

## Accounting Errors Can Be Devastating

The Sarbanes-Oxley Act created a new regulatory authority called the Public Company Accounting Oversight Board (PCAOB) in 2002. It replaced the American Institute of Certified Public Accountants (AICPA) rules about auditing businesses. The law was the most comprehensive change in financial reporting since the Great Depression over eighty-five years ago. Please see the article titled "[The Financial Impact of the Sarbanes-Oxley Act on Small vs. Large US Public Companies](#)" by the Economics Department at the Haas School of Business at U. C. Berkeley for more information on the Sarbanes-Oxley Act.

One of the biggest lessons learned from this legislation is the cost of accounting mistakes can be unforgiving to a business. One of the most insidious accounting errors made by most companies is under pricing their products and services.

Many businesses try to break into new markets by under-cutting their competition. In the short run, they can gain new customers. However, the marginal cost of each new customer acquired, is exorbitant over the long run. It also brings into question the quality of your products and services by those customers. Quoting prices below your required profit requirements is not a sustainable strategy. **Price is only a consideration in the absence of value.**

Another critical accounting error is building budgets based on last year's performance. Future success cannot be forecast based on prior performance. New strategic assumptions must be created that are in alignment with management's current goals to be relevant. An accurate budget will list all anticipated expenses as well as take into consideration changes in everyday business realities such as seasonal changes in sales.

The most expensive mistakes involve accounting for mergers and acquisitions. The Pacific Crest Group case study titled "[Bay Area Business with Bookkeeping Challenges](#)" required that a new accounting system be installed with a totally revised chart of accounts for an accounting client. All the bookkeeping transactions from 2006 to 2008 had to be re-entered into the accounting system. This entire process was done in less than four weeks and saved the client thousands of dollars in potential reporting penalties.

The Pacific Crest Group (PCG) provides professional services that keep your business focused on your critical objectives. We create custom made financial and Human Resource (HR) systems based on creative strategies that are always delivered with exemplary customer service. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed specifically to maximize all of your business opportunities.