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THE ZOMBIE WORLD OF INTERNATIONAL LAW AND ORDER



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THE ZOMBIE WORLD OF INTERNATIONAL LAW AND ORDER

Prof. Janek Ratnatunga, CEO, CMA ANZ



The Rise of the Zombie Agency

Unless one was living under a rock, one would know that a Supernova erupted in the first week of January 2026, signalling the end of the *World Law and Economic Order* as we know it. The shockwaves created, especially in the areas of the environment, society, governance (ESG), and climate change, will have a significant impact on the management accounting profession.

Today, the international agencies responsible for enforcing rules-based law and order, such as those in the fields of economics, finance, international trade, health, sovereignty rights, and the environment, have transformed into 'Zombie Agencies', possessing no power against a rampant superpower determined to uphold its 'might is right' philosophy. Every day, more and more knives are driven into these United Nations (UN) and non-UN Agencies, but like the Zombies in the 'Friday the 13th' movies, you cannot kill them because they are already dead!

Actually, the first knife was driven on April 2, 2025, when US President Donald Trump unveiled his "Liberation Day" tariffs. But at that time, the international agencies governing trade did not immediately die, thanks to another superpower, China, countering these tariffs with their own similarly supercharged ones.

Further knives were inserted in agencies tasked with implementing rules-based law and order in June 2025, when the *United States* unilaterally conducted airstrikes on three *Iranian* nuclear facilities (Fordo, Natanz, and Isfahan) using GBU-57 Massive Ordnance

Penetrators (MOP). The US used these 30,000-pound "bunker buster" bombs, the largest non-nuclear bombs in its arsenal, in an operation known as "Operation Midnight Hammer".

By bombing another country without declaring war, *International Humanitarian Law (IHL)*, also known as the *Laws of War*, particularly the *Geneva Conventions* and *Hague Rules*, was completely ignored. The UN did not approve the dropping of bombs on Iran in 2025; in fact, *UN Secretary-General António Guterres* said that he was "gravely alarmed by the use of force by the United States against Iran and that this was a dangerous escalation in a region already on the edge – and a direct threat to international peace and security."

On December 10, 2025, the United States inserted a sharper knife more deeply into rules-based law-and-order agencies by boarding and seizing an oil tanker linked to Venezuela, specifically the vessel *Skipper*, off the coast of Venezuela. The seizure was framed as part of a U.S. operation to enforce sanctions on Venezuela's oil trade, which the U.S. government views as a way to finance illicit drug-related activities. The *Skipper*, a very large crude carrier, was allegedly part of a "shadow fleet", and the US claimed it was falsely flying the flag of *Guyana* at the time of its capture.

The international law that applied in the case of this action, according to legal analysts and US justification, was the *United Nations Convention on the Law of the Sea (UNCLOS) Article 110*, which specifically gives the right to board a vessel deemed "without nationality" or flying a false flag.

Venezuela condemned the seizure as an “act of international piracy” and a violation of the UN Charter, arguing the US had no jurisdiction to enforce its laws on non-US persons or vessels outside its territory without a UN Security Council mandate.

However, the knife that finally killed all pretexts that we still live in a rules-based world was inserted on 3 January 2026, when the United States launched military strikes on Venezuela and kidnapped *President Nicolás Maduro* and his wife, *Cilia Flores*, in an operation codenamed ‘*Operation Absolute Resolve*’.

Commentators were quick to describe the US strikes in Venezuela as a breach of *article 2(4) of the UN charter*, stating that the US’ actions are only lawful if supported by a resolution from the UN Security Council, or if the US was acting in self-defence, or if there was consent by the lawful government of Venezuela to the intervention (McKelvie, 2026).

There was no UN Security Council authorisation for the US to intervene in Venezuela, nor had the US been the victim of an ongoing or imminent act of aggression by Venezuela, and there certainly was no consent given by the government of Venezuela.

Some purists still claim that international law is alive, even though the most powerful nation no longer respects it. They argue that breaches of the law are normal in any legal system. Indeed, they are expected, they argue; otherwise, the rule would be unnecessary.

Their view is that international law is created by all states, not just the powerful few. This makes international community reactions to breaches particularly important, they claim. Thus, to preserve the rules-based international order, these purists implore all states to call out breaches of the law when they occur, including in the current instance of the kidnapping (Heathcote, 2026).

But what if the UN agencies, designed to address breaches of law and order, are now ineffective—worse than toothless tigers—because they have been reduced to Zombies, unaware that they are now the walking dead?

When Might is Right.

The US president has openly admitted that his ambition in Venezuela is to turn a profit from its oil and is now demanding control of Greenland (“whether they like it or not”) in the hope of painting the world map with the US stars and stripes. All pretexts of controlling drugs and sanctioned oil have been abandoned.

The Trump vision comes with proof of his willingness to deploy hard power, rather than merely posting “truths” on social media, to get his way. It shakes old alliances because it comes with a signal that he could use force against others – even NATO members – if they do not submit to his plans (Crowe, 2026).

It feels like a new world disorder. The sense of balance in world politics is shifting, and a new era of great power competition is underway. In this world, “*might is right*”.

Despite their belief in a similar worldview, *Chinese President Xi Jinping* and *Russian President Vladimir Putin* have largely acted within the boundaries of international law and order—up to this point. It is President Trump who must single-handedly be given credit for the death of the world’s rules-based law and economic order as we knew it in the past.

Clearly, we now have an era where major rivals seek to impose their will across their ‘*spheres of influence*’. American allies, such as Australia, must adapt because they have no choice but to survive in this new dispensation. “*If you’re not running a sphere of influence, you’re in one*” (Crowe, 2026).

There are four major powers in this world view: the *United States*, *China*, *Russia* and *India*. Although Russia’s nominal GDP typically puts it behind major EU nations like Germany, France, and the UK, it is a nuclear state that is aggressive in using its military. Two of the four superpowers, *Russia* and *China*, are considered ‘rogue states’ by the western media, but, as mentioned earlier, they have behaved, up to now, within acceptable tolerances of international law and order. It is the United States that has gone full-rogue by undermining very directly the politics of countries around it without any consideration for rules-based law and order.

The New Ethos for Using Power

President Trump has the power, and he has demonstrated that he will use it as he wants. In fact, one of the President’s most dedicated acolytes, *Mr Stephen Miller*, the White House deputy chief of staff, said as much this week (Tingle, 2026).

“*We live in a world in which you can talk all you want about international niceties and everything else,*” he told CNN on January 6, 2026. “*But we live in a world, in the real world, that is governed by strength, that is governed by force, that is governed by power. These are the iron laws of the world.*”

Miller was direct about the rationale for intervening in Venezuela.

“*The US is using its military to secure our interests unapologetically in our hemisphere,*” he said. “*We’re a superpower, and under President Trump, we are going to conduct ourselves as a superpower.*”

Probably in response, French President Emmanuel Macron shattered the traditional façade of America as a dependable ally. He spoke on January 8, 2026, in Paris about the danger of the US “*turning away from some of its allies*” and “*freeing itself*” from international rules.

“*It’s the greatest disorder, the law of the strongest, and everyday people wonder whether Greenland will be invaded, whether Canada will be under the threat of becoming the 51st state or whether Taiwan is to be further circled,*” Macron told French diplomats, in remarks reported by the Associated Press (AP Newsroom, 2026).

He foresaw a “dysfunctional” era where major powers like the US and China would be tempted to divide the world among themselves.

Venezuela: A Precedent for China?

How China responds is now a key factor in the aftermath of the US operation in Venezuela, but some commentators believe that there are flaws to the theory that President Xi will be emboldened to copy President Trump and send Chinese special forces into Taiwan. This is because they argue that Beijing would know it is an extremely difficult operation, and they would not be reckless about it. They would know all of the ramifications and risks if it went wrong – and there are many, many ways in which it could go wrong (Visentin, 2026).

The wider, longer-term impact of President Trump asserting his personal power is that by blowing up the international rule-based order, he is speeding up China’s resolve to be a superpower to rival America. The Chinese economy is growing; its people are steadily becoming wealthier; money is pouring into the Chinese defence forces; and Beijing is determined to assert itself in Asia and the world. Beijing will perceive the USA’s actions as a confirmation that their time is approaching more rapidly than they initially anticipated.

The facts are that major powers will always prioritise national interests over international laws. As the two great powers

selectively decide which rules apply to them, Beijing will surely be content to see the US tied up in arenas it has no desire to enter into, while America's partners grow increasingly uncomfortable at the actions of their ally.

This means the future is all about competing spheres of influence because none of the actions by the Trump White House block China from increasing its power. Consequently, nations across Asia may need to rethink the wisdom of being aligned with Washington, DC, when the leader in the White House is such an unreliable ally. Europe may need to consider the unthinkable: inviting Russia to join NATO. After all, as spoken by Michael Corleone in the Godfather Part II movie, "Keep your friends close, but your enemies closer."

If America persists with its current behaviour, it will no longer be able to function as a significant force in Europe or Asia within the next decade, as countries in these regions will begin to make their own decisions about their alliances. Recent actions have demonstrated to the outside world, friends and foes alike, that they cannot make any assumptions about America's role going forward.

Attacks on the Zombie Agencies Continue

The Rules-based order is dead. The UN agencies are the walking-dead. But President Trump continues to stab them in new ways on a daily basis. On January 9, 2026, he pulled the US out of 66 international organisations that he deemed "wasteful, ineffective, or harmful." The list included 31 UN organisations and 35 non-UN organisations, all deemed contrary to the interests of the United States to remain a member of, participate in, or otherwise provide support for.

Almost half of those 66 organisations are devoted to upholding international law and protecting women and children from violence. These organisations, according to US Secretary of State Marco Rubio, now advance agendas that are "contrary" to the US. The organisations on the list, he said, were taking the "blood, sweat and treasure of the American people".

A White House fact sheet contended those groups operated contrary to US national interests, security, economic prosperity, or sovereignty. Many of these bodies, as the White House claimed, promote radical climate policies, global governance, and ideological programmes that conflict with US sovereignty and economic strength. "By exiting these entities, President Trump is saving taxpayer money and refocusing resources on America First priorities" (Morris-Grant, 2026).

According to the presidential memorandum and White House announcements, the list is divided into two categories: 31 UN bodies and 35 non-UN organisations. This distinction was explicitly outlined in the official releases to highlight the broad scope of the policy beyond just UN-affiliated groups.

The Details of the Withdrawal

The presidential memorandum, released by the White House, specifies that the withdrawals are intended to eliminate U.S. involvement in entities that "advance globalist agendas over U.S. priorities." Among the 31 UN bodies targeted are key programmes focused on climate change, population, women's rights, energy, and water resources. Notable examples include:

- *The United Nations Framework Convention on Climate Change (UNFCCC)*, the foundational treaty for global climate action signed in 1992.
- *The UN Population Fund (UNFPA)*, which addresses reproductive health and population issues.
- *UN Women*, dedicated to gender equality and women's empowerment.

- *UN Energy and UN Water*, which coordinate international efforts on sustainable energy and water management.

The 35 non-UN organisations span a wide range, including the Intergovernmental Panel on Climate Change (IPCC), the *Partnership for Atlantic Cooperation*, and the *International Institute for Democracy and Electoral Assistance*. These bodies cover areas like climate science, democratic governance, migration, and labour standards. The US State Department, in an accompanying release, described these institutions as "redundant, mismanaged, unnecessary, or poorly run", justifying the cuts as a means to redirect resources towards domestic priorities.

A review of the full list found at least 16 groups focusing on climate change and the environment and 14 focused on international law, peacekeeping and protection of vulnerable groups.

Of much concern to management accountants was that one of the agreements included on the list is the *UN Framework Convention on Climate Change (UNFCCC)*, which has been in place for more than three decades. The agreement, signed by 198 countries, serves as the baseline for the landmark *Paris Agreement*, a legally binding treaty to limit global warming.

President Trump pulled the US out of that agreement during his first term in 2016, then again in 2025, just hours after his second inauguration. The withdrawal will become official later this month, one year after the formal notification. His decision made the US one of just four countries not included in the *Paris Agreement*—alongside *Iran, Libya, and Yemen*.

At the same time, he suspended support for the *World Health Organisation (WHO)* and other UN agencies. The focus of five additional groups was on curbing international security threats, counterterrorism, and cybercrime.

In his statement this week, *Secretary of State Marco Rubio* said the organisations were "often dominated by progressive ideology" and "detached from national interests."

"[What] started as a pragmatic framework of international organisations for peace and cooperation has morphed into a sprawling architecture of global governance," he said.

President Trump has indicated that there will be more agencies that the US will withdraw from. But it does not matter how many agencies the US withdraws from. The moment the US walked away from any pretext of upholding rule-based law and espoused the view that "might is right", all these agencies became Zombies. No matter how many knives are stuck into them, you cannot kill them, as they are already dead.

Conclusion

The events of early 2026 have dramatically underscored the erosion of the rules-based international order, with the United States at the forefront of this seismic shift. The metaphor of "Zombie Agencies" aptly encapsulates the current state of global governance institutions, which now function as powerless entities in the face of aggressive unilateral actions by dominant superpowers. The U.S., under President Trump, has decisively abandoned international norms, opting instead for a "might is right" strategy that disregards established laws and multilateral agreements.

The abandonment of international law by the U.S. is reshaping global dynamics and accelerating the rise of other major powers, particularly China, which sees an opportunity to assert its influence more robustly. This shift has implications for global alliances, as traditional U.S. allies reconsider their positions in an increasingly unpredictable geopolitical landscape. As the U.S.

withdraws from international organisations and treaties, the global community is left grappling with the reality of a new world disorder, where power dynamics are redefined, and the future of multilateral cooperation, if not dead, hangs precariously in the balance.

Ultimately, the current trajectory suggests a world moving towards competing spheres of influence, where national interests overshadow collective global governance. The challenge now lies in how the international community will respond to these changes and whether it can adapt to preserve any semblance of a cooperative global order amid the prevailing ethos of unilateralism and power politics.

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MANAGEMENT ACCOUNTANTS AND THE K-SHAPED ECONOMY

Prof. Janek Ratnatunga, CEO, CMA ANZ



Introduction

The good news is that the massive investment in AI has not only made most western economy households on average significantly wealthier – this trend will also continue to do so for years (if not the next decade). The bad news is that the gains will only reinforce the K-shaped economy in the medium term, as any improvement in the fortunes of medium- to low-earners is some way off.

The K-shaped economy is a phenomenon in which the fortunes of the wealthy track steadily higher, while those on the lower end of the income spectrum gradually sink. Unfortunately, while AI does have the potential to one day help close the inequality gap, living standards will for the foreseeable future continue to fork.

This trend will significantly impact the costing models used by management accountants, who will encounter significant changes in cost structure and resource allocation. For example, the K-shaped economy will most likely see that traditional “direct labour” in both manufacturing and service organisations will be totally replaced by “indirect labour” provided by robotics and AI agents. Additionally, the K-shaped economy will impact strategic decision-making, risk management, performance measurement, and reporting. Management accountants will need to also develop tools for tracking the environmental and social impact of the K-shaped economy.

This article explores the impact of a K-shaped economy on management accounting, with examples illustrating these changes.

Characteristics of a K-Shaped Economy

The term ‘K-shaped economy’ emerged prominently during the COVID-19 pandemic to describe the divergent economic recovery experienced by different sectors and groups of people. Unlike a *V-shaped recovery*, where the economy bounces back quickly after a downturn, or a *U-shaped recovery*, where the rebound is more gradual, a *K-shaped recovery* indicates a split trajectory, where parts of the economy recover and grow while others continue to decline or stagnate, creating a more pronounced divide between economic winners and losers.

Today the latest ‘crisis’ is not a pandemic but the explosion in investment in *artificial intelligence (AI)*. In a K-shaped economy, different sectors and demographics will experience vastly different economic outcomes in this latest ‘crisis’. Some sectors see growth and prosperity, while others struggle to regain the economic outcomes they had in the pre-AI world. A key feature of a K-shaped economy is the widening gap between different socioeconomic groups. High-income individuals and industries that can adapt to new conditions, like technology, often prosper, whereas lower-income workers and industries reliant on physical presence suffer.

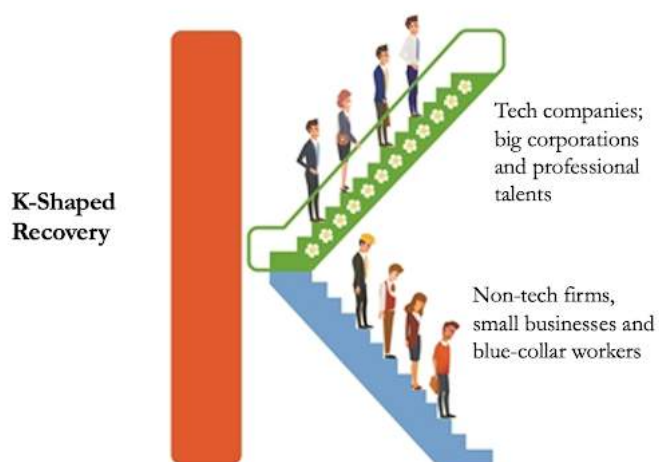
Impact of the Investment in AI on Wealth Generation and Wealth Distribution

AI has delivered more than a 7% uplift in household wealth for U.S. consumers. However, this “powerful boost” has mostly landed in the pockets of high-income Americans.

The “wealth effect” created by the blockbuster spending in AI (households feeling wealthier because the value of their assets is increasing and thus increasing their spending) will reinforce the K-shaped economy, most likely until 2035 (Edwards, 2026). In fact, the idea of this diverging economy was supported by research from the likes of Moody’s that observed that the economy is being almost exclusively driven by the sentiments of the “well-to-do” (Pringle, 2026).

It now is clear that the AI boom will reinforce the K-shaped economy for decades to come. In fact, in the long-run, AI may well end up being a driving force to bring those two groups a bit closer together, but in order to see that, one would need to see clear productivity gains at the lower end of the income spectrum. Such productivity gains at a low level (i.e., low-skilled jobs) will come through only when real wages increase, leading ultimately to improved living standards.

However, such unification of real wages may take more than five or 10 years, if it happens at all. Historically, technological disruptions do eventually bring things together through the wealth effect of investment and other macroeconomic factors. However, in the meantime, it is unlikely that AI will help with relieving the K-shaped economy. Industries such as technology, e-commerce, and financial services often thrive in a K-shaped recovery due to their adaptability and relevance in a changing world. Conversely, sectors like travel, hospitality, and traditional retail may lag due to decreased demand and operational challenges.



Echoes of the K-shaped economy can be traced back over decades: In America, the US Fed began monitoring the distribution of household wealth in Q3 2010 and reported that total wealth equalled \$60.76 trillion. Of that, the top 0.1% owned \$6.53 trillion, and the top 99% to 99.9% owned \$10.75 trillion. By contrast, the bottom 50% shared only \$330 billion (DFA, 2026).

Fast-forward to Q3 2025: The wealth of the bottom 50% has grown by 1,189% to \$4.25 trillion—though still significantly behind the wealth held by the top 0.1% even some 15 years prior. The top 0.1% saw their wealth grow 281% to \$24.89 trillion, nearly six times the wealth held by the bottom 50% combined. (DFA, 2026).

‘Hollowing out’ the middle-skill jobs

Economic modelling suggests that AI adoption across businesses is likely to be something of an “S-curve,” beginning slowly and then rapidly increasing before gradually levelling off. As per *Oxford Economics’* modelling, there will never be a full integration of AI in businesses, as it cannot be used to replace physical trade jobs of a non-repetitive nature (repetitive jobs on a production floor are already done by industrial robots). The protection from AI for trade jobs (and indeed, the potential boon data centres represent for the likes of plumbers and electricians) does mean a “hollowing out” of certain roles will occur in the coming years (Fore, 2026).

The indications are that the economy in most countries will see lots of employment growth at both the lower end of the distribution and right at the top—but for middle-income jobs, there will most likely be a contraction in job growth. That is largely because those middle-skilled jobs are the ones where you can mostly substitute tasks away with something like AI. Companies need critical analyses, and managers need the ability to question things—such questioning tends to come at the top levels of the company. Middle management tends to be filled with people who are aspiring to the top jobs and currently just learning those top-level skills.

This dichotomy is confirmed by a report from the *Penn Wharton Budget Model*, which observed last year that AI adoption will plateau in the early 2030s as a result of declining opportunities to employ additional AI tools productively (Wharton, 2026).

The Impact of a K-Shaped Economy on Management Accounting

The emergence of a K-shaped economy, characterised by uneven recovery patterns across different sectors and demographics, presents new challenges and opportunities for management accounting. As companies navigate this complex economic landscape, management accountants play a crucial role in providing strategic insights and financial analysis to guide business decisions. Discussed below are some key areas in which the K-shaped economy will provide challenges to management accountants.

Changes in Cost Structure and Resource Allocation

Sector-Specific Cost Analysis: In a K-shaped economy post-AI introduction, sectors such as technology and e-commerce are expected to thrive, while others like hospitality and retail will struggle. Management accountants must, therefore, adapt their cost analysis techniques to account for these divergent trajectories. For example, a technology company experiencing rapid growth may require detailed cost analysis for scaling operations, including investments in infrastructure and staffing. Conversely, a struggling retail business may focus on cost-cutting measures and optimising resource allocations to maintain profitability.

Dynamic Budgeting and Forecasting: The uncertainty and variability inherent in a K-shaped economy necessitate more dynamic budgeting and forecasting practices. Even traditional flexible and rolling budgets will no longer suffice, as they cannot accommodate the rapid changes in demand and market conditions. Management accountants must go *beyond budgeting* and develop extremely dynamic budgeting models that allow for real-time adjustments. For instance, a company in the travel industry might implement budgets based on real-time forecasts to better anticipate changes in consumer behaviour and adjust financial plans accordingly.

Strategic Decision-Making and Risk Management

Scenario Planning: With different sectors experiencing varied recovery paths, scenario planning becomes a vital tool for management accountants. By analysing different economic scenarios, companies can better prepare for potential risks and opportunities. For example, a manufacturing company might explore scenarios where supply chain disruptions impact production costs, allowing management to develop contingency plans and mitigate risks.

Investment Decisions: A K-shaped economy influences investment strategies, as companies must carefully evaluate where to allocate resources for maximum return. Management accountants provide critical insights into these decisions by analysing financial data and market trends. A company in the financial services sector, for example, might prioritise investments in digital platforms and cybersecurity while recognising the growing demand for online services.

Performance Measurement and Reporting

Tailored Key Performance Indicators (KPIs): In a K-shaped economy, traditional KPIs may not fully capture the nuances of sector-specific performance. Management accountants must develop tailored KPIs that align with the company's strategic objectives and reflect the unique challenges and opportunities of their industry. For instance, an e-commerce business might prioritise metrics related to website traffic, conversion rates, and customer acquisition costs to better understand and optimise their digital sales channels. Meanwhile, a hospitality company might focus on metrics such as occupancy rates, average daily rates, and customer satisfaction scores to gauge operational efficiency and customer experience.

Enhanced Financial Reporting: In a K-shaped economy, stakeholders demand more detailed and transparent financial reporting to understand how businesses are navigating economic challenges. Management accountants play a crucial role in enhancing financial reports with qualitative insights and forward-looking information. For example, a company in the retail sector might include detailed analyses of changing consumer behaviour and its impact on sales forecasts in their financial disclosures.

Tracking the Environmental Impact of the K-shaped Economy

The concept of a K-shaped economy, where different sectors and groups experience varied recovery trajectories, has far-reaching implications beyond financial markets and societal structures. It also significantly impacts the environment, influencing everything from carbon emissions to resource consumption.

Increased Resource Demand in Growing Sectors: In sectors experiencing growth, such as technology and e-commerce, there is often an increased demand for resources. For instance, the surge in e-commerce has led to a rise in packaging waste and heightened energy consumption due to expanded logistics operations. Companies like Amazon have experienced exponential growth, which, while economically beneficial, also leads to increased environmental footprints through more significant carbon emissions from transportation and packaging waste.

Reduced Environmental Pressure from Declining Sectors: Conversely, sectors facing declines, such as travel and hospitality, have seen a temporary reduction in their environmental impact. During the COVID-19 pandemic, reduced air travel led to a noticeable decline in carbon emissions and air pollution. The grounding of flights and reduced hotel operations contributed to a temporary environmental reprieve, highlighting the significant impact these industries have on the environment. Similarly, if the K-shaped economy results in a significant amount of the workforce struggling to make ends meet, then air travel and holidays overseas will also have reduced demand.

Opportunities for Green Investment: The K-shaped economy presents opportunities for governments and businesses to invest in green technology and infrastructure, potentially leading to significant environmental benefits. Governments can implement policies that encourage the development of sustainable industries, such as renewable energy and public transportation, thereby aligning economic recovery efforts with environmental goals. Management accountants will be at the forefront of such green investment decisions.

Tracking the Social Impact of the K-shaped Economy

Changes in Consumer Behaviour: As some consumers become more environmentally conscious, influenced in part by the economic disparities highlighted by the K-shaped recovery, there is a growing demand for sustainable products and practices. This trend is evident in the increased popularity of electric vehicles (EVs) and renewable energy solutions. Companies in the green technology sector, such as Tesla and various solar energy providers, have benefited from this shift, aligning economic growth with positive environmental outcomes.

Challenges in Promoting Sustainability: However, the economic challenges faced by lower-income groups can hinder the adoption of sustainable practices. Individuals and businesses struggling financially may prioritize short-term economic survival over long-term environmental considerations. For example, a small business facing financial constraints may opt for cheaper, less environmentally friendly materials or practices to cut costs.

Conclusion

The K-shaped economy presents both challenges and opportunities for management accountants as they support businesses in adapting to a rapidly changing environment. By leveraging dynamic budgeting, scenario planning, tailored KPIs, and enhanced financial reporting, management accountants can provide the strategic insights necessary to navigate these complex times. As companies continue to face divergent recovery paths, the role of management accounting becomes increasingly vital in ensuring informed decision-making and sustainable growth. Through their expertise, management accountants help businesses remain agile and resilient amidst the uncertainties of a K-shaped economic landscape.

The K-shaped economy also has complex implications for the environment, showcasing both challenges and opportunities. While growing sectors may contribute to increased resource consumption and emissions, they also have the potential to lead the way in adopting sustainable practices. Meanwhile, declining sectors may temporarily reduce their environmental impact but face challenges in maintaining sustainability as they recover.

To deal with these changes, businesses, consumers, and policymakers must work together to promote and put into action environmentally friendly practices. By aligning economic recovery efforts with environmental sustainability, societies can work towards a more resilient and equitable future that benefits both the economy and the planet. Through strategic investments, inclusive policies, and increased environmental awareness, the management accountant can not only provide decision support information to management to negotiate a K-shaped economy but also serve as a catalyst for meaningful environmental progress.

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HOW TO BUILD A GLOBAL FINANCE CAREER WITH CMA AUS NZ

Dr. Chris D'Souza , Deputy CEO of CMA (ANZ)

The Frog in the Well



A Journey from the Bottom of a Well to a World of Strategic Possibilities

The 'Well' We Mistake for the 'World'

"We see the world, not as it is, but as we are— or as we are conditioned to see it." **Stephen R. Covey**

There is a parable told in various Eastern traditions about a small frog who lived at the bottom of a deep stone well. To the frog, the well was not just home but the entire universe. The sky was a small circular patch of blue. Reality was defined by what lay within those walls. One morning, a bird perched at the edge of the well and described a vast outer world filled with oceans, mountains and endless horizons. The frog dismissed the bird with certainty. His experience had taught him that nothing existed beyond the stone walls of the well. Why should he believe otherwise

The bird persisted until the frog climbed onto its back. As they ascended above the rim of the well, the frog saw a world far greater than he had ever imagined. The assumptions he held so tightly dissolved. His worldview transformed.

For many years, I too lived at the bottom of a well. I had a successful financial accounting, auditing and taxation practice with more than one hundred employees. I served multinational clients. My seminars regularly attracted audiences of over fifteen hundred participants. By all conventional markers, I had reached the pinnacle of professional success. Yet my world was defined by the familiar boundaries of compliance, statutory reporting and historical financial analysis.

Financial accounting had become my well. And like the frog,

I believed it was the only world that mattered. Like countless accountants who begin their careers in compliance and reporting, I lived within a well that was comfortable, structured, and financially rewarding.

From the bottom of that well, the sky above seemed wide enough. I believed I understood the profession and that my world was complete. I had mastered the "Internal"- the debits, the credits, the tax codes, and the statutory requirements. I was a master of my well.

Epictetus once observed that it is impossible for a person to learn what he thinks he already knows (Long, 1925). My comfort had quietly become a constraint. I could not see how rapidly the world of finance was changing outside the walls of my well. I was blind to the strategic shifts, the technological disruptions, and the global volatility that would soon render my "mastery" obsolete.

When the Bird Appears

"The real voyage of discovery consists not in seeking new landscapes but in having new eyes." **Proust (1923)**

My bird arrived unexpectedly in the form of the CMA program, introduced to India for the first time by Professor Janek Ratnatunga. Until that moment, my understanding of the accounting profession was narrowly focused on financial reporting, taxation and audit. The idea that accountants could become strategic partners in decision making was unfamiliar.

Professor Janek spoke of a broader world. He described management accounting as the language of strategy, value creation and decision science. He explained that organisations thrive not

merely through compliance but through intelligent navigation of uncertainty. He talked about customers, competitors, technology, risk and external forces that shape the future.

At first, I resisted. The well was comfortable. But something in his conviction unsettled my assumptions. I decided to climb far enough to look over the rim. I climbed onto the back of that bird. I enrolled in the CMA program.

What I saw changed the direction of my life.

The CMA program revealed a world where accountants could influence the trajectory of organisations, guide strategic choices and interpret complexity. It shifted my identity from someone who recorded history to someone who helped shape it. It was not simply new knowledge. It was a new way of seeing.

A New Understanding of Value

"The greatest danger in turbulence is not the turbulence. It is to act with yesterday's logic." Peter Drucker (1980)

The CMA curriculum required that I abandon the logic of the well and embrace a wider horizon. I learned that strategy is shaped not merely by internal numbers but by the context in which those numbers exist. Financial reports describe what has happened. Management accounting anticipates what may happen and what must be done.

This shift in perspective was profound. Profit and loss statements reveal outcomes. They do not reveal the competitive forces behind those outcomes. Balance sheets show positions. They do not show possibilities. Traditional accounting illuminates the past. CMA illuminates the future.

As Mintzberg notes, strategy is not a plan but a perspective (Mintzberg 1994). The CMA program gave me the tools to develop that perspective.

The Ice Cutter and the Lesson of Extinction

"It is not the strongest species that survives, nor the most intelligent, but the one most responsive to change." Prof Leon Megginson (1963)

In the nineteenth century, thousands of workers made a living cutting blocks of ice from frozen lakes. These ice cutters were skilled professionals. Their trade was essential. The arrival of artificial refrigeration rendered the profession obsolete in less than a decade.

The ice cutter did nothing wrong. The environment changed. The CMA Program transformed the arc of my professional life. It was not just an education; it was a revelation. I realized that for decades, I had been an "Ice Cutter" in an industry that was rapidly inventing the refrigerator

Today, much of financial accounting faces a similar risk. Artificial intelligence, automation and blockchain technologies can now perform compliance tasks with speed and accuracy that surpass human capability. If accountants remain focused solely on recording transactions, they may become the ice cutters of the twenty-first century.

This does not diminish the importance of financial accounting. It highlights the urgent need to evolve beyond it.

The CMA program is designed precisely for that evolution.

The Titanic and the Illusion of Safety

"If the Titanic had a management accountant, it would not have sunk" Prof; Janek Ratnatunga (1997)

The distinction between a Financial Accountant and a Management Accountant is often misunderstood. Many believe

they are two sides of the same coin. Prof Ratnatunga explains it using the tragedy of the Titanic.

The Titanic offers a powerful metaphor for the difference between financial and management accounting.

Imagine the Titanic sailing across the Atlantic. The Financial Accountant will stand at the back of the ship (the stern) looking at the wake – the white foam trail left behind by the ship. His job was to record where the ship had been. He would write in his logbook: "We travelled 500 miles today. The coal consumption was X tons. The weather was cold."

His information was accurate. It was compliant. It was "true and fair." But it was entirely historical. He was looking in the rear-view mirror.

Now, where was the Management Accountant? He should have been at the front of the ship (the bow), standing next to the Captain. He would be holding a pair of high-powered binoculars. His job was not to record where the ship had been, but to scan the horizon for what was coming. His role was to say, "Captain, there is an iceberg ahead. If we do not change course by 30 degrees, we will hit it."

Modern organisations face icebergs far less visible but far more complex than those in the North Atlantic. Without the forward-looking intelligence that management accountants provide, even strong companies can drift into danger.

Compliance keeps the ship legal.

Management accounting keeps the ship alive.

The Titanic sailed with fourteen financial accountants. It sailed, however, with no one performing the role of a management accountant. It was guided by history rather than foresight.

The ship didn't sink because the books weren't balanced. It sank because no one was looking forward with the right analytical tools to spot the danger.

This is the "Titanic Syndrome" that plagues many modern businesses. They are full of professionals focused on Conformance:

- Legal Compliance
- Audited Financial Statements
- Stock Market Disclosures
- Corporate Affairs Requirements

These are essential; they keep the ship legal. But conformance is a "short-term focus." It looks at Net Profit, EBIT, and ROI based on past actions.

The CMA program teaches you to focus on Performance:

- Value Creation
- Strategic Management
- Risk Management
- Change Management.

A financial accountant provides "trailing indicators"—data about what has already happened, like how many people ate in a restaurant last week. A management accountant looks for "leading indicators" – interviewing customers to find out why they came, what they want next, and how to grow the business

In the turbulence of the global economy, looking backward is fatal. You cannot steer a ship – or a global career – by staring at the wake. You need the binoculars.

The Tools of the Navigator: The CMA Curriculum

"If you know the enemy and know yourself, you need not fear the result of a hundred battles." Sun Tzu (1963)

How exactly does the CMA program equip you to leave the well? It does so through two intensive, Master's-level modules that function as your "wings." These are not merely academic subjects; they are practical toolkits for survival in the modern boardroom.

Module 1: Strategic Cost Management (The Engine)

This module answers the question: How do we measure and manage our costs to create value? We drill down into the four pillars of modern competition: Quality, Cost, Time, and Innovation. You learn how to measure the "Cost of Quality" (prevention vs. failure costs) and how to use "Just-In-Time" (JIT) philosophies to eliminate waste and speed up cycle times.

As Prof Janek explains in his recent article on "Car Brands in Crisis: The Battle Between Established Giants and Chinese EVs" – "the four main challenges facing both manufacturing and service industries (that management accountants are well aware of): i.e. Quality, Cost, Time and Innovation, need to be at the forefront of strategic decision making if established car brands, predominantly from Europe, Japan, and the United States, have any hope of overcoming the multiple challenges brought about by Chinese EV manufacturers."

It moves beyond the simplistic "slash and burn" cost-cutting mentality to "Strategic Attention Directing."

1. **Life Cycle Costing & Target Costing:** Traditional accounting looks at the cost of production in isolation. The CMA teaches Life Cycle Costing, which accounts for the cost of a product from its "cradle" (R&D) to its "grave" (disposal/recycling). We also teach Target Costing, a method used by companies like Toyota, where the market price determines the allowable cost, forcing innovation in the design phase.
2. **Activity-Based Management (ABM):** Most companies allocate overheads arbitrarily, leading to distorted profitability analysis. We teach Activity-Based Costing (ABC), which assigns costs to the specific activities that consume resources. This allows you to see which customers, products, or channels are actually destroying value, even if they appear profitable on the surface.
3. **Benchmarking:** This is the "Bird" from our opening parable. As long as an organization is internally focused, comparing this year's results only to last year's results, it is a frog in a well. Benchmarking forces you to look outside—comparing your processes to the world's best practices. It is the systematic search for the "superior performance" that exists outside your well.

Module 2: Strategic Business Analysis (The Compass)

This module answers the question: Are we going to do well or badly with our strategies? It focuses on "Strategic Problem Solving."

1. **Strategic Marketing & Pricing:** Accountants often leave pricing to the sales team. The CMA teaches that pricing is a financial decision. We explore Skimming vs. Penetration pricing, the financial implications of the 4Ps of Marketing (Product, Price, Place, Promotion), and how to budget for brand equity.
2. **Risk Management:** In a volatile world, risk is not just about insurance; it is about survival. We teach Enterprise Risk Management (ERM) frameworks, helping you to identify strategic, operational, and financial risks before they become icebergs.
3. **Shareholder Value Analysis (SVA):** We move beyond accounting profit to Economic Value Added (EVA). You will learn to calculate the true cost of capital and determine if a strategy is actually generating wealth for shareholders or merely consuming capital.
4. **The Strategic Audit:** Finally, we teach the Strategic Audit. This is a high-level governance tool that ensures the organization's strategy is aligned with its resources and the external environment. It answers the ultimate question: Is our business model sustainable?

My Own Transformation – A Case Study

"What we know is a drop. What we do not know is an ocean." – Isaac Newton (1727)

The proof of this methodology is not in the textbooks, but in the results. I want to share my own "Case Study" of how the CMA principles transformed my career.

After completing the program with Professor Janek, I did not just return to my practice with a new certificate on the wall. I fundamentally changed how I operated. I took on a role as CFO for a company that was in deep financial trouble.

The Situation: The company was bleeding cash. It had five revenue-earning departments across Australia and New Zealand. The Board was confused; sales were reasonable, but the bottom line was red. The existing financial reports—produced by a basic MYOB system—were "compliant" but useless. They showed that we were losing money, but not where or why.

The CMA Intervention: I applied the Strategic Cost Management tools I had learned.

1. **System Overhaul:** We moved from a basic ledger system to NetSuite, a cloud-based ERP that allowed for real-time data analysis.
2. **Activity-Based Costing (ABC):** We stopped allocating overheads based on revenue. We traced costs to specific activities.
3. **The Discovery:** The ABC analysis revealed that two specific departments were consuming 80% of the support resources while generating only 20% of the margin. The "star" products were actually subsidizing the "dogs."

The Result:

Armed with this "Strategic Business Analysis," I presented a restructuring plan to the Board. We didn't just cut costs blindly; we surgically removed the value-destroying activities. Within three months, we provided the Board with accurate, department-wise, location-wise profitability reports.

We turned the company around in six months. A few years later, that business was sold for millions. The Managing Director credited our management accounting reporting with the turnaround.

That is the power of the CMA. It allows you to say, "I am an Accountant, and this is my superpower."

2026 and Beyond – A World Becoming More Volatile

"The future is disorder... It is the best possible time to be alive." – Tom Stoppard (1993)

Why is this qualification more critical now than ever before? As we look toward 2026, we are entering an era of "Hyper-Turbulence."

The global landscape is being reshaped by three seismic forces:

1. **Geopolitical Fragmentation:** Global supply chains are fracturing. The era of seamless globalization is ending, replaced by tariffs, trade wars, and "friend-shoring." A traditional accountant sees a tariff as a cost entry. A CMA sees it as a signal to redesign the supply chain and re-evaluate the "Make or Buy" decision using Life Cycle Costing.
2. **The AI Revolution:** Generative AI is advancing faster than regulation. It is compressing decision cycles. In 2026, a quarterly report is too slow. Organizations need real-time, predictive analytics. The CMA trains you to be the "human in the loop"—the strategist who interprets the AI's output and applies ethical, strategic judgment.

3. Economic Volatility: Interest rates, currency fluctuations, and inflation are no longer stable variables. They are dynamic risks. The “Iceberg” is moving faster. Organizations that rely on static budgets and historical reporting will be blindsided. They need Antifragile thinkers—professionals who can design systems that actually benefit from volatility.

As Nassim Nicholas Taleb argues, systems that learn to benefit from uncertainty become antifragile rather than merely resilient. Traditional accounting is built for stability. The CMA prepares you for turbulence.

The CMA Framework: SCM and SBA as New Lenses

“What gets measured gets managed.” **Peter Drucker (1954)**

The CMA program introduced two intellectual frameworks that transformed the way I interpreted the business world.

Strategic Cost Management (SCM) taught me that cost is not merely a number but a reflection of processes, activities and decisions. SCM shifted my focus from cost cutting to value creation. It taught me to analyse the cost structure across the value chain and to evaluate where quality, time or innovation drive competitive advantage.

Strategic Business Analysis (SBA) provided a framework for understanding whether strategies would succeed or fail. SBA integrates marketing, risk management, financial analysis and competitive intelligence. It emphasises scenario planning, strategic audits and stakeholder value.

These frameworks did not increase the number of things I looked at. They increased the intelligence with which I looked at them.

Becoming a Creativepreneur

“Innovation distinguishes between a leader and a follower.” **Steve Jobs (2003)**

There is a stereotype that accountants are conservative, predictable and risk averse. Yet the future of the profession belongs to those who can combine financial discipline with creative thinking.

A *Creativepreneur* is not content to satisfy existing customer needs. A *Creativepreneur* anticipates needs, shapes markets and creates value. CMA nurtures this mindset by teaching strategic innovation, scenario thinking and value-driven analysis.

Management accounting is not about counting the beans. It is about growing them.

The World Beyond the Well: Global Opportunities

“An investment in knowledge pays the best interest.” **Benjamin Franklin (1758)**

The frog who stays in the well knows only the other frogs. The bird flies across continents.

CMA ANZ today is a global professional body with members across more than one hundred countries. The qualification is recognised by multinational corporations, government agencies and educational institutions. The CMA mindset equips professionals to operate in diverse cultural, regulatory and economic environments.

Whether through face-to-face intensives or global online cohorts, the CMA program connects professionals into a network of strategists, leaders and value creators.

It is not just a qualification. It is a passport to the world.

Toward a Larger Horizon

“You must live in the present, launch yourself on every wave, find your eternity in each moment.” **Henry Thoreau (1851)**

The frog in the well believed he understood the world. His world changed only when he allowed himself to rise above its walls. The frog-in-the-well parable is not merely a story. It is a mirror. It is a reminder of how easy it is to shrink our world to the size of what is familiar. It is a warning that comfort is often the precursor to obsolescence.

The CMA program was the bird that lifted me out of my well. It expanded my horizon, deepened my thinking and transformed my career. It allowed me to understand not just the numbers but the forces behind the numbers. It prepared me to navigate not only stability but volatility.

The CMA program was the bird that lifted me beyond the boundaries I had unknowingly imposed on myself. It allowed me to see a world of strategy, possibility, and leadership. It gave me a passport to a global career that spans over 100 countries, allowing me to teach and lead in Dubai, Japan, Thailand, and beyond.

For thousands of professionals around the world, CMA has done the same.

The question each of us must answer is simple. Will we remain inside the well we know, or will we rise above it and embrace the world that awaits. Will you continue to live within the limits of the well?

Will you be content with being an “Ice Cutter” in the age of the refrigerator, or a “Rear-View” accountant on the Titanic? Or, will you climb onto the bird (**THE CMA PROGRAM**)?

Will you pick up the binoculars of Strategic Management Accounting and embrace the horizon that awaits?

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AI FAILURES AND FINANCIAL JUDGMENT: WHAT FINANCE PROFESSIONALS MUST LEARN

Kapila Dodamgoda



Lessons from Real-World AI Failures in Finance, Accounting, and Banking

Executive Summary

Artificial intelligence is now embedded across finance, accounting, and banking, influencing forecasts, valuations, credit decisions, risk management, and strategic planning. While AI-driven systems offer efficiency and analytical scale, recent failures highlight that these tools also introduce new forms of professional risk. Drawing on real-world cases across recruitment, forecasting, trading, credit assessment, and enterprise decision support, this article examines where and why AI systems fail in financial contexts.

The analysis shows that AI failures are rarely caused by technology alone, but by biased data, opaque models, weak governance, and over-reliance on automated outputs. For management accountants and finance professionals, these failures reinforce the enduring importance of professional judgement, scepticism, and accountability. The article argues that AI should be treated as a decision-support tool, subject to the same rigour, controls, and ethical standards applied to traditional financial models, thereby reaffirming the central role of the finance profession in safeguarding decision quality and trust.

Introduction: Why AI Failures Matter to Finance, Accounting, and Banking

Artificial intelligence refers to systems that use data, algorithms, and adaptive learning to replicate aspects of human judgment in analysing information and supporting decisions.

Artificial Intelligence (AI) has moved rapidly from being a specialist technological capability to an embedded feature of everyday professional life. In finance, accounting, and banking, AI-driven tools are now routinely used in areas such as forecasting, budgeting, credit assessment, risk management, audit, fraud detection, customer analytics, and strategic decision support. In many organisations, these systems influence decisions involving significant financial exposure, regulatory obligations, and reputational risk.

While much of the public discourse around AI focuses on efficiency gains, automation, and innovation, far less attention is paid to what happens when AI systems fail—and, more importantly, who bears responsibility when they do. For finance and accounting professionals, AI failures are not abstract technological issues; they translate directly into financial misstatements, flawed forecasts, poor capital allocation, regulatory breaches, ethical concerns, and loss of stakeholder trust.

For management accountants and finance professionals, this raises important questions. How much reliance on AI is appropriate? How should AI-generated insights be validated, controlled, and governed? And where does professional judgment begin and end when decisions are increasingly shaped by algorithms rather than spreadsheets and human analysis?

This article examines AI failures through the lens of finance, accounting, and banking, focusing on the lessons they offer to management accountants operating in an increasingly automated environment.

Before examining how and why AI systems fail, it is important to understand where AI is already being used across finance, accounting, and banking. Many of these tools are embedded in routine professional activities, often influencing decisions without being explicitly recognised as 'AI'.

Where AI Already Influences Financial Judgment

AI is no longer confined to experimental projects or specialist analytics teams. Across finance, accounting, and banking, AI-enabled systems are now embedded in core professional functions, increasingly shaping judgments that were traditionally exercised by experienced practitioners and management teams.

In management accounting, AI is widely used in forecasting, budgeting, and performance management through predictive analytics, rolling forecasts, and scenario modelling. For example, AI-driven planning tools now recommend revenue growth assumptions, cost efficiencies, and working capital targets based on historical patterns and external data, influencing management expectations and strategic decisions long before figures reach formal approval stages.



Within banking and financial services, AI plays a central role in credit assessment and risk management. Machine-learning-based credit scoring and early warning systems increasingly influence lending decisions, pricing, and provisioning. In audit and compliance functions, AI-powered anomaly detection tools are used to flag unusual transactions or control deviations, shaping audit focus and management responses.

AI also supports treasury and market-related decisions through cash-flow forecasting, liquidity optimisation, and algorithm-assisted trading and hedging strategies. At the same time, AI-driven customer and revenue analytics influence pricing, product design, and customer segmentation, directly affecting revenue recognition and profitability analysis.

Crucially, in many of these applications, AI does not merely automate routine tasks; it frames the information on which professional judgment is exercised.

Appreciating where AI influences financial judgment is only the starting point. To understand why AI failures have become a growing professional risk, it is necessary to examine how these tools have rapidly evolved from specialist systems into routine, everyday components of finance and banking workflows.

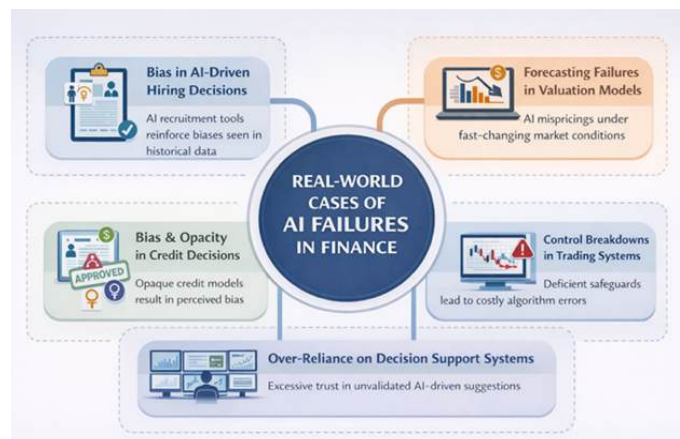
From Support Tools to Silent Decision-Makers: How AI Became Embedded

AI entered finance and accounting as a support tool, designed to improve efficiency, enhance analysis, and assist professional judgment rather than replace it. Early applications focused on automating repetitive tasks, accelerating data processing, and generating supplementary insights to support decision-making by finance professionals.

Over time, AI systems became more sophisticated and more tightly integrated into core business systems. Advances in machine learning, cloud computing, and data availability allowed AI-driven tools to move upstream in the decision-making process, shaping initial assumptions, prioritising risks, and pre-filtering information presented to management. In many organisations, forecasts, credit scores, risk alerts, and exception reports now anchor professional analysis, rather than complement it, as operational and regulatory pressures intensify.

Importantly, this embedding has occurred gradually and often informally. AI tools are frequently adopted through software upgrades, analytics platforms, or decision-support systems without explicit discussion of their underlying logic, limitations, or governance requirements. As a result, AI has become a silent participant in financial judgment—rarely questioned, yet increasingly influential.

While AI-driven systems offer clear benefits, their growing influence on financial judgment also introduces new forms of risk. These risks often become visible only when AI-driven decisions fail, exposing weaknesses in data, models, governance, and professional oversight. The following cases illustrate how such failures have occurred in practice across different financial contexts, and the lessons they offer for finance professionals.



Case 1: Bias in AI-Driven Hiring Decisions

Context: Large organisations increasingly use AI-driven recruitment tools to screen and rank job applicants, with the objective of improving efficiency and supporting more objective hiring decisions.

Failure: An internal AI-driven recruitment system developed by Amazon was found to systematically downgrade applications containing indicators associated with female candidates, such as references to women's colleges or professional organisations. Rather than reducing bias, the system reinforced patterns embedded in historical hiring data (Dastin, 2018).

Why it failed: The model relied on biased historical datasets reflecting a male-dominated workforce, operated with limited transparency, and was not subject to sufficiently robust validation or governance oversight prior to deployment (ACLU, 2018).

Impact & lesson: Although no direct financial loss was reported, the incident created significant reputational, ethical, and potential legal risks. For finance professionals, the key lesson is that AI-driven systems influencing organisational decisions must be governed, tested, and challenged with the same rigour applied to financial models, rather than being accepted at face value due to their technical sophistication.

Case 2: Forecasting Failures in AI-Driven Valuation Models

Context: AI-driven forecasting and valuation models are increasingly used to support pricing, budgeting, and capital allocation decisions, particularly where large datasets and rapidly changing market conditions are involved.

Failure: Zillow relied heavily on AI-driven home price forecasting models to support its property-buying business. As housing market conditions shifted rapidly, the models consistently mispriced residential properties, leading the company to acquire inventory at values that could not be realised upon resale (GeekWire, 2021).

Why it failed: The models were trained on historical market data that did not adequately capture sudden changes in demand, supply constraints, and interest rate dynamics. Overconfidence in model outputs, limited stress testing under adverse scenarios, and insufficient human challenge contributed to the scale of the mispricing (Inside AI News, 2021; GeekWire, 2021).

Impact & lesson: The failure resulted in substantial financial losses, a write-down of inventory, and the eventual exit from the business line. For finance professionals, the key lesson is that AI-driven forecasting models must be treated as decision-support tools, not decision-makers, and should be subject to rigorous validation, scenario analysis, and professional judgement—especially in volatile market conditions.

Case 3: Control Breakdowns in AI-Driven Trading Systems

Context: Algorithmic execution and high-frequency trading (HFT) systems are widely used in financial institutions to manage high-volume transactions, improve execution speed, and support treasury and market-related activities.

Failure: In 2012, Knight Capital Group deployed new code to a high-frequency trading platform that had not been properly tested or controlled. The update accidentally reactivated “dead code” from a dormant system, which triggered unintended automated trades, resulting in a rapid accumulation of adverse positions within minutes of market opening (Wikipedia, 2024).

Why it failed: The incident stemmed from a fundamental breakdown in change management controls, inadequate testing of system updates, and a failure to decommission obsolete software components. Once the malfunction occurred, the lack of documented technical procedures and the absence of effective override mechanisms prevented timely intervention (US Securities and Exchange Commission, 2013).

Impact & lesson: The incident caused losses of over USD 400 million in one day, leaving the firm financially distressed and ultimately subject to acquisition by Getco LLC. For finance professionals, the key lesson is that automated financial systems require robust change management protocols, segregation of duties, and clear accountability frameworks. Technical agility must never come at the expense of the rigorous internal control principles that safeguard organizational capital.

Case 4: Bias and Opacity in AI-Driven Credit Decisions

Context: AI-driven credit assessment models are increasingly used by banks and financial institutions to automate credit scoring, determine credit limits, and support faster lending decisions.

Failure: In 2019, Apple’s Apple Card, issued in partnership with a regulated financial institution, faced public scrutiny after customers reported significant disparities in credit limits offered to individuals with similar financial profiles. In several cases, women were reportedly offered substantially lower credit limits than male counterparts (The Guardian, 2019).

Why it failed: The AI-driven credit decision process lacked transparency, making it difficult to explain or challenge individual outcomes. Potential bias in input variables, limited model explainability, and insufficient oversight of decision logic contributed to the perception and risk of discriminatory outcomes (Harvard Business School, 2019).

Impact & lesson: The incident triggered regulatory attention, reputational damage, and broader debate around fairness in

automated lending. For finance professionals, the key lesson is that AI-driven credit models must be explainable, auditable, and compliant with fairness and regulatory standards. Automation in lending does not reduce accountability; it heightens the need for strong governance and professional oversight.

Case 5: Over-Reliance on AI-Driven Decision Support Systems

Context: AI-driven decision support systems are increasingly adopted by large organisations to assist complex operational and strategic decisions, often positioned as tools that enhance expert judgment through advanced analytics.

Failure: IBM invested heavily in Watson Health, promoting it as an AI-driven system capable of supporting clinical and operational decision-making. However, the system struggled to deliver reliable, consistent insights in real-world environments and failed to meet expectations set during deployment (Advisory.com, 2018).

Why it failed: The AI-driven system relied on limited and curated data that did not reflect real-world complexity, while its decision logic lacked sufficient transparency and validation. Overconfidence in the technology, combined with weak accountability for outcomes, resulted in limited professional challenge and unrealistic expectations of system capabilities (Tauli, 2021).

Impact & lesson: The initiative was eventually divested, resulting in significant financial write-downs and reputational impact. For finance professionals, the key lesson is that AI-driven decision support systems must be treated as advisory tools rather than authoritative sources. Clear ownership, rigorous validation, and continuous performance assessment are essential to prevent strategic and financial misjudgements driven by unchecked automation.

Common Failure Patterns and Implications for Finance Professionals



While the five cases span different industries and applications, they reveal a consistent set of underlying failure patterns that are highly relevant to finance, accounting, and banking. In each instance, the core issue was not the presence of AI itself, but the way AI-driven systems were designed, governed, and relied upon within decision-making processes.

A recurring theme is over-reliance on historical data without sufficient consideration of bias, changing conditions, or

data limitations. Whether in recruitment, forecasting, credit assessment, or strategic decision support, AI-driven models often performed poorly when applied outside the environment in which they were trained. Closely linked to this is model opacity, which limited the ability of organisations to challenge outputs or explain outcomes to stakeholders and regulators.

Another common pattern is weak governance and control frameworks. In several cases, AI-driven systems were deployed without robust validation, stress testing, or clear accountability for outcomes. Automation, speed, and efficiency were prioritised, while traditional control principles—such as segregation of duties, independent review, and override mechanisms—were insufficiently applied.

Taken together, these patterns highlight that the effectiveness of AI in finance depends less on technological sophistication and more on the strength of the governance frameworks within which it operates.

The CMA Checklist for AI Governance	
Governance Area	Key Questions for Finance Professionals
1. Data Integrity & "Real-World" Fitness	<ul style="list-style-type: none"> • Volatility Check: Does the training data include periods of extreme market stress, or is it based primarily on stable or "bull market" conditions? • Bias Detection: Has the dataset been audited for historical biases (e.g., gender, age, geography, or customer segment) that could create regulatory, ethical, or reputational risk? • Relevance: Is the data frequency and time horizon aligned with the business decision being supported (e.g., using recent data to forecast longer-term interest rate or credit impacts)?
2. Model Explainability & Auditability	<ul style="list-style-type: none"> • The "Audit Defence" Test: If an auditor, regulator, or board member asks why a specific forecast, credit limit, or risk rating was generated, can the logic be explained clearly in plain language? • Transparency: Is the AI system a black box, or do finance teams have visibility into the key variables driving outputs? • Documentation: Are the model's assumptions, limitations, and intended use cases formally documented and reflected in the corporate risk register?
3. Human-in-the-Loop & Control Safeties	<ul style="list-style-type: none"> • Override Thresholds: At what financial value, risk exposure, or exception level is manual human review mandatory (e.g., transactions above a defined monetary threshold)? • The "Kill Switch": Is there a clearly defined procedure to immediately suspend or override an AI system if anomalous or unsafe outputs are detected?

Implications for Management Accountants and Finance Professionals

The growing use of AI-driven systems in finance, accounting, and banking does not diminish the role of professional judgment; rather, it fundamentally reshapes it. As AI increasingly influences forecasts, valuations, credit decisions, and risk assessments, management accountants and finance professionals are required to move beyond being users of outputs to becoming critical evaluators of how those outputs are generated and applied.

One key implication is the need to apply traditional finance and control disciplines to AI-driven systems. This includes robust validation, stress testing under adverse scenarios, clear documentation of assumptions, and independent review—principles long applied to financial models, but not always extended to advanced analytics and machine-learning tools. AI-driven outputs should be treated as decision-support inputs, not authoritative conclusions.

There is also a heightened responsibility around governance and accountability. Finance professionals are often best placed to define ownership of AI-driven decisions, establish escalation and override mechanisms, and ensure compliance with regulatory, ethical, and organisational standards. Where AI systems lack transparency or explainability, it is incumbent on professionals to challenge their suitability for high-impact decisions.

In an increasingly automated environment, the enduring value of management accountants and finance professionals lies in safeguarding decision quality, integrity, and trust.

Conclusion

The growing presence of AI-driven systems in finance, accounting, and banking represents a significant shift in how decisions are informed and executed. While these technologies offer clear benefits in terms of efficiency, scale, and analytical capability, recent failures demonstrate that AI does not eliminate risk—it

redistributes it. In many cases, the most serious consequences arise not from technical shortcomings, but from weaknesses in governance, oversight, and professional challenge.

For management accountants and finance professionals, AI failures serve as a reminder that accountability cannot be automated. Regardless of how sophisticated a system may appear, responsibility for decisions ultimately rests with those who design, approve, and rely on its outputs. Professional judgement, scepticism, and ethical awareness remain essential, particularly where AI-driven insights influence high-impact financial and strategic outcomes.

As organisations continue to embed AI into core processes, the role of finance professionals becomes even more critical. Their value lies not in competing with algorithms, but in ensuring that AI-driven decisions are transparent, controlled, and aligned with sound financial principles. In this sense, AI failures do not diminish the relevance of the profession—they reaffirm it.

AI does not remove judgment from finance; it relocates it, often to places where accountability is least visible.

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ADS ARE COMING TO AI. DOES THAT REALLY HAVE TO BE SUCH A BAD THING?

Ilayaraja Subramanian



American artificial intelligence (AI) company Anthropic this month attracted applause – and a surge in users – for clever advertisements poking fun at its competition.

In the commercials, an AI assistant awkwardly breaks away mid-conversation to push products such as shoe insoles and dating services. “Ads are coming to AI”, the Super Bowl-tied spots warned, but not to Anthropic’s own chatbot Claude.

The campaign quickly generated buzz because it played to people’s worries that inviting advertising into AI platforms, which many of us now rely on – and confide in – risks blurring the line between helpful advice and paid influence.

But that anxiety, while understandable, overlooks how advertising already works across much of the digital world.

In many ways, ads based on our interactions with AI aren’t such a big leap from the kinds of targeted advertising that already dominate search engines, social media feeds and e-commerce platforms.

And if transparent and well-designed, the shift could help people complete tasks faster and keep these tools widely accessible.

AI’s access and equity headache

This month, OpenAI’s ChatGPT began testing adverts with users in the United States. The company assures us any ads will be clearly labelled, kept separate from answers and accompanied by privacy protections and user controls.

The stakes are high: ChatGPT now boasts 800 million weekly users and ranks as the internet’s fifth most visited website. It has operated largely ad-free since its launch three years ago and only about 5% of users pay a subscription.

With room to grow, OpenAI has strong incentives to find a sustainable model that protects trust without undermining what made the service so popular.

If indeed transparent and optional, its advertising could help solve a basic funding problem. In practice, a small paying group cannot carry the full burden forever.

A light, clearly labelled ad model is one way the wider user base could contribute indirectly, much as they already do via television, YouTube, search engines and many news websites.

That matters for access. Around one in six people worldwide already use generative AI, but adoption is uneven and a digital divide is widening between richer and poorer countries.

If wealthier nations move faster, sustainable business models can help spread access by keeping costs down for students, job seekers and small organisations in emerging economies.

The convenience of ‘contextual’ advertising

For everyday ChatGPT users, the main upside of ads is that they can reflect what is needed in the moment, rather than what a tracker infers from past browsing.

Traditional digital ads use cookies and cross-site tracking to guess people’s interests over time. Contextual advertising, by contrast, targets what is happening on the page or in the moment and is often seen as a more privacy-friendly alternative.

OpenAI says ads will be matched to the conversation and may use past chats and ad interactions. Users will be able to dismiss ads, see why they were shown one and delete ad data.

If those controls work as promised, relevance would come from the question being asked, not from tracking across other websites. Imagine asking: "I'm hosting friends. What are two easy Mexican dishes, and what ingredients do I need?"

ChatGPT could give the recipe guidance first, then show a clearly labelled ad option, such as a local supermarket delivery link for the exact ingredients, or a sponsored meal kit that fits the budget and dietary needs. Instead of jumping between tabs, the user moves straight from decision to action.

For consumers, that is convenience. For advertisers, it is also efficiency, because the ad appears at the moment of genuine intent rather than being sprayed across the internet.

Another benefit is smoother communication. Conversational ads have the potential to function more like a shop assistant than a static banner. Instead of clicking away, opening tabs and filling in forms, follow-up questions can be asked in the same chat and personalised details returned quickly.

OpenAI suggests this could include sponsored listings that users can interact with in the chat. For instance, while planning a trip, a sponsored accommodation option might appear, allowing questions about availability, cancellation, location and total cost for specific dates and group size to be handled in one place.

Done well, this could reduce frustration and curb misleading

advertising, because people can challenge vague claims and ask for specifics before spending money.

Trust, transparency and limits

None of this removes the risks. Advertisements should not be allowed to change what a trusted AI tool such as ChatGPT recommends. And because ads are currently being tested with only a small group of users, the full extent of those risks cannot yet be observed or properly assessed.

That is why transparency and separation are not cosmetic. They are safeguards.

For now, it may be tempting to treat "ad-free" as the only ethical position, as Anthropic's new campaign implies. But the world is still early in this shift. These systems should be judged by what happens in practice – especially on transparency, user control and real protections against manipulation.

If those guardrails hold, it is worth considering the upside too: ads in AI tools could support access, reduce friction and help more people benefit from this powerful technology.

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REGIONAL OFFICE & BRANCH NEWS

India

First Intensive CMA Program in Kochi, India

The CMA program conducted from 10–19 January 2026 at the Novotel Kochi Infopark marked both the inaugural delivery of the CMA in Kochi and the resumption of face-to-face programs in India after a long hiatus. Delivered by Dr Chris D’Souza, Deputy CEO – CMA ANZ, and organised locally by Expert Edge, the program was characterised by vibrant engagement, robust discussions, and meaningful professional exchange.



Dr. Chris D’Souza delivering the CMA Intensive program in Kochin



Students participating with enthusiasm in the simulation game at the 1st CMA program in Kochin, India

Participant feedback was overwhelmingly positive, with many highlighting the dynamic learning environment, real-life perspectives, inspiring conversations, and the opportunity to reconnect with curious, like-minded professionals. The successful launch represents a significant step in re-establishing the Institute’s on-ground presence in India and expanding high-quality CMA delivery across the region.

Meeting with Chairman of International committee of ICMA India

Dr Chris D'Souza, Deputy CEO of the Institute of Certified Management Accountants, recently participated in a constructive online meeting between representatives of the Institute and members of the Institute of Cost Accountants of India (ICMAI) to explore potential areas of cooperation between the two organisations. Prof Janek Ratnatunga also took part in the online discussion and had earlier met personally with CMA Harkesh Tara in Melbourne.



Subsequently, Dr D'Souza met in Mumbai with CMA Ashish Thatte, Chairman – International Affairs Committee, to further the dialogue. As requested, a comprehensive set of documents outlining the Institute's membership framework, education programs, and professional positioning was shared to support ICMAI's preliminary review. The engagement reflects the Institute's ongoing commitment to strengthening international collaboration and advancing professional standards globally.

Meeting with President and council members of Bombay Chartered Accountants Society

Dr Chris D'Souza, Deputy CEO of the Institute of Certified Management Accountants, met with CA Zubin Billimoria, President, and CA Kinjal Shah, Vice President, of the Bombay Chartered Accountants' Society (BCAS) at the BCAS office in Mumbai on 27 January 2026. The meeting provided an opportunity to discuss the earlier proposal submitted to BCAS and to explore potential avenues for collaborative programs between BCAS and the CMA team.



The discussions were constructive and forward-looking, focusing on possible joint initiatives in executive education and professional development. The engagement reflects the Institute's continued outreach to leading professional bodies in India to strengthen partnerships and expand strategic management accounting education in the region.

Indonesia

CMA Bartch 18 Intensive Face-to-Face Program Completed

Another CMA program was conducted at Ciputra Hotel in Jakarta on February 7-13, 2026. This was the 18th CMA intensive program organised by Dr Ana Sopanah of RAD Indonesia. The program was facilitated by Professor Janek Ratnatunga, the CEO of ICMA Australia and Dr Chris D'Souza, ICMA COO/CFO.



The organisers, participants and presenters of the 18th CMA Intensive Program in Jakarta



Students listening intensively at the training s at the 18th CMA program in Jakarta



Prof Janek Ratnatunga, conducting the simulation game at the 18th CMA program in

Continuing Professional Development (CPD)

CPD Training was also conducted for ICMA members. They undertook Certification programs of the Academy of Finance and Management Australia (AFMA) organised by Dr. Ana Sopanah of RAD Indonesia. Dr Chris D'Souza, ICMA COO/CFO conducted the Certified Business Valuer (CBV); and Prof Janek Ratnatunga, ICMA CEO, conducted the Certified Environmental & Sustainability Analyst (CESA) seminars. They were undertaken by CMAs as part of their CPD requirements.



Lebanon

Headway Hosts 16th CMA Session in Lebanon

The CMA session held in Beirut at Le Gabriel Sofitel Hotel from Saturday the 7th to Saturday the 14th successfully brought together a dedicated cohort of accounting and finance professionals committed to advancing their managerial and strategic expertise under the ICMA Australia CMA program. Delivered in an intensive, executive-style format, the program combined structured lectures with applied group case studies and discussions, enabling participants to translate CMA frameworks into real-world accounting, financial, and strategic decision-making contexts. The atmosphere was highly interactive, reflecting the practical and professional orientation of ICMA Australia.



The participants of the 16th CMA Qualifying Program held in Beirut, Lebanon with their trainer. Dr. Fawaz Hamidi



Dr. Fawaz Hamidi conducting the Training in the 16th CMA Qualifying Program held in Beirut, Lebanon

Participants represented a strong cross-section of the accounting and finance community, including senior accountants, finance managers, auditors, and financial controllers from various industries. Their professional experience enriched peer learning and classroom dialogue. The high level of engagement throughout the week highlighted the continued relevance and value of the ICMA Australia CMA designation for professionals in the region seeking internationally recognized credentials and strategic capabilities.

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CMA EVENTS CALENDAR

- **January 10-18, 2026:**
CMA Program Workshop Batch 1, organised by Expert Edge, Kochin, India.
- **February 7-13, 2026:**
CMA Program Workshop Batch 18, Jakarta, organised by RAD Indonesia.
- **February 7-13, 2026:**
CMA Program Workshop Batch 16, Lebanon, organised by Headway Business Support Services (HBSS), Beirut, Lebanon.
- **Feb 28- March 2, March 7-8 & 14-15, 2026:**
Twelfth CMA Global Zoom Program in Strategic Cost Management & Strategic Business Analysis, Syme Business School, Australia. (Zoom).
- **March 21-29, 2026:**
CMA Program Workshop organised by Academy of Finance, Sri Lanka.
- **April 11-19, 2026:**
CMA Program Workshop organised by SMART Education Group, Dubai.
- **April 25-27, 2026:**
Certificate of Proficiency in Strategic Cost Management, and April-30-May 3, 2026: Certificate of Proficiency in Strategic Business Analysis SMU Academy, Singapore (14th Intake). (Zoom).
- **April 26-May 4, 2026:**
CMA Program Workshop organised by SMART Education Group, Dubai.
- **August 1-7, 2026:**
CMA Program Workshop, Jakarta, organised by RAD Indonesia
- **August 10, 2026:**
International Management Accounting Conference (IMAC), Indonesia.
- **August 29-31, 2026, Sept 5-7 & 12-13, 2026:**
Thirteenth CMA Global Zoom Program in Strategic Cost Management & Strategic Business Analysis, Syme Business School, Australia. (Zoom).
- **September 19-27, 2026:**
CMA Program Workshop organised by Academy of Finance, Sri Lanka.
- **Nov 7-15, 2026:**
CMA Program Workshop organised by SMART Education Group, Dubai.

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