

Do you employ / engage bookkeepers or accountants?

*Panel discussion at American Chamber of Commerce in
the Czech Republic*

Tomáš Kortán
Executive Director
ADBENTRUST

Some of the RISKS that one may identify in the accounts....

- Sales / Outputs / Revenues & A/R
- Purchases / Inputs / Expenses & A/P
- Inside – internal

Could you imagine that? – some examples from real life and not textbooks

Obsolete & slow moving stock as a result of segment demand drop down in specific segments both B2B and B2C

Work in progress valuation on projects

Consequences: Inadequate monitoring / internal reporting of inventory led to overstated assets, misreported BS and PL to the bank and to the top management.....

Could you imagine that? – some examples from real life and not textbooks

Credit risk control – motivation by turnover targets vs cash collected / payment history

...bad debts, overpaid target bonuses, written-off bad debts, significant revision of the budgets

Could you imagine that? – some examples from real life and not textbooks

Fictitious sales

Example: services / „intangibles“ typically

Consequences: sales, taxes, debts, business decision making and strategy planning and financing

Could you imagine that? – some examples from real life and not textbooks

Total Gross margin monitoring –Segmented internal reporting is needed for that.

Consequences: helps identify well performing products and develop / maintain product portfolio

Could you imagine that? – some examples from real life and not textbooks

Overhead / „Other“ costs: often „black hole“ in the budget / reported actual figures, misclassification and misallocation

Consequences: segment / product line / cost or profit centre performance evaluation

Could you imagine that? – some examples from real life and not textbooks

Direct costs of activities: misclassification and misallocation

Consequences: segment / product line / cost or profit centre performance evaluation

Fiscal / statutory compliance risks

Tax planning & optimization (not avoidance)

- Improves cash flow
- Keeps resources for investment & business working capital

Does your monthly P/L show
„true&fair“ income tax base?

IDENTIFICATION OF RISKS

RISKS INDICATORS

- Local GAAP vs reporting policies / management accounts
- Some indicators
 - Absolute values
 - Trends
 - Ratios
 - KPIs
 - Financial and non-financial (time records) data reported in management accounts

Bookkeeper vs Accountant

Often the role of finance staff is understood by themselves and their colleagues very often as passive „data processors“ but not as a „**provider of service**“ to the company / teams / departments

= client/customer approach

= proactivity

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Thank you for your attention....

Tomáš Kortán

ADBENTRUST s.r.o.

T +420 222 191 465

M +420 721 511 155

E tkortan@adbentrust.cz

W www.adbentrust.cz

ACCOUNTING – TAX – PAYROLL – BUSINESS CONSULTING