

# Convert your monthly reporting to a decision based tool

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By David Parmenter ([davidparmenter.com](http://davidparmenter.com))

Many management reports are not a management tool, they are merely memorandums of information. Management reports as a management tool help with the alignment of behaviour in that the reports encourage action to take place, on a timely basis and in the correct direction. In other words, you need to measure and report on those activities the Board, management and staff need to focus on - “what gets measured gets done”.

Accountants need to be great communicators to fulfil their role successfully. Gone are the days when reports could simply be drafted without consideration of the reader's needs. Reports should focus on how to best get the message across. What are the salient points? Where can this report add value to the readers understanding? And how can I deliver this report on a better practice time frame? This article is from a comprehensive white paper on decision based reporting which also covers Board and project reporting, reporting of performance measures (24/7,daily, weekly, and monthly), focusing on late projects and late reports and ways to enhance human resources data.

What is good monthly reporting? Firstly, the information needs to be timely, consistent and presented as a true and fair view of the performance. The value of information provided to management after the 5<sup>th</sup> working day past month end becomes questionable. I am increasingly coming across teams that are producing month end reports by day two and day three. Recently a New Zealand company won a \$100 team shout from my firm for reaching day one reporting. The better practice benchmark now is clearly three working days with exceptional performance being in a shorter time frame.

Secondly, monthly reports need to be concise. Board members and the senior management team have complained for years that they are sent too much information, yet we still insist on preparing 20 page month end financials. The cost of preparing, analysing and checking this information is a major burden on the accounting function, creating significant time delays and consequently minimising its value.

Some participants of the **waymark solutions** better practice studies have made progress in developing decision based reports. This article is about the progress they have made. Common features are the merging of summary financial numbers (why do we need to show more than 10 to 15 lines on a profit and loss account) graphs and comments on one page.

Having recently presented “decision based reporting” for the Institute around Australia I am sure, based on feedback, that many readers will benefit from the wisdom and foresight of the innovative solutions set out below.





## Reporting the balance sheet

Statement of Financial position as at 30 April 20XX		
	Month-end Actual	Last month Actual
Bank and Cash	4,000	5,800
Accounts receivables	2,000	1,800
Inventory	2,000	1,800
<b>Fixed Assets</b>	9,000	8,800
Other Non-Current Assets	1,000	800
<b>Total Assets</b>	<u>18,000</u>	<u>19,000</u>
Accounts Payable & Accruals	(3,500)	(2,500)
Other Liabilities	(1,000)	(800)
<b>Net assets</b>	<u>13,500</u>	<u>15,700</u>
<b>Funded by</b>		
Current Year profit	2,700	2,500
Accumulated Funds	10,800	13,200
<b>Total Equity</b>	<u>13,500</u>	<u>15,700</u>

  

**Treasury Management**

**Month End Debtors Balance**

**Highlights:**

Features: Summarised the balance sheet in 10 to 15 lines and round all numbers. Tell management debtors are \$2m rather than \$1,967,234, I can assure you they will remember \$2m but have forgotten the other number. The graphs focus on main balance sheet issues such as debtors ageing, stock levels and cash. The notes cover the main highlights and action steps to take. There would be no other commentary on the balance sheet. Another point is that every line added to a balance sheet serves to confuse management and benefits only the accountants. The detailed balance sheet, balanced to the cent, should be left to our working papers!

Simplified balance sheet

XXXXXXXXXXXXXXXXXXXX  
**SUMMARY BALANCE SHEET**  
 TEN MONTHS ENDED XXXXX 20XX

	AS AT 30 APR. 20XX As reported \$	PREVIOUS MONTH As summarised \$
<b>WORKING CAPITAL</b>		
Current Assets	2,100,000	2,000,000
Current Liabilities	(1,200,000)	-1,300,000
<b>Total Working Capital</b>	<u>900,000</u>	<u>700,000</u>
<b>FIXED ASSETS</b>		
Fixed Assets ( orig. cost)	500,000	400,000
Provision for Depreciation	(200,000)	-300,000
	<u>300,000</u>	<u>100,000</u>
<b>Represented by:</b>		
<b>TAXPAYER EQUITY</b>	<u>\$ 1,200,000</u>	<u>\$ 800,000</u>

**Comments:**

- Equity has increased \$XXXXXXXXXXXXXXXXXXXX  
 XX  
 XX  
 X.
- We have successfully collected \$XXXXX XXXXXXXXX  
 XXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX  
 XXXXXXXXXXXXXXXXXXXX XXXXXXXX.

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<b>BANK CALL ACCOUNT</b>	ACTUAL AS AT 30 APR. 20XX \$	ACTUAL Previous Month \$
Funds on deposit -	\$1,200,000	\$250,000
	<u>500,000</u>	<u>550,000</u>
	<u>\$1,200,000</u>	<u>\$800,000</u>

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<b>ACCOUNTS RECEIVABLE</b>	ACTUAL AS AT 30 APR. 20XX \$	CURRENT \$	30 to 60 DAYS			90 DAYS PLUS \$	ACTUAL Previous Month \$
			\$	\$	\$		
Gross accounts receivable	60,000	35,000	25,000	2,000	6,000	<b>98,000</b>	
Provision for doubtful debts	-	-	-	-	-	-	
<b>Net accounts receivable</b>	<u>\$60,000</u>	<u>35,000</u>	<u>25,000</u>	<u>2,000</u>	<u>6,000</u>	<u>\$98,000</u>	







David Parmenter is the CEO of waymark solutions. David specialises in assisting organisations measure, report and improve performance. waymark helps organisations streamline their: month-end reporting and annual planning processes, implement quarterly rolling forecasts, adopt the principles of beyond budgeting, develop decision based reports, and adopt performance measures that will improve performance. He has had speaking engagements in 2007 in Wellington, Auckland, Christchurch, Sydney, Melbourne, Brisbane, Canberra, Adelaide, Perth, Kuala Lumpur, Singapore, Dublin, Edinburgh, Glasgow and London.

John Wiley & Sons Inc are publishing two of his books in 2007 "Key performance indicators – developing, implementing and using winning KPIs" (January 07) and "Pareto's 80/20 Rule for the Corporate Accountant" – better practices from winning finance teams (April 07).

David has an in-depth understanding of better practices of corporate accountants across all sectors. David has also worked for Ernst & Young, BP Oil Ltd, Arthur Andersen, and Price Waterhouse. David is a fellow of the Institute of Chartered Accountants of England and Wales.

He has written over 30 articles for the accounting and management Journals in Australia, Malaysia, Ireland, England and New Zealand. His articles published include: "quarterly rolling planning - removing the barriers to success", "Throw away the annual budget", "Maybe its time to look at your KPIs", "seven time wasters", and "quick month end reporting", "Beware corporate mergers", "Implementing a Balanced Scorecard in 16 weeks not 16 months", "Convert your monthly reporting to a management tool", "Smash through the performance barrier", "Is your board reporting process out of control?"

He can be contacted at [parmenter@waymark.co.nz](mailto:parmenter@waymark.co.nz) or telephone +64 4 499 0007 He has recently completed a series of white papers which can be purchased from his website <http://www.waymark.co.nz>. His recent thinking is accessible from [www.DavidParmenter.Com](http://www.DavidParmenter.Com)