

## Editorial

Dear readers,

This and the next upcoming editions of the 4050 Newsletter will discuss the requirements on financial reporting from various perspectives. The view of a preparer will start this series. A smart concept of management reporting that is linked with financial reporting is vital for permanently and consistently meeting all expectations of quality and schedule. This is also the target of integrated reporting. Read details in section "Focus on".

The initiation phase of a project requires special diligence in preparing the project set up. Such efforts rendered at the very beginning of a project pay back in avoiding trouble in the future course of the project. Find more information on that interesting topic in section „Project hiccups“.

We welcome your feedback. Please contact



Dr Astrid Kreil-Sauer  
Geschäftsführerin  
4050 Consulting GmbH

### Focus on: Requirements on Financial Reporting – A Preparer’s Perspective

Closing the balances and preparing financial statements are usually accompanied by deadline pressure. In addition there are often enough functional problems for which the preparer of financial reporting must find ad hoc-solutions. All the efforts culminate in preparing the financial statements, in producing management reporting and in passing the annual audit. And once all is successfully done, it is summed up neatly: "After the closure is before the closure."

The good news is: There are some adjusting screws in the whole, endlessly recurring process that help the preparer in shaping the process of financial reporting towards efficiency and value added.

#### Efficient and Effective Closure and Reporting Process

Most likely the most important requirements of a preparer are the ones in stringent organisation and preparatory activities. Primarily, this includes the timely reporting of data in the required quality by the different reporting units as well as reliable and up-to-date processes and applications.

When requirements in time and quality are met, the preparer is able to perform each accounting step only once. Time-consuming corrections or repetitions of one

## News

### IPSAS Improvements 2014

The IPSAS Board (IPSASB®) published the IPSAS Improvements 2014 on 22 January 2015. Changes relate to standards IPSAS 1, 17, 28 and 31. They are applicable for reporting periods starting on or after 1 January 2015. More details may be retrieved from the website of the IPSASB: <https://www.ifac.org/publications-resources/improvements-ipsass-2014>

### IPSASs 33 – 38 published

In late January 2015 the IPSASB has published the new standards IPSAS 33 „First-time Adoption of Accrual Basis IPSASs“, IPSAS 34 „Separate Financial Statements“, IPSAS 35 „Consolidated Financial Statements“, IPSAS 36 „Investments in Associates and Joint Ventures“, IPSAS 37 „Joint Arrangements“ and IPSAS 38 „Disclosure of Interests in Other Entities“. More information and the standards themselves are available on the website of the IPSASB: <https://www.ifac.org/public-sector/publications-resources>

or more procedural steps due to incomplete and/ or wrong reported data could be avoided.

Systems and applications required for processing the closure and financial reporting should be updated before the closure activities start. Efforts for changing processes and testing activities are hard to arrange within a given, tight time-schedule. Good preparation and the certitude of working in accordance with a binding standard, will allow a focussing on the actual closure and financial reporting procedures.

Efficiency and effectiveness are also the results of a reporting system, which provides for the required reports in an automated manner with limiting manual follow-up processing.

#### Value added for the Users of Financial Reporting

The timely and appropriate preparation of financial reporting is often enough a real feat of strength. What a pity if the financial statements or the management reports were used only at the respective meetings of the management board or supervisory board or the general assembly when the results of the financial year are discussed. How motivating it will be on the other hand if those reports will be used as comprehensive tool throughout the year.

In order to stimulate such use, the preparer should design financial and management reporting in a way

that the information needs of as many users as possible will be met. The statutory publication obligations cannot be changed. Such obligations, however, could serve as starting point for the derivation of data and the generation of reports that are useful for the immediate management control.

Integrated reporting has a similar objective. It supplements financial reports by supporting non-financial information and additional analyses. Thus, integrated reporting enables an enhanced understanding of the financial and economic situation of the enterprise.

#### **Value Added of Basic Data**

Interactions of requirements in the external financial reporting and internal controlling necessarily result in connection points. IFRSs explicitly demands such connectivity by applying the management approach, e.g. in case of segment reporting or impairment.

It makes sense to design the underlying data management in a way that both the requirements of external financial reporting and internal controlling are met. Data for financial reporting purposes and data for controlling purposes should be kept congruent to each other as much as possible. This will allow an immediate usability of data for both reporting purposes.

## **Project Hiccups**

### **Pitfall: Definition of the Project**

It sounds like a truism, but regularly proves true in praxis: Vagueness and ambiguity during the phase of project definition may lead to serious problems – often just after months or even years. Time that is pretended to be saved while working on the project definition often has to be spent on a number of occasions due to time-consuming coordination loops and laborious turn-arounds. “Just start – details will be clarified later on.” – A project manager should never accept such a scarce mandate by the project owner.

“We do not know where to go, but we hurry up anyway.” This humorous saying is funny only at first sight. The one who needs to work following to this maxim will stop laughing very quickly. The highest risk of vague targets is the wasting of time and resources. This happens easily, when project teams are working in the

wrong direction or when they spend a lot of time and efforts for the elaboration of scenarios that are deemed inadequate by the project owner right from the beginning. Moreover, an insufficient liaison with other divisions, who are concerned by implementation or application issues in the run-up of a project, often results in time-consuming coordination loops and conflicts during the project course.

### **Solution: Questioning**

The risks outlined above may be mitigated only by comprehensive communication. This includes that project owner and project manager achieve a common understanding of project mandate and project scope as well as of the available cost and time budgets at the stage of defining a project.

Should the project manager have nothing but a shadow of a doubt concerning tasks, scope, available resources or any other subject mentioned by the project owner at the occasion of commissioning the project, he could only counteract by asking questions. The project manager must ask as many questions as required in order to clarify any uncertainties. Interpretation of words being spoken and assumptions of words not even being spoken but deemed to be meant are not useful at all and may cause a lot of trouble later in the course of the project.

A clear project mandate alone doesn't guarantee a successful project implementation. But it will provide for early drying of a source of misunderstandings and inefficiencies.

## **Events**

### **Seminar IPSAS/ EPSAS 19 March 2015 and 16 June 2015 in Karlsruhe**

4050 Consulting re-offers the seminar on the basics of IPSAS and EPSAS. The seminar will be held in German on 19 March 2015 and 16 June 2015 respectively. The seminar reflects the current evolution of EPSASs up to spring 2015. Details are available at [www.4050consulting.com](http://www.4050consulting.com) or may be asked for at [kontakt@4050consulting.com](mailto:kontakt@4050consulting.com).

## **Imprint**

Editor: 4050 Consulting GmbH • Paula-Modersohn-Str. 16 • 76227 Karlsruhe • [www.4050consulting.com](http://www.4050consulting.com)  
Editorial and content: +49 721 75979980 • [kontakt@4050consulting.com](mailto:kontakt@4050consulting.com)  
Registered office of 4050 Consulting GmbH is in Karlsruhe.  
Managing director authorised to represent the company: Dr. Astrid Kreil-Sauer  
Register court: Local Court Mannheim • HRB 718169  
VAT-Id-number DE291892518

Responsible for contents according to § 55 Abs. 2 RStV: Dr. Astrid Kreil-Sauer • Paula-Modersohn-Str. 16 • 76227 Karlsruhe

Copyright 2015 © 4050 Consulting GmbH Karlsruhe

The 4050 Newsletter is published quarterly and is available in German and English exclusively in digital form.

We cannot guarantee for the accuracy of the information contained in this newsletter, despite careful control.