

Vorlesung Unternehmensrechnung an der LMU – 3. Mai 2016

Unternehmensrechnung in der Beratungspraxis

Exemplarische EY Beratungsfälle



Building a better working world

Die EY Service Lines

Assurance Services

- ▶ Quartals-, Jahres- und Konzernabschlüsse prüfen
- ▶ Nachhaltigkeitsberatung und -Prüfung
- ▶ Wirtschaftskriminalität bekämpfen

Transaction Advisory Services

- ▶ Unternehmenstransaktionen gestalten
- ▶ Firmen den Turnaround ermöglichen

EY

Building a better working world

Advisory Services

- ▶ Performance erhöhen
- ▶ IT optimieren
- ▶ Risiken senken

Tax & Law Services

- ▶ Steuerschulden lichten
- ▶ Internationale Mandanten beraten

Junge und dynamische Teams
Verantwortung vom ersten Tag an
Internationale Erfahrung sammeln
Flache Hierarchien

Agenda

- ▶ Introduction – Importance of Accounting Confidence
- ▶ Case 1: Management Performance Reporting
- ▶ Case 2: Accounting for divestments and carve-outs
- ▶ Case 3: Big data strategy to support the finance function

Introduction – Importance of accounting confidence

Questions for the board



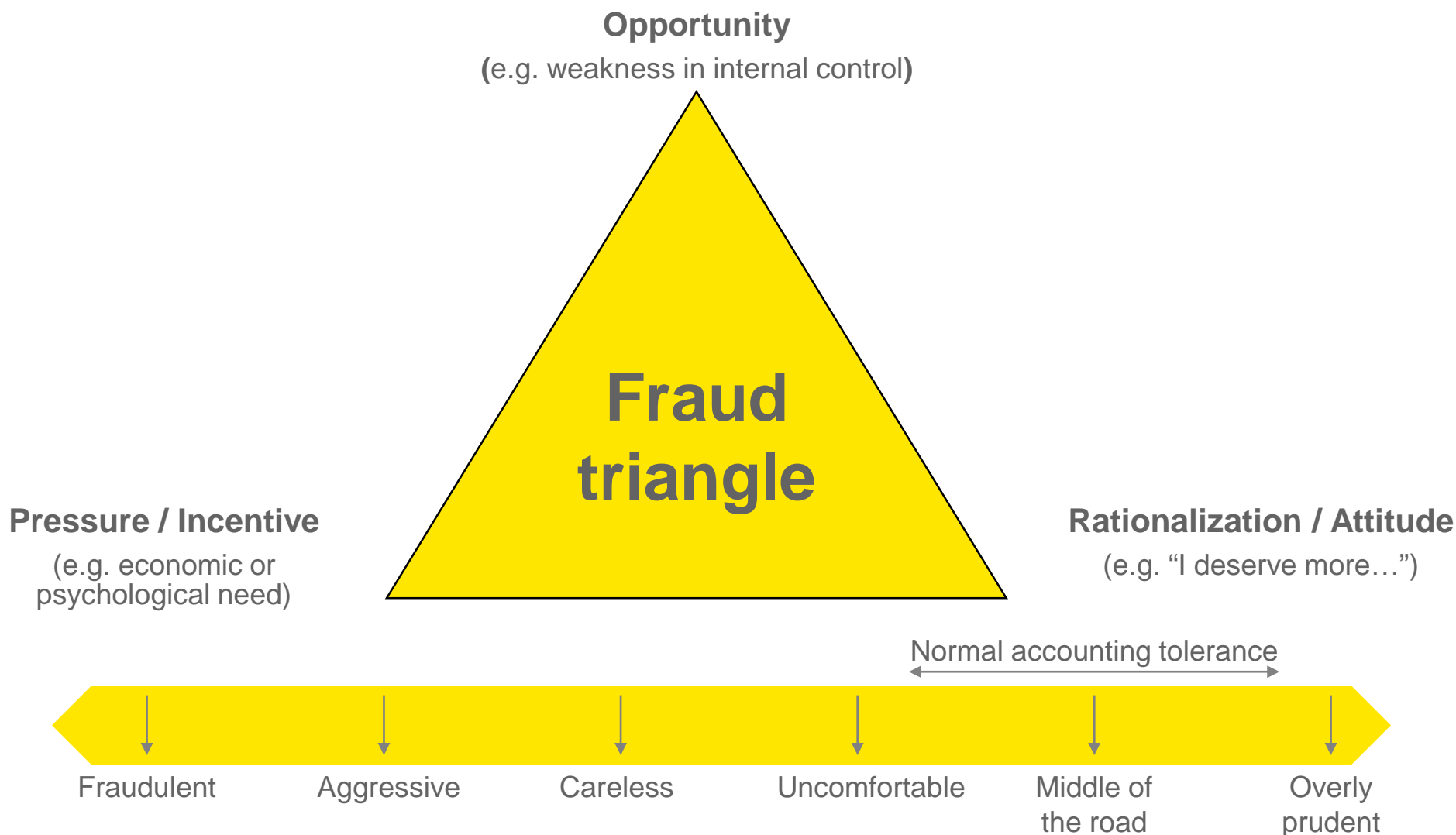
Introduction – Importance of accounting confidence

Landscape of financial reporting interfaces



Introduction – Importance of accounting confidence

Accounting fraud destroys confidence



Introduction – Importance of accounting confidence

The benefits

Creating accounting confidence breeds confidence throughout the organization, which permeates out to the market.

Internal

- ▶ Staff retention, through honesty and integrity
- ▶ A repeatable process at each period end and a smooth, efficient audit of the results

Quality communication

- ▶ Transparent underlying business performance with high-quality communication
- ▶ A chance to reset and to create consistency in global financial reporting

Stakeholder confidence

- ▶ The appreciation of stakeholders, who reward openness
- ▶ Clarity, with KPIs and management incentives matched to GAAP measures

Market stability

- ▶ The appreciation of the markets, which reward openness
- ▶ Increased confidence in the minds of investors, analysts and market commentators

Confidence in accounting means that companies can focus on operational and performance imperatives.

Agenda

- ▶ Introduction – Importance of Accounting Confidence
- ▶ **Case 1: Management Performance Reporting**
- ▶ Case 2: Accounting for divestments and carve-outs
- ▶ Case 3: Big data strategy to support the finance function

Management performance reporting

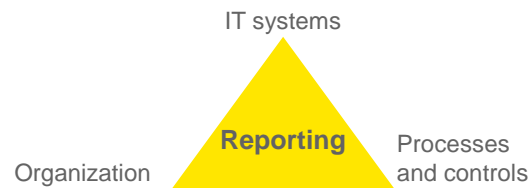
Principles of efficient financial and KPI reporting

Principles of efficient reporting		KPIs	Goal
<p>1 Adapt content for various users</p> <ul style="list-style-type: none"> ▶ Develop simplified analytical aggregates ▶ Use accounting data 	<p>Banks</p>	<ul style="list-style-type: none"> ▶ EBITDA ▶ Cash flows ▶ Net debt and covenants 	<ul style="list-style-type: none"> ▶ Improve financial performance of the group ▶ Reduction of debt
<p>2 Align your internal processes to generate relevant information</p> <ul style="list-style-type: none"> ▶ Develop optimized data-production processes (with relevant periodicity and homogeneity in methods) ▶ Increase the quality of internal controls 	<p>Shareholders</p>	<ul style="list-style-type: none"> ▶ Key financial indicators at a group or corporate level ▶ P&L indicators (sales, EBITDA, EBIT, PBT, NR) ▶ Cash flows or working capital ▶ Net debt and covenants ▶ CAPEX 	<ul style="list-style-type: none"> ▶ Improve financial performance of the group ▶ Review of the group strategy ▶ Approval of the financial reporting ▶ Steering of the business
<p>3 Align your IT systems to provide a consistent overview</p> <ul style="list-style-type: none"> ▶ Use existing IT system as much as possible ▶ Ideally, have a single department accountable for each system 	<p>Management</p>	<ul style="list-style-type: none"> ▶ Key financial indicators: <ul style="list-style-type: none"> ▶ Invoiced sales (by business line) ▶ Gross margin by item (average, deviation etc.) ▶ Performance of business line, agencies <ul style="list-style-type: none"> ▶ DSO receivables and payables ▶ P&L indicators (sales, EBITDA, EBIT, PBT, NR) ▶ Net debt and covenants ▶ B/S and WCR ▶ Cash flows ▶ CAPEX 	<ul style="list-style-type: none"> ▶ Improve financial performance of the group ▶ Review of the group strategy ▶ Approval of the financial reporting ▶ Steering of the business ▶ Internal benchmarking between business units

Management performance reporting

EY approach

1 Successful financial and KPI reporting is the result of getting the right balance between processes, IT systems and the organization.



- ▶ For example, reviewing the balance between a resource-consuming reconciliation process and an integrated workflow between different IT systems should be undertaken on a case-by-case basis.
- ▶ Short-term results should be achieved, while medium-term efficient methods of working (IT architecture, roles and responsibilities) at the organization should be preserved.

2 Financial and KPI reporting is decision-making oriented.



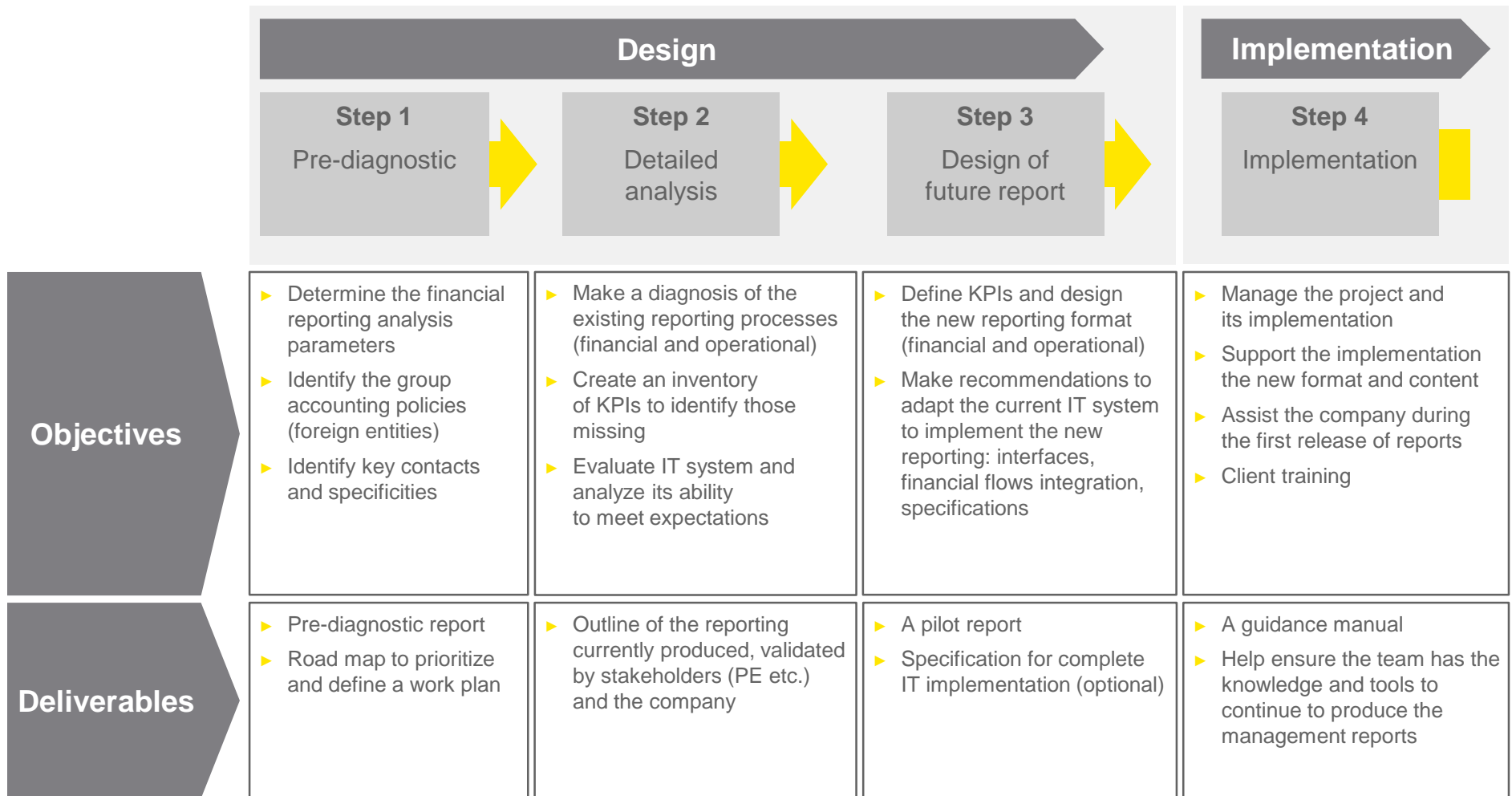
- ▶ It should support management in implementing a growth strategy. As such, it must be aligned with the future of the company and not only with its current state.
- ▶ The reporting should support the analyses of the organization's performance drivers.

3 Financial and KPI reporting reinforces the organization's culture.

- ▶ It allows stakeholders to see their contributions to the value creation.
- ▶ It constitutes the backbone for discussions and decisions on implementing the company strategy.
- ▶ All stakeholders should participate in the design and implementation of the KPIs and reporting structure.

Management performance reporting

EY consulting process



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- ▶ Case 3: Big data strategy to support the finance function

Accounting for divestments and carve-outs

Importance of financial information for divestment success

EY studies reveal that:

- ▶ Forty-six percent of global corporations are in the process of divesting or plan to divest in the next two years.
- ▶ Nearly 77% intend to accelerate their divestment strategy over the same period.
- ▶ Fewer than 50% of organizations carry out all the key steps to enhance the value story for their divestments.
- ▶ More than 50% of those selling assets do not position their divestment in the most appealing way to the widest range of potential buyers. As a result, they fail to maximize the value of their divestment.



**Accounting
and
financial
reporting
needs**

Accounting for divestments and carve-outs

Risk landscape of financial reporting for divestments

Multiple risk factors

Accounting for business transactions is one of the **most frequent sources of error** in financial reporting.

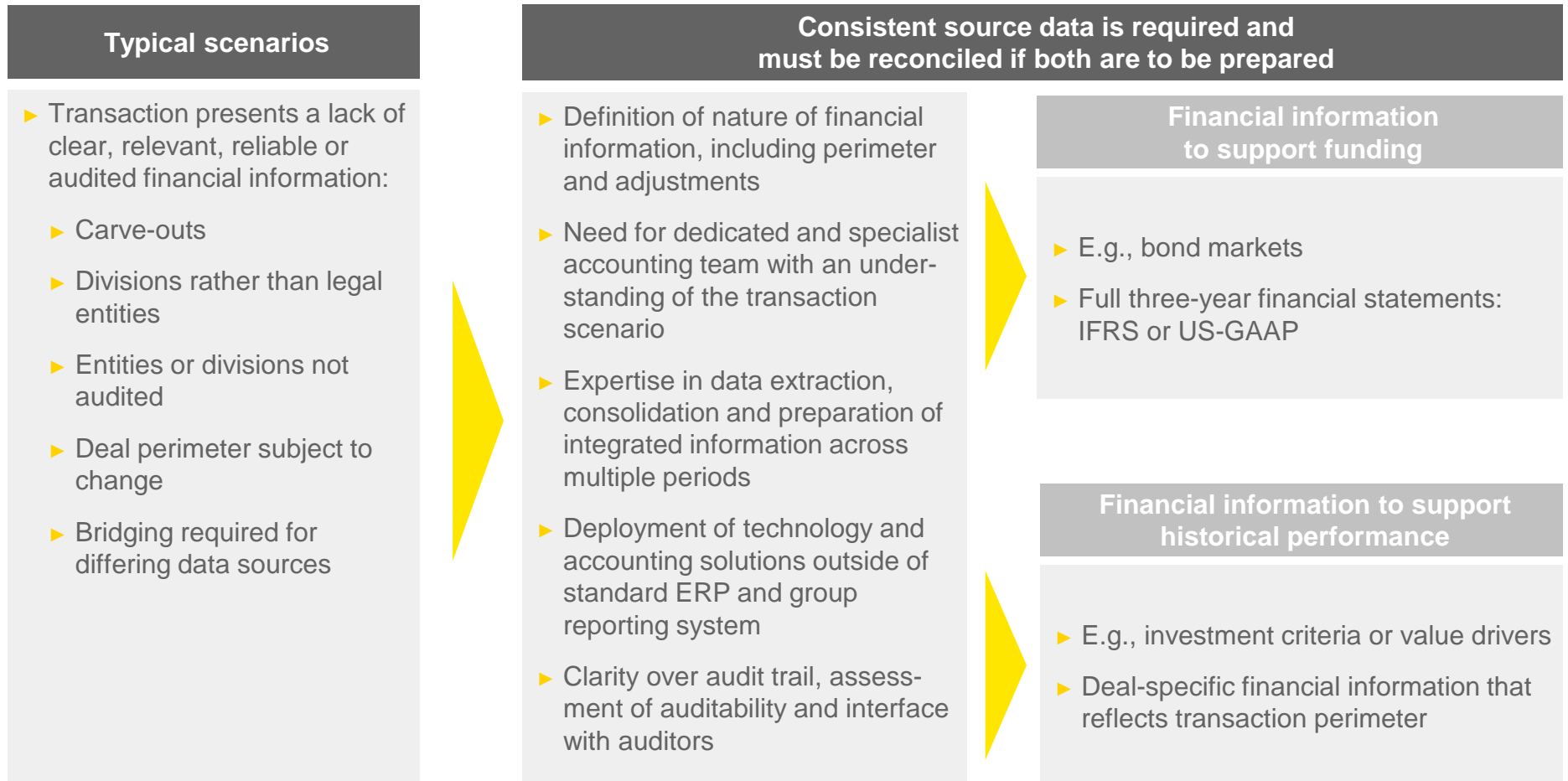
Business transactions are frequently complex and call for the **involvement of numerous specialists** (legal, tax, accounting, etc.).

Business transactions have a **significant influence on a group's financial position** and results of operations.

The accounting for a transaction at inception has a considerable impact on **future accounting-related risks** (for example, impairment).

Accounting for divestments and carve-outs

Complexity of financial information for divestments



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Big data strategy to support the finance function

Starting with a self-assessment

How mature is your big data approach?

Basic

Data is scattered throughout the firm.

Each business unit produces and manages its own data for its own purpose.

There is no awareness of the value of the data.

Developing

There is an awareness of cross-business data emerging regarding strategic data, mainly around customer experience, human resources or products depending on the industry.

Top management has to decide which data should be processed across the business unit.

Established

A big data strategy has been defined by senior management. It is focused on:

- (i) Conserving and protecting the key data of the firm
- (ii) Protecting the firm against major reputational and legal risks

In that environment, macro KPIs are designed to follow this strategy.

Advanced

A big data strategy is accepted across the business and resources are dedicated to its governance (CDO or chief privacy officer); there is dedicated budget and human resource, and a review of action plans.

Leading

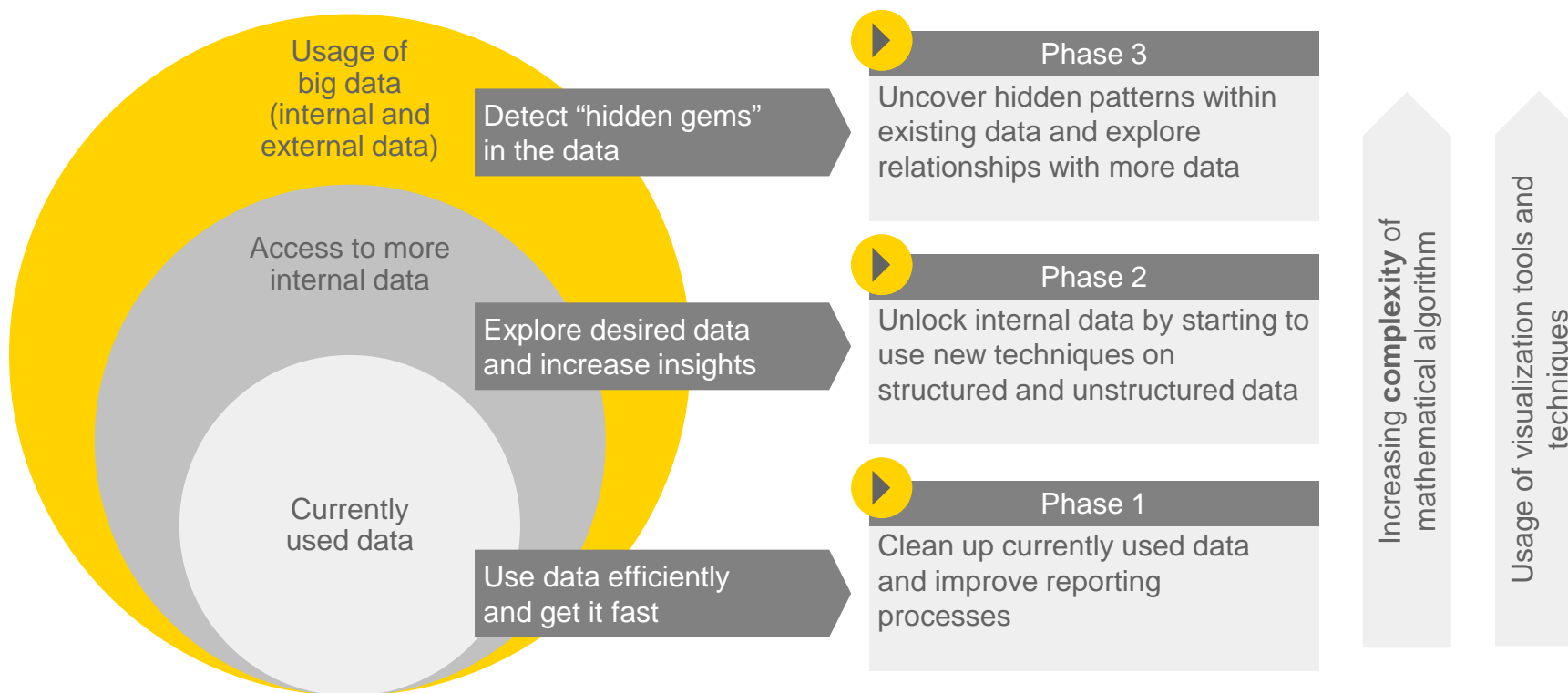
Producing quality data is a strategic priority, as it could produce a full revenue stream in its own right.

Partnerships for sharing and exchanging data are in place to optimize their value.

Big data strategy to support the finance function

EY approach – a three-phase approach to effective big data use

Very few firms fully exploit the potential of their data or even regard it as a corporate asset. EY uses a three-phase approach to unlock the value of data assets gradually.



Big data strategy to support the finance function

Example: Process mining (1/2)

Current accounting systems split recorded data in individual data points neglecting existing relations.



With process mining it is possible to identify and visualize the relevant data and respective relations.

Big data strategy to support the finance function

Example: Process mining (2/2)

Focus: Visualization of data and respective relations

Process Mining - Approach

- ▶ Extraction and processing of log files to generate the relevant data records

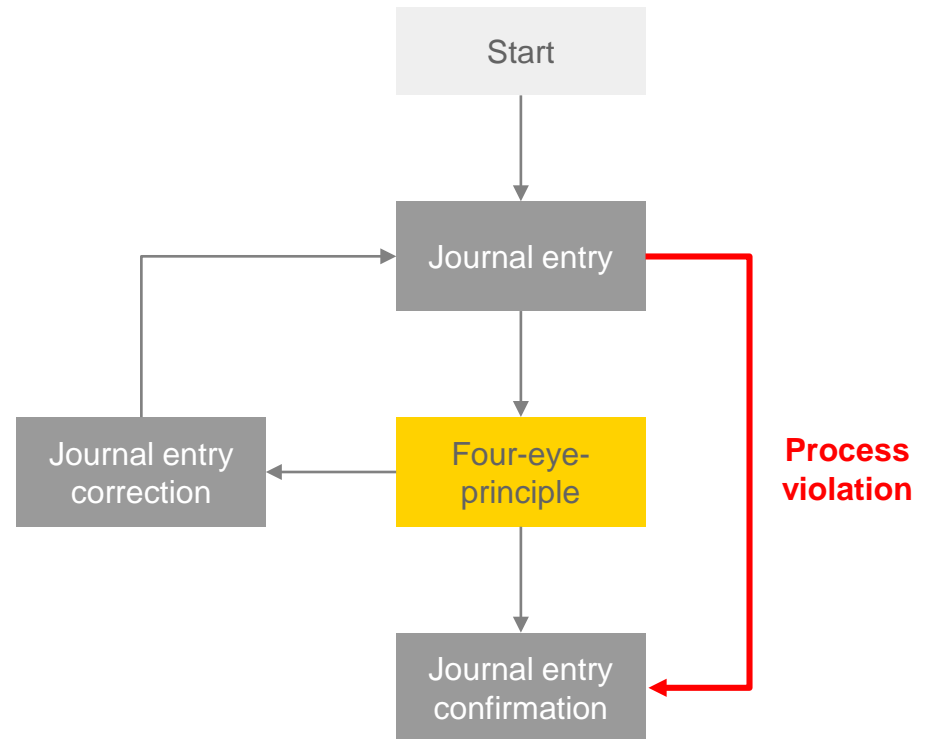
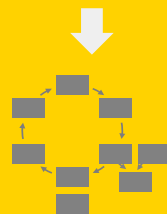


- ▶ Processing of the generated data records by appropriate Process Mining Software



Software

- ▶ Visualization of the process flow lying in the data record as a starting point for further analyses



Process Mining allows to identify process violations and risk areas within processes

Questions?

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Upcoming EY events an der LMU

EY Audit Challenge

- ▶ Großer EY Fallstudienwettbewerb für Studenten aus Deutschland, Schweiz und Österreich
- ▶ Erste Runde am 11.5.2016, 14-17 Uhr im EY Office in München
- ▶ **Anmeldung über Lehrstuhl-Sekretariat noch bis 4.5.2016 möglich**

Karrieremesse

- ▶ EY nimmt am 23./24.5.2016 am Firmenkontaktgespräch der LMU teil

Deutschlandstipendium

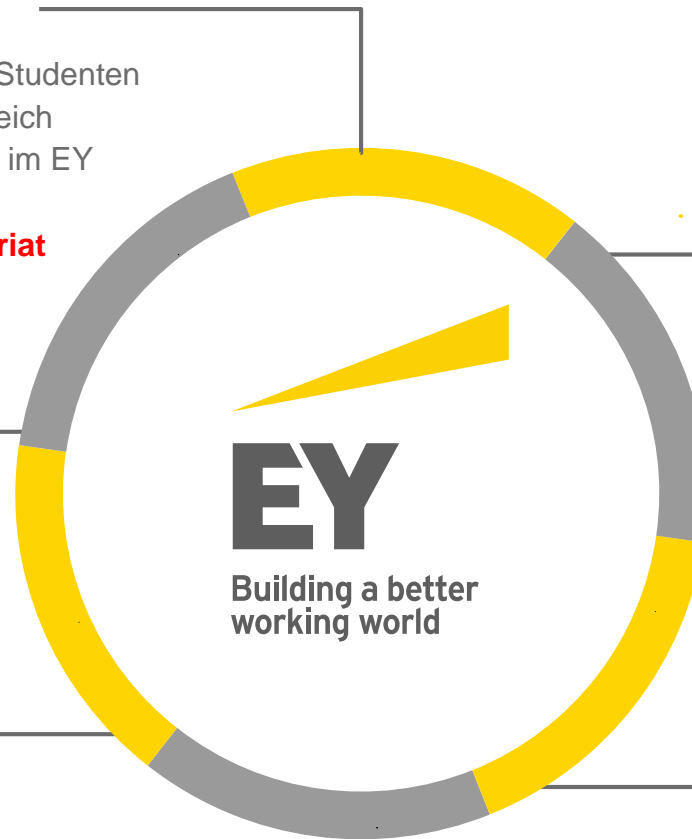
- ▶ EY fördert vier Deutschlandstipendiaten an der LMU
- ▶ Offizielle Vergabefeier am 3.6.2016

Accounting für M&A Transaktionen

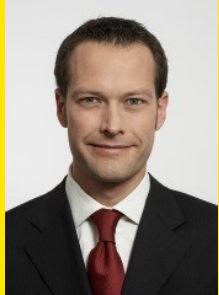
- ▶ Vorlesung von Prof. Sven Hayn (EY Partner) am Lehrstuhl Prof. Sellhorn auf Masterstufe am 24.5.2016

EY Valuation Workshop

- ▶ Ergänzung zur Vorlesung „Financial Statement Analysis and Valuation“
- ▶ Einblicke in die Praxis der Unternehmensbewertung durch EY Valuation Professionals
- ▶ 20.5.2016, 16-18 Uhr im EY Office in München mit anschließendem Get-together
- ▶ **Anmeldung über Lehrstuhl-Sekretariat noch bis 9.5.2016 möglich**



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