

ROLE OF THE FINANCE FUNCTION: ANALYSIS BEYOND THE NUMBERS.



Accountants normally perform account reconciliations and analysis periodically as part of their duties. When accountants (members of the finance team) don't fully understand or appreciate their role within a company, tasks like account analysis become a mere routine activity. Let us use a balance sheet account (Staff Debtors) to test the extent to which accountants perform analysis.

Let us assume that the staff debtors account for company A for the past three months looks as follows:

Extract of balance sheet as at 31/10/2017

	31/08/2017	30/09/2017	31/10/2017
	US Dollars	US Dollars	US Dollars
Staff Debtors	250,000	180,000	200,000

The obvious analysis that will be done will include the following:

- Print out the GL accounts that feed the Staff Debtors number in the trail balance and hence balance sheet,
- Obtain the updated list (schedule) of staff debtors from the Human Resources department,
- Trace new debits in the accounts to appropriate loan approval documents and list of staff debtors and ensure amounts are correctly recorded,
- Ensure reimbursements (credits) are done as per approved loan conditions to employees, ensure the correct deductions from salary are made per staff debtor,
- Ensure loans to employees are in accordance with relevant company policy (e.g. total of loans issued to employees should not exceed x% of total salary for the month),
- Get confirmation from some employees,

Beyond the number analysis - the following questions/procedures could provide more insight:

- What is the ratio of approved loans in a given period to loan applications? This can help identify personal financial stress amongst employees.
- Distressed employees would generally be more susceptible to errors and even fraud. Check occurrences of errors and poor performance against list of employees that have applied for loans from the company.
- If the number of loan applications are on the rise in a particular period, there could be external factors causing this; e.g. change in season hence outbreak of diseases, inflation in the local market (during dry seasons for example some food items are scarce hence price hikes). Check

the staff register for recorded sick leave/absences and compare with names from the list of loan applications.

- Is there a pattern in loan applications (dates, amount, reasons etc.)?
- Etc. etc.

Finance staff are able to make in-depth analysis and find patterns and explanations to various occurrences within the company. The result of these analysis form a very good basis for management to make decisions. Finance staff therefore play a decision support role in their companies.

The key question is: Do Finance Staff in your company understand their roles? And are they equipped to perform?

Companies operating in and around Lubumbashi, in the Democratic Republic of Congo should not miss the opportunity, offered by 25-45 Business Consulting Africa Sarl; to enhance the skills (including analysis skills) of their Finance Staff via the following upcoming workshop in November 2017:

- Skills Enhancement workshop for Finance Staff, 13-16 November 2017, at Hotel Lubumbashi, from 8:00 – 13:00 daily.

Do not hesitate to contact us for more information

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**ATELIER DE RENFORCEMENT
DES COMPÉTENCES POUR
LE PERSONNEL DE FINANCE**

SKILLS ENHANCEMENT WORKSHOP
FOR FINANCE STAFF

4 Jours: 13-16 Novembre 2017
8h – 13h
Hotel Lubumbashi
436-16 Avenue de la Paix, Lubumbashi
Prix : \$500 par participant
www.2545bc.com