

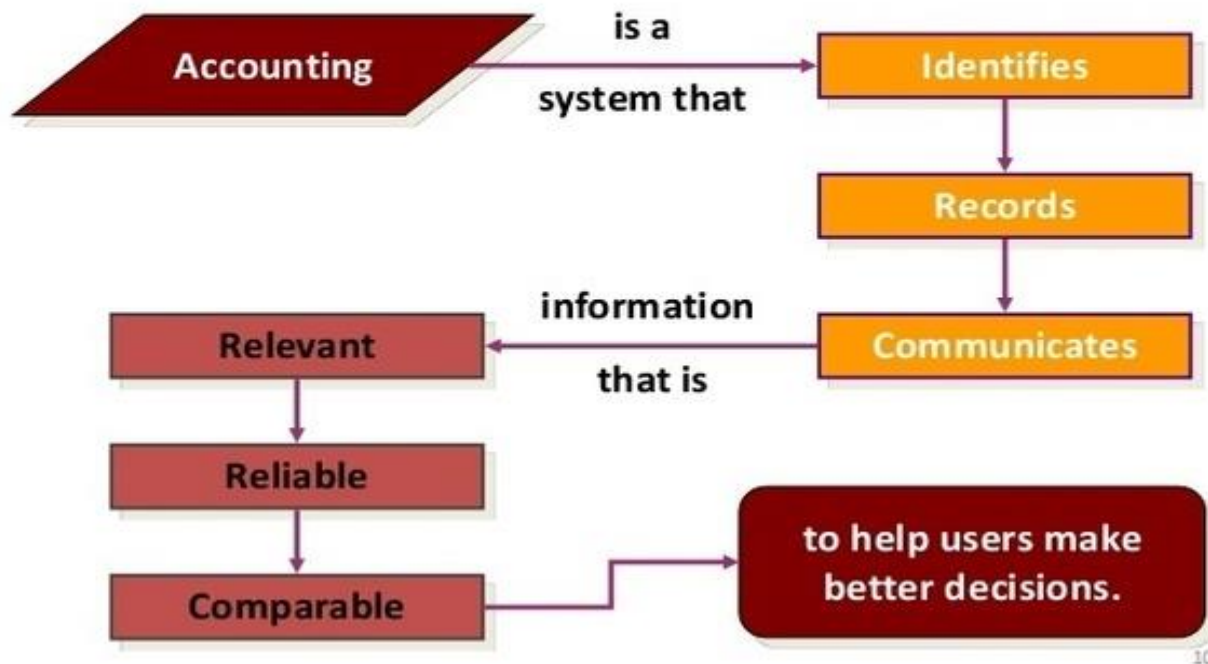
Finance Management & Planning

Finance Department and Ethics

Today's Lecture

- Recap of last week
- Finance Department – The changing role
- Ethics
- Assignment review
- Introduction to the 3 Financial statements

Importance of Accounting



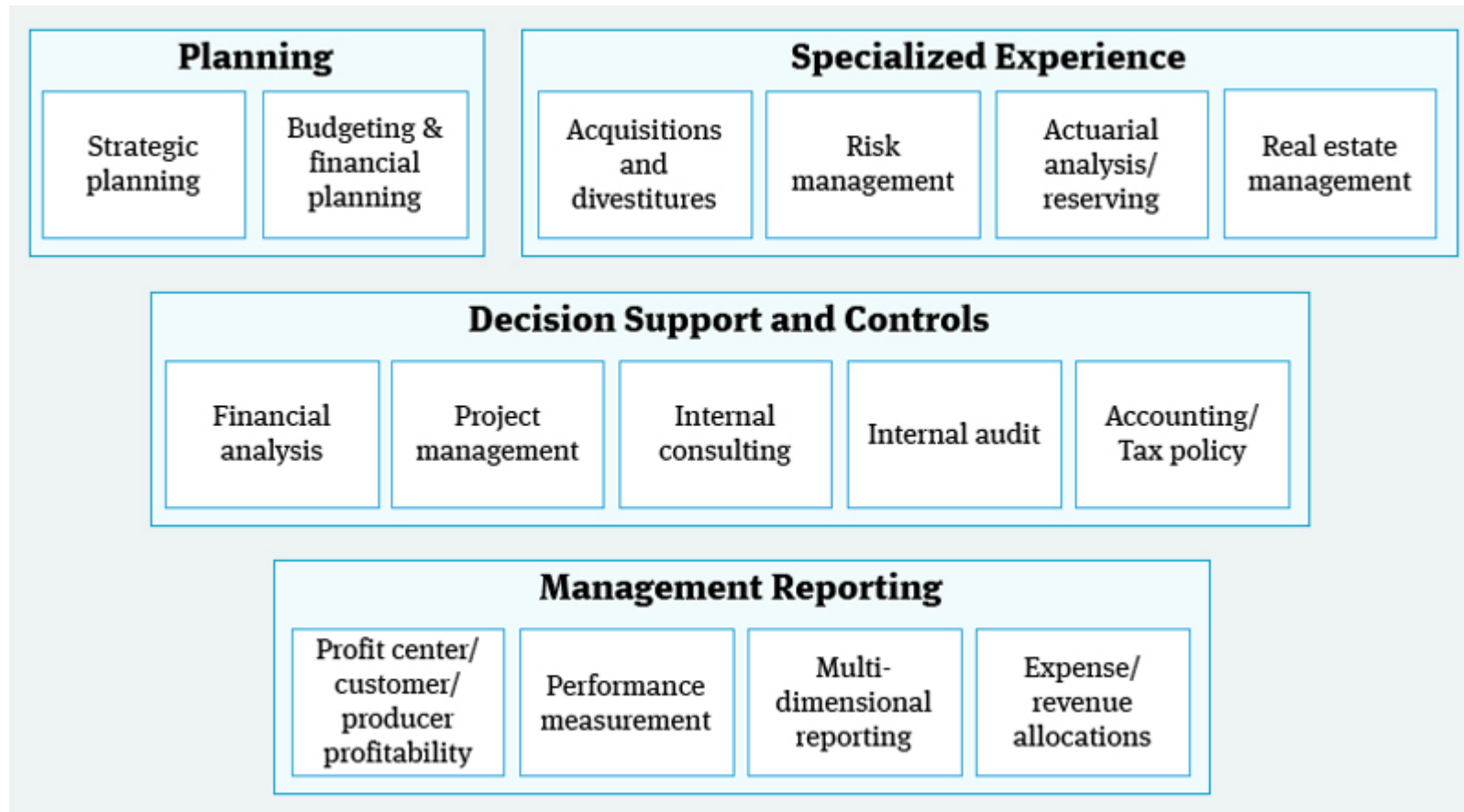
(What are the key differences?)

	Financial	Management
Users	External users	Internal users
Time Horizon	Historic information Generally Annual	Recent Past; Present; Future Depends on managers requirements
Focus	Position of all of business – verifiable evidence	Position on part of, or specific aspect of business – financial and non-financial information
Regulation	Compliance required to Companies Acts and Reporting Standards etc.	Internal use so unregulated
Reporting Criteria	Audited Compliance to standards	Internal use so no compliance required

So, what is the purpose of a Finance Department?

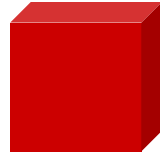
- Manages the organisation's money
- Processes the organisation's transactions
- Illustrates current and past performance
- Supplies timely business information to support business decisions.
- Manages expectations of stakeholders
- Helps support the planning process of the organisation
- Governance.

Different Roles and responsibilities





Increasing sophistication of customers



Development of global economy



Rapid changes in technology



Deregulation of domestic markets

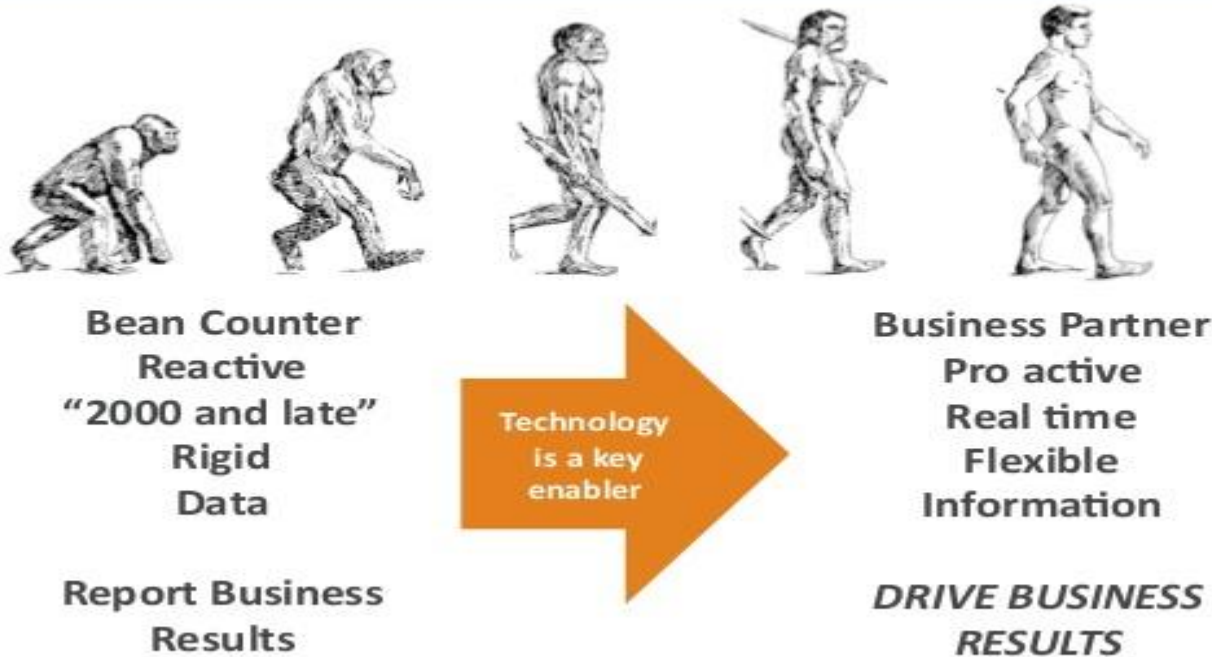


Increasing pressure from owners (shareholders) for competitive returns



Increasing volatility of financial markets

The Evolving Role of Finance



(282) Finance professionals must master these skills - YouTube

- Views on the changes of the role?
- Involved in the business
- Understanding your business
- Using wider knowledge to forecast
- Understanding the data available
- Being pro-active rather than re active
- Positive influencer rather than naysayer

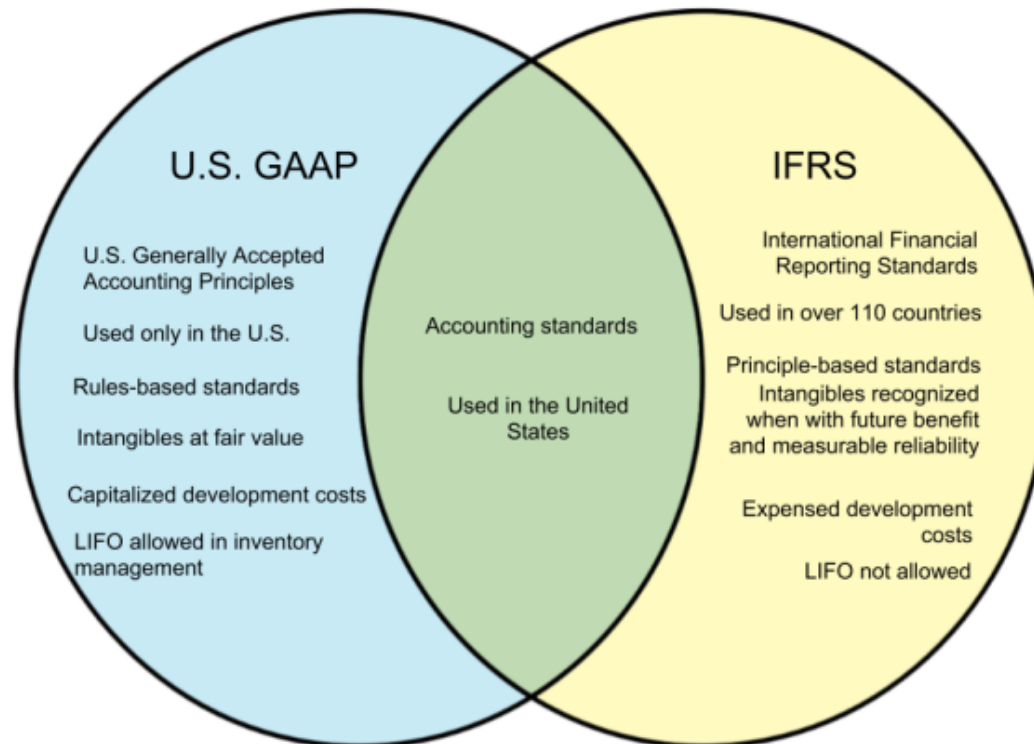
“I have a financial controller who is more than capable of producing a good, timely set of management accounts, what would a finance director add?”

- The modern finance director has changed, no longer are they just expected to ‘count beans’ or be a ‘safe pair of hands’.
- Finance directors have evolved into a commercial business leader and a strategic advisor to the CEO.
- Finance leaders have well-developed ‘soft skills’, so they can manage behaviours and relationships with stakeholders and shareholders and be a ‘public face’ of the business. The most successful companies have active lines of communication with all board directors, not just the chairperson and the CEO.
- They can communicate effectively from the ‘shop-floor’ to the largest investor, from your biggest customer to your smallest supplier and from HMRC to your Audit Committee.
- The finance director is much closer to the customer than their equivalent of 10 years ago. They understand where the money is made, how to drive growth and create value.
- They can articulate risk through a commercial and financial lens, and know how to manage risk effectively.
- Above all, the modern finance director has transitioned from an explainer of the past to a foreseer of the future.

Financial Standards and Ethics

Financial Standards

- GAAP - General Accepted Accounting Principles (founded 1985
- IFRS - International Financial Reporting Standards (started Feb 2001) replacing IAS
- Agreement in 2002 that they would work towards compatibility between both systems.



- Why have standards and what do they mean ?
 - Common Rules so that financial statements can be consistent , transparent and comparable around the world.
 - Standardisation of reporting requirements
 - Highlights any events that have financial impact
 - Objectivity
 - Common accounting language
 - Clarity on Audit requirements.
 - Year on year methodology changes to be declared
 - Material changes to be disclosed.

■ Code of Conduct

- **Integrity** - Integrity isn't a set of rules or a course of action, but rather a state of mind oriented towards honesty, straightforwardness and a commitment to acting following principle rather than for the sake of personal gain.
- **Objectivity** - To the extent that it is humanly possible, accountants shouldn't be influenced by the interests or perspectives of the individuals or businesses who hire them. An accountant also shouldn't let personal biases or interests influence either the numbers that go into an accounting system or the results that come out of it. Figures and results should be taken at face value and should drive conclusions and decisions.
- **Professional competence and due care** - The field of accounting isn't a static body of knowledge but rather an evolving frame of reference that changes as legislation and best practices are redefined over time. It is the responsibility of an ethical accountant to stay abreast of these developments and provide clients with up-to-date information and the highest quality service.
- **Confidentiality** - Accountants handle sensitive information, and it is an accountant's ethical responsibility to refrain from disclosing any of this information to outside parties who may stand to gain from it. Similarly, an accountant shouldn't use any information obtained while performing professional services for the sake of personal gain, such as selling stock in a business whose books appear questionable.
- **Professional behavior** - As with any profession, an accountant should perform tasks and responsibilities with an eye to the highest personal and professional standards. These include completing tasks thoroughly and on time, following through on commitments and only accepting payments for services that have been rendered.

■ Why do you think a code of Conduct is important ?



“And do you swear that this quarterly sales report
has no accounting tricks?”

- Threats to this code
 - Self-interest threat: Commonly called a “conflict of interest” which may inappropriately influence judgment or behavior.
 - Self-review threat: When you are required to evaluate the results of a previous judgment or service.
 - Advocacy threat: Arising if promoting a position or opinion to the point that your subsequent objectivity is compromised.
 - Familiarity threat: When you become so sympathetic to the interests of others as a result of a close relationship that your professional judgment becomes compromised.
 - Intimidation threat: When you are deterred from acting objectively by actual or perceived pressure or influence.

Sarbanne's Oxley Act

- The Act was signed into federal law by President George W. Bush on July 30, 2002.
- The Act was spurred by major accounting scandals, such as Enron and WorldCom (today called MCI Inc.), that tricked investors and inflated stock prices. Spearheaded by Senator Paul Sarbanes and Representative Michael Oxley, the Act was signed into law by President George W. Bush on July 30, 2002.

Aims of Sox

- Renewed Focus on corporate governance and reporting integrity
- CEO's and CFO's must personally certify and be accountable for their business's financial statements
- Real time reports of any events that will directly affect their stock price or financial performance
- Introduced a new ethical code to protect whistleblowers
- Broaden sanctions / penalties including criminal penalties
- Heighten Auditor independence
- Widen understanding on how IT can ensure accuracy

Assignment Discussion



You have been tasked to prepare a business report to present to your senior management team highlighting your recommendations on a potential joint venture opportunity for a £5m project with Aston Marten plc.

You will prepare a business report of 3,000 words excluding your Exec Summary and Appendices that will include sections covering

- a summary of your findings
- Detailed review of the financial statements highlighting any trends and any risks, utilising financial ratios and information researched outside of the financial statements.
- Explanation of the use of Financial Statements.
- Calculate profitability, liquidity, gearing, efficiency, and investor ratios for a minimum of the past 2 years.
- Critically evaluate the ratios calculated. In your analysis. You should consider possible reasons for changes in ratios over the period and discuss the limitations of ratio analysis.
- Conclusion highlighting your recommendations.
- Appendix showing the calculations of all ratios utilised
- Appendix showing references to additional reading highlighted within your report.

Your report will demonstrate your knowledge and understanding of the financial statement and your ability to calculate financial ratios and their importance and their meanings.

Submission date Monday 30/01/2023 by midday

[Results and Presentations | Investors | Aston Martin Lagonda](#)

Thoughts on Sections

Executive Summary

Introduction

Use and Limitation of Ratios

Ratio Analysis

Summary of Findings

Conclusion and Recommendation

Appendices

Where are the marks ?

Engagement with Literature

10 Marks

- References
- Evidence of wider reading

Knowledge and Understanding

20 Marks

- Explanation of the use of Ratios and interpretation of the outcomes
- Demonstrate your knowledge

Cognitive and Intellectual Skills

35 Marks

- Critical Analysis of the information
- Use of the information to explain your decision and conclusion

Practical Skills

20 Marks

- Calculation of the Ratios

Transferable Skills

15 Marks

- The above sections will show how these skills will be used

Firstly



We will continue to review the assignment requirements as we move through the module .

Next week

- Costing Methodologies
- You will need a calculator or access to Excel during the lecture