



LESSONS FOR ACCOUNTANTS FROM A PGA PROFESSIONAL

FEATURING HERB RUBENSTEIN, JD, MPA, PGA

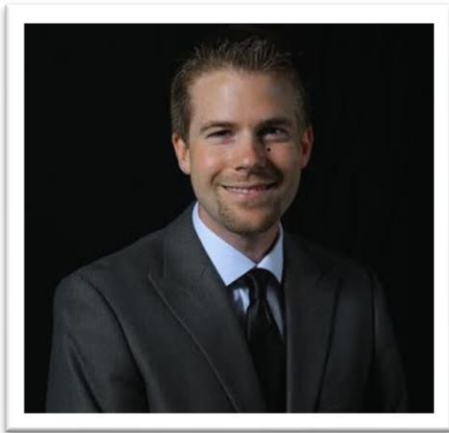




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Learning Objectives

- Identify how several golf rules and strategies can be applied to the accounting profession.
- Discover how PGA level golf insights can be applied to an accounting profession.
- Explore how professional golfers perform risk analysis and how that can be applied to the accounting profession.

Some Rules of Golf - As Guides to Accountants

- ▶ Rule 1 - By “teeing it up,” you agree to abide by the rules of golf
- ▶ Golfers have a duty to call a rules violation on themselves, opponents, and their teammates when no one (or you think no one) sees the rules violation). This rule is absolute (Rule 1.3b.1)
- ▶ The Rules of Golf create a high standard, above ethics. That standard is “honor,” and the winner of one hole is the first one who tees off on the next hole and in Golf we say, “It is your honor” as we encourage the winner of the previous hole to tee off first.

SCORECARD - *The Golfer's Report*

- ▶ Your signature is your pledge that every score on every hole is accurate (Rule 3.3b.2) (exception added score for “unknown” penalty - caught after scorecard turned in and not reasonably knowable by golfer - video caught it, but not obvious -assessed later and added to golfer’s score) (Rule 3.3c.3)
- ▶ Every cell in the “spreadsheet” must be accurate
- ▶ No signature or score wrong in your favor on any hole two holes (wrong = disqualification (except if you put a higher than accurate score, you are just stuck with that score - no other penalty) (Rule 3.3b.3)
- ▶ Accuracy = Honesty = Integrity - The Hallmark of the Professional Tournament Golfer In The Game of Golf
- ▶ Scorecard for a golfer is like a “Report” for accountant. “Accurate Reports” determine who wins and loses in business just as accurate scorecards in golf determines who wins in golf

No Mulligans - Golfer as Rules Enforcer

- ▶ No do-overs regardless of circumstances (except ball breaks into pieces)
- ▶ Two players in a match agree to break the rules - ***both disqualified*** (Rule 3.2b.1)
- ▶ Client and accountant cannot “agree” to break the rules in the field of accounting
- ▶ Player has duty when player sees person about to break the rule dealing with their own ball or their equipment to OBJECT and take reasonable steps to stop it from happening - Like IESBA NOCLAR provisions (Rule 1.3c.2)
- ▶ Accountant has duty when client is about to break the rules to notify client (take “reasonable action”) and try to stop the infraction of the law, accounting rules by a client, fellow accountant

Polling Question #1

The duty to self report a rules violation in golf is a:

- A. Best Practice
- B. Absolute Duty
- C. Not required
- D. Depends on the golf tournament

Responsible For Those Who Work For/With You

- ▶ Your agent/caddie/employee breaks rules - penalty on you (Rule 10.3c)
- ▶ Similar to accounting profession - ask a subservient employee or partner to break a rule, you are subject to punishment if they do it
- ▶ McKinsey email regarding the Opioid crisis and their role in it - McKinsey partner writes in email dated July 2018
- ▶ "It probably makes sense to have a quick conversation with the risk committee to see if we should be doing anything other than [sic] eliminating all our **documents and emails**," McKinsey senior partner Martin Elling wrote in an email sent to another executive at the company. "As things get tougher here someone might turn to us."
<https://wamu.org/story/20/12/09/mckinsey-apologizes-for-helping-purdue-pharma-turbocharge-opioid-sales/>

Key To Great Golf and Accounting

- ▶ “Pre-Shot” actions determine quality of the golf shot:
- ▶ Grip (an excellent golf grip is essential); Set Up; Alignment; Posture; Target Selection; Analysis of Environmental Factors
- ▶ Much of the quality and utility of a financial report is determined before you put in any data, and sometimes even collect the data
- ▶ Need to understand the circumstances you are in when you play golf -distance, wind, lie, target, risk and characteristics of surroundings
- ▶ Need plan to collect data accurately and know how to quality check it, analyze it, report it, and use it to make forward looking decisions (like how to hit the golf shot given the circumstances)

Key Strategic Imperatives In Golf

- ▶ Must avoid fear - distorts thinking, causes tension, impedes physical actions just like in accounting
- ▶ Must know your capabilities - in golf try to do something you are not likely to succeed at least 80% of the time (decision rule) and really bad shots happen
- ▶ Must “commit” fully to a shot and not second guess yourself or your team while performing, but must take into account all key factors that affect the shot, or accounting activity, and take care of all of them before the shot and before the report is finalized

Understand Cause and Effect and Potential Consequences of Every Decision and Action

- ▶ One very bad shot can destroy more value than created by five or more good golf shots or three great golf shots; just like one inaccurate report, budget, tax return, financial projection can destroy more value than created by many previous excellent, accurate accounting activities and reports.
- ▶ “Worst case scenario” thinking, better than no thinking, but in golf and in accounting, there is a superior analytical framework - “understanding catastrophe potential”

Polling Question #2

Worst-Case Scenario analysis when conducting planning is insufficient because:

- A. It often fails to take into account “catastrophe potential”
- B. It is too often used by pessimists to stifle taking risks that are worth it
- C. It does not actually help prepare the organization to deal with failure
- D. All of the above

External Forces in Golf and Accounting

- ▶ Every golf shot relies on careful study of the circumstances
- ▶ Every accounting activity relies on a careful study of the situation
- ▶ Every golf shot is different due to different circumstances, but all key factors of a good golf shot remain constant
- ▶ Different times, and time periods, require adjustments in how and what accountants do, but all key factors of good accountant remain constant
- ▶ To achieve consistent positive results in golf, limit to a very significant extent super risky shots with potentially catastrophic consequences
- ▶ Want to be a consistently excellent accountant, eliminate unnecessarily risky actions by you and your client regarding accounting practices

The Concept of Average in Golf and Accounting

- ▶ To improve your golf score, rarely does it help much to improve your “best shots” or best area of your game (limited marginal utility)
- ▶ Best to improve your worst shots (as they cause the greatest penalties in scoring)
- ▶ Improving your average golf shot = best way to improve your golf score when “average” is applied across all measurement/shot categories
- ▶ Accounting practices - improving what you or client already does best yields little marginal improvement
- ▶ Fixing problem areas and bringing them up to “average” = improvement
- ▶ Measure yourself on many categories and know your average score

Golf and Accounting Allow for No Excuses

- ▶ Cheesecake Factory Restaurants first firm that paid large (\$150,000) for false reporting of covid's impacts on revenues, expenses and financial condition
- ▶ Obviously not “caused” by covid since many other restaurants in the same boat did not resort to fraudulent financial reporting
- ▶ No golfer can blame covid environment for falling below competitors because competitors are in the same covid environment
- ▶ Board Members of Companies, per the law firm Arnold and Porter, need to know the *Covid Scorecard of their companies*
<https://www.mondaq.com/unitedstates/shareholders/1048154/2020-in-hindsight-key-considerations-for-directors-in-2021>
- ▶ Golfers need to know the course set up - pin placements, speed of greens, height of rough, wind amount and prevailing winds, nearby water locations, elevation, humidity

Polling Question #3

In order to predict the future impact of Covid on the finances of a client organization or your own organization -

- A. You need to know the Covid Scorecard of the organization (present and past impact of covid on the finances of the organization)
- B. You need to understand all financially material covid related risks
- C. You need to be able to articulate all of the assumptions you build into your spreadsheets and financial models
- D. All of the above

Risk Analysis in Golf and Accounting

- ▶ Wind amplifies risks as social media amplifies risks of client and accountant issuing inaccurate financial reports of past activities or forward-looking document
- ▶ Golfers must exercise keen oversight over how they play the game just as accountants can be fined for “lax oversight” - See: Bansley and Kiener, Chicago accounting firm pays 2.5m fine for lax oversight of Washington Federal Bank for Savings 2017 collapse, 2020 fine by FDIC https://www.accountingtoday.com/news/accounting-firms-settles-fdic-claims-tied-to-chicago-banks-failure?position=editorial_6&campaignname=ACT%20Daily-12172020&utm_source=newsletter&utm_medium=email&utm_campaign=ACT_Daily_Daily%2B%27-%27%2B12172020&bt_ee=C3wRKPjtmM3FGG%2BHNMpiyr2DM7CML8cBhhGbx9N2H%2B4sYBSrUoMOFNwE0n9aCQ8S&bt_ts=1608202842577

Keys To A Successful Golf Shot - Target and Shot Selection

- ▶ The hole is the goal, but rarely the target. The target is the place where you aim the ball so that when it is affected in direction and distance by wind, slope, height, type and direction of grass, etc. the ball's final resting stop is exactly what you initially identified as the goal of that particular shot to keep the number of strokes to a minimum, without taking unwarranted risks
- ▶ The target is the place where you aim the ball and wind and breaks in the green and uneven playing surfaces (hills) “redirect” or change the direction of the golf ball so one does not often aim at the hole due to these conditions. Or risks too high if one misses such a small target area (hole location)
- ▶ For accountants, financial success of their clients is the goal, but rarely the target. The target is accurate and timely reporting and projections, budgets and excellent advice on actions to achieve the goal.

Commitment in Golf and Accounting

- ▶ What do you commit to at the beginning of every engagement and every assignment as an accountant
- ▶ Making a commitment is synonymous with taking a stand, clarity. Clients can push back on the stand you take
- ▶ Rule 501 Acts Discreditable Rule - Perform no act that discredits the profession- This is your shield to keep anyone from asking you to deviate from your commitment as an accountant to the highest standards of excellence within your skill level
- ▶ Commitment for the golfer allows for clear thinking, planning, and makes execution - the physical act of swing a golf club easier, more accurate, more reliable and less susceptible to being affected by “pressure”
- ▶ Commitment has similar positive benefits to the accountant

In Golf - Penalties Can Be Greater Than Expected - Like Accounting

- ▶ Luckin Coffee pays \$180m fine in SEC enforcement action due to overstating revenue
- ▶ Tiger Woods makes a 10 at par 3 number 12 on “Sunday at Augusta in 2020 Masters”, Same hole Jordan Speith took a 7 on in 2016 when in the lead; The hole - just 160 yards with little room for error and very severe penalties for mistakes
- ▶ Tiger birdied 5 out of the last 6 holes immediately following his 10, but he was already “out of the tournament,” and written off by everyone except himself (Great finish and I commend him on that - that gave him a finish of 38th place after winning the previous year)
- ▶ One bad shot, leads to another and another bad shot in golf as one false and one inaccurate report in accounting leads to another and another inaccurate report - Understand the trend you are starting

Your Golf Swing

- ▶ Golf swings closely reflect the individual personality of the golfer. - Many types of styles of swings - aggressive, conservative, consistent, variable, relaxed, nervous, confident, fearful, fast, slow, effortless, with great tension and effort, smooth, stilted - all related to one's personality
- ▶ Accountants take lots of practice swings (create many drafts of reports)
- ▶ Litigators/Lawyers take fewer practice swings (in court, no place to practice or deploy many "drafts" to improve)
- ▶ Your accounting style - do you have one dominant accounting style and is it consistent with your personality?
- ▶ How many styles of accountant's actions?
- ▶ Knowing your personality style and making it consistent with your golf and your accounting style will likely lead to improvement

Know Thyself

- ▶ Golfers, who want to keep their score low know what they can do under pressure and attempt only what they are reasonably confident they can do (80% sure) unless they are in a desperate golfing situation
- ▶ Golfers who play professionally refuse to attempt something beyond their skill level as the penalties are severe - catastrophe potential
- ▶ Accountants must resist doing things for clients where they are tempted to break the rules as social media is now watching, fellow employees, and prosecutors are watching or take on projects they cannot be 80% certain they can perform well
- ▶ Professional golfers plan several shots ahead; so do accountants
- ▶ For accountants, clients are often short-term thinkers and want to break the rules for short term gain (Cheesecake Factory first company fined by SEC for fraudulent reporting of impact of covid on financial results)

Polling Question #4

If you watch a person's golf swing, you will gain insight into their:

- A. Geographic region from whence they have come
- B. Risk tolerance
- C. Personality
- D. Mathematical capabilities

Before You Do Accounting And Before You Play Golf

- ▶ Same Advice for Golfers and Accountants or people who want to become “golfers” or do “accounting”:
- ▶ Learn the basic principles of how to swing a golf club, keep score, what a golf course looks like and operates
- ▶ Know “why” you are playing golf
- ▶ The more familiar you are with a “golf situation” the more comfortable you will be and the more comfortable you are the more pleasant and successful the experience is likely to be
- ▶ To learn most effectively in both accounting and golf, get excellent instruction and set *clear goals* for how good you intend to become

Conclusion

- ▶ Golf has many lessons that can benefit accountants in their practices
- ▶ Some of the rules of golf shed excellent light on how accountants should practice accounting
- ▶ The Duty To Report An Infraction is absolute and not bounded by some definition of “materiality.” An infraction is an infraction whether it changes the result or not.
- ▶ Knowing yourself is a key to playing golf or doing accounting at a high level
- ▶ Making a commitment in a golf shot and in your accounting practices reduces the potential that you will bow to pressure or fail to execute an action properly due to pressure or “outside influences.”
- ▶ Learn about the game of golf before you even head to a driving range, putting facility or play a few holes of golf on a golf course

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- ▶ Golf website - forthcoming



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