

Editorial

Dear readers,

Our section „Focus on“ outlines the perspective of readers of financial information in this issue. To meet their interest, financial information must strike the balance between overview and detailed data as well as technical terms and understandability.

Meet the “Black Hole” in our section „Project Hiccup“ in this issue. The Black Hole will be first type of our new series of difficult project team members. The Black Hole absorbs all information but does not spread any. Please read how to avoid negative implications when having to deal with Black Holes.

We welcome your feedback. Please contact



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Focus on: Requirements on Financial Reporting – The Reader’s Perspective

How should a good annual report be designed in order to benefit readers who are members of neither the organisation nor their supervisory boards nor auditors? Besides of banks and investors the public is reading annual financial information. Requirements important for all of them are outlined below.

Correct and Clear Information

All published information must be complete, clear and correct - this is a condition sine qua non. The level of detail that is usually required by law, however, often quickly overloads the reader. To avoid that, a stepped approach may be helpful: Separate overviews succinctly summarise the principal results and developments in addition to detailed information. The reader is able to get an overview in a quick manner. He may get deepened insights by investigating the detailed information provided. In case a large number of readers is interested in overviews rather than detailed information, the publication of separate documents for overviews and detailed information may be advisable.

Continuity in Presentation

Another firm requirement is maintaining continuity in presentation of annual accounts. This is also a principle of proper accounting. Deviating from that principle is acceptable only in exceptional cases, mostly required by law changes. Popular example for such legally required discontinuity is the re-definition of sales proceedings and correspondent expenses advised by the

News

First German Commentary on IPSAS Published

Erich Schmidt Verlag has published the “Praxis-handbuch IPSAS“. This is the first comprehensive German commentary on all IPSASs applicable at present. Further information on this publication is available here: <http://www.esv.info/978-3-503-16399-1> .

IPSAS Consultative Advisory Group Established

The Public Interest Committee has established the so-called Consultative Advisory Group (CAG). Thomas Müller-Marqués Berger, EY, has been appointed as inaugural Chairman of CAG. Other group members will be nominated in the upcoming weeks. CAG will provide advice to the IPSAS Board and will facilitate their consultation with interested parties. CAG will also advise the implementation of IPSAS Board’s strategy and work programme and will provide inputs throughout the standard-setting process. CAG will hence strengthen the governance of the IPSAS Board.

Bilanzrichtlinien-Umsetzungsgesetz (BilRUG). Changes in reporting must be comprehensively explained. Adjusted comparatives must be published in order to facilitate meaningful comparisons with previous year’s results.

The principle of continuity is applicable not only for reporting and presentation of the annual accounts, but should be also respected for the communication of financial data as a whole. For example, rhythm and layout of financial information should be kept unchanged as much as possible in order to ensure high recognition value for the reader.

Attractive Presentation

Besides appealing layout of financial reports, attractive presentation avoids exuberant lists of figures and vast texts. Attractive presentation provides graphs for easy reading and clear structuring. Understandable language increases readability and contributes to higher acceptance by different groups of readers. Design elements, e.g. specific colour schemes, differentiate the annual report into detailed information and overviews and hence increase clearness of the report.

Outlook for Additional Insights

Annual reports comprise the Management’s assessments of future strategy and correspondent opportunities and threats. Specifying background information and general conditions enables the reader to an increased understanding and improved assessment of the economic situation of the organisation.

The most beautiful presentation, however, will be of no use, if the annual results are erroneous or deficient. In return, careful presentation of the annual accounts

should not be neglected in any way. After all, the annual report is the business card of the organisation.

Project Hiccup

The Black Hole

Probably everyone has already made very own experiences with the Black Hole. No, this is not a story about astrophysics or science fiction. It is a story about project team members or colleagues outside the project who attract any information – and then swallow it without sharing it with anybody else. The Black Hole may act out of negligence, out of misjudgement or deliberately.

Capture the Forgetfuls by Clear Rules

Sitting on information because of negligence normally incurs when the Black Hole simply forgets to share information. To counteract such behaviour the project manager should set up clear processes and rules of information already in an early stage of the project. And he should ensure that all project team members actually stick to those rules. The project manager should remind forgetful colleagues of their information duties – if necessary again and again. In the end it's the proverbial constant dripping that wears the rock away.

Making Misjudgement Dispensable

The Black Hole may be sitting on information because he is considering them unimportant and does not recognise that they are material for somebody else. This is not ill will, but simply misjudgement. A general rule applicable for all projects is: It is better to inform too often rather than holding back information.

Information may be made available to all project team members in a simple and quick manner by being collected in specific databases or folders. Adding information there, the individual staff member is relieved from assessing who might need that information. In order to limit the scope of information collection, the

project manager should define clear key words that characterise relevant issues.

It is also good practise to provide a dedicated “information block” in each team meeting. During that block, team members may present information and discuss who might require that information and how information could be shared at best.

Prosecuting Uncooperativeness

Cooperation with the Black Hole who is sitting on information or is sharing only selected information, both in order to obtain benefits for him, is certainly one of the most difficult areas for a project manager. Such behaviour is not only very uncooperative; it even may endanger the project's success if decisions are made upon the basis of incomplete information. As soon as the project manager notes an intentional retention of information, he must point the uncooperative Black Hole to the harmfulness of his behaviour and oblige him to share information appropriately in the future. Should the Black Hole be impervious to this advice, it is crucial to establish redundant information paths that cannot end into the uncooperative Black Hole any longer.

Events

Seminars around Financial Reporting

4050 Consulting re-offers the seminar on the basics of IPSAS and EPSAS on 15 March 2016. Other aspects of financial reporting are discussed in seminars on administrative controlling (28 April 2016 and 28 September 2016 respectively), local consolidated accounts (16 November 2016) and trends in financial reporting (30 June 2016). All seminars are held in German. Details are available at www.4050consulting.com or may be asked for at kontakt@4050consulting.com

Imprint

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