



Business, Industry, Education, and Government Forum

SEPTEMBER 20, 2016

2016 Delaware Legislation



CPA Licenses

Certificate

Only passed CPA Exam

No experience

OR

Received certificate and permit and let permit lapse

OR

Received prior to 1986 and equal to permit

Certificate & Permit

Passed CPA Exam

Met experience requirement


150 hours

Permit

Received reciprocal permit

One-Tiered Licensing – Permit To Practice

- ▶ Certificate
- ▶ Permit to Practice
- ▶ CPA vs CPA (not in public practice)
- ▶ Grandfathering provision



Holders of expired **permits to practice** as of **July 1, 2016**, may apply to have their permit to practice reinstated upon a showing that the applicant has completed no less than **80 hours** of continuing professional education as determined by Board rule during the 2-year renewal period ending **June 30, 2017**. Any holder of an expired permit to practice who fails to reinstate his or her permit by June 30, 2017, shall be required to meet all of the requirements for the initial issuance of a permit to practice pursuant to this section.

Use of CPA Designation

- ▶ **Holders of CPA certificate only cannot use the designation CPA**
- ▶ Holders of CPA certificate whose permit has lapsed can continue to use CPA until 7/1/17 as long as it is clearly indicated that they are not holding themselves out as a practicing CPA.
- ▶ Holders of permit to practice who are not providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills and who no longer meet the continuing education requirement under § 108 must place the word “inactive” adjacent to their CPA title.

Inactive Status

- ▶ New to Delaware
- ▶ Available to CPAs who leave the profession –
Not applicable to CPAs in industry
- ▶ Path to reactivation

Reciprocity

- ▶ If licensed in good standing in a SE state, can qualify for reciprocal permit in Delaware

Next Steps

- ▶ Rules and Regulations drafted by Board of Accountancy
- ▶ Hearing on Rules and Regulations
- ▶ Implementation

Join the DSCPA

- ▶ Discounts on CPE and events
- ▶ Access to many affinity programs
- ▶ Online CPE Tracker
- ▶ Resources on our website
- ▶ Community

Charting the Course to a Successful Future

Is Your Future at Risk? A Forum for Business & Industry CPAs

September 20, 2016



Kenneth Witt, CPA, CGMA – AICPA Technical Manager



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CIMA

Kenneth W. Witt, CPA, CGMA

- **Technical Manager, Management Accounting** in the Business Industry and Government team at the AICPA.
- Staff liaison to the **Business & Industry Executive Committee** which provides insight and guidance on professional issues and trends
- Involved in thought leadership and professional development activities for the **Chartered Global Management Accountant (CGMA) designation.**
- Managed the development of a portfolio of guidelines on **strategy, risk and performance management** topics
- Created and manage the AICPA Business & Industry **Economic Outlook Survey**
- Engaged with AICPA **Academic and Student** teams to raise profile of management accounting.



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Agenda

- Business Trends and Complexity
- CGMA Competency Framework
- Business Strategy Case
- CGMA Resources
- CGMA Requirements/Program

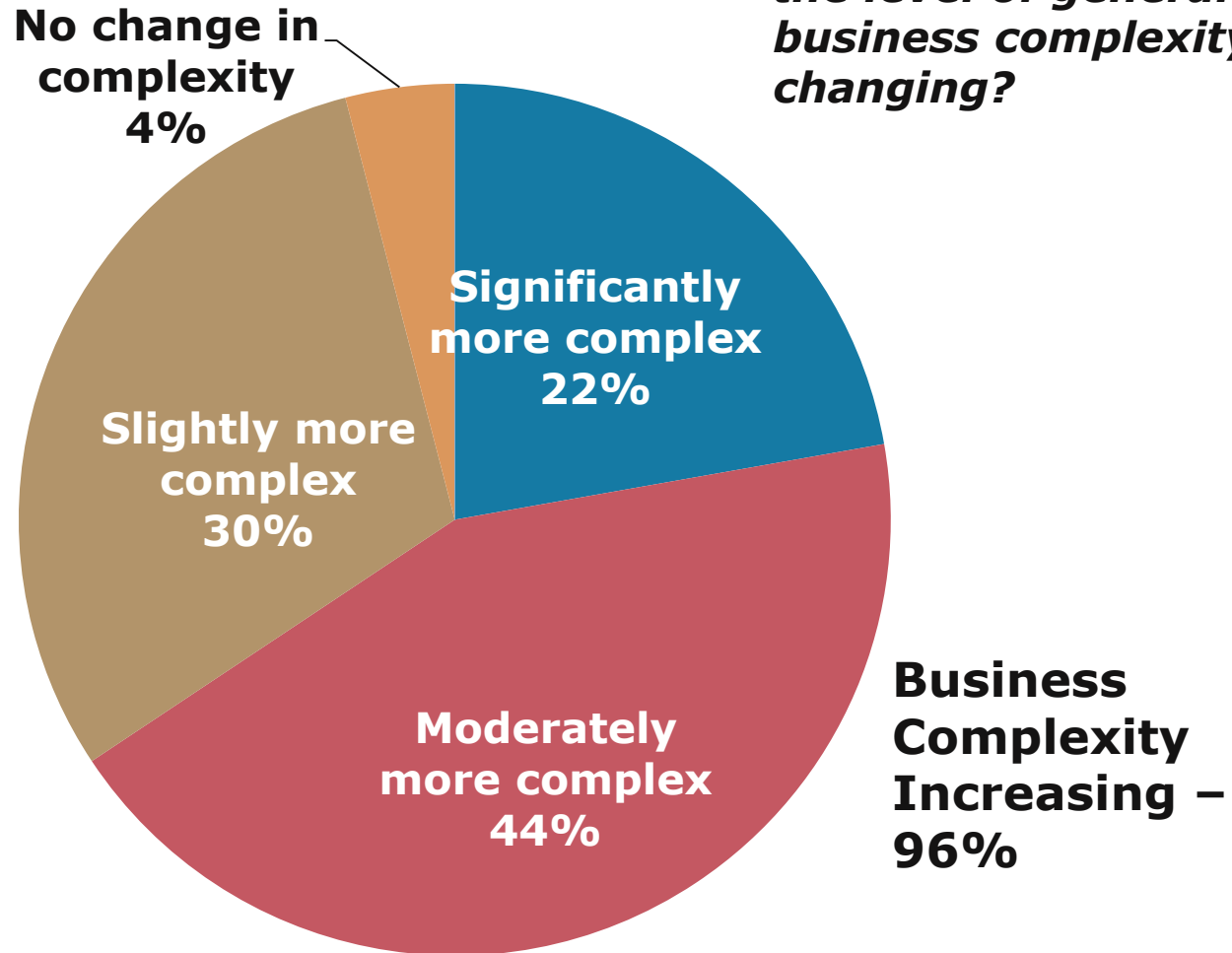
Increasingly diverse profession



About 40% of AICPA members **work in management accounting.**

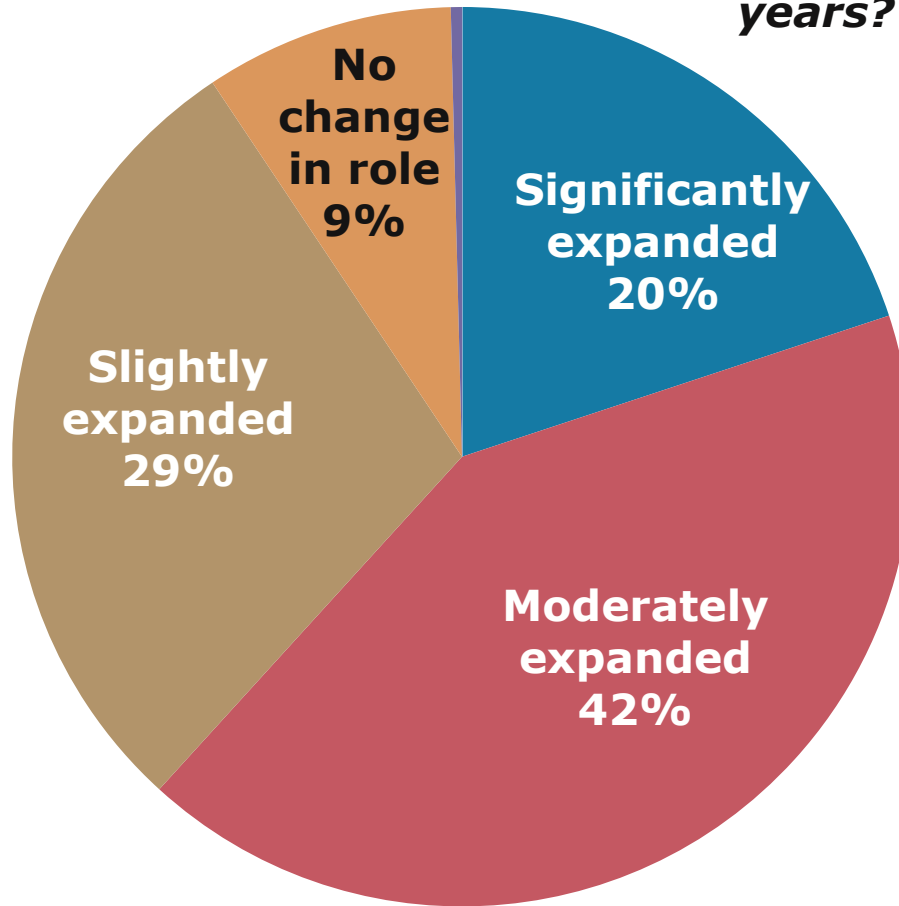
Increasing Complexity

Looking ahead three years, how do you see the level of general business complexity changing?



Impact of complexity on CFO role

How would you characterize any change in the role of the CFO/finance function in your organization in the last 1-3 years?



CFO/Finance Role Expanded—91%

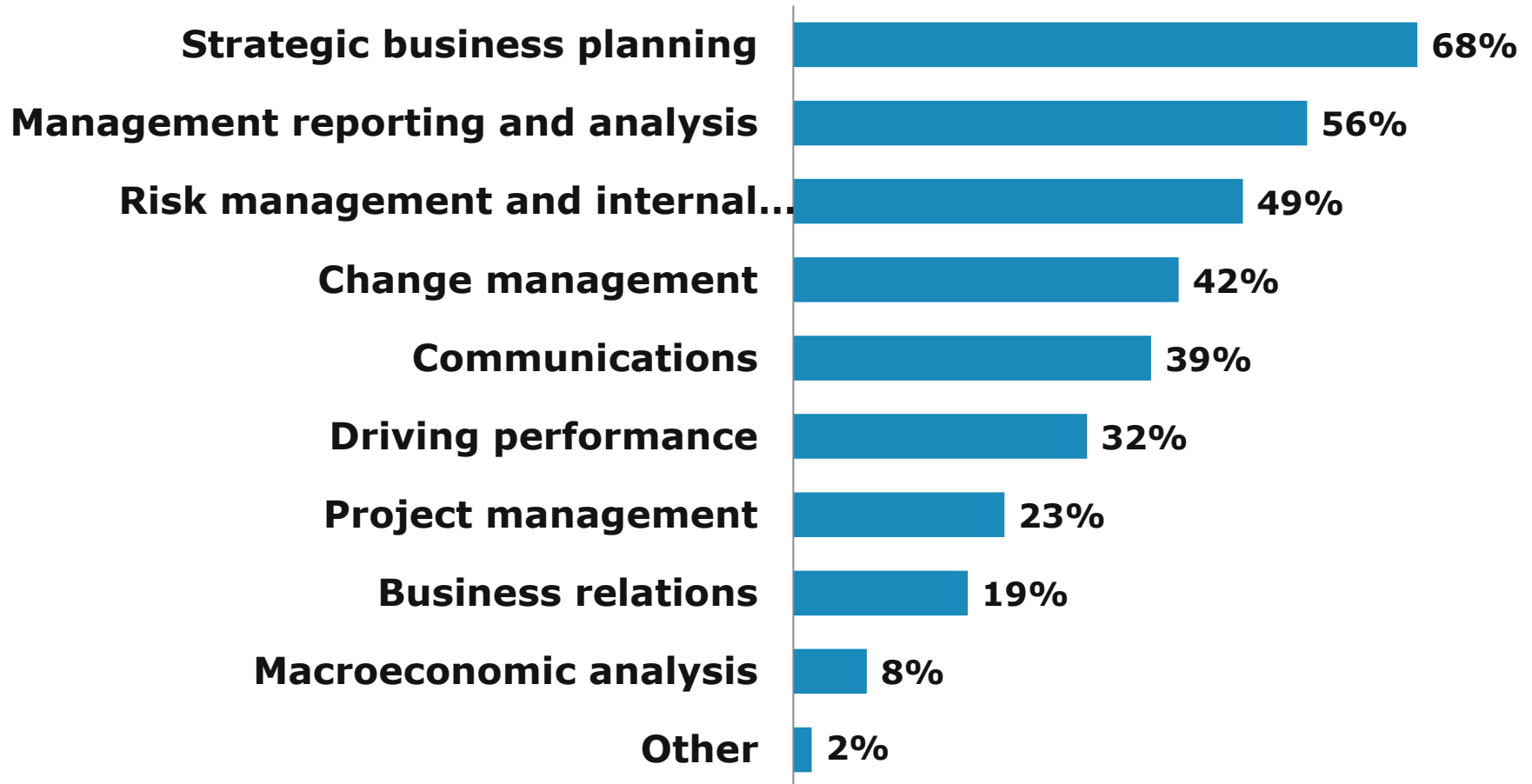
New areas of focus

In addition to traditional financial accounting and reporting, what areas have become your focus? Choose as many as apply.



Essential CFO Skills

Which skills do you expect to be essential to effectively perform these roles in the next 1-3 years?

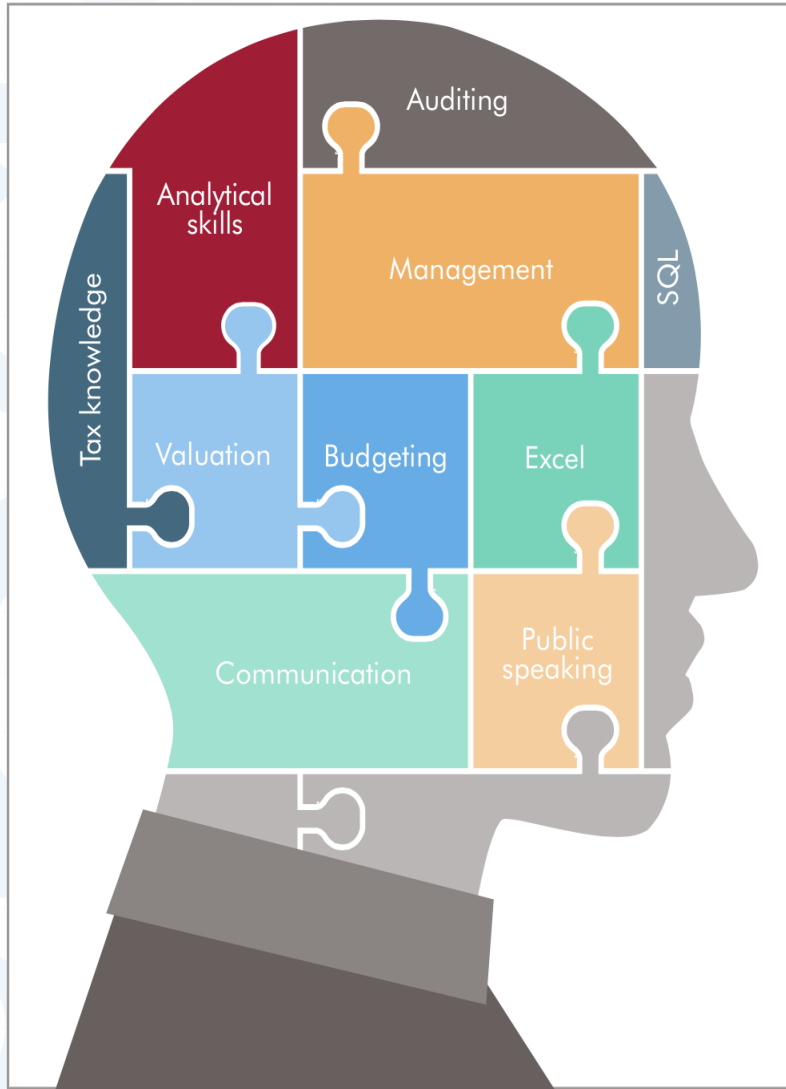


CGMA Competency Framework

*Developing the skills that
business needs*



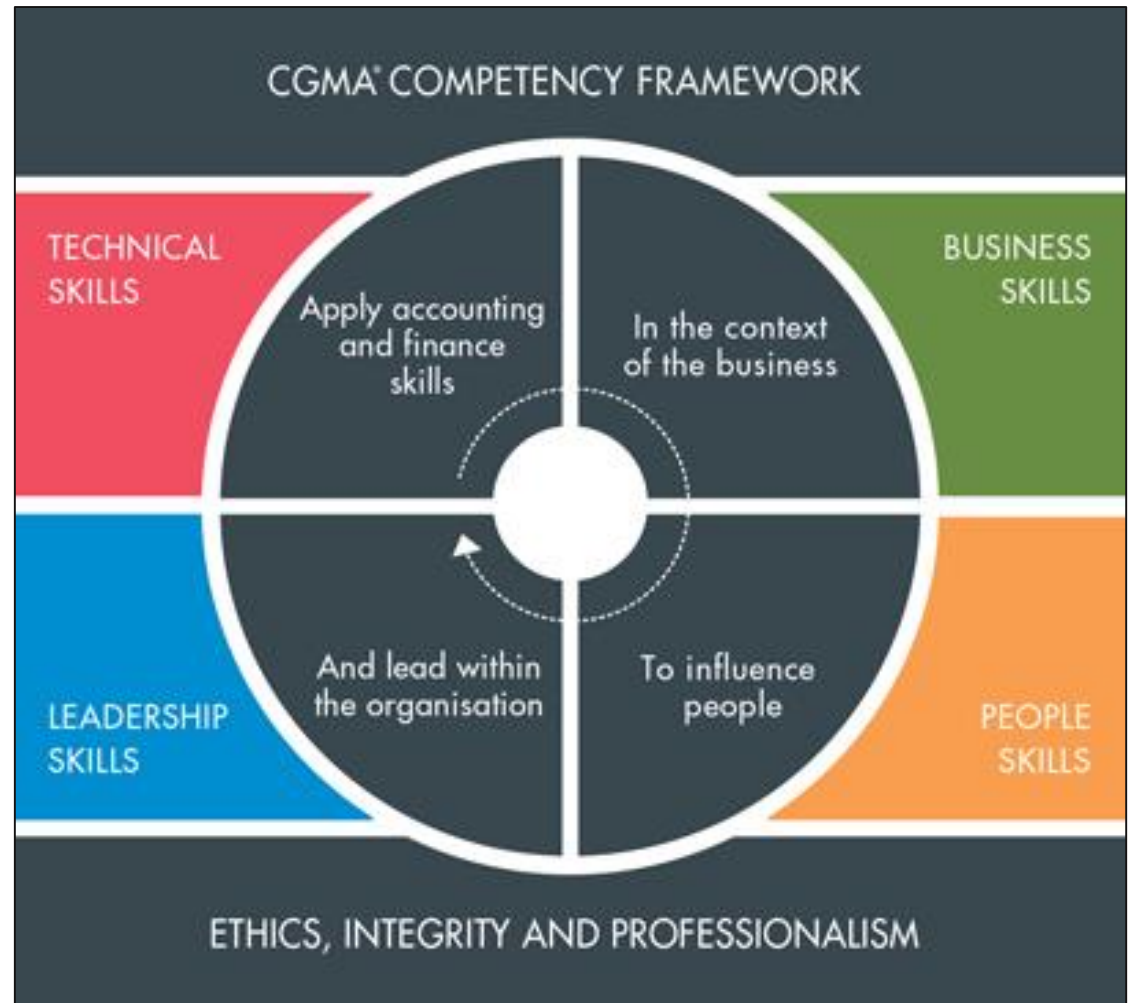
Competencies in demand



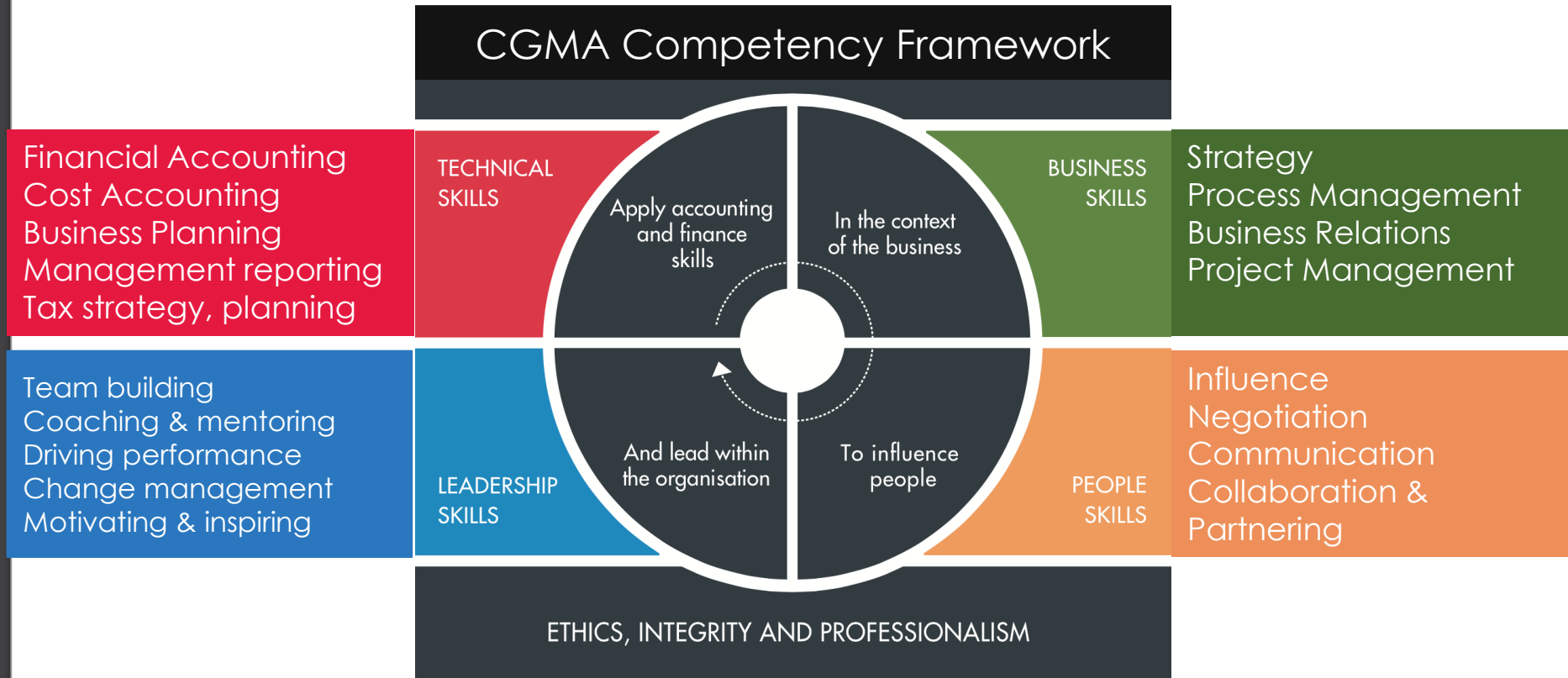
- ✓ Analytical Skills
- ✓ Risk Management
- ✓ Communications
- ✓ Cross-functional collaboration
- ✓ Relationship management
- ✓ Critical thinking
- ✓ Insight generation

CGMA Competency Framework

*Applying
accounting
and finance
skills in the
context of
business...to
influence
and lead*



Deploying a competency Framework



Define and Articulate competencies

INFLUENCE

This is the ability to have an effect on people, relationships, processes and products while driving business performance in both domestic/international dealings.

FOUNDATIONAL

- Adapt your personal style to suit different people and situations
- Listen to and be sensitive to the views and values of others
- Understand and relate to others from different cultural background, including peers and customers in an open, friendly and professional way

INTERMEDIATE

- Sell own ideas and agenda by linking them to the needs and goals of others
- Anticipate responses of others when choosing the approach to take
- Remain professional in difficult situations; demonstrate empathy to understand the feelings and actions of others; and give difficult messages in a way that limits misunderstanding and promotes acceptance

ADVANCED

- Use a combination of logic, personal passion, conviction and interpersonal skills to influence others
- Relate to, develop and make use of a wide network of key relationships from both inside and outside the organisation to influence others
- Lobby to build behind the scene support for ideas and plans and solicit the involvement of others to build ownership and buy-in

EXPERT

- Influence and work effectively with organisations from different cultures
- Negotiate effectively at senior levels through anticipating and managing objections and challenges
- Communicate effectively and assertively in high risk situations to resolve complex and/or sensitive issues and build consensus

Business strategy case

LaVie Clothing

What needs to change?

CGMA Business Case

Your Role

- You are the Senior Manager of Finance, reporting directly to the CFO

Major Stakeholders

- CEO
- Board of Directors



LaVie Clothing Pre-read info

- **US-based clothing manufacturer**, est. 1952 - 6 manufacturing facilities in US **selling directly to key customers**
- **Well-designed, well-finished** ladies and children's clothing at medium to higher end of market – **quality is key** which is main reason for keeping manufacturing in US.
- Introduced **new design center in US and new distribution center in Europe** which also increased profitability.
- Facing **hostile competitive environment** – considerable buyer power of large customers driven by **lower cost and increasing quality** of imports, **especially from China**

“What needs to change?”

Business Scenario

- Dependent on small number of key contracts
 - increasing cost pressure from major buyers
- Increasing quality of low-cost goods from China - price is main bargaining tool
- Responsive action to competition is to increase efficiency/lower costs – wage cuts, factory closings under consideration
- Morale is low, quality is falling

First Trigger – Email from CFO

Board of Directors Meeting Next Tuesday

From: CEO@LaVie.com
Subject: Need your input ASAP
Sent: 9/4/2013 9:13 AM

LaVie

[Your name]

I have a presentation to make to the Board of Directors on Thursday and I need you to use your insight and expertise to craft a report evaluating the three proposals currently on the table. In addition, please provide your logical strategic recommendations for how to proceed. These will inform our company strategy moving forward.

See the attached Growth Proposals as critical resources for your report.

Attachments:

Proposal 1
Proposal 2
Proposal 3

Thanks,
Your CEO

Three Proposals

- **Appoint Famous Designer**
- **Manufacturing Center in Eastern Europe**
- **Franchise Shops in US, Europe and Asia**

LaVie Clothing – possible solutions

- **Designer** to prepare 4 collections per year – expected to increase sales, expand customer base
- **Manufacturing center** – expected to reduce manufacturing and distribution costs
- **Franchise stores** – expected to provide access to new markets, reduce dependence on major buyers

Task 1

Prepare a presentation for the CFO to present to the CEO summarizing the **advantages and risks** of the 3 growth proposals and make your recommendation whether to proceed or not

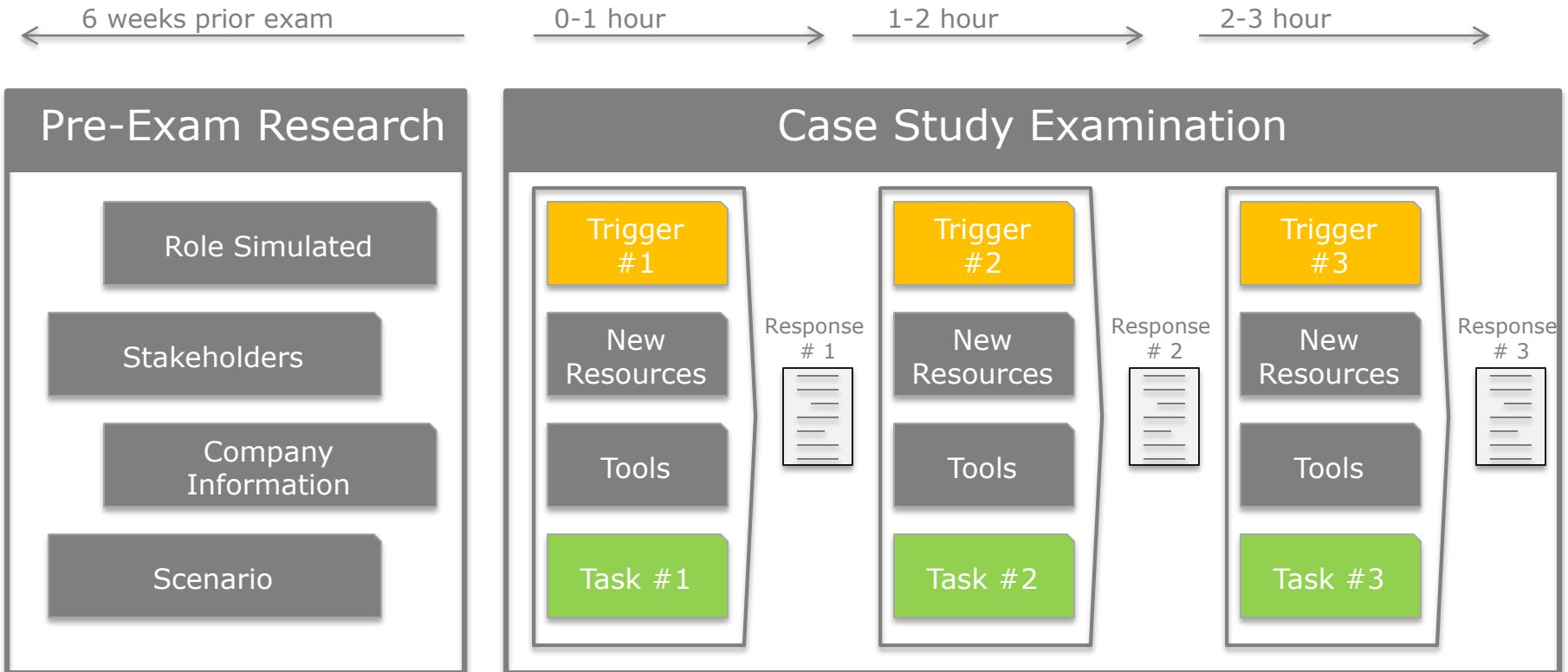
What are the implications?
Potential Revenues? Costs? Competitors? Risks?

Report Out

Each team should identify **1 speaker** to report out:

1. What are the ***primary advantages***?
2. What are the ***major risks***?
3. What ***key information*** you would need for a full analysis?

The CGMA Exam Process



Illustrative process only.
Pre-read timing may change. Number of 'triggers' or tasks that are presented to students in the three hour exam may be between three and six and various length.

CGMA Resources

*Thought Leadership Reports
and Tools*

CGMA - Robust portfolio of resources

Reports



Innovation



Big Data



Fraud Risk



CGMA Magazine



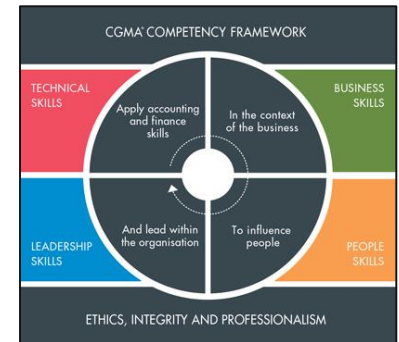
Value Chain



Building Resilience



Tools



Big Data and Decision-making



THE DIGITAL FINANCE IMPERATIVE: MEASURE AND MANAGE WHAT MATTERS NEXT

PROFIT DATA VALUE

ORACLE

A graphic with a light grey background and a dark grey border. At the top, it says 'THE DIGITAL FINANCE IMPERATIVE: MEASURE AND MANAGE WHAT MATTERS NEXT'. Below this are three circular icons: the first is a gear with a dollar sign, the second is a gear with a bar chart, and the third is a gear with a target. Below the icons are the words 'PROFIT', 'DATA', and 'VALUE'. At the bottom right is the 'ORACLE' logo.



Cost Transformation



Tools

Your practical toolkit to help you embed cost transformation within your business and become a cost leader:

[ABC Inventory Management](#)

[ABC / XYZ Inventory Management](#)

[Achieving Alignment, Shared Purpose and Agility Analysis](#)

[Activity-Based Budgeting \(ABB\)](#)

[Activity-Based Costing \(ABC\)](#)

[Balanced Scorecard](#)

[Beyond Budgeting](#)

[CIMA's Strategic Scorecard](#)

[EFQM](#)

[Enterprise Risk Management](#)

[Environmental Management Accounting](#)

[Kaizen](#)

[Kotler's Five Product Level Model](#)

[Lean Production](#)

[Lifecycle Costing](#)

[McKinsey 7-S Framework](#)

[Porter's Five Forces of Competitive Position Analysis](#)

[Product Family Master Planning](#)

[Risk Heat Maps](#)

[Target Costing](#)

[Value Chain Analysis \(VCA\)](#)

[XYZ Inventory Management](#)

Risk Management Toolkit



RISK MANAGEMENT

[Financial risk management tool](#)

[Risk and process innovation](#)

[ERM maturity case study](#)

[MassMutual case study](#)

[Risk management: A guide to good practice](#)

[Managing innovation](#)

[A structured approach to ERM and requirements of ISO 31000](#)

[Human rights and business](#)

CASE STUDIES

[Shell case study](#)

RISK CATEGORIES

[Extended enterprise risk](#)

[Cyber risk](#)

[Ethics, risk and governance through the value chain](#)

[Fraud risk management](#)

CGMA Resources

Big Data and Decision-making

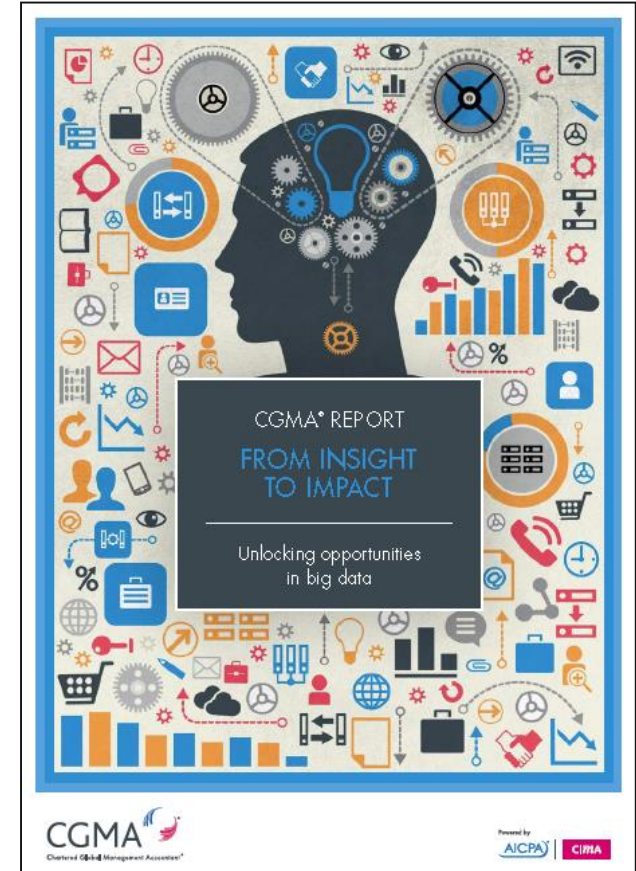
From Insight to Impact: Unlocking the Opportunities of Big Data

Focuses on the finance role in linking decisions to data

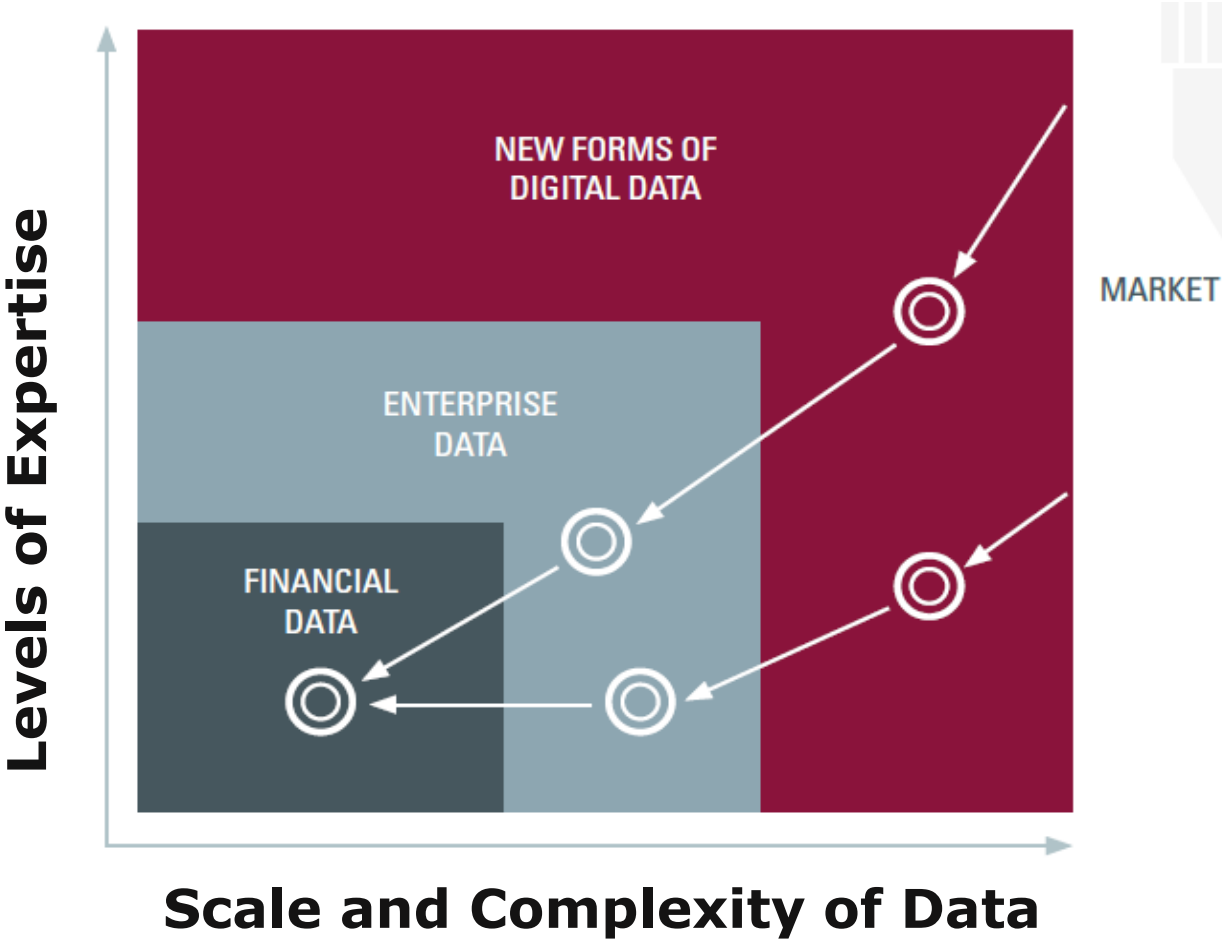
Jargon Buster

Key questions:

- *What drives the business?*
- *What do customers care about most?*



What is Big Data?



Relating KPIs to Value Drivers

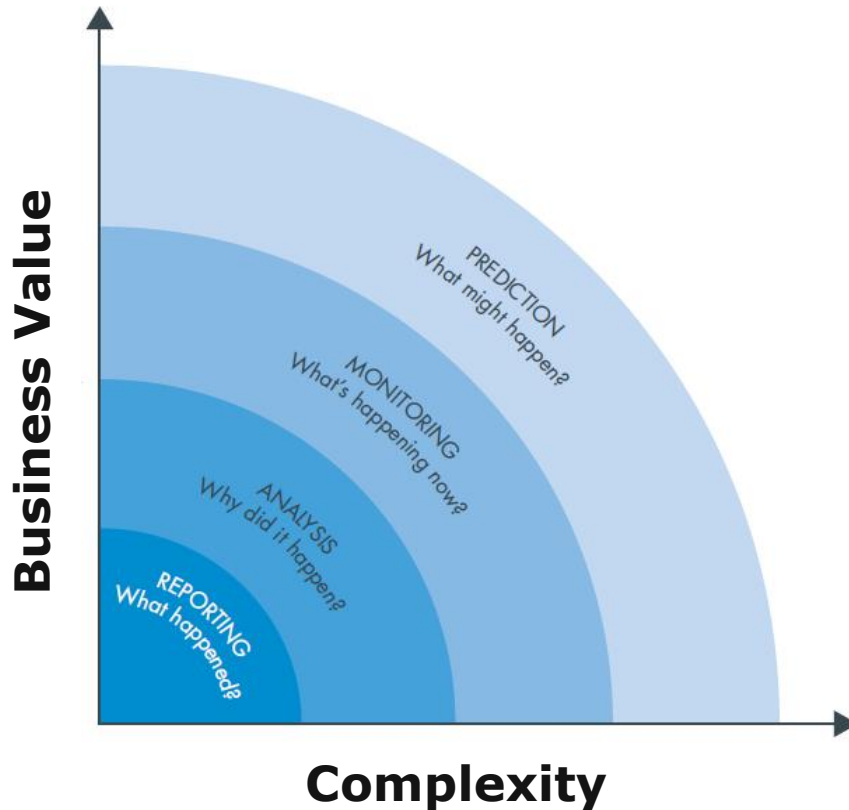
TOP KPIs



TOP VALUE DRIVERS

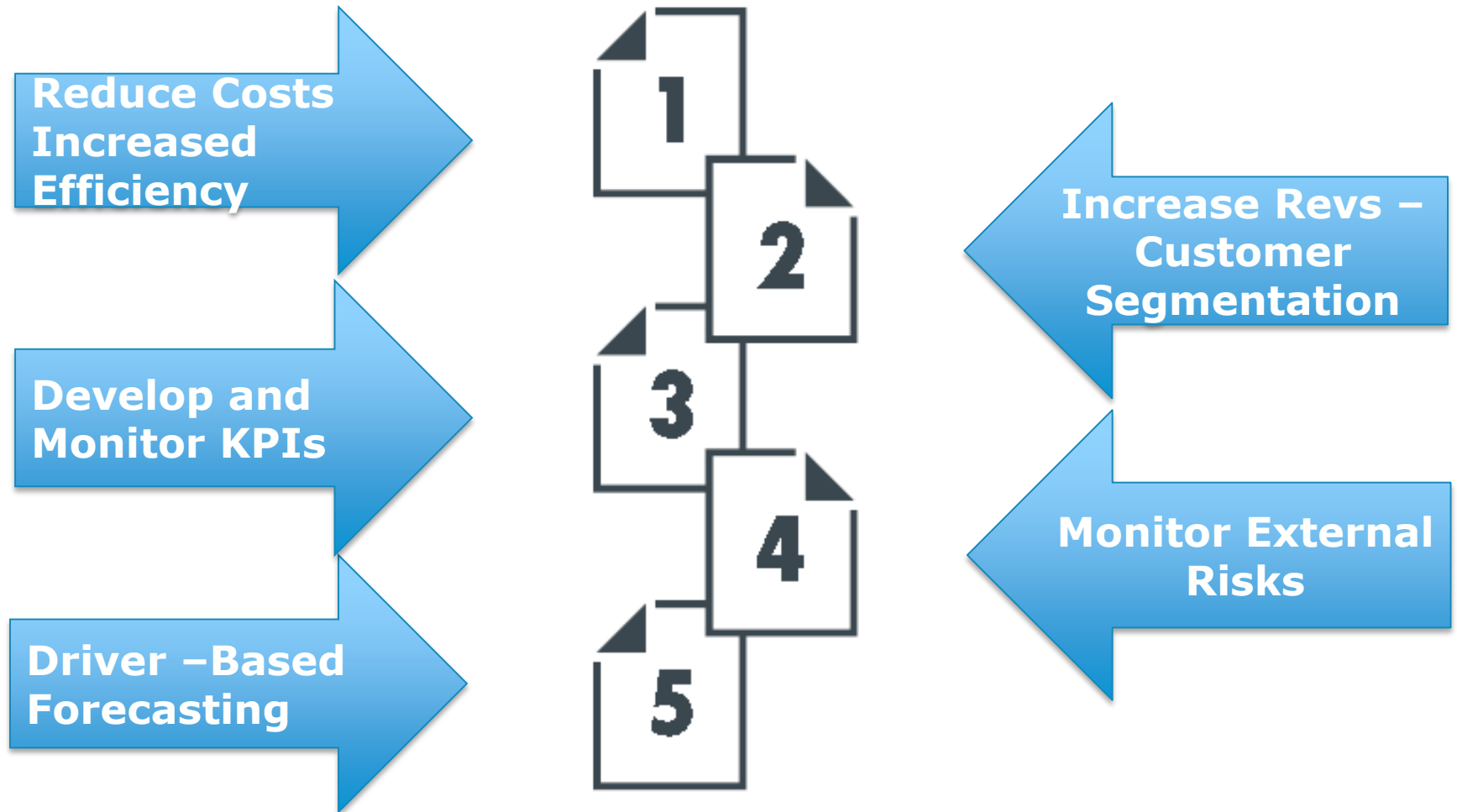


What are the levels of analysis and BI technologies?



- Reporting** – What happened?
- Analysis** – Why did it happen?
- Monitoring** – What's happening now?
- Prediction** – What might happen?

Management Accountant and Big Data

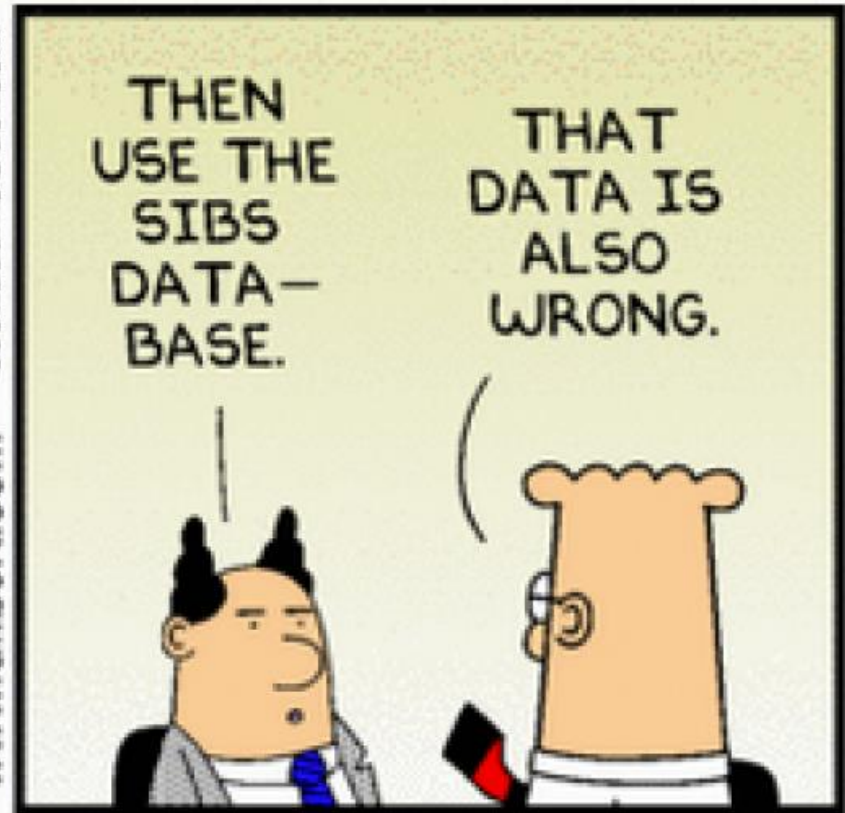


Data Quality – *An obvious concern*



scottadams@aol.com

www.dilbert.com



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CGMA Resources

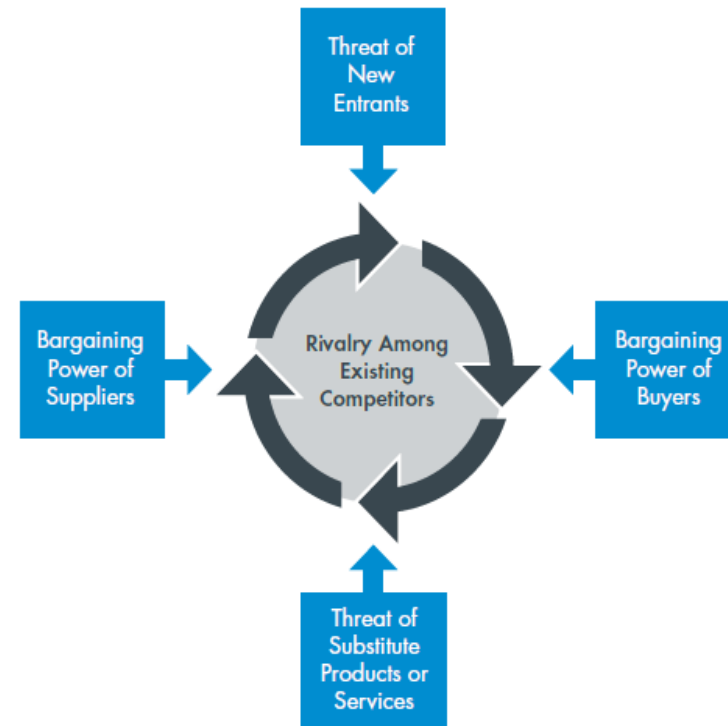
*Cost Transformation and
Managing Customer Value*

Cost Conscious Culture

Porter's Five Forces

- Supplier Power
- Buyer Power
- Competitive Rivalry
- Threat of Substitution
- Threat of New Entry

Engendering a cost-conscious culture

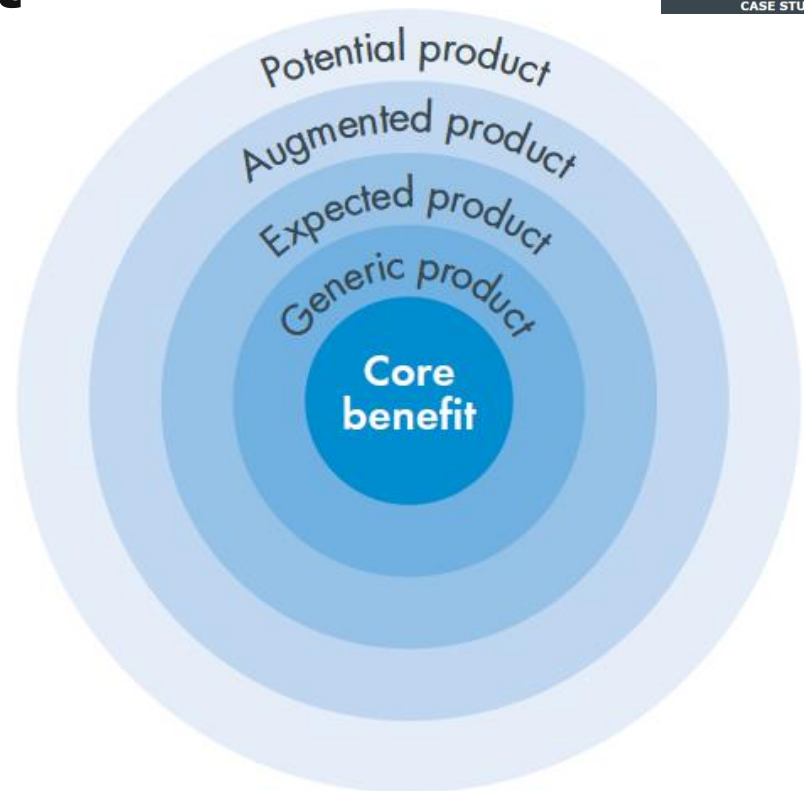


Connecting Products with Profitability

Kotler's Five Product Level Model

- Core Benefit
- Generic Product
- Expected Product
- Augmented Product
- Potential Product

Connecting products with profitability



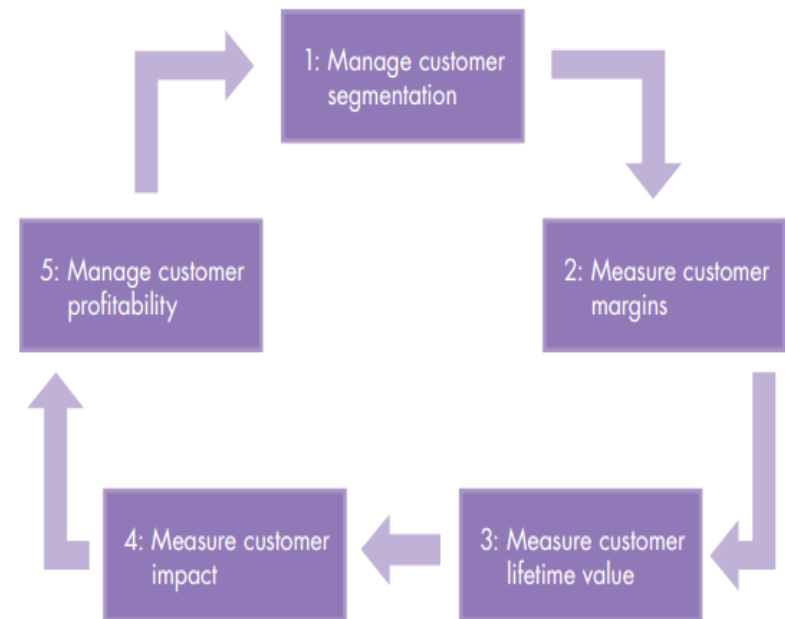
Managing Customer Value

CGMA TOOLS

How to manage customer value

Customer Value Management Cycle

- Customer Segmentation
- Customer Margins
- Customer Lifetime Value
- Customer Impact
- Customer Profitability



COMPETENCY AND LEARNING
<https://competency.aicpa.org/>

Customer Segmentation

- **Demographic** – observable characteristics
- **Psychographic** – lifestyle, attitudes, interests, values
- **Behavioral** – purchasing patterns “market basket”
- **Analytic** – integrates cost into value calculation of customer segments

*Dividing customers into groups for **decision-making purposes.***

*Segmentation allows the company to provide **differential advertising or value propositions to different customer groups.***

Managing Customer Margins

- **Order-level** – order placement and processing, picking, delivery, processing
- **Customer-level** – acquisition costs, promo, **relationship management**, A/R collections
- **Channel-level** – Distribution channels
- **Market-level** – R&D, branding, marketing
- **Enterprise-level** – Admin, facilities, financing

Assigning non-product costs.

Assessing the profitability of customers as well as products

All customers are not created equal!

Measure Customer Lifetime Value

CLV – Present value of future flows

- **Profits earned** – margins over time, less acquisition and other lifetime costs
- **Retention rate** – expected life of customers, or net difference between acquisitions and exits
- **Discount rate** – company hurdle rate

The lifetime value of the customer reflects the present value of all future flows associated with the customer.

$$\text{CLV} = (\text{profit}_1 \times \text{retention rate}_1 \times \text{discount factor}_1) + (\text{pt}_2 \times \text{rt}_2 \times \text{dt}_2) + \dots + (\text{pt}_n \times \text{rtn} \times \text{dtn})$$

Customer Impact

- Power and prestige
 - Expert users
 - Celebrities
 - Role models
- Customer referrals
 - Satisfied
 - NOT
- Useful Information
 - Social media
 - Crowd-sourcing

Value can be created (or destroyed) by customers in many other ways that fall outside the reach of CLV and other methods of assessing customer value.

Management Strategies

Customer profit margins	Customer lifetime value	Customer impact
<ul style="list-style-type: none">• Re-price products and services• Reduce customer costs (reduce cost per service and reduce services available)• Manage cost drivers (policy changes and charge for services)	<ul style="list-style-type: none">• Improve retention and acquisition rates• Upgrade customer profits (share of wallet, up-selling and cross-selling)• Reduce lifecycle costs (acquisition, ongoing promotions)• Measuring, improving and managing customer satisfaction	<ul style="list-style-type: none">• Increase referrals• Pursue influential customers• Enhance data capture (capture every interaction)• Increase customer participation (communities, direct requests, employees)
Use data effectively (experimentation, innovation and customization)		

CGMA Resources

Risk Management

Risk Management Toolkit



RISK MANAGEMENT

Financial risk management tool

Risk and process innovation

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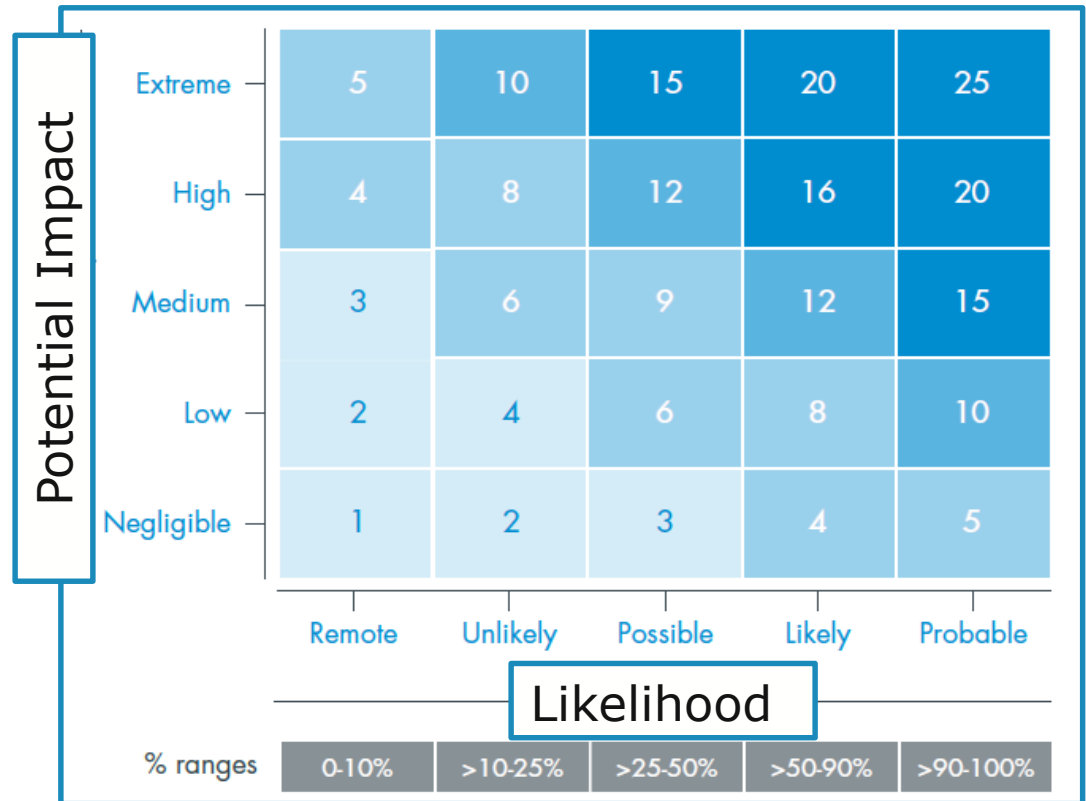
Ethics, risk and governance through the value chain

Fraud risk management

Risk Assessment for Mid-sized Companies

Risk Heat Map

- Key Considerations
 - Risk Appetite
 - Level of impact that would be material
 - Common language
 - Residual Risks – after mitigation or reduction

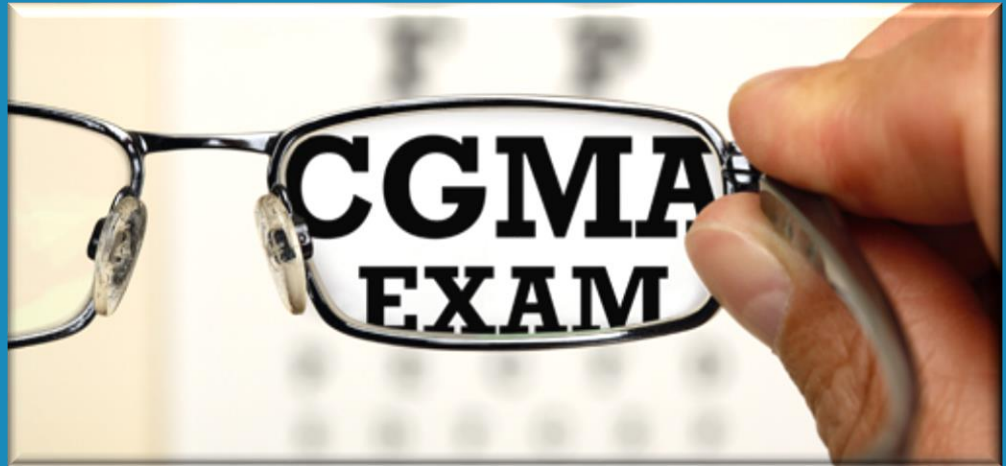


COMPETENCY AND LEARNING
<https://competency.aicpa.org/>

Source: AICPA, Scott McKay



CGMA Syllabus Requirements and Learning Program



2015 CIMA Syllabus

Pathway to CGMA

Strategic Level

Strategic Case Study Exam

E3
Strategic Management

P3
Risk Management

F3
Financial Strategy

Management Level

Management Case Study Exam

E2
Project and Relationship Management

P2
Advanced Management Accounting

F2
Advanced Financial Reporting

Operational Level

Operational Case Study Exam

E1
Organizational Management

P1
Management Accounting

F1
Financial Reporting and Taxation

Enterprise Pillar

Performance Pillar

Financial Pillar

CGMA Requirements – Current

- **AICPA Regular Member**
 - CPA certificate or license (current or previous)
 - Passed US CPA Exam
 - 120-hour CPE requirement (agree to complete)
- **CGMA Exam - Strategic Case Study Exam**
- **3 years Professional Experience (PER)**
 - Competency Framework
 - Breadth – 4 areas
 - Depth – Intermediate



AICPA Membership

Find out what over 400,000 members already know. Become an AICPA member today!



CGMA Strategic Management Accounting Learning Program Bundle

- Self-study (50 hr. CPE)
- Video Summary
- Video Review Course
- Harvard ManageMentor
- CGMA Exam Voucher



Program
Overview

Program
Learning

The CGMA Program: Learning Pathway bundle learning resources you need to progress through sitting. It's an end-to-end experience that not only firmly moves you along the pathway towards



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CGMA Champion Program

- Complimentary Access to CGMA Learning Program and Exam
- In exchange for promoting CGMA:
 - Testimonials
 - Events
 - Social Media
 - Support of future candidates
 - Other

**Stand out in the business world:
Become a CGMA Champion**



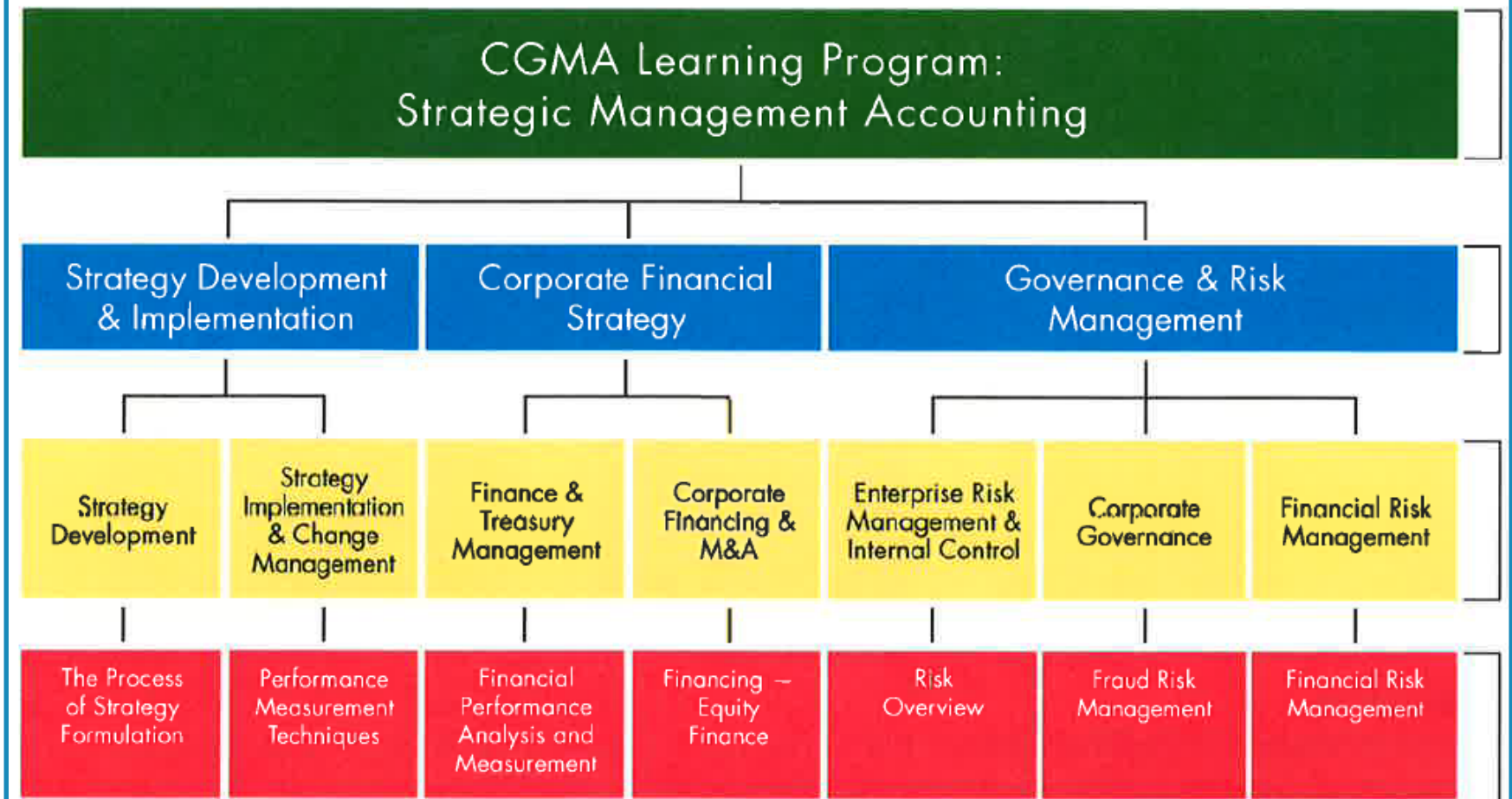
Contact Barry Payne
Director Business
Development
bpayne@aicpa.org



CGMA Learning Program

CGMA LEARNING PROGRAM:
STRATEGIC MANAGEMENT ACCOUNTING

TRACKS AND PRICING



Serving a new part of the ecosystem – 2017



ACCOUNTING ECOSYSTEM



**PUBLIC
ACCOUNTING**

**MANAGEMENT
ACCOUNTING**

CPAs

CPA, CGMAs

**CGMA Program for other
qualified professionals**



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CGMA Other Qualified Professional Entry Points 2017



Thank You

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