

A high-angle, top-down view of two skydivers in a tandem position, falling over a city coastline. The skydiver in the front is wearing a blue and yellow striped shirt and a black helmet with a yellow visor. The skydiver in the back is wearing a black shirt and a black helmet. They are both wearing harnesses and are connected by a metal bar. The city below is a dense urban area with many buildings and roads, surrounded by a blue body of water. The sky is a clear, bright blue.

# SBL

**ULTRA SUMMARIZED NOTES**

**Top 25 Topics Only**

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# *Teacher's Intro*

## **Professional Qualification**

- Fellow Chartered Accountant (1999)
- CMA, CISA, CIA and several more
- 20 years working experience in field of accounting and auditing
- Working as CFO in Dubai since last 10 years

## **Teaching Experience**

- Teaching ACCA students since last two decades
- Taught appx 6000+ students
- I teach physical batch (in Karachi, Pakistan) and online batch (globally)
- I love to share real life / board room examples
- This is my 7<sup>th</sup> SBL Webinar



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# List of Important Models

- PESTEL / P5F / Strategic Position
- SFA Framework
- SWOT / TOWS
- Corporate Parenting / BCG
- Ansoff Growth matrix
- Harmon Process matrix
- Mendelow Stakeholder matrix
- Cultural Web
- Context of Change
- Risk Mitigation Process

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# External Environment

- There are 2 types of EXTERNAL Environment:
  - ✓ **Country environment**
  - ✓ **Industry environment**
- Country environment is also known as:
  - ✓ *MACRO environment*
  - ✓ *General Environment*
  - ✓ *Model to use: PESTEL*
- Industry environment is also known as:
  - ✓ **MICRO environment**
  - ✓ **Industry / market-place environment**
  - ✓ **Competitive environment**
  - ✓ *Model to use: PORTER 5 FORCES*

# P E S T E L (Country / Macro Env)

## Political:

- *Government*
- *Govt policies*
- *Govt Subsidies / loans*
- *Govt approvals / license*
- *Political stability*
- *Taxes*

## Economy:

- *Economy*
- *Economic growth*
- *Economic downturn*
- *Recession*

## Social:

- *Prosperous developed nation*
- *Standard of living*
- *Educated population*
- *Unemployment*

## Technological:

- *Plant & machinery*
- *Skilled workers*
- *IT / technology*
- *Internet / online*
- *Roads and infrastructure*

## Ecological:

- *CO2 Emission*
- *Carbon footprint*
- *Recycling*
- *Pollution*

## Legal:

- *Laws*
- *Regulations*
- *Legislations*
- *Patent / trademark / copyright*

- **Mention Favorable or Unfavorable**
- **Impact**
- **Overlapping Points**



# Porter 5 Forces (Industry / Micro Env)

## Power of customer:

- **Factors to decide HIGH or LOW:**
  - *Size of customer (e.g. large global customer)*
  - *Any brand or uniqueness in our product?*
  - *Customer willing to pay any premium?*
- **Words to look for:**
  - *Customers*
  - *Consumers*
  - *Buyers*

## Power of supplier:

- **Factors to decide HIGH or LOW:**
  - *Size of supplier (e.g. large global supplier)*
  - *Are we willing to pay any premium?*
- **Words to look for:**
  - *Supplier*
  - *Vendor*
  - *Manufacturer*

**Mention HIGH or LOW**

## Threat of new entrants:

- **Look for Barriers to Entry:**
  - *Patents*
  - *Govt approvals*
  - *Govt license*
  - *Franchise*
- **If Barrier is High, then Threat is LOW (i.e. opposite relationship)**

## Threat of Competition:

- **Words to look for:**
  - *Competition/ rivalry*
  - *Number of competitors*
  - *Market share*
  - *Patents / Franchise*

**Mention HIGH or LOW**

## Threat of Substitute Product:

- **Words to look for:**
  - *Substitute*
  - *Alternate / Alternatives*



# *Strategic Position Analysis*

**Includes 3 things in your answer:**

**1. Macro / Country Environment**

**2. Micro / Industry Environment**

**3. Internal Factors**

*a. Human resource (experience, expertise, management competencies,)*

*b. Financial resource (profitability / financial position / gearing)*

*c. IT / Brand (goodwill, online, website)*

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# *SFA Framework*

## USED WHEN??

- To evaluate a “proposed” strategy
- However, in exam you should only use when we plan to “ACQUIRE” another company, either in same country or in another country
- Examples:

Evaluate the proposal of acquiring ABC company situated in XYZ Country

Evaluate the option of opening a new Restaurant in another city

Evaluate the proposal of adding a new product line to our existing products

## **SUITABILITY**

### **Focuses on EXTERNAL factors**

**Para 1:** Home country

**Para 2:** Target country

**Para 3:** Target company

## **FEASIBILITY**

### **Focuses on INTERNAL factors**

#### **Para 1: Human resource / expertise**

- *Do we have acquisition experience from the past?*
- *Do we have experience of managing similar business?*
- *Do we have experience of working in an Overseas Country?*

#### **Para 2: Financial resource**

- *Do we have funds to acquire another company?*
- *Look at gearing ratio*

#### **Para 3: Technology & Brand**

## ACCEPTABILITY

### Focuses on FINANCIALS of target company

#### Para 1: Will shareholder accept the proposed strategy?

- If family owned (or private) company managed by the owners then “ACCEPTABLE”
- If listed company, then shareholders will accept **IF** it has a positive / reasonable NPV

#### Para 2: If target company is based in another country, then we have to consider any cultural differences

#### Para 3: Review financial projections / analysis

### **CONCLUSION REQUIRED?**

**Avoid conclusions if Question does not specifically ask for conclusion**

## If You Feel SFA is Getting Complicated in the Exam

- Its not compulsory to use SFA
- You can also use a general approach
- Make sure you cover the following aspects of the Proposal
  1. *External Factors (pros & cons)*
  2. *Internal Factors (pros & cons)*
  3. *Financial analysis (if data provided)*

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# *SWOT Analysis*

**Strength and Weakness are INTERNAL**

**Opportunity and Threat are EXTERNAL**

**Examples?**

**Why Do We Do SWOT Analysis?**

## TOWS Matrix

Threat	S-T	W-T
Opportunities	S-O	W-O
	Strength	Weakness

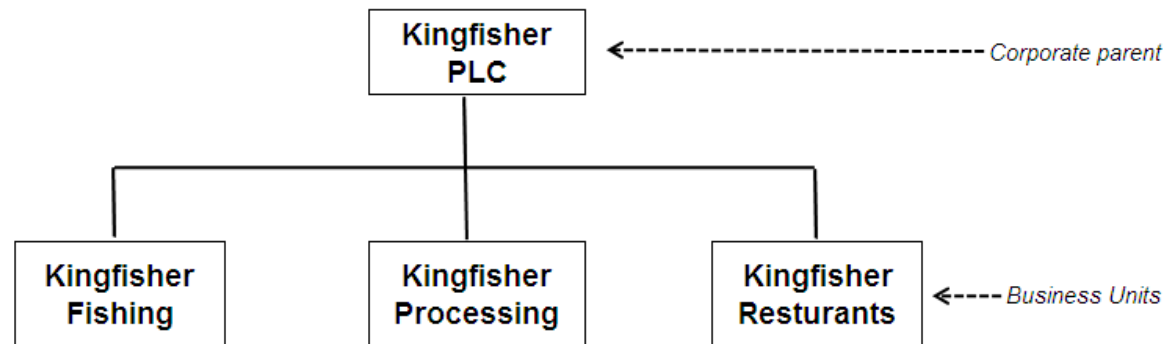
- **SO:** Use Your Strength To Avail Opportunities
- **WO:** Remove Your Weakness To Avail Opportunities
- **ST:** Use your Strength To Avoid or Counter Threats
- **WT:** Remove Your Weaknesses and Avoid Threats

### How will you know if TOWS model is required?

- *A SWOT analysis will be given OR*
- *You will be required to do a SWOT analysis first*
- *Just go through the list of strength, weakness, opportunity and threat and link them*

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# Corporate Parenting & Portfolio

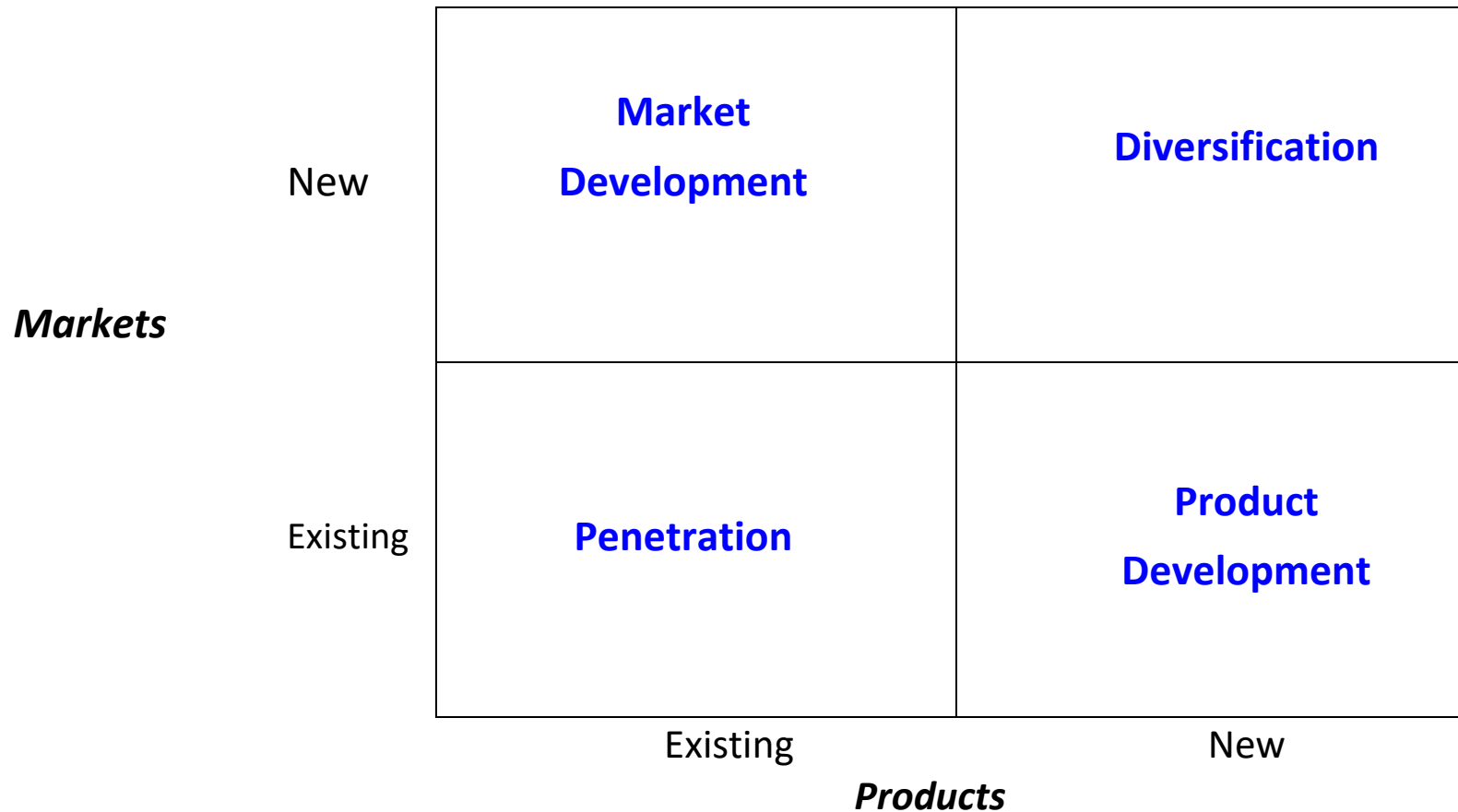


## Factors to look at when comparing SBUs performance with one another

1. Industry status (growth, maturity, decline)
2. Market share % (increasing, maintained, decline)
3. Profit margin % (increasing, maintained, decline)
4. BCG assessment (Star, Cash Cow, Dog, Question Mark)
5. Strength / weakness / primary reason for acquisition

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## *Ansoff Growth Matrix*



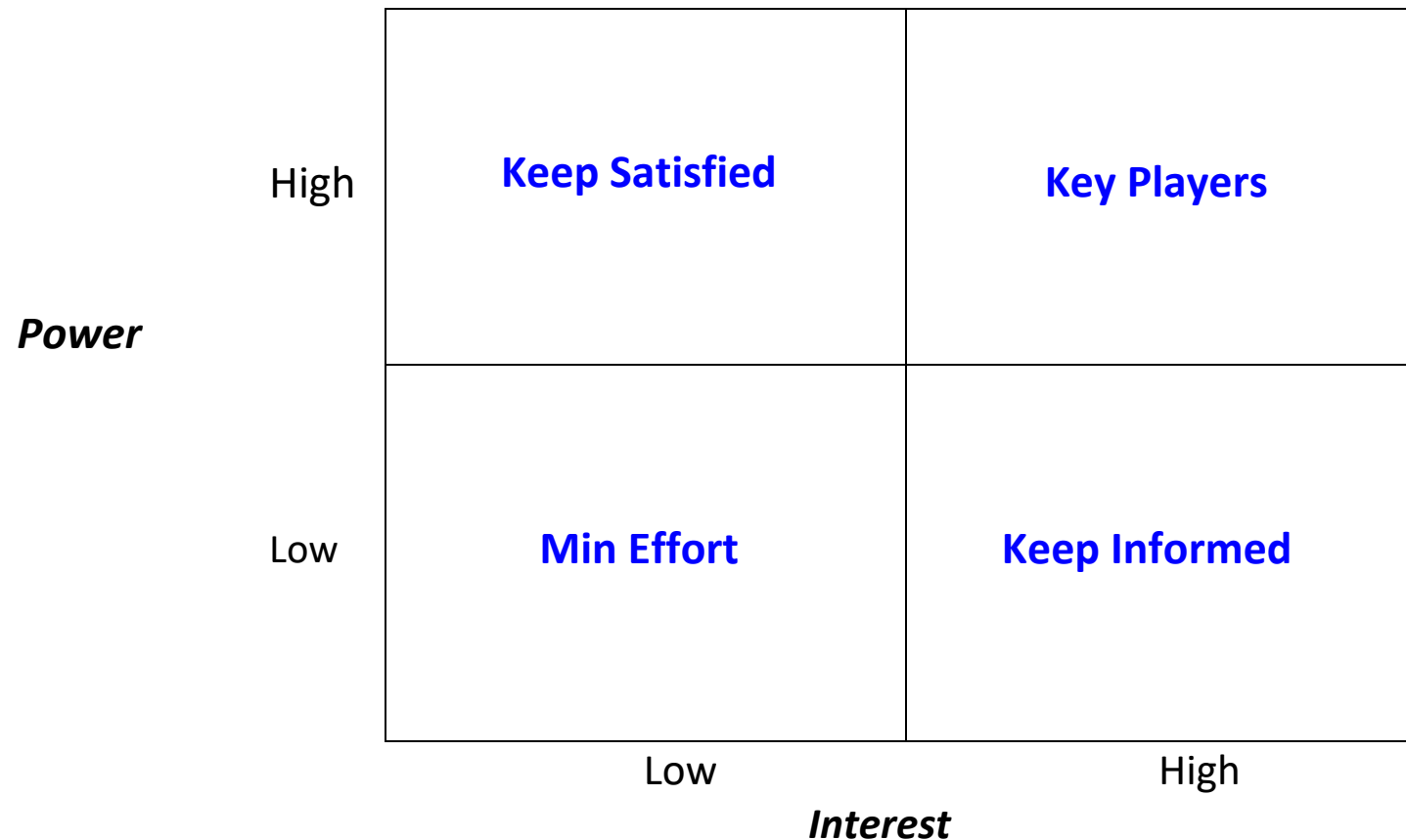
# Harmon's Process Matrix

<b>Process Complexity</b>	High	Outsource to a specialist	Automate using Bespoke software <b>PLUS</b> hire best resources
	Low	Outsource or automate using Off the Self Software	Automate using Bespoke software
		Low	High

**Strategic Importance**

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# Mendelow's Stakeholder Matrix



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# Analyze Culture (Cultural Web Model)

- **Power Structures**

- Study of the **LEADER** of the organization
- His personality, style, habits

- **Organizational Structures**

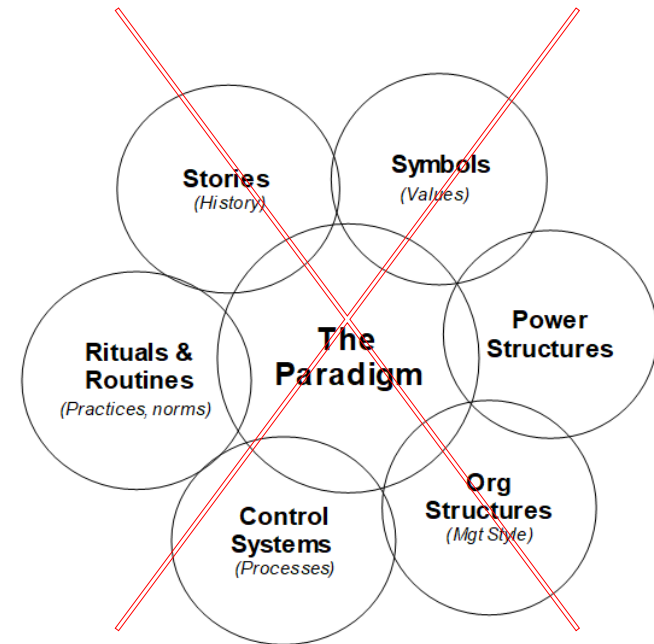
- The structure of Board (Eds vs NEDs)
- The structure of the overall Organization (tall or flat)

- **Control systems**

- Is Org Cost focused or Quality focused
- Performance management & reward system

- **Rituals & Routines**

- Daily routine in the organization
- Look for office timings, long working hours, punctuality, strictness, leaves, etc.



- **Symbols**

- Show-off, status symbols
- Look for staff titles, expensive cars, lavish benefits, huge offices, club memberships, etc.

- **Stories**

- Previous history of the organization
- Heroes and Villains

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# Context of Change Model

- **Scope:**

Means SIZE of the change.

Is it a small change (**Realignment**) or a big change (**Transformation**)

Big Change: If the change affects senior management / culture, business model or core business strategy, then it is a big change (transformation), otherwise its small change (transformation)

- **Reason:**

The reason / justification for bringing the change

- **Timing:**

When the change will be implemented from?

Urgently or Immediately (**Big Bang**) or slowly and gradually (**incremental**)

- **Capacity / Resources:**

Does the Org has the required resources, such as Human Resource, Financial Resource, Technology, etc.

- **Capability:**

Has the Org implemented such change in the past or is it the first time (prior experience)

- **Power**

The change manager (person implementing the change) should have sufficient power and authority to implement decisions

- **Preservation:**

Strengths from 'existing environment' needs to be retained

- **Readiness:**

Are the employees ready to accept the change or will there be significant resistance

- **Resistance:**

Who will be the people or stake holders who will resist the change, reason for resistance, how you would handle those people / stakeholders

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# Risk Management Strategies

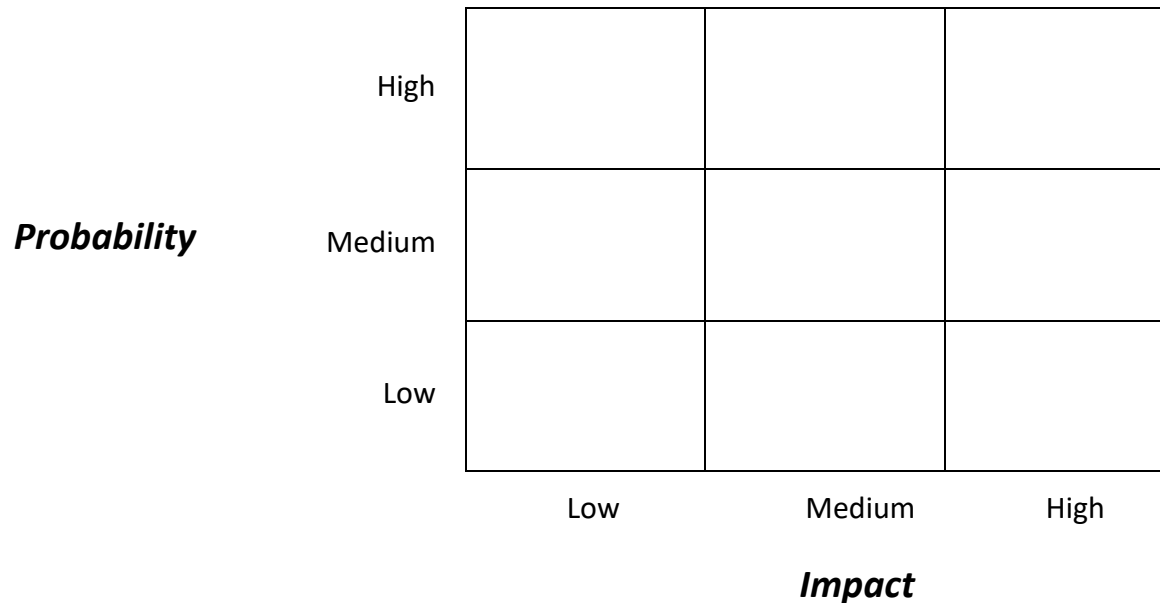
**Transference:** Transfer risk to third party, e.g. insurance, outsourcing or franchising

**Avoidance:** Eliminate risk by totally avoiding activities which causes risk

**Reduction:** Reduce the impact and probability of the risk by implementing controls

**Acceptance:** Accept the consequence of the risk, should it happen. Normally adopted for small risks

## Risk Heat Map



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# List of Important Topics

- Financial ratios & Projections
- Funding Strategies (debt vs equity)
- Budgets / MIS
- Project Management / PID
- E - Business / E - Marketing
- Big data / CRM
- IT risks & security / Cloud computing
- Professional / Corporate Code of Ethics & Public interest
- NEDs / Committees / Family Owned
- Integrated Reporting / 6 Capital
- Social & Environmental Footprints
- Risk management and recoms
- Control weakness & recoms
- Audit Committee / Internal Audit

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# Financial Ratios

## **Calculate Following Ratios:**

### **P&L Ratios**

- Sales trend
- Gross profit margin %
- Net profit margin %
- ROCE

**Giving reasons for  
variances is a MUST**

### **Balance Sheet Ratios**

- Current asset ratio
- Gearing
- Interest cover (optional)

**No need to show  
calculations in SBL**

### **Efficiency Ratio**

- Revenue per employee

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# Financial Projections

If financial projections is given regarding a proposed investment, then you must check / mention the following things

## CHECK 5 THINGS

1. Projections should be based on **Discounted Cash Flow** using a sensible discount rate
2. Calculate '**Simple**' **payback period** (using pre-discounted cash flow)
3. **Review assumptions** for any apparent stupidity  
*(and mention in your answer that the adequacy of the assumptions needs to be re-validated)*
4. Mention in your answer that "**tax implications**" needs to be considered (if any)
5. Mention in your answer that a "**sensitivity analysis**" should be done

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# Financing Structure

## What is Financing Structure or Funding Strategies?

- Debt financing (debentures, term finance certificates, long term loans)
- Equity financing (ordinary shares, preference shares, rights issue, IPOs)

## Factors to Decide Funding Strategies

- Purpose and amount
- Duration of requirement
- **Equity financing:**
  - *Cost linked with profitability i.e. dividend are paid if company makes profit*
  - *Dilutes existing shareholding pattern*
  - *No collateral is required*
  - *No affect on gearing level*
  - *May affect the culture or strategies of the company due to presence of outsiders*
- **Debt financing:**
  - *Cost of fixed i.e. Interest not linked with business profitability*
  - *Does not affect the ownership or culture of the company*
  - *Require collaterals*
  - *Affects or depends on current gearing level*

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# *Budgets / MIS*

**Always Remember 3 THINGS**

## **1- Flexed Budget**

- You CANNOT compare Actuals numbers directly with Budgeted numbers because actual volumes are normally different than budgeted volumes
- Whenever Actual numbers are given, you first calculate FLEXED budget and then you compare with Actuals

## **2- Compare Actuals With**

- FLEXED Budget
- Prior Year Actuals

## **3- Reasons for Variances should be explained**

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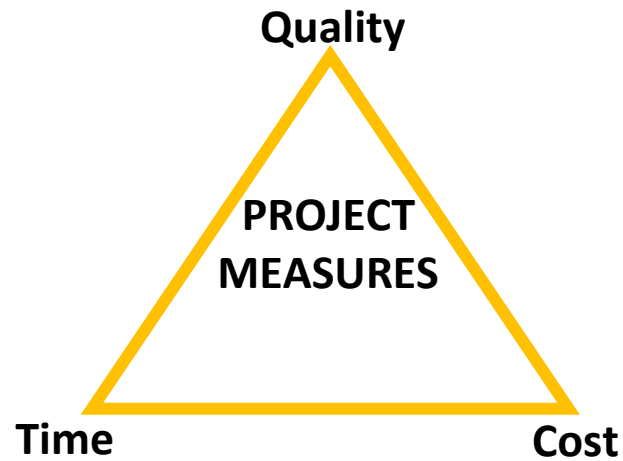


# Project Management

## Project

A project is a one-off special activity which is other than organization's usual day-to-day operations or business

## How to Track A Project



## Post Project Review:

*How the project was managed? Focuses on mistakes and lessons learnt for future projects*

## Post implementation review:

*Whether project objectives were achieved? Focuses on determining whether the project was successful or not*

## BUSINESS CASE

- A business case provides justification for undertaking a project
- It evaluates pros and cons of various options considered and provides rationale for selecting the preferred option
- It is prepared by the Project Sponsor and presented to the Board for approval

### Content of a Business Case

- Current situation:
  - ✓ Clear identification and analysis of the problem
- Evaluation of Various Options:
  - ✓ Pros and cons for each option
  - ✓ Feasibility analysis for each option (human resource, financial resource, technical resource)
  - ✓ Risks & constraints
- Selected option:
  - ✓ Justification

## PROJECT INITIATION DOCUMENT (PID)

- A PID is prepared after the Business Case is approved by the Board
- It is prepared by the Project Sponsor to communicate details of the project with Project Manager & Project Team
- It includes objective of the project and summarized information from the Business Case so that the Project Manager & Project Team can understand what is expected from them

## Contents of a PID

- Background / introduction
- Project scope / objective
- Cost and Benefit Analysis
- Key stakeholders:
  - ↳ *Project sponsor*
  - ↳ *Project manager*
  - ↳ *Project team*
  - ↳ *User or concerned department(s)*
  - ↳ *Customers*
  - ↳ *Suppliers*
  - ↳ *Government*
  - ↳ *Society / community*
- Project duration / timelines
- Project Risks (e.g. quality, timeline, costs)
- Project Constraints (human resource / expertise, financial resource, technical resource)
- Major assumptions used
- Project monitoring and reporting procedures

## ROLE OF PROJECT BOARD / COMMITTEE

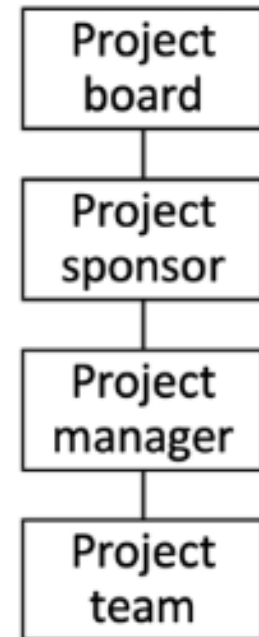
- Ensure Business Case is justified
- Approve the Business Case
- Approve major decisions and oversight of the project

## ROLE OF PROJECT SPONSOR

- Provide senior leadership and guidance to project manager
- Arrange resources required for the project
- Monitoring progress and ensuring project is on track
- Problem solving
- **Accountable to the Project Board / Committee**

## ROLE OF PROJECT MANAGER

- Detailed project planning and execution
- Day to running of the project
- Monitoring of the project team
- Ensuring project is on track
- **Accountable to the Project Sponsor**



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# *E-Business*

**E Business** means doing business using internet technologies, such as websites, emails, Apps etc.

## **Advantages of E Business:**

- No geographical limitations
- More revenue (globalization)
- Lower costs (e.g. less physical locations / fewer staff)
- Customer convenience (e.g. 24/7 availability, easy communication, FAQs)
- Improved marketing

## Disadvantages of E Business:

- Not all customers use internet
- One-time setup cost:
  - ✓ *Hardware cost*
  - ✓ *S/W license cost*
  - ✓ *Website development*
  - ✓ *Increasing IT Staff*
  - ✓ *Integration with current systems*
- Security risks
  - ✓ *Hacking*
  - ✓ *Virus*
  - ✓ *Cyber fraud / crimes*
  - ✓ *Data privacy*
- Legal complexity due to globalization
- Redundancy costs



# E-Marketing

**E Marketing** means using internet technologies to do marketing

## **Tools of E-Marketing:**

- Search Engine Optimization (SEO)
- Websites
- Emails
- Social Media:
  - *Facebook*
  - *Instagram*
  - *Youtube*
  - *Twitter*
  - *Whatsapp*
  - *Tiktok*
- Online discounts
- Blogs / Forums / Influencers
- Link on related websites
- Online news letters

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### **Advantages:**

- Global reach
- Lower cost
- 24-hour marketing
- Personalized marketing

### **Disadvantages:**

- Limited customers using internet

# Big Data

**Big data** refers to extremely large collections of data (mostly unstructured data) that may be analyzed to reveal trends and patterns, especially relating to customer habits and behavior.

## Characteristics of Big Data – 3Vs model

1. Volume

*Having really large amount of data*

2. Variety

*Having variety of data such as financial, non financial, likes / dislikes, behaviors*

3. Velocity

*Data / information to be processed quickly (speedy) so that we can respond to customer needs in time*

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## **Advantages (Opportunities) of Big Data**

- Deeper insight into data
- Better marketing and pricing strategies
- Improved customer service and relationship
- Increased competitiveness
- Development of customized / personalized products
- New sources of revenue

## **Disadvantages (Threats) of Big Data**

- Data security / leakage
- Data storage and management issues (hardware and software)
- Costly
- Legal issues / regulations

# Customer Relationship Management (CRM)

**CRM are specialized software to maintain customer relationship through regular communication with customers electronically**

Customer Acquisition	Customer Retention
<ul style="list-style-type: none"> <li>▪ Collect email data</li> <li>▪ Sending relevant emails and articles</li> <li>▪ Sending Demos / Videos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reminders / notifications</li> <li>▪ Order placing and tracking</li> <li>▪ Auto payments</li> <li>▪ Reports and summaries</li> </ul>

## **Advantages of CRM**

- Better interaction / communication with customer
- Marketing and relationship building (emails, notifications, individualization)
- Sales management (inquiries, order placing, order tracking, auto payments)
- After sales service (feedbacks, complaints, reminders, FAQs)
- Analysis (trend analysis, data mining, intelligence, big data)

# IT Risks & Security

<b>HARDWARE</b>	
<b>RISKS</b>	<b>SECURITY / CONTROLS</b>
<ul style="list-style-type: none"> <li>▪ Unauthorized access to servers</li> <li>▪ Damage / malfunction</li> <li>▪ Theft</li> <li>▪ Power failure</li> <li>▪ Fire / Flood / Earthquake</li> <li>▪ Etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Physical access controls:</b> <ul style="list-style-type: none"> <li>○ <i>Security Guards</i></li> <li>○ <i>Biometrics</i></li> <li>○ <i>Swipe cards</i></li> <li>○ <i>CC TVs</i></li> </ul> </li> <li>▪ Fire protection</li> <li>▪ Generators / Power supply alternates</li> </ul>

<b>DATA / SOFTWARE</b>	
<b>RISKS</b>	<b>SECURITY / CONTROLS</b>
<ul style="list-style-type: none"> <li>▪ Unauthorized access</li> <li>▪ Hacking</li> <li>▪ Virus</li> <li>▪ Cybercrimes / frauds</li> <li>▪ Data loss</li> <li>▪ Software malfunction / errors</li> <li>▪ Etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b><u>Logical access controls (passwords):</u></b> <ul style="list-style-type: none"> <li>○ <i>Atleast 8 digit (Alpa numeric character)</i></li> <li>○ <i>Change regularly</i></li> <li>○ <i>Don't write or share with anyone</i></li> <li>○ <i>Lock down after 3 incorrect attempts</i></li> <li>○ <i>OTP (One Time Password)</i></li> </ul> </li> <li>▪ Backups</li> <li>▪ Firewalls</li> <li>▪ Audit Trails</li> <li>▪ Anti virus</li> <li>▪ Segregation of duties</li> </ul>

## Why IT Security is important?

- Business disruption
- Reputational issues
- Loss of customers / revenue / market share
- Legal cases by customers
- Regulatory fines (e.g. breach of Data Protection Act)
- Incorrect decision making based on erroneous data

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# *Professional Code of Ethics*

## Principles of Professional Ethics (IESBA / IFAC)- Mandatory on All Qualified Accountants

- **Integrity:**

Honest, straight forward, truthfulness, do not conceal any wrong thing, fair dealing

- **Objectivity:**

Fact based, no bias, no conflict of interest, no undue influence

- **Professional competence and due care:**

Maintain professional knowledge and skills, up-to-date with all laws, diligent in work, act with due care

- **Confidentiality:**

Should not disclose confidential information unless there is legal or professional duty, do not use confidential information for personal advantage

- **Professional behavior:**

Avoid actions which discredits the profession / members, for e.g. not following company policies or procedures

# Public Interest

A professional accountant is expected to protect the interest of the following,

IN ADDITION to shareholders' interests

- Employees
- Customers
- Suppliers
- Society / community

# Corporate Code of Ethics

(issued by Organizations – applicable to all employees)

<b>Employees</b>	<b>Customers / Suppliers</b>	<b>Society / Community</b>
<ul style="list-style-type: none"> <li>▪ Better pay</li> <li>▪ Staff turnover</li> <li>▪ Staff training</li> <li>▪ Working conditions</li> <li>▪ Health and safety</li> <li>▪ Gender equality</li> <li>▪ No discrimination</li> <li>▪ Diversity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Product quality</li> <li>▪ Product safety</li> <li>▪ Personal data &amp; privacy</li> <li>▪ Fair business practices</li> <li>▪ Fair play with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Job opportunities</li> <li>▪ CSR</li> <li>▪ Environment / pollution</li> </ul>

# Chairman & CEO

## **Role & Responsibilities of Chairman**

### Main role: Running the Board

- Link between company and shareholders / stakeholders
- Communication with shareholders (e.g. Annual Report)
- Protect shareholder interests and increase long term shareholder wealth
- Ensure smooth running of board, such as:
  - 👉 *Appropriate size, knowledge, skills, experience, and independence of directors*
  - 👉 *Balance between executive and non-executive directors*
  - 👉 *Effective functioning of Board Committees*
  - 👉 *Regular meetings*
  - 👉 *Directors' nomination, performance and remuneration*

## Role & Responsibilities of CEO

### Main role: Running the Company

- Propose strategies to the board
- Implement decisions of the Board
- Monitor day to day running of business and all departments
- Manage resources effectively and efficiently
- Risk management and internal control systems
- Timely and accurate reporting
- Legal and regulatory compliance
- Interact with external parties, such as Government, key customers, key suppliers, Stock Exchanges



## *Splitting of Roles Between Chairman & CEO*

The Chairman runs the Board. The CEO runs the company. The running of the Board should be separate from the running of the Company. Hence the role of Chairman and the role of CEO should not be performed by one person, as this concentrate excessive power in the hand of one person. The Chairman should be independent just like a NED.

### *Advantages of Splitting the Role:*

- Segregation of duty leading to improved governance
- Chairman able to challenge CEO
- Other directors / employees can communicate with Chairman if they have concerns relating to CEO
- Higher shareholder confidence as Chairman is normally a NED

### *Disadvantages of Splitting the Role:*

- Chances of disagreement or clash between Chairman and CEO
- Chairman may not have in-depth knowledge of business



## NEDs

### Definition

- NEDs are part-time outside directors who are 'independent' i.e. they are not employee of the company.
- They get a fixed fee for being NEDs and are not entitled to any bonus or share options as it will create conflict of interest and threaten their independence.

### Role of NEDs

- **Strategy:** discuss strategies, bring external experience and leadership
- **Performance:** scrutinize the performance of Executive directors
- **Risk:** ensuring effective internal control and risk management systems are in place and financial reporting is accurate and reliable
- **People:** nomination, remuneration and succession planning of executive directors and senior executives, providing added comfort to shareholders

### Advantages of NEDs

- Brings independence / adds confidence to shareholders
- Have external experience and wider perspective
- Scrutinize / challenge performance of CEO and executive directors
- Employees can discuss confidential or sensitive matter with NED directly (whistle-blowing)
- Company can comply with Regulatory / Listing requirements

### **Disadvantages of NEDs**

- May lack independence
- Smaller remuneration as compared to executive directors (no incentive)
- May not give sufficient time to business

### **Independence of NEDs**

- Not an employee of the company for last 5 years
- No business or financial relationship with the company for last 3 years
- Not an NED in same company for more than 9 years
- Not have close family ties or friendship with executive directors
- No family members working in the company in senior position
- No share in profit or having share options of the company

### **Number of NEDs?**



## *Board Committees*

### **1- Nomination Committee (Majority NEDs):**

- a. Decide the size of the board*
- b. Ensures sufficient knowledge, skills and experience is available*
- c. Balance between EDs and NEDs*
- d. Appointment of new directors*
- e. Training and succession planning*

### **2- Remuneration Committee (100% NEDs):**

- a. Decide remuneration policy / package*
- b. A portion of pay is linked with performance, e.g.*
  - i. Bonus*
  - ii. Share options*

### 3- Audit Committee (100% NEDs):

- a. Review financial statements & internal controls
- b. Liaise with external auditors
- c. Supervise internal audit
- d. Whistle blowing arrangement

**Note:**

**All members have to be NED with  
atleast one member having recent  
expertise in finance and audit**

### 4- Risk Committee (Majority NEDs):

- a. Implement risk management process / ERM framework
- b. Embed risk management in Organization's culture
- c. Identify key risks and recommend controls
- d. Ensure internal controls are working effectively

### Advantages (Importance) of Having Board Committees

- More focused and specialized
- More time can be spent by committees as full board has limited time
- Board can focus more on strategic and business matters
- Higher involvement by NEDs (e.g. in audit or remuneration committees)
- Increases shareholder confidence

# Remuneration & Rewards of Directors

## General Principles

- Remuneration should be sufficient to **attract, retain and motivate** competent directors
- Remuneration should be linked with performance
- Remuneration have the following components:
  - 👉 *Fixed pay*
  - 👉 *Variable / Performance based incentives:*
    - *Short term incentives (e.g. bonus)*
    - *Long term incentives (e.g. share options)*
- Director cannot approve his own remuneration – to be done by Remuneration Committee (NEDs)

## *Insider Trading / Dealing*

**Insider trading / dealing means buying or selling of company shares by its own directors or senior executives based on information which is not publicly available as yet.**

### **Why Insider Trading is Not Allowed**

- Directors have to act in the primary interest of shareholders and not to make personal gains
- Directors have to maximize 'long' term value of the organization. If insider trading is allowed, then it is likely that directors would be tempted to take short term decisions to make personal gains
- Insider trading can damage the reputation and integrity of the capital markets of the country



## *Family Owned Co Vs Listed Co*

### Main Difference between Family-Owned Vs Listed Companies

- More corporate governance regulations applicable on listed co
- Role of Chairman and CEO are split
- Sufficient # of NEDs
- Board Committees
- Board is accountable to external share holders
- Decisions are based on voting rights (ie not dominated by one person)
- Directors' remuneration based on performance
- Higher focus on risk management and internal audit
- Whistle blowing arrangements

**PLEASE WATCH SEP 2021 WEBINAR (DAY 4) FOR QUESTION PRACTICE**

**PLEASE WATCH JUN 2021 WEBINAR (DAY 3) FOR QUESTION PRACTICE**



# *Integrated Reporting / 6 Capital*

## **Difference Between Financial Statements and Integrated Report**

### Financial Statements

Focus on financial information

Focus on historic performance

Focus on share capital

Less emphasis on social and environmental aspects

Short term / annual results

### Integrated Reporting

Focus on overall business performance

Focus on future strategies

Focus on 6 capitals

Integrates social and environmental aspects in strategies and decision making

Long term value creation

## **Role (Definition) of Integrated Reporting**

An Integrated Reporting is a concise communication demonstrating the link between:

- Governance (Mission / objectives)
- Strategy
- Financial performance; and
- Social and environmental context

And shows how organization creates 'value' in short, medium and long term.

## **Contents of An Integrated Report**

- Organization's overview
- External environment (PESTEL / P5F)
- SWOT analysis
- How organization creates value
- Future plans and strategies
- Key risks
- 6 capitals
- Social and Environmental Initiatives

# The Six Capitals

- **Financial Capital**

- *Overall financial performance and position of the company*
- *Sources of funds for future strategies*

- **Manufactured Capital**

**Tangible assets**

- ***Non-current assets** such as plant and machinery*
- ***Current assets** such as inventories*

- **Intellectual Capital**

- *R&D and innovation*
- *Brand*
- *Patents*
- *Technical / R&D staff*

## Human Capital

### Employee matters

- *Knowledge, skills and experience of employees*
- *Productivity and efficiency*
- *Staff turnover*
- *Staff satisfaction surveys*

## Social Capital

### Relationship and trust built with key stakeholders i.e.

- *Customers*
- *Suppliers*
- *Societies / Communities*
- *Government*

## Natural Capital

### Environmental matters

- *CO2 Emissions / Carbon footprint*
- *Recycling / Disposal of waste products*
- *Pollution / Spillage*
- *Use of scarce resources (e.g. oil, trees, etc.)*

## Advantages Of Integrated Reporting

- As IR is voluntary disclosure, it enhances organization's image and reputation for transparency
- Effective communication with all stakeholders
- Demonstrate how organization creates value
- Integrates social and environmental aspects in strategies and decision making
- Focus on 6 capitals of the organization
- Better understanding and decision making by shareholders, stakeholders and potential investors
- Attracts investment at a lower cost of capital (due to availability of greater information)
- Gives competitive edge over other companies

## Disadvantages

- Too much commercial information / strategy is disclosed
- Valuation of 6 capitals is subjective in nature

**PLEASE WATCH JUN 2021 WEBINAR (DAY 3) FOR QUESTION PRACTICE**

# *Social Footprint*

<b>Employees</b>	<b>Customers / Suppliers</b>	<b>Society / Community</b>
<ul style="list-style-type: none"> <li>▪ Staff turnover</li> <li>▪ Staff training</li> <li>▪ Gender equality</li> <li>▪ No discrimination</li> <li>▪ Working conditions</li> <li>▪ Health and safety</li> <li>▪ Better pay Diversity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Product quality</li> <li>▪ Product safety</li> <li>▪ Personal data &amp; privacy</li> <li>▪ Fair business practices</li> <li>▪ Fair play with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Job opportunities</li> <li>▪ CSR</li> </ul>

# *Environmental Footprint*

<b>Natural Resources</b>	<b>Waste Products</b>	<b>Pollution</b>
<ul style="list-style-type: none"><li>▪ Depletion of scarce resources</li><li>▪ E.g. trees, oil, minerals</li></ul>	<ul style="list-style-type: none"><li>▪ Disposal of waste products</li><li>▪ Recycling</li><li>▪ Environmentally friendly packing</li></ul>	<ul style="list-style-type: none"><li>▪ Carbon footprint</li><li>▪ CO2 Emissions</li><li>▪ Recycling</li><li>▪ Pollution</li><li>▪ Green</li><li>▪ Spillage</li></ul>

**PLEASE WATCH MAR 2021 WEBINAR (DAY 2) FOR QUESTION PRACTICE**



# *Risk Management*

**Risk** is any future incident which can cause damage or harm to the organization

**Risk management** are activities undertaken to avoid or reduce the chances of risks happening

## **Key Risks Which Org Faces:**

- Business / Strategic risk
- Financial risk
- Liquidity risk
- Credit risk
- Foreign exchange risk
- Interest rate risk
- Market risk
- Market-share / competitive risk
- Political risk
- Legal & compliance risk
- Environmental risk
- Reputation risk
- Health & safety risk
- Technology risk
- Operational risk
- Intellectual risk

**You have to mention  
the NAME of the risk in  
your answer so please  
memorize this list**

## **Give recommendations**

Read the risk carefully and reverse it to arrive at recommendation (will work 50% of the time)

## Why Risk Varies

Company to Company	Industry to Industry
<ul style="list-style-type: none"> <li>✦ <i>Size of the company</i></li> <li>✦ <i>Geographical location / region</i></li> <li>✦ <i>Growth phase of the company (setup phase, growth phase, maturity phase)</i></li> <li>✦ <i>Business model / strategies (physical, online)</i></li> <li>✦ <i>Financing structure (capital, loan financing, gearing)</i></li> </ul>	<ul style="list-style-type: none"> <li>✦ <i>Nature of product and industry (e.g. financial industry vs manufacturing industry)</i></li> <li>✦ <i>Investment (e.g. capital-intensive industry)</i></li> <li>✦ <i>Regulations (e.g. higher laws for banks)</i></li> <li>✦ <i>Ecological aspects (e.g. oil &amp; gas industry)</i></li> <li>✦ <i>Technology (hi-tech industry)</i></li> </ul>

## Risk Diversification

1. Product diversification
2. Industry diversification
3. Geographical diversification

## Risk Management Process

- Commitment from top management (Board)
- Create a formal Risk Committee at Board level
- **Risk Assessment:**
  - Make a list of risks which organization faces
  - Analyze the impact & likelihood
  - Prioritize the risks based on above
  - Plan mitigation actions (one can use heat maps and TARA model)
  - Prepare Risk register
  - Regular monitoring of risks and updation of Risk Register
- Staff training
- Appoint Risk manager (for larger companies)
- Risk audits (for larger companies)

## Risk Register

It is a formal document in which organization mentions all the key risks it faces along with its mitigation strategies. This is a live document which is updated regularly as risk are dynamic and changing.

Risk	Impact	Likelihood	Priority	Mitigation Action	Owner	Next Review on

## Advantage of Risk Committee

- More focused and specialized
- More time can be spent
- Board can focus more on strategic matters
- Higher involvement of NEDs
- Higher shareholder confidence

## 4 Lines of Defence

### **1<sup>st</sup> line of defence – Employees:**

- Proper policies and procedures
- Training
- Regular performance evaluation
- Reward or punishment

### **2<sup>nd</sup> line of defence – Managers:**

- Supervise employees
- Review and monitor their performance

### **3<sup>rd</sup> line of defence – Internal Audit:**

- Objective review and assessment of risk management activities
- Having good knowledge of organizations internal control and systems
- But may not be 100% independent

### **4<sup>th</sup> line of defence – External Audit:**

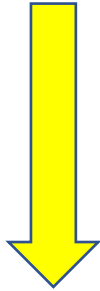
- External auditors or bodies
- More independent than internal audit
- “Fresh” pair of eyes
- Have external / wider industry experience
- However less knowledge about the organization’s internal control and systems

**PLEASE WATCH SEP 2021 WEBINAR (DAY 3) FOR QUESTION PRACTICE**



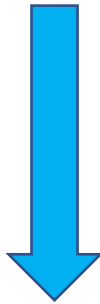
# Internal Controls

**Risks**



Network of systems established in an organization to provide reasonable assurance that organizational objectives will be achieved and the assets will be safeguarded.

**Internal Controls**



Internal audit is an assurance function within the organization to ensure that governance process, risk management and internal controls are working effectively.

**Internal Audit**



Audit Committee is responsible to ensure that auditors remain independent and financial reporting is accurate and reliable.

**Audit Committee**

**PLEASE WATCH JUN 2021 WEBINAR  
(DAY 4) FOR QUESTION PRACTICE**

# *Internal Audit*

## **Internal Audit**

Internal audit is an assurance function within the organization to ensure ensuring that governance process, risk management and internal controls are working effectively.

## **Roles / Importance of Internal Audit**

- Reviewing risk management procedures
- Evaluating internal control system
- Reviewing accounting controls and reporting
- Reviewing operational effectiveness and efficiency
- Reviewing legal compliance
- Special investigations or assignments (e.g. fraud investigation)

## **Factors To Decide Whether Org Needs An Internal Audit**

- Any legal requirement?
- Size, complexity and growth of organization
- Risk levels
- Number of employees
- Geographical dispersion (i.e. multiple / overseas locations)
- Centralized or decentralized set-up?
- Quality of systems and internal controls
- High frequency of breaches or frauds
- Cost benefit considerations

# *Audit Committee*

## Audit Committee

- Audit Committee is responsible to ensure that auditors remain independent and financial reporting is accurate and reliable.
- All members are NEDs with atleast one NED having recent expertise in financial reporting and audit.

## Roles of the Audit Committee

- Accuracy of financial statements
- Timely regulatory reporting
- Monitoring internal audit function:
- Managing External Auditors:
- Provide Whistleblowing arrangements to prevent fraud and mis-reporting

## Advantage of Audit Committee

- More focused and specialized
- More time can be spent
- Board can focus more on strategic matters
- Higher involvement of NEDs
- Higher shareholder confidence

# *Technical Articles*

**No new technical articles since Nov 2022 to date**

Following articles have been published since OCT 2022

**1- Applications of new technology – Part 1 (Oct 2022)**

**2- Applications of new technology – Part 2 (Oct 2022)**

**3- Applications of new technology – Part 3 (Apr 2023)**

**4- Project Management (July 2023)**



**FOCUS**

# *Applications of New Technology Part 3*

## CLLOUD COMPUTING

PLS WATCH MY MAR  
2023 WEBINAR DAY 2

### **Introduction**

Traditionally, IT activities (hardware, software, servers, databases, website hoisting, etc.) were done locally, i.e. companies used to own physical servers & software, store data and manage entire IT themselves.

Cloud computing is delivery of computing services over the internet. Companies offering these services are called cloud providers and charge based on usage. For e.g. you can store your data online on google (onedrive). When organizations opt for cloud computing, they eliminate capital expenditure of buying hardware / servers, eliminate maintaining onsite data centers and eliminates the need of having a large IT department. This leads to significant savings in costs (e.g. space, staff, overheads, etc.).

## **Advantages of Cloud / Mobile Computing**

- Flexibility i.e. staff can access data from anywhere
- Higher level of storage capacity
- High technical standards (e.g. higher security, regular backups, etc.)
- Eliminate heavy investment in IT equipment
- Significant savings in IT operation cost
- Small firms can benefit a lot as they cannot afford to invest in fixed IT infrastructure

## **Disadvantages of Cloud / Mobile Computing**

- High reliance on internet connectivity
- High reliance on cloud provider
- Loss of direct control
- Cloud provider has access to all your data
- Regulatory requirements for privacy of data may not be complied with
- High risk of hacking as Cloud providers are main targets by hackers

# *Project Management*

Covered above under Top 15 Important Topics

**PLS WATCH MY SEP  
2023 WEBINAR DAY 2**

# *Exam Techniques*

## 1. TIME MANAGEMENT:

### a. Reading and planning 15 minutes

- i. Copy paste all tasks in the **SCRATCH PAD***
- ii. Read all tasks and identify the topics*
- iii. Take a quick look at each Exhibit and note Exhibit number on the SCRATCH PAD under respective Task*
- iv. Decide sequence of your answers (EASIER question first)*

### b. Drafting 3 hours (180 minutes)

- i. 1.8 minutes per total marks*
- ii. Stop drafting and move to next question if allowed time is up*
- iii. Come back and complete earlier question IF left with time in the end*

## 2. LINKING WITH EXHIBIT:

- a. Copy paste important info from Exhibits / Pre-seen material on the respective Answer Sheet
- b. Start your Point with statement of fact copied from the Exhibit/Pre-seen material and then elaborate about its impact on the business
- c. 3-4 lines / sentences in CBE platform per point

## 3. NUMBER OF POINTS:

- a. Normal question: Total marks divide by 2
- b. Weakness & recommendation question: Total marks divide by 4
- c. Risk & recommendation question: Total marks divide by 4
- d. Try to give one extra point in each question (subject to time mgt)

#### **4. FORMAT OF YOUR ANSWER:**

- a. Prepare skeleton of the Answer before you attempt that question (format, main headings, closure, etc.)
- b. Use information from the scenario to start your point (opening sentence)
- c. Adopt paragraph style of writing (3-4 lines/sentences in CBE platform)
- d. Give sub-headings for EACH point
- e. Use tabular format for weakness and recommendation type questions
- f. NIL or minimum use of models

#### **5. BOUNCER QUESTION:**

- a. Attempt this question in the last
- b. Use Search / Find Option in CBE Platform using key words
- c. Do not use entire allowed time. Save 10-15 minutes and use it to add more points to your other questions in order to get extra mark



# *Recap: Professional Skills*

1. **EVALUATION:** Include both pros and cons
2. **ANALYSIS:** Identify or investigate underlying reasons from Exhibit
3. **COMMUNICATION:** Proper format, keep in mind addressee and your role, tone
4. **COMMERCIAL ACUMEN:** Don't sound like an accountant (don't mention cost firms)
5. **SCEPTICISM:** Ask question, disagree, challenge, probe



# *Recap: Formats*

1. Report
2. Section of a Report
3. Briefing paper / Briefing notes / Memo
4. Email
5. Presentation slides
6. Letter
7. Press release / Website release
8. Business case
9. Project Initiation Document (PID)
10. Weakness / recommendation (table)
11. Risk / mitigation factor (table)

# Report / Briefing Paper / Briefing Note / Memo

*To: (Addressee)*

*From: (Your Role)*

*Subject: (Copy Key Word From Requirement)*

*Date: If any date is not mentioned then write "TODAY"*

## Introduction:

This report / Briefing Paper / Briefing Note / Memo *{copy from question}*

*(Headings & body of your Answer)*

**Conclusion or Recommendation  
not required unless specifically  
asked in the Question**

**Best Regards**

*(Your Role)*

# Section of A Report

**Subject:**

**Introduction**

This section of the report *{copy from question}*

*(Body of your Answer)*

# Email

**To:** *(Addressee)*

**From:** *(Your Role)*

**Subject:** *(Copy Key Word From Requirement)*

**Date:** *If any date is not mentioned then write "TODAY"*

This email *{copy from question}*

*(Headings & body of your Answer)*

**Best regards**

*(Your Role)*

# Presentation Slide

## Slide 1:

### HR Issues

- High turnover
- Low staff morale
- Salaries not aligned with market

### Supporting notes:

*{Explain above 3 bullets in 3 separate paragraphs of 3-4 lines each}*

# Letter

***Date***

Respected Chairman

XXX Company

*Subject: Internal Controls and CEO Fiduciary Duties*

This letter *{copy from question}*

*(Headings and body of your Answer)*

**Best regards**

*(Your Role)*

# Press / Website Release

*Subject*

*Name of Chairman or CEO*

*Name of Company*

*Date*

*Through this Press / Website Release, we would like to share our views regarding.....*

*{Body of your answer}*

*For further information please contact our public relation department*

# Business Case

- **Current situation:**
  - ✓ Clear identification and analysis of the problem
  
- **Evaluation of Various Options:**
  - ✓ Pros and cons for each option
  - ✓ Feasibility analysis for each option (human resource, financial resource, technical resource)
  - ✓ Risks & constraints
  
- **Selected option:**
  - ✓ Justification

# Project Initiation Document

<b>Scope &amp; Objective</b>	Implement online ticketing system to increase revenue and passenger satisfaction
<b>Cost Benefit Analysis</b>	<p><u>Costs:</u> Hardware, software, website development, maintenance, licenses, etc.</p> <p><u>Benefits:</u> Increase in revenue</p>
<b>Project Sponsor</b>	Concerned Director (e.g. IT Director or Marketing Director)
<b>Project Manager</b>	Details about project manger, his experience, etc.
<b>Project Team</b>	Details about project team, size, full time or part time, etc.
<b>Other Stakeholders</b>	Such as BOD, Govt, Customers, Suppliers, Society/Community
<b>Duration</b>	12 months
<b>Key Risks</b>	<ul style="list-style-type: none"> <li>▪ Quality risk</li> <li>▪ Time overrun</li> <li>▪ Cost overrun</li> </ul>
<b>Constraint</b>	<ul style="list-style-type: none"> <li>▪ Human resource / expertise</li> <li>▪ Funding / finance</li> <li>▪ Technology requirement</li> </ul>
<b>Project governance / monitoring</b>	Board of Directors / monthly

## Identify Weakness and Give Recommendation:

Weakness	Recommendation

## Identify Risk and Give Recommendations:

Risks	Mitigation Factors

Think like a

~~Student~~

**C F O**

Imagine that you are sharing your views with the

~~Examiner~~

**B O D**

# **STAY AWAY FROM BOOK & REVISION KITS**

## **WHY?**

- 50% paper is common sense
- You don't have sufficient time left
- Mock practice is more important than theoretical knowledge

**Just Attend Live Class, Use Top 25 Video and Notes &  
Practice Case Studies on CBE Platform**

(all available in my Global SBL Whatsapp Group)

# *Courses Available for SEP 2023 Attempt*

## *(Paid Session)*

- Regular batch
- Resit batch
- Revision / practice batch
- Mock + checking
- Pre-Seen material workshop

## *Contact Details*

**For Admissions & Inquiries: +92 324 922 1387**

**Sir Hasan Dossani: +971 555 245 672**

# All the Best CFOs