IFRSs & Financial Analytics for women leaders
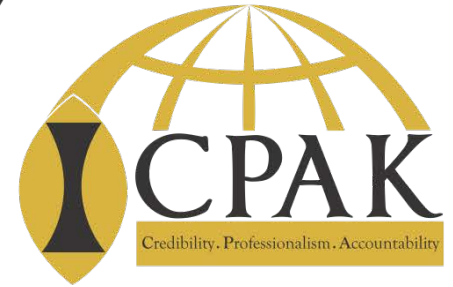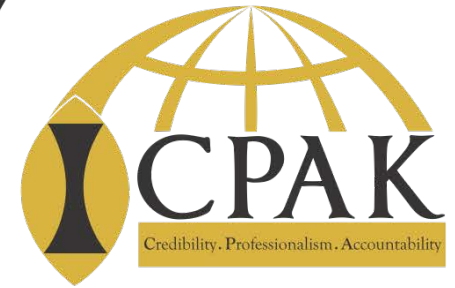
Agenda

❖ Introduction

❖ Overview of Accounting Standards as a tool for the modern-day lady accountant

❖ Financial analytics skills for impactful and factual decision making for women leaders
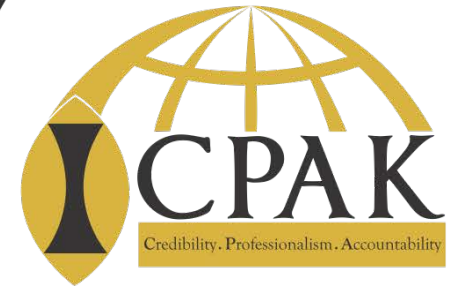
Introduction

Without women's full inclusion at the decision making table, we cannot have any healthy decision making that is good for men and women alike.

Zainab Salbi

Introduction

Accounting as a liberal profession is characterized by a marked intellectual character and requires a high-level qualification and specialized training.

A common trait shared by liberal professions is conservatism, i.e. the commitment to the traditional structure of organisations, namely to values, principles and ideas, the unwillingness to adopt changes, the resistance to innovation (Muller 1997; Grigsby 2008) and the attitude towards gender aspects (Kyriakidou et al. 2013; Dambrin and Lambert 2012).

Overview of IFRSs as a tool for the modern-day lady accountant

Scope and Authority of IFRSs
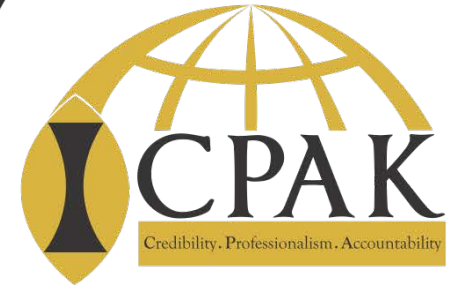
- IFRSs apply to the general purpose financial statements (GPFS) and other financial reporting of profit-oriented entities.

- The objective of GPFS is to provide financial information about the reporting entity that is useful to existing an potential stakeholders in making decisions relating to providing resources to the entity

- IFRSs set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in the GPFS.

The Conceptual Framework
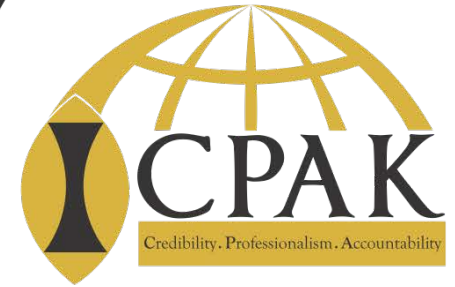
The Conceptual Framework deals with:

a) The objective of financial reporting

b) The qualitative characteristics of useful financial information

c) The definition, recognition and measurement of the elements from which financial statements are constructed
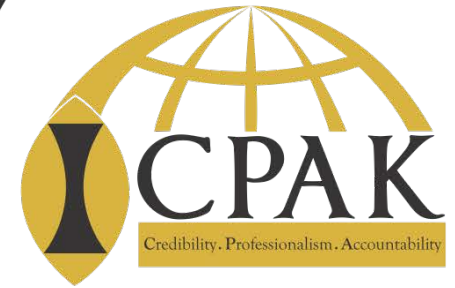
d) Concepts of capital and capital maintenance

Qualitative Characteristics of useful financial information
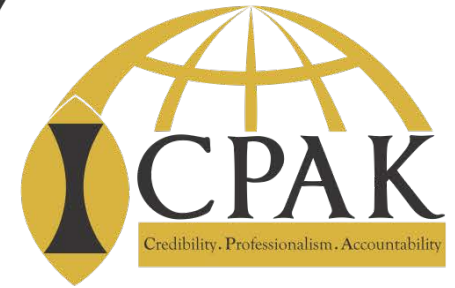
Fundamental Qualitative Characteristics

1) **Relevance -** capable of making a difference in users' decisions. It has predictive value, confirmatory value and considers materiality.

2) **Faithful representation -** faithfully represents the phenomena it purports to represent. To be a faithful representation, it would have to be **complete**, **neutral** *(unbiased) and* **free from error** *(accurate in all respects)*

Qualitative Characteristics of useful financial information

Enhancing Qualitative Characteristics

1) **Comparability -** Information is more useful if it can be compared with similar information about other entities and information about the same entity for another period.

2) **Verifiability -** Knowledgeable and independent observers could reach consensus, but not necessarily complete agreement, that a depiction is a faithful representation

Qualitative Characteristics of useful financial information
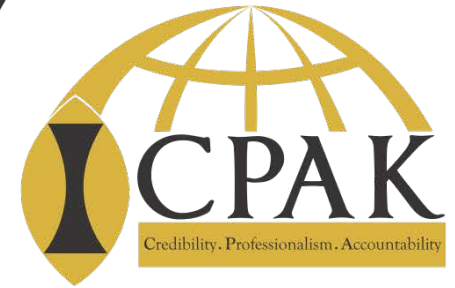
Enhancing Qualitative Characteristics – (continued)

3) **Timeliness -** Having information available to decision-makers in time to be capable of influencing their decisions

4) **Understandability -** Classify, characterize, and present information clearly and concisely

Underlying assumptions when preparing GPFS
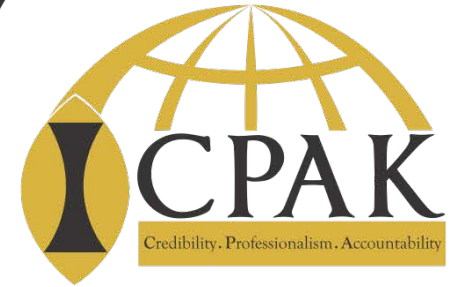
- GPFS are prepared on the assumption that an entity is a going concern and will continue in operations for the foreseeable future.

- Going concern basis assumes that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

- If intention to cease operation or to liquidate exist, financial statements have to be prepared on a different basis and, the basis used be disclosed.

Financial analytics skills for impactful and factual decision making for women leaders

Analytical Procedures
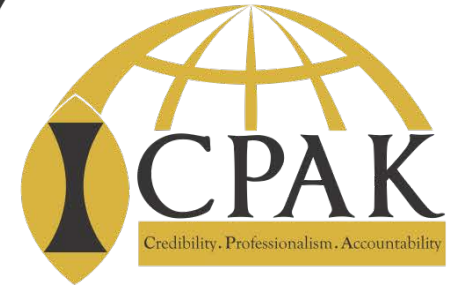
ISA 520.4

- "Analytical procedures" means evaluations of financial information through analysis of plausible relationships among both financial and non-financial data.

- Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

Designing Analytical Procedures

- Develop expectation

- Determine acceptable difference (margin of error or tolerable error)

- Compare account balance with expectation

- Investigate significant differences

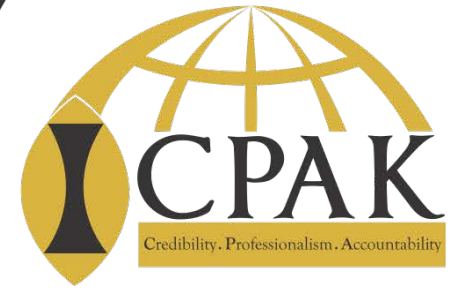# Types of Analytical Procedures

- Simple Trend Analysis

- Ratio analysis

- Predictive analysis

- Data analytics

Analytical Skills
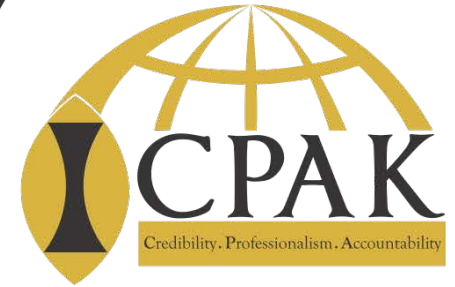
Analytical skills refer to an individual's ability to identify a problem, investigate to find out relevant facts and a logical solution.

The ability to forecast, plan, prioritize, rank and recognize financial problems

Analytical skills enable solving of problems utilizing strategic planning and analysis of financial resources, markets and products to help in making sound financial decisions.

Critical Skills

Communication

Analytical findings must be understood. The analysis may need to be presented in written form, charts etc.

Research requires collecting information and relevant data, then compiling it before analysing it.

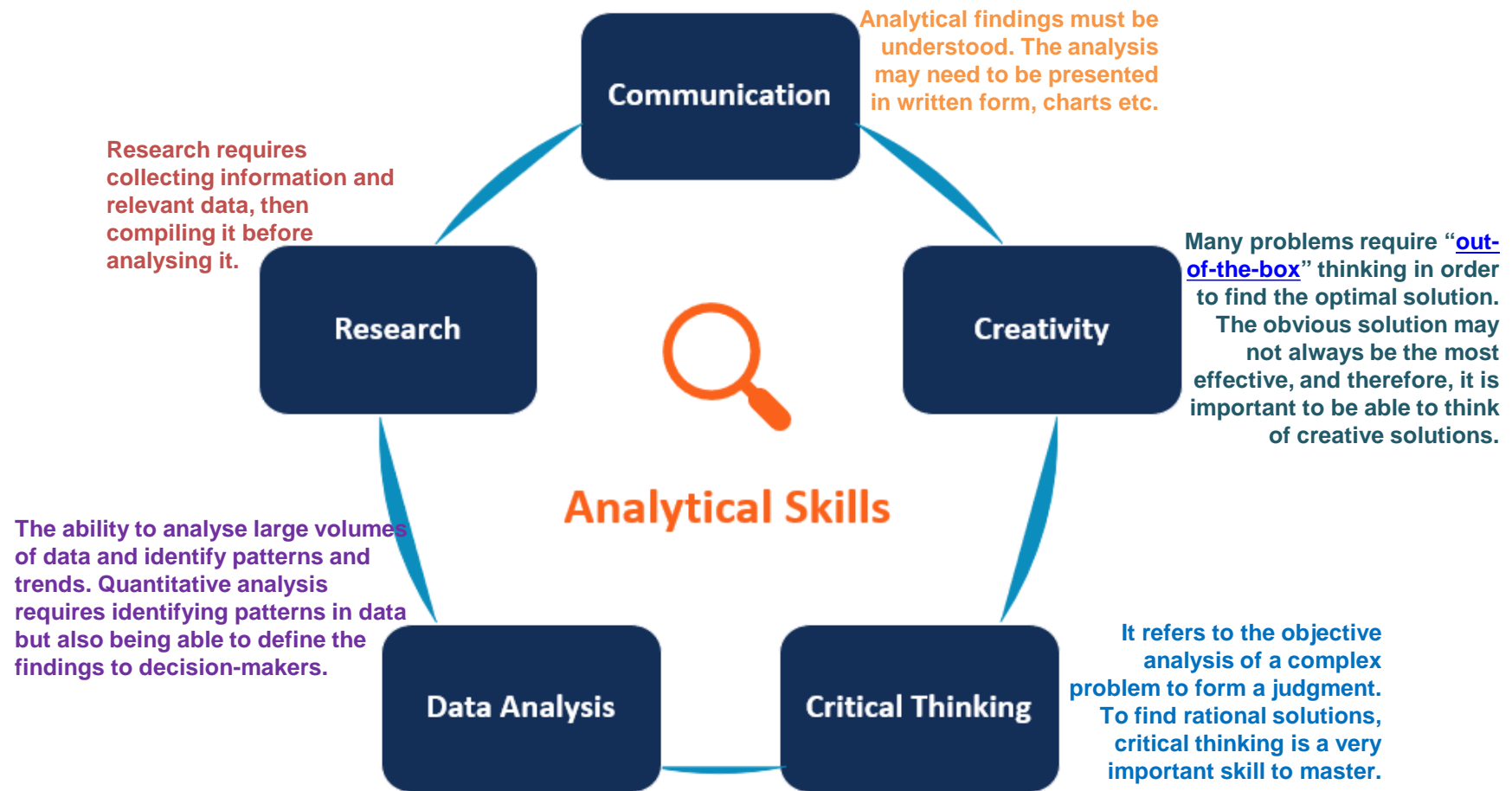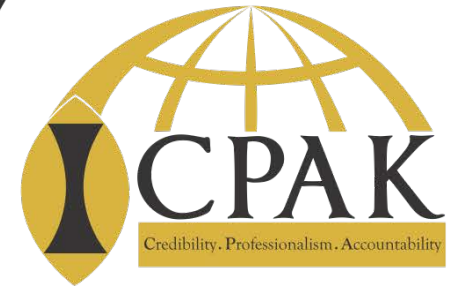**Research**

Creativity

Many problems require "out-of-the-box" thinking in order to find the optimal solution. The obvious solution may not always be the most effective, and therefore, it is important to be able to think of creative solutions.

Analytical Skills

The ability to analyse large volumes of data and identify patterns and trends. Quantitative analysis requires identifying patterns in data but also being able to define the findings to decision-makers.

Data Analysis

Critical Thinking

It refers to the objective analysis of a complex problem to form a judgment. To find rational solutions, critical thinking is a very important skill to master.

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Why is financial analysis important?

Today's businesses require timely information for decision-making purposes

Every company needs prudent financial planning and forecasting

The emergence of a new business model, the diverse needs of the traditional financial department, and advancements in technology, all point to the need for financial analytics.

Financial analytics can help shape up the business' future goals. It can help you improve the decision-making strategies for your business.

Financial analytics can help you focus on measuring and managing your business' tangible assets such as cash and equipment.

It provides an in-depth insight into the organization's financial status and improve the cash flow, profitability, and business value.

Important financial analytics you need to know.
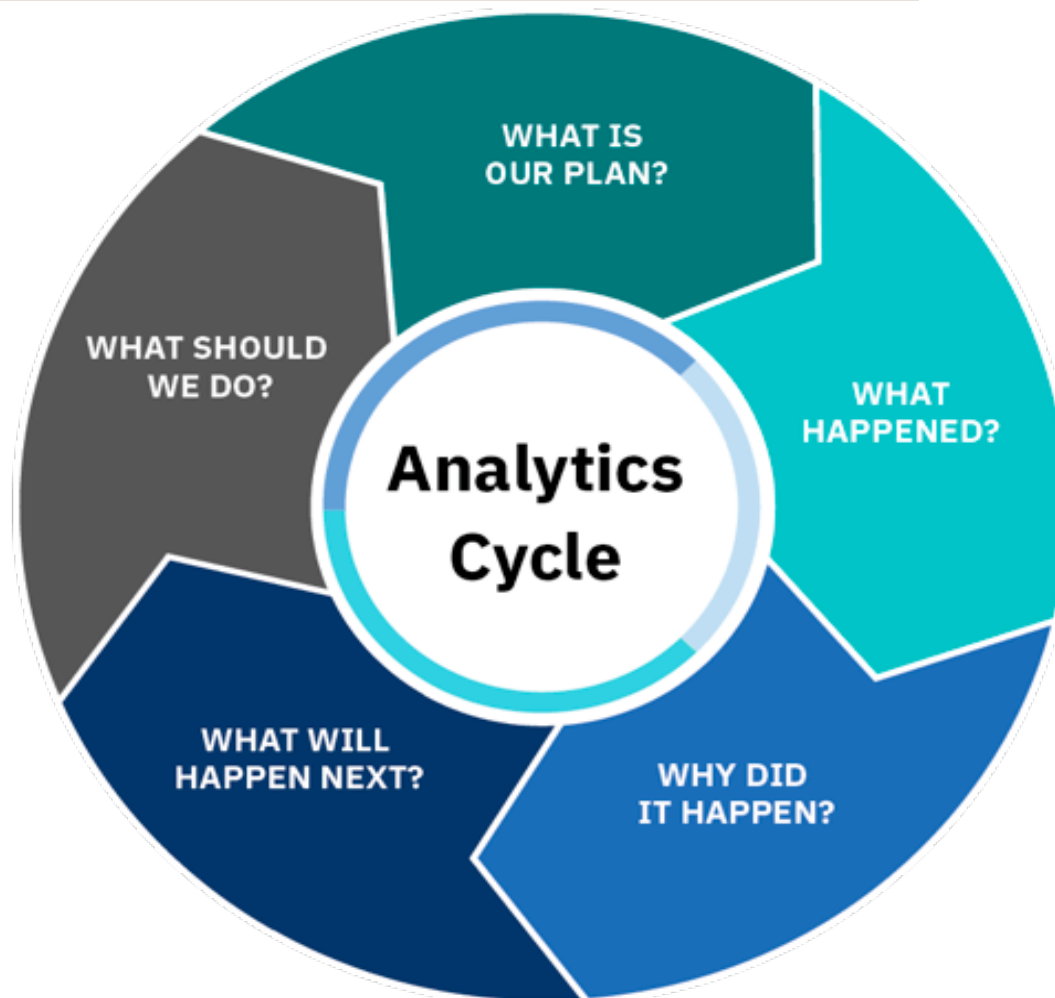
SO WHY IS FINANCIAL ANALYTICS IMPORTANT?

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Why is financial analysis important?

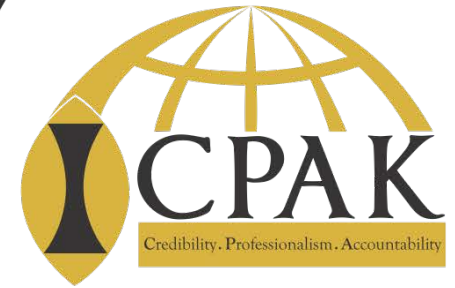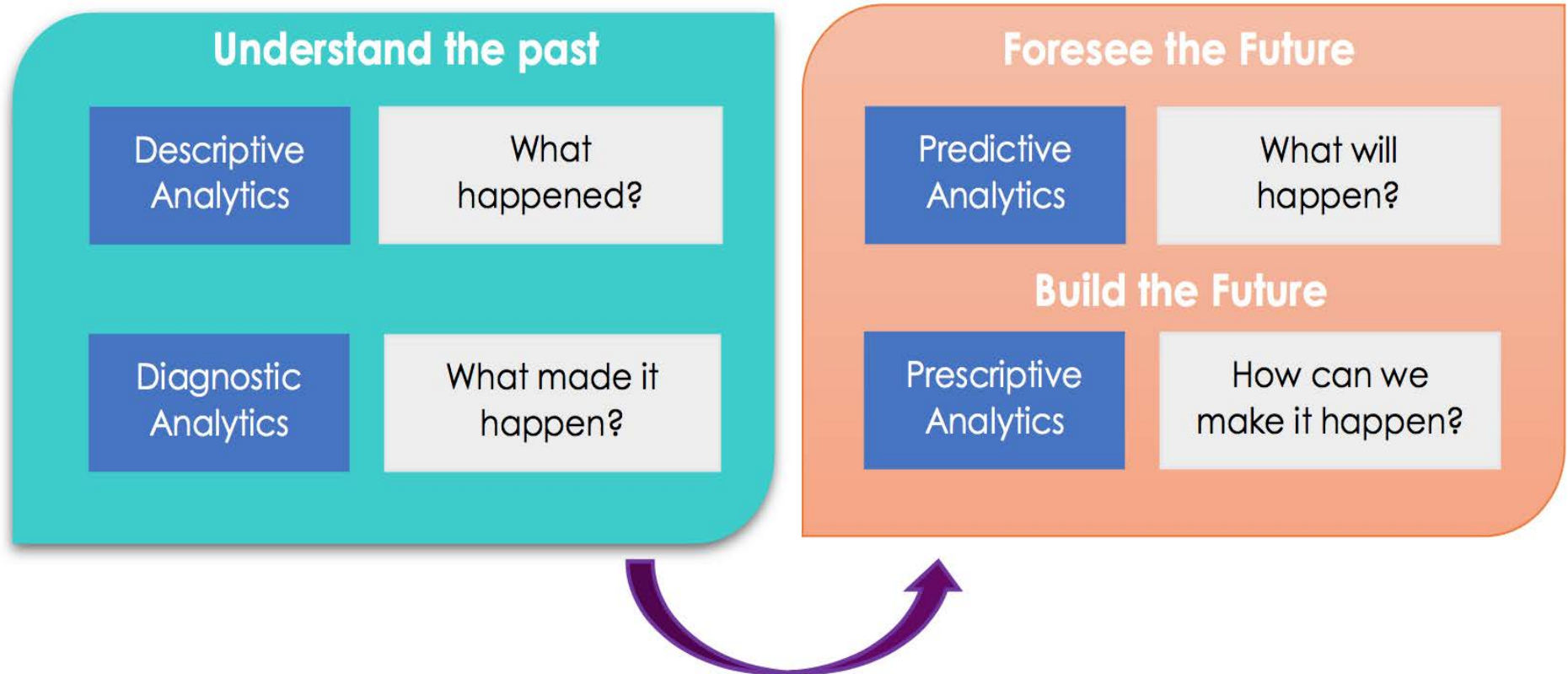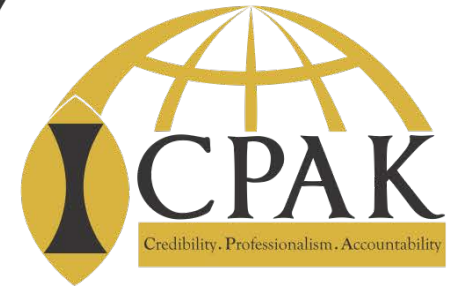**Vision:** A world class Professional Accountancy Institute.
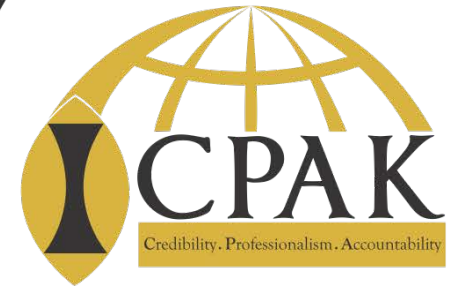
Predictive analysis

- A technology that learns from experience (data) to predict the future behaviour of individuals in order to drive better decisions.

- The main components of predictive analytics include:

  - The Data - improve decision making based on the data quality;

  - The Statistics - mathematical techniques applied to the data to derive predictions;

  - The Assumptions - the key factor in any predictive model. The key assumption that underlies it.

Predictive analysis

Understand the past

| Descriptive Analytics | What happened? |
| Diagnostic Analytics | What made it happen? |

Foresee the Future

| Predictive Analytics | What will happen? |

Build the Future
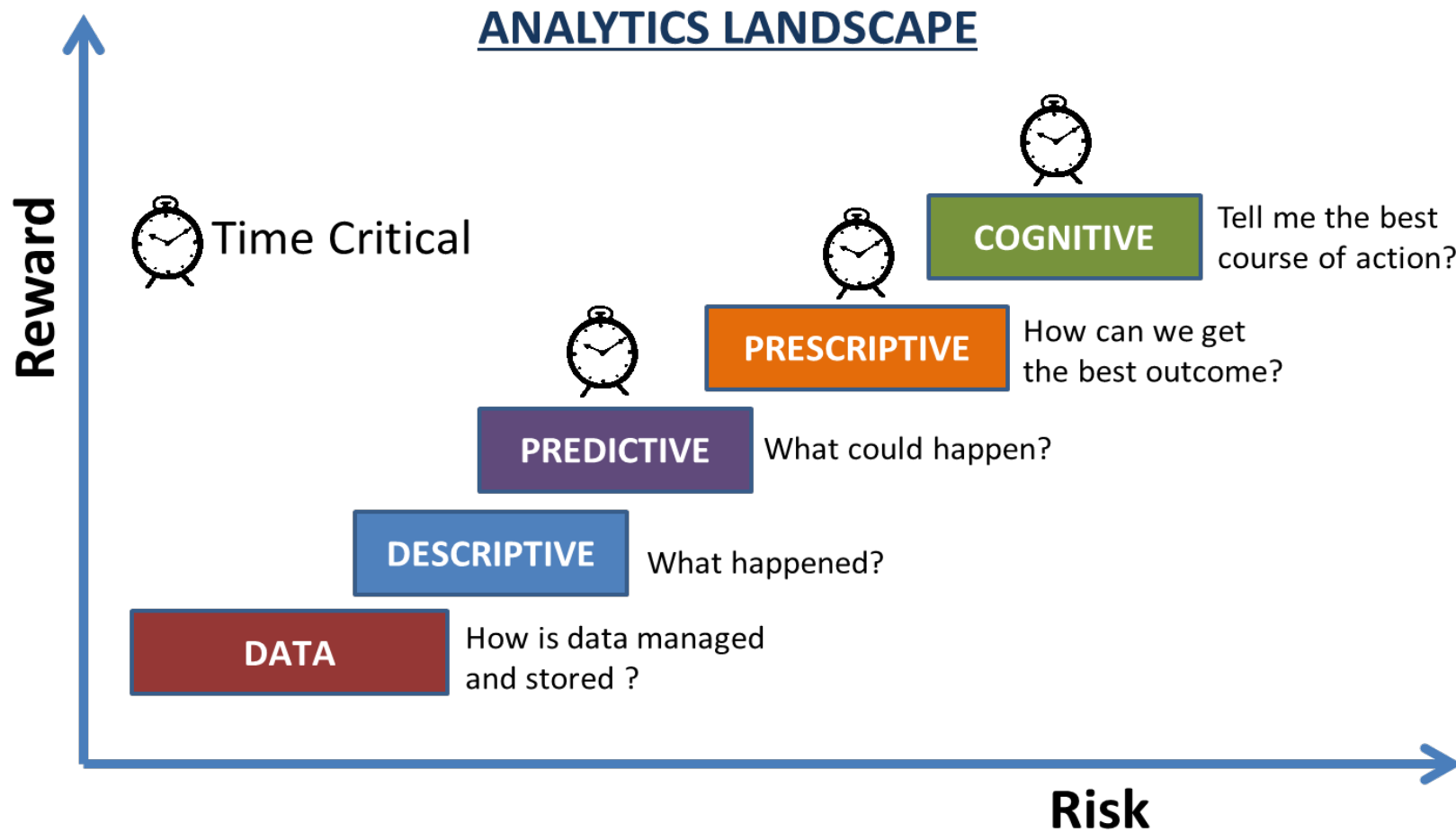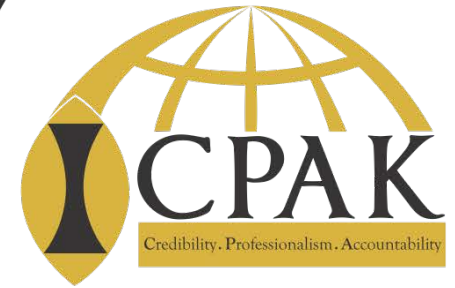
| Prescriptive Analytics | How can we make it happen? |

Evolution of Predictive analysis

1) Descriptive analytics is dominant today and with low to medium risk and reward. It condenses data into nuggets of insights summarizing what happened.

2) Predictive analytics (medium risk and reward) uses a combination of several statistical, data mining, and machine learning techniques to analyse data to make probabilistic time-critical forecasts about the future.

3) Prescriptive analytics goes beyond descriptive and predictive analytics. It recommends one or more courses of action and the likely outcome of each action, including the usually time-critical "next best action".

4) Cognitive computing systems continuously build knowledge over time by processing natural language and data. These systems learn a domain by experience just as humans do and can discover and suggest the "best course of action"; providing highly time-critical valuable guidance to humans.
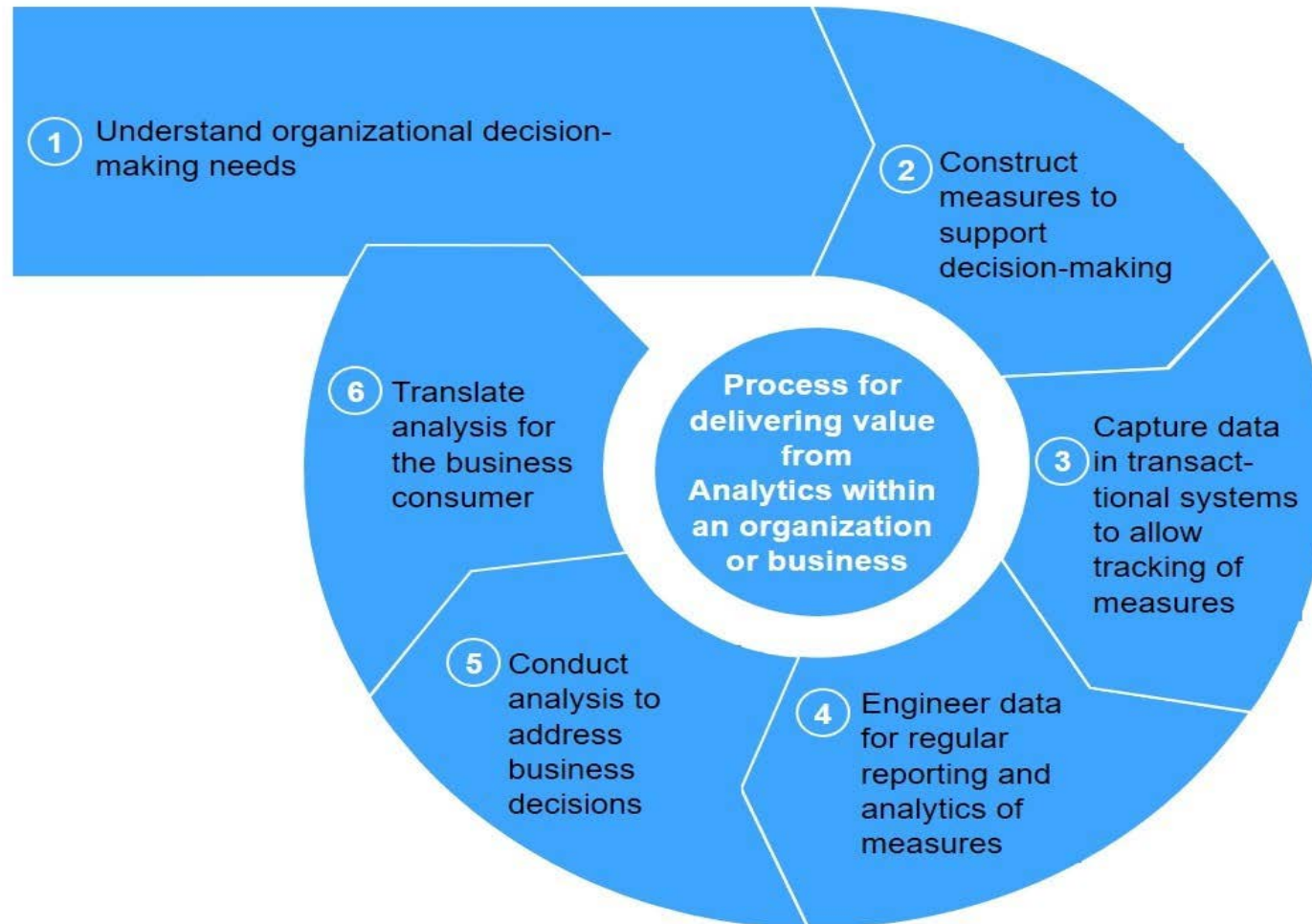
Evolution of Predictive analysis

ANALYTICS LANDSCAPE

Reward

Time Critical

COGNITIVE — Tell me the best course of action?

PRESCRIPTIVE — How can we get the best outcome?

PREDICTIVE — What could happen?

DESCRIPTIVE — What happened?

DATA — How is data managed and stored ?

Risk

Building an analytics team for impact in an organisation
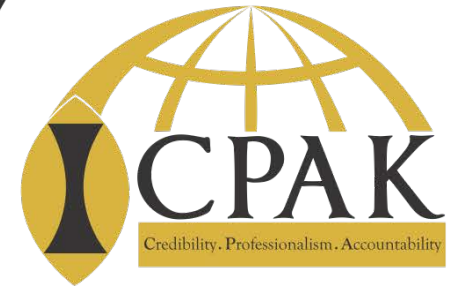
DECISIONS ARE THE HARDEST THING TO MAKE, ESPECIALLY WHEN IT IS A CHOICE BETWEEN WHERE YOU SHOULD BE AND WHERE YOU WANT TO BE.

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