

Finance Function Transformation



Traditional Roles of a CFO



Accounting



Tax



Book Keeping



Compliance



Risk Management



Reporting



Budgeting

3 Basic Pillars

Profitability

Growth

Compliance

Drivers of Change



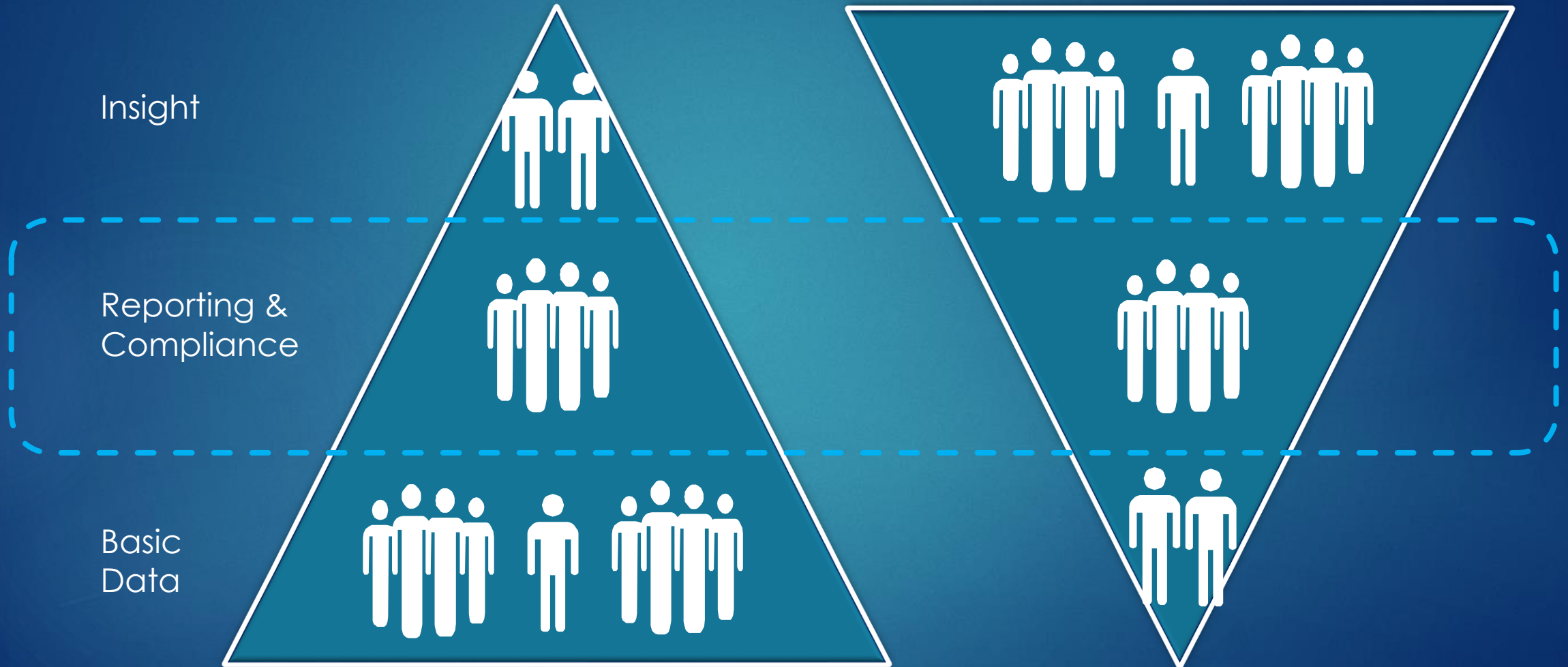
3 Basic Pillars

Profitability

Growth

Compliance

Traditional vis a vis Modern Roles



Key constraints for role change



Lack of Autonomy

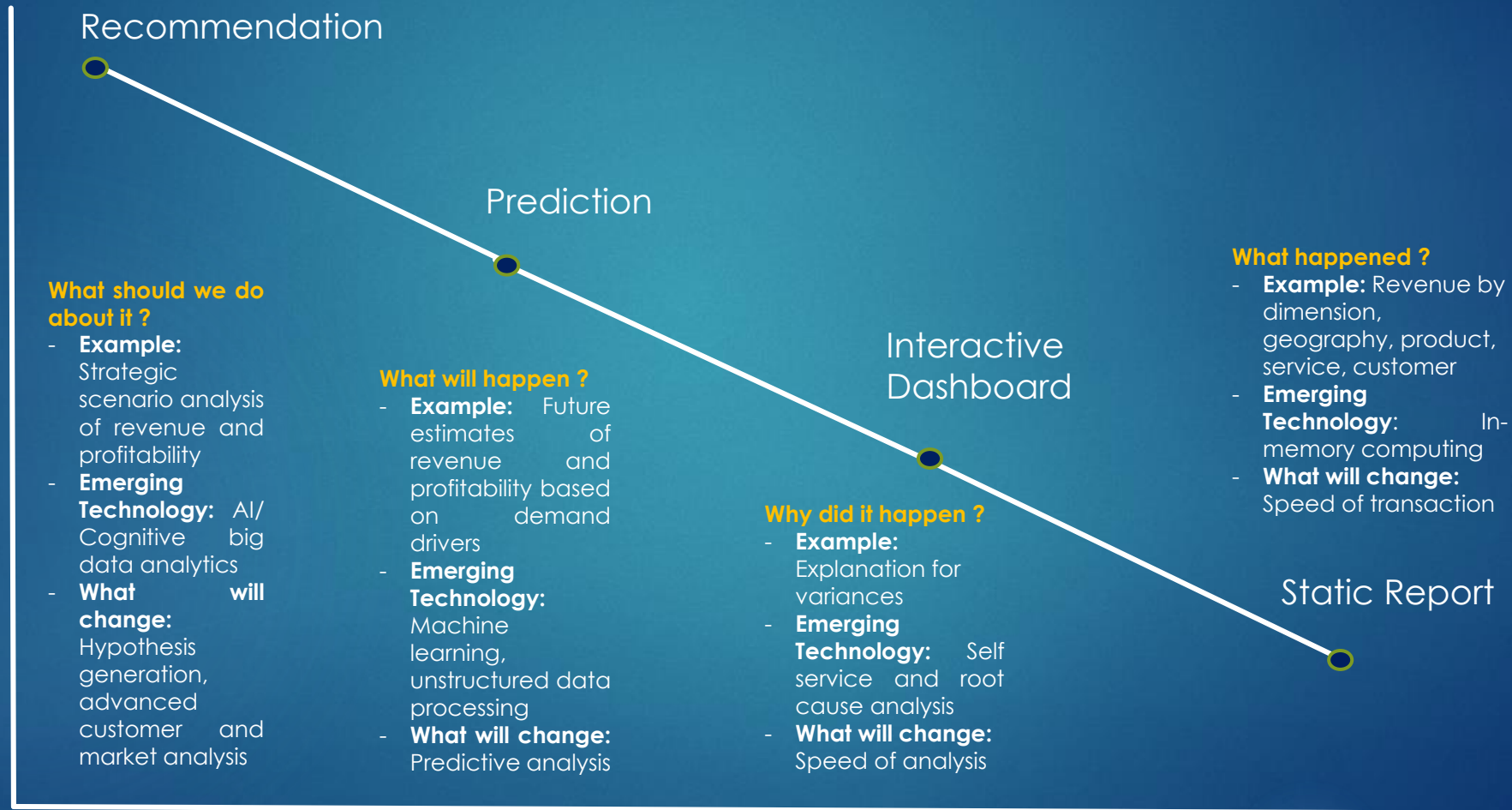
Maintaining Existing Functions

Procuring Efficient System for Better Decision Making

Improving fiscal planning and skill development

Financial and skill capability

Modern Finance- Descriptive to Prescriptive



Emerging Technologies



Fastest Growing Technology

Emerging Technology

Advanced Data Analytics
& Forecasting

Robotic Process
Automation (RPA) &
Artificial Intelligence (AI)

Blockchain

Internet of Things (IOT)

Extreme automation

*Integrating new
technologies:*

- Cloud ERPs
- Robotics
- Artificial intelligence
- Blockchain
- Mobile

Insights and analysis

New insights through:

- Automated *descriptive and diagnostic* analytics
- New *predictive and prescriptive* analytics
- Integrated business planning
- Local decision support

Organizational simplification

Changing work:

- Fewer people, higher skills
- Less hierarchy
- Fewer offshore locations

Skills and talent

Changing requirements:

- Both strategy and finance skills
- Process and control leaders
- Relationship and collaboration

Advanced Data Analytics & Forecasting



Advanced Data Analytics & Forecasting

Benefits :

Customer Demand Forecasting

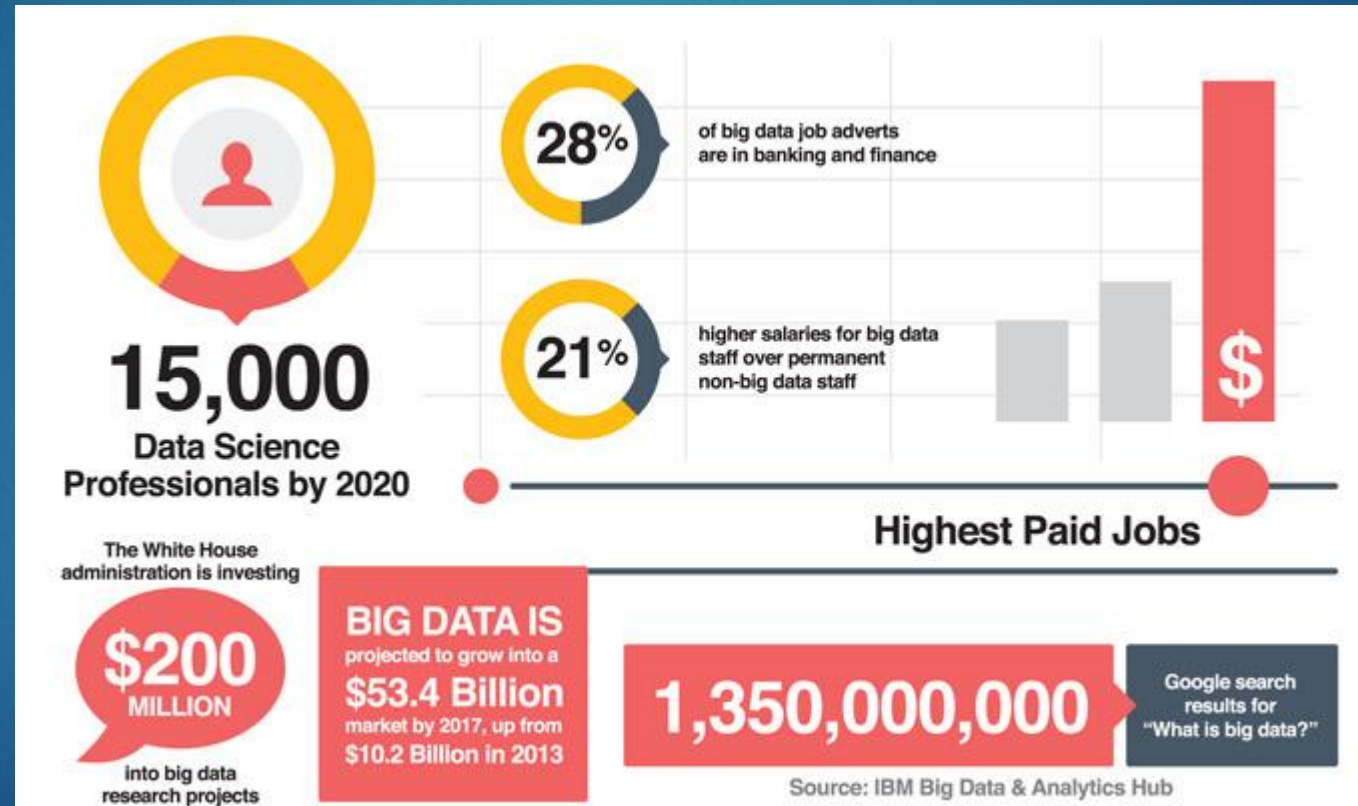
Inventory Optimization

Data Driven Strategy

Target Customer Effectively

Stronger Insights

Reduce Cost



Challenges :

Quality Data

Qualified Staff

System Integration

Ineffective Process

Vision Not Clearly Defined

Lack of Strong Mandate to Digitize

Advanced Data Analytics & Forecasting



BI Video

Advanced Data Analytics & Forecasting- Snapshots

Executive Metrics Dashboard

Share Dashboard

Ask a question about the data on this dashboard

Expected Revenue

\$85.22M

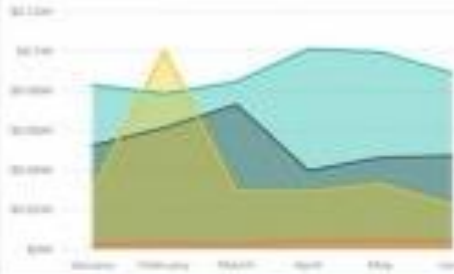
Total Invoice

\$2.22M

Discount Savings

\$4.07M

Total Invoice



Total Invoice



Marketing Site Traffic



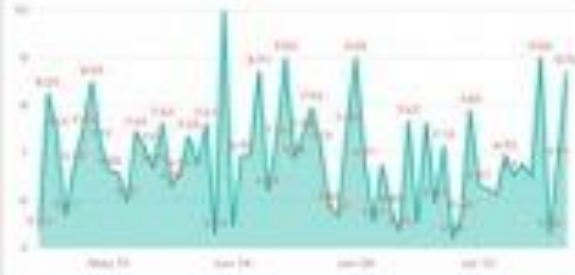
Feedback Ratings



AccountCount



Customer Feedback Trend



Spillage to Budget



Sales Pipeline



Customer Size vs Revenue



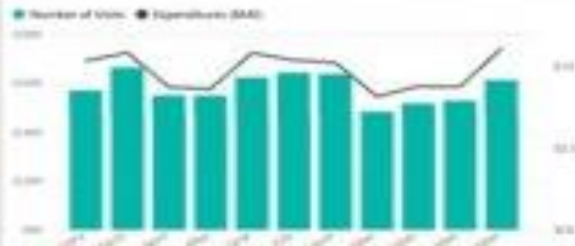
Total Invoice, Budget Amount



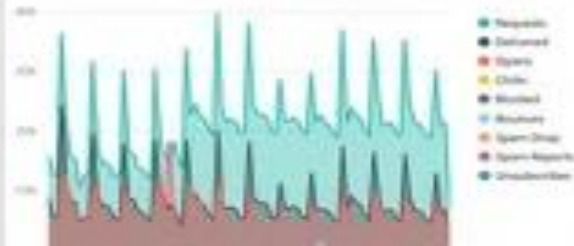
AccountCount



Number of Visits, Expenditures (\$M)



Marketing Campaign Stats



Marketing Campaign Metrics

9576	7712
Spots	Spots
1342	78704
Clicks	Clicks

Advanced Data Analytics & Forecasting- Snapshots



Advanced Data Analytics & Forecasting- Snapshots



Advanced Data Analytics & Forecasting

Real life Case Study:



Robotic Process Automation (RPA) & Artificial Intelligence (AI)



Robotic Process Automation (RPA) & Artificial Intelligence (AI)

More than
55%



of global corporations currently exploring new automation opportunities⁽³⁾

45% of activities individuals currently perform in the workplace can be automated using already demonstrated technologies.⁽¹⁾

60.5% compound annual growth in robotics automation market forecast by 2017-20⁽²⁾

As a result, many organizations are already using basic robotic process automation (RPA) to carry out simple, rules-based tasks to become more productive.

25 years ago



Internet was considered as something new, trendy

and extremely innovative - the world nowadays is unthinkable and almost impossible without it



(developments of cloud applications set a clear trend to further extension of Internet use in business)



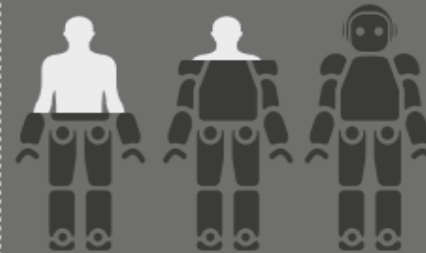
10 years ago

the Social Networking revolution came into the picture - every business and in every sector Social Media (such as LinkedIn, Twitter, Facebook, Google+) are inseparable part of both personal and professional development

Next phase

of the innovation trend is

Robotic Process Automation



The next step is to introduce more sophisticated intelligent automation classes that have the potential to lead to transformational change.

12 Innovative Ways to Use RPA & AI

Procure to Pay Automation Gap

- Supplier Onboarding
- Portal Queries
- Price Comparisons
- Market Intelligence
- Contract Terms

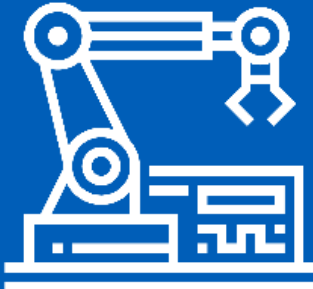
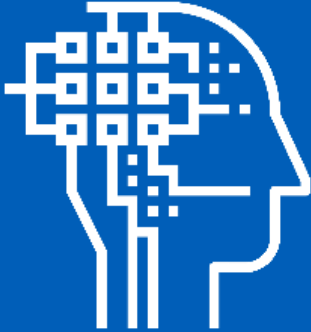
Quote to Cash Automation Gaps

- Supplier Pricing Comparison
- Order Exception Processing
- Delivery Reconciliation
- Customer Onboarding & Master Data Maintenance

Record to Report Automation Gaps

- Supporting Financial Close
- Data Extraction for Accounting Close
- Data Management

Spectrum of RPA & AI

ACT	RULES	LEARN	REASON	THINK
<p>like a human</p> 	<p>Basic Process Automation</p> <ul style="list-style-type: none">- Macro-based applets- Screen level and OCR data collection- Workflow automation- Process mapping- Self executing	<p>Enhanced Automation</p> <ul style="list-style-type: none">- Built-in knowledge repository- Learning capabilities- Ability to work with unstructured data- Pattern recognition- Reading source data manuals- Natural language processing	<p>Cognitive (Intelligent) Automation - IA</p> <ul style="list-style-type: none">- Artificial intelligence- Natural language recognition and processing- Self-learning (sometimes self optimizing)- Processing of super data sets- Predictive analytics/hypothesis generation- Evidence-based learning	<p>like a human</p> 

Business Application

- Bank Reconciliation Process
- Sales Order & Invoicing
- Fixed Asset Management
- Financial & External Reporting
- Inventory Management
- Financial Statement Closing
- Tax Planning & Accounting

Benefits

- Customizable Workforce
- Non-stop Performance
- Consistency & Reduced Error
- Easy & Quick Installation
- Complete Audit Trail
- Cost & Time Savings

Challenges

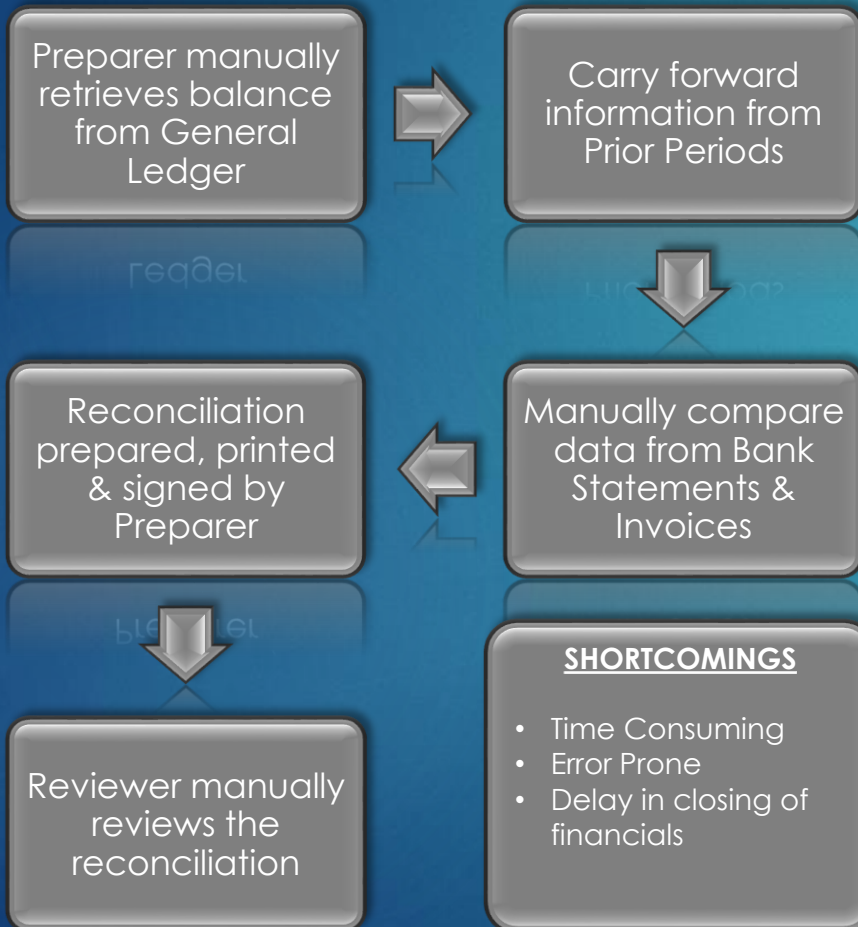
- Integration Issue
- Workforce resistance to change
- Compliance & Governance Issue
- Initial Capital Expenditure
- Training Workforce

RPA & AI- Video

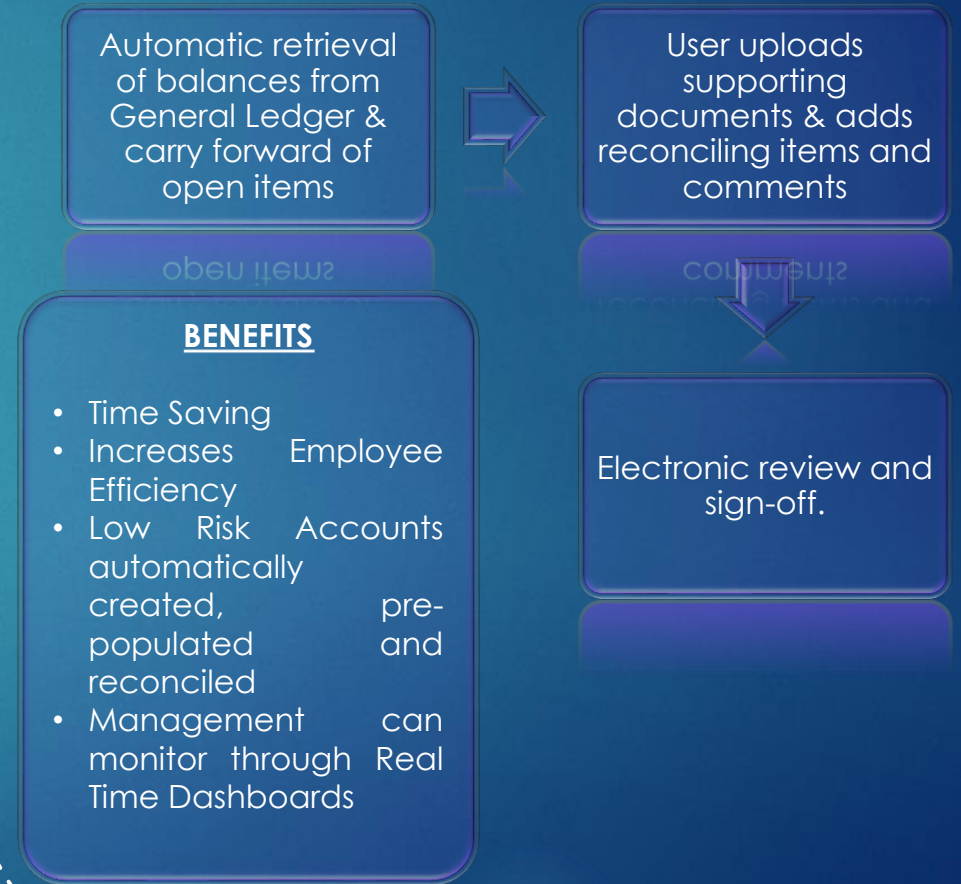
Video

RPA & AI- Account Reconciliation

Traditional Approach

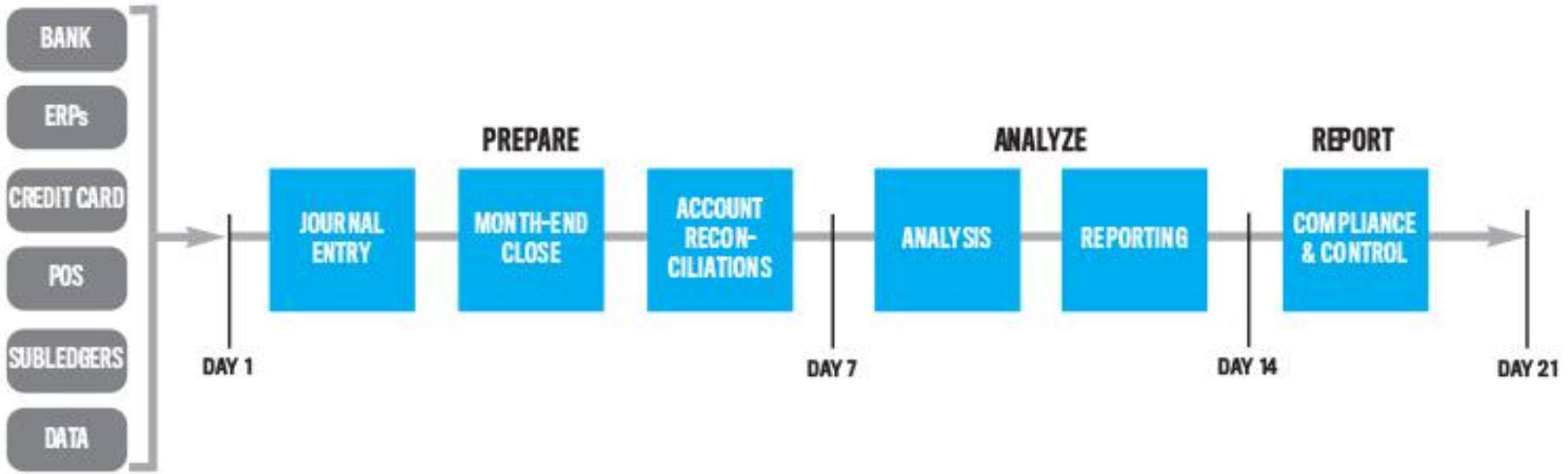


Accounting Process Automation Approach



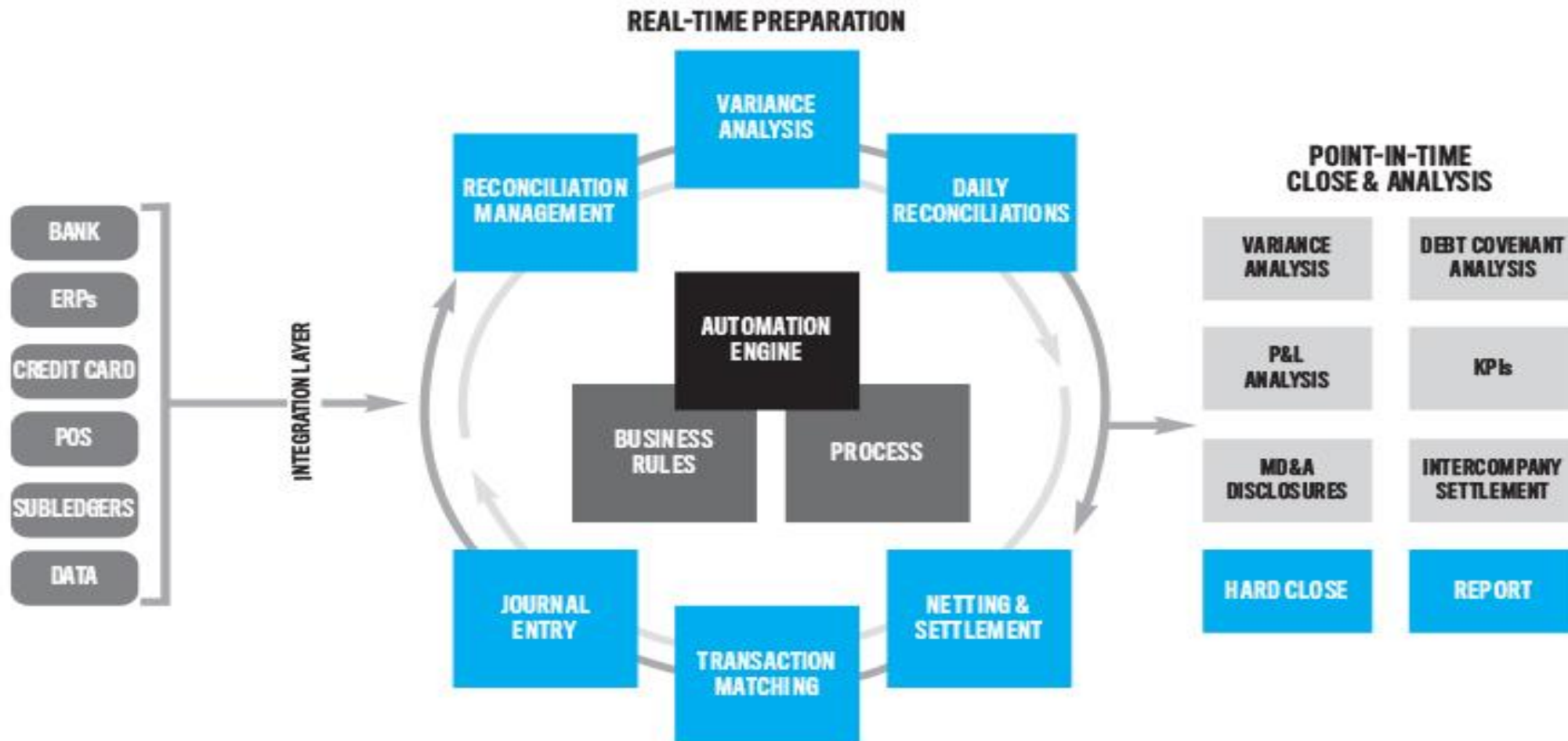
RPA & AI- Record to Report Process

TRADITIONAL RECORD-TO-REPORT PROCESS



RPA & AI- Record to Report Process

CONTINUOUS ACCOUNTING MODEL



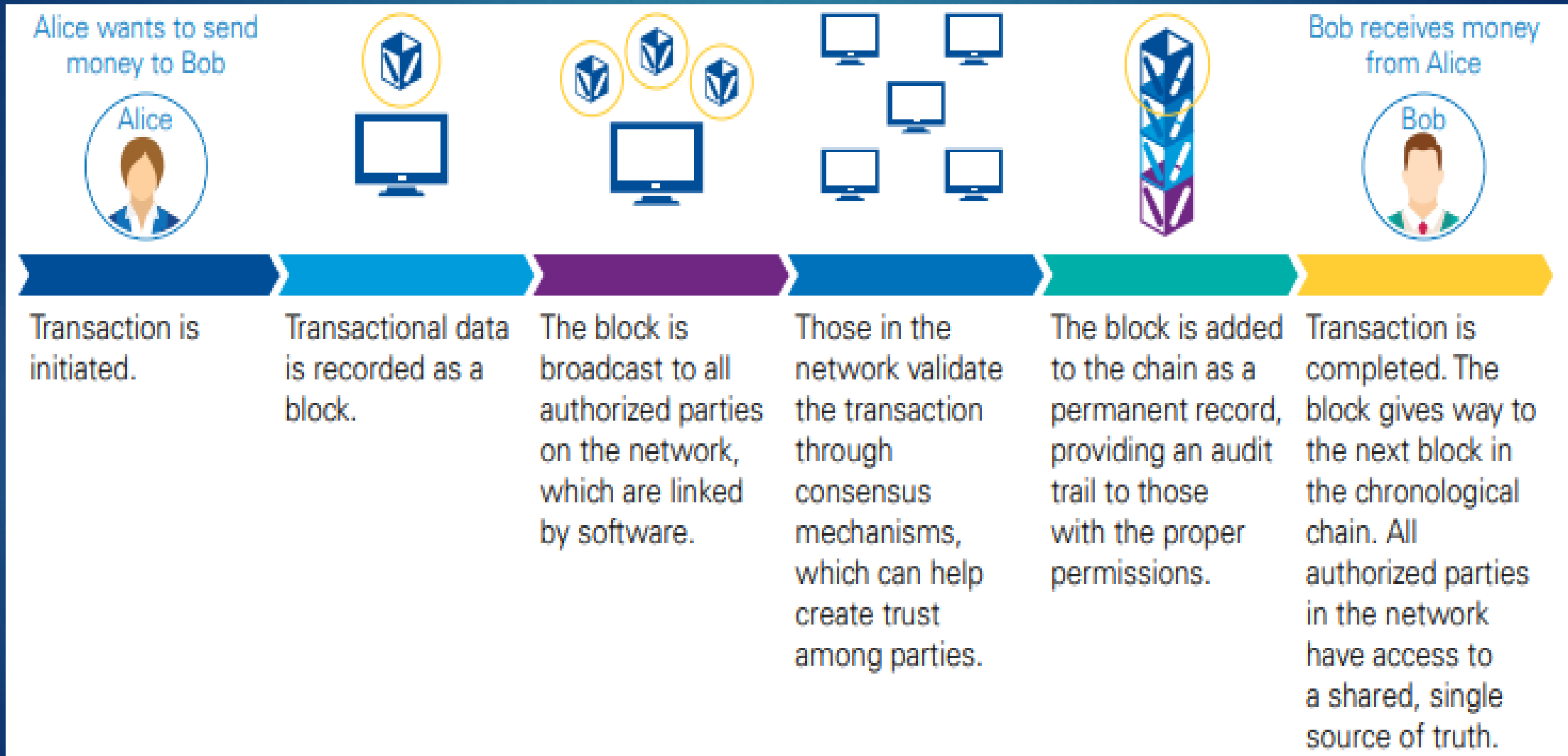
Blockchain



Blockchain

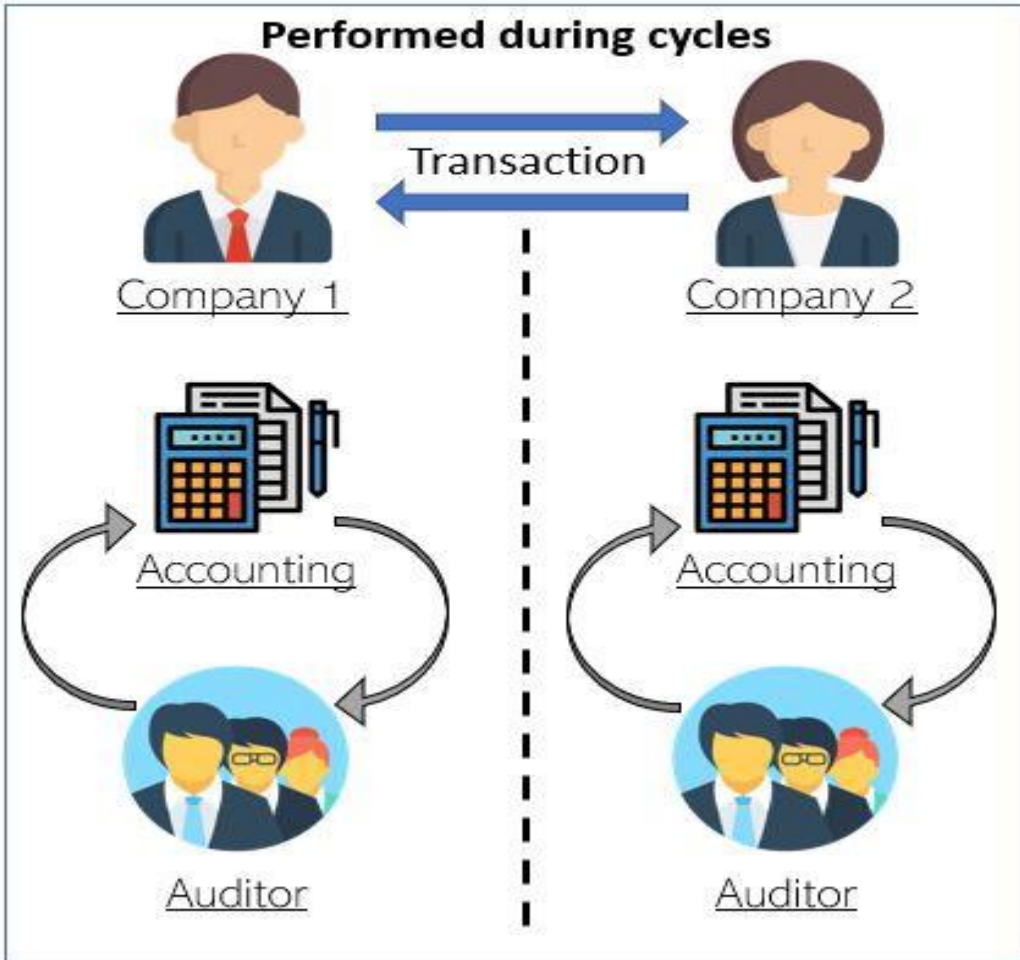
Video

Blockchain

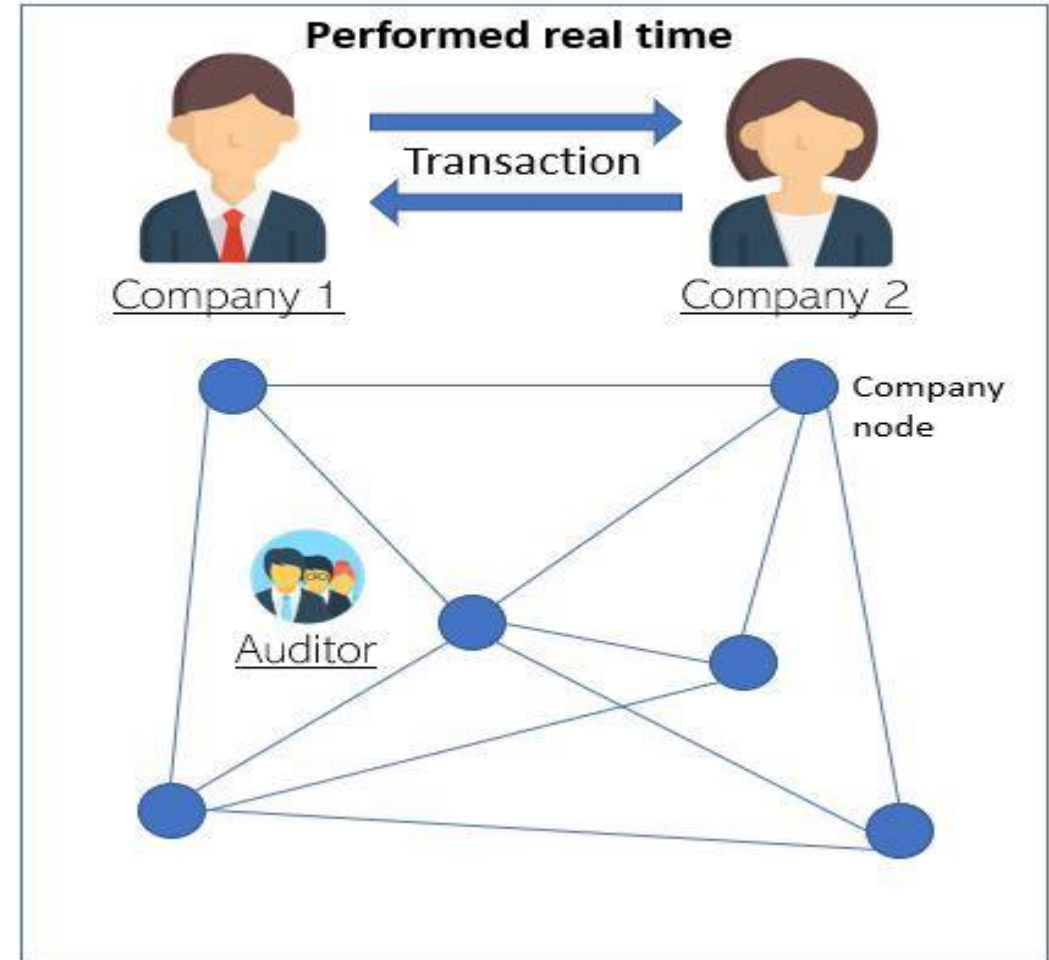


Blockchain

Current Accounting Practices



Potential Blockchain Accounting Practices



Blockchain- Business Application

Smart
Contracts

Notary

Supply Chain
Management

Streamlining
of Clearing &
Settlement

Distributed
Cloud
Storage

Gift Cards &
Loyalty
Program

Digital
Identity

Payment &
Money
Transfer

Networking &
Internet of
Things (IoT)

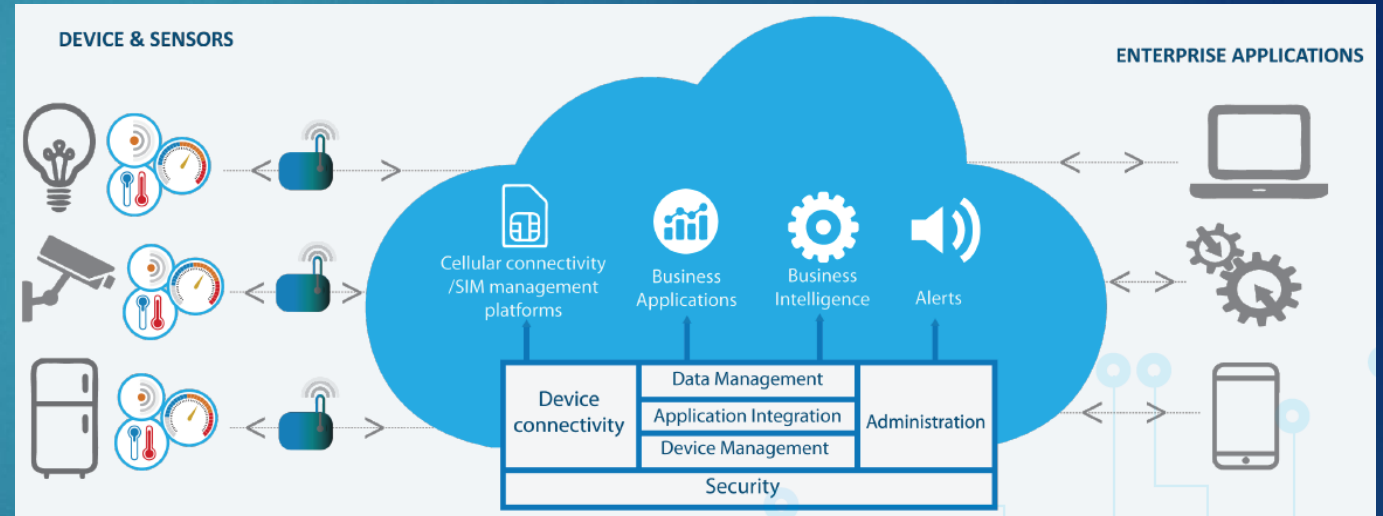
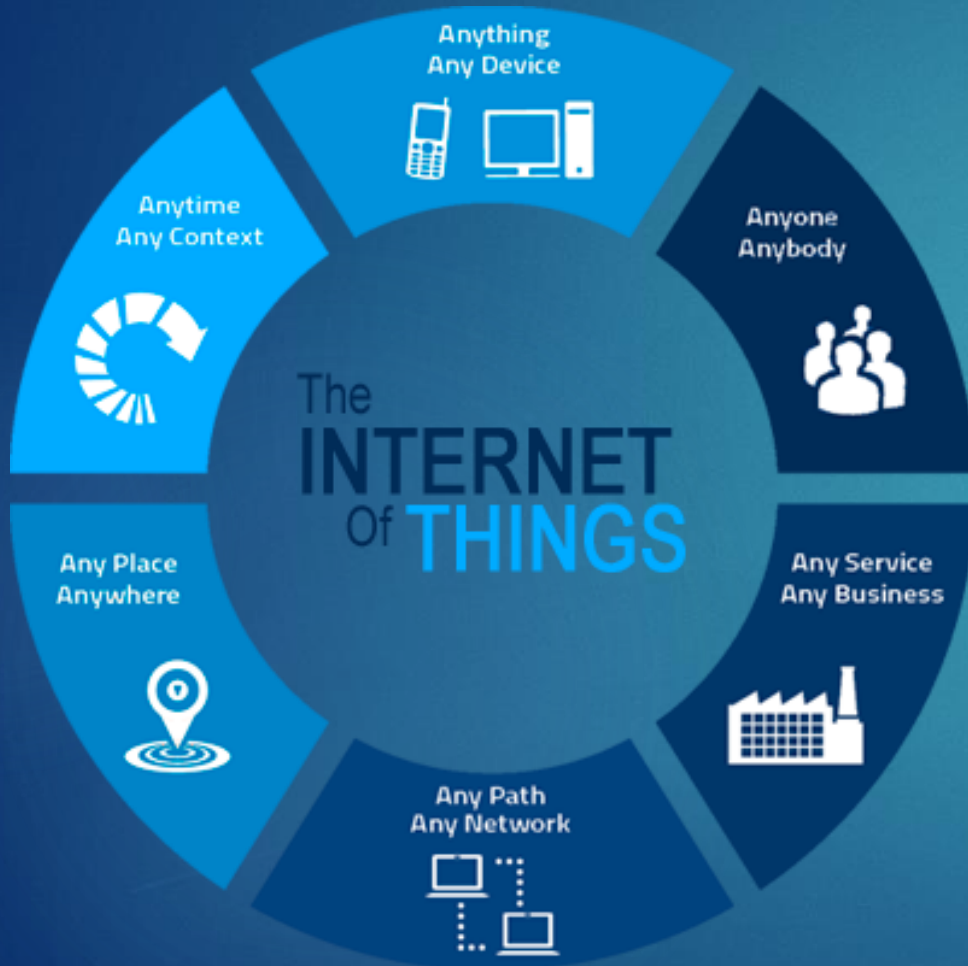
Internet of Things (IOT)



Internet of Things (IOT)

Video

Internet of Things (IOT)



Internet of Things (IoT)- Business Application



Smart Locks



Supply Chain
Data Loggers



Bar Code
Reader &
RFID Tags



Smart Lighting
& HVAC



Voice Assistants

Challenges for Implementation of these Technologies



Business Risk



Technology Utilization



Cost of Implementation



Appropriate Incentive



Appropriate Communication



Effective Security

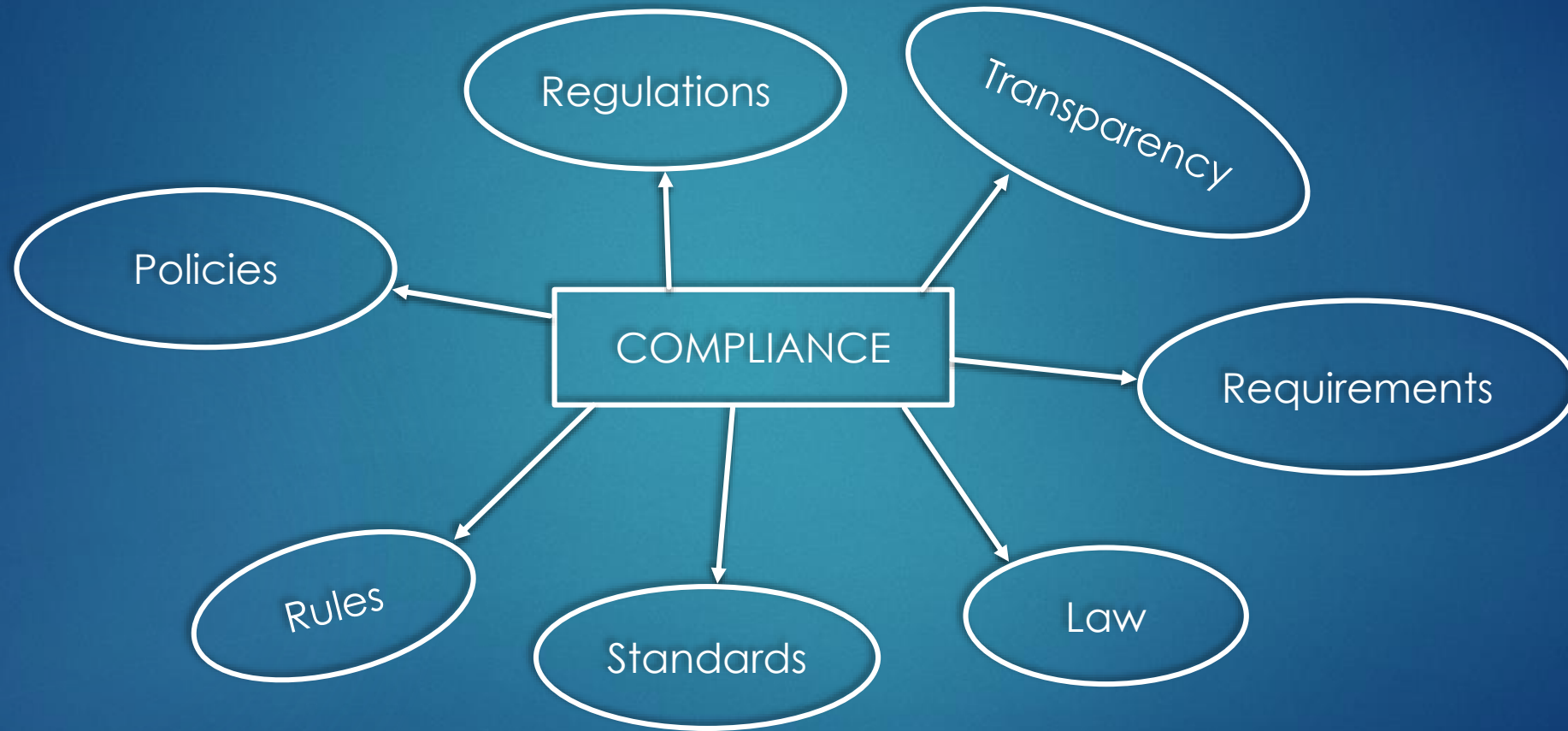


Qualified Manpower



Compatibility with Existing System

Regulatory Challenges



Challenges Posed by Regulators



Uncertain
Policies



Forecasting



Timely
Financials



Financial
Management

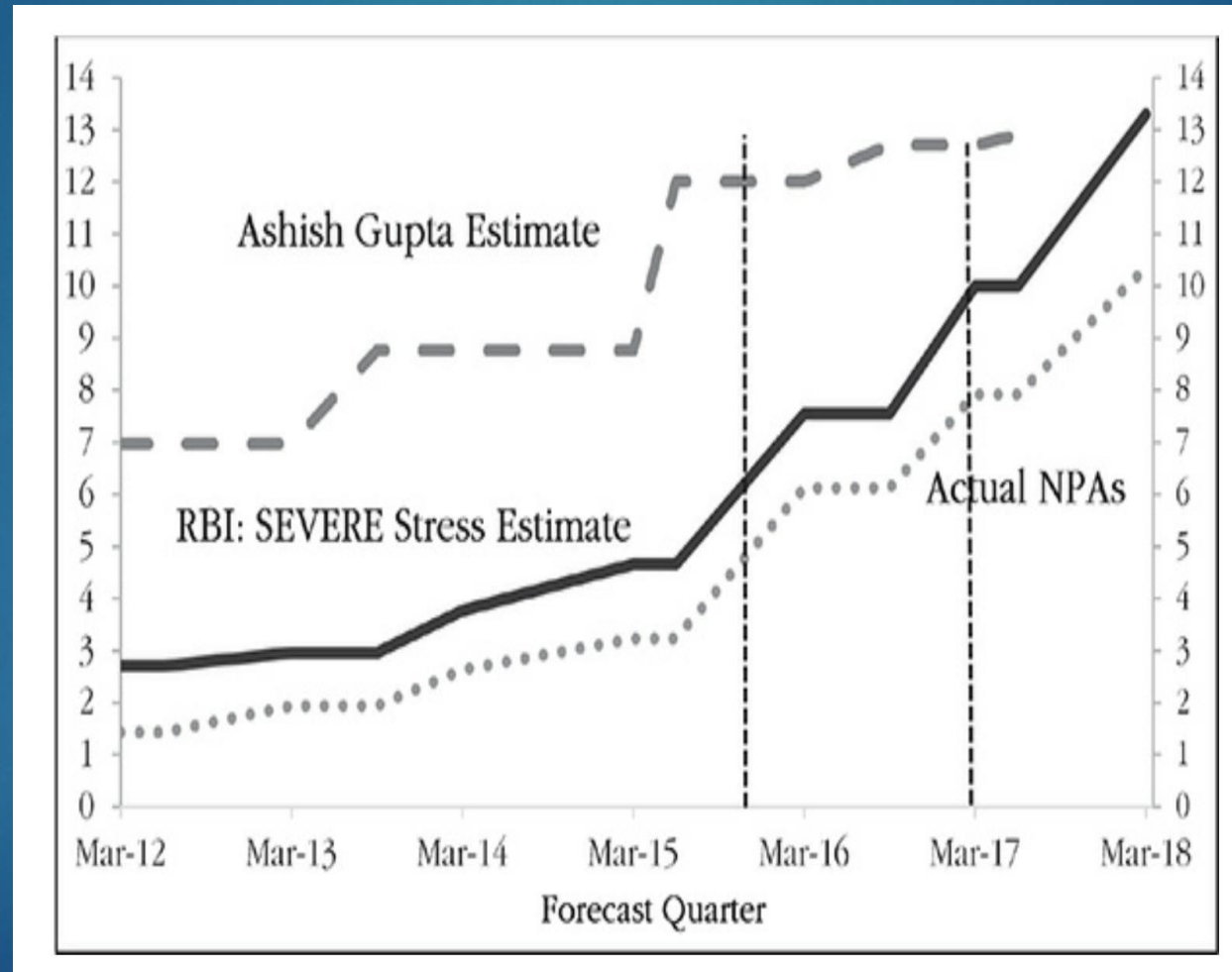


Educating
Regulators

Indian Bankruptcy Code (IBC)



Why IBC - The Twin Balance Sheet Challenge



The Insolvency and Bankruptcy code, IBC (2016) was passed by the parliament on 11 May 2016, received presidential assent on 28 May 2016 and was notified in the official gazette on the same day.

Erstwhile Legislative Framework

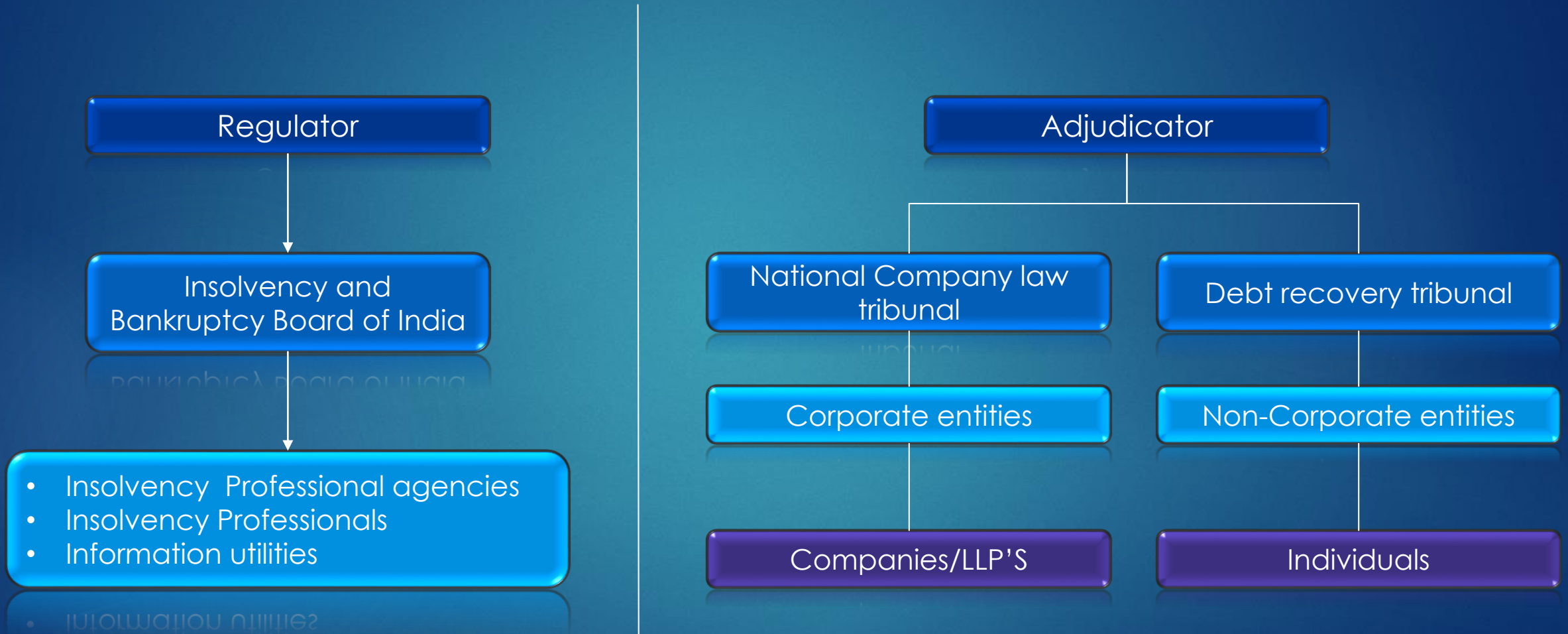
- Chapter XIX and Chapter XX of companies act 2013
- Part VIA ,Part VII & Section 391 of Companies act,1956
- RDDBFI Act,1993
- SARFAESI Act,2002
- SICA Act,1985
- The Presidency Towns Insolvency Act,1909
- The Provincial insolvency Act,1920
- Chapter XIII of the LLP Act,2008

New Framework

The Insolvency and Bankruptcy code

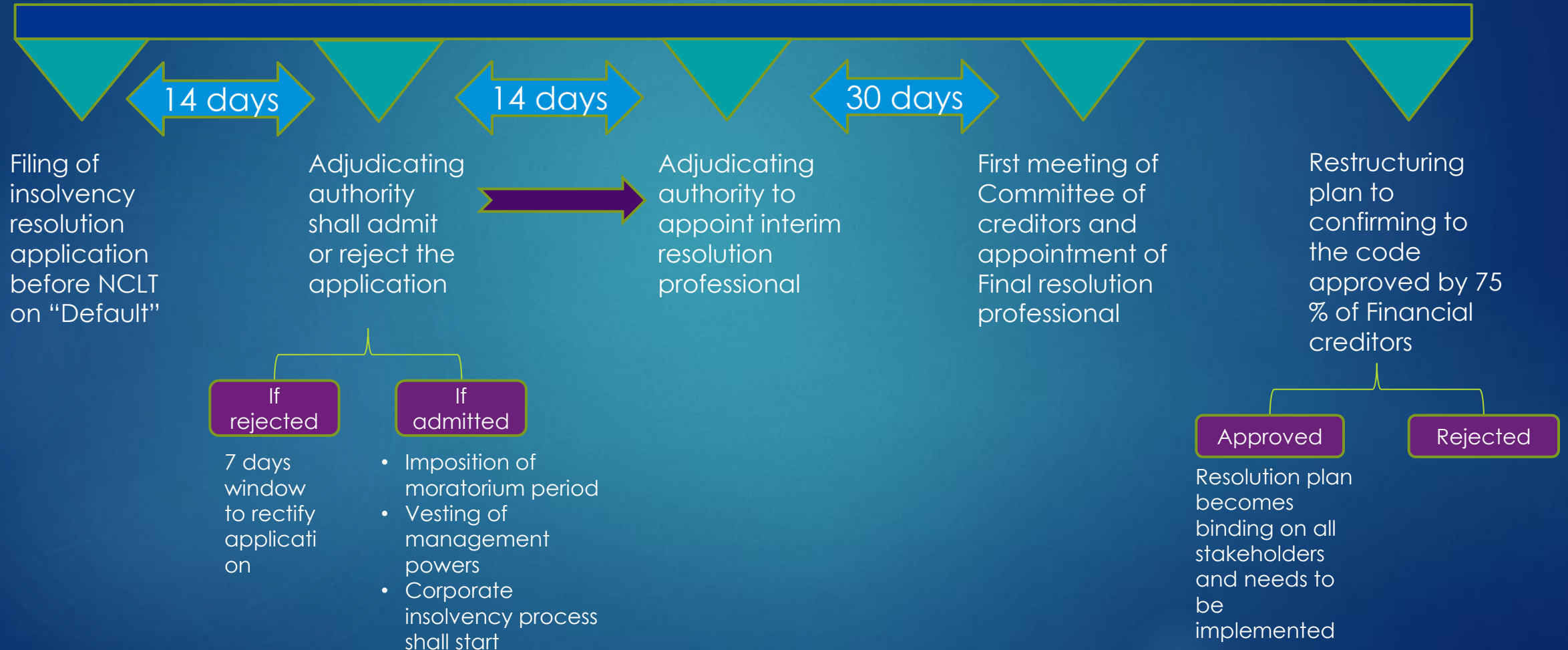
“An act to consolidate and amend the laws relating to the reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders including the alteration in the order of priority of payment of government dues and to establish an Insolvency and bankruptcy Board of India and for matters connected therewith or incidental thereto.”

Framework of the Code



Time bound Insolvency Resolution Process

180 days (extendable up to 90 days) ,Extendable once, only under exceptional circumstances



Corporate Insolvency Resolution Process



Default

- Failure to pay whole or part of amount of debt or interest due



Who can file application

- Financial creditor
- Operating creditor
- Corporate debtor



Interim resolution professional

- Applicant can propose name of IRP in application
- Vested with powers of management



Moratorium period

- The code provides for an automatic moratorium of 180 days against any debts recovery actions by creditors

Corporate Insolvency Resolution Process



Committee of creditors

- Consists of financial creditors, other than related parties
- Appoint resolution professional



Resolution plan

- Payment of resolution process costs
- Repayments to Operational creditors, which should not be lesser than the amount to be received by them in case of liquidation of corporate debtor



Voting power

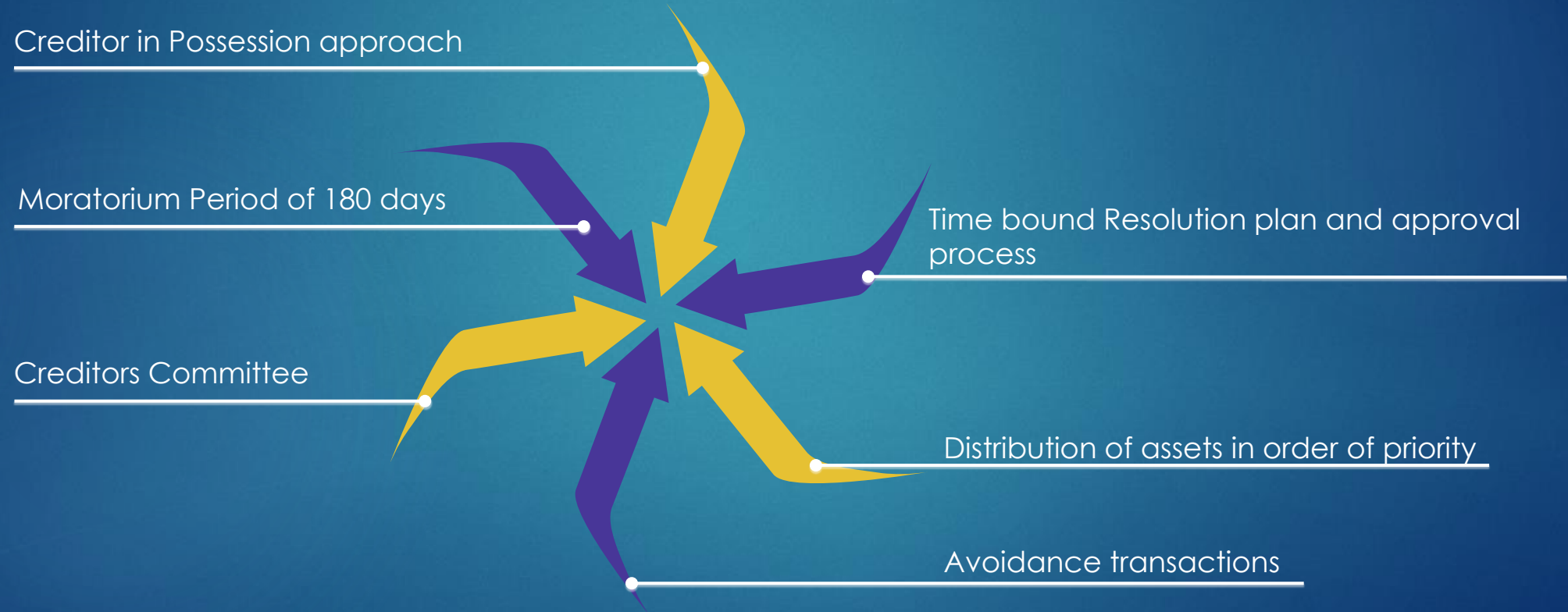
- Decision of committee shall be approved by 75% of financial creditors
- Operational creditors can attend meeting but will have not right to vote



Order of distribution

- Resolution process and liquidation costs
- Secured creditor and workmen dues (upto 24 months)
- Other employee dues (12 months)
- Financial debts of unsecured creditors
- Government dues (upto 2 years) and unpaid secured creditors
- Any remaining debts and dues
- Shareholders

Salient features of Insolvency and Bankruptcy Code, 2016



Key amendments to IBC

Relief to home buyer

Home buyers and other real estate buyers were not recognized either as “financial creditors” (FC) or “operational creditors” prior to ordinance. Ordinance now provides that they will be treated as FC

Initiation of CIRP by Corporate applicant

Special Resolution must be passed by shareholders of Corporate Debtor with at least 3/4 majority mandatory for filing application u/s 10

RP Responsible for ongoing Legal compliances

RP Shall be responsible for complying with requirements under any law for the time being in force on behalf of Corporate debtor

CoC voting threshold reduced to 66%

- Applying for an extension for the CIRP period from 180 to 270 days
- Appointment and replacement of Resolution professional
- Approving a resolution plan

Debt Resolution Under IBC – 12 Large Accounts

RBI identified 12 accounts for insolvency proceedings with each of them having over Rs 5,000 crore of outstanding loans, accounting for 25 per cent of total NPAs of banks.

Bhusan Steel
Ltd.

Amtek Auto
Ltd.

Alok Industries
Ltd.

Lanco Infratech
Ltd.

Electrosteel
Steels Ltd.

Bhusan Power
& Steel Ltd

Jaypee
Infratech Ltd.

ABG Shipyard
Ltd.

Monnet Ispat
and Energy Ltd.

Essar steel Ltd.

Jyoti Structures
Ltd.

Era Infra
Engineering
Ltd.

IFRS 15



IFRS 15- Revenue Recognition

IFRS 15 : Revenue Recognition Standards

1

Contract(s)
with
Customer

2

Contracts
Performance
Obligations

3

Transaction
Price

4

Allocate
Transaction
Price

5

Recognize
Revenue When a
Performance
Obligation met

Business Function Impacts

- Existing Contract Reassessment
- New Contract Definition
- Payment Terms

- Service Commitment
- Product Delivery
- Method of Measuring Progress

- Discounts
- Refunds
- Rebates
- Credits
- Incentives
- Bonus

- Standard Price
- Discounts
- Allocation
- Service and Product Delivery Commitment

- Direct Labor
- Direct Materials
- Allocation of Overheads
- Cost that are Explicitly Chargeable

IFRS 16- Leases



IFRS 16- Leases

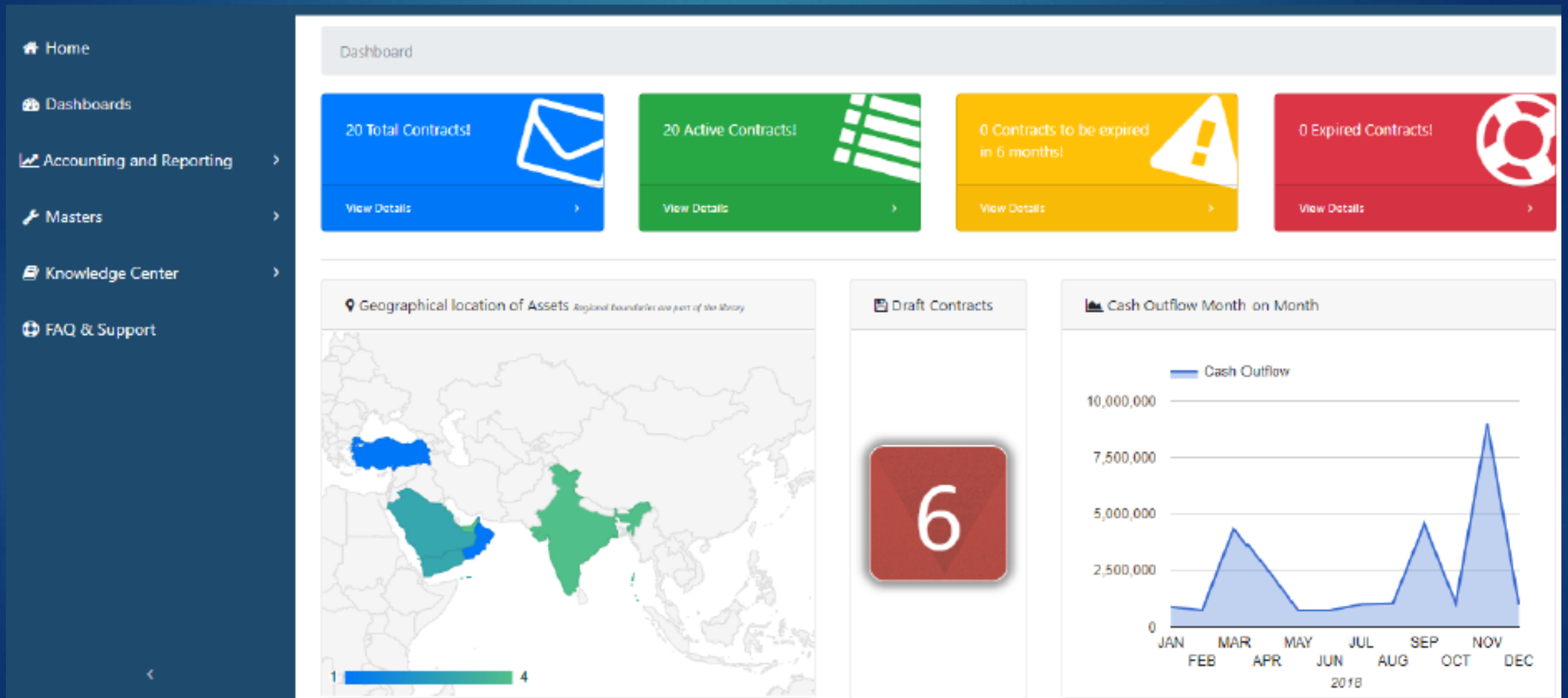
	IAS 17		IFRS 16
	Finance leases	Operating leases	All leases
Assets	✈️ 🏠	---	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> ✈️ ✈️ 🚗 🚌 🏠 🏠 🏠 </div>
Liabilities	\$\$	---	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> \$\$\$\$\$\$\$\$ </div>
Off balance sheet rights / obligations	---	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> 🚗 🚌 ✈️ 🏠 🏠 \$\$\$\$\$\$ </div>	---

Impacts of implementing IFRS 16



<u>Viewpoint of Lessor:</u>	<u>Viewpoint of Lessees:</u>
<p>Lessors are likely to be least affected by the changes introducing changes for:</p> <ul style="list-style-type: none">• Subleases• Lease modifications• Disclosures	<ul style="list-style-type: none">• Initial analysis of all contracts.• Making new estimates depending on the nature and term of a lease.• Initial recognition and classification.• Subsequent measurement and re-measurement.• Identification of lease modifications.• Disclosures preparation.

IFRS 16 - tool



THANK YOU

PIYUSH KHANDELWAL

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