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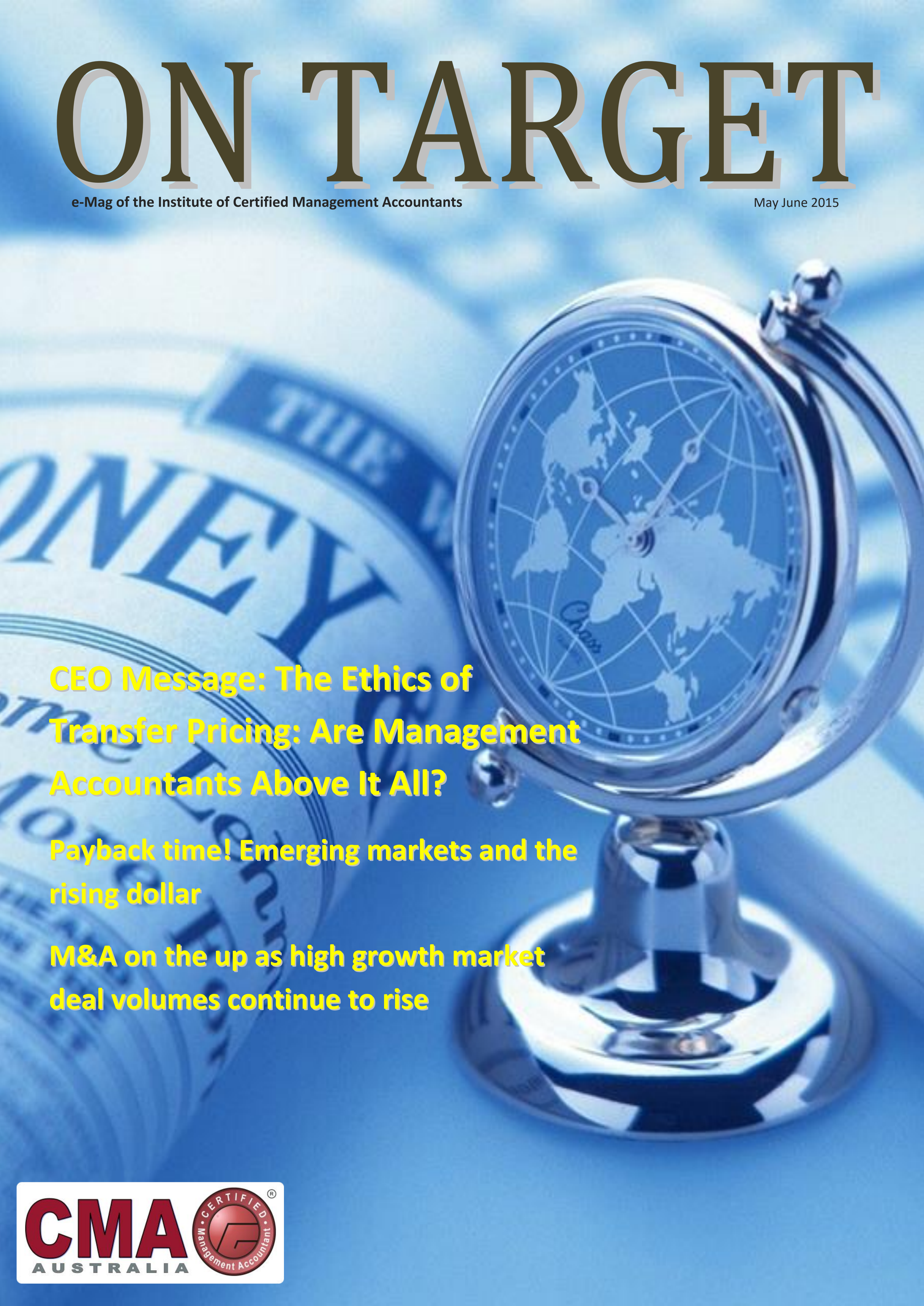

CEO Message: The Ethics of Transfer Pricing: Are Management Accountants Above It All?

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CMA AUSTRALIA CERTIFIED Management Accountant

CEO Message: The Ethics of Transfer Pricing: Are Management Accountants Above It All?

Professor Janek Ratnatunga, CMA, IMAP

CEO, ICMA Australia

Many of you who have studied the topic *Environmental and Social Management Accounting*(ESMA) in the CMA program know the arguments well. Governments believe that, ethically, corporations should pay taxes in the country in which a profit is made; whilst corporations believe that they must act in a manner to maximise value to their shareholders. Thus they believe it's ethical to transfer price profits to low-tax (or even no-tax) regimes in a legal manner. Tax avoidance is ethically and morally acceptable say corporations, whilst tax evasion is not. And to that effect, big corporations hire an army of tax accountants and advisers to ensure that no laws are broken or perceived to be broken.

Against this ethical conundrum, it is interesting to study the list of submissions to the *Australian Parliamentary Inquiry into Corporate Tax Avoidance*. First, the list itself It reads like a Who's Who of not only Australia's, but also the World's biggest tax avoiders, with names like News Corp, Apple, Google, and their advisors from the global audit firms Deloitte, Ernst & Young, KPMG and PwC.

Their submissions have four common themes.

The *first theme* is to call piously for multilateral action (via organisations like the OECD) to address tax avoidance. In fact, the Australian Chartered Accountants (whose members are mostly in those global audit firms that are advisers to tax avoiders) held a seminar on the need for multilateral action. This is like giving the fox in charge of the chicken coop. The Chartered Accountants know well that OECDs and G20s don't make laws – they make communiqués and manifestos. Sovereign nations make laws. They are aware that the *best way to get no action is to wait for global action*, because they know, deep in their hearts, that global action is an endless dream that never comes true.

The *second theme* that all of these submissions have in common is how much "economic contribution to society" they generate. We create jobs! We contribute to a country's economic growth! Google, Apple and News Corp all say this. However, other corporate citizens such as Wesfarmers and Harvey Norman (in Australia) pull their weight on the tax front and create jobs too, as do thousands of small-business people who can hardly afford to set up associated companies in the Bahamas, Switzerland or the British Virgin Islands.

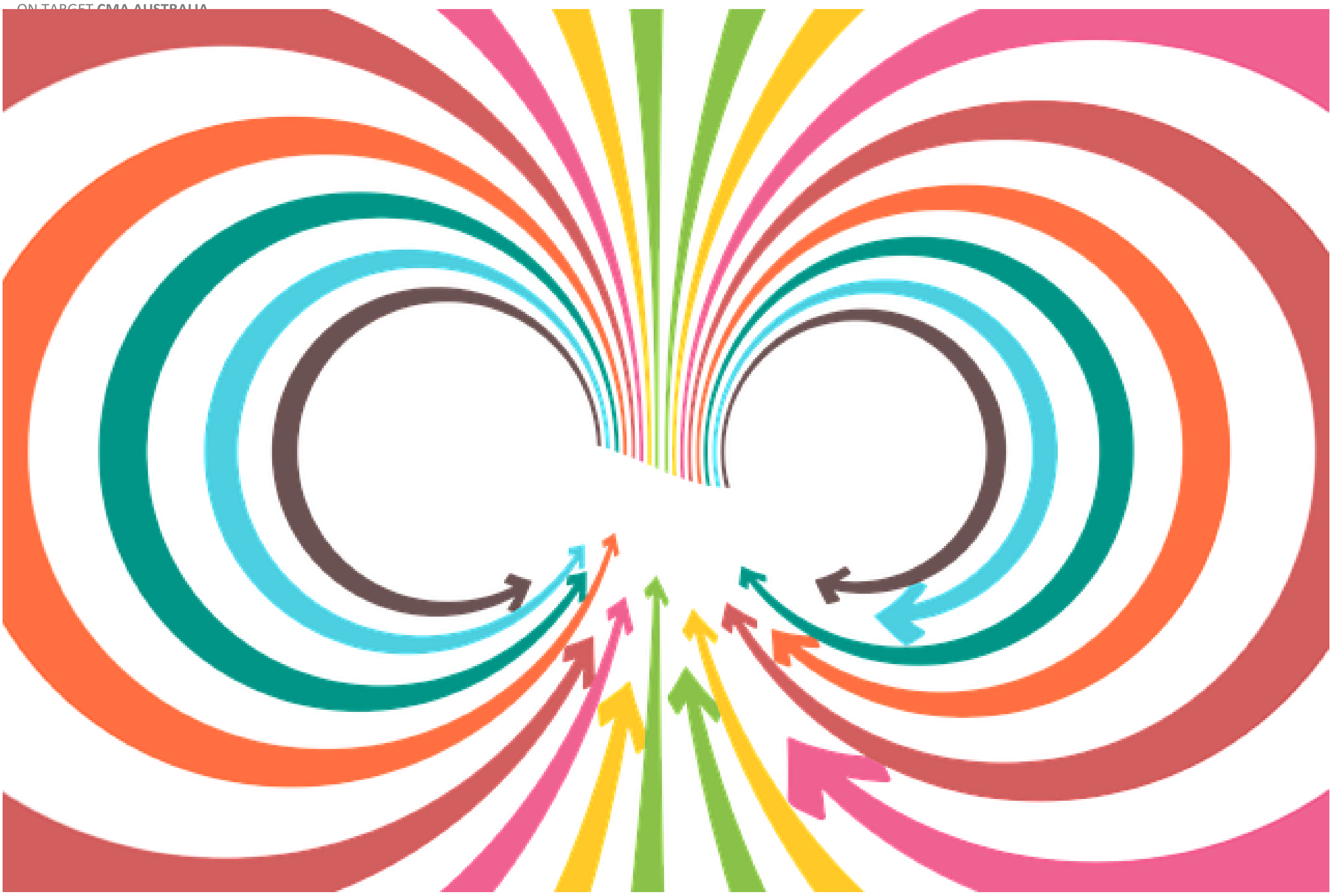
The *third theme* is to set up an illusion about how much taxes are really being paid. For example, Google Australia states that it "paid" $7.1 million taxes in the last annual report (an accounting number). However, despite all its complexities, anybody can find out how much tax was actually paid by a company. This is done by looking at the cash-flow statement in a company's financial accounts. Here one can see how much money came in the door in any year and how much tax, to the dollar, was actually paid in that year. So, for Google, one can see that its total tax expense was actually only $466,802 for the year (not $7.1 million). Even more illusory is that its $2 billion-plus in revenue from selling advertising services to Australian companies advertising Australian products to Australian people on computers sitting in Australia is not even counted as revenue in Australia. This Australian revenue is, in fact, booked through another Google entity in the low-tax regime of Singapore. Simply put, Google Australia and its Tax accountants deem that Australian revenue to be Singaporean.

The *fourth theme* evident in these Senate submissions is their knack of "cherry-picking" information convenient for their argument. For example, the submission by the Minerals Council mixes up royalty payments with taxes to show that high taxes are being paid. Just like the practice of tax law itself, it is all about which data one selects to help one's case. It is nothing to do with the truth.

This total disregard for ethics by corporations and their tax advisors has worrying and immediate implications for the execution of tax policy. But what are the solutions?

The Australian Taxation Office (ATO) is pushing to introduce the *External Compliance Audit Program (ECAP)* scheme, which will outsource the monitoring of tax compliance to none other than the companies' auditors themselves! ***In effect, this puts the poachers in charge of the game park; the fox in charge of the chicken coop, etc.***

The ECAP is principally a cost-cutting move. But the ATO's official line is that Chartered Accountants and their multinational clients are somehow higher-minded than other taxpayers and therefore should be entrusted with self-regulation. This is despite that fact that PwC was caught out misleading government committees in Britain and the United States over schemes marketed to clients that involved sham structures and profit-shifting via



Luxembourg and Switzerland. KPMG and Ernst & Young have been called up by US Senate subcommittee and accused of actively marketing tax shelters and profit-shifting arrangements. The point is that the Big 4 will always be conflicted. They are part of the problem, not the solution. The evidence is that their ethics are focused on their own bottom-lines, not honesty and integrity in dealing with Australian tax and regulatory authorities.

Further to this conflict of interest, the Minerals Council of Australia, which speaks principally on behalf of foreign-controlled multinational mining companies, has filed its submission with the inquiry. Much of its argument against taxing mining companies further, or in a more efficient way, relies on research prepared for it by Deloitte. Although it is partnering in the ECAP scheme with the ATO and big corporate clients, its work for the Minerals Council demonstrates it can hardly cope with even the basic conflict of interest between its duty to uphold accounting standards and the advice it gives its corporate clients.

It is my opinion that by setting up the ECAP, the ATO has outsourced its key process, one that earns them the biggest tax revenue, to a conflicted third-party. This is akin to when IBM outsourced the disc operating system of it PC to a man called Bill Gates. That was known as the biggest outsourcing blunder ever! The ECAP may be a worse blunder by the ATO.

So where do management accountants sit? As we directly do not provide tax avoidance advice are we above it all? Can be take an 'holier than thou" attitude vis-à-vis all those Chartered Accountants and CPAs who provide direct tax avoidance advice? Perhaps we can. But management accountants do have to take tax implications into consideration when considering international business decisions such as location issues in setting up international operations; the choice of channels of distribution; dumping and countervailing taxes, and in pricing and exchange exposure management. In considering tax implications of such projects and other related management issues, it is urged that they consider the ethical implications in addition to the usual value creating aspects, in their decision making.

Warm regards,

Professor Janek Ratnatunga, CMA, IMAP
CEO, ICMA Australia

APMAA 2015 – ICMA Co-Sponsored Conference

The APMAA 2015, its 11th Annual Conference, will be held on October 26-29, 2015. The venue will be on Udayana and Warmadewa University, in Bali, Indonesia. The theme of the APMAA 2015 is ***"Management Accounting For Sustainable Development".*** Paper submissions in any areas of accounting are welcomed.

The deadline for full paper submissions is July 15, 2015. To submit a paper, go to the CMT conference submission site at **https://cmt.research.microsoft.com/APMAA2015/**

KEYNOTE SPEAKERS

Prof. M. Nasir, Ph.D, CA, Ak

Ministry of Research, Technolgy and Higher Education of the Republic of Indonesia.

Dr. (H.C.) drg. Chairul Tanjung, MBA

Chairman and founder of CT Corp., along with the founder of Sony, Akio Morita.

Prof. Janek Ratnatunga, Ph.D, FCA, CMA, CPA.

CEO of Institute of Certified Management Accountant, Australia **2nd ANNOUNCEMENT**

Dr. Juniati Gunawan

Director Trisakti University Sustainability Center,

HSBC's Brazil exit highlights strategy mistakes, country woes

Brazil simply proved too tough for "the World's Local Bank."

Executives at HSBC Holdings Plc's Brazilian unit put relationships with corporate clients before profitability, kept branches overstaffed and failed to protect profits from a deteriorating economy, analysts and investors say.

Strategy missteps coupled with rising competition turned the unit into a problem for London-based HSBC. Now, the moment of reckoning has come.

Chief Executive Stuart Gulliver, pledging a new era of higher dividends, laid out plans on Tuesday to slash nearly one in five jobs worldwide and fix operations saddled with compliance costs and low interest rates. As part of the plan, HSBC's units in Turkey and Brazil were officially put on the block.

The process of disposing of HSBC Bank Brasil Banco Múltiplo, as the unit is formally known, is well advanced. Brazil's top three private-sector lenders have placed bids, a source with direct knowledge of the situation said on Tuesday. The sale could fetch between $3 billion and $4 billion, said the source, who requested anonymity since the talks remain private.

For Gulliver, maintaining a costly business with over 21,000 employees that provided just 1 percent of pre-tax profit made no sense. For shareholders, betting on Brazil was risky as lenders grapple with tax hikes, weak credit demand, rising defaults and the impact of what looks likely to be the country's worst recession in over two decades.

HSBC's exit from Brazil "comes in line with a broader trend of consolidation in the local banking industry driven by large local lenders able to gobble up rivals and ride out a tougher economic outlook," said Claudio Gallina, head of financial institutions at Fitch Ratings in São Paulo.

In a Tuesday statement, HSBC Brasil said it is "committed to continuing its business and ensuring a smooth and orderly transition to a potential buyer."

'CAUGHT IN THE MIDDLE'

The situation highlights the impact of government intervention in the sector since 2012, when President Dilma Rousseff instructed state lenders to cut borrowing costs and step up competition. While Brazil's top private-sector banks reacted by retreating to protect profits, HSBC Brasil might have been "caught in the middle," the source said.

Management failed to spur revenue as lending spreads narrowed and loan defaults jumped. Expense growth outpaced inflation, hampering efficiency, Tito Labarta, an analyst with Deutsche Bank Securities, said in a recent client note.

While profit before loan-loss provisions came from retail, corporate and investment banking in about equal shares, HSBC Brasil took on too many low-yielding corporate loans – which represented two-thirds of its loan book.

A number of top-flight executives departed, including former senior country officer Conrado Engel, who joined Banco Santander Brasil SA three years ago.

As a result, slow asset growth prevented HSBC Brasil from gaining scale to win market share, and return on equity was a negative 4.2 percent last year. ROE, as the gauge is known, was 15.5 percent at the start of 2012.

LOCAL BUYER

The fact that HSBC Brasil has consistently underperformed Brazilian peers explains why the bank is worth just above book value, analysts such as Banco Brasil Plural's Eduardo Nishio said.

A bank with a strong local presence could absorb HSBC Brasil's operations through reducing as much as 40 percent of the unit's workforce, improving the bank's lending mix by increasing exposure to individuals, and using capital in a smarter way, he added.

This week, Bloomberg News reported that Banco Bradesco SA placed the highest bid for HSBC Brasil, at 14 billion reais ($4.5 billion), in an all-cash deal.

Itaú Unibanco Holding SA, Bradesco and Santander Brasil – the nation's three largest non-government lenders in that order – had access to the sale's preliminary documents and made bids, the source said. Both Itaú and Santander Brasil placed offers below Bradesco's, the source added.

The most powerful source of synergies could come from job and branch reductions, analysts said. HSBC Brasil has 31 workers per branch, compared with 16 at Itaú and Bradesco and eight at Santander Brasil.

Yet, growing reputational issues such as allegations that HSBC Brasil helped hundreds of Brazilians hide billions of dollars in Switzerland could depress valuations more.

Itaú, Santander Brasil and Bradesco declined to comment.

($1 = 3.0990 Brazilian reais)

Payback time! Emerging markets and the rising dollar

Rising cost of US$ credit impacts many emerging economies, says PwC report

Dollar denominated debt issued outside the US increased from around $6 trillion before the first round of quantitative easing (QE) was introduced in November 2008 to around $9 trillion in 2014. Currently, the value of outstanding dollar denominated debt in emerging economies is around $3.3 trillion, which equates, for example, to more than double the annual economic output of Spain.

As the US economy has picked up and QE has come to an end, however, the dollar has appreciated by around 20% on a trade-weighted basis over the past 12 months.

“A strong dollar, like oil prices, is a rare thing in economics: its impact can be felt throughout the global economy, but it’s the impact outside the US which I think is of particular interest,” says PwC senior economist Richard Boxshall.

PwC’s economists have assessed the vulnerability of 14 emerging markets which have issued significant amounts of dollar denominated debt. Most seem reasonably well placed to deal with the risks associated with a stronger dollar.

Focusing on the larger emerging markets, the three main findings are that:

- ‘Fragile 5’ now the ‘Tender 2’: Of the so called ‘Fragile 5’ from 2013 (Brazil, South Africa, Indonesia, India and Turkey), PwC economists think that only South Africa and Turkey remain particularly vulnerable. Both economies have suffered relatively large capital outflows in the past 12 months and continue to run high current account deficits.

- India in better shape but keep an eye on Brazil and Indonesia: India, one of the original ‘Fragile 5’ economies, has improved its position over the past two years. While Brazil and Indonesia are not included amongst PwC’s high vulnerability countries, they are worth keeping an eye on. Both are running sizeable current account deficits which indicate reliance on foreign lending. Also, both currencies have depreciated in double digit terms in the past 12 months.

- Governments insulated from the rising dollar: PwC analysis shows that most of the governments in the sample have a relatively modest ratio of external public debt to GDP. This suggests that emerging market governments have largely resisted the temptation to take advantage of cheap foreign credit (compared to the private sector) and are therefore less exposed to the effects of a strengthening dollar.

Finally, Richard Boxshall says: “The main takeaway for our clients is that US dollar credit is becoming more expensive and is likely to have consequential and sometimes amplified impacts on financing in many emerging economies.”

M&A on the up as high growth market deal volumes continue to rise

A second consecutive semester of growth in the second half of 2014 marks a turning point in global M&A performance, but some key markets still struggling.

- 11 percent rise in developed to high growth market deals
- high growth to developed market transactions up 9 percent
- 31 percent increase in Chinese acquisitions
- Brazil only registers two outgoing deals all year

KPMG International's latest High Growth Markets International Acquisition Tracker reveals that mergers and acquisitions (M&A) transactions involving high growth markets (HGMs) rose for the second consecutive semester between December 2013 and December 2014, suggesting a sustained return to growth in global HGM M&A transactions.

In particular, the number of deals between developed market acquirers and high growth market targets (D2H) rose by 11 percent. This continues the steady rise in D2H deal volumes since 2013 and suggests the long decline in D2H M&A transactions may finally be over.

"The signs of a sustained return to growth in global HGM M&A transactions are very positive," commented Cláudio Ramos, Global Head of High Growth Markets, Deal Advisory, KPMG International. "It is a strong picture all round, after so many semesters of falling volumes."

Key markets return to form

The 11 percent increase in D2H deals over the latter half of 2014 is the highest since 2010/2011, with certain HGMs performing particularly well. D2H deals involving Chinese targets, for example, rose by 26 percent, acquisitions in Central America and the Caribbean increased 30 percent, and ASEAN (Association of Southeast Asian Nation) as deals shot up by 46 percent.

The most impressive resurgence was Sub-Saharan Africa (excluding South Africa). With incoming D2H transactions rising by 200 percent to 51, the region was the fourth highest recipient of D2H investment during 2014, behind only ASEAN, China and Central and Eastern Europe (CEE).

The United States was the biggest acquirer of HGM targets in terms of volume, but its growth between semesters during 2014 (10 percent) was actually below average. The fastest growth in HGM acquisitions during 2014 was Singapore, at 51 percent, and Germany and Hong Kong, both at 47 percent.

High growth acquisitions mark 2 years of growth

It is a similarly positive story for high growth to developed market (H2D) deals, which have risen 23 percent overall during three consecutive semesters of growth since 2013, signalling an undeniably robust resurgence. The most popular target markets for H2D acquirers were Singapore, which recorded an 80 percent rise in H2D acquisitions, Canada, with 57 percent growth, and Europe (other) at 41 percent.

Leif Zierz, Global Head of Deal Advisory, KPMG International, commented: "High Growth Markets have done their homework and maintained their growth potential. We will see an increasing connectivity between Developed and High Growth Markets through M&A to acquire client bases or know-how. HGM-related transactions will gain in importance in global M&A activity, creating additional challenges for cross-border M&A activity and integration."

Europe, in particular, proved an increasingly popular hunting ground for HGM acquirers. Germany, for example, registered its second highest annual total of H2D transactions since 2008. Italy saw a record 213 percent increase in acquisitions involving local targets, and Spain also attracted a record level of H2D acquisitions, with 35 deals. Looking at those markets doing the acquiring, China saw the strongest growth, with H2D deals involving Chinese acquirers rising from 39 to 51 over the latter half of 2014, an increase of 31 percent.

Challenges remain in some key markets

Despite the generally positive picture, some key HGM markets are still struggling. Brazil, for example, only saw two H2D deal completions during the whole of 2014, while the volume of D2H transactions involving Brazilian targets has been on a downward trend since early 2012.

Notwithstanding the weak cross-border transactional context for the country in 2014, an M&A study conducted by KPMG in Brazil showed a modest 3 percent year-on-year increase in local M&A transactions during 2014.

Cláudio Ramos commented: "2014 was a year of introspection in Brazil, not least due to the election. This is likely to have affected the decision-making process of corporates. We do not expect to see this trend substantially reversed in early 2015, as investors exercise caution in a scenario of economic uncertainty. However, as the political and economic environment returns to normal and Brazil becomes more attractive, deal flow should bounce back more significantly towards the end of the year."

Decline in H2H deals bottoming out

Transactions involving both HGM acquirers and targets are perhaps the only note of caution, showing only a marginal 4 percent increase over the course of 2014. Nevertheless, this relative stability, coming after 4 years of relentless decline, could suggest that the worst is over and the volume of cross-border H2H deals is levelling off.

The total number of 1,020 high growth market deals completed in H2 2014 was almost 100 more than during the first half of the year, which saw 934 deals. The proportion of deals between the three groupings (D2H, H2D and H2H) remained virtually unchanged, with H2D deals accounting for 25 percent of the total number HGM deals, D2H 61 percent and H2H 14 percent.

"It is interesting that the High Growth to Developed deals, as a proportion of all high growth deals, remain fairly static and have not gained ground over the developed market acquirers. However, the figures need to be seen in the context of a global M&A market that has been struggling and is only just beginning to see a return to form. In the long run, as macro-economic factors stabilize, I would expect to see the HGMs gain some market share," said Phil Isom, Global Head of M&A, Deal Advisory, KPMG International.

Financial Services Firms to Increase Risk-Management Investment During Next Two Years in Response to Emerging Cyber-Security and Fraud Risks, According to Accenture

Nearly nine in 10 financial services firms plan to increase their investment in risk-management capabilities in the next two years in response to emerging risks of cyber security and fraud, according to a new report from Accenture (NYSE:ACN).

"The combination of market forces, advances in technology and customer demands are pushing financial institutions to become more digital and requiring a broader range of skills from today's risk management professionals"

The Accenture 2015 Global Risk Management Study – based on a survey of more than 450 senior risk-management executives in the banking, capital markets and insurance industries – found that 86 percent of respondents said their organizations plan to increase their investment in risk-management capabilities in the next two years, with one in four (26 percent) planning to increase it by more than 20 percent. In addition, three in 10 respondents (29 percent) said their companies plan to increase by more than 20 percent their investment in Cloud/Software-as-a-Service (SaaS) and big data and analytics.

The report found clear evidence of the increasing impact that cyber security and fraud is having on financial services firms' business and the risk-management function in particular. For instance:

- More than one-third (34 percent) of respondents said that understanding cyber risk will be the most-needed capability in their risk function.
- Nearly two-thirds (65 percent) of respondents said that cyber/IT risk will have an increased impact on their business in the next two years, with 26 percent saying that the increase would be significant.
- More than eight in 10 respondents (82%) said that emerging risks, such as cyber and social media, account for more of the chief risk officer's (CRO) time than ever before.

"The combination of market forces, advances in technology and customer demands are pushing financial institutions to become more digital and requiring a broader range of skills from today's risk management professionals," said Steve Culp, senior global managing director for Accenture Finance and Risk Services. "Financial services firms are struggling to keep pace with the demand for people with highly specialized skills, such as cyber risk experts, business analysts, security specialists and fraud experts. To fill these gaps, most firms will have to look outside of their organizations — and the competition for the right people is increasingly intense."

The report indicates that the surging demand for talent by financial services institutions in recent years shows no signs of abating. While firms are focusing on enhancing their specialized skills, fewer than half (41 percent) claim to have extensive skills in understanding digital technologies. Only 10 percent said that their risk function has the resources needed in specialized areas like emerging risks. Many respondents said that in the past two years, their recruiting has targeted cyber risk experts (cited by 48 percent of respondents) and fraud experts (36 percent), and 36 percent of firms said they have hired former hackers.

Rising Impact of Digital

In response to today's low-growth, low-return environment, financial institutions are focusing on new paths to profitability. As a result, risk appetites are increasing, although in a targeted fashion. More than four in 10 financial services firms (43 percent) said they have a higher risk appetite for developing new products than they had two years ago, and more than

one-third (36 percent) have a greater appetite for taking on major digital initiatives.

"At a time when the regulatory focus has never been keener, financial services firms are taking a hard look at their existing strategies and starting to identify where they want to extend their business to achieve growth," Culp said. "The willingness to accept greater business risks will also expose financial services firms to emerging risks – including cyber, data privacy, reputational, social media and new conduct risks – requiring risk professionals to play an enhanced role."

Nearly three-quarters (73 percent) of respondents said that managing emerging digital risks and the increased velocity, variety and volume of data challenge their ability to be effective. Fewer than one in 10 (9 percent) said that consistent and updated data is regularly available to decision makers across the organization.

Increased Role of Risk Function

Increasingly, CROs seek to play a more strategic role in their companies. Only 36 percent of capital markets respondents and 29 percent of banks said that, when delivering regulatory change programs, their senior managers go beyond basic regulatory compliance, such as by integrating with ongoing change initiatives. For firms that go beyond basic compliance, there is much greater coordination on regulatory issues between the risk function and the rest of the business.

At the same time, the majority of financial services firms have some distance to travel before risk management becomes fully aligned with broader strategic planning. While more than eight in 10 respondents (83 percent) said they believe that risk management has contributed to enabling long-term profitable growth for their company, nearly three-quarters (73 percent) said that gaining the trust of the business is a top challenge to their effectiveness. Fewer than one in five respondents (17 percent) said that their companies have a framework that supports major strategic decision-making with input from risk management.

"CROs can help their institutions become digital leaders by capitalizing on the insights generated from the wealth of data they hold," Culp said. "While many have said the increase in data has posed a challenge, risk teams can free up time by automating data collection and analysis in order to focus on more strategic management activities. Better data is required by regulation, but it will also help CROs advise their stakeholders on meeting key goals around risk-adjusted profitability and performance."

Methodology

The Accenture 2015 Global Risk Management Study is the fourth edition of Accenture's Global Risk Management Study, which was first published in 2009. The 2015 study is based on a quantitative, online survey of 470 senior risk management executives involved in risk-management decisions conducted by Accenture between November 2014 and January 2015. Participants represented the banking, capital markets and insurance industries, with 150 respondents from Asia Pacific, 170 respondents from Europe and 150 respondents from North America. In-depth interviews with senior leaders from 50 leading organizations across the regions also provided supporting insights for the data-driven research.

How to Get Customers to Respond to Invoices on Time

Asking customers to pay past due or soon due invoices can be similar to asking a small child to do something. The responses fall into five general categories: "I will do it," "I can't do it," "I won't do it," "I don't want to do it," "You can't make me do it."

The first and probably most common reason your customer isn't paying is that the customer is willing to pay but hasn't done so because of an honest mistake. Such mistakes include misplacement of the invoice; a failure by the approver to processes the invoice; accidental omission of the invoice during the payment run; and entered incorrect entering of the invoices. It's important to remember that this is a highly common reason for non-payment. Because of that, all collection strategies should start with the default approach of helping your customer say "I will do it."

The easiest way to help a customer to say "I will do it" is to remind them before the bill is due. The reminder sent before the due date can help avoid the lost invoice or the missing approval. This is a gentle reminder and phrased as assistance to the customers to make sure they can fulfill their obligations on time.

Don't forget the positive reinforcement for customers that respond with the "I will do it" action. A short email to thank a customer for an on-time payment or a rapid late-payment process can influence future behavior and save collection time and money on other transactions.

Unfortunately, customers that truly can't pay their bills will rarely let you know until the bankruptcy papers are filed. Some of those customers never intended to pay the bill and should never have been granted credit by your company. If this is common in your business or in your industry, here are some ways to control the risk: require COD terms for new accounts; pay sales commissions only on paid invoices; require low credit limits; and demand deposits on large orders and credit applications that have references with them.

Some customers intend to pay, but circumstances change and payment becomes impossible. The closer your relationship with the customer, the less likely you will be stymied by changing circumstances. In addition to your customer relationship, consider creating a relationship with your customer's other vendors. This may give you advance warning and help protect you from being the last to know.

A customer that won't pay you is usually using your money to finance their business. They have the cash flow to pay, but would rather use the money to expand their business. This type of customer can be influenced by positive incentives or negative consequences.

Positive incentives can take the form of prompt payment discounts. This incentive should be used with caution. The traditional "2/10 net 30" terms carry an effective annual interest rate of 36.7% paid by the company offering the discount. Is a payment made 20 days earlier than normal worth that sort of interest rate?

Negative consequences typically take the form of penalties and interest. Much like dealing with a 5-year-old, consistency is the key to avoiding negative consequences. If you threaten penalties and interest, it is imperative to follow through. The lack of follow- through convinces the customer that the consequences are not real and there is no change to behavior.

A customer that does not want to pay usually bases that decision on a negative experience or impression. They are not satisfied with the goods or service provided by your company, or they are unhappy with the delivery. These customers should be treated like a new prospect. With the right approach, they will pay all or part of the current receivable and become a promptly paying customer in the future. With the wrong approach, they will refuse to pay as long as possible to make up for the perceived lack of value in the good or service.

The last type of late paying customer is under the impression that you have no leverage to make the customer pay on time. If your company has a functional working relationship with this type of customer, a threat of withholding future goods and services may be enough to move this customer into the "will do it" category. If not, liens or lawsuits may be necessary to move the payment forward.

Todd McDaniel is a vice president at Dynavistics, a software development and distribution company which offers collections management software.

Source: cfo.com

How to Manage Change When Your Team is New

Change management is already a difficult, time-consuming process—and it's even more challenging when your team is new. But when the membership of a team is rapidly evolving, you can still bring new members on board *and* manage change.

How? With evaluations that will prepare your team for change while at the same time present a clear yardstick of what success looks like.

Problem: Evaluating capabilities

Solution: Make culture part of the mission

Your project may be coming in on time and on budget, which as we know, are key measures of success. But you still need to make your team capable of weathering change. You can help this by getting your new employees on board with your organizational culture–by helping them understand the mission and their own roles.

You can evaluate how members of your team work among themselves and with others, assess their personal motivation and work styles, and inventory the team's talents. With this new understanding, you can help the team understand each other's roles and their importance.

In this way, the new recruits can be brought into the culture quickly.

Problem: Overcoming negative attitudes towards change

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Solution: Implement team-based training to change attitudes

Team members who have been with the organization for a while may be reluctant to change or are victims of poorly communicated change initiatives. Negativity can then infect your new team members and derail the change process. How can you turn this around and implement positive change?

Accept that you won't be able to convert everyone. Instead, instill the message that change is coming and convert your distrustful team members into change agents. Set up training and development, then have your long-standing members involved in planning and working with new team members to bring them on board.

Flexibility, collegiality, and dependability are crucial to change management. For that reason, you should focus your team on building their interpersonal tools, their time management, and their collaborative skills. Doing the hard work of evaluating these skills will help you create greater understanding and buy-in and build collaborative spirit.

Problem: Getting ahead of change

Solution: Plan for, and build in, change management skills

The clearest and most successful approach is to arm your team with the skills to manage change ahead of time. That way, when the inevitable problems occur, your team can be ready.

Focus team-building initiatives on enhancing an employee's ability to adapt to new situations. Open communication, creating an environment where employees are comfortable with risk, and identify where the disenchanted could derail new initiatives. These are skills that can be practiced, built upon, and evaluated.

Communicate these needs to your team members and let them practice without fear of reprisal. Recognize your team not only for tasks they complete, but also for how productively they achieve their goals, for example, developing training for new members or delivering their tasks ahead of time or on budget. Keep your team's focus on strategy and objectives, communicate clearly how and when the team will be evaluated, and encourage some risk taking.

Soon you and your team will become comfortable with each other, with the work…and with your future, successful projects.

Chief Financial Officers Extend Strategic Influence and See Technology as Increasingly Important, Study from Accenture and Oracle Finds

The role of the CFO has gained strategic influence over the past three years, according to 71 percent of CFOs, and converging technologies such as big data, cloud computing, mobile and social media are increasingly important to their ability to deliver cost savings and growth, according to a new report from Accenture (NYSE:ACN) and Oracle.

Of the 930 global CFOs surveyed for the report, "The CFO as Catalyst for Change," nearly two thirds (65 percent) said they had an increasing responsibility for setting and determining strategy. Almost half (47 percent) said their role in business transformation efforts had increased.

As their roles expand, CFOs are turning to technology in order to meet new expectations. When asked where they could improve their skills and capabilities to execute on cost and growth agendas, CFOs ranked technology knowledge as second only to industry knowledge. Seventy nine percent of respondents indicated that access to information is an important driver of organizational agility, and 57 percent believe investments in big data and analytics could provide a competitive advantage. Finally, 84 percent of CFOs noted that cooperation with their CIOs had increased during the past three years.

"As CFOs see their zone of influence and responsibilities expand, they can also be under increasing pressure to fuel their corporate growth engines, as reconfirmed in this study," saidDonniel Schulman, managing director of Finance & Enterprise Performanceat Accenture. "As the CFO agenda broadens, finance officers are leveraging back office processes, controls and analytics to provide insight and priorities for transformation. This can allow them to successfully step up and fulfill their role as agents of change."

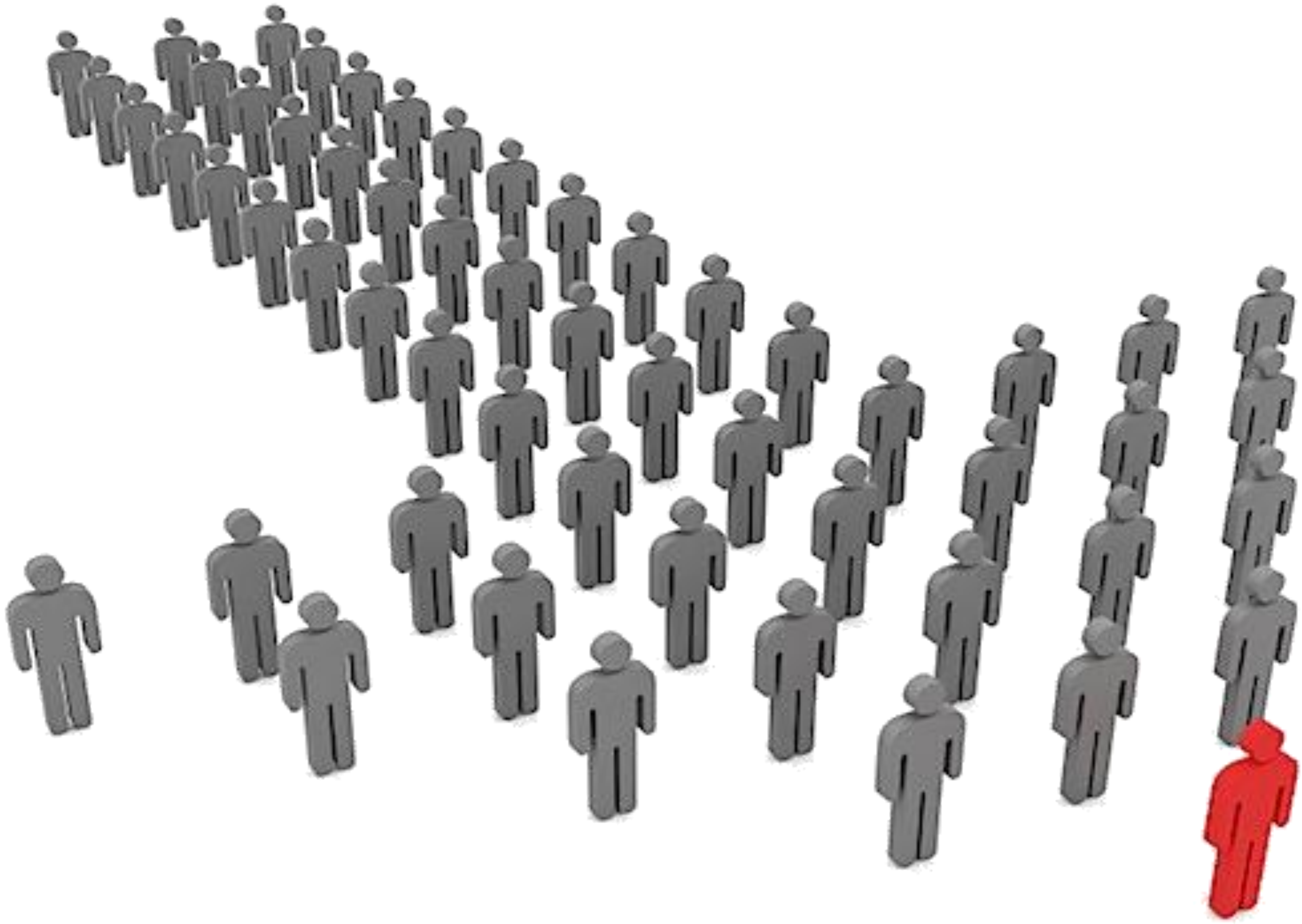
Despite the growing value of technology, CFOs say that a number of obstacles are hindering their ability to reach their full strategic potential. The top three, according to the report, are the challenging economic environment (identified by 37 percent of respondents), a shortage of time (35 percent) and lack of integration between the finance function and other parts of the business (31 percent).

Meanwhile, CFOs also say that their priorities are changing. For instance, some worry that further cost cutting could endanger growth, according to the report. Top priorities for the past three years have been profitability, cost management, cash flow and working capital. And while these continue to be the priorities, the report notes that “the cost levers that worked in the past may be less effective in the future because the easy wins have already been earned.”

In this respect, the role of technology in the CFO agenda seems likely to change. The report reveals that CFOs see a need to shift away from IT maintenance and integration issues to focus on technology as an innovation enabler that can drive strategic, operational and professional objectives. Still, CFO’s greatest reported concern about technology was the cost of maintenance and integration, as well as the lack of integration between systems and data quality.

“CFOs have always played a critical role in successful businesses, but what we have seen over the last few years is that the role has expanded beyond traditional finance disciplines to increasingly include a broader business strategy and transformation initiatives,” said John O’Rourke, vice president of product marketing, Oracle. “As this study shows, CFOs realize that while their role has evolved, there is still scope to expand their influence within the business and further utilize their unique skillset. Technology can play an important part in helping CFOs realize this potential and we hope the insights delivered in this report can help facilitate that process.”

“CFOs are increasingly recognizing the importance of robust analytics capabilities that deliver the insights to underpin performance management, inform senior leaders and foster innovation to stimulate growth,” said Scott Brennan, a managing director in Accenture Finance & Enterprise Performance. “This report suggests that further integration should occur across silos to enable CFOs to succeed and it is here that mobile, social media and other technologies can also make a significant difference.”



Dubai, U.A.E. Branch Activities

The 16th CMA program was conducted by Wisdom Institute in Dubai in April 2015. The program was again facilitated by Professor Janek Ratnatunga, the CEO of ICMA Australia. It was a lively 7-days of intensive leaning on the strategic issues of management accounting. Once again, the participants were extremely senior professionals from leading companies in the Gulf region including: General Motors, Qatar Foundation, Qatar Insurance, Tec Buy Electronics, RTA-Dubai, Abu Dhabi Media, Binghatti Holdings LTD, OMV East Exploration GMBH, Qetmeer-Dubai, Gulf Cement, Tag Worldwide, Al Taawuun C&F, , ENOC. This was one of the most diverse groups of participants with representatives from CA Technologies in Poland, IACOVOU Brothers Construction in Cyprus, and MTN in Sudan.

The picture below is the student group with Professor Ratnatunga celebrating the end of 7-days that many said gave them *"practical insights that could be immediately implemented in their organisations"*.

Certificate of Proficiency in International Financial Reporting Standards

The first batch of students to qualify for the new ICMA's "Certificates of Proficiency"; completed their 4-day course and examination in "International Financial Reporting Standards" at the Ramada Hotel in Dubai in March 2015. The course was conducted by Dr Anupam Mehta, an ICMA approved facilitator.

Pictured below are the participants proudly displaying their certificates. In the picture are Prof Babu Nainan the Brach President of ICMA, UAE and Professor Janek Ratnatunga, CEO of ICMA.

Indonesian Branch Activities

A CMA intensive program was held at the IPMI international Business School in May 2015. IPMI is the first institute to run the CMA program in Indonesia, starting in the year 2000. The program attracted excellent participation from senior managers from many diverse industries, such as Manufacturing; Telecommunications; Oil and Gas; Consulting, Insurance; Heavy Machinery and Airlines. Pictured below are some of the participants giving a 'thumbs-up" to Professor Janek Ratnatunga, CEO of ICMA who facilitated the program.

The Indonesian Branch held its Annual dinner to coincide with the visit of Professor Janek Ratnatunga, the CEO of ICMA to Jakarta. A dinner was held at the "Dirty Duck Diner", with over 30 CMA members attending. Seen in this group photograph are also ICMA Indonesia Branch President Mr. Heru M. Sidik, and Ms. Paulina Permatasari from the Bandung Centre who were both central to organizing the event.

CIBA Program

Petra Christian University in Surabaya organised a CPD program only for CMA members On June 1 2015. The CMAs undertook the training and examination for the '*Certified International Business Analyst (CIBA)'* certification via the *Academy of Finance and Management Australia (AFMA).*AFMA is an ICMA approved organisation to provide CPD training to its members. There were 33 participants who received the CIBA award. This course attracted 5 CPD points as well. CMA status members are required to earn 30 points averaged over a 3 year period (10 points per annum).

The photograph below shows Professor Janek Ratnatunga, ICMA CEO handing the CIBA 'Certificate of Attendance' to Dr Ana Sopanah, who is also the Head of the Malang Indonesia Chapter of ICMA.

How To Master Your Career Development

The CMA Branch in Hong Kong along with the University of Queensland Alumni Association hosted a one-day CPD seminar in April 2015, on "*How To Master Your Career Development".* The program was facilitated by Dr Jenny Lee and it was a lively session. The seminar attracted 2 CPD hours.

What's On in the World of the CMA?

- May 2 – July 18: 34th CMA Intensive Program, Business Sense Inc. Mandaluyong City, Philippines.
- May 11-17, 2015 : CMA Preparatory Program, Global Professional Advancement, Kuching, East Malaysia.
- May 21, 2015: ICMA Executive Meeting, Melbourne, Australia.

  May 25-31, 2015: CMA Preparatory Program, IPMI Business School, Jakarta, Indonesia.
- June 1, 2015: Certified International Business Analyst (CIBA) program from AFMA. Organised as part of CPD by Petra Christian University.

  June 3, 2015: The Accounting Delusion: Faith and Trust in IFRS Reports", seminar at Satya Wachana Christian University, Salatiga, Indonesia.
- June 11-17, 2015: CMA Preparatory Program, Wisdom Institute, Dubai, UAE.
- August 2015: CMA Intensive Program (Hanoi), AFA Research and Education, Vietnam (in Vietnamese).

  September 29, 2015: ICMA Graduation Convocation, Colombo, Sri Lanka.
- October 17-24, 2015: CMA Preparatory Program, Wisdom Institute, Dubai, UAE.
- October 26-29. Asia Pacific Management Accounting Association (APMAA) seminar in Bali, Indonesia. Co-sponsored by ICMA and JAMAR. Keynote speaker, Prof Janek Ratnatunga.
- November 2015: CMA Intensive Program (Ho Chi Minh City), AFA Research and Education, Vietnam (in Vietnamese).

Private Providers

Navitas Workforce Solutions, Australia

Wharton Institute of Technology and Science (WITS), Australia

Academy of Professional Education, India

Academy of Finance, Sri Lanka

IPMI (Indonesian Institute for Management Development), Indonesia

Global Professional Advancement, East Malaysia

Segal Training Institute, Iran

Business Sense, Inc. Philippines

HBS for Certification and Training, Lebanon

Wisdom Group of Institutions (UAE)

Institute of Professional and Executive Management, Hong Kong

AFA Research and Education, Vietnam

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