with usage is a concept that contradicts the basic accounting principle that *assets depreciate with use over time*.
* Following Anup’s talk, an audience member noted that the gap between market value and book value is increasing, and said the general perception is that if intangibles could be capitalized, the two values could be realigned. This perception was challenged by Srivastava with two points:
  + Capitalizing any expenditures in achieving the network of many digital companies (e.g., Facebook), comes nowhere close to the companies’ market value.
  + In addition, digital companies like Google or Amazon could launch a new search engine or product and achieve worldwide scalability with close to zero investment.

### **Dushyant Vyas**, Bingxu Fang & Partha Mohanram, Rotman School of Management, University of Toronto, *Review of PAC-funded Research: Performance and Value-Creation Measures*

“Key performance indicators (KPIs) are, presumably, leading indicators of financial performance. That’s why markets seem to focus on them.”

Dushyant Vyas, speaking for his co-authors, Bingxu Fang and Partha Mohanram, outlined research on key performance indicators (KPIs),[[42]](#footnote-42) which emanated from last year’s PAC Conference on Accounting Futures.

KPIs are metrics of operational performance or value creation that do not typically appear on financial statements. They are voluntarily disclosed and have no standard format. Examples are Tesla’s *production* number; a retailer’s *same store sales growth*; and an airline’s *passenger load factor* or *cost per seat mile*.

Because value drivers vary across industries and across firms[[43]](#footnote-43), the challenge was to compare KPIs, despite their heterogeneity, from a large sample.[[44]](#footnote-44) The objectives of the research included:

* Assessing the value relevance (using equity market returns) of these KPIs.
* Seeing if the market understands the implications of the KPIs for current and/or future financial returns. If not, could a trading strategy be built on KPIs?
* Investigating variation between firms, and over time, based on firm- and KPI-characteristics.

To deal with the heterogeneity of the KPIs, they were divided into two broad categories, depending on whether they were related to efficiency (K-efficiency) or growth (K-growth). KPI scores were constructed for each firm in each industry using these categories.

Cautioning that the results are for a specific subset of firms over a specific period and replicability has not yet been tested, Vyas said results seem to indicate that, in keeping with anecdotal evidence, some KPIs do have information content that can indicate future financial performance:

* K-efficiency (but ***not*** K-growth) has a statistically significant positive association with future return on assets (ROA) and sales growth. The economic significance of this result is that if, hypothetically, a firm for which all the KPI indicators are deteriorating is contrasted with a firm for which all the KPI indicators are improving, the difference in the increase in ROA or sales growth or stock return increases is statistically significant. The association is stronger for large firms than small firms.
* Market participants do seem to recognize, to some extent, the importance of these measures for predicting future profitability of large firms. Understanding is less for firms that are informationally more opaque—i.e., for smaller firms without analyst coverage.

To standard setters, Vyas asked, “Would standardization of KPIs help investors to better understand [their] value implications…especially for…small firms…which really don’t attract a lot of interpretation from the market or from the analyst community?”

1. Generously co-funded by CPA Ontario and Deloitte LLP. Currently, the working title of the as yet unpublished research is *A Study of the Relevance of Key Performance Indicators (KPIs) to Market Participants*. [↑](#footnote-ref-1)
2. For more information, see a trilogy of papers by Govindarajan, Vijay, Shivaram Rajgopal, and Anup Srivastava, 2018, in *Harvard Business Review*, at *Anup Srivastava, Publications,*  at <http://haskayne.ucalgary.ca/haskayne_info/profiles/anup-srivastava>: 1) “Why Financial Statements Don’t Work for Digital Companies.” 2) “A blueprint for digital companies’ financial reporting.” 3) “Why we need to update financial reporting for the digital era.” [↑](#footnote-ref-2)
3. Ocean Tomo. 2017. *Intangible Asset Market Value Study*. Available at <https://www.oceantomo.com/intangible-asset-market-value-study/> [↑](#footnote-ref-3)
4. Scilipoti, Anthony, and Henry Yu. 2018. “Accounting Alert: Bridging the Non-GAAP Gap: The State of Non-GAAP & a Review of Proposed National Instrument 52-112.” Veritas Investment Research. <https://www.osc.gov.on.ca/documents/en/Securities-Category5-Comments/com_20181205_52-112_scilipotia-yuh.pdf>, p. 2. [↑](#footnote-ref-4)
5. Anthony, Scott D., *et al.* 2018. *2018 Corporate Longevity Forecast: Creative Destruction is Accelerating: S&P500 Lifescans Continue to Shrink, Requiring New Strategies for Navigating Disruption.* Innosight.Available at <https://www.innosight.com/wp-content/uploads/2017/11/Innosight-Corporate-Longevity-2018.pdf>. [↑](#footnote-ref-5)
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7. CPA Canada. Foresight [Project]: Reimagining the Profession. [2019?] The Way Forward: Transforming Insights into Action. Available at <https://www.cpacanada.ca/foresight-report/en/index.html?sc_camp=0634B51FD23E4B69A83478F09B7FB5D1#page=1> ; CPA Canada, Help Reimagine The Accounting Profession: CPA Canada Foresight (<https://www.cpacanada.ca/en/members-area/profession-news/2018/july/foresight-reimagine-the-profession> , 2018) [↑](#footnote-ref-7)
8. For more information, see *Catalytic Governance* [website], <http://www.catalyticgovernance.com/>, a process for transformative change, co-founded by Ged Davis, Pat Meredith, and Steven Rosell. [↑](#footnote-ref-8)
9. For more information, see: Standards Council of Canada. *Using Standards to Power a Data-Driven Economy*. 2019. Available at <https://www.scc.ca/en/news-events/news/2019/canadian-data-governance-standardization-collaborative> [↑](#footnote-ref-9)
10. For more information, see ICAEW. 2019. *Inquiry into audit – the reviews*. <https://www.icaew.com/technical/audit-and-assurance/inquiry-into-audit/audit-reviews-breakdown>. [↑](#footnote-ref-10)
11. *Framework for Reporting Performance Measures: Voluntary Guidance to Enhance the Relevance of Financial Reporting* (First Ed.). 2018. Accounting Standards Board (AcSB). <https://www.frascanada.ca/en/acsb/news-listings/framework-for-performance-measures>. See also the one-page summary of the first edition, at <https://www.frascanada.ca/en/acsb/news-listings/framework-for-performance-measures>. [↑](#footnote-ref-11)
12. One such measure is *operating profit total*, which must follow rules to make it consistent and comparable across all entities. Another initiative is the development of non-authoritative, industry-specific templates for financial statements. For more information, see Hoogervorst, Hans. 2019. “The Primary Financial Statements Project — A Game Changer in Financial Reporting? (IASB Speech).” International Seminar on IFRS and NIF - Trends and Perspectives of the World Accounting Standards, March 6, 2019. Mexico City, Mexico. <https://www.ifrs.org/news-and-events/2019/03/hans-speech-pfs-a-game-changer-in-financial-reporting/>. [↑](#footnote-ref-12)
13. Sikka, Prem, *et al.* 2018. *Reforming the Auditing Industry*. Available at <http://visar.csustan.edu/aaba/LabourPolicymaking-AuditingReformsDec2018.pdf> [↑](#footnote-ref-13)
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15. For more information, see ICAEW. 2019. *Inquiry into audit – the reviews*. <https://www.icaew.com/technical/audit-and-assurance/inquiry-into-audit/audit-reviews-breakdown>. [↑](#footnote-ref-15)
16. ICAEW. 2018. “Annual Review 2018,” <https://www.icaew.com/about-icaew/who-we-are/annual-review>. [↑](#footnote-ref-16)
17. See talks by Pat Meredith and Gordon Beal in this document to learn more about CPA Canada’s precedent-setting project, *Foresight*, to reimagine the profession. [↑](#footnote-ref-17)
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19. AuditFutures. 2019. *Themes*. <https://auditfutures.net/themes> [↑](#footnote-ref-19)
20. For more information, see *Catalytic Governance* [website], <http://www.catalyticgovernance.com/>, a process for transformative change, co-founded by Ged Davis, Pat Meredith, and Steven Rosell. [↑](#footnote-ref-20)
21. CPA Canada. Foresight [Project]: Reimagining the Profession. [2019?] The Way Forward: Transforming Insights into Action. Available at <https://www.cpacanada.ca/foresight-report/en/index.html?sc_camp=0634B51FD23E4B69A83478F09B7FB5D1#page=1> ; CPA Canada, Help Reimagine The Accounting Profession: CPA Canada Foresight (<https://www.cpacanada.ca/en/members-area/profession-news/2018/july/foresight-reimagine-the-profession> , 2018) [↑](#footnote-ref-21)
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23. Ocean Tomo. 2017. *Intangible Asset Market Value Study*. Available at <https://www.oceantomo.com/intangible-asset-market-value-study/> [↑](#footnote-ref-23)
24. For more information, see: Standards Council of Canada. *Using Standards to Power a Data-Driven Economy*. 2019. Available at <https://www.scc.ca/en/news-events/news/2019/canadian-data-governance-standardization-collaborative> [↑](#footnote-ref-24)
25. *Framework for Reporting Performance Measures: Voluntary Guidance to Enhance the Relevance of Financial Reporting* (First Ed.). 2018. Accounting Standards Board (AcSB). <https://www.frascanada.ca/en/acsb/news-listings/framework-for-performance-measures>. See also the one-page summary of the first edition, at <https://www.frascanada.ca/en/acsb/news-listings/framework-for-performance-measures>. [↑](#footnote-ref-25)
26. Drake, Michael S. and Hales, Jeffrey and Rees, Lynn L., Disclosure Overload? A Professional‐User Perspective on the Usefulness of General Purpose Financial Statements (October 10, 2018). *Contemporary Accounting Research,* Forthcoming. Available at SSRN: <https://ssrn.com/abstract=3370386>. [↑](#footnote-ref-26)
27. One such measure is *operating profit total*, which must follow rules to make it consistent and comparable across all entities. Another initiative is the development of non-authoritative, industry-specific templates for financial statements. For more information, see Hoogervorst, Hans. 2019. “The Primary Financial Statements Project — A Game Changer in Financial Reporting? (IASB Speech).” International Seminar on IFRS and NIF - Trends and Perspectives of the World Accounting Standards, March 6, 2019. Mexico City, Mexico. <https://www.ifrs.org/news-and-events/2019/03/hans-speech-pfs-a-game-changer-in-financial-reporting/>. [↑](#footnote-ref-27)
28. For one explanation on why this change has occurred, see Scilipoti, in this document. [↑](#footnote-ref-28)
29. Scilipoti, Anthony, and Henry Yu. 2018. “Accounting Alert: Bridging the Non-GAAP Gap: The State of Non-GAAP & a Review of Proposed National Instrument 52-112.” Veritas Investment Research. <https://www.osc.gov.on.ca/documents/en/Securities-Category5-Comments/com_20181205_52-112_scilipotia-yuh.pdf>, p. 2. [↑](#footnote-ref-29)
30. *ibid*, p.2. [↑](#footnote-ref-30)
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34. For a series of papers on non-GAAP reporting, including comparisons between analysts and managers, see Ted Christensen’s University of Georgia list of publications, at <https://www.terry.uga.edu/_resources/documents/Christensen%20CV.pdf>. [↑](#footnote-ref-34)
35. For more information, see *About the FASB*, at <https://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176154526495>). [↑](#footnote-ref-35)
36. For more information, see FASB. *Projects, at* <https://www.fasb.org/jsp/FASB/Page/LandingPage&cid=1175805317389> and *Technical Agenda Overview,* at <https://www.fasb.org/jsp/FASB/Page/TechnicalAgendaPage&cid=1175805470156>. [↑](#footnote-ref-36)
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38. See Scilipoti, in this document. [↑](#footnote-ref-38)
39. For a series of papers on non-GAAP reporting, including comparisons between analysts and managers, see Ted Christensen’s University of Georgia list of publications, at <https://www.terry.uga.edu/_resources/documents/Christensen%20CV.pdf>. [↑](#footnote-ref-39)
40. For a list of publications mentioned in Anup Srivastava’s talk, see *Anup Srivastava, Publications,* at <http://haskayne.ucalgary.ca/haskayne_info/profiles/anup-srivastava>. [↑](#footnote-ref-40)
41. For more information, see a trilogy of papers by Govindarajan, Vijay, Shivaram Rajgopal, and Anup Srivastava, 2018, in *Harvard Business Review*, at *Anup Srivastava, Publications,*  at <http://haskayne.ucalgary.ca/haskayne_info/profiles/anup-srivastava>: 1) “Why Financial Statements Don’t Work for Digital Companies.” 2) “A blueprint for digital companies’ financial reporting.” 3) “Why we need to update financial reporting for the digital era.” [↑](#footnote-ref-41)
42. Generously co-funded by CPA Ontario and Deloitte LLP. Currently, the working title of the as yet unpublished research is *A Study of the Relevance of Key Performance Indicators (KPIs) to Market Participants*. [↑](#footnote-ref-42)
43. Something that creates value for one firm is not necessarily the same thing for another firm. [↑](#footnote-ref-43)
44. The data set used was a sample of U.S. firms for which S&P Capital IQ (see <https://www.spglobal.com/marketintelligence/en/solutions/sp-capital-iq-platform>) had collected information on KPIs. The sample spans 2011-2016, ending slightly before the current period in order to analyze future implications. [↑](#footnote-ref-44)