

Financial Management

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CIMA

Chartered Institute of
Management Accountants



Buyout firms bitten

\$2trn of debt threatens to engulf assets acquired by private equity around the world.

Can they refinance in time to avoid defaulting?

Game-changer: the impact of the CGMA designation

Rob MacLachlan on managing people performance

A passage to India: JCB's Mark Bevan on his career path

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patterns by GDP p14
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your top talent p36
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returns? p50

A word from the president

‘Businesses can help children reach their full potential’



Like many people, I worry about what the future holds for my grandchildren. It's reassuring to see them growing up healthy and happy, but there is always the nagging thought at the back of my mind that it will be a much more turbulent, uncertain world when they reach adulthood.

Of course, nobody can accurately predict what lies ahead, but I was pleased to learn that earlier this year the United Nations Global Compact joined forces with two children's charities to ensure that businesses play their part in ensuring that the youngest members of society have the opportunity to reach their full potential.

The new "Children's Rights and Business Principles" document lays out the first comprehensive guidelines on actions that companies can take in the workplace, marketplace and community to support children's rights. An important part of this work is the development of talent. This chimes well with CIMA's own mission to "help people and businesses to succeed". Our focus is centred on promoting the science of management accounting, and we are also strongly committed to developing the business talent of the future.

One of our biggest successes in this field is CIMA's Global Business Challenge (GBC). The GBC is designed to introduce university undergraduates to the thrills and spills of business life. The popularity of the competition has been phenomenal. In four years, the number of participating countries has grown from eight to 22, while the number of competitors has doubled to almost 14,000. The competition is based on CIMA's final case study examination and, although the teams have guidance from their tutors, I would describe it as the Olympics for young businesspeople.

At secondary school level, CIMA has developed two highly regarded events, both of which are designed to develop business-related skills.

In Sri Lanka, the CIMA Spellmaster competition has enjoyed huge interest and is now broadcast on national TV every year. With its unique combination of education and entertainment, it has been described by a leading Sunday newspaper in Sri Lanka as one of the greatest "edutainment" programmes to be aired in the country.

For the past five years, CIMA Canada's Cricket Across the Pond initiative has helped young people in Toronto to develop their leadership and communications skills. By travelling to the UK to play cricket with their British contemporaries, they learn important lessons as ambassadors of their city and as young role models within their own communities.

In the UK, CIMA is also the national sponsor of the LionHeart Challenge, which is like a junior version of the GBC. During the competition, leading business professionals, including CIMA members and students, act as team mentors, expert advisers and judges. CIMA member Rowan Bomphray has been an expert adviser and a keen supporter. "I think events like this are great at opening children's eyes to their potential future careers, as well as helping them to realise their own creativity and skills, which may not have been tested previously," he points out.

Rowan's words prompted me to return to a quote by Chris Hedges, the American Pulitzer Prize-winning journalist, on the subject of education. "We've bought into the idea that education is about training and 'success', defined monetarily, rather than learning to think critically and to challenge," he writes. "We should not forget that the true purpose of education is to make minds, not careers."

These may be strong words, but the sentiments are something that both our present and future business leaders would do well to take on board if our children and grandchildren are going to have a real chance of thriving in their adult years.

'We are strongly committed to developing the business talent of the future'

Gulzari Babber, FCMA, CGMA

CIMA president

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CIMA
Chartered Institute of
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Editor's note

As the global economic environment gets tougher, the demands on companies and other organisations to extract the best performance from their staff never falters.

In that context, the architects of the CGMA designation, CIMA chief executive Charles Tilley and AICPA president and chief executive Barry Melancon, reflect on the rationale for its launch almost a year ago.

Rob MacLachlan, editor of the Chartered Institute of Personnel & Development magazine *People Management*, describes how global organisations have sought to improve performance management in their employees. In “8 ways to...” we follow this up with a look at the best ways of retaining good staff.

This month's cover story addresses the complexities of companies across the world scrambling to refinance \$2trn of debt, taken out with cheap money in 2006/07.

Lastly, we profile the career of Mark Bevan, assistant vice president – finance, JCB India, a company harnessing the forces of globalisation and benefiting from that country's rapid industrialisation.

Lawrie Holmes

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I work on ... Enhancing service sales initiatives by millions of dollars

Start date January 2010 **End date** Continuing

Since January 2010, Jon Rhymes has been responsible for large, complex deal pricing in the IT infrastructure and cloud computing services division at computer giant Dell. Some 500 specialist consultants in Dell's Europe, Middle East and Africa region sign up around 900 deals each quarter, and the IT outsourcing team is involved with pursuing hundreds of millions of dollars in opportunities.

Rhymes and his team of business development "fixers" work closely with bid teams and sales colleagues to construct deals. "The sales guys want the pricing team to be with them on the deal," says Rhymes. "It helps them to sell and assists with internal approvals. It also supports what they are trying to do with the customer and validates the solution that the sales team has designed."

His team members often attend customer meetings in a sales process that can last anything from two months to two years. "My role is 50 per cent internal finance and 50 per cent outward facing, trying to optimise value for both Dell and the customer," he says.

The pricing team is intrinsic to making successful deals, says Rhymes. He believes that the net financial gain from the input of his business development team could be 10 per cent or more. "If you are looking at \$50m-\$100m deals, you are talking about millions of dollars of gain being brought to the table." He says that before his arrival in 2006, clarity on deals, win rates and profitability was lacking, or inconsistent.

Rhymes, who joined Dell from investment bank UBS, says that the CIMA qualification was invaluable in preparing him for this role.

"It completely matches the CIMA syllabus when you look at the areas of understanding that the qualification creates in contract law, systems, management accounting and financial and commercial strategy. I can't think of a job outside of complex pricing that relates so closely to the qualification."



Name: Jon Rhymes

Role: EMEA
service business
development finance
director, Dell

Industry: Technology

Location: London and
Bracknell, UK

Qualified: 2002

Update

Climate-related risks move up the boardroom agenda

In a year that has seen a heat wave in the US, fires across Russia and flooding across the UK and the Far East, extreme weather linked to climate change is moving up the boardroom agenda – with a new report revealing that as many as 80 per cent of large organisations believe their operations or supply chains could be put at risk by climate change.

The annual report, from the Carbon Disclosure Project (CDP), shows that more than a third (37 per cent) of companies now perceive these risks to be “a real and present danger” – up from just one in ten companies when the survey was carried out two years ago.

Of the 500 respondents to the “CDP Global 500” survey, eight out of ten

say they are now integrating climate change into their business strategy – up from 68 per cent last year.

“Extreme weather events are causing significant financial damage to markets,” said Paul Simpson, CEO of the Carbon Disclosure Project. “Investors therefore expect corporations to think more about climate resilience. There are still leaders and laggards, but the economic driver for action is growing, as is the number of investors requesting emissions data. Governments seeking to build strong economies should take note.”

The CDP report was co-written by PwC on behalf of 655 institutional investors and attempts to provide an annual update on greenhouse gas emissions data and climate change

strategies at the world’s largest public corporations. Bayer and Nestlé topped the table for climate change transparency and action.

But while the survey suggests that reported emissions from major businesses have fallen by almost 14 per cent since 2009, almost a third of the companies report no emissions reduction at all.

Malcolm Preston, global lead on sustainability and climate change at PwC, said: “The new normal for businesses is a period of high uncertainty, subdued growth and volatile commodity prices. If regulatory certainty doesn’t come soon, businesses’ ability to plan and act, particularly around energy, supply chain and risk, could be anything but normal.”

Update

Now on CGMA.org

For CGMAs, the following content is now available online:

- Seven ways to make a strong first impression in job interviews: A majority of interviewers form an opinion of job candidates within ten minutes. To ace your next interview, take steps early to make a strong first impression. Here are a few tips on what to do – and what not to do.
Visit <http://goo.gl/SkdY2>

- What CEOs and FDs are looking for in executive hires: Experience in international and emerging markets, knowledge of change management and a leadership track record were named among the most sought-after skills for C-level hires. But chief executives, CFOs and human resource directors ranked the top skill requirements very differently.
Visit <http://goo.gl/Bp8Mx>

- Digital age to require greater supply-chain agility: Supply-chain executives believe digitally enabled customers in the future will be willing to pay for value-added services rather than demanding the lowest prices, according to a recent survey.
Visit <http://goo.gl/bSCLR>

- Poor talent management hinders companies' growth/innovation: Inadequate talent management is hindering the competitiveness and financial performance of businesses, a new CGMA report suggests. So who is in charge of talent management performance? It depends on who you ask.
Visit <http://goo.gl/DRDG2>

- Android the top target of savvy hackers: Malware? There's an app for that. The hacking of mobile devices, often targeting the Android operating system, is rising rapidly in number and sophistication, according to a study by security tech company McAfee.
Visit <http://goo.gl/Yvmqw>

App of the month

Our guide to the best online tools



iThoughts (mindmapping)

This mindmapping app is ideal for helping you to organise your thoughts during brainstorming sessions and add and formulate new ideas. It also allows you to categorise ideas according to their development stage, under sections such as “child” and “sibling” ideas.



Cost: £5.49

Category: Productivity

Updated: September 2012

Current version: 7.1

Size: 10.2MB

Language: English

Developer: Craig Scott

Compatible devices: iPhone, iPad touch and iPad

System requirements: iOS 5.0 or later



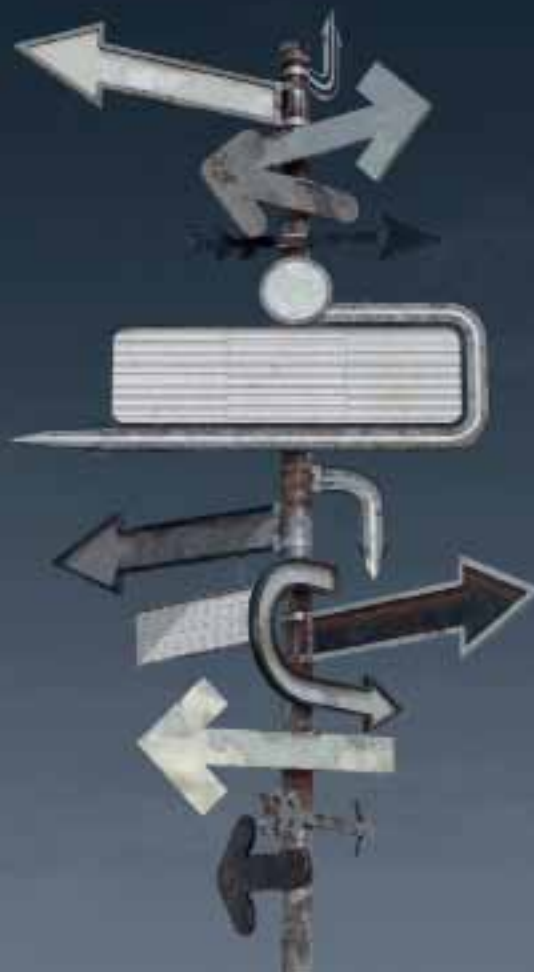
Update

Diversity issues differ – between men and women

Male and female boardroom directors do not share the same views on senior gender diversity, according to new global research.

The “2012 Board of Directors Survey”, published by Heidrick & Struggles and Women Corporate Directors (WCD), reveals almost half (45 per cent) of men believe that the “lack of women in executive ranks” is the primary reason that the number of women on boards is not increasing. The result compares with 18 per cent of women having the same belief. In addition, 51 per cent of women, compared with 25 per cent of men, believe that quotas are an effective tool for increasing diversity in the boardroom.

Susan Stautberg, co-founder and co-chair of WCD, said: “There is a clear perception gap when it comes to evaluating how the still predominantly male business networks impact the number of women on boards. Women see a real need to develop the kinds of networks that have historically been the path to directorships. These more diverse networks will create greater success for companies.”



Hot potato This month's dilemma:

I am a member in practice and serve a client by preparing accounting systems, attending board meetings and preparing annual accounts. The client wants an audit and requested me to find a relevant firm. I know of a couple of firms that I feel can do this well. Would it be all right for me to recommend them to my client?

Our response:

With regard to referring companies to your client, you should ensure you feel confident in relation to issues of potential self-interest threats (Section 200), conflict of interest

threats (Section 220), and issues of objectivity (Section 280), as well as considering any threat that may arise from any remuneration involved (Section 240.5).

You should consider any issue of liability if you are endorsing another company and, if you have any specific relationship with any individuals within the firms, then this should be declared.

You may wish to offer your client the names of the firms, pointing out that there are other firms in the market, and recommend they take responsibility for the selection and any due diligence.

For the code and other online ethics resources, visit www.cimaglobal/ethics
Tanya Barman, head of ethics, CIMA

Disclaimer

CIMA does not provide legal, investment, professional or career advice. No responsibility or liability whatsoever is accepted for any error, omission or (whether or not arising out of negligence) for any loss or damage sustained as a result of reliance on information supplied or comments made.

Update

Business partners in the spotlight

With the ethical conduct of business making front page news, CIMA has been conducting roundtable discussions with senior finance executives worldwide to discuss independence – fundamental to ethical practice – in business partnering.

CIMA's ongoing finance transformation research has identified the challenges and opportunities to the independence of finance professionals as they take on closer business-partnering roles. At the heart of this transformation is a shift from being an adviser to becoming accountable. Rather than restricting finance to collating and reporting financial information data, finance professionals are increasingly expected to apply their expertise to high-end analysis, supporting decision-making and helping to define and implement strategy across the business.

However, by working more closely within a business, accountants can lose their reputation for taking an



independent view. The danger is that they are no longer willing, or able, to offer unbiased and, at times, unpopular assessments of new investment plans, sales targets, bonus payments and international expansion plans, etc.

The discussions also showed that, ultimately, for finance business partners globally to be able to challenge with confidence, act with independence and contribute to business decisions with integrity, they will depend upon the operating culture at large. It was clear in all regions that if the tone from the top demands it, the structures, systems, training and culture will be in place to sustain it.

● For more on CIMA's research, visit www.cimaglobal.com/businesspartner

Tech firms lead brands chart

Global brand consultancy Interbrand has published its 13th annual "Best Global Brands" report, with Coca-Cola retaining pole position. Apple has jumped to number two, while social media giant Facebook enters the report at number 69 after making headlines as the third largest IPO in US history.

The report puts Google at number four, having seen a 26 per cent increase in brand value over the past year, exceeding rival Microsoft (number five) for the first time.

Interbrand's methodology analyses the many ways in which a brand touches and benefits an organisation, from driving bottom-line business results to delivering on customer expectations. It examines three key aspects that contribute to a brand's value: the financial performance of the branded products or service; the role the brand plays in influencing consumer choice; and the strength the brand has to command a premium price or secure earnings for the company.



Book in brief

Culture Shock:

A handbook for 21st century business

By Will McInnes

Capstone, £14.99

The business world has been changed profoundly by aggressively advancing technology and a volatile global economy. So why has most business culture remained unchanged? Will McInnes offers a template for a new way of working, featuring workplaces that are supportive, open, motivating and fun. He says:

1. Most business culture largely remains unchanged – the majority of organisations are closed, secretive, siloed, slow to change and deeply hierarchical.
2. There are massive challenges inherent in tackling the inertia found in businesses that have been run in the same way for decades.
3. This is no pie-in-the-sky vision of business utopia – one where employees are permanently happy simply through the emotional fulfilment of the workplace. Businesses can be run with an eye on both profits and purpose.
4. There's a revolution afoot, and a new business culture spreading. Its values are connectedness, openness, participation, happiness and simplicity, revealing business can be fundamentally good as well as highly profitable.



Learn from... Velopresso

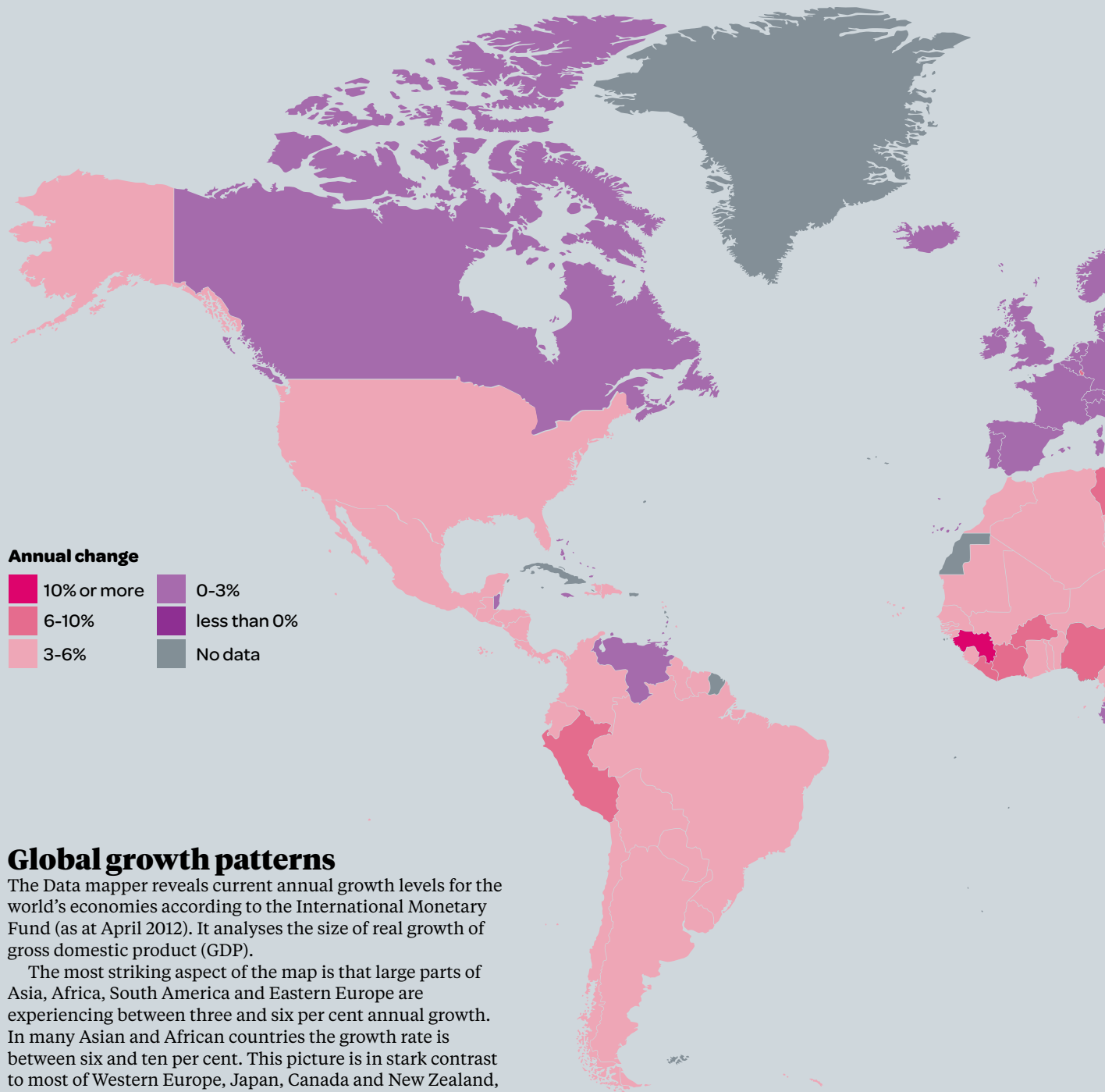
Many businesses looking to reduce their carbon footprint move to eco-friendly delivery vehicles. But what if you could also use that vehicle to create your product? That's what the team behind Velopresso has done, by developing a coffee-vending tricycle that also uses pedal-power to grind the coffee. What's more, the espresso machine is heated by a mountaineers' stove running on camping gas, so no electricity whatsoever is needed.

The entire prototype was designed and built from scratch and is the creation of recent Royal College of Art graduates Amos Field Reid and Lasse Oiva, who have already won the Deutsche Bank Award for Creative Enterprises, which takes into account practicality and aesthetics. The duo is now seeking investors to take the design to market.



The Data

World economic growth rates Measured by real GDP

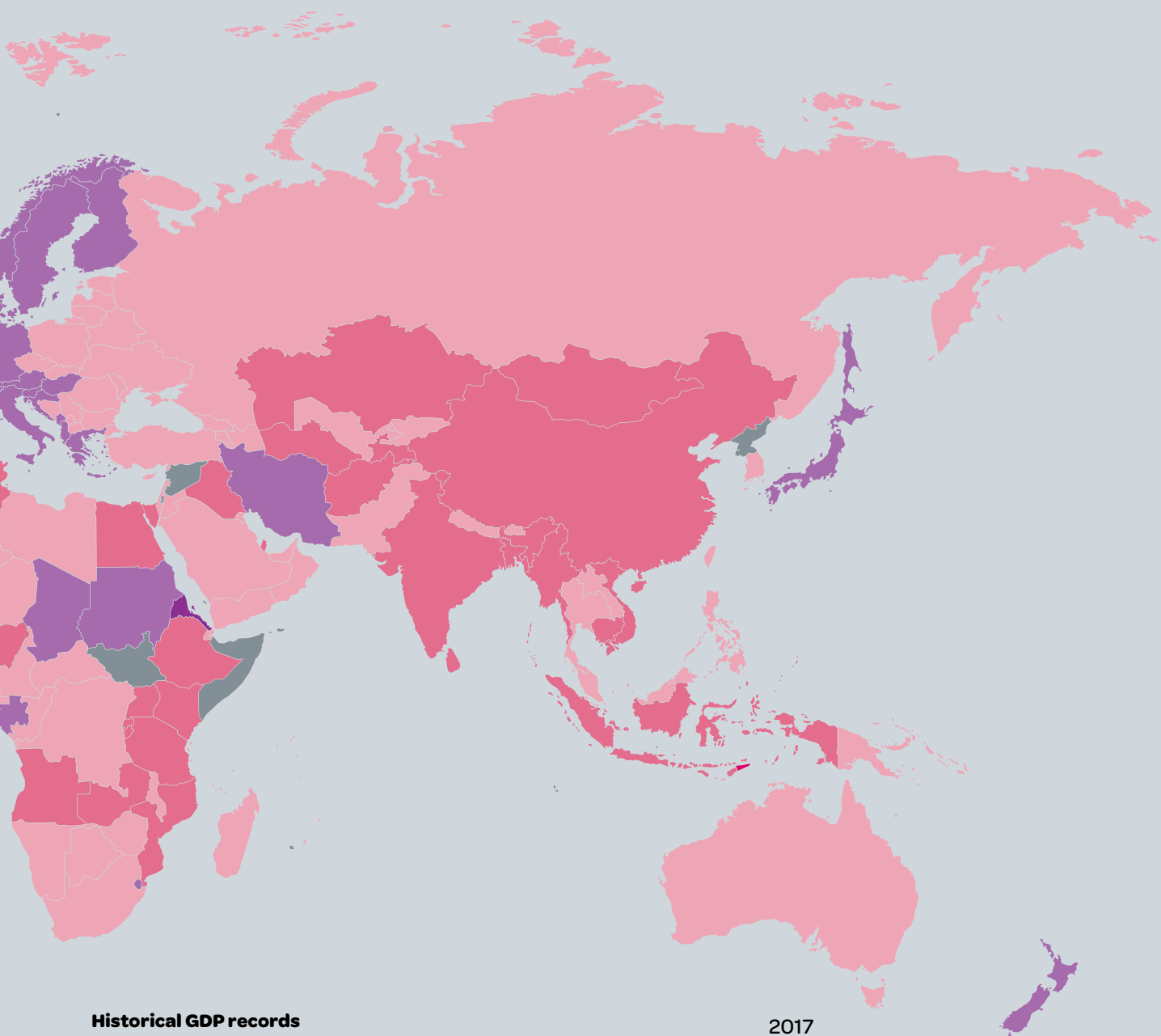


Global growth patterns

The Data mapper reveals current annual growth levels for the world's economies according to the International Monetary Fund (as at April 2012). It analyses the size of real growth of gross domestic product (GDP).

The most striking aspect of the map is that large parts of Asia, Africa, South America and Eastern Europe are experiencing between three and six per cent annual growth. In many Asian and African countries the growth rate is between six and ten per cent. This picture is in stark contrast to most of Western Europe, Japan, Canada and New Zealand, which are experiencing less than three per cent growth.

The Data mapper shows in sharp relief the impact of the eurozone sovereign debt crisis. This is at the same time that the rest of the world, with some exceptions, including the economically stagnant countries in central Africa, appears to be shaking off the effects of the global financial crisis.



Forum

From the blogs

Pledging to abide by ethical code

The launch of the CGMA report, “Managing responsible business – a global survey on business ethics”, took place in Malaysia earlier this year. Joining the likes of AirAsia, Tesco Malaysia, Google Malaysia and Shell Malaysia, CIMA SE Asia signed a Corporate Integrity Pledge to signify its commitment towards creating a business environment that is fair, transparent and free from corruption.

To date, more than 50 organisations in Malaysia have signed the pledge. The Corporate Integrity Pledge is an initiative of the Malaysian Institute of Integrity (IIM), which is aligned with the objective of fighting corruption under the Government Transformation Programme of Malaysia.

CIMA is proud to be engaged with this initiative as ethics is high on its agenda. Plans are under way to work closely with the IIM to fly the ethics flag even higher.

Such initiatives and activities to promote corporate ethics and fight

corruption are growing globally as ethics rises up the business agenda. This was reflected by the findings of the CGMA survey. As we summarise in the report’s accompanying video, an average 80 per cent of organisations surveyed worldwide had a company code of ethics. Yet our findings also showed that in a number of markets there were specific challenges.

As many as one in three of our members and students could be under pressure to compromise ethical standards at some point. So there is still so much organisations need to do to support ethical conduct in their operations and fill the rhetoric versus reality gap.

Positively, beyond a 10-15 per cent increase of companies introducing codes and related training, there has been a definite growth of organisations around the world that support and advocate ethical practice. This is not surprising, with growing public distrust and protest against corporate and government misdemeanours around the world.

There is also a growing awareness that how ethics and governance are put into practice is an essential complement to codes, policies and legislation. Without an ethical culture and ensuring things are done

Poll of the month We asked...

Do you think there is enough diversity among management accountants?



Yes: **56%**



No: **44%**

Source: Survey on fm-magazine.com, 2012

the “right way”, codes are meaningless. With social media and a strong spotlight on corporate behaviour, companies need to be sure they are in the news for the right reasons.

Signing the pledge is one step, but living up to it is another. At CIMA, we will intensify our messaging and partnerships in relation to ethical business practice. Through our range of resources and promotion of the Code we will support, where possible, members, students and the employers we work closely with to “walk the talk”, to strengthen their ethical muscle and to act in the interest of long-term success.

The more that walk

together, the more that good practice can be truly embedded.

*Tanya Barman,
head of ethics at CIMA.
A full version of this blog can
be found at <http://community.cimaglobal.com/blogs>*



CGMA
Chartered Global Management Accountants

Partners
ACCA | CIMA

You asked... What is the difference between ‘life-cycle costing’ and ‘target costing’?

Life-cycle costing is the profiling of costs over the life of a product, including the pre-production stage. Unlike traditional management accounting systems, which are based on financial years, life-cycle costing tracks and accumulates the costs and revenues attributable to the product over the full life cycle, which may last for

many years. Target costing is an activity which is aimed at reducing the life-cycle costs of new products, by examining all possibilities for cost reduction at the research, development and production stage. It is not a costing system, but a profit-planning system – the selling price and profit requirement are set during

the research stage, thus creating a target cost. The product is then developed and produced in such a way as to achieve this cost.

Send in your own queries to questions@fm-magazine.com. We will ask a specialist or tutor to provide a response.

Opinion

Rob MacLachlan

Editor of *People Management*



‘There’s one task undertaken by every manager – conducting annual appraisals with the people who report directly to them’

It’s difficult enough having a “real” conversation with employees about their performance over the past year, their development needs and career aspirations, even at the best of times. But when the business strategy is retrenchment, when training budgets have been pruned and career paths blocked because nobody moves on any more, those set-piece discussions can easily be de-motivating and confusing.

However, performance management was going off the rails before the recession hit. Some would say that this started in the 1990s, when the annual appraisal model became discredited. It wasn’t that appraisals hadn’t achieved results. One oft-quoted study in the NHS, published in 2002 by Professor Michael West, then of Aston Business School, and colleagues, reported: “A hospital that appraises around 20 per cent more staff and trains about 20 per cent more appraisers is likely to have 1,090 fewer deaths per 100,000 admissions.” But appraisals were too often seen as a top-down control mechanism, not a two-way conversation.

That’s when the most go-ahead HR departments began ditching performance appraisals in favour of all-singing, all-dancing “performance management” systems. The idea was that line managers would be supported by better training and employee performance data, to enable them to be in continuous conversation with team members about how to develop their skills and deliver the firm’s business objectives.

So how well are managers actually managing staff performance? The people with the most accurate view of this are employees themselves. And the latest “Employee Outlook” survey from the Chartered Institute of Personnel & Development, taking the pulse of the UK workforce in summer 2012, found that only 46 per cent of employees received feedback on their performance from their line manager, only 39 per cent had discussions about their training and development needs with their boss, and only 30 per cent had been coached on the job by him or her.

Clearly, the reality has fallen far short of the ideal. This was confirmed in research by Duncan Brown and Wendy Hirsh for the Institute of Employment Studies (IES), published in 2011, which looked at



“Performance Management: The Implementation Challenge”. They concluded: “Performance management is indeed a vitally important process for employers. But it is also extremely difficult to implement effectively. We lost count of the number of times the process was described to us as a turgid exercise in ‘box ticking’ or ‘form filling’.”

There is also the ubiquitous complaint that the process is too complex and bureaucratic. You can add to that the common failure to implement agreed outcomes. We need to simplify the system or improve training for managers, or both.

A rare example of the simplifying approach has taken place at First Quantum Minerals, the global mining company that employs 10,000 people across four continents. First Quantum’s managers now use a form with just three simple boxes, for “performance”, “behaviours” and “readiness for promotion”. The only record-keeping they do is to rate the employee from one to four in each box.

Nick Warren, head of development at First Quantum, explained the rationale. “We decided we’d rather do something that is 100 per cent used but only captures some of the information you’d like, than something that captures 100 per cent of the information but is not used enough,” he said. “This way, the focus is not on filling out the form, but on the conversation you have. The shorter the form, the longer the conversation.”

Ultimately, performance management must connect the activities of people in the organisation to the strategic objectives of the organisation itself so that HR can set a clear direction, giving staff the space to get on with their tasks and providing opportunities for feedback and coaching.

Management accountants can add value by working with their HR colleagues to drive out information that helps an organisation’s leaders see what the data is telling them – i.e. how people performance correlates with organisational performance, and thereby prioritise investment and reward decisions. Finance and HR directors should be standing “shoulder to shoulder” and plugging the appraisal and business planning processes together.

‘We need to simplify the system or improve training for managers, or both’



Mark Bevan, FCMA, CGMA, assistant vice president – finance, JCB India



What made you consider becoming a management accountant?

I left school with an interest in chemistry and undertook a degree at Swansea University. But having left university with a chemistry degree, I realised that I was more interested in a future role in business than I was in chemistry. My father suggested I looked into a diploma in management studies (DMS) at Newcastle Polytechnic (now Northumbria University). The course covered four main areas: finance, sales and marketing, operations and organisational behaviour.

During this time I enjoyed the finance part the most and so it was then that I began thinking about a career in accounting or finance in a business environment.

How and when did you begin studying for CIMA qualifications?

My dad was running a fashion accessories company and was struggling with cash flow and

financial focus so he asked me if I would like to join the small finance team.

So I joined Gemini Fashions, which supplied clothes to large retailers, such as Marks & Spencer, BHS and Tesco. It was very much a baptism of fire, working in every area of finance, as is the norm for a small business that had a turnover of around £1m-£2m. I got involved in cash-flow management, putting in basic systems, and had to learn how to use the accounting software as there was nobody to show me how it worked.

It was around this time that I spoke to a school friend who was working as a trainee management accountant with Massey Ferguson. He told me about CIMA and advised me that I could take the CIMA qualification, and that having done the DMS course, it might give me some exemptions.

I looked into the idea of studying for CIMA qualifications, applied to CIMA, and began taking a part-time course at Newcastle Polytechnic while still working. ➡

**Interview by
Lawrie Holmes**



How did you develop your career?

I took a role with Claremont Garments. It gave me the opportunity to work in an environment where I would be given more formal training and be able to gain the relevant future experience that I would need to develop as a management accountant.

In 1995, I joined Ringtons Tea, a Newcastle-based business that delivers packaged tea and coffee across the country. By this time I was halfway through my CIMA studies, but felt that I needed to match my work experience to my study level, with an eye on the work experience required for attaining the ACMA status.

I worked as a management accountant, looking after operational accounts and undertaking profitability reporting. The work areas included the manufacturing site, sales depots in different areas and head office costs. I stayed at Ringtons for two years, and by the time I left I was qualified and had passed all my exams.

The good thing about taking the CIMA qualification was that at each stage the learnings from the studies was directly applicable to the work I was doing and gave me ideas on what I could apply to my day-to-day work.

What brought you into financial management?

When I worked in Newcastle the CIMA branch network was very strong and I met many people who were passionate about what they did. An important mentor for me at the time was Avril Lawrence, who was a CIMA course lecturer at Newcastle Poly and an active CIMA member. The CIMA branch network allowed me to meet lots of people in the same study position. It also meant that I felt very supported.

In 1997, I joined the paper tubes division of listed materials building business BPB, which was also based in Newcastle. My role as a business accountant there meant that I worked in the very area that my CIMA study modules matched. I'd left Ringtons for an opportunity to head up

a finance function, rather than be number two, which I achieved. It was a very big challenge as it was my first big company. It was also listed on the stock market.

It felt like things were really moving as I'd passed my CIMA qualifications and this gave me a big confidence boost and increased my desire to look for an independent role. Stage four is very pivotal, as it rubber stamps your becoming a management accountant. It's also an encouragement to push on to the next stage.

I felt that my training had prepared me for the compliance and audit work that I was now undertaking. By this time I had also become more involved in IT systems. I was happy to stay at BPB for a couple of years, in order to build experience. Each time, I found that the CIMA qualification was relevant to the next stage of the journey.

I then joined Young's Seafood, near Carlisle, where I was site finance leader. I picked up payroll responsibility and got heavily involved in the supply chain – looking at costs and finding efficiencies.

What made you start thinking about international work?

I had always wanted to work abroad to widen my business experience and see if my knowledge and qualification could be portable. I took up the opportunity to work as a business accountant for DuPont Teijin Films (DTF), a joint venture between the US and Japanese chemical giants, making polyester-based films in Dumfries, Scotland.

When I arrived at the business, which had been acquired from UK's ICI by DuPont previously, it was around the time that the Sarbanes-Oxley Act was passed by the US Congress to protect investors from the possibility of fraudulent accounting activities by corporations.

As a result, I became heavily involved in the internal audit work and, in the end, took the IIA exams. The role also meant that I was able to

'I'd passed my CIMA qualifications and this gave me a big confidence boost and increased my desire to look for an independent role'

Q&A



work abroad for the first time as I had accounting responsibilities for a plant in Holland. Also, our European HQ was in Luxembourg. It was a good experience that allowed me to become more commercially involved and, to some extent, put my chemistry knowledge to a little use. It was also an awakening in terms of understanding the value that a management accountant can add to a business, both in environmental initiatives and health and safety.

I joined JCB in 2004 as a financial controller in its compact products division based in Cheadle, Staffordshire, and was then promoted to senior financial controller at the JCB service division, before the offer to join JCB India as assistant vice president – finance came up.

My job is looking after management reporting for the Delhi site, along with accounts payable and business unit financial support. There is also close interaction between the finance teams at the second manufacturing and development site in Pune, which is positioned strategically close to the port of Mumbai.

What made you want to work in India?

When the opportunity came along it was something that initially didn't take too much thinking about. It was the opportunity I had been looking for and a chance to see how portable my knowledge of working in JCB was.

JCB has been a good company to work for because of its flexible approach to developing its people. I've found that when someone wants to get involved in an area in the company they are encouraged to do so. Having moved to India with JCB it is also clear that as a global company, being

able to move from one country to another without heavy retraining in systems or processes is a core strength, especially when combined with the CIMA qualification. The group has had a very successful year, announcing record financial results for 2011.

What advice would you give CIMA students and members?

My advice for CIMA students would be that the struggle of balancing work, family and study is worth it in the end. It certainly is hard work and having support around you helps. Without the support of my wife it would have been a lot harder. While you are learning take the opportunities given to you, but also look for them.

I got heavily involved in CIMA, both at local branches and area meetings, and also set up a sub branch eventually (West Borders CIMA Network with Frank Roe and others). It enabled me to meet many great people that I am still in contact with today, and who I have learned a lot from.

'My advice for CIMA students would be that the struggle of balancing work, family and study is worth it in the end'

As a CIMA student, get more involved in your institute. You will be surprised at the value you can add and the value that you receive in return.

My advice for CIMA members would be similar to the above. I've always looked to get heavily involved in various parts of the businesses I've worked in and the CIMA qualification certainly enables you to do that. With the business acumen it offers you certainly can make a difference, wherever you work.

If you develop a career overseas my advice is to get as well connected as possible. In India, one of the first things I did was to find the country's CIMA branch. What I found wasn't perhaps as developed as in the UK, but certainly individuals have as much enthusiasm and dedication as I have found anywhere in helping CIMA members.

I feel strongly that we as members have a responsibility to look after each other so I contribute to the CIMA Benevolent Fund annually through my subscriptions and would encourage others to do the same.



CAREER LADDER

2010 Promoted to assistant vice president – finance, JCB India.

2007 Promoted to senior financial controller in JCB's service division.

2004 Joined Young's Seafood as a finance manager in Annan, Scottish Borders.

2001 Became business accountant in the UK and Netherlands for polyester joint venture DuPont Teijin Films.

1999 Joined Young's Seafood as a finance manager in Annan, Scottish Borders.

1997 Became business manager, working in the paper tubes division of building materials firm BPB.

1995 Worked for two years as a management accountant at tea company Ringtons in Newcastle.

1993 Began work at fashion group Claremont Garments as a management accountant.

1991 Started work in the finance department of father's firm, Gemini Fashions.



Refinance race

The vast wave of leveraged buyouts (LBOs) in the boom years of 2006 and 2007 saw private equity firms swallow companies worldwide with the cheap credit available. But will there be a scramble to refinance as these companies avoid defaulting? Lawrie Holmes investigates



When buyout firms were roaming the planet and seeking out targets to acquire with cheap money a few years back, few would have envisaged what might happen next. The financial crisis and its impact on

banks now protective of their balance sheets meant that they were unable to offer anything like the same terms again when it came to renegotiating the maturing debt of those corporates that were acquired by private equity. With so many private equity-owned companies having borrowed in four- and five-year terms in 2006 and 2007, many have predicted a stampede from companies desperate to refinance with the limited available capital, and so avoid a potential default.

Certainly, there appears to be plenty of competition from leveraged companies worldwide. Consultancy Dealogic recently said that global loans of \$2trn need to be rolled over globally by 2016. This figure covers all companies acquired by private equity firms using the assets of the acquired company as collateral for borrowing. The private equity firms took out the loan terms that they would have expected to pay off on maturity, or expected to be refinanced by banks offering similarly generous terms.

A further worry is that the eurozone meltdown threatens to choke off the \$550m of refinancing required in Europe in the same period, according to London-based law firm Linklaters. The firm says that by the end of last year refinancings had slumped to 2009 levels as concerns about the eurozone debt crisis and weakening economic conditions took hold and investor confidence seeped away.

Linklaters says that part of the problem is that the wall of refinancings itself is moving. "There is evidence that European LBO loan refinancings

between 2009 and 2011 typically had terms of between three and five years, effectively deferring those refinancings to 2012-16. These must be addressed, in addition to those originally due in 2012-16, as the outcome of the eurozone crisis remains unclear and the attendant lack of confidence, politically and economically, continues. While this affects European LBO loans generally, countries perceived to be the least strong are affected the most. This sits uneasily with the refinancing needs of LBO loans in those countries."

'A further worry is that the eurozone meltdown threatens to choke off the \$550m of refinancing required in Europe'

Banks are likely to be less able to participate in such refinancings, instead required to comply with regulatory requirements to deleverage their balance sheets and raise more capital, says the law firm: "Collateralised loan obligation (CLO) funds, another key investor group from the boom years, are also less likely to be able to participate as they did previously, as their constitutions limit the extent to which they may invest or reinvest. Those entities that are still involved may find themselves approaching such refinancings with a different mind set and objectives, given both the seismic market changes they are witnessing and increased governmental intervention in the restructuring process – directly or indirectly, through gov- ▶



Business

ernment shareholdings in banks or the introduction of regulatory or legislative changes.”

Linklaters adds that the broader backdrop to this scene is of a difficult economic environment. If default rates for the S&P European Leveraged Loan Index increase they move the wall of debt, bringing forward the date on which a company's debt structure needs to be addressed. Dominic Slade, managing partner at private equity firm Alchemy Partners in London, says the issue applies much more to European companies than to those in the US, “where they have made much better progress with the ‘refinancing wall’.”

But a solution may have come in the US and Europe in the form of high-yield bonds as, somewhat counter-intuitively in times of crisis, investors have been seeking higher returning holdings, even if they may be riskier. In a report earlier this year from Ernst & Young and the Wharton School of the University of Pennsylvania, high yield was

‘If bank lending is limited, bond markets should be in a good position to make up for the remainder’

identified as the answer for private equity in Europe, as well as the US. Stephen M Sammut, a lecturer at Wharton and a partner at San Francisco-based private equity firm Burrill & Company, says: “Financial institutions and other buyers were searching for greater yields, and neither stocks nor bonds were promising. They basically made some room in their portfolios for high-yield bonds, and they didn’t have to take much to make a difference to the private equity industry.”

Bond funds are drawing capital from yield-hungry investors, says George Maddison, an investment banker at Credit Suisse who is engaged in a number of refinancings. “That works well for large-cap companies. Mid-caps are served by high yield that has become very liquid and a deeper

Public v private

Peter Williams has 20 years’ experience of being a finance director and chief executive of both public and private companies in the retail sector. In the early 1990s, he joined department store group Selfridges and became finance director and then CEO when it formed part of the listed Sears Group.

He continued to lead the company when it was demerged and listed as a public company in 2003, and when it was acquired in a public-to-private deal by the Canadian Weston family the following year. He has been at the helm of numerous public companies, including chief executive of Alpha Airports and chairman of Blacks Leisure. He is now senior independent director of online fashion group ASOS.com and a non-executive director at cinema group Cineworld, which was taken public during his time there.

Despite the general perception that public companies are tougher to run because of the amount of public scrutiny by investors, analysts and the media, Williams says he found that in some respects the public company environment is more straightforward. “The board and CEO set the strategy and get to execute it, and then you go and tell shareholders how you got on,” he says. “The strategy is clear – it’s run by people managing the business, as long as it’s to shareholders’ satisfaction. When there is a problem shareholders are reasonably passive. They’ll grill you but actually that’s as far as they go. If you’re completely cocking it up, of course, they might make a management change.”

But in a company run by a private equity firm or other form of private owner, Williams says that the level of interference in strategy can be even greater. “In a private equity house they feel they know as much about strategy as executives,” he says. “The participation of the owner in the strategy and development is much greater. When a family acquire a company, rather like a private equity firm, they usually have a view on how it should be run.

“For a finance director that can be a positive experience, but some find it quite difficult because the private owners try and get involved in every area of the business. It doesn’t suit everyone. Like many big retailers, Selfridges always felt like a very public company, even when we were taken private, because of the level of interest in such an iconic company. For example, we issued the equivalent of an intermediate management statement (IMS) at Christmas, the key trading period.”



Peter Williams

‘In a report earlier this year, high yield was identified as the answer for private equity in Europe, as well as the US’

market than before.” He says that a real problem is for small-cap companies needing to deleverage, which rely on banks or access equity at a discount as they are unable to tap the bond market to the same degree.

Even given the number of companies that were acquired globally by private equity in the boom years of 2004-07, there are those who don’t see a scramble to refinance developing, says Dr Ruediger Stucke, a research fellow in finance and economics at the Private Equity Institute, Saïd Business School, Oxford University. “In my opinion, there will be sufficient liquidity on the debt side to refinance the remaining term loans maturing in 2013 and 2014 for deals that have not been exited or partly refinanced already. And if bank lending is limited, bond markets should be in a good position to make up for the remainder.”

Dr Stucke doubts that corporates will be left facing a capital shortfall by their private equity owners if they are intrinsically good companies. “It is very unlikely that private equity funds will let an investment default on its debt that does not face severe fundamental difficulties and is still

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attractive to maintain,” he says. “If there is the requirement to inject additional equity, they will clearly do it.” Dr Stucke says they may need to seek approval from investors or they could invite another equity co-sponsor to join in.

A London-based private equity firm, which declined to be named, says concerns around the refinancing wall may have been overstated. “Firms usually try to anticipate capital structure issues and fix them as early as possible. Certainly, in our case we have addressed the vast majority of the capital structure issues in our portfolio over the past few years with success. In doing so, we have also significantly pushed back maturities and renegotiated covenants, so that it is not an issue today. In addition, the financing markets have improved significantly, particularly in the US, and you can refinance businesses today if you have to.

Private equity firms have proved to be expert in refinancing, says a spokeswoman for the European Venture Capital Association (EVCA). “Despite being described in apocalyptic terms the firms have fared relatively well because many have been able to tap the high-yield bond market, where there’s been plenty of appetite from investors. It hasn’t suddenly happened and we don’t see it as a wall that is not manageable because there is plenty of appetite to tackle it.”

Karsten Langer, a partner of global private equity firm The Riverside Company, and last year’s chairman of the EVCA, says that for new lending institutions filling gaps will also help. “Although a large number of banks have retreated in Europe, plenty of others are picking up the slack.”

One area that might remain tricky is when a company tries to refinance debt provided by a large syndicate of lenders. Mick McDonagh, a director

‘Although a large number of banks have retreated in Europe, plenty of others are picking up the slack’

of advisory firm Liberty Corporate Finance, says: “When debt is heavily syndicated it makes it very difficult for anything to happen. There are lots of situations where some members of the syndicate aren’t keen to extend terms. Quite often, the solution might be that the private equity houses have to put more capital into the company in question.”

Investor concerns that refinancing issues may hinder private equity’s ability to compete with corporate rivals seeking to buy companies is overplayed, says Oxford University’s Dr Stucke. “Private equity deal flow has been back to its 2005 level in 2010 and 2011 in terms of capital invested,” he says. “2012 looks a bit weaker, perhaps reaching only 2004 levels by the end of the year. But I suspect this is less due to limited investment oppor-

‘There are lots of situations where some members of the syndicate aren’t keen to extend terms’

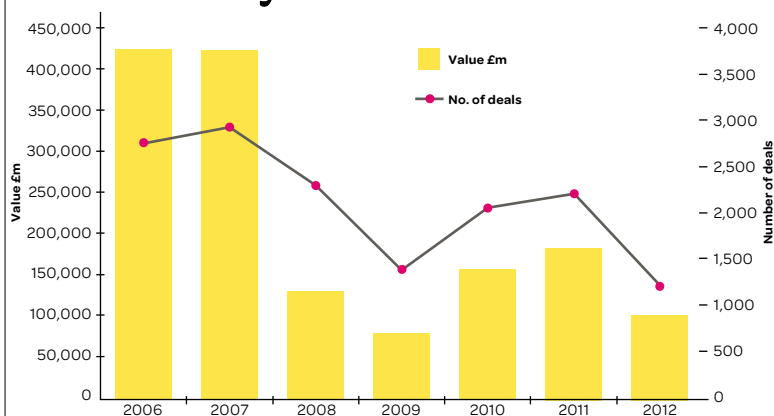
tunities or competition by corporates, rather than difficulties in raising new private equity funds since the financial crisis. The relatively high level of investment activity in 2010 and 2011 has probably been the result of lots of unspent capital from 2006 and 2007 funds, whose investment periods were expiring towards 2012.”

Dr Stucke says that private equity firms will face limited competition from corporate acquirers. “First, there is only a partial overlap in target companies that financial and corporate sponsors are interested in. Second, there has been no increase in M&A activity in 2012. US M&A activity in 2012 will have been lower than in 2011 and will be approximately at the 2010 level. European M&A activity by the end of the year will have been below the previous two years’. Third, there is still a high level of concern about the US and European economic outlook; at the same time, with lots of capital flowing into the market by central banks at lowest rates, equity markets have reached quite high levels again, with deal multiples not much below pre-crisis levels.”

Lawrie Holmes

is the editor of Financial Management

Global buyouts





Global game-changer: the impact of the CGMA designation

It's been almost a year since the launch of the CGMA and there is now a connected community of more than 120,000 chartered global management accountants around the world. Lawrie Holmes explains how the new designation became a game-changer for the management accounting profession

In a climate of increasing uncertainty, organisations the world over are calling for greater competence when it comes to financial discipline and effective strategy. The financial crisis, the eurozone meltdown and the effects of globalisation are forcing both companies and public-sector organisations to seek a cadre of leaders who are able to meet these expectations.

Like never before, the all-round values that management accountants offer are being recognised, be it in managing change, understanding risk or promoting operational efficiency. This is especially the case in forward-thinking organisations that understand the fast-moving changes that are taking place around the world. They understand that a new breed of management accountants, schooled in financial management techniques and able to comprehend business strategy, will be the best candidates to drive organisations as myriad threats and challenges continue in a globally connected world.

CIMA council had, at several meetings, identified the changing world as a key factor in driving the institute's strategy.

Charles Tilley, chief executive of CIMA, says that the first discussion with AICPA president and chief executive Barry Melancon that would lead to the launch of the Chartered Global Management Accountant (CGMA) took place in November 2009. "Barry and I had an initial conversation about what we might be able to do together to respond to the changing world," says Tilley. "We agreed that management accounting would be crucial to the long-term, sustainable success of any organisation. And the reason I say that is that what a business does, more than anything else, is take decisions. And the quality of those decisions leads to whether an organisation is successful or not."

Barry Melancon picks up the story. "Charles and I had a discussion about what we could envision, and that was to create a global credential recognised by businesses around the world, regardless of their



location, and powered by a joint venture that would leverage the successes and the core competencies of both organisations and their incredible teams, and the strong brands that we have. It would create something new and different, elevate management accounting and marry skill set development and tools and leadership with what people need today in the management accounting world.”

“The opportunity to work with the AICPA, to be able to jointly drive forward and promote the role of the management accountant, was really what was so exciting,” says Gulzari Babber, the current CIMA president. “It was the opportunity to extend the perception of CIMA from an international management accounting institute to one that was truly global in outlook.”

Launching the CGMA designation brought together the strengths and geographic reach of two of the world’s most prestigious accounting institutes to address these new challenges. CGMA was formed in recognition of an understanding that a powerful new designation, encompassing the core values that have evolved in CIMA and AICPA over many years, would address the needs of the world’s leading organisations, and in doing so set both bodies apart from their shared competition.

“CGMA is the first time that there has been a designation in management accounting that is genuinely recognised in every economy across the world on every continent,” says Andrew Harding, CIMA’s managing director. “That’s a first. All sorts of accounting designations and professional bodies claim that. CGMA is the only one that genuinely delivers that.” Harding says that on a recent visit to

Bangalore in India he saw at first hand the impact CGMA is having for IBM and Hewlett-Packard, which both have big operations there. “What they’re looking for is for their staff is to have designations that are understood and that can give the head offices, be they in New York, London or Paris, confidence in the competence of their staff.”

Adapting to a changing world

In 2009, the world was beginning to grasp the realities of a new paradigm in which the old rule book of how organisations were being run was being torn up. In this climate, standing still and hoping that things would change back to how they were could be a significant risk for organisations that management accountants work in, and even their own member bodies. “I think the world was changing fast back in 2009,” says Harold Baird, immediate past CIMA president. “It’s changing even faster today, whether it be the challenges of the financial crisis that hit in 2008 and the ramifications still being felt from that, to what is happening in the eurozone, and so forth. Whether it be just the drivers forward or the benefits of technology, the quality of analysis and decision support is becoming more and more important.”

So when it comes to quality, the CGMA designation is designed to deliver the calibre of candidate to the marketplace that the credential is intended to serve. CGMAs, as members of their constituent institute bodies, commit to a code of ethics and enforcement, as well as continuous professional development to ensure that they deliver best practice. The designation also offers additional benefits to

‘The opportunity to promote the role of the management accountant was really exciting’



Charles Tilley, FCMA, CGMA



Harold Baird, FCMA, CGMA



Barry Melancon, CPA, CGMA

CIMA members, due to the investments being made by the joint venture in business issues facing management accountants, including access to reports from the Management Accounting Innovation Agenda, an online social network of management accountants worldwide, and frequent communication on current issues.

“When we talk about CGMA, we talk about building a designation whose competencies relate to real-world experiences and what people need to be successful right now,” says Tilley. “In many ways, the more we’re committed to building that, our own staff will have skill sets that are continually evolving and growing, and changing in a way that makes them more valuable.”

‘What we see is employers, large corporates, governments and so forth saying that they really do need these skills’

With 250,000 eligible members in the private and public sectors, the partnership significantly expands the global presence of CIMA. “We’ve been very successful in driving forward the role of management accountants since we started in 1919, and we’ve moved to a community of 195,000 members and students around the world,” says Tilley. “But CIMA did not have a significant presence in the US. We had about 2,000 members and students in North America, and that’s taken us many decades to get to. In just eight months, the AICPA has already had more than 30,000 CPAs subscribe (after demonstrating qualifying experience) to receive the CGMA designation and be part of the community. To go from a community of 2,000 to more than 30,000 in such a short space of time is a terrific achievement and testament to market demand.”

Eight months on and the feedback speaks volumes about the rationale for launching the designation. “What we see is employers, large corporates, governments and so forth saying that they really do need these skills. So the opportunity is

‘The quality of analysis and decision support is becoming more and more important’

undoubtedly there, and where we’ve got to so far in terms of getting across the message of a global CGMA designation represents huge progress,” says George Glass, past CIMA president. Barry Melancon says it is important to comprehend how far the two organisations working together have come in a short space of time. “CIMA and the AICPA are organisations that have very long histories and we tend to want to judge everything in the context of where that sort of century-long progress has been in both of those organisations, and that’s sort of unfair. But even if you do that, the success of CGMA since the original discussions in 2009 has been phenomenal. We were right in building something that could respond to that command.”

First-mover advantage

Before the launch, research carried out by forecasting consultancy Oxford Economics found that the role and responsibilities of the finance function in many organisations is inconsistently defined, and that there is an unmet need for people who can span the divide between finance and business.

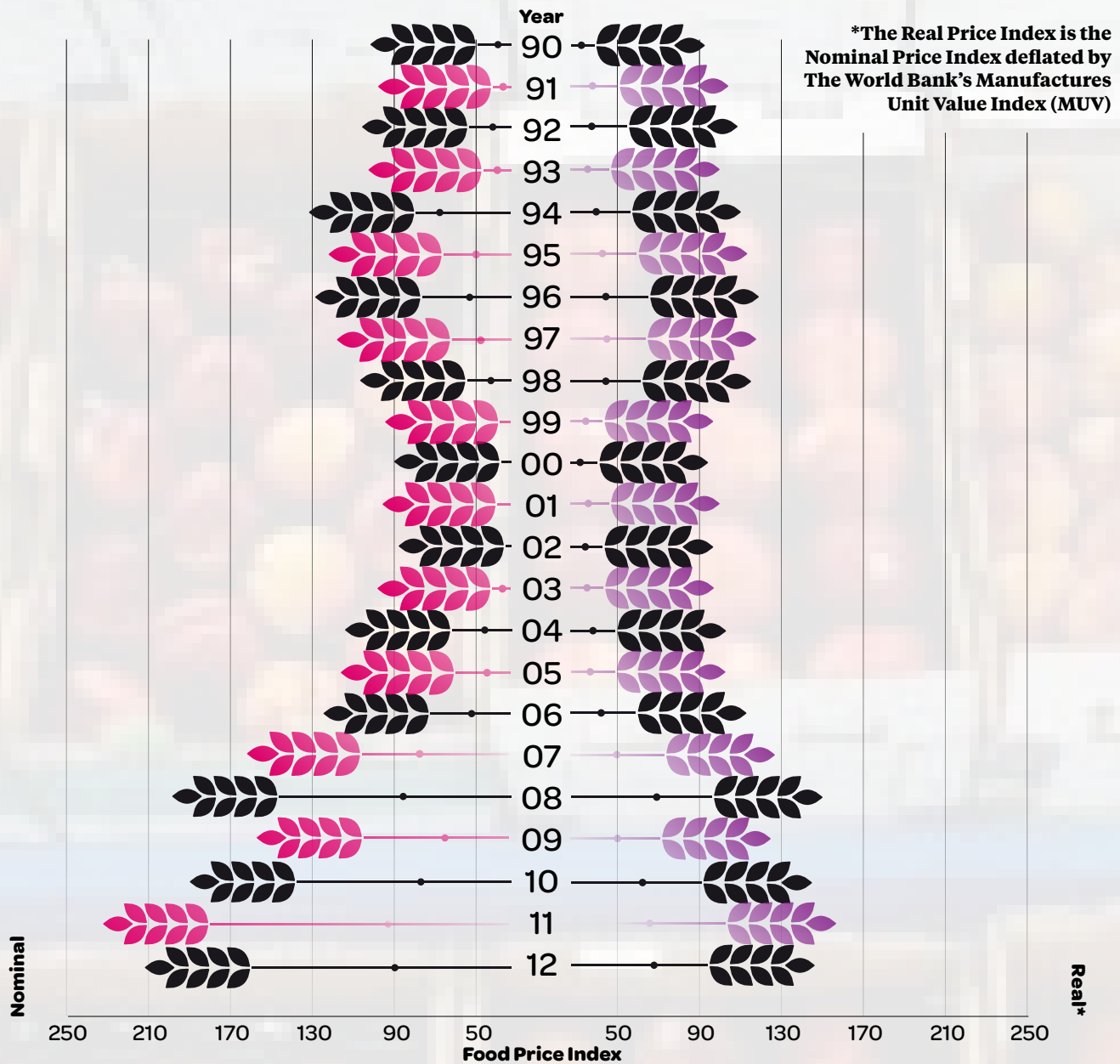
The next stage is ensuring that the values and principles of the CGMA designation are clearly presented to the world in line with what businesses will demand, says Andrew Harding. “It’s really important that the employers of the world see CGMA as something they’re looking for, something they and recruiters are demanding on CVs. We then need to communicate that demand through to the young people, wherever they are in the world, and to really tie it to their aspirations of career development and progression.”

Charles Tilley closes by saying: “We had a very successful launch and have put CGMA on the map. Our competition is ramping up after we took them by surprise – we only have to look at the announcement by ACCA and IMA to know that we need to continue to work together to maintain our first-mover advantage. We need to continue to work closely with our membership bodies to ensure that we are delivering value and equipping students and members with the skills that will set them apart from their peers in finance and business. Part of doing this is really owning the management accounting space and part of it is attracting the next generation of members to start to study CIMA by showing them the benefits of being a chartered global management accountant.”

Lawrie Holmes

is the editor of Financial Management

Prime number



Rising food prices

The United Nations Food and Agriculture Organisation Food Price Index is a measure of the monthly change in international prices of a basket of food commodities. By the summer of 2013 the index is expected to reach 243 points. The most recent monthly average, for August 2012, was 213 points, while the index's peak was 238 points, in February 2011.



When it comes to the cost of the average global basket of food, meat and dairy products account for...

52%



Because of the high price of feed, millions of pigs have been slaughtered, causing pork prices to rise by...

31%

The list



Illustration
by Borja Bonaque



ways to...

... retain talent

It's one thing to get good people, but keeping them is another matter. Peter Bartram considers how organisations can retain talent in the finance department, especially the high-flyers...

Hire the right people

You're more likely to retain staff if you start by hiring round pegs for round holes. Keith Wilmott, CFO at the Venn Group, a recruitment business, says: "We look for a mixture of stability and progression in a candidate's CV for the more challenging roles at Venn."

Wilmott says that prospective staff are assessed against the company's core values. He adds: "In addition to the normal interview process, we also show prospective candidates how finance staff are regularly challenged to push through their respective comfort zones. We have team-building events where non-supervisory staff are invited to supervise teams and take an active role in final month-end presentations."

Meanwhile, Greg Cook, COO at the Twenty Recruitment Group, evaluates staff against the company's values – a drive to succeed, diversity in operating styles and complete transparency.

2 Run an effective induction process

Wilmott says: “The first few days after joining a company can be very influential and challenging for a new recruit. We ensure all new joiners have a mentor and are quickly introduced to their peer group and senior management.”

At Twenty Recruitment, all new starters get an individual induction pack. It tells them who they will meet during their induction, provides a first month “onboarding diary” and an explanation of the company’s branding and values.

And with a view to the starter’s future career with the firm, the pack also includes their job spec, an explanation of the career ladder and details of training courses.

3 Integrate new staff quickly

First impressions are important – and can determine whether a recruit decides to carve out a career with the company or use it as a stepping stone. Wilmott believes that it’s important to make existing staff aware of the new recruit’s skills before they arrive.

“This ensures that performance expectations are managed at an early stage,” he explains. “This is supplemented by a mentoring strategy and regular feedback from supervisors and managers.

“The easiest way to restrict the absorption of a new recruit into a team is by appointing an individual who struggles with the technical aspects of the role.

“It is normally possible to teach the technical skills, but effective communication is a life skill.”

4 Meet staff expectations

A survey by the recruitment consultancy Robert Half found that the main reason that people quit finance jobs is because the role failed to meet their expectations. Clive Davis, a director at Robert Half, says one of the

reasons why expectations are not met is because job specs are not kept up to date. “The job spec sets expectations, but sometimes by the time a new recruit joins, the actual job role has moved on,” he explains. He advises regularly reviewing and refreshing job specs so that they more accurately reflect the roles.

5 Appoint exceptional managers

When it comes to creating a culture that retains high-quality staff, the CFO must lead from the front, but other senior managers also have an important role to play. A Corporate Executive Board (CEB) survey found that “manager quality” was one of the most important factors in retaining top-performing staff.

The CEB points out that business skills, such as financial management and the ability to deliver results, are key attributes of quality managers, but that the most significant gap in staff satisfaction with their managers is over lack of opportunities for coaching and development. “To boost manager quality, teach your managers to provide more development and coaching to high performers,” the CEB advises.

6 Promote staff development

Providing opportunities for career development sounds good in theory, but it’s not always easy to develop staff so that they can move comfortably from operational to strategic roles.

Michael Jenkins, chief executive of the leadership institute, Roffey Park, says: “Traditionally, finance professionals have moved up the career ladder by developing niche areas of knowledge and expanding their work or their client base within that niche. Moving finance professionals out of these comfort zones and into strategic leadership roles is vital because collaboration, networking and influencing are key for financial organisations in order to win more lucrative contracts with clients.”

He explains: “Establishing the right learning environment is necessary if

finance professionals are to be supported in moving from a technical to a strategic role. Programmes that are delivered in stages, with input that is intellectually stimulating, rooted in reality and fast-paced, will keep them engaged and will embed learning.”

7 Have a clear policy on pay

Pay is not the only reason that high performers choose to move on, but it’s one of them. Research by specialist financial recruitment firm Marks Sattin found that one in four accountants who have resigned this year have received a counter-offer. On average, they needed a salary hike of 20 per cent to prevent them moving on.

But Marks Sattin managing director Dave Way says: “By the time people have decided to move, applied for jobs, interviewed, accepted a role and resigned, they’ve made a huge mental shift and are already imagining their future at another business. Offering more money simply papers over the cracks.”

The remedy: offer more career development opportunities before a staffer becomes dissatisfied and starts scanning the sits vac columns.

8 Promote a good work-life balance

A recent survey by recruitment advisers Hays found that seven out of ten finance professionals said that the number of days’ holiday on offer was a key factor when considering a new job.

“This implies that many people are lured by promises of an improved work-life balance,” says Nik Pratap, director at Hays Senior Finance.

“In an environment where pay increases and bonuses are rare, employers have to think creatively about how they attract, retain and reward employees.”

More time for employees to pursue their other interests could well be one of them.

Peter Bartram is the author of The Perfect Project Manager (Random House Business Books)

Study Notes

Paper F1

Financial Operations p46

Paper E2 Enterprise Management

It's unwise to fixate on one approach to project management and use it to answer any question on the topic, regardless of the scenario. As with many other exams, an appreciation of context is crucial

By Jenny Hughes
E2 tutor, London School of Business and Finance

A significant number of candidates approach E2's project management questions by providing a knowledge dump – i.e. writing down everything they know about the subject in their answers – rather than focusing on the specific requirements of each question. Some candidates include the PRINCE2 methodology every time without considering which of its elements might be relevant, or even whether PRINCE2 is the most appropriate approach to take.

When answering a question on project management, good candidates will establish its specific requirements and consider the context of the project – e.g. the circumstances of the life-cycle of the project and which methodologies, models, frameworks or processes would be most applicable – and, where appropriate, contextualise their answers with regard to the stages of the project that may already have been completed.

Project management is based on methodologies, frameworks, models and processes. In the wider business world the boundaries between these terms are blurred, which makes it hard for candidates to decide which they should use in their answers. I would define the terms as follows:

- A methodology is a set of principles, tools and practices that can be used to achieve a successful project. If an organisation wants to take a consistent approach to project management, it will use one methodology for all projects.
- A framework is a loose but supporting structure that can be used however and whenever the project requires it.
- A model is a representation of a project you would normally be planning or creating.
- A process, like an instruction booklet, is a systematic series of actions running from the start of the project to its closure.

PRINCE2 (an acronym for Projects In Controlled Environments) has been described as a process-based approach that provides an easily tailored methodology for managing all types of project. This suggests that PRINCE2 can serve as a methodology and a process or set of processes. It's a methodology, because it gives us a set of guiding principles that can be used to develop a consistent approach (*see table 1, below*). And it's a set of processes, because it provides a systematic series of actions. PRINCE2 processes are activities that are required to direct, manage and deliver a project (*see table 2, page 41*).

PRINCE2's themes (components) are those aspects of project management that need to be addressed ►

1. PRINCE2: THE METHODOLOGY

Principle

1. Business justification.
2. Lessons learned.
3. Defined roles and responsibilities.
4. Manage by stages.
5. Manage by exception.
6. Focus on products.
7. Tailor to suit the project's environment.

Explanation

- A project should have continued business justification.
- Lessons are sought, recorded and acted upon throughout.
- Set within an organisational structure that engages the interests of business, user and supplier stakeholders.
- Plan, monitor and control on a stage-by-stage basis.
- Tolerances set for each project should be objective and, when these are exceeded, the issue should be referred to the next level of management for a decision on how to proceed.
- Define and deliver products that meet their stated quality criteria.
- Adjust to match the project's scale, complexity, importance capability and risk.

Paper E2

Enterprise Management

2. PRINCE2: THE PROCESSES

Process	Description
1. Starting a project.	Prepare a business case that answers the question: "Do we have a worthwhile and viable project?"
2. Directing a project.	Decide how the project board and sponsor should control the overall project – authorisation procedures should be agreed.
3. Initiating a project.	Produce the project initiation document, setting out the criteria against which the project will be judged.
4. Managing stage boundaries.	Gather and analyse information in order to review the success of the current stage. Lessons learned can be applied at later stages.
5. Controlling a stage.	Manage the project execution during a stage, reporting progress and exceptions to the project board.
6. Managing product delivery.	Co-ordinate the various aspects of the project, providing the link between the project manager and the teams working on the project.
7. Closing a project.	Establish the extent to which the objectives have been met and accepted by the customer, and identify lessons, allowing for continuous improvement in future projects.

3. PRINCE2: THE MODEL

Theme/component	Question answered by the theme
1. Business case.	"Why is the project necessary?"
2. Organisation.	"Who is responsible?"
3. Plans.	"How, when and to what extent should we set our plans?" There is no value in creating a detailed plan for the second year of the project right from the start, for instance.
4. Risk.	"What if certain risks were to transpire?" Plan to accept, reduce, avoid or transfer these risks.
5. Quality.	"What are the quality criteria for the project?"
6. Progress.	"Where are we now? Where are we going? Should we continue?" Compare exactly what happened against what was planned and, if required, initiate corrective action.
7. Change.	"What is the impact?" It needs to be controlled carefully.

continually throughout the project's life-cycle. I would suggest that these provide a model against which plans can be made (see table 3, above).

Let's consider question six from the September 2011 E2 exam (the full paper can be downloaded from bit.ly/E2Sep2011) to see how best to tackle a typical project management question. Its first requirement is as follows: "Explain how using a project management methodology such as PRINCE2 could help to minimise the problems that have occurred in the

client management IT system project." Weak candidates will write down all they know about PRINCE2 without applying it to the scenario. Good candidates will recognise that its components and processes relate to specific problems that could occur during the project and write their answer plans on these along the following lines:

● **Problem: people working on the project are unclear about their roles and responsibilities.**

Suggested PRINCE2 solution: an organisation chart should be drawn up to show a clear structure of authority and responsibility. Everyone working on the project should know their roles and duties for the delivery of objectives.

● **Problem: it is difficult to establish the status of the project.** Suggested PRINCE2 solution: stage boundaries should be managed. Project sponsor B should be given enough information to approve the completion of the current stage and authorise the start of the next one.

● **Problem: no adequate controls are in place.** Suggested PRINCE2 solution: the stage should be controlled. The project's execution should be managed during a stage. The project board should be informed of progress and exceptions.

● **Problem: there is no project documentation.** Suggested PRINCE2 solution: a set of progressive documents, including a business case, a project initiation document and a budget, should be produced.

● **Problem: the project is behind schedule and over budget.** Suggested PRINCE2 solution: one of its main components is "progress", which means determining exactly what's happening, comparing it with what was planned and initiating corrective action if required.

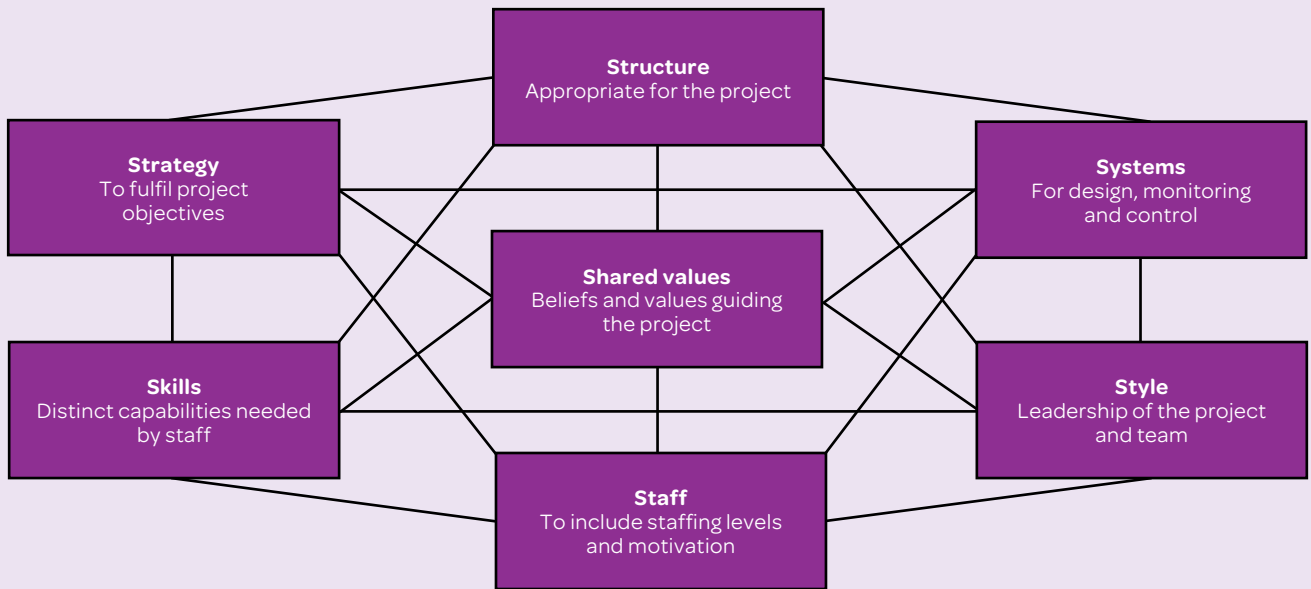
Had the question not asked for PRINCE2 to be discussed, we could have applied other frameworks and/or models – e.g. the McKinsey 7S model and the Project Management Body of Knowledge (PMBOK) framework – to the issues that needed to be considered over the life cycle of the project.

The McKinsey 7S model considers the impact of changes on a project. It could therefore be described as an impact framework or model that provides a set of issues that need to be considered throughout a project. This is a model, because it provides a pattern for consideration of a number of factors that might need to be addressed in order to improve the project's chances of success. It helps to identify all of the requirements that are needed to achieve ►

Paper E2

Enterprise Management

The McKinsey 7S model



the project's objective. The McKinsey 7S model (*see diagram, above*) can be used as the starting point for the project or when a change is made. It helps users to understand that a change made to any one of the so-called "S factors" – strategy, structure, systems, skills, staff, style and shared values – will have an effect on all the others.

The PMBOK standards provide a framework/model that project managers can use to ensure that none of the areas is overlooked throughout the project. It suggests a pattern against which plans can be created. The PMBOK developed by the Project Management Institute is a collection of processes and knowledge areas generally accepted as best practice. According to it, the following nine areas of project management are crucial to success:

1. Integration: ensuring that everything on the project is co-ordinated.
2. Identifying and controlling the project's scope.
3. Time management: applying processes for ensuring a timely completion.
4. Cost management: ensuring completion within the approved budget.
5. Quality management: applying processes to satisfy the project's quality needs.

6. HR management: making effective use of people.
7. Communications management: distributing information effectively.
8. Risk management: identifying, analysing and responding to risks.
9. Procurement: acquiring goods and services from outside the organisation.

Life-cycle models consider the project as a sequential set of processes and these could be substituted for the PRINCE2 processes.

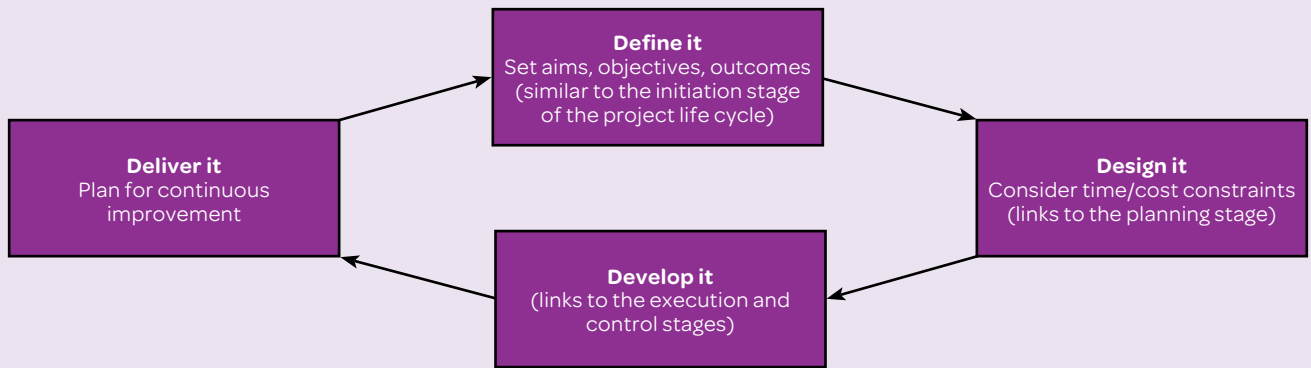
If the question had instead required us to explain the phases of a project life cycle, it would have been important to highlight the separate stages that the project can go through from beginning to end. I covered the project life cycle in my previous article in *FM*'s September issue, but we could also have used the 4D model to answer this requirement. That article explained that projects usually follow a cycle comprising separate phases that occur in sequence: initiation, planning, execution, monitoring, controlling and completion. The 4D model comprises only four stages, as shown in the diagram on page 44.

The various methodologies, frameworks, models and processes help to manage problems and threats to projects. The biggest threats are often those ▶

Paper E2

Enterprise Management

The 4D project management model



linked to a project's constraints. As I discussed in my previous article, the primary constraints are time, cost and quality. Time and cost tend to be positively correlated in projects – i.e. when time increases, so does cost – as taking more time to complete a project generally means that its human resources are needed for longer. But this is not always the case. If there is a degree of urgency, it may be possible to hasten a project's completion by allocating extra resources and/or scheduling overtime working. Both of these situations will increase cost while reducing time.

Project quality tends to be positively correlated with both cost and time, so increasing the quality of the project will normally lead to an increase in both its cost and overall duration.

Let's look at question two from November 2011's E2 paper (bit.ly/E2Nov2011): "Project control processes cannot be overemphasised in their importance to the success of a project. The project manager must continually take a proactive approach in controlling a project. Discuss the actions the project manager should take as a project progresses to ensure effective project control."

This question is about controlling a project once it is under way, yet some candidates included in their answers references to the business case and the project initiation document, which are both created before the project begins. Taking this approach would demonstrate poor exam technique, because the answer has not been put into context – i.e. where the project has got to in its life cycle. Discussing detailed plans would be a better starting point for the answer, because these need to be established in

order to set the baseline against which actual performance can be monitored.

This point about context awareness can also be illustrated by the first requirement of question seven in the same paper: "Analyse the strategies available to J Company to address the issues of time, cost and quality in the website project."

This is a very practical question that requires candidates to address the strategies available for managing time, cost and quality. Good candidates would first explain the correlations between the constraints of time, cost and quality. Then their answers would take each of the constraints and look at how these might be managed. Most candidates discussed tools and techniques used for managing time, cost and quality – critical-path analysis, budgets etc – rather than the specific strategies – applying extra resources or working smarter, reducing scope etc. The E2 exam tests not only your knowledge of project management but also how you apply it – and candidates are often weak in this area.

I have covered some of the project management methods, frameworks and processes included in the E2 syllabus and tried to emphasise how important it is to relate your answers to the specific scenario. Candidates should not simply write down everything they know about project management. Answer plans created in the reading time can help you to link the issues in the scenario with your project management knowledge. It is also important to put your answer into context in terms of where the project has got to in its life cycle, what the question requires and whether it calls for a practical approach.

'Answer plans created in the reading time can help you to link the issues in the scenario with your project management knowledge'

Paper F1

Financial Operations

Where a newly acquired subsidiary has previously always recorded its net assets at historical cost, the consolidated statements have to be adjusted to reflect their fair value at the time of the acquisition

By Cathy Sibley

CIMA exam marker and tutor at the London Management Centre

Historical cost is one of the most fundamental concepts followed in accounting. It simply means that assets are recorded by the amount of cash paid for them, or the fair value of the consideration given to acquire them, at the time of their acquisition. This concept applies both in single-company accounts and in consolidated accounts.

Confusion can arise when a company follows a policy of recognising its assets at historical cost, rather than a policy of revaluation. This approach is set out in IAS16, "Property, plant and equipment", and the choice between cost and fair value (revaluation) is available for all organisations. Once a company has chosen this policy, it may continue to carry its assets at historical cost (less accumulated depreciation and impairment losses), no matter how much they increase in value. But in consolidated accounts the historical cost of the net assets of a newly acquired subsidiary is their fair value at the acquisition date. If the subsidiary doesn't make adjustments for this in its own financial statements – and it usually won't – there needs to be an adjustment on consolidation.

To illustrate this point, let's look at question four from the May 2012 F1 paper. Here is the relevant information it provides:

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2012 (EXTRACT)

	Notes	Loch \$000	River \$000	Stream \$000
Non-current assets				
Property, plant and equipment	(iv)	1,193	767	670
Equity and liabilities				
Equity shares of \$1 each		3,500	600	520

'Confusion can arise when a company follows a policy of recognising its assets at historical cost, rather than a policy of revaluation'

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012 (EXTRACT)

	Loch \$000	River \$000	Stream \$000
Revenue	1,500	693	227
Cost of sales	(865)	(308)	(84)
Gross profit	635	385	143

Additional information (extract):

(ii) Loch acquired all of River's equity shares on 1 April 2011 in a share-for-share exchange. The agreed purchase consideration was \$950,000, but Loch has not yet recorded the acquisition in its accounting records. On 1 April 2011, Loch's shares had a market value of \$2 each. River's retained earnings were \$130,000 on 1 April 2011.

(iv) The fair value of River's property, plant and equipment on 1 April 2011 exceeded its carrying value by \$144,000. This excess was attributed to buildings owned by River. At the acquisition date these had a remaining useful life of 12 years. Loch's accounting policy is to depreciate buildings on a straight-line basis with no residual value.

(v) Loch conducted an impairment review of the goodwill arising on its River acquisition and found that as at 31 March 2012 the goodwill had been impaired by \$20,000. (NB: Stream is an associate.)

In this question the figure of \$767,000 represents the carrying value of the property, plant and equipment in River's financial statements. This represents the historical cost to River minus the accumulated depreciation and impairment losses up to 31 March 2012.

When Loch decides to acquire control of River, the financial statements will be reviewed, the goodwill will be wrapped up in the business considered and a figure for the consideration to be paid for the equity shares will be decided. But when this decision is made it will be based not on the carrying value of \$767,000, but on what the assets are worth: the carrying value of \$767,000 plus the fair-value adjustment given in note (iv) of \$144,000, which comes to \$911,000. Why would River accept anything less than what the business is worth?

We need to allocate the amount paid for the shares in River to its identifiable net assets in the consolidated accounts. We do this based on their

fair values at the date of acquisition. Loch will have included \$911,000 to cover the fair value of the property, plant and equipment of River in the overall acquisition. This becomes *historical cost* to the Loch group – i.e. what was paid on acquisition and what we call its fair value. This is an important concept to grasp.

When the goodwill is calculated, the fair value of the consideration paid is included, so this must be matched with the fair value of the net assets acquired if the goodwill figure is to be accurate. The goodwill calculation will be as follows:

	\$000	\$000
Cost	950	note (ii)
Fair value of net assets at acquisition:		
Equity shares	600	from SFP
Retained earnings	130	note (ii)
Fair-value adjustment	144	note (iv)
	(874)	
Goodwill at acquisition	76	
Impairment to date	(20)	note (v)
Goodwill at 31 March 2012	56	

When the property, plant and equipment is consolidated, it must be included in the consolidated financial statements based on its fair value at the date of acquisition. The consolidated property, plant and equipment will therefore now be as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012 (EXTRACT)

	\$000
Non-current assets	
Property, plant and equipment (1,193 + 767 + 144 fair-value adjustment)	

Having considered the cost to the group of the net assets, we must now bring depreciation up to date, too. In the question, the figure of \$767,000 is the historical cost depreciated up to 31 March 2012, which to River is the appropriate figure. But in the consolidated financial statements, ►

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Paper F1

Financial Operations

depreciation of the buildings must be based on their fair value at the acquisition date. This is \$144,000 higher than the carrying value in the individual financial statements of River.

The extra \$144,000 must now be depreciated over the remaining useful life of the buildings, which note (iv) of the question has told us is 12 years from the date of River's acquisition. The amount of depreciation calculated needs to be based on the exact period from acquisition to the reporting date. In this case that's one year, from 1 April 2011 to 31 March 2012.

So we have $\$144,000 \div 12 \text{ years} = \$12,000$ of additional depreciation to be accounted for in the consolidated accounts as follows:

- Dr Group depreciation expense: \$12,000.
- Cr Group accumulated depreciation: \$12,000.

Note the use of the word "group" in front of each line of the journal. This shows that the extra depreciation is a consolidation adjustment made when the two entities are combined and not an adjustment to be put through River as an individual company.

It's important to remember that River will continue reporting the buildings at their historical cost, minus the accumulated depreciation – and that's fine.

The next consideration is where in the comprehensive income statement the additional depreciation should be charged. First, follow any instructions in the question concerning which cost category to use. In this case it's cost of sales or expenses. Alternatively, think about how the asset would be used. In this case buildings would be used to conduct the business, so cost of sales would be an appropriate category. The extracts of the consolidated financial statements based on the above adjustments only will be as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012 (EXTRACT)

	\$000
Non-current assets	
Property, plant and equipment	
1,193 + 767 + 144 – 12 extra depreciation	2,092
Goodwill	56

'The amount of depreciation calculated needs to be based on the exact period from acquisition to the reporting date'

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012 (EXTRACT)

	\$000
Revenue 1,500 + 693...	
Cost of sales 865 + 308 + 12 extra depreciation...	_____
Gross profit	_____

The rest of the question requires further adjustments to both revenue and cost of sales. To see the complete question and the model answers, visit bit.ly/F1May2012.

The final consideration is the link between increased costs in the statement of comprehensive income and the reduction of profit. This reduction must also be shown in consolidated, retained earnings. In the comprehensive income statement the charge for the year is used – i.e. \$12,000. But in consolidated retained earnings the depreciation to date must be used – in this case it's also \$12,000, as there has been only one full year between the date of acquisition (1 April 2011) and the reporting date (31 March 2012).

It is possible, of course, that more than one year has elapsed since the acquisition. If this is the case, the accumulated extra depreciation will pass through the consolidated statement of financial position and the charge for the year will go through the consolidated statement of comprehensive income. Say, for instance, that River was acquired on 1 April 2010: we calculate the annual charge as before: $\$144,000 \div 12 \text{ years} = \$12,000$ a year. This is charged to cost of sales in the consolidated statement of comprehensive income as above. For property, plant and equipment there must be extra depreciation on the fair value for two years from the acquisition date to the current reporting date – i.e. $\$12,000 \times 2 \text{ years} = \$24,000$, which is matched by the charge to group retained earnings:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012 (EXTRACT)

	\$000
Non-current assets	
Property, plant and equipment	
1,193 + 767 + 144 – 24 extra depreciation	2,080

Exam notice

Visit www.cimaglobal.com regularly for updates

November 2012 main exams

This sitting will be held on Tuesday 20, Wednesday 21 and Thursday 22 November. The deadline for entries has passed, so only in exceptional circumstances will a later entry be accepted.

Cancellations and changes

CIMA does not accept cancellations and will not refund fees. The standard closing date for changing exam papers or centres was 21 September.

The institute may accept later changes under exceptional circumstances – if places are available. Email cima.contact@cimaglobal.com for information if you want to request a change of papers or exam centres.

Going to the exam

You must print off your admission advice online by logging into your “My CIMA” account. The admission advice shows the exact details of your exam centre, as well as the exams you are entered for. You must take it with you to the exams and keep it safely afterwards, because it contains your candidate numbers.

In addition to your admission advice, you will need to bring to the exam hall another means of identification – e.g. a passport or driving licence – showing your photograph, name and signature.

Exam rules and regulations

You must download and read the exam rules from the website when you download your admission advice.

Pre-seen material for papers at Strategic level and T4 part B

The pre-seen material for the November T4 part B Case Study is available to be downloaded from www.cimaglobal.com/t4preseen. An article analysing this material is available on the same page.

The pre-seen material for the E3, F3 and P3 papers is available to be downloaded from www.cimaglobal.com/

[strategicpreseen](#). It's your responsibility to download this material and familiarise yourself with it.

A “clean” copy of the pre-seen material and further unseen material will be provided in the exams. You cannot take any notes with you into the exam hall.

Absence from the Strategic level exams

You should apply to the examinations and assessment oversight panel if you have missed one or more of your Strategic level exams on the first sitting because of illness or any other mitigating circumstances. Visit the “After the exams” section of www.cimaglobal.com/students/exams for further information.

Tax rules and examinable standards for papers F1 and F2

Information about the relevant tax rules and examinable standards for the Financial Operations and Financial Management exams is available to download from the “Study resources” web page for each paper.

Exam Talkback service

The institute will operate a special feedback inbox during the exams and for a fortnight after they finish. Email exams.talkback@cimaglobal.com to submit your comments about the exam papers and/or venues.

November exam results

The results for T4 on PC will be published on 13 December. All other results will be published on 15 January 2013.

Log in to your “My CIMA” account to register to receive your results by email.

Past question papers and model answers

Past question papers and model answers are available to download free of charge from the relevant “Study resources” pages of the institute's website at

www.cimaglobal.com/students/2010-professional-qualification.

Post-exam guides

Post-exam guides are essential reading for unsuccessful candidates and those studying a new subject. They contain:

- The exam questions.
- The rationale for each question.
- Suggested approaches to answering each question.
- The outline marking scheme.
- The examiners' comments.

Computer-based assessments at Certificate level

For details on entering for a computer-based assessment at Certificate level, visit www.cimaglobal.com/certificateentry.

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Look out for information about live online ask a tutor sessions for some subjects in the run-up to the November exams. Details of these sessions will be made available at www.cimaglobal.com/sphere.

CIMAsphere

Visit www.cimaglobal.com/sphere, the institute's online community, to ask questions, find a study buddy, share information and seek expertise and support among CIMA students, members and alumni. You can also read useful blogs on studying and the exams.

Queries

Visit www.cimaglobal.com/students/exams or get in touch with CIMA Contact (cima.contact@cimaglobal.com) or your local office (see panel, page 47).

Code of ethics CIMA members and students are required to comply with the CIMA code of ethics.

Ensure that you are familiar with the code and how to apply it.

Further resources are available at www.cimaglobal.com/ethics. Also see this month's “Hot potato”, page 12.

Technical Notes

For mutual benefit: a new approach
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Does corporate social responsibility yield returns? A study of Indian firms

There is an increasing call for companies to instigate corporate social responsibility initiatives, but does it give those that do a competitive edge?

Professor Asish K. Bhattacharyya, adviser (advanced studies), Institute of Cost Accountants, India, and Professor Tirthankar Nag, associate professor at the International Management Institute, Kolkata

Perspectives on why firms invest in CSR

A few decades ago, activities in the domain of corporate social responsibility (CSR) were discretionary for business firms. They were philanthropic in nature. However, increasing societal expectations that large companies with huge managerial, technological and other resources should get involved in improving the quality of life of the community that provides legitimacy to doing business, have made it almost mandatory for respected companies to invest in CSR activities. The recent spurt in activities has derived from emerging themes such as sustainability, corporate citizenship and responsible companies. In the past two decades, academic research has placed due emphasis on the CSR obligations of firms. In emerging economies such as India, CSR

is receiving significant attention from government, academics and civil societies.

Recent discussions in India indicate that there may be efforts to incorporate mandatory CSR spending norms in the Companies Bill 2011, which is under consideration of its Parliament. The proposal that companies of a certain size should spend two per cent of profit on CSR activities has been met with a lukewarm corporate response. Although researchers have been studying CSR for about the past 50 years, only recently has there been a shift in setting from Western to emerging economies. Thus, it is interesting to examine CSR activities carried out by firms and explore linkages, if any, between CSR strategies followed by organisations and their economic performance.

One of the issues around social responsibility relates to the existence of two competing perspectives – whether organisations address stakeholder interest due to purely economic reasons or due to the intrinsic merit of doing so. Empirical studies carried out by some researchers support the perspective of economic motivations as the driver for addressing stakeholder needs. Also, there are numerous examples of how addressing social needs leads to a competitive advantage for firms.

Starting with a limited reference by Ansoff, research on corporate stakeholder management has grown rapidly with the works of leading researchers such as Freeman, Mintzberg, Donaldson & Preston, Carroll, Mendelow and others. Focusing more specifically on social stakeholders, researchers have tried to examine the social and economic performance of firms and explore whether firms performing well on social measures also display better economic performance. The research challenges range from relating social and economic performance to developing a fine-grained understanding of stakeholder groups, and finally questioning whether normative and descriptive research can be viewed separately. ►

The results of empirical research into CSR and its linkages with firm performance, carried out mostly in developed countries have, surprisingly, failed to reach any particular conclusion. Some studies have suggested a negative association between CSR activities and a firm's financial performance, mainly because increased costs could have been better utilised elsewhere in the value chain of the firm. Others have reported a positive association in terms of employee and customer goodwill. Some studies have even suggested that future research can focus on prior firm performance influencing the CSR agenda and not the other way around.

Corporate stakeholder theory suggests that a firm's value depends on both explicit and implicit claims and that a high CSR image may lower costs of implicit claims, thus leading to higher financial performance. Other studies hold the view that supply and demand of investment opportunities in firms pursuing CSR activities determines the nature of linkages with the firm's market value, and that an unfavourable supply/demand position may destroy the market value of a firm.

The objective of our research was to:

- Understand CSR reporting by Indian firms and the focus of CSR activities.
- Explore the linkage between reported CSR activities and economic performance of the firm based on accounting numbers.
- Explore the linkage between reported CSR activities and the market performance of firms.

How was the study carried out?

We collected the CSR information of companies as disclosed in their annual reports in the period from 2007 to 2011. Our sample set was made up of 30 of the 50 companies included in the S&P CNX Nifty 50 Index of the National Stock Exchange of India.

The reports were analysed using content analysis, an established method in social and environmental reporting. We adopted this methodology as most companies report qualitative information on CSR activities, rather than clearly disclosing quantitative information on CSR spending. We compiled sentences from the annual reports referring to various CSR activities undertaken by the firm. It is believed that sentences provide complete, meaningful and reliable data for further analysis. We used content analysis techniques used by other similar studies. A coder (an individual with a masters degree) was trained in the various aspects of CSR reporting by companies. At the initial phase the coder did not know the entire methodology to

be followed by us and was instructed to collect and code various information related to CSR disclosed by the companies.

The study followed the CSR classification suggested by National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (published by the Ministry of Corporate Affairs, Government of India in 2011), which lists nine principles tabulated below:

Principle	Content
1	Businesses should conduct and govern themselves with ethics, transparency and accountability.
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
3	Businesses should promote the wellbeing of all employees.
4	Businesses should respect the interests of, and be responsive towards, all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
5	Businesses should respect and promote human rights.
6	Businesses should respect, protect and make efforts to restore the environment.
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
8	Businesses should support inclusive growth and equitable development.
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

For the purpose of the present study, we focused on external and societal stakeholders only. Thus, we have used a subset of items developed by Turker, who developed a CSR scale to facilitate his research, which relate to principles four to eight listed in the table above.

The compiled CSR activity information was rated on a seven-point scale, followed by classification in five categories following the classification of the Ministry of Corporate Affairs, Government of India. The average rating of each of the five categories was taken to represent categorical indexes denoting the level of CSR reported in annual reports. A composite CSR index was also constructed using the average of these ratings for all items under a particular category.

To explore the linkage between CSR and firm performance, several pooled regression models were set up, as described below, with financial parameters lagged by a year.

- **Independent variables:** Accounting performance (ROA) or market performance (P/E ratio).
- **Dependant variables:** CSR scores (category wise indexes), variables for mode of CSR spend (cash, in kind, volunteers and loans).

'Other studies have reported a positive association in terms of employee and customer goodwill'



● **Control variables:** Firm size (net sales in ten million Indian rupees); PAT (in ten million Indian rupees); ownership (1 = State-owned; 2 = Indian private; 3 = Foreign private).

Our study revealed that firms focus on one or more of the following eight areas: 1. Environment. 2. Local community development. 3. Global issues. 4. Education and health initiatives. 5. Philanthropy. 6. Civic issues. 7. Employee-oriented. 8. Customer-oriented. We also analysed how firms spend on CSR, which were again classified into five categories: 1. Cash. 2. In kind. 3. Volunteers. 4. Loans. 5. Others.

CSR for managers: Research findings from a study of Indian firms

CSR activities do not yield quick benefits – at least not within a year's time. From our analysis, we find that most CSR activity reporting may not have a significant impact on measures of accounting returns, such as the return on assets (ROA) and price-earnings ratio (PE ratio). Interestingly, only environmental CSR activities may have a negative impact on ROA and PE ratio. Similar findings emerge from the results of our mathematical models (regression analysis). One of the possible interpretations could be that investment in CSR activities by firms with a long-term return hori-

zon may not be reflected in returns in a year's time as all the financial variables in the model were lagged by a year subsequent to the CSR activity being reported. Also, CSR activities aimed at improving the natural environment may be negatively perceived and can be considered as a public good, with no exclusivity being possible for the firm only.

Firms' focus on CSR oriented towards direct stakeholders, employees and customers

Firms, possibly in their own interest, focus mostly on employee- and customer-oriented CSR. Thus, firms need to expand their CSR activities to other stakeholders also, as expressed by the voluntary CSR guidelines in India. However, the small sample size considered in this feasibility study may not make it easily extendable towards all firms in general.

Firms prefer a contributory rather than participative approach to CSR

Most firms indicate that they route their CSR spends through specific investments in cash or kind, which made it difficult for us to collect actual CSR spend by firms. In addition, these firms need to explore other possible avenues to maintain these activities, such as encouraging volunteering by employees, providing loan arrangements, and other possible ones that may be more participative rather than contributory in nature.

Prof Tirthankar Nag

Prof Tirthankar Nag is an associate professor at the International Management Institute, Kolkata, India, in the strategy area. He holds a doctorate from the Indian Institute of Management, Ahmedabad, India. He has authored books, several book chapters and peer reviewed papers in international journals and a number of papers in collaboration with Stanford University. He has received several awards for his work from business schools. Prof Nag has worked as a consultant for several large international consulting firms, dealing with strategy, policy and sustainability advisory. He has 15 years of experience across management consulting, investment banking, utilities and research. He has also provided advisory services to various Indian and international organisations, including a number of multilateral funding agencies.

Prof Asish K Bhattacharyya

Prof Asish K Bhattacharyya is currently associated with the Institute of Cost Accountants of India as an adviser (advanced studies). Earlier, he was the director of the International Management Institute, Kolkata, and a professor in the Indian Institute of Management. Prof Bhattacharyya has worked at senior levels in management accounting functions in both public-sector and private-sector enterprises for around 20 years. He moved to academia in 1992 and is a Fellow of the Institute of Cost Accountants of India and the Institute of Chartered Accountants of India. He obtained his doctoral degree from Allahabad University (India).

For mutual benefit: a new approach to shared services

The holy grail of organisational design is being able to change when the world that you live in changes. But actually effecting change in public-sector organisations has been a particular challenge for politicians down the ages. Financial controller Graham Barnes explains to Ian Herbert and Ruth King how the administration of pensions for the UK Civil Service is presently undergoing both revolutionary and evolutionary change

What is MyCSP? My Civil Service Pension (MyCSP) administers pension schemes for more than 250 UK government employers of various magnitudes. Its roots lie in the 2004 Gershon report “Releasing resources to the front line”. One result of the report was a shared service centre (SSC), established in the Department of Work and Pensions (DWP) in 2006, providing accounting, employee and other support services. The Civil Service pensions administration was added to the SSC’s portfolio in April 2010, and a year later the minister for the Cabinet Office, Francis Maude, announced the transformation of MyCSP into the first government mutual joint venture. The mutual went live on 1 May – a tremendous transformation in a relatively short space of time.

Why the shared service model?

Having around 250 challenging customers, with varying needs, we firmly believe that the shared service model is right for us. The emphasis on the customer has helped us to develop services that balance the need for standardisation to achieve economies of scale, with the flexibility to respond to customers who require a different, tailored approach. The employers range in size from the Ministry of Defence and HMRC to JobCentre Plus and the Forestry Commission, as well as a host of smaller employers. There are 1.47 million scheme members and pensioners that we deal with directly, and we think of these people as our customers, alongside the clients, who contract with us for the administration service itself.

What is MyCSP trying to do and how do you measure your achievement?

MyCSP has four key strategic goals to support its “mission and vision”, underpinned by four values which describe how we operate (Figure 1).

Mission	“To be a vibrant, profitable mutual that delights our customers and inspires our people.”
Vision	“First for our customers. First for our people. First in the market.”



	Business foundations	Excel at the basics	Core business growth	Acceleration and diversification
Goals	“Build a standalone enterprise with the culture, financial strength and business capability to take on our competition.”	“Improve the cost and service performance of our business to protect our market share and build a platform for growth.”	“Create marketable service offerings. Expand our core pensions administration business across the public and private sectors.”	“Exploit our relationships with employers and members to establish new service lines and create new revenue streams.”



	Take ownership	Make it simple	Fly in formation	Have fun
Values (How we operate)	“We take ownership of our customers’ issues and individual responsibility for our contribution to the success of the company. We are proactive and don’t ‘walk on by’.”	“We make everything as simple as we can – simple for our customers and for ourselves.”	“We focus on our shared objectives, supporting each other to deliver value to our customers and our company. We trust each other and share our knowledge and expertise.”	“We are professional in all we do, providing an enjoyable experience for our customers and ourselves. We work hard and play hard.”

Figure 1:
MyCSP – strategic goals and values

What has mutualisation involved?

The headline change for MyCSP is that responsibility for the administration of Civil Service pensions has been moved into a legal entity jointly owned by the government (35 per cent), the employees (25 per cent) and a private-sector company, Paymaster (1836) Ltd, part of the Equiniti group, (40 per cent). Staff have been transferred under the TUPE legislation.



The press are calling it the ‘John Lewis’ model. How will this work?

The idea is that people are motivated to improve the performance of the service in terms of quality and cost if they have a financial stake in the business. In our case, the employees’ stake is held through an employee benefit trust. An Employee Partnership Council appoints two directors of the trustee company who, along with a director appointed by MyCSP Ltd, set the profit-share policy and exercises all shareholder voting rights on behalf of the employee partners. When an employee leaves, their share stays behind – they don’t take any shares with them so the employee share of the business doesn’t get diluted over time. On the main board of MyCSP Ltd is a non-executive

‘The idea is that people are motivated to improve the performance of the service’

director appointed by the employees as owners, alongside the chairman, CEO, CFO and two non-execs appointed by the other partner organisations. The real payback in future will be to leverage our joint expertise and resources to expand into other areas of pensions administration. We not only have these formal structures in place and embedded in our constitution, our CEO also invites members of the council onto his management team so our employees are involved in all key decisions. In addition, we continue to recognise our trade union and work closely with it.

So this is a win-win situation for the taxpayer and the employees?

That’s the idea, but we are not underestimating

the challenges ahead. To assume that our existing workforce will suddenly be brighter and more hard-working than before just because they have moved into the private sector is disingenuous. We have always taken great pride in the highly professional way in which we have worked in the past.

Nonetheless, you expect there to be a difference?

Clearly, the new organisation is intended to facilitate new ways of working, but there are a number of facets to the planned changes and significant opportunities for synergies between them. Let me explain.

Foremost in the change strategy is investment in information technology. While it is difficult to establish cause-and-effect relationships between inputs, processes and customer service, especially within the public service, nonetheless by setting out formal service level agreements (SLA) with our clients, linked to quantifiable objectives, such as reducing costs by a given percentage year on year, we can build a business case that links our share of those savings with costs of achieving them. In other words, we are in a position to say that x will be the result from y investment. And the new entity will enable both inputs and outputs to be transparent, while the government will be sharing any downside risk with two other parties. Perhaps most significantly, the staff will comprise one of the three parties. Put simply, more than 500 workers will be directly aligned with the objectives and success of the business.

But will that mean lower, more inflexible levels of service?

Not at all. The SLAs will put our relationship with clients on a more structured basis, setting out both rights and responsibilities between the two partners to the agreement. For example, if we are going to provide a good service then we have to be supplied with the right data in a timely manner from our clients. SLAs help everyone to establish clear lines of responsibility, with the result that service cost rewards for continuous improvement become visible.

The service levels that have been negotiated reflect industry best practice. Throughout the life of the contract we will be benchmarking our performance levels to ensure that we are keeping abreast of developments and improvements in the industry.

'Our transformation journey is entering new territory in many ways, but we firmly believe that the future is exciting'

But it sounds like much of this could have been achieved without the risks inherent in the mutualisation?

While that is a moot point, and indeed, some quarters of the press have been somewhat sceptical of the approach, we are confident that we can build on the changes that we have already achieved. Our transformation journey is entering new territory in many ways, but we firmly believe that the future is exciting

But how confident can you really be?

The point about the headline change to mutualisation is that behind the revolution has been a more gradual process of evolution, based on the adoption of the shared service model. The setting up of the SSC in 2006 did not get much coverage in the press, but the change in outlook and working methods was perhaps just as significant back then. For example, through the CIMA/Loughborough University roundtable on shared services we have been sharing best practice for a number of years with both public and private-sector organisations.

The contract we have with government obliges MyCSP to deliver transformational changes to agreed timescales across the following workstreams: technological, cultural, process, and performance aspects of change. A Transformation Board oversees the delivery with representatives from the main client (Cabinet Office). While this helps to provide assurance that we will meet our contractual obligations, at the end of the day our people know that the more successful we are as a company, the higher the dividend they will receive as their share of profits each year – now that's a real incentive.

Ian Herbert and Ruth King are members of the Accounting and Financial Management Group in the School of Business and Economics at Loughborough University

Graham Barnes is the financial controller of MyCSP Ltd.

Email the SSC research team at ssc-research-team@lboro.ac.uk or visit the project website at www.shared-services-research.com

The next CIMA-Loughborough Shared Service Forum events will take place in Kuala Lumpur on 16 January 2013 and Colombo on 18 January 2013. To attend either event please register your interest at

www.shared-services-research.com

What you learn on the... Data analysis with Excel Mastercourse

Pratish Sharma has been an experienced course designer and presenter for more than ten years. He is an IT tutor and systems consultant at BPP Professional Education



Before the turn of the millennium, I initiated an “Experience IT” programme within the hospitality and service industry, and also worked on projects relating to the “millennium bug”. I have vast experience, presenting and developing course materials over three decades, as well as managing teams and projects, one-to-one coaching and mentoring.

This one-day, hands-on course is designed for those who use Excel on a regular basis and for those with under-developed skills in this area. It appeals not just to finance people, but also analysts and those who want to perform various forms of analysis that involve Excel skills.

The course offers quick tips in utilising the power of Excel. It involves analysis, error-checking, reporting tools, scenario and sensitivity analysis and data manipulation.

At the start of the day I like to open up a spreadsheet and introduce a few useful keyboard short-cuts and “hot keys”. I usually ask people which short-cuts they know and already use, which people find interesting, and

this is a good way of getting everyone enthusiastic and warmed up right from the start. We then work from a large, data-heavy Excel workbook containing a number of worksheets inside the file.

During the day we use a course manual for reference at various stages, but focus on different topics that are each split into bite-sized sections. These might include time-savers, data searching, functions such as logical, error, text and nesting (for increased power), and pivot tables – basic to advanced, scenario building, problem-solving and simple automation using macros.

Key functional areas covered are: IF STATEMENTS AND NESTED STATEMENTS

Conditional and logical functions are worked with in depth. We explain the advantages of using IF statements to perform various forms of analysis by using them to create an output. These are taken even further by nesting the IF statement with multiple functions to perform more diverse calculations in just one formula.

A nested statement is a multi-functional formula that contains more than one function within it.

ISERROR

All error values within Excel can be suppressed from display by using an error function such as ISERROR. An ISERROR function used on its own has limited value and is therefore demonstrated for use within an IF statement in order to create an output.

Examples are shown where an error occurs with a missing value in a table, and an IF ISERROR nested function is used to create an alternative numeric value in the cell, which can then be successfully used in a calculation.

In addition, the newly introduced IFERROR function is also demonstrated and compared with its older counterpart.

VLOOKUP

Large data sets are set up to experiment with the power and the limitations of a VLOOKUP function. The VLOOKUP originates from the “lookup” family of functions and provides a search and return capability from the most conventionally organised data sets.

Alternative and less conventional data sets are also provided on the course to demonstrate functional limitations, and a varied set of solutions are provided to overcome them.

We include real-life examples on the course. One of the things I like about teaching Excel is that there are always multiple ways of achieving the same objective. I often find people have done the same thing a different way, so at the end of each task I like to undertake a session to generate discussion and encourage the exchange of ideas among the group to find out the best way of achieving the goal.



Visit www.cimamastercourses.com for more details about this and all CIMA Mastercourses

CIMA global events

Past events

Centre of Excellence is launched

The CIMA Centre of Excellence (COE) South East Asia and Australasia got off to a great start with its first meeting on 18 July at the CIMA offices in Kuala Lumpur and on 26 July in Sydney.

The meetings discussed the terms of reference for the COE. Members of the COE include researchers from the Malaysia accountant general's office and universities from Malaysia, the Philippines, Indonesia and Singapore.

For Australasia, researchers from Monash University, the Auckland University of Technology, the University of Canberra, the University of New South Wales, the University of South Australia, and Auckland University, were present.

Dr Noel Tagoe, then head of research and development and now executive director of education at CIMA, spoke on three key areas – the relevance of the research projects planned, the quality and rigour of the research and timeliness in its completion.

The research will be in line with the CGMA thought leadership activity that is focused on six themes to help CGMAs to add value and develop their careers.

CIMA signs Memorandum of Understanding with the Malaysian Institute of Integrity

July, Malaysia

Shortly after signing the Corporate Integrity Pledge, CIMA SE Asia signed a Memorandum of Understanding (MoU) with the Malaysian Institute of Integrity (IIM) on 13 July 2012 at IIM's office in Kuala Lumpur.

With integrity, transparency and ethics high on CIMA's agenda, the MoU will see CIMA SE Asia and the IIM collaborating on sharing information on global and professional developments in education, training and research on ethics, developing national case studies on professional integrity, corporate governance, and working on special projects relating to ethics and integrity.

CIMA was represented by Charles Tilley, chief executive; Irene Teng,



Dr Noel Tagoe (far right) with delegates at the first meeting of the CIMA Centre of Excellence South East Asia and Australasia

regional director of South East Asia and Australasia; Dr Noel Tagoe, executive director of education; and Venkkat Ramanan, head, South East Asia. Those present from IIM were president, Datuk Dr Mohamad Tap Salleh, his deputy and directors from the four divisions within IIM.



Maintaining momentum and career motivation – remaining buoyant through cuts

September, UK

This event focused on practical advice on how to remain buoyant during cuts and stay motivated to achieve success and career progression, even in times of stress and cutbacks. The event covered:

- Gaining control of your career path.
- Managing colleagues, or a team.
- Members with negative attitudes.
- Breaking free from a stagnant mindset.
- Ways to be more resourceful.
- Moving forward, even during setbacks.

CIMA Management Accountants' Conference 2012: Reboot your business: beyond financials

September, Sri Lanka

The Management Accounting Conference is one of CIMA Sri Lanka division's annual flagship events to discuss cutting-edge technical topics that are of immense relevance to business.

This year's theme was based on CIMA's new research, which highlights that the human dimension – relationships with customers, employees, partners and communities, as well as intellectual capital – will be key to getting things moving again, and sustaining success in the long run.

Coming events

Sri Lanka

Accounting Standards Workshop

The accounting standards study group of the CIMA Sri Lanka division aims to improve understanding of accounting standards.

Contact Jennifer Gnaniah on 2503880 (ext 263) or email Jennifer.Gnaniah@cimaglobal.com

Budget highlights 2013

An evening discussion forum which is business-oriented and shares key thoughts, deliberating on long- and short-term government objectives, policy framework, key highlights of the 2012 budget, business implications stemming from the budget and the macro-economic implications of the budget proposals.

Contact Jennifer Gnaniah on 2503880 (ext 263) or email Jennifer.Gnaniah@cimaglobal.com

CIMA Business Case Awards Night

28 November
The awards highlight the best organisational case studies narrated. It involves the participants identifying and narrating a specific real-life occurrence within the organisation that they are employed on a preferred theme relating to one of the topics given by CIMA Sri Lanka.

Contact Jennifer Gnaniah on 2503880 (ext 263) or email Jennifer.Gnaniah@cimaglobal.com

UK

Finance in football

7 November, 6.30pm
Palm Court Hotel, AB15 7YX
Join us to hear Duncan Fraser, chief executive at Aberdeen Football Club, discuss football club challenges in the current economic climate.

Visit www.cimaglobal.com/scotland

Effective business writing

7 November, 7.30pm
Croydon Park Hotel, 7 Altyre Road, Croydon CR9 5AA
Contact Hayley Dove at region.eleven@cimaglobal.com

Developing your thinking style

8 November, 7pm
Shire North Lakes Hotel, Ullswater Road, Penrith, Cumbria, Lake District CA11 8QT
According to the CIMA Decision-Making Forum, accountants need to be trained to draw insight and communicate effectively to support decision-making. This event will help you to develop the skills needed to communicate effectively.

Email region.six@cimaglobal.com or visit www.cimaglobal.com/northwestenglandandnorthwales

What the heck is social media: how can it help you grow your business?

13 November, 7pm
Mercure Stafford South Hatherton House Hotel, Pinfold Lane, Penkridge,

Stafford ST19 5QP

Adrian Swinscoe will be sharing his experiences on how to use social media.

Contact Julie Witts at four@cimaglobal.com or go to www.cimaglobal.com/westmidlands

CIMA West Midlands dinner dance

23 November, 7.30pm
McDonald Burlington Hotel, 126 New Street, Birmingham B2 4JA

Cost: £35

Contact Julie Witts at region.four@cimaglobal.com or go to www.cimaglobal.com/westmidlands

Christmas charity ball (joint event with AAT)

23 November, 7pm
Future Hotel Cardiff Bay, Hemingway Road, Cardiff CF10 4AU
Cost: £30

Contact Suzanne Allen on +44 (0)11 7960 9734 or email region.two@cimaglobal.com

Personal impact

26 November 9.30am
The Celtic Manor Resort, Coldra Woods, The Usk Valley, Newport NP18 1HQ
Cost: members £99, students £75, members of other professional institutes £125, guests £150

Take your personal impact to a new level.

Contact Suzanne Allen on +44 (0)11 7960 9734 or email region.two@cimaglobal.com

Soft skills for accountants

27 November, 2pm

Devere Hotel, Harben House, Tickford Street, Buckinghamshire, Newport Pagnell MK16 9EY
Cost: £40

This half-day event will cover practical soft skills sessions aimed specifically at accountants.

Visit www.cimaglobal.com/eastmidlandsandeastanglia

Financial accounting update and topical tax tips

26 November, 6.30pm
Aston Hotel, S60 5BD
Steve Bell, head of corporate finance, and Steve Vickers, partner (taxation), from Hart Shaw, will cover the major changes applicable to SME businesses following changes in the financial reporting regime, as well as strategies to reduce your tax burden.

Visit www.cimaglobal.com/northeastengland

What can CIMA do for you?

5 December, 7pm
De Vere Daresbury, Chester Road, Daresbury, Warrington WA4 4BB
Need a boost after your exams? Get motivated by coming along to this event to learn what CIMA can do for you. CIMA members share their experiences of how the Institute and the CIMA qualification has helped them progress in their chosen careers.

Email region.six@cimaglobal.com or visit www.cimaglobal.com/northwestenglandandnorthwales

Visit www.cimaglobal.com/events for updates and a full list of events, which are free unless otherwise stated.
CIMA Mastercourses – your catalyst for business change: visit www.cimamastercourses.com or call 0845 026 4722.
To submit an event for this page, email michaela.lambert-beresford@cimaglobal.com

The Institute

Disciplinary Committee

The Disciplinary Committee found registered student Lawrence Ford guilty of misconduct. The conduct, which occurred in the period between August and November 2009, had led to his conviction in June 2010 of using forged documents to obtain a pecuniary advantage, and was relevant to his CIMA registration. The Committee referred to a serious breach of trust on the part of Mr Ford, observing that he had appropriated substantial amounts of money from his employer and that this had been over a considerable length of time. The Committee cancelled Mr Ford's student registration and imposed a fine of £2,000 (the maximum fine for a registered student under the regulations). Mr Ford was also required to pay costs of £7,175.

The Disciplinary Committee found Ronald Hewitson, ACMA, CGMA, guilty of misconduct. His conduct had resulted in his conviction in July 2006 under the Forgery and Counterfeiting Act 1981, relevant to his membership. The sums involved were more than £20,000. Mr Hewitson had also failed to inform CIMA of the conviction, in breach of the Laws of the Institute.

The Committee decided to expel Mr Hewitson. The Committee took into account the seriousness of the conduct, the financial sums involved and the issue of proportionality. Mitigating factors included Mr Hewitson's previous clear record, and that he had admitted the offences, which may have been committed almost seven years previously.

Convictions for offences of dishonesty are at the very highest end of seriousness, particularly when the offences are repeated and involve a significant amount of money. Protection of the public, the need to uphold proper standards and the maintenance of public confidence required the imposition of the most serious sanction. Mr Hewitson was also required to pay costs of £9,165.

The Disciplinary Committee found registered student Shanmugam Kamalagaran guilty of misconduct. While sitting the C05 Fundamentals of Ethics, Corporate Governance & Law computer-based assessment examination in October 2010,



he had failed to comply with the rules governing examinations in the CIMA Computer-Based Assessment Centre by keeping with him a C05-related, multiple-choice revision booklet. By having the annotated booklet in his possession and in a situation that suggested that he could have used it, he had also failed to act with the integrity required under the Code of Ethics.

The Committee accepted emails received from Mr Kamalagaran as evidence of regret for his misconduct, but considered the seriousness of his misconduct such that in the interests of declaring and maintaining the proper standards of conduct of the profession it was necessary for his student registration to be cancelled. Mr Kamalagaran was also required to pay a contribution of £100 towards costs.

The Disciplinary Committee found Robert Burns, ACMA, CGMA, of Maple Accountancy guilty of misconduct. He had (i) failed to ensure that a client's correspondence (three letters in April/June 2009) was responded to in a timely manner, despite a letter from Maple Accountancy promising this, and (ii) failed to address a complaint raised by the client in a letter in January 2010, despite his letter promising to do so.

Thus, he had failed to act with professional competence and due care, and in relation to (ii) he had also acted in a manner that may bring discredit to the profession, contrary to the Code of Ethics.

The Committee imposed a reprimand and a fine of £400. Mr Burns was also required to contribute a sum of £4,000 towards costs.

The Disciplinary Committee found John Beadling, FCMA, CGMA, guilty of misconduct. He had (i) failed to provide evidence of compliance with CIMA's mandatory continuing professional development (CPD) requirements for 2009 (Members' Regulation 15.4) when requested by CIMA to do so in two emails (February and April 2010), and (ii) failed to respond adequately, or at all, to those emails regarding evidence of completion of his 2009 CPD requirements. Thus, he had acted unprofessionally by bringing discredit to the profession, contrary to section 150 of the Code of Ethics.

The Committee imposed a severe reprimand in relation to (i) above, and a reprimand in relation to (ii). Additionally, the Committee imposed a condition on Mr Beadling's CIMA membership that he must submit his CPD records for 2008 and 2009 by a specified date, plus fines of £1,250 and £750 in relation to (i) and (ii) respectively, although in the event of Mr Beadling complying with the condition then the fines would be remitted and not payable. Mr Beadling was also required to contribute £6,000 towards costs.

The Disciplinary Committee found registered student Nuwanga Bandara guilty of misconduct in permitting a MyCIMA exam history document to be created to include passes for her in two CIMA Computer-Based Assessments that she had not passed (the document also showed three correct passes), and likewise two CIMA Computer-Based Assessment Certificates of Achievement that contained incorrect marks and false signatures. She had also permitted the documents to be passed to CIMA in attempting to update her records.

The documents contained materially false or misleading material and demonstrated a serious lack of integrity, in breach of CIMA's Code of Ethics. Falsification of documents being a very serious matter with great potential to undermine public confidence in the profession, the Committee required the cancellation of Ms Bandara's student registration. She was also required to contribute costs of £100.

A light shines in Gotham City

In 1989, a battle between good and evil ensued – the Dark Knight of Gotham City waging war on crime in his mission to protect its good citizens. Elsewhere in the world, mounting concern at the G7 Summit resulted in the establishment of the financial action task force (FATF) ... okay, so that doesn't really have the same ring to it but, back then, like our hero Batman, the good guys at the newly established FATF were also waging war on crime, with their own mission to protect the public.

So enough of the melodrama, what has all this got to do with CIMA? Well, quite a lot actually. The establishment of the FATF created a global standards-setting organisation charged with tackling money laundering, terrorist financing (and more recently) the financing of proliferation. The standards were then adopted globally through its 40 recommendations – actions outlining how countries can combat financial crime.

There are 36 global members of the FATF, and CIMA is committed to implementing its recommendations through individual country legislation and regulations. CIMA also contributes at a European level through Anti-Money Laundering Europe, a platform for CIMA to improve the consistency of approach to anti-money laundering regulation among nation states, something that simplifies cross-border business for CIMA members and makes things more difficult for criminals. In doing so, CIMA forms part of a vast global network in the fight against financial crime.

But why do we need all these regulations? Surely the law-abiding citizens of Gotham City need not concern

themselves? They would never get involved in financial crime ... or would they? In many instances the very same law-abiding citizens could be drawn into a vast web of deceit where they unwittingly facilitate money-laundering or terrorist financing. In a worst-case scenario this could lead to prosecution or imprisonment as criminals use the unsuspecting businesses to conceal the identity, source or destination of illicit funds. Being aware of, and working within current regulations around financial crime, can reduce the risk of this happening.

So when The Joker asks: "Did you ever dance with the Devil in the pale moonlight?" – CIMA can help you answer "no". **More about CIMA anti-money-laundering: www.cimaglobal.com/membershandbook**



Elections to council 2013

Retirements by rotation

Notice is given that, as the term of office of the council member in each of the following CIMA electoral constituencies (EC) expires at the end of the annual general meeting in June 2013, elections will be held in February 2013. Nominations for candidates (fellows) to fill the vacancies may be made by six or more members (three of whom must be fellows) whose registered addresses are in the EC concerned.

EC Current member

EC1 Central London and North Thames,
A P Bainbridge Spring

EC2 South West England and South Wales,
S B Parsons

EC3 East Midlands and East Anglia,
G M Makepeace

EC4 West Midlands, *D Barnes*

EC5 North East England, *T Hassall **

EC6 North West England and North Wales, *D Stanford*

EC8 Northern Ireland, *S McCue*

EC9 Republic of Ireland, *T O'Connor*

EC10 West, Central and Southern Africa,
Y D C Tarr

EC11 Central Southern England,
*P J Adams **

EC12 South East England, *W F Rowlands **

EC14 South Asia, *N Jayasinghe **

EC15 North Asia, *K C Chan **

EC16 South East Asia, *Y C Lee **

EC17 Europe, North Africa and the Middle East, *H Parker*

EC18 The Americas,

H M S Wickramasinghe

EC19 Australasia, *C Panditharatne*

** Members who have indicated that they do not wish to stand again*

Nomination forms for candidates for election may be obtained from Maggie Heasman, head of corporate affairs at CIMA (+44 (0)20 8849 2235 or maggie.heasman@cimaglobal.com). Forms may also be downloaded from the CIMA website at www.cimaglobal.com/About-us/Governance-charter-and-byelaws/Elections/, where further details regarding the ballot process and the role of a council member may be found.

Nominations must be received on the prescribed form by noon on Monday, 7 January 2013, and should be clearly marked for the attention of the head of corporate affairs at 26 Chapter Street, London SW1P 4NP. Faxes or scanned copies are acceptable, but must be followed immediately by the signed original. The corporate affairs department will acknowledge receipt of the nomination form within 48 hours of delivery. It is, however, the candidate's responsibility to ensure that their nomination form has been submitted correctly and on time, and that receipt of the form has been acknowledged.

In the event that there are more candidates than the number of vacancies for each constituency, a ballot will be conducted.

PRESIDENTIAL ENGAGEMENTS

5 Nov Kaplan and Norton: Contemporary Performance Management event, Edinburgh
11-21 Nov IFAC Meeting in SA and regional visit

CIMA CEO column

‘Corporate reporting needs new approach’



There is no question that we are experiencing rapid changes to the business environment. Now, more than ever, non-financial and intangible assets are the major value drivers and many companies now operate through collaborative global networks without the traditional boundaries of power, control and influence. Global organisations and their supply chains have economic, social and environmental impacts in the communities in which they operate, and value creation is as increasingly dependent on social and environmental issues as it is on economic ones.

These changes present many challenges to today's entrepreneurs, but the corporate reporting system also needs to evolve to a new approach that demonstrates the linkages between an organisation's strategy, governance and financial performance, and the social, environmental and economic context within which it operates.

This call of evolution is being answered by the integrated reporting movement, led by the International Integrated Reporting Council (IIRC). Integrated reporting also drives businesses to take more sustainable business decisions and enables investors and other stakeholders to understand how an organisation is really performing.

CIMA has long advocated the integration of strategy, opportunities, risk and performance, with a clear explanation of how the organisation creates value – the business model. If there are material issues that may affect long-term business success, then they should be discussed openly and completely in the narrative report in an integrated manner. Business issues are “joined up”, and so should be the explanation of them in an organisation's corporate reports.

At PwC's annual Building Public Trust Awards dinner held in October 2012, excellence in corporate reporting is recognised as a key element of rebuilding trust in business. The event was

attended by more than 300 business leaders, senior civil servants, regulators, standard-setters and professional bodies.

As chair of the judging panel I was delighted to see that the standard of reporting by this year's FTSE nominees showed a further improvement. Every company is on a “journey” in this regard, yet none can claim to have reached the final destination.

But it is heartening that so many FTSE companies are making a real effort to develop comprehensive reporting. At a time when societal trust is at an all-time low in corporate institutions, companies need to rally to the call of transparency and openness, not only to investors but the wider public too. Global businesses need to create a new language to respond to the emerging financial landscape and integrated reporting is the ideal lexicon we can use to translate our objectives and mission.

Integrated reporting is largely a future-oriented tool and relates to how a business will adapt and react to the opportunities and risks it faces in a changing world – for instance, the expansion of its products or services to capture market share or pursue new regions to expand its geographical presence. It's about positioning itself in a forward-facing mode while also addressing the here and now. It's about an organisation creating its own identity and aligning that with the external environment in which it operates.

Management accountants can add insight to integrated reporting by increasing the alignment between internal and external reporting; creating robust and value-driven data while linking up with key stakeholders to ensure the inclusion of forward-looking strategic objectives.

Further information on the activities of the IIRC, and specifically integrated reporting and its proposed framework, can be found at www.theiirc.org.

We have produced a report with Tomorrow's Company and PwC on the need for corporate reporting to change. Visit <http://goo.gl/p7Um7>.

‘Global businesses need to create a new language to respond to the emerging financial landscape’

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Charles Tilley writes a regular column for CGMA Magazine, entitled One-to-one: Top tips from the boardroom. Visit <http://tiny.cc/k671hw>

Charles Tilley, FCMA, CGMA
Chief executive, CIMA

CIMA and an entrepreneur answer your questions

This month...

'Five-year plans. Essential, or a waste of time?'

CIMA versus Stephen Fear

A. CIMA

In many organisations the top brass often develop their strategic vision on an away day and come back with new rhetoric. A strategic five-year plan might then be drafted but if managers know that, in practice, the priority is to achieve the budget, then the real plan is the budget.

Clearly, a five-year plan, or a forecast or budget for that matter, would be pointless unless there were a congruent plan to take action, deploy resources and motivate staff to deliver it.

Also, in volatile trading conditions, when companies need to keep their cost base flexible so as to be able to react with agility to opportunities or threats, a detailed five-year plan might be too rigid and a barrier to innovation.

However, a wider problem is that planning horizons are often too short, being for the same term as the budget. Long-term risks may be looming, but they will be out of sight and out of mind over a one-year planning horizon.

"The first and most important reason why companies fail is that they miss colossal external changes – undetected risks that risk the survivability of their business."¹

Finance professionals in business partnering roles may have to challenge business managers to balance short-term objectives with developing

the business's competitive position, or even revising its business model for the longer term.

Having an agreed five-year plan with clear objectives and milestones along the way would make it a lot easier to have those otherwise difficult conversations that can be necessary to ensure the sustainability of the business's success. A well thought through five-year plan that the business has the determination to implement properly can be very useful. It, too, might achieve its ambition.

Peter Simons is a technical expert at CIMA

Do you have a question you'd like to pose to CIMA and a top entrepreneur? Tell us at questions@fm-magazine.com

A. Stephen

Five-year business plans are time-consuming to implement. However, they can serve a great purpose of giving an organisation focus and a solid business guideline to work towards.

One- to three-year plans are more essential than five-year plans because none of us knows where we will be in five years. For example, if you had stuck to a five-year plan that was devised five years ago, your business would have suffered indefinitely as in 2008 the financial world collapsed. This underlines the need to be flexible and to be able to adapt to unforeseeable situations.

What happens if you're planning to get to London from Bristol, but there's an accident at Twickenham? You still want to get to

London, but you need to be able to re-adjust your route and take into account what's happening to get to your destination on time. This is how all plans should be treated, including any business plans. Which is why in all the firms I've founded, and I've helped to start and grow more than 60 companies, we always have a five-year plan, as well as a one-year and three-year plan.

Currently, the world is delicately poised on an unpredictable financial knife edge. Five-year plans can be used as a helpful tool to motivate and provide insight to a main goal, but should not be used to make important decisions; nobody can see that far into the future.

Plans should be constantly reviewed and adapted to help analyse performance and whether targets are being met. I would suggest reviewing a business plan at least every six months, or annually. Additionally, three-year plans should aim to be reviewed after one year, and the five-year plan should be reviewed after three years.

Every business needs a plan in place but it should be realistic and subjective. "He who fails to plan is planning to fail."

Stephen Fear is the entrepreneur-in-residence at the British Library, giving advice to entrepreneurs at all stages of their development. He founded his first company, selling oven-cleaning fluid, aged 15.



¹ Greg Hackett, Kent University