



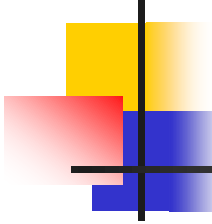
INFORMATION

- This course deals with complex matters and may not apply to particular facts and circumstances. For these reasons, the course material should not be relied upon as a substitute for specialized professional advice in connection with any particular matter. Although the course material has been carefully prepared, neither Stephen Priddle, or the professional body sponsoring this seminar accept any legal responsibility for its contents or for any consequences arising from its use.
- COPYRIGHT © 2023 STEPHEN PRIDDLE, CPA, CA, CMA
- PRACTICAL PD SEMINARS www.practicalpd.com
- All rights reserved. No part of this publication/course material may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means (photocopying, electronic, mechanical, recording or otherwise)



***CANADA'S MOST
BORING
ACCOUNTANT
CONTEST***

**PARTICIPANTS'
PREPARATION COURSE**





PRACTICAL TIPS FOR CONTROLLERS AND CFOS

www.practicalpd.com

Stephen Priddle, CPA, CA, CMA
VP, Finance & CFO & Secretary
SureWx Inc.

spriddle@bell.net

© Stephen Priddle, 2021, unauthorized reproduction prohibited

PRACTICAL

PD



Introduction

- Another boring day to get PD hours?
- The most important question
- The bad news and the good news
- Want a job/need to fill a position...
- Not advertised as a reference book
- Many blanks for key points to engage you, fill them in to keep involved
- **If you email me, I will send you completed slides after**
- I want you to see me
- Introductions – you and I, many interesting organizations here today

Watch this any way you want



Do not watch while driving please!



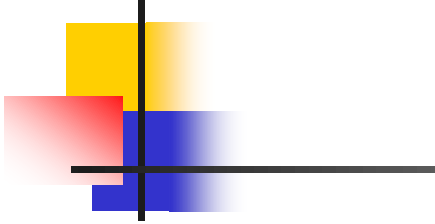
Introduction

- All are welcome to this webinar
- I hope to help save businesses and organizations and jobs
- I wish we were live!
- I want you to see me
- The bad news and the good news.

Where am I?

- I am at home in Ottawa, 9 km from







Introductions



Introduce yourself

- Type your name, position, organization & salary in the Chat



Type “the team” in the chat if

- You believe the your team will win the Stanley Cup – during you lifetime looking forward...









Type "yes" if...

- As a teenager,, you were dreaming of becoming.....an

What were you dreaming of at 16? Type in the chat...

k : a hairdresser

: pilot

rke : a doctor

: architect

: A cop

eth : Interior Decorator

: golfer

: nhl

binson : musician

ssa : A background dancer on the show "Solid Gold"

pi : engineer

Race car driver

: I can't remember :0

Dupont : FBI agent

: guitar rock star



Type "DR" if...

- You know who invented double entry accounting



Type "DR" if...

- You know who invented double entry accounting

No googling!

Luca de Pacioli c. 1447– 1517 (Venice)





Type " " if...

- If in the last Federal election, you voted for....



Introduction - me

- I am a best-selling author
- But you may hate me...

At major airports world-wide

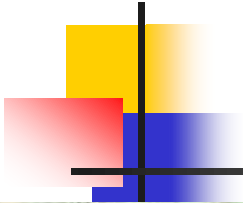
My company **SureWx Inc.**

(MBO late 2015)

Enhanced airline winter operations, primarily related to anti-icing:

- Less cancellations
- Less delays
- Environmental benefits
- Greater safety
- 70 airlines, 100,000 pilots use





My "unpaid CFO" job....

[Home](#) | [About Us](#) | [Site Map](#) | [Newsletter](#) | [Contact Us](#)



NEW LUMBER & WOOD PRODUCTS

RECLAIMED, VINTAGE WOOD PRODUCTS

Welcome to The WoodSource

Welcome to The Wood Source, the Ottawa Valley's finest specialty lumber store and mill shop. Our organization consists of two divisions. Please click below for the division of your choice.

[FIND OUT MORE »](#)

Sign up for our Newsletter and other great information!



CUSTOMER APPRECIATION DAYS

CUSTOMER APPRECIATION SALE
NOV. 19TH TO DEC. 31ST





Seminar comments

- Not a comprehensive course on being a Controller or CFO, or a technical course
- Big and small picture tips to help you
- From an entrepreneurial company perspective
– all of us need this perspective
- This unconventional seminar is never the same



Course progression

- This was the first course I created
- Later I thought of new, related and unrelated topics to teach on
- I could not squeeze them into this course, so I have created 9 other courses so far, and counting
- I will tell you about some of them, since they relate to this course, and you may be interested

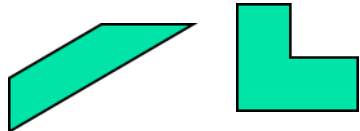


Seminar comments

- This unconventional seminar is never the same
- Big and small picture tips to help you
- From an entrepreneurial company perspective – all of us need this perspective
- There is about ___ years of business experience here
- Participate and share your tips, disagree!
- I expect to learn from you today



Key points

- Doesn't apply to your current job, but it may apply later in your career
- Apply by analogy if your organization/situation is different, I want to get you thinking
- My ideas: you research how to apply
- Will try to bend your thinking 
- You will get personal career tips
- E-mail me if questions, in seminar/later



NEW REGULATION 120-2

In order for webinar to qualify as valid PD hours, each attendee must attain a grade of at least 70% on the 10 question, multiple choice quiz administered by the instructor

(PD Committee, effective June 1, 2024)



How we learn

- Good judgement comes from experience
- Experience comes from bad judgement
- “Humans are hard-wired to learn from stories” (C. Hall)
- Will share stories from my career, war stories, heroes & villains
- Some of my experience is a bit extreme, I like riskier “wild west” co’s and I invest in some



Notes

- Create a work action list from the seminar
- I will need your help today, reward for missing bullets
- There will be prizes
- Jokes? I might make fun of...
- I will sometimes exaggerate slightly to make a point and don't take everything I say seriously...
- Opinions expressed in this seminar, are strictly those of the presenter



Top participant

- Will win a prize
- Best questions, input, tips
- This is not a joke...

Bench-marking – where does your finance group stand?

- First survey: finance heads/to
- Definition of finance heads
- Your prediction?
- Your org's % __ , seminar % __
- All seminars avg __% (large sample)
- City average ____%
- Use the data to your advantage..

Historic averages:

Vancouver 6.14

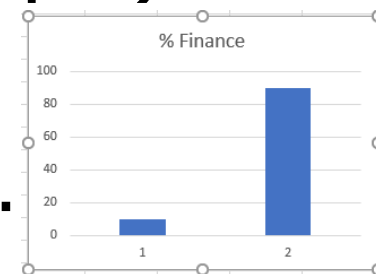
Surrey 6.53

Victoria 5.38

Kelowna 5.82

Prince George 5.30

All seminars 6.01

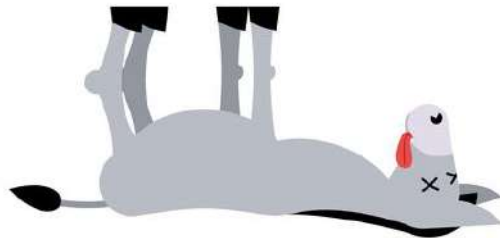




\$100

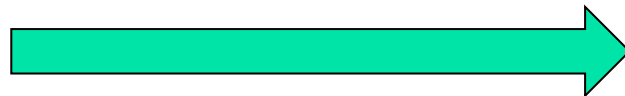


\$898



Who Is Sam Bankman-Fried? Downfall of crypto golden boy FTX ...

Visit



Ethics - intro

- A story with a lesson
- Did you lose money due to that fraud?
- (FTX market cap dropped about USD \$25 billion)





Latest reports, not confirmed

- SBF lent \$1 billion to himself. Other employees embezzled millions too: Nishad Singh: \$540m, Ryan Salame: \$55m

SBF is Sam

- SBF has admitted that the "ethics stuff" was "mostly a front."
- The mess at collapsed cryptocurrency exchange FTX is worse than the one at Enron. This is according to the ex-Enron CEO who is the new FTX CEO: "Never in my career have I seen such a complete failure of corporate controls."
- Alameda, their hedge fund was EXEMPT from being liquidated when trading on FTX, the court filing shows
- FTX's 'holdings' of \$5.5 billion of tokens are now valued at just \$659k



Analysis · Capital markets · News

FTX warning signs: no CFO when dealing with billions of client money

November 11, 2022 · by Ledger Insights





FTX tells court it has evidence Sam Bankman-Fried transferred assets to Bahamas government custody after bankruptcy

Binance CEO slams Sam Bankman-Fried's behavior, takes aim at Nouriel Roubini

Cryptocurrency investor says he saw serious 'red flags' with FTX founder Sam Bankman-Fried

Emoji for expenses, penthouses and slipshod accounting: The most damning details from new FTX CEO's report

Coinbase shares tumble as bitcoin slide continues, investors fear contagion from FTX collapse

FTX-owned service being used to launder hundreds of millions 'hacked' from FTX, researchers say



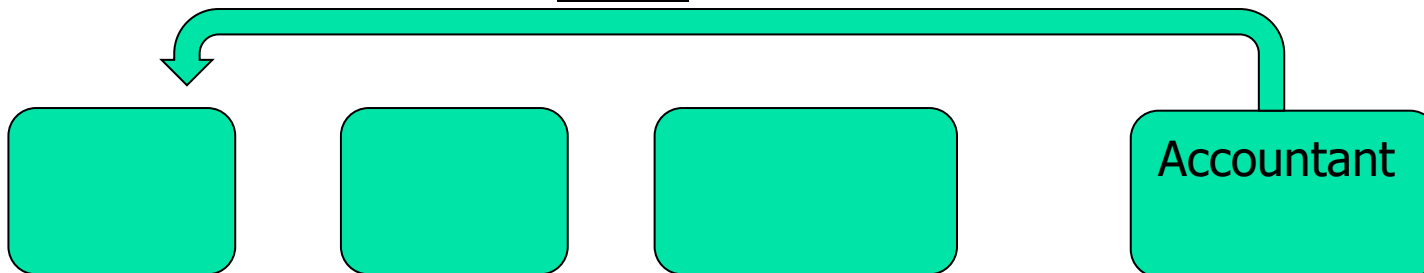
Ethics - intro

- But ethics is an issue for all of us...
- Have you ever resigned a position/client due to ethics? _____ in this class have
- Doesn't mean you haven't faced issues...
- Have you ever been disciplined by your professional body?

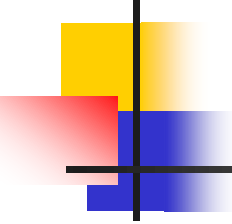
Ethics case #1



- Wealthy owner of a group of aviation companies
- Tells accountant to “book expenses = 7 x materiality, as fixed assets, make sure this fools the auditors”
- Answer: No!



Ethics case #1- what would you do?

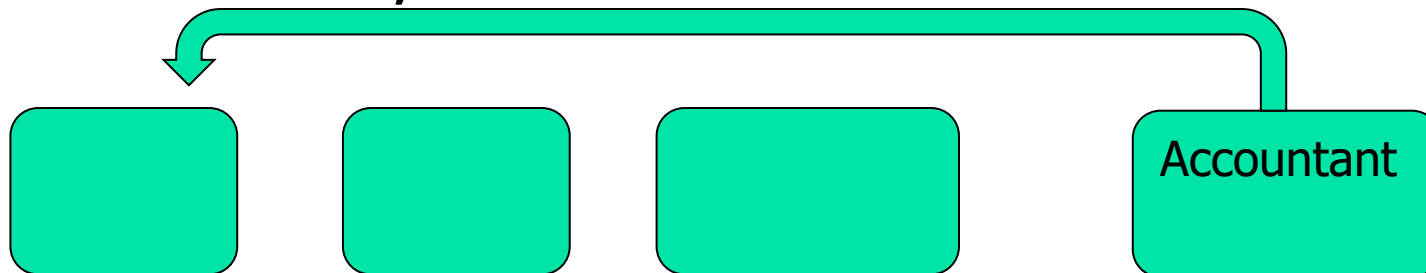


- Ask why?
- See if you can achieve his objective, ethically
- Ask him if he wants to go to jail?
- You can't do it

Ethics case #1



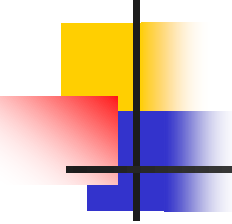
- Wealthy owner of a group of aviation companies
- Tells accountant to “book expenses = 7 x materiality, as fixed assets, make sure this fools the auditors”
- Now, what do I do?



Ethics case #1- what would you do?

- Call 911?
- Call CPA?
- Call the bank?
- Call the whistleblower line?
- Call the auditors?
- Put your lawyer on speed dial?
- Stop flying in their airplanes..

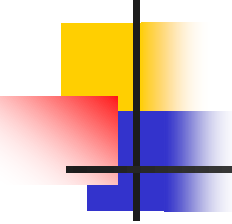




Ethics case #1- what would you do?

- You don't know if the fraud took place and you don't work for that company
- Corporate/CPA confidentiality probably mean you can't tell anyone (rule 208.1, Quebec 48)
- Do you want to work for this owner - what other frauds have taken place/will take place – find a new job

Ethics case #1- what would you do?



- Consider talking to the other accountant
- Could someone who doesn't have a confidentiality obligation "blow the whistle"?



Another thought

- Perhaps when the first request was made, she should have said:
- “I refuse to do it, or move to the other company...hand me my severance”
- Or, “I have been demoted so....I see this as constructive dismissal, I want a severance package”...



Examples

- The car dealer
- The move out west with the family to take a new job...

Ethics - ideas



- Taking a new job and then finding out the boss/the co. is crooked is not good
- Tips:
 1. Research the org/people first
 2. Make your ethical approach known in the interview avoid crooked employers, bosses
- May limit your possible jobs, but ...
- Suppose the leadership changes?



Your options

- Go to jail
- Lose your CPA
- Quit and then you have some awkward issues
- Keep working there and maybe you never get caught, but your conscience bothers you....
- None of these are good options



Research

- Google
- Your connections....
- www.ratemyemployer.com
- www.glassdoor.com
- Former employees



Are you willing to...





Interview line – public company

- You will get rich, we will backdate your stock options

The Criminal Implications Of Backdating Stock Options



More than one hundred companies have been implicated in the recent federal inquiry into stock options backdating.¹In July and August 2006, criminal charges were filed against executives from

Interview for CFO job of US public company

What is important to you?

Ethics



Interview for CFO job of US public company

That could be a problem...





A job interview – a man I know

- They couldn't give clear answers about the organization's activities and everything was strange
- His "gut" told don't work there....
- He told them "I think you will have to hire someone else, I am not the right guy for the job"
- The organization was**Air Ornge**



New course

- **Ethics – That Feeling In Your Gut**



My ethics research failure

- I later found out there was a best-selling business book partly about him
- I found it in the public library, after I quit the job for ethical reasons
- If I had read the book before the interview, I would have never taken the job, ethics were obviously not his strong point!



Question

- Could some of the ethics situations you faced have been avoided by more advance research and interview discussions?

Ethics - ideas



- Taking a new job and then finding out the boss/the co. is crooked is not good
- Tip: Research the org and make your position on ethics known before you take the job, avoid crooked employers/bosses
- May limit your possible jobs, but ...
- Suppose the leadership changes?

Ethics - pressure

- Make doing the right thing easier, by maintaining strong personal finances (reduces temptation!)



- In a situation, think about being in at the disciplinary hearing or in the

- Can you talk to the board if the CEO is misleading them? Yes (private co)

- (Don't treat your Board like mushrooms!)



Keep them in the dark, feed
them manure



You refuse to do it - what are the legal implications ?



- Can they terminate you with cause for insubordination (failing to follow orders) re an ethics issues, so no severance package and win if you contest this in court? No!
- Successful terminations with cause are rare
- The court cases basically say there has to be a series of warnings & violations and then maybe the employer can do it
- Also employer may not be keen on discussing the matter in court

Ethics - comments



- “A person without ethics is a wild beast loosed upon the world”
- If you don't have integrity in one area, you don't have integrity
- My belief and experience:
- Integrity = success (in the long run)
- Note: I don't believe money = success



Sidelight

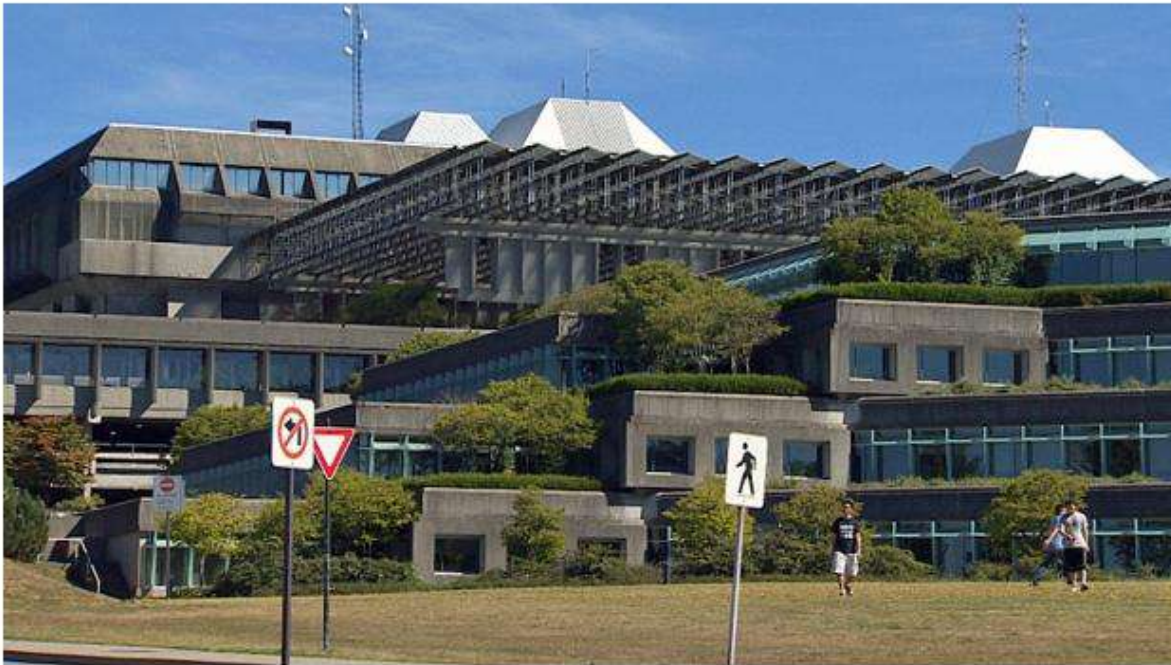
- I am annoyed about something I recently discovered
- A guy paid me to teach him about ethics in this course!
- Then he was arrested for defrauding two of his employers, after he attended this seminar
- He was sentenced to four years in prison



This guy attended this seminar!

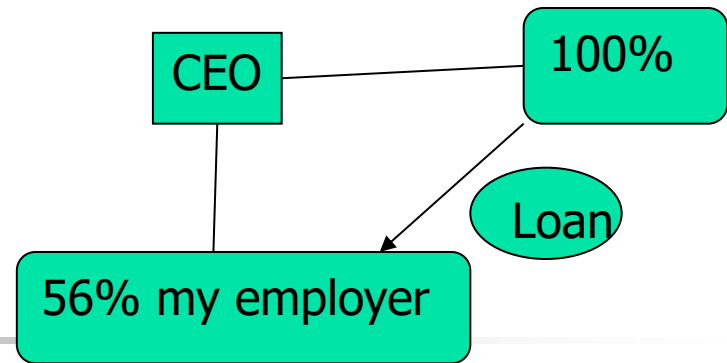
Former SFU accountant sentenced 4 years for \$800K fraud

Siamak Saidi admitted to defrauding both SFU Faculty of Science and Cultus Lake Park Board



Siamak Saidi worked for SFU for less than two years, but in that time the chartered accountant was able to steal more than \$800,000 from the Faculty of Science.

Ethics case #2



- My company borrowed money from a company wholly-owned by my company's controlling shareholder & CEO: *The amount outstanding on this promissory note shall bear interest at a rate of nine per cent (9%) per annum.* (approved by the Board, including independent directors, about two years ago, interest is overdue)
- Instruction from the controlling shareholder & CEO: "Record interest on this loan, compounded daily at 9%, and pay it to my company"
- Question: Would you do what he asks? (ignore income tax)



Comments

- Someone said: “Steve, first I need to know my salary...!”
- Note: the right thing to do is independent of your salary!
- Just give him the 9% cheque?



Mini case

- Do this first: explain interest rates, 9% compounded daily is 9.4% per annum, this increases the loan rate, not consistent with agreement, rips off minority shareholders
- The ethical way to get around the problem: get the Board to approve the revised interest rate on the note



The boss/colleague who is tempted

- Sometimes you can reform them
- “This is why we can’t do this and these are all the implications of doing what you suggested”
- “You will never win in the end, going this way”, eventually, people will find out, the auditors will catch it”
- “Let’s always take the ethical “high road”

A story

- Owner won't pay court settled mandated royalty
- CFO keeps insisting it be paid
- The owner throws a pencil at the CFO!
- Owner finally says, "I hate you and love you because of your honesty, I will pay it!
- Deep down, they know it is best to be surrounded honest people





Note

- The problem is not being unable to recognize what is unethical, but recognizing it and not having enough “backbone” to say no!





Thought

- Who seemed to be the most unethical accountant you were around earlier in your career?
- Now google them
- When I did this....



Ethics

- Always difficult, but easier if you are later in your career, rather than early
- Sometimes its lots of and lots of _____ ethical issues, not the really big one...
- Two board invitations with possible ethics issues....

Time at crooked company

**DO SOMETHING
UNETHICAL**

- On-line attendee comment, San Francisco:

2018-07-27 9:22:18 AM from Richard Kent

Hide

Print

Answer

Delete

Q: CEO asked me if I would play ball. I was 26 years old. I immediately found another job. But after I left they shipped product to a warehouse. Board found out and called the SEC. I testified in front of the SEC for 10 hours. Not fun even when ethical.

A: Thank you for your response!

**CAN'T RECORD
REVENUE SHIPPING
TO YOUR OWN
WAREHOUSE**



Mandatory ethics PD hours

- You get 1.0 hours of ethics content, toward your mandatory verifiable ethics requirement, this section, plus a little more in the seminar
- The other day my wife said “I think politicians should have to take ethics PD hours....”

The Federal government borrowed more than \$1 billion per day last fiscal year!



Ethics

- Always difficult, but easier if you are later in your career, rather than early
- Sometimes its lots of and lots of little ethical issues, not the really big one...
- Ethics and your PD hours
- Your chance to share on this... (no names)



By the way

- Only about 3 years of my career have been ethically challenging....I just had a lot of stories on them in this part of the seminar



I forget to tell you

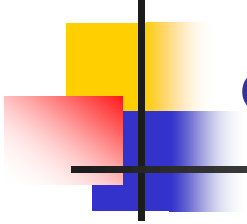
- I used to be a tax auditor for CRA
- Before I graduated from university
- I decided to work at KPMG and focus on the CA designation when I graduated



New CPA PD Rule 42-1

- \$48 fine for looking at work or personal emails during the seminar (doesn't apply during breaks!)
- You will get more out of the course if you only catch up with work at the breaks and lunch...

Let's talk about creativity for accountants





Are you a creative accountant?





Note

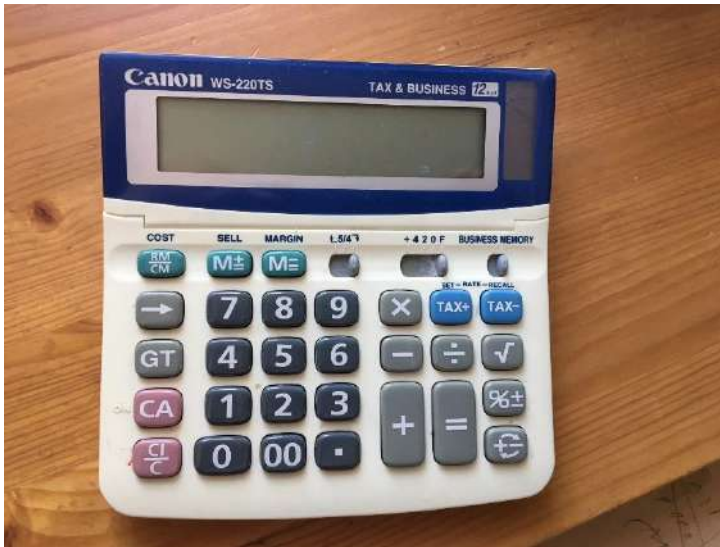
- Recent McKinsey Global Survey:
- *"non-CFO executives described their CFOs as lacking an innovative approach"*
- Innovative = **creative....**



Who is a (legacy) CMA here?

Legacy CMA advertisement


- “An accountant without creativity is just and expensive calculator”





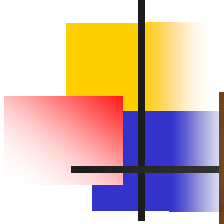
Creative thinking tips



- For improved work problem-solving
 - You should develop outside the box or lateral thinking skills, many eg's today
 - Challenge your assumptions and come at problems from different angles
 - Generate better alternatives, that others don't consider – maybe even counter-intuitive (family example)
 - Lawsuit example
- 

Your 4 year old and 6 year old
are fighting, what do you do?





A recent email from an attendee

- *This evening as I taped my 12 year old and 4 year old to help them get along as they are always picking on each other.*
- *What a great idea; they had to work together to set the table and the 12 year old had to be kind and actually take care of his little brother in order for him not to get hurt. Thanks for that 😊*



Another one

- *I had an epiphany when you were talking about purchasing a company when settling a law suit. Our company may have an opportunity to purchase a plaintiff that's been a thorn in our sides for the past 8 years and the lawyers are getting wealthy....*


Creative thinking tips



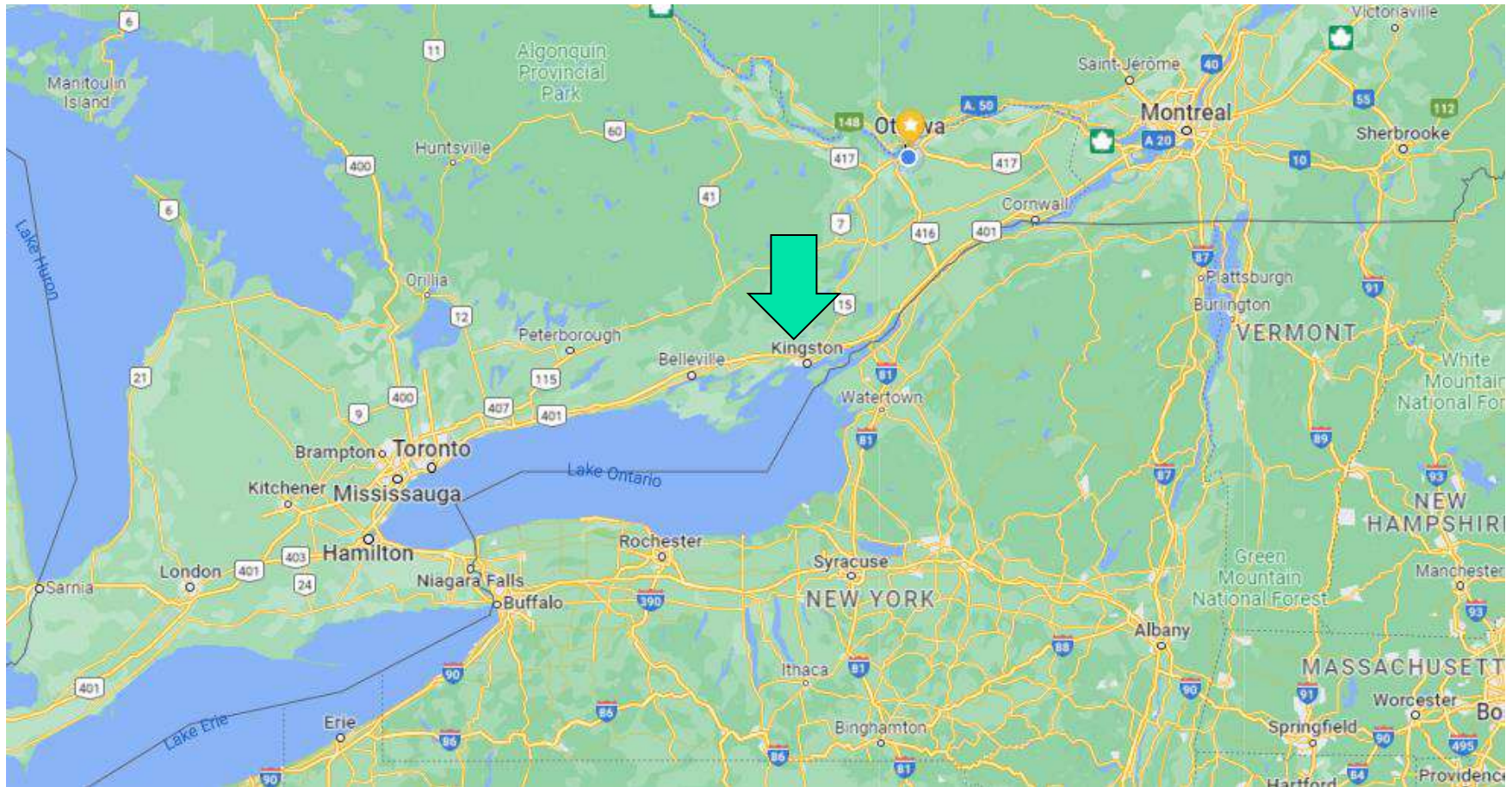
- The more ideas you generate, the greater the chance that you will hit a good one!
- Great solutions are often elegantly simple
- However, don't forget the obvious! (Thinking too hard may mean you miss this)



Is your education hindering you?

- Did you learn to get outside the box through your formal education?
- Sometimes forget your education and your experience!
- Three tax examples engineer  good idea, office in the home, 100 year loan
- An engineer who solves engineering problems without engineers

Winter problem – Kingston, Ontario



Winter problem – Kingston, Ontario

- How to get cars/people from Wolfe Island to Kingston, in winter, cost effectively (ferry in summer), the ice freezes hard



Engineer - intuitive

- A ferry that will break the ice..



Or an ice-breaker ahead goes ahead of the ferry..



Other surface options



Get down



Canadian heritage



Look up



Zany ideas



Come at the problem from a different angle..



National Park



- Move the prisons where people work to the island
- Move the Island!



A bit too creative...



Bike?



Interesting...



UBER PLANE



Even more different angles

- Warm the river (then it won't freeze)
- Increase the flow of the water
- This is getting closer!

Winter problem – Kingston, Ontario



- You forgot to ask me a key question:
- **Steve, what is the budget?!**

- **Answer: \$60,000**

Winter problem – Kingston, Ontario





Helps your thinking



- Imagine an 84 year old high school dropout multi-millionaire businessperson – would they be more creative than you and I?
- Think about what would creative former colleagues do in relation to the problem you are facing



Possibilities

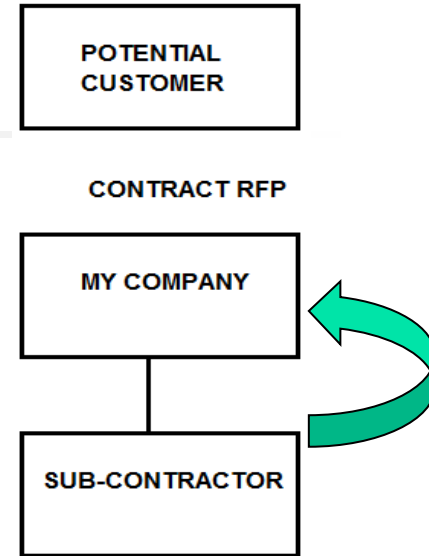
Remove the problem:

- Change what we submit somehow
- Ask them to change the RFP
- Ask a lawyer for advice
- Bribe them!

Come at the problem from a different angle

Contracting example

- There are clauses in a Request For Proposal (RFP) that are hard to deal with (legal clauses)
- We must win the contract, how can we overcome this?
- By getting the sub-contractor to be the prime





Cost-saving example

- Question all costs
- A company has found a way to save trees cut down to produce toilet paper with an outside the box, simple idea, what is it?
- There is no need for the cardboard inner roll





Not these solutions

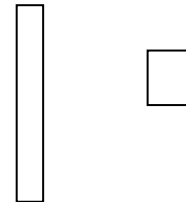
- Annoying single squares...
- Leaves
- Bidets
- Recycling
- Less fiber in diets....





Or these solutions

- Thinner, smaller or narrower squares





Or these solutions

- Thinner, smaller or narrower squares
- Using both sides
- Special wiping techniques
- Rough toilet paper
- Wet toilet paper
- Last's year Income Tax Act



One disadvantage...





The advantage of this illustration

- You will remember it for the rest of your life....



Can you creatively eliminate something that is redundant?

- In manufacturing, in processes, in systems, in administration, in accounting, in.....?

A test for you

- A man buys mangos for \$20 per dozen, and sells them for \$15 per dozen and becomes a millionaire, how is this possible?





Prize

- For correct, or most funny/creative answer



Possible answers

- He dries them
- He plants the seeds
- He gets financing as well
- Makes a product from leaves
- He cuts them in half
- It is because of foreign exchange
- He gets volume rebates
- He doesn't pay his suppliers
- He got a government grant
- It must be fraud or AA is his accountants
- He won a lottery
- He got an inheritance/he has other sources of income
- He invests the money and gets interest



Possible answers

- He makes mango juice
- Sells the crates for extra money
- It's a baker's dozen
- He makes mango pickles or donuts
- It is the delivery charges
- It is restocking charges
- He sold the farm
- Makes a product from the seeds
- Speculating on mango futures
- It is mandatory gratuities included
- He smuggles drugs in them
- **You made an assumption, which meant you can't get the solution**
- **You focused on accounting type in the box solutions**
- **No it is a loss leader, he was a billionaire before**

A new one

- Asian shoe manufacturer is frustrated with how often its' containers of shoes being shipped to foreign markets are broken into and shoes are stolen





A new one

- Asian shoe manufacturer is frustrated with how often its' containers of shoes being shipped to foreign markets are broken into and shoes are stolen
- Intuitive solutions: stronger containers, more human security, electronic security, etc
- Other solutions: Label as skunks, explosives,



A new one

- Asian shoe manufacturer is frustrated with how often its containers of shoes being shipped to foreign markets are broken into and shoes are stolen
- Creative solution: Separately and independently ship containers of left shoes and a containers of right shoes





Personal life example

- I must leave for the office (KPMG) in 5 minutes, 15 minute drive, I don't want to be late
- My only clean office clothes are wet, I have no drier
- What should I do? Use the microwave!



Different angles

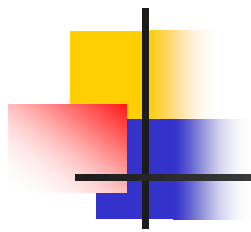
Useless: Steve, you shouldn't have got yourself in this situation...you need to keep spare clothes at the office

- Solve the problem directly at home
- Solve the problem on the way to work
- Solve the problem at the office
- Get around the problem



Brain-storming

- **Solve the problem directly at home:** hair dryer, the stove, wear wife's clothes, wear roommate's clothes, steal from the neighbour's laundry line, iron them
- **Solve the problem on the way to work:** drive naked with clothes out the window, turn up the heat, open the windows, open sunroof, car wash drier, bike to work
- **Solve the problem at the office:** tell a funny story why wet, get under the hand drier in the toilet
- **Get around the problem:** Go buy new clothes, tell your colleague or assistant to buy new clothes go to work late, call in sick, wear dirty clothes, work at home, get someone to do my work, wear smelly clothes with a lot of deoderant



From Anonymous to **Everyone:**

This instructor is completely crazy!



In action, recently...



A brand new

- In a triathlon
- After the swim, run to the bike stands on rough ground



Can you think of a way to cover this 400 metres faster?



Problem

- A soap production *process* sometimes produces empty boxes, which need to be rejected cost-effectively, for refilling
- Solution: _____

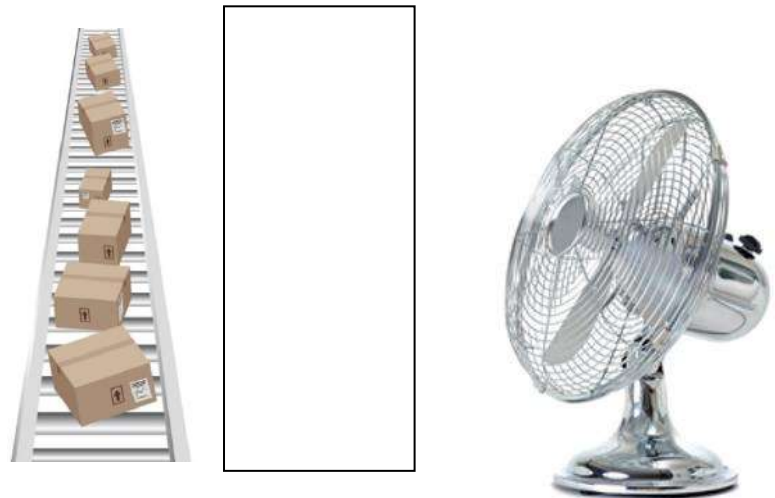
Steve, what is the budget?

\$50



Problem

- A soap production process sometimes produces empty boxes, which need to be rejected, for refilling
- Solution: A fan beside the line



Current aircraft de-icing method – spray hot glycol

- Expensive, poisonous, can't be done while loading the plane, slow, delays flights, bad for environment, gets in the ground water & rivers & lakes





Note

- **Aircraft de-icing:** clean the wings, unregulated
- **Aircraft anti-icing:** there is active freezing precipitation, apply coloured glycol to surfaces, shears off on take-off, pilots often call it de-icing, but strictly speaking it is different, all kinds of laws govern its use



The creative alternative

- Cheap
- Non-toxic
- No environmental impact
- No need for recovery infrastructure
- Can be done while loading the aircraft
- Revolutionary for the industry, a game-changer
- Patented

What is it?

- It is not microwave oven
- (They tried an infrared oven, but gave up)





What is it?

- Hint
- How does one melt ice/snow/frost?
- Heat
- How does one deliver the heat?



Steam and blow dry!



- (doesn't anti-ice the aircraft)



My job as CFO of the company

- Raise the money to take this idea to market:
- R&D, proof of concept, prototypes, trials to commercial orders
- Various kinds of fund-raising including doing Dragon's Den type presentations

Aircraft de-icing solution

- It is steam
- How come no one thought of it before?

The answer:

- How come it took so long for wheels on suitcases to be used?

Point: An obvious solution, may be very powerful





Applying this at work



- Every time you come to a problem., ask yourself if you are thinking outside the box, challenging your assumptions...
- Tip: find your most creative situation and time
- Some people are more outside the box than others, but you can improve this ability



Thinking tips

- Are managers paid to be creative?
- Does your culture reward creative thinking?
Or scare people from coming up with
creative ideas, which sometimes involves
risk?

Thinking tips



- Are managers paid to be creative?
- Does your culture reward creative thinking? Or scare people from coming up with creative ideas, which sometimes involves risk?



Note

- Send me an email if you get a good outside the box idea inspired at least in part from this, one day...
- All my courses have outside the box tips

Sometimes I miss the obvious!





Webinar quiz

Write your name and the answer on a blank piece of paper or in a Word document, and put #1-10

Webinar quiz – put answer on paper or Word document



Q1. Who is likely to be the most ethical person in the organization:

- a. The CEO
- b. The VP Sales
- c. The receptionist
- d. The CFO



Finance and leadership

1. No company can be really successful without an aggressive/optimistic CEO (or owner-manager)
2. But someone must balance the aggressive/optimistic CEO and he/she must listen, for the co. to be successful- it may have to be finance
 - **Balance** means: identify & minimize risks, stress-test options, shoot down the bad ideas, keep them out of jail, etc
 - (The board also has a role in balancing)
 - Four quick case studies
 - (Public practice: Balance over-optimistic client)



Four case studies

1. Enron
2. Canada's fastest growing start up
3. Another former employer
4. A CEO who would listen most of the time....

The problem, about 2006, the long farm lane way





My response

- Ingenious idea, I would not have thought of it
- I know it will work technically
- Serious problems:
 - Installation on school buses - cost
 - Getting into customers' hands – selling it



CEO

- “Steve, we must get the company’s name out across the city”
- “An excellent way would be to put a giant company sticker on the door or every employee’s vehicle, for free advertising...”



Role (continued)

- We are not telling them don't take _____
- But, don't be too _____
- Provide _____, don't just identify _____
- Someone said 10% of CEOs are _____
- "Steve, are you _____ to them?"



Role (continued)

- We are not telling them don't take risks
- But, don't be too negative
- Provide solutions, don't just identify problems
- Someone said 10% of CEOs are sociopaths
- "Steve, are you attracted to them?"

a personality disorder manifesting itself in extreme antisocial attitudes and behavior and a lack of conscience



We also need to be the

- “Bad cop” of the organization
- Who is going to be that if it is not finance?
- Scenario: Customer has overdue A/R
- We should not ship
- Sales person tells the customer
- I love you, I would give you what you ask, I would ship today, **but finance won't let me!**



A general tip

- Control what happens in business, put it in writing first, don't wait for the other party to do it, slant it in your favour
- Banking examples new clause proposed, didn't wait for bank, or even write the offer
- Employment offer example I write them
- With your boss advance prepare emails to deal with situations that come up
- Even write for CRA! (example in my Negotiation course...)



Example 1

From: Stephen Priddle

Sent: July 23, 2020 11:19 PM

To: CEO

Subject: Solution

Francis,

I have noted that Phil and Jacqui are headed on a collision course with respect to -----.

I have drafted emails that you could send to each of them, that I believe will solve the problem completely, see below....



Example 2

From: You

Sent: July 20, 2020 7:33 PM

To: boss@

Subject: Looming issue

Chris,




I have noted that _____ and _____ from source _____

I think this has the ability to cause problems for you and our department.

However, I have thought of a solution:

If you send something like the email below which **I have drafted for you** to ___ and _____, it would circumvent _____ and enable you to _____

Banks

- Understand banking: the 1-3-1 model
 - I am not big on borrowing, but....
 - Remember “Banks are never there when you really need them”   
 - Guess which bank has the biggest market share among attendees? _____
 - Consider the non big five banks and niche foreign banks

The 1-3-1 model

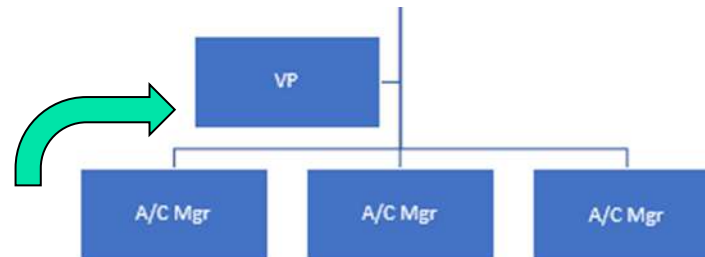
- They give customers **1%** on their money on deposit
- They lend money at **3%**
- They go golfing at **1** PM every day





Relationships

- If borrowing, the key is a good account manager, who understands and believes in your business
- Suppose you don't like yours? Ask for a new one (but you may make enemy...)
- Get to know their boss, likely a VP





Banking

- Seven ways to get your banker on side
 - When applying for loans, don't be over-optimistic in the financial projections you provide or they will hang you with your own noose (covenants)
 - (You should develop credibility with banks)
 - Present your projections in ways that put the best foot forward
 - Include a management analysis of results with your monthly reports – even though not required





Ideas

- Present shareholder remuneration, discretionary spending, and non-recurring items separately in historic P&Ls presented
- Estimated market values of assets in brackets
- Securable versus non-securable assets separately noted
- Disclose the company's order book (backlog) in a note



Normal presentation

Data Systems All Incorporated	
Projections - Income Statement	
Year ending December 31, 2022	
Service revenues	\$ 12,234,023
Direct operational costs	8,345,201
Marketing & sales costs	1,441,458
Research & development costs	464,251
General & administrative costs	1,042,510
Interest expense	59,422
Amortization expense	89,442
	<u>11,442,284</u>
Net income before taxes	791,739
Income taxes	170,224
Net income after taxes	<u>\$ 621,515</u>



Alternate presentation

Data Systems All Incorporated	
Projections - Income Statement	
Year ending December 31, 2022	
Service revenues	\$ 12,234,023
Direct operational costs	8,345,201
Marketing & sales costs	1,441,458
Research & development costs	464,251
General & administrative costs	1,042,510
Interest expense	59,422
Amortization expense	89,442
	<u>11,442,284</u>
Net income before shareholder remuneration & taxes	1,736,739
Shareholder remuneration	<u>945,000</u>
Net income before taxes	<u>\$ 791,739</u>



Another idea

Bigdig Inc.	
Projections - Income Statement	
Year ending December 31, 2022	(millions)
Sales	\$ 66,451
Cost of goods sold	<u>41,997</u>
	<u>24,454</u>
Committed costs (note 1)	6,582
Employee costs	8,465
Discretionary spending (note 2)	3,415
Amortization expense	<u>648</u>
	<u>19,110</u>
Net income before taxes	<u><u>\$ 5,344</u></u>



What everybody does

Chris Halw

Account Manager

Grand Bank of Canada

Dear Chris,

June 23, 2020

You will find attached our:

1. May 31, 2020 financial statements
2. May 31, 2020 covenant calculations and compliance certificate
3. May 31, 2020 margining calculations for the line of credit

Yours sincerely,

Customer, CPA



What I do

Chris Halw

Account Manager

Grand Bank of Canada

Dear Chris,

June 23, 2020

You will find attached our:

1. May 31, 2020 financial statements
2. May 31, 2020 covenant calculations and compliance certificate
3. May 31, 2020 margining calculations for the line of credit
4. **Management's discussion of May 2020 results and Outlook for the rest of the year**

Yours sincerely,

Customer, CPA

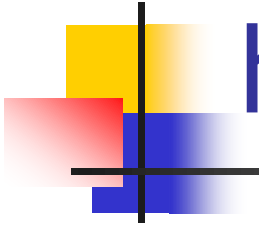
If you are really big, have a half day meeting with the bank quarterly....

Banking

- Immediately share new important business developments, good or bad (They don't like surprises, they are constantly checking on you)
- Invite bankers to special events, which make the company look good
- Suggest they come to your organization and present seminars on: personal banking and investments to your employees
- Have them attend Board meetings (as an observer)??!!!



Banks – maximizing what you have





Did you know this?



- Your line of credit may have a bubble, that is the ability of the bank to lend you more than the stated amount, but this is not in the financing agreement
- I called my Big Five bank once, and was told my \$2M line of credit, had a 10% bubble, if:
 - a) the covenants were on side; and
 - b) the account manager signed off
- You should call your bank after the course to find out!

A typical mid-market credit facility - review



- \$2M credit line, with monthly margin calc
- 75% of good A/R plus 50% of inventory, less statutory prior claims over secured lenders under the Bankruptcy and Insolvency Act (% may be less for foreign)
- Must calculate margin at month end and submit before end of following month
- Good A/R \$1M, Inventory \$500K Statutory prior claims \$300K
- You can borrow: \$_____

A typical mid-market credit facility - review



- \$2M credit line, with monthly margin calc
- 75% of good A/R $\$1\text{M} \times 75\% = \750K
- 50% of inventory, $\$500\text{K} \times 50\% = \250K
- Less: Statutory prior claims \$300K
- You can borrow: \$700K



Maximizing margin

- If you need to maximize the margin calculation:
 1. Report margin calc early if higher than prior month, at the end of the month if lower
 2. Ensure you minimize statutory deductions
 3. Clean the subledger, before calculating

Margining receivables & inventory

- You reported this on May 10, so this is your current margin base, after reporting:

	30-Apr-20
Marginable A/R	854,204
Marginable inventory	500,142
	<u>1,354,346</u>

- At the end of May, it is:

	31-May-20
Marginable A/R	904,252
Marginable inventory	654,722
	<u>1,558,974</u>

- You submit it at 7 AM June 1!

Margining receivables & inventory

- You reported this on May 10, so this is your currently margin base:

	<u>30-Apr-20</u>
Marginable A/R	854,204
Marginable inventory	<u>500,142</u>
	<u>1,354,346</u>

- At the end of May, it is:

	<u>31-May-20</u>
Marginable A/R	704,252
Marginable inventory	<u>454,722</u>
	<u>1,158,974</u>

- You submit as late as possible, June 30

I taught this in one seminar,
and a CPA said

Your approach is
unethical...



I taught this in one seminar, and a CPA said

Your approach is unethical...
what I do to increase my margin is include on my list receivables that have already been collected...





The seminar the guy offers

- **Crooked Tips for Controllers & CFOs**
 - How to cheat your bank, employees, suppliers, customers, shareholders and CRA
 - How to find crooked accountants to work for you and manage them when they can't be trusted
 - Valuable tips that have been tested in the business world, I've done time for some of them
 - Every tip in the seminar breaks a law, guaranteed, but I will teach you how not to get caught

Margining receivables & inventory

- Suppose in mid-May, you got a large order from a customer, so it is:

Marginable A/R	912,444
Marginable inventory	<u>582,422</u>
	<u>1,494,866</u>

- Then you call the bank and ask permission for margining immediately, before May 31
- Also, try to get a seasonal increase in margin calculations, I have heard of 66 2/3% on inventory, instead of 50%



Banks - negotiating

- Ask about the loan approval steps and local limits so you can position the co better
- Use multiple banks, consider a beauty contest or ask why your bank can't match other bank's deals
- A corporate guarantee alternative in some situations – a comfort letter



Another financing option

- You can lease almost anything these days
- There may be all kinds of bad lease deals being entered into in your organization that you are not aware of (by IT, purchasing and ?)
- But, you need to assess the implicit cost of the lease and the tax, accounting and qualitative implications/factors



Conclusions

- Do you have any other bank-related tips or questions?
- Bankers have agreed with all my points, a lot related to good communication

One of our sons likes Teddy Bears



One of our sons like Teddy Bears – this is the little one







Financial reporting tips

- Bad financial reports = vomit from the system
- You want better reports for your users for decision-making
- Not just #s, always provide insightful narrative analysis with decision -oriented comments
- Give the data, the target, the interpretation, the prediction, the action (data should be actionable)
- The hierarchy: the data → information → knowledge → wisdom



Example – data

- **Division revenues were \$44.33M in the month, pre-tax income \$1.02M, attached are the financials**



Example – data and wisdom

- **Division revenues were \$44.33M in the month, pre-tax income \$1.02M** attached are the financials. *This is the lowest sales since April 2009, and fell \$847K short of budget and I forecast a \$1.69M shortfall for the entire fiscal year. The primary reason was the failure to get a contract with Zd Inc. I have noted a pattern in the last six months, that if J200 don't sell, neither do K120s, see analysis below. I believe this means management must make a decision on whether to build another batch of K120s, due to this fact and the price increase for the debolator component, which was just announced, which reduces the standard product margin from 37% to 21%.*



Financial reporting improvements

- Do they look at your current reports?
- Find out if they do, how?
- Ask them what they'd like, if they could dream! (send them to the whiteboard)
- Some may say, "I have no ideas"
- Some may say, help me



Slipped into a cost report to see if it was read

- \$22,321.13 Panama offshore company
October 11-13
- and another one
\$22,321.13 Las Vega Trip (Smith)
October 11-13

Example

- VP, Operations is sent to the “whiteboard”





I think 99% of financial reporting done by accountants

is by

- Legal entity
- Department/division/fund
- Job/project
- Geography
- Product/service line
- What about some other ways of reporting? (internal only)



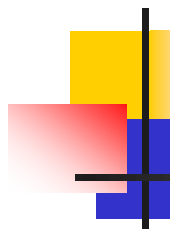
Report profitability differently

- The traditional ways to roll up profit
- Report profitability differently, egs
- By customer By truck By engineering skill By sales channel By market selling to By mine pit By shift By product (SKU)
- By source of lead By sports apparel brand
- By salesperson By hour (retail) By colour
- By seminar By postal code By season By customer gender
- Any ideas from you? _____

Canada Special Lubricants Inc.
Income Statement
Year ending September 30, 2022
(\$000s)

	<u>Total</u>
Revenue	\$ 100,305
Cost of Goods	65,827
Gross Profit	34,264
Selling	3,110
Administration	792
Amortization	3,401
Interest	<u>922</u>
	<u>4,323</u>
Net income before taxes	29,941
Income taxes	- 6,976
Income after taxes	<u>\$ 22,965</u>
Profitability before tax	29.85%

Canada Special Lubricants Inc.
Income Statement
Year ending September 30, 2022
(\$000s)



	<u>Mining</u>	<u>Factories</u>	<u>Marine</u>	<u>Total</u>
Revenue	\$ 38,433	\$ 29,432	\$ 32,440	\$ 100,305
Cost of Goods	26,691	19,883	19,467	66,041
Gross Profit	11,742	9,549	12,973	34,264
Selling	1,431	902	777	3,110
Administration	37	55	88	792
Amortization				3,401
Interest				<u>922</u>
	<u>1,468</u>	<u>957</u>	<u>865</u>	<u>4,323</u>
Net income before taxes	10,274	8,592	12,108	29,941
Income taxes				- 6,976
Income after taxes	<u>\$ 10,274</u>	<u>\$ 8,592</u>	<u>\$ 12,108</u>	<u>\$ 22,965</u>
Profitability before tax	26.73%	29.19%	37.32%	29.85%

Report profitability differently

- A multi-column internal income statement
- Maybe just the top 10

	Cally Corp											
	Quarter ended June 30, 2018											
	Profit by customer											
	Revo Corp	Numcell Inc	Walkdo LLP	Power Valley	Seadooper	Luxem Corp	Arkman Inc.	Stule Corp	YLL Inc.	Gando Corp	All other	Total
Revenue	\$5,312,323	\$ 4,850,151	\$4,428,188	\$ 4,042,935	\$3,691,200	\$ 3,370,066	\$3,076,870	\$2,809,182	\$2,564,783	\$2,341,647	\$3,451,582	\$ 39,938,928
Cost of sales	2,762,408	2,522,078	2,302,658	2,102,326	1,919,424	1,752,434	1,599,972	1,460,775	1,333,687	1,217,657	1,794,823	20,768,242
Shipping	33,149	30,265	27,632	25,228	23,033	21,029	19,200	17,529	16,004	14,612	21,538	249,219
Warranty	212,493	500	177,128		147,648	33	123,075			93,666	138,063	1,597,557
Giveaways	26,562	24,251	22,141	20,000	18,456	16,850	440,000	14,046	12,824	11,708	103,547	199,695
Direct sales travel	84,997	77,602	70,851	64,687	59,059	53,921	49,230	44,947	41,037	37,466	55,225	639,023
Site visits (tech)	212,493	194,006	531,383	161,717	22,147	134,803	123,075	112,367	102,591	44	2,209	25,561
Rep commissions	106,246	97,003	88,564	80,859	73,824	67,401	61,537	56,184	51,296	46,833	69,032	798,779
Commissions	265,616	40,322	221,409	202,147	184,560	168,503	153,843	140,459	128,239	117,082	172,579	1,996,946
Discounts	175,307	160,055	146,130	48,542	121,810	111,212	101,537	92,703	84,638	77,274	113,902	1,317,985
	3,879,271	3,146,083	3,587,895	2,705,506	2,569,961	2,326,187	2,671,469	1,939,010	1,770,316	1,616,343	2,470,919	27,593,006
Customer profit	\$1,433,052	\$ 1,704,068	\$ 840,293	\$1,337,429	\$1,121,239	\$ 1,043,879	\$ 405,401	\$ 870,172	\$ 794,467	\$ 725,305	\$ 980,663	\$ 12,345,921
	27.0%	35.1%	19.0%	33.1%	30.4%	31.0%	13.2%	31.0%	31.0%	31.0%	28.4%	30.9%



Note

- This reporting could be straight from a revised G/L or extractions from the G/L with manipulations...



Break out discussion (5 min's)

- Briefly share your businesses with each other
- Brainstorm potential other ways of reporting results
- Be prepared to share them with the entire group after



New reporting and accuracy

- You have a good idea for reporting profit by something new, but you know it won't be totally accurate, some estimates/allocations are needed, etc.
- Do you give up on the idea, or go ahead, making users aware of the limitations.....I would say try it
- At least roll up revenues if you can't roll up full results

Financial reporting wisdom

- Consider different cost roll ups, e.g.
- Separate warranty categories Cost of getting sales Cost of errors Unplanned costs



Don't just explain the past

- Predict the future
- The future is more important to the owner/CEO than the past...
- Accountants should not just look backwards



Spend more time on forward-looking activities, although it is more risky

- Consider what you do, is it forward or backward looking, forward is more valuable



High level – private businesses

- Consider an 8-10 key number summary of your organization situation and results for the Board/owner that tell the big picture
- Not just numbers from the G/L!
- Report say quarterly, actual against target





Financial reporting - other

- Don't forget early adoption of new accounting standards, if there are advantages

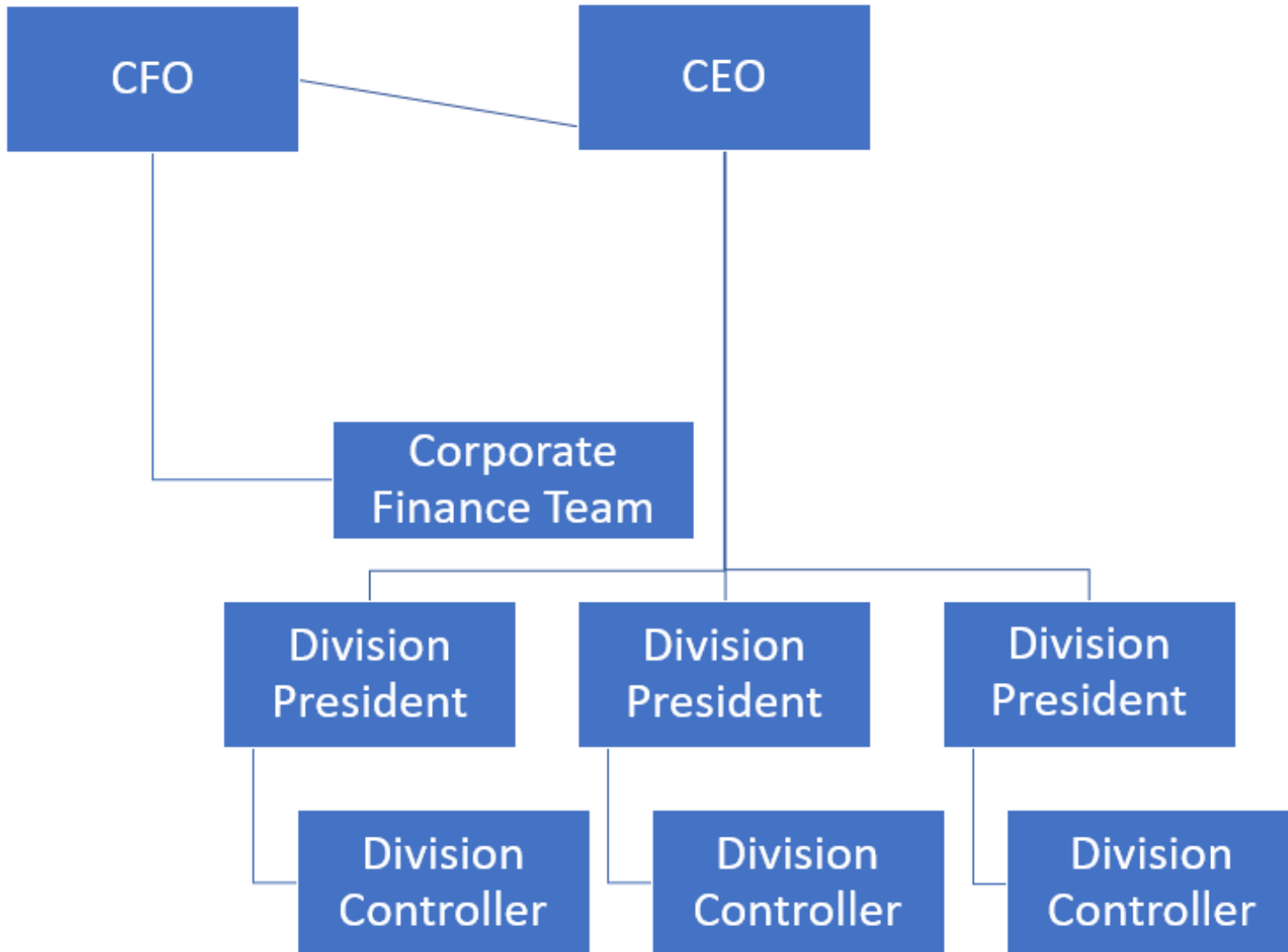
When are the amendments effective?

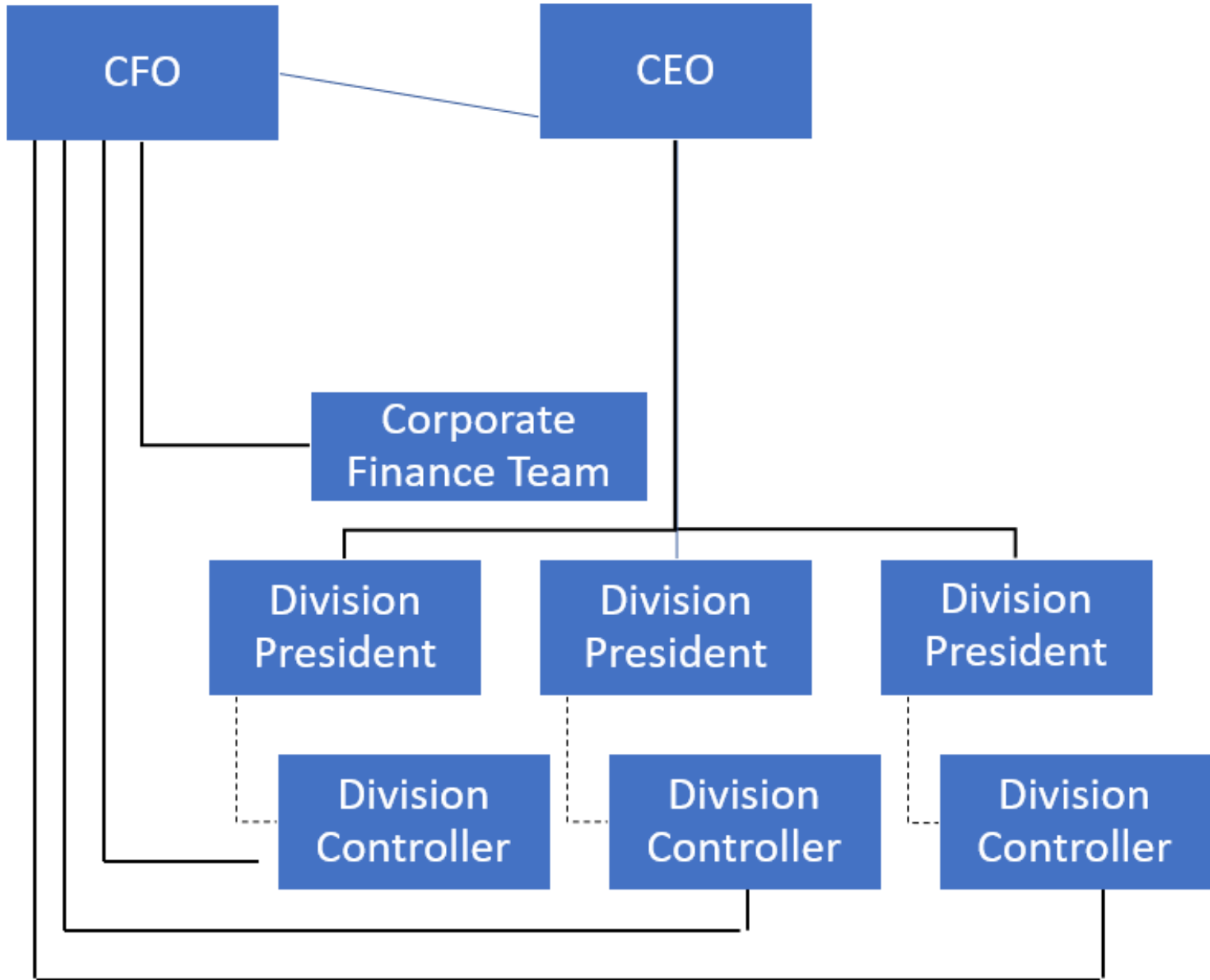
The amendments are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2023. . Earlier application is permitted



Financial reporting - other

- Don't forget early adoption of new accounting standards, if there are advantages
- Who should divisional finance staff report to?
- Direct to head office, so finance is one team working together, not direct to divisional operating heads (dotted line to them)





Cost-saving - general



- You need to be a cheap-skate
- A famous author wrote: " A cynic knows the cost of everything but the value of nothing"
- Good cost saving ideas will make you look good and could cover your annual salary increase



Property cost reduction ideas

- Sub-let any extra space
- Exit lease by negotiating an exit clause or assigning the lease
- Watch for inadmissible costs in op cost charges (net lease)
- Find a building with an environmental issue
- Reduce your property taxes by appealing
- Switch to VOIP





Cost-saving

- Consider out-sourcing, everything is on the table
- Maybe you need to in-source
- Should you send processing work offshore?
- In class % _
- Some conclusions 75% didn't really work, 25% works OK after a while when if managed carefully
- Don't send your problems offshore!



Typically 75%

- It didn't work
- Customers and suppliers were unhappy
- There were serious communications issues
- They could find the unreconciled items, but don't understand our business, so they couldn't help much
- High error rate
- We had to re-shore back to Canada!

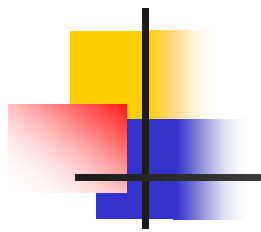


A CPA told me

- “They forced me to outsource my accounts payable”
- “I had to let go of James and the entire team, and it was moved offshore”
- “In honour of James, who was let to go, we....”



JAMES





And

- The offshoring was a disaster...



Major international corp

- Email to us from Operations Dept about moving payables offshore:
- *"despite being in place for a second year, the "new" outsourced SAP system has yet to deliver the promised "efficiencies" as many billing problems remain to be sorted. They expect another 12 to 18 months before everything is ironed out."*
- My translation: "The offshore payments project has been a catastrophe. We are hoping that after 36-40 months, it might start working OK"



SAP system

What does SAP stand for?

Officially: **S**ystems, **A**pplications **P**roducts

Unofficially:

- **S**atan's **A**ccounting **P**ackage
- **S**uicide **A**ssistance **P**ackage
- **S**end **A**nother **P**ayment
- **S**top **A**ll **P**roduction
- **S**low **A**nd **P**ainful
- **S**ystems **A**gainst **P**eople

■ Nature of business/organization Henry

■ Ownership if applicable (public, family etc.): Sub of Foreign

■ Approximate headcount: 50

■ Position title: Controller

Years of experience as an accountant

Accounting system Terrible

Most pressing issues at work Time

Have you ever worked for an organization with accounting tasks off-shore? Yes No

Do you consider you a boring accountant?



The 25%

- After a while, when managed carefully, and kept very simple and routine, it worked well and saved us money



Questions

- Is offshoring wrong? I don't think so
(unless country becomes hostile)
- Is higher level analysis going offshore,
if AI doesn't do the work? Maybe
- Is your senior job going offshore? I
think not
- (Canada is the cheap location for
Bermuda remote CFOs!)



Clerks and junior staff

- Check what your clerks do by doing it (you or a subordinate) or sitting beside them
- Why: Bond with them, tell them why they do things, fix problems, check if they are doing all required procedures, are they doing redundant stuff, can the work be automated? do they have the tools they need? do they work a full day?
- And just for me I make so many errors, the clerks enjoy it and feel better....



Cost reduction via SRED

- SRED = *Scientific Research Experimental Development*
- Cash refundable/or tax credits for experimental development/ technological advancement/new or improved materials, devices, products, or processes, or improve existing ones
- Don't assume you don't qualify because you are not in high tech!
- Any industry, 1,400 technical word max, no pre-approval, no budget cap, stop any time



The write up

- *We found a new way to glue wood chips together*
- Or
- *Biochemical research and experimentation into advanced bonding methods of wood particulates under diverse conditions*



SRED

- You are interested, where do you start?
- You may be able to finance it
- E-mail me for bonus tips



Cost-saving

- Buy major items when? Quarter end of public co's having a bad quarter
- Find a university prof who would be intrigued to solve your technical problem cheaply
- Your tips:
 - _____
 - _____



Prize

- Just for fun, the first person to type “I am awake” in the chat, wins another alertness prize



Possibilities

- Pay them based on % of \$ generated (savings, refunds)
- Suppose: 3 week review of GST/HST/QST/PST at a 20% fee and they find \$20? \$200,000 Conclusion: both good
- Therefore a win-win, unless you get fired or they disrupt you too much versus the return!

Cost-saving consultants



- Squeeze the area first, don't leave any low-hanging fruit
- Some areas they may be able to help you with: customs duty, freight, fuel tax, Worker's compensation, employee benefits, telecom, purchasing, utilities/energy costs, bank fees, logistics, mass-mailing, lean manufacturing, duplicate payments, sw maintenance, contract review, landlord operating costs, printing/copying, foreign VAT, cleaning, sales taxes, EHT (Ontario), SR&ED
- Others you can think of?



Contractual tips



1. Contract must clearly measure the savings
 2. Consultant must be required to explain how the savings are achieved (to educate you)
 3. Time limit the period of the review
 4. Get them to tell you about exposures (tax)
 5. Bargain down the % they want to charge (ask for a cap or even switch to hourly)
 5. Time limit the payback period, if any
 6. Protect co. from sleazy consultants and have the final say on tax filings
- Finally: hire them if they are good!

Exercise time

- Everyone do 50 pushups
- Choose between body and finger pushups...





Lawyers and legal fees

Objectives:

1. Reduce legal fees from outside lawyers
2. Get legal work done faster, whether inside or outside lawyers
3. Improve quality of the work, whether inside or outside lawyers





Polling question

- Do you think lawyers are less ethical than accountants...



Are lawyers ethical?

- CPA Quebec, 45,000 members and students, **14 disciplinary notices**, Jan 1-May 22, 2020 .031%
- Law Society of Upper Canada, about 50,000 members, **181 disciplinary notices**, Jan 1-May 22, 2020 .362%
- 11.6 more times conduct/ethical issues!



Lawyers and legal fees

- Without an internal lawyer, legal questions tend to come to finance
- Lawyers usually prefer the risk-free approach, examples
- The weak ones only think legal implications, not business objectives
- You need a lawyer with a business perspective, who can quantify risk (then we make a business decision on risk)

How do you know these are lawyers?



Guess what is on the label of this brush? (you can win it)





Warning: This side up

**Adult supervision
required**

**This product contains chemicals known to the
State of California to cause cancer**

**WARNING:
Not for use in toilets**

Made in China

Not a horse brush

**DO NOT FLUSH DOWN
THE TOILET**

**Warning: Clean before
using**

BATTERIES NOT INCLUDED

Warning: Slippery when wet

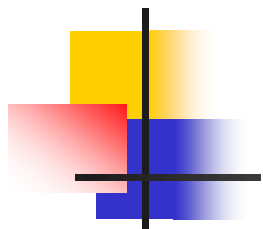
Not for cleaning your back end

Not edible



Warning: not a Q-tip





NOT FOR ORAL USE



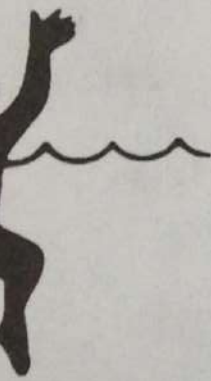




Not the funniest ones..

- For adult use only
- Pregnant women should consult a doctor before using
- Do not use as a boat
- Don't over fill
- May cause motion sickness
- Use of life jackets is compulsory
- Younger children should stay in the shallow end...

WARNING



DOWNING

all times.
ent access
use.

NO DIVING / JUMPING!

Shallow water - You can
be permanently injured.

Drowning Risk:
Keep unsupervised children from
stalling fencing or
pool. State or local
approved barriers.
setting up pool.

Do not leave toys in
and similar items near
Position furniture (f
and so that children
pool.

After using pool, remove

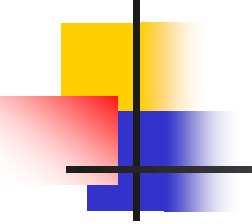
Diving Risk:

Do not dive into the pool
in a broken neck,

Electrocution Risk:

Keep all electrical

are at



Because of the risks, I realize
I need to add an exclusion
clause to this course relative
to something I said earlier...

The exemption clause



- By seeing this slide, participants in this seminar waive all rights of action against the seminar leader and the sponsoring organization for **microwave oven** failure to dry clothes sufficiently in time sensitive situations, and all liability related to the use of **microwave ovens** for the drying of clothes, including fire, explosion, damage to clothes, homes and indirect and consequential damages, loss of life, income or property.



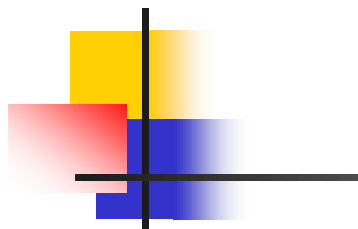
Note

- I am using unusual examples to show that lawyers are extremely risk averse
- The problem is people do crazy things, lawyers sometimes make wild claims, and courts side with the plaintiff
- I am more concerned with their extreme positions on business deals and unwillingness to measure risk



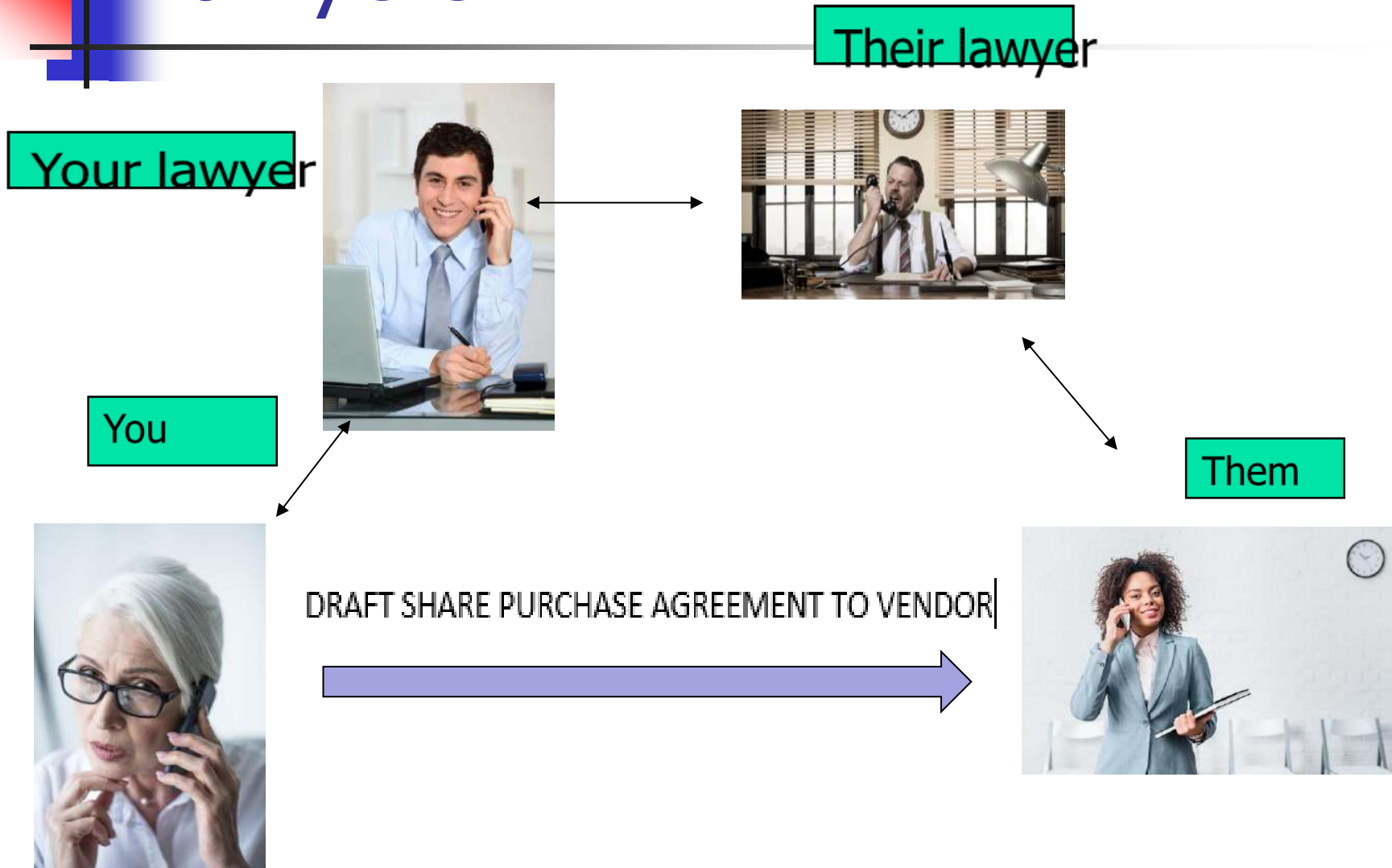
Lawyers and legal fees

- Without an internal lawyer, legal questions tend to come to finance
- Lawyers usually prefer the risk-free approach, examples
- The weak ones only think legal implications, not business objectives
- You need a lawyer with a business perspective, who can measure risk (then we make a business decision on risk)



“What you do you mean, tell your lawyer to call my lawyer - you are my lawyer!”

Communicating through lawyers



Communicating through lawyers

- Lawyers shouldn't be running your business! This is the tail wagging the dog! CEO/owner/you run the business
- Take charge in many situations and communicate directly, but not all..
- Exceptions: wrong words causes problems/reduce emotion
- You decide how many lawyers come to the meeting/sit in on the call





Lawyers - more

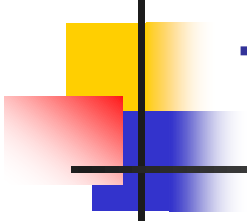
- Don't let them draft contracts, you do
- Use templates, where to get:
- findlegalforms.com
- lawdepot.ca & other sites
- Real contracts: <https://contracts.onecle.com>
- Contract clauses: lawinsider.com
- Draft in English, the lawyer can translate into legalese, if you can't
- When should legal be involved in review?
Based on analysis, it is insurance

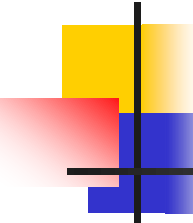


Challenge

- Sadly, I have been so tainted by lawyers, that I can speak/write legalese!
- Someone give me a random sentence about anything in the world (**not a song or poetry!**)
- And I will translate it into “legalese” instantly!

I am afraid I have to bill you
for that work...





INVOICE

Stephen Priddle, CPA, CA, CMA
UNLICENSED PARALEGAL
Ottawa, Ontario
K2E 7H3

BILL TO

INVOICE #
INVOICE DATE

101112

Sept 30, 2021

DESCRIPTION	AMOUNT
Document re-write using legal terminology	190.00
Subtotal	190.00
HST 13.0%	24.70
TOTAL	\$ 214.70



Writer's block tips

- Stuck, everyone can talk
- Write what comes to mind fast and insert (come back reminders) if you don't know what to write and keep moving

I will ask pig to the work if that firm can't take of the issue, before pig. I would estimate they will charge pig, but that depends on pig



Lawyers - more

- Don't let them draft contracts, you do
- Use templates, where to get:
- findlegalforms.com
- lawdepot.ca & other sites
- Real contracts: contracts.onecle.com
- Contract clauses: lawinsider.com
- Draft in English, the lawyer can translate into legalese, if you can't
- When should legal be involved in review?
Based on risk analysis, it is insurance

Business Contracts

Asset Purchase
Business Separation
Collaboration
Construction
Consulting
Distribution
Employment
Franchise
Indemnification
Joint Venture
Lease
License
LLC
Loan
Management
Manufacturing/Supply
Merger
Non-Competition
Offer Letter
Partnership
Promissory Note
Sales
Services
Severance
Shareholder
Stock Purchase



Sometimes

- You need to question lawyers, don't assume they are right or they have even read the document
- You may need to re-write what the lawyer drafted
- Often their version is: too threatening, too long, not comprehensible, will cause problems with the other party
- Example shorten MBO share subscription agreement



Which?

- Call to lawyer to discuss problem with client for 3 hours, then a week of document gathering for the lawyer; or



The better way

▲ **From: Stephen Priddle**
Sent: July 23, 2020 11:00 AM
To: Leo Lawyer
Subject: Solution

Leo,

I will be calling you in 20 minutes to discuss the attached PDF file that contains full information about our dispute with BZ Limited.

- 1. The Customer agreement**
- 2. The 2019 April 14 amendment**
- 3. The standard warranty agreement**
- 4. The customers 2 complaint emails**
- 5. Our 3 response emails**
- 6. Our technician's report**
- 7. The independent technician's report**
- 8. The letter from their lawyer**
- 9. Our draft response for your review**
- 10. Summary of our service manager's opinion**
- 11. A chronology by time and date of all events and documents**



More ways to reduce legals

- Summarize dates/facts/documents/opinions so they don't
- Get fee estimates/budgets
- Get a detailed bill so you can audit it
- Ask for a regular docket (WIP) to monitor spending
- Don't pay fees for their mistakes!
- Request a junior lawyer for some work

Secretary work



- Who is looking after your minute book?
- Bring it in-house now!
- There are many things you can do:
- Take the minutes yourself
- Report changes in directors
- You can run the share/options
- /warrants ledger & prepare share cer
(private co)
- Others things you can do (move incorporation)



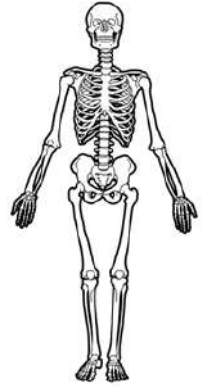
Final thoughts

- Another useful website: www.canlii.org
- Pay your lawyer with shares
- Use arbitration/mediation instead of litigation
- Always be careful, you don't want to assume away some huge legal risk
- I actually don't hate lawyers!
- Smart contract review for accountants covered in the **Case Course**





You have just been hired

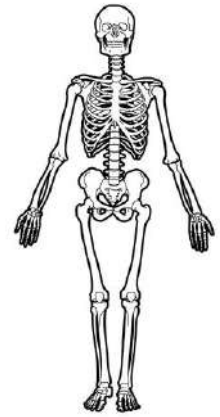


- My thesis:
 1. Every senior finance job that you might take may well have skeletons in the closet (business and personal)
 2. You have a few week's grace & then all the problems/blame are yours
 3. You need to find out all the things that could burn you later, during this period
- (Also good when you acquire a business)





Skeletons



- Accounting skeletons
- Income and commodity tax skeletons
- System skeletons
- Inventory skeletons
- Financing skeletons
- Tax skeletons
- Internal control skeletons
- HR skeletons
- Environmental skeletons
- Legal skeletons
- Payroll skeletons
- And more...



Skeletons are pretty well guaranteed if your predecessor...

- Missed their skeletons
- Got fired
- Quit suddenly, to take a new job
- Was incompetent
- Was unaudited
- Was over 70
- Was doing a fraud
- Was hiding things from ____
- Was unethical
- Got hit by a bus...
- Was the 4th person in the position in two years!
- Wasn't a CPA
- Got arrested and is in jail...

Skeleton examples



- 650K pref shares issued for \$2 per share and reported as \$1.3M shares in the BS, but are redeemable /retractable for \$10 per share (articles filed with the government!)(me)
- Purchase accounting not applied (Section 1582) – historic acquisition (me)
- Company files tax returns as CCPC for 20 years – they weren't
- Company overbilled government customer \$2M over many years, just found out
- Negative \$ and units in inventory (me)
- Percentage completion accounting all wrong, major revenue reversals needed
- All leases accounted for wrong (me)



More examples

- Deferred revenue had not changed for years
- Various skeletons in inactive subs of company (public co, me)
- All kinds of taxable benefits not T4ed
- Owner taking unrecorded dollars out of company
- Never filed US tax returns, should have
- Accountant had not depreciated assets



Why are they there?

- They didn't know what they were doing
- Hiding things from _____
- Meant to clean up, but left suddenly
- They weren't aware of the issue
- Deliberate or fraud




The new job

- Where should you focus your review, to reduce risks and learn fast?
- I want three tips from you:
 - _____
 - _____
 - _____



The new job

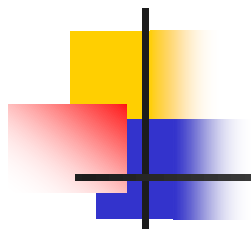
- Understand the corporate culture & strategy
- Find out the drives and motivations of the key players
- Consider performance versus industry
- Pull the credit reports (do it annually to fix them)

- (Above, ideally done before taking the job!)
- Fully understand the operations side



The new job

- Do a SWOT analysis (Strengths and Weaknesses of the organization, Opportunities & Threats in the environment)
- Take your peers out for lunch (chat with their right hand person), find out finance paint points
- Also your talk to your predecessor
- Hold an immediate inventory count when you start





**IF YOU PRESS THIS BUTTON
THE WEBINAR GETS CANCELLED**



Special family business tips

- Find out who really pulls the strings
- It might not be who you think
- (Not the President but the founder not in the office, the spouse, etc)
- Ask about relatives on payroll
- Better to find out that Sally is the owner's niece or pet, early on...

The new job



Some others:

- Take the plant/remote office/warehouse/mine/lab etc tour
- Look at your team's past appraisals & grievance, & quickly assess their capabilities and find the weak links
- Review key contracts with financial institutions/customers/suppliers
- Read past audit letters and prior adjustments (booked and unbooked)
- Look at the budgets and forecasts



Nfopd tedds

- Study _____financials
- c2gbaddadfagsdg
- Ifkdfidodld,
- Dkd'ascld
- Afgadsfasdf
- Krkero03—cvi
- 9ake3l;234;234



The last slide

- You didn't have a stroke
- That slide was not "legalese"
- I was just checking if you are awake in the afternoon...



The new job

Income statement
Year ending
December 31

2020

2019

2018

2017

2016

- Study trended financials (5 years plus)
- Do systems and internal control walk-throughs **T2**
- Review past tax returns and planning & audits and assessments
- Read board and committee minutes
- Talk to board members, the lawyer, the audit partner, key advisors
- Do an insurance and filings review

The new job



Some different angles:

- Review predecessor's email account, trash cans and shredder
- Do a vacation analysis
- Conduct a parking lot review
- Open all the financial mail for a while
- Review manual journal entries



DR CR

The new job

More different angles:

- Sign all/approval all checks/wires for a while
- Talk to some mouthy, opinionated, long serving, disgruntled employees, not just in finance the receptionists
- Find the



Bonus tip: talk to the cleaners....

A true story

CRIME & LAW

How a Small-Town City Employee Stole Nearly \$54M in Public Money

Nick Blumberg | November 7, 2019 3:01 pm

DIXON, ILLINOIS

All the Queen's Horses

2017 - Documentary



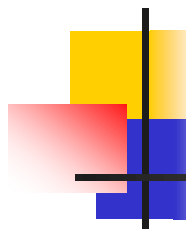
Note: force people to use their vacation


The new job

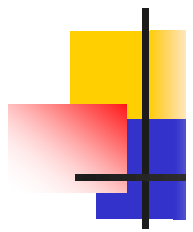
More different angles:

- Sign all/approval all checks/wires for a while
- Talk to some mouthy, opinionated, long serving, disgruntled employees, not just in finance, especially the receptionists
- Find the secret file!

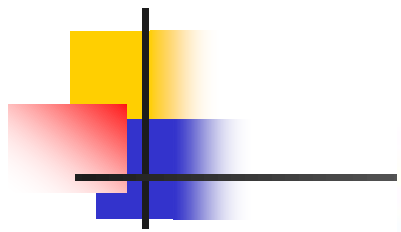




- 
- *I promise to drop next year's price 15% if you order more than six units this year*



SIDE DEALS





More secret files

- An off-book executive pension plan
- A bribe file
- A secret inventory location
- A fraudulent invoice file
- Secret file on black-listed former employees, suppliers, etc
- Unpaid bills of a company acquired
- A folder of cheques being held
- The lease bargain purchase option file, each made the operating leases, capital leases! (me)



Your new staff

- Find out all skeletons now from your team

Your first staff meeting – a skit

- Offer an amnesty
- Could be via anonymous note or rewarded
- Ask for a five year detailed G/L dump
- Be careful how you present this

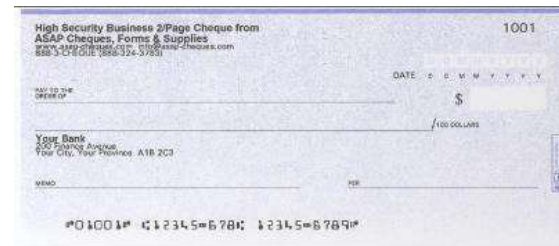


Ask for a five year detailed G/L dump

- (You don't need to do anything with it!)
- Who looks scared?
- It puts pressure on some people
- They will assume you are very detailed and plan to go back years
- Someone may confess something....
- Can the system produce it?

My first day at work story after staff meeting

- There is a knock at the door from a junior clerk
- She tells me that....





Note

- Sometimes the skeleton in the closet is toxic people dynamics in your team or elsewhere, impacting your job
- Maybe no one will tell you quickly, but it will be a big issue
- My best tip is the more people talk, the more likely you will find out...
- But you may not want to interrogate people



My I



tin



- One guarantee way to find all financial reporting skeletons and ensure no future write downs, write-offs, reversals, restatement
- Nail/tear down/deep dive the balance sheet (trial balance level) when you start, what is there and not there
- Remember to deal with the process issue behind the symptom

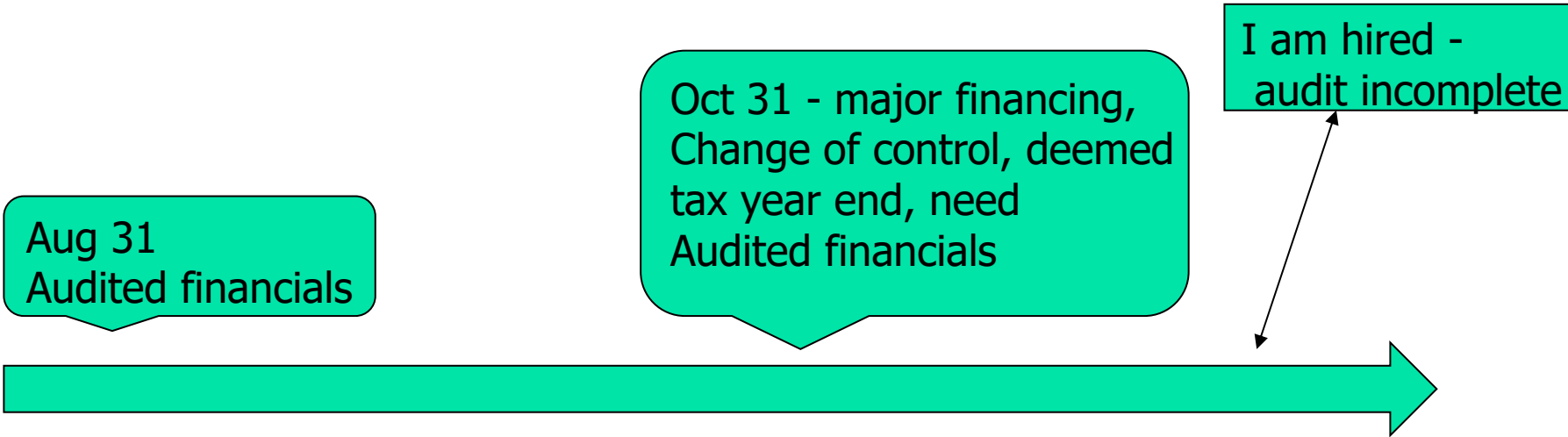


If there is an extreme mess

- Confirm accounts payable with all suppliers
- Ask CRA for tax audits!
- Engage your auditors/accountants for special work in bad areas, prior to the audit



Timeline of my story



Aug 31
Audited financials

Oct 31 - major financing,
Change of control, deemed
tax year end, need
Audited financials

I am hired -
audit incomplete

Software Company Inc.
Statement of Loss & Deficit
Two months ended October 31

	Two months ended October 31 <u>2010</u>	Year ended August 31 <u>2010</u>
Software sales	\$ (342,152)	\$ 3,400,160
Cost of sales	(42,458)	367,580
Gross profit	<u>(299,694)</u>	<u>3,032,580</u>
<u>Expenses</u>		
Marketing	247,586	648,722
Administration	287,452	1,121,415
Research & Development	278,522	897,725
Interest	3,026	34,563
Amortization of property, plant & equipment	12,452	64,852



Skeletons

- Examples from you? (current or past job, or as auditor)
- Some skeletons may be positive, good to find them
- Suppose you are not the CFO? Most of this applies, discuss with boss in advance



More examples

- \$5M unsupported entries, not in the G/L
- Inexperienced accountant dividing foreign exchange, not multiplying
- Controller getting paid bonuses unfairly from each partner, who each sign cheques unbeknownst to the other
- Multi-million thin cap tax issue (me, public co)
- Dollars instead of units in inventory



More examples

- Bank loan not on books (me – auditor)
- Lawsuit from “back door” sales by sales person
- Entries made to closed and reported periods
- The balance sheet didn’t balance
- \$50M fraud, SEC investigation (public)
- A mistress on the payroll

Some final comments

- Many senior non-finance jobs also have skeletons in the closet
- Did you miss any skeletons/secret files when you took your current job?
- Don't leave them in your closet!
- Prepare a takeover binder for your successor
- Also consider one for your new boss



Bonus personal tip

- Companies sometimes abuse employees
- A way to get some leverage, visibility, rev...
- Only works for some private companies
- Try to get at least one share in the private the company you work for





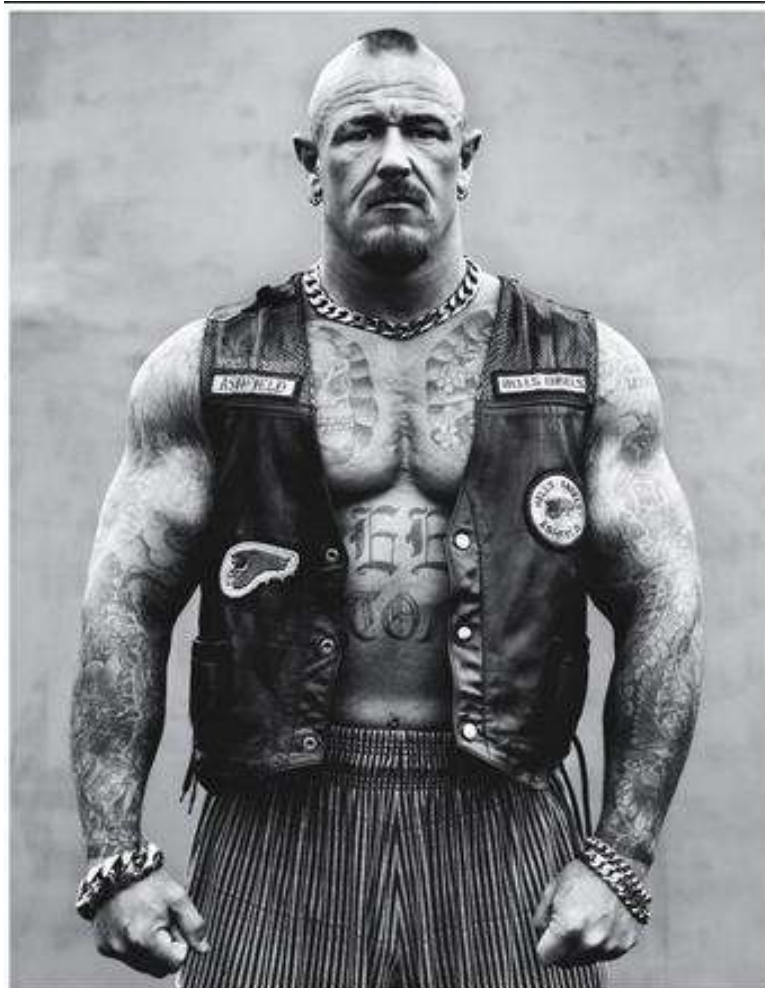
Why?

- Stop them from dropping the dropping the audit
- Approve new share classes ahead of you
- Get the financials every year
- Can demand the shareholders' register
- You have rights to examine certain records
- Receive dividends
- Have legal minority rights protection
- Get an invite to the AGM and vote, or send a proxy
- Can force a special shareholders' meeting
- How did I learn this?
- How to get one? Ask, stock options?



Send whoever you want to the
AGM as your proxy

Your proxy, your nephew Christopher



Shares for employees



- Having employees own shares is motivational
- What about liquidity?
- Set up an internal share exchange or offer share buybacks
- But don't give shares to employees unless you can claw them back if they leave, or at least they sign a POA that the company can vote them



SHARE EXCHANGE

For sale

	<u># shares</u>	<u>Price</u>	<u>Notes</u>
Rena B	7,000	\$ 1.85	need vacation \$
Sahib L	5,500	\$ 1.85	basement reno
Jock A	<u>4,500</u>	\$ 1.85	
	<u>17,000</u>		

For purchase

Agnes K	10,000	\$ 1.75	accumulating
Barry B	<u>6,000</u>	\$ 1.72	
	<u>16,000</u>		



Stories

- The controversial shareholder's meeting
- I meet my crooked former CEO again, because I... once took about \$10,000 in salary as shares



AUDITOR



What color is my horse?



**was it
last year?**

Auditors/accountants



Reduce fees and get more from them:

- Compare value between firms
- Use audit timing to your advantage
- Get freebies - push them to promote your business with referrals
- Draft tax opinions yourself and then get them blessed
- Have them review tax returns you prepare
- Control the f/s preparation process
- Do the audit yourself!
- Challenge their approach

MY FORMAT

Note 2 - Accounting principles

Property, plant & equipment is recorded at cost and presented in the financial statements net of accumulated amortization. Amortization has been provided over the estimated useful life of property, plant & equipment using the rates and methods set out below:

Furniture & equipment	5 years straight-line
Computers, office equipment	30% declining balance
Software	30% declining balance

MANDATORY FORMAT

Note 2 - Accounting principles

Property, plant & equipment is recorded at cost and presented in the financial statements net of accumulated amortization. Amortization has been provided over the estimated useful life of property, plant & equipment using the rates and methods set out below:

Furniture & equipment	5 years straight-line
Computers, office equipment	30% declining balance
Software	30% declining balance

Fact situation

39 year old employee (profession – engineer) will be posted to (country) for three years, with spouse and 3 children under 18. Spouse will not be working. Employee will rent out Canadian home and not close bank accounts, memberships, etc. The employee will return to Canada at least once a year. The employer will pay the rent for a residence in the other Canada

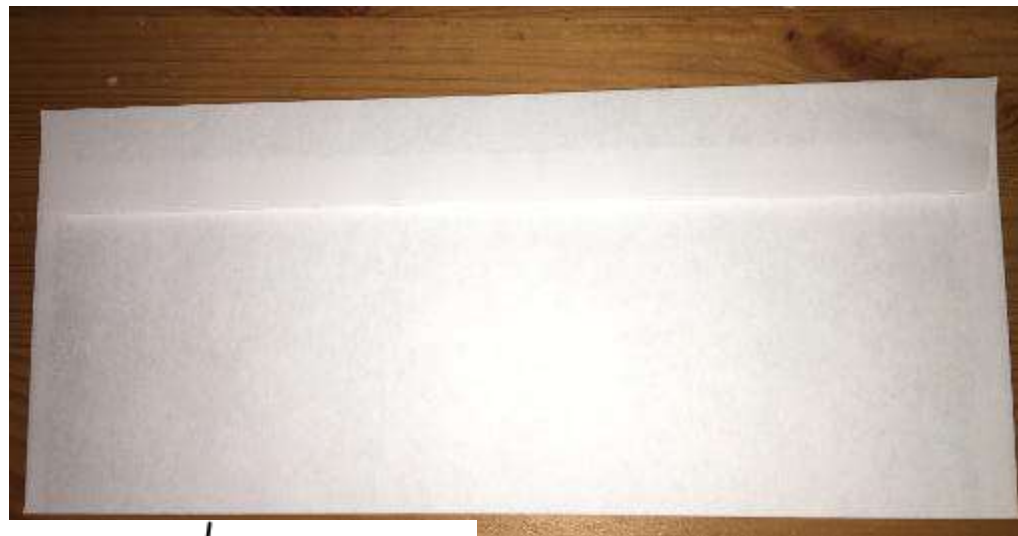
Draft Tax opinion

In my opinion bases on the above stated facts:

1. The employee will continue to be a resident of Canada for Canadian tax purposes, as a continuing state of relationship is kept with Canada due residence, bank accounts, memberships etc.
2. The employee will file his tax return under province?
3. The employee qualifies for the Overseas Employment Tax credit as|???
4. The Canadian tax treatment for the residence paid for by the foreign subsidiary will pay for
5. The impact of the Tax Treaty on this situation will be _____

Stephen Priddle CFO

Play jokes on auditors



O	X	O
O	O	X
X		

Technology



Valuable advice:

- “Don’t throw technology at a problem if you don’t know what you are doing in the first place”
- Another way of saying it: “Don’t give the fool, the tool”

Some useful technology tips

- Record meetings on cell phone
- Get voicemail to email
- Use google alerts
- Leverage voice to text
- Get a portable mini scanner
- Use waybackmachine: web.archive.org





Applications

- Alert on competitor announcements
- Alert on suppliers
- Alert on overdue customers
- Alert on house you are thinking of buying
- Alert on your favourite _____
- Alert on your name

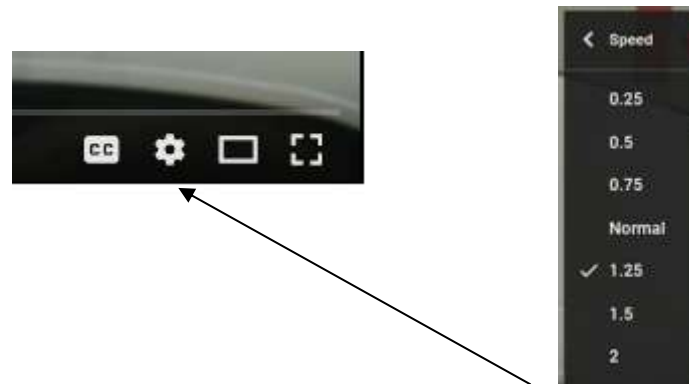
Courses and absorbing on the go

Narrator

Narrator is a screen reader

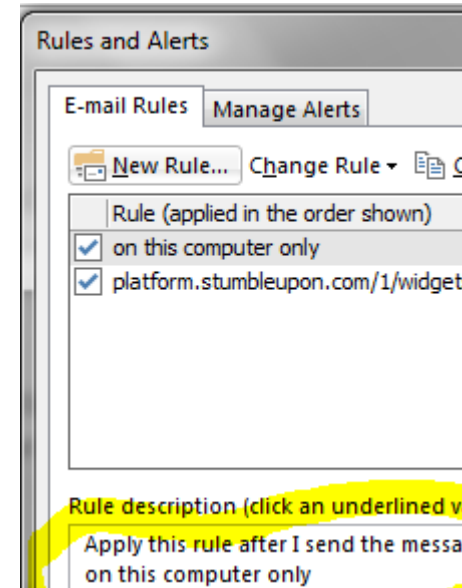
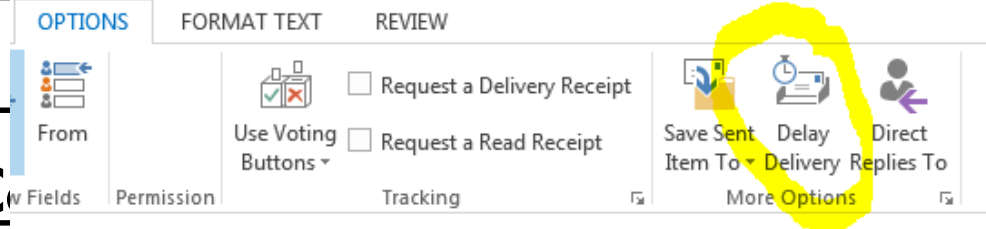


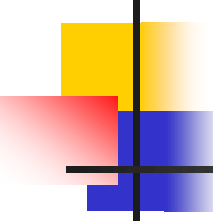
Practical PD offers popular seminars that have been attended by nearly 10,000 accountants, CFOs, and controllers. The tips and topics are geared toward controllers, CFOs, accounting managers, as well as clients. The tips and topics are geared toward controllers, CFOs, accounting managers, as well as clients. The tips and topics are geared toward controllers, CFOs, accounting managers, as well as clients.



Some useful technology tips

- Use email delay delivery
- Delay all emails
- Get a wireless c
- Use mouse with other hand
- Get a vertical mouse





Prize time, the first person to
type "vertical mouse" in the
chat wins one!



Past winners...

I'm really enjoying it, and it's causing quite the stir in the office.

By the way - I really love my vertical mouse! It's a game changer 😊 Thanks again for that!

*Kind regards,
Julie*

I had never seen a vertical mouse before today. When you mentioned that it is more ergonomically correct, to test, I rotated my right hand while holding the mouse and realized that I had a bit of discomfort that immediately went away.

you were the one who sent me a new ergonomic mouse. A big thank you! I use it all the time.



Technology tips

- Tech tips/apps from you?



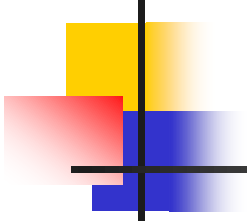
Some like the ergonomic split keyboard....



Bonus tip

- Use a standing desk, gives choice
- May help your back
- Burns some calories and improves posture
- Keeps you awake
- May help you think better
- Employer must provide one for all office workers in Denmark! (up and down choice)

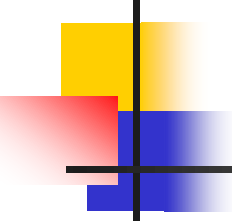






Conversions

- Converting to a new system – the data transfer issue
- A short case study
- Not the textbook method, but it works!
- Enter the closing numbers from the old system in the new system, no historic data carry forward



This company apparently used this approach....

- \$39B revenues, \$5.6B profit
- \$1.1 trillion assets under manage
- 35,000 employees



Conversions

- How to look at the historic numbers?
- Look in the old system
- The only things you should import are names,
& addresses of suppliers, customers
- Cut cheques for opening A/P in old system
- (This is high level, there are some complications and there is a lot more to a conversion project than this)



In a typical session

- 80% of the class have never heard of this veteran tip
- 20% of this class know it and can confirm it works....



Board of Directors

- Get them on-side prior to the meeting on your critical proposal
- Do you give the board direct access to senior employees?
- An advisory board for a family owned CO.
- Send ALL the material out in advance, as long as they will read it...!



Michelle Douglas said WE Charity's board of directors "always understood that speakers were not paid" to appear at WE Day events and that she would have been "surprised" to learn members of Prime Minister Justin Trudeau's family had been paid thousands of dollars to speak at such events. 1:09

She also said she left because the board of directors was being denied access to WE Charity's chief financial officer. Meetings with the CFO were set and then cancelled, she said, making it impossible for the board to determine if the job cuts were financially justified.

So she resigned...



News and Announcements

Announcing the Acquisition of Valydate

– Today we would like to announce the acquisition of Valydate™ Inc., an Ottawa-based provider of schematic validation solutions. The Valydate VERA technology provides enterprise design teams proven schematic review analysis technology, helping designers identify errors before committing to a PCB design.

Mentor brings a broader and deeper engineering infrastructure, enabling expanded product development on VERA. While we provide deeper integration with Mentor's Xpedition Enterprise flow, we will preserve integrations with all other design flows (as exhibited by previous acquisitions of HyperLynx and Valor technology).



A Siemens Business

Michael Alam, Valydate BSD Canada

Siemens completes \$4.5 billion purchase of Mentor Graphics



INSIDE SILICON FOREST

- About Mike Rogoway
- Email Mike Rogoway
- Follow @rogoway

MOST READ

Jive's buyer responds to employee anxiety



M&A – watchouts

- Acquisitions for the wrong reasons
- Poor due diligence – skeletons missed
- Difficulty financing or paying too much
- Don't underestimate culture issues
- Don't be afraid to recommend no!



M&A – remember this

- Use a working capital adjustment clause, e.g.
- Cash purchase price agreed on in late Sept, based on Aug 31 year end f/s \$50M, when working cap \$6.1M
- Deal to close Nov 30, with cheque in December
 - Working cap at closing date of Nov 30, \$4.1M
 - Hand over a cheque for \$48M
- Ethics & creativity issue: acquirer preparing Nov 30 f/s
- Example, a Nov 30 accrual for 11/12 of the \$75K Christmas party!



Someone wants to buy you

- Reminder for acquiree: ask for a bust-fee if a company wants to buy you
- Typically 1-5% of deal value



M&A – an alternative

- Acquisitions are rare and there is a way to get many of the benefits of an acquisition, without the costs and difficulties:
- Partner instead of acquire
- Not legally a partnership



Many different forms

- Joint venture
- Marketing for each other
- Use of complementary skills
- And many other possibilities



Examples

- Our software will be in your suite
- We will only buy X from you, you will be our supply partner, we will help you do it cheaper, but we will benefit from the savings, etc
- Music company, partnering with electric piano company
- Partner to enter a certain foreign market

Financial reporting – the close



- Is financial information real-time?
- Month end close speed
- Why close fast? Make key decisions from fresh information and get it out of the way quickly so you can do real work
- Do you have a fixed closing deadline imposed on you?
- Our survey is a win-win for you all
- If you are slower than avg tell your boss this proves you need a new system, more staff
- If you are faster than avg ask for a bonus



The close survey

- A monthly close means avg reports issued to users
- Working days you take to close ___
- Class average ___
- Overall average ___
- City average ___
- Remember to tell your boss
- The fastest & slowest closes
- How long does it take your wife to close?

Historic averages:

Vancouver 13.46

Surrey 13.29

Victoria 15.39

Kelowna 12.3

Prince George 14.35

All locations 13.14



Shortening the close

- It's always a trade-off, what do you lose by shortening the close by X days?
- Don't abuse your staff!
- Some of these tips may help you with other cycles
- Another course on this topic: accrue-accrue-accrue

Some ways to close faster

Skip low risk reconciliations

- Do a real slow close
- Challenge every single step in your current process & look for bottlenecks
- Balance the staff workload
- More automation of processes
- Do some steps in advance of the month end
- Convince non-finance of the value of their input to a fast close, to the CEO/owner
- Close early (a soft close on the 29th?)





Some ways to close faster

- Fix it next month
- Drop head office resources into the divisions to help
- Flash report revenue/margin as soon as available
- Electronic task schedule visible to all
- Make a faster close promise to a key stakeholder
- Give a day off to staff if you hit the target



Key indicator reporting

- The old way of reporting
- A new idea
- It was well received
- Manage the company from one page
a kind of dashboard
- You could call it the vital signs or KPIs
or the metrics



A small, dense table representing a traditional multi-page report. It contains many columns and rows of text, typical of a detailed financial or operational statement.



From this to this



	FIDUS KEY WEEKLY METRICS				
	Weekly ending				(all Canadian \$)
	24-Sep	27-Sep	28-Sep	29-Sep	30-Sep
Cash					
Cash balance	85,483	158,483	55,856	[17,200]	52,283
In arrears	288,823	288,822	288,822	288,822	288,822
Revenue					
New bookings	38,888	128,922	[16,658]	118,447	27,681
Revenue earned - no revenue	45,887	36,738	28,283	186,788	33,374
Revenue earned - work log	54,483	52,354	56,333	61,233	48,658
Billing	192,258	127,824	48,755	6,328	23,536
Bookings	174,625	175,162	188,238	153,283	158,313
Call volume	85,233	37,124	152,435	-	38,458
On hold revenue	36,646	153,782	82,214	334,281	487,873
YTD revenue	1,242,116	1,288,823	1,146,284	1,117,818	1,818,421
YTD revenue ahead projects	148,277	424,417	316,233	285,333	261,233
"In the bag" revenue	1,419,741	1,325,741	1,254,818	1,271,487	1,161,648
Don't fix in the bag	77.1X	75.8X	68.4X	63.3X	63.3X
Weighted pipeline opps	536,253	675,625	822,871	648,876	671,631
Total revenue at risk	1,148,818	2,851,366	2,877,638	1,311,563	1,832,971
Total revenue at risk %	186.2X	191.8X	119.3X	184.2X	99.3X
Current work planned revenue	133,353	136,323	88,217	87,133	112,618
Projects					
# of active projects	28	27	27	28	28
# of new projects engaged in work	4	3	1	1	3
# of projects ahead in work	3	3	2	1	-
# of ahead projects - cumulative	22	13	16	14	13
Working capital					
U.S. exchange rate	1.5397	1.5273	1.5241	1.582	1.5834
Total W/C	338,659	333,875	328,566	376,738	327,435
W/C < 30 days	237,623	277,682	193,241	193,485	183,233
W/C 31-60 days	38,825	38,825	155,325	155,118	116,887
W/C > 60 days	1,411	24,148	-	27,135	27,315
Revenue Payable	149,325	38,578	53,236	61,888	38,683
Current liabilities	151,787	241,718	212,333	215,616	193,158
Working capital	626,163	587,274	449,326	441,137	537,635
Current ratio (work exp/current liab, k)	3.56	2.75	2.74	2.53	3.21
Leads work's cash disk, no payroll	44,364	28,373	17,764	18,482	23,851
People					
Hires	-	-	-	1.8	-
Terminations	1.8	1.8	-	-	-
Employs headcount	24.8	25.8	26.8	26.8	25.8
Grossable payroll	37,878	33,385	48,515	48,515	33,385
Billable non-cash annual	1.8	-	-	-	-
Billable utilization	68.9%	64.6%	66.9%	66.3%	66.4%



The dashboard

- About 50 weekly key indicators for the CEO/senior management/owner
- A balanced scorecard, aligned with strategy & key goals (not full financials)
- Who should report it? Why not finance, we are the information people
- Who here reports extensive non-financial data weekly?



Measurement

- I know numbers don't tell the whole story...but numbers are very useful
- Financial score-keeping is important, but we are not talking about just dollars and cents
- Report volumes, %, per unit, ratios, heads....



In the dashboard

- Report the usual measures including industry KPIs
- But provide extra insights: not just **cash balance**, but by currency, line of credit available, 4 week cash forecast, lowest cash in next year, etc
- Not just **revenue**, but revenue sliced & diced in creative ways, eg from new customers versus old

Types of information



- Report the standard measures, but you need to look for more but also invent really sweet new measures that communicate so much, for other depts/areas
- How to think of new measures:
 - What are the critical decision-making indicators in the business? the drivers? the levers?
 - What are the key success factors?
 - Tip: think of an org objective and quantify,
Example: co wants to minimize job site emergency pick ups, so measure and report them
 - (“What gets measured gets done”)



Invent them

- Examples (financial or non-financial)
- Billable staff load factor
- Clever numerical measure of inventory age/quality
- Useful lost customer measure
- An insightful business capacity measure
- Have you invented any? (or a colleague)
- Get others inventing them
- Present them in a different way? ounces of silver



An example – consulting engineers

- Old measures: Revenue, avg revenue per hour, % billable
- **Billable % =**
Hours billed/40 hours



An example – consulting engineers

- Old measures: Revenue, avg revenue per hour, % billable

Week ending Jun 19, 2020

- Revenue \$458,543
- Average \$188.53/hr
- 86.2% billable

An example – consulting engineers



- Old measures: Revenue, avg revenue per hour, % billable

Week ending July 4, 2020

- Revenue \$369,543
- Average \$189.22/hr
- 56.2% billable

Statutory holiday, sick days, vacation, training, etc, mess this up



An example

- Old measure **Billable %** =
Hours billed/40 hours
- New measure = **Load Factor** =
Hours billed/40 hours minus time
that could not be billed (statutory
holidays, vacation, sick, training
etc.)



An example – consulting engineers

- Old measures: Revenue, avg revenue per hour, % billable

Week ending July 4, 2020

- Revenue \$369,543
- Average \$189.22/hr
- 80% billable
- 100% loaded

(stat holiday)



Breakout session – 5 mins

- Share your organizations, and brainstorm about possible creative new KPIs
- If you get some better ones, type them in the chat, the type of organization, and a brief description of the KPI



Note

- Other functions may be reporting their key indicators to leadership
- My challenge:
 - Review their measures, improve on them, propose new ones
 - Integrate their #'s with your reporting ideas, so it is a true organization dashboard
 - Only about 1% of organizations do this

More inclusions



- Historical and forward-looking numbers
- Include targets (or what needs to be done to hit targets)
- Include relevant external data, examples: commodity prices, housing starts, key exchange rates, etc.
- Rolling averages reveal trends

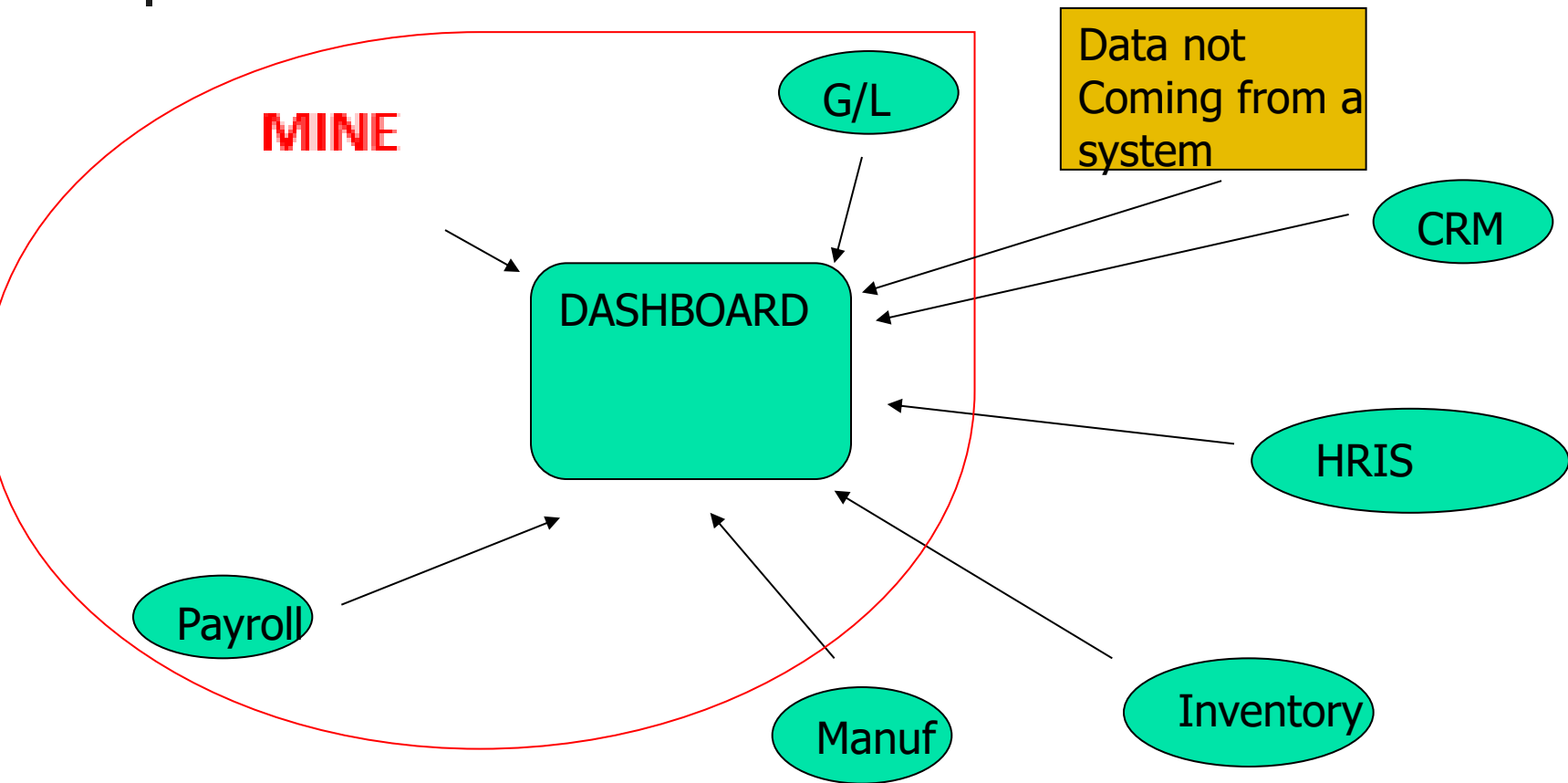
[Click here to listen
at 1.25 speed](#)

Preparation



- When do you report the dashboard? Early in week, for prior week
- Align preparation with existing processes, save work, there must be benefit > cost
- If you don't have an ERP, you may be pulling numbers from many different systems, via software or manually

Multiple systems input (no ERP)



Validation and checking

- Do you validate numbers coming from other departments (at least initially)
- Do you have time?
- If you suspect other departments are fudging the numbers, you will have to become the cop/auditor
- Sometimes there may be political issues with other departments...





Let's look at an example

- The last two pages of your handout
- Many different ideas, over 100 indicators to get you thinking
- Types of measures are grouped
- Don't take them all seriously...

Working capital

U.S. exchange rate
Total A/R
A/R current
A/R 1-30 overdue
A/R 31-60 overdue
Red flag A/R being monitored
Allowance for doubtful accounts included above
Days sales outstanding (DSO)
Accounts Payable
Current liabilities
Working capital

People

New hires/rehires
Terminations
Employee headcount
Turnover trend
Headcount by department/division
Open positions for hiring
Gross w/ky payroll
Commissions earned
Contractors
Overtime hours
Sick hours
Staff utilization (% of time on customer work versus standard work week)
Staff load factor (% time on customer work, of actual available time)
SPED hours

Long term financing

Government grant remaining
Share information
Short-term debt
Long-term debt
Bank covenant position

Some other ideas, depending on business

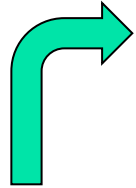
Vehicle, trucking fleet
Vehicles in repairs
of toilet paper rolls used
Student data
Help line calls
Website visitors
Patient data
Occupancy data - property management, hotel
Waste by location
Sources of leads generated
WCB claims
Weather statistics - agriculture
Customer churn (customers cancelling subscriptions, etc.)
Per square foot data - retail
Relevant compliance measures
Customer complaints
Commodity prices
Idle assets
Industry data
Environmental measures (units recycled, litres leaked, etc.)
Market share measure
System down time
Advertising payback

Notes:

You need to customize to your organization, you wouldn't have this many, this is an expanded potential list



The dashboard is released

- Lots of data, so you are actually doing exception review rather than reviewing each one (colors)
 - Understand the #'s before release
 - Provide value-added interpretation
 - You need feedback loops to operations
 - You can automate email items based on certain parameters
- 

Exceptions highlighted with colors

(\$000s)	YTD avg	8 wk rolling avg	4 wk rolling avg	29-Nov	22-Nov
Revenue					
Contracts signed/orders received	\$ 844	\$ 832	\$ 799	\$ 641	\$ 71
Key customer orders	\$ 166	\$ 161	\$ 154	\$ 207	\$ 19
New customers signed up	5	5	6	3	2
Customers lost	6	8	9	17	8
Orders cancelled	4	4	4	5	3
Sales commission earned	\$ 59	\$ 42	\$ 40	\$ 32	\$ 71
Order backlog	\$ 4,850	\$ 4,624	\$ 4,472	\$ 4,423	\$ 4,501

Email to info@...

Other angles



- Make them bonus targets, but be careful!
- Don't over-measure
- Should it look like a dashboard?

Assets

Forecast = \$963,797



Cash Flow

Forecast = \$145,587



Income Statement

Forecast = \$1,539,017



Liabilities

Forecast = \$1,539,017



Data visualization can make it easier to understand





Different levels

- Can also be done by dept, division, plant, legal entity
- If you “consolidate” numbers, use weighted averages



Other thoughts

- What about some kind of weighting or linking of measures?
- Never stop challenging them, this has evolved in all my organizations
- Public accountants/consultants: build one for your clients



Linking with weighting eg

- Business: mass-manufacturing
- Measure 1: % production defects
- Measure 2: % customer returns for quality
- New measure: % production defects plus 2 X % customer returns for quality = manufacturing efficiency
- (customer returns have higher impact)
- Target: less than 0.014%



Reactions from you

- Doesn't fit my organization
- I will try to implement it, perhaps with adaptions
- My owner has most of this in their head, but I will start reporting 20 measures
- I just like the new measures idea alone
- Great idea, no time
- Will do for my division, this will impress the head office, they will probably ask all the divisions to do it



Other comments

- Let me conceive a dashboard for one of you! Maybe you can help
- I know you all want to ask me whether I have a weekly family dashboard
- What happened to that aircraft de-icing technology?

FAMILY

WEEKLY DASHBOARD

YTD avg 8 wk rolling avg 4 wk rolling av 29-Nov 2

Finances

Cash by currency

Short-term investments

Employment income

Earned on the side

TFSA

Retirement savings

Age savings run out

(numbers confidential)

Spending

Groceries

Toiletries

Entertainment

Restaurant

Frivolous

Insurance

Miscellaneous

Over/under budget YTD

Donations

Pet food

Credit card

Gifts

Return on gifts

FAMILY

WEEKLY DASHBOARD

YTD avg 8 wk rolling avg 4 wk rolling av 29-Nov 2

Finances

Cash by currency

Short-term investments

Employment income

Earned on the side

TFSA

Retirement savings

Age savings run out

(numbers confidential)

Spending

Groceries

Toiletries

Entertainment

Restaurant

Frivolous

Insurance

Miscellaneous

Over/under budget YTD

Donations

Pet food

Credit card

Gifts

Return on gifts

Teenagers

Attitude (1-10)

Room clean on inspection

Grounding (hours)

Homework complete

Grades reported

Time on Facebook (limit 15 min)

Km driven

Fines charged

Fines paid

Days chores outstanding

Boyfriend turnover ratio

0

Girlfriend turnover ratio

0

GPA by child

Height increase



Questions that arise

- What % of kids are accountants?
- Are kids assets or liabilities?
- Are they “on the payroll” still?

Husband/wifeDisagreements - small
- large

Kisses

Other relevant

Vehicles

Km driven

Accidents

Fender benders

Fuel purchased

Opening tank balance

Closing tank balance

Maintenance cost

Km to oil change

Traffic offences

Exercise

aerobics classes

km jogged

km biked



Bathroom			
# flushes			
- Toilet paper rolls used			
Child accidents			
Cleanings			
Other			
Laundry done			
Laundry backlog			
Pet km walked			
Pet accidents			
Health - excellent			
Health - issues			



An email received after a recent seminar

Hi Stephen

I attended your course yesterday. Thanks for keeping the course interesting and interactive.

Could you please send me the "family dashboard spreadsheet" so I can play a joke on my husband?

Thanks

Cindy _____



What happened to the de-
icing technology mentioned
earlier?



Lessons

- Founder problems, termed “founderitis”
- Great invention, bad overall leader
- Don’t invest until you take control from majority shareholder who may get difficult
 - they can still keep the majority of the economic benefit



Results

- \$300,000 lost by my brothers and I (at least we got tax losses), I wrote off \$100K of sweat equity as well
- Millions lost by other investors
- After wasting about \$4M, this government agency put in new rules to try to avoid founder problems!



Today

- Three executives (including me) and two employees from that company are at my current company, very successful in anti-icing information systems, but the technology is not so revolutionary...
- I have thought of taking a run at this technology with new investors...




CPA bc

- A 4 hour webinar on multiple different financial leader topics on Dec 6 [PD Search \(bccpa.ca\)](#)
- The NFP version of this course as a 7 hour webinar, 50% similar content, 50% different
- three popular ethics videos, available any time
-
- My videos get as good rating as my webinars, as I make them engaging and include past Chat discussions.
-
- Search by instructor name to find these courses: [PD Search \(bccpa.ca\)](#)



Closing comments

- I hope to meet you one day in a live course
- Was the day boring?
- We can chat after
- Send me an e-mail spriddle@bell.net, to pick my brain or for questions
- Do LinkedIn with me
- Please complete seminar evaluations
- Thanks for attending 



Some bonus slides

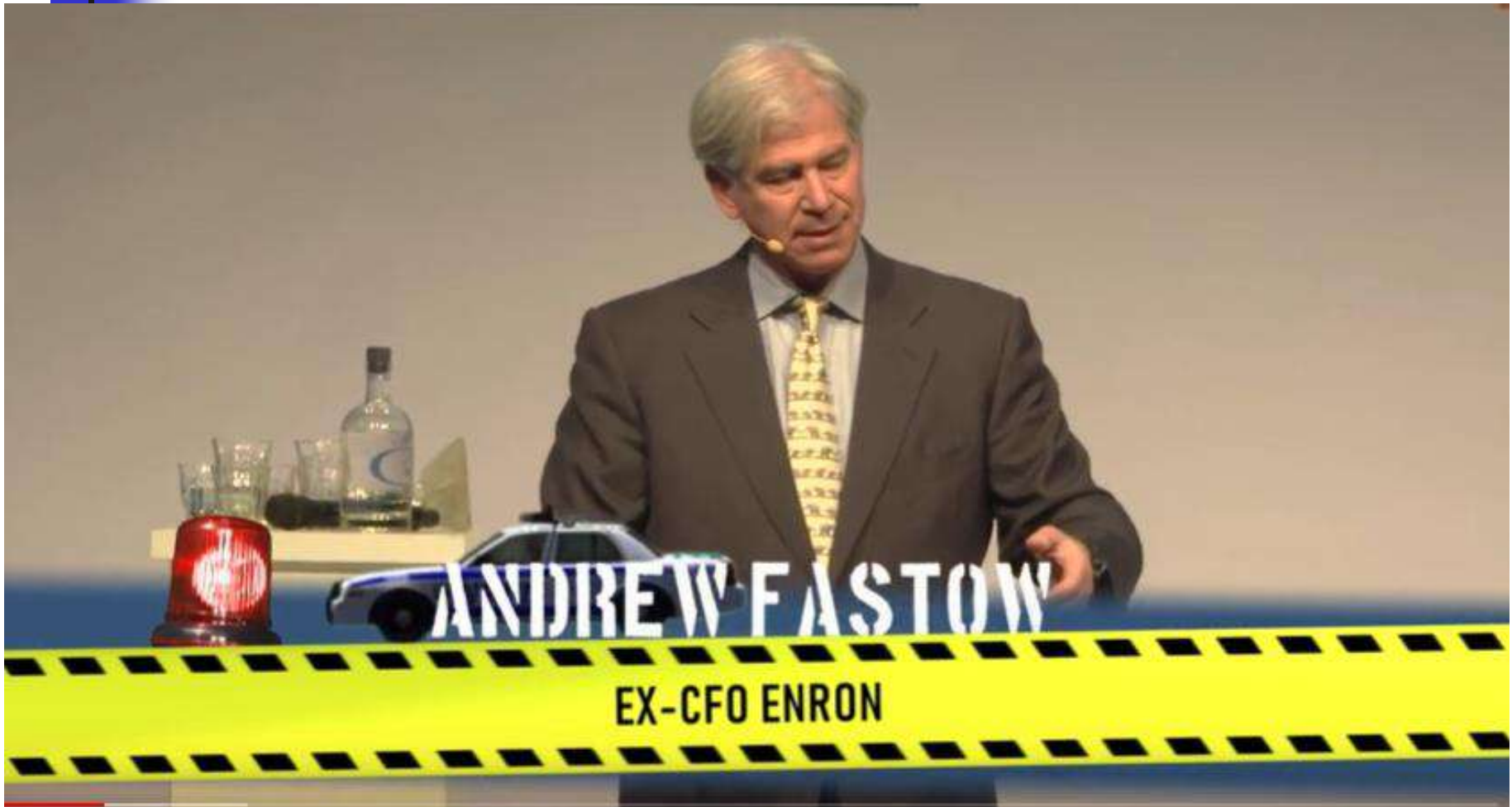
- From the video course



Bad judgement

- Someone once said that:
- “ a wise person learns from his/her own mistakes, but the brilliant person learns from the mistakes of others.”
- It was Einstein
- We try to tell our kids to avoid our mistakes, “get your experience cheap from me..”

CPA Speaker - Netherlands



The only Canadian who went to jail

In a letter to a U.S. probation officer, a copy of which was filed in court, Mr. Delainey acknowledged that his rapid rise through the Enron ranks had become "intoxicating," and that by 2001 he participated in financial manipulations that he knew were wrong.

- Went
- I knew someone who knew him...
- When asked how he could have done all this, he said something like: "it seemed so respectable, board approved, nice suits, professional advisors...."



Ethics is an issue for all of us

- You must include this company in the consolidated financial statements - **(we don't own it!)**
- Sign this document that says we give 1% of sales to charity **(we give 0.25%)**
- \$400,000 of owner personal expenses booked as business expenses **(can you do this?)**

Interview question

Are you willing to stretch all the rules...?





Scandal

- “The multi-year criminal investigation into criminal fraud related allegations involving Ornge Air Ambulance Service continues,” said Truax”
- “Mazza was receiving \$1.4 million a year while remaining off the "sunshine list" of public employees earning over \$100,000. That salary made him the highest publicly paid official in the province.”
- “Revelations that Chris Mazza collected \$9.3 million before being axedsparked another firestorm Monday for the Ontario government”
- “Air ambulance costs increased 20% while transporting 6% fewer patients”



Scandal

- “Certain of these companies were owned by Ornge's president”
- “Interest-free loans and cash advances from Ornge to Mazza”
- “The hotel bill at one resort, the Copacabana Hotel in Rio de Janeiro, Brazil, was \$6,000”
- “ORNGE Global GP Inc. and ORNGE Global Holdings LP were placed in bankruptcy under the oversight of a trustee”



Too strong

- After three ethically challenging employers in a row
- CEO of the next employer told me after I hired him, that I came on so strong on ethics in the interview, that they almost didn't hire me
- They thought I would say don't bid on any complex engineering projects, unless we have done one successfully before



Note

- Maybe I should turn my tips into a course **How To Pay Your Mortgage Off at 29**
- Vehicles suck money...



Call a CPA Ethics Advisor

- They can help you free
- I have consulted them a number of times
- My most recent consultation
- On guy said he called after, to see if he “did the right thing”



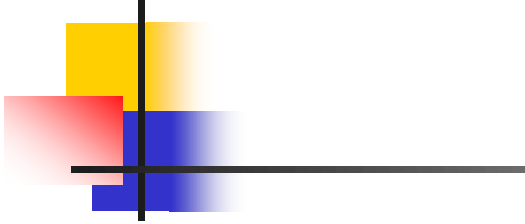
One of my sisters

- Works in a different field, senior's and handicapped care
- Recently quit a job, an unethical senior's home, almost senior's abuse...
- I am proud of her



Creative hotel furniture tip

- The chairs are old and worn out but we are too cheap to buy new ones....





Outside the box inventions

- I have quite a few on my bike
- I am always inventing outside the box gadgets – sometimes I find they have already been invented
- One company I worked for, we had a part on our invention, just designed to mis-direct our competitors, an outside the box idea....

My brother's problem

- Their wood business pays \$40,000 more for electricity, than if they were on the other side of the road...
- What to do?
- Can't move the facility
- I suggested





CFO/Controller - Role

- Give us a one line summary of the CFO/Controller role, I learned a good one
- The CFO/Controller must ensure the CEO:



CFO/Controller - Role

A few I have heard: ensure the CEO:

- Looks good at board meetings, gets reappointed
- Has useful information for decision-making
- Knows how to make money
- Is awarded his/her bonus
- Gets to the bottom line of the decision



CFO/Controller - Role

- Keeps the bank & shareholders happy
- Does everything at the right time
- Ensure the sales function is under control



CFO/Controller - Role

- Tell the CEO what they need to know, not what they want to know
- Does everything the CEO doesn't want to do
- Has enough \$ to spend
- Protects him/her from him/herself

CFO/Controller - Role

My favourite one:



- Ensure the CEO sleeps at night
 - Make sure there are no surprises
 - The “oops” illustrations:
-
-

- Also lots of value-added things you need to do, many discussed today



The Oops illustration

- Oops, the bank called our loan
- Oops, we have to restate the financials
- Oops, CRA has re-assessed us \$6.3 million
- Oops, we broke the laws about...
- Oops, huge foreign exchange hit, unanticipated, unhedged
- Oops, someone stole \$2 million, weak internal controls...
- Oops, we ran out of cash!



There are lots of gov't programs that may help

- Think about politics before applying
- If it is large, the Minister will be involved...



There are lots of gov't programs that may help

- Think about politics before applying
- If it is large, the Minister will be involved...



What color is my horse?

Tell me management's representations as to the colour, and I will audit those representations



What color is my horse?



I don't know, you tell me, it's your horse..



What color is my horse?

I need to get documentation for the horse's colour...





What color is my horse?

Wash it first, and then I will issue an opinion on the colour



What color is my horse?



It's immaterial



What color is my horse?

Brown,

Even more exercise



Cost?



Portable Height Adjustable Sit-....
\$89.99
PrimeCables.ca
Free delivery



PrimeCables Manual Sit to ...
\$169.99
PrimeCables.ca
Free delivery



Sit Standing Desk Height Adjustable
\$149.99
PrimeCables.ca
Free delivery



Sit-Stand Dual-Motor Height ...
\$289.99
PrimeCables.ca
Free delivery



Height Adjustable Gas-Lift Sit-Stand
\$169.99
PrimeCables.ca
Free delivery



Electric Sit to Stand Adjustable
\$169.99
PrimeCables.ca
Free delivery



Height Adjustable Desk for Children
\$59.99
PrimeCables.ca
Free delivery



Sit Standing Height Adjustable
\$239.99
PrimeCables.ca
Free delivery



Studio Designs Adapta Standing
\$216.99
Wayfair.ca
Free delivery

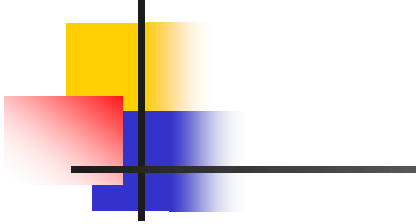
Question

- Suppose the company won't pay?
- Buy it yourself
- But you might need to put up a sign to reduce problems at the office...





Note: I paid
for this myself







A few system tips & thoughts

- Have you ever heard: “The system won’t let me...”
- You should find a way around this
- If you can’t, a solution very few of you use join user forum for your system
- Purchase enough user licenses for your new system, but not too many..

Artificial intelligence

- Possible impact may be exaggerated
- High volume, repetitive is the opportunity
- You don't need to be a techie, to note opportunities for s/w to do the work
- Example: automatic seminar leader
flight booking reminder based on
system registration





Business analytics

- What is advertised: we will analyze all your data and note important and insightful trend & patterns
- This ties into new measures
- Are you doing analytics, or are you too busy?
- Consider starting to do this in a small way, eg: the specific impact of Walmart special sales on a retail company's revenues by day
- Wisdom, not just data



In my house

- Critical KPI
- Average cost per meal \$4.06
- Lesson: home-cooking saves lots of money!
- Note: you may be able to think of interesting new measures, that are monthly, not weekly, eg months of experience per dept

**COMPANY X
WEEKLY DASHBOARD**

Handout: Practical Tips for Controllers & CFOs seminar
COPYRIGHT © 2021 STEPHEN PRIDDLE, CPA, CA, CMA

	YTD avg	8 wk rolling avg	4 wk rolling avg	Best ever	Lowest ever	Target	29-Nov	22-Nov	15-Nov	08-Nov	01-Nov	25-Oct
Cash												
Cash by currency												
Short-term investments												
Operating Line borrowed												
Operating Line available												
Collections from customers												
Cash disb, ex payroll												
Short-term cashflow, net next 8 weeks												
Lowest cash in next 12 months												
Revenue & profit												
Contracts signed/orders received												
New customers signed up												
Revenue from new customers												
Customers lost		need a definition for the business										
Orders cancelled												
Bids lost												
Proposal success rate												
Sales price versus list												
Break-even information												
Unit or \$ sales of key products												
Key customer revenue												
Key revenue categories												
Sales commission information												
Invoicing												
Business backlog (lacklog)		Also known as order book										lacklog is the amount needed to reach the target backlog
Weighted business pipeline opp's												
Latest fiscal year estimate												
4 weeks ahead planned revenue												
Book to bill ratio (contracts signed versus revenue recognized)												
Forecast profit data												
Revenue per employee productive hour (retail)												
Warranty payments (contractual)												
Warranty payments (goodwill)												
Manufacturing/purchasing												
Key unit data												
Cost variances												
Inventory \$												
Slowest-moving SKU												
Product returns												
Quality data - rejects												
Lost hours due to....												
Downtime												
Rework												
Unused capacity												
Order backlog (purchasing)												
Capital expenditures (by type)												
# POs issued												
Revenue projects												
# of active projects												
# of new projects engaged in week												
# of projects closed in week												
# days until closure of key project												
Working capital												
Key exchange rates												
Total A/R												
A/R current												
A/R 1-30 overdue												
A/R 31-60 overdue												
Red flag A/R being monitored												
Allowance for doubtful accounts included above												
Days sales outstanding (DSO)												
Accounts Payable												
Current liabilities												
Working capital												
People												
New hires/rehires												
Terminations												
Employee headcount												
Turnover trend												
Headcount by department/division												
Open positions for hiring												
Gross wky payroll												
Commissions earned												
Contractors												
Overtime hours												
Sick hours												
Staff utilization (% of time on customer work versus standard work week)												
Staff load factor (% time on customer work, of actual available time)												
SRED hours												
Long term financing												
Government grant remaining												
Share information												
Short-term debt												
Long-term debt												doesn't drive weekly decisions, but one CEO really liked to see the amount weekly
Bank covenant position												
Some other ideas, depending on business												
Vehicle, trucking fleet												
Vehicles in repairs												
# of toilet paper rolls used												
Student data												
Help line calls												
Website stats												
Patient data												
Occupancy data - property management, hotel												
Waste by location												
Sources of leads generated												
WCB claims												
Weather statistics - agriculture												
Customer churn												customers cancelling subscriptions, etc.
Per square foot data - retail												
Relevant compliance measures												
Customer complaints												
Commodity prices												
Idle assets												
Industry data												
Environmental measures (units recycled, litres leaked, etc.)												
Market share measure												
System down time												
Advertising payback												
Notes:												
You need to customize to your organization, you wouldn't have this many, this is an expanded potential list												

